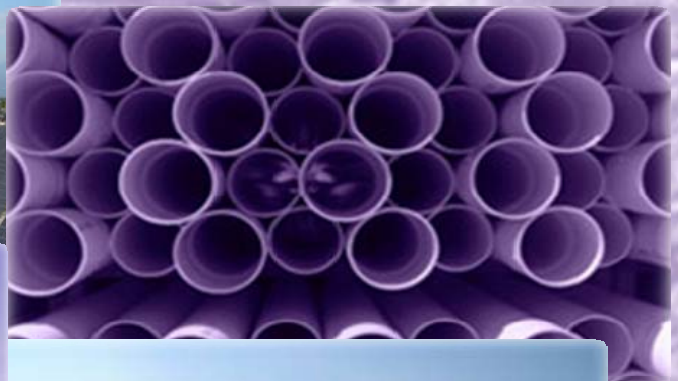


# INLAND EMPIRE UTILITIES AGENCY

**Comprehensive Annual Financial Report**  
**Fiscal Year Ended**  
**June 30, 2009**



**A Municipal Water District**  
**Chino, California**



Building For Tomorrow ....

The IEUA TEAM at work

In the Communities it Serves.



The background of the cover is a photograph of the Inland Empire Utilities Agency building, a modern structure with a tiled roof and large windows. In the foreground, there is a landscaped area with rocks, shrubs, and a small stream or pond. The entire image is overlaid with a semi-transparent purple filter.

# **INLAND EMPIRE UTILITIES AGENCY**

**Chino, California**

## **Comprehensive Annual Financial Report**

**Fiscal Year Ended**

**June 30, 2009**

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Prepared By the Fiscal Management and  
Financial Planning Departments  
Michael C. Chung, Manager of Fiscal Management  
Christina Valencia, Manager of Financial Planning

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## *Agency Vision*

*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.*

## *Agency Value*

*The success of the Agency depends on  
teamwork, mutual trust and respect, and  
commitment to the highest standards of quality,  
responsibility, accountability,  
and dedication.*

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**INLAND EMPIRE UTILITIES AGENCY**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2009**

**TABLE OF CONTENTS**

**Introductory Section**

**Page**

Letter of Transmittal	I
Certificate of Achievement for Excellence in Financial Reporting - GFOA	XV
Organizational Chart	XVI
Principal Officials	XVII
Strive To Achieve Recognition Program	XVIII
Employee of the Year	XIX

**Financial Section**

<b><i>Independent Auditor's Report</i></b>	1
<b><i>Management's Discussion and Analysis</i></b>	3
<b><i>Basic Financial Statements</i></b>	15
Statement of Net Assets	16
Statement of Revenues, Expenses and Changes in Fund Net Assets	20
Statement of Cash Flows	22
Notes to the Basic Financial Statements	29
<b><i>Required Supplementary Information</i></b>	71
Combining Statement of Net Assets - Non-Major Enterprise Funds	72
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Non-Major Enterprise Funds	76
Statement of Cash Flows - Non-Major Enterprise Funds	78

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**INLAND EMPIRE UTILITIES AGENCY**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2009**

**TABLE OF CONTENTS**

	<u><b>Page</b></u>
<b><i>Individual Fund Statements and Schedules</i></b>	
<b><i>Regional Wastewater Fund</i></b>	85
Combining of Net Assets by Subfund	86
Combining of Revenues, Expenses and Changes in Fund Net Assets by Subfund	88
<b><i>Recharge Water Fund</i></b>	89
Schedule of Net Assets	90
Schedule of Revenues, Expenses and Changes in Fund Net Assets	92
<b><i>Recycled Water Fund</i></b>	93
Schedule of Net Assets	94
Schedule of Revenues, Expenses and Changes in Fund Net Assets	96
<b><i>Water Fund</i></b>	97
Schedule of Net Assets	98
Schedule of Revenues, Expenses and Changes in Fund Net Assets	99
<b><i>Non-reclaimable Wastewater Fund</i></b>	101
Schedule of Net Assets	102
Schedule of Revenues, Expenses and Changes in Fund Net Assets	104
<b><i>Organics Management Fund</i></b>	105
Schedule of Net Assets	106
Schedule of Revenues, Expenses and Changes in Fund Net Assets	108
<b><i>Administrative Services Fund</i></b>	109
Schedule of Net Assets	110
Schedule of Revenues, Expenses and Changes in Fund Net Assets	112

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**INLAND EMPIRE UTILITIES AGENCY**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2009**

**TABLE OF CONTENTS**

<b><u>Statistical Section</u></b>	<b><u>Page</u></b>
Wastewater Revenue Funds - Combined Statement of Revenues and Expenses and Changes in Fund Net Assets	114
Combined Statement of Revenues, Expenses and Changes in Fund Net Assets - All Funds	116
Wastewater Capital Connection Deposits Held	118
Wastewater Revenue Funds' Capital Requirement	120
Regional Wastewater Funds – Service Charge Revenue and Rates by Contracting Agency	122
Wastewater Revenue Funds' Coverage Ratio – With Seven Year Comparison	123
Wastewater Revenue Funds' Coverage Ratio	124
Computation of Direct and Overlapping Bonded Debt	126
Operating Indicators – Wastewater Facilities Design Capacity and Average Flow	128
Operating Indicators – Actual Wastewater Flow	129
Operating Indicators – Projected Wastewater Flow	130
Operating Indicators -	
Operating Indicators FY2007/08 Staffing Allocations	131
Operating and Capacity Indicators	132
Demographic and Economic Statistics	133

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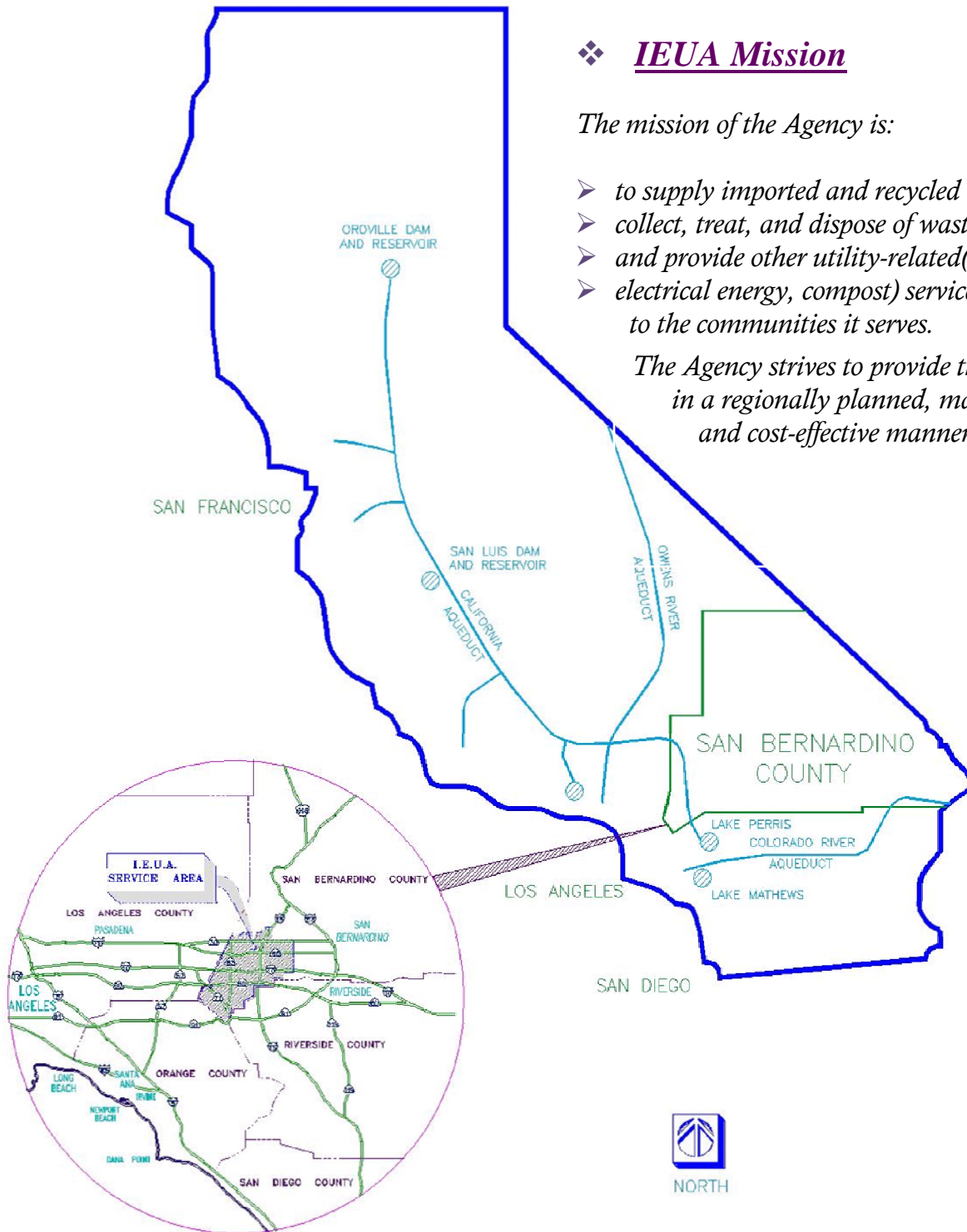
# INLAND EMPIRE UTILITIES AGENCY

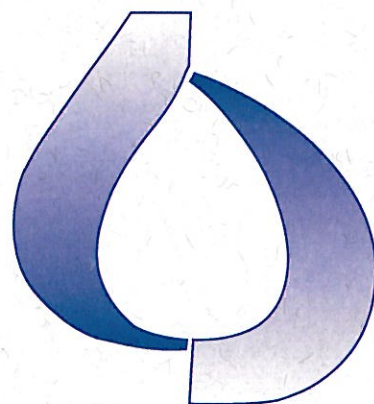
## ❖ IEUA Mission

*The mission of the Agency is:*

- to supply imported and recycled water;
- collect, treat, and dispose of wastewater;
- and provide other utility-related (renewable electrical energy, compost) services to the communities it serves.

*The Agency strives to provide these services in a regionally planned, managed, and cost-effective manner.*





## ***INTRODUCTORY SECTION***



## Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

6075 Kimball Ave, • Chino, CA 91708  
P.O. Box 9020 • Chino, Hills, CA 91709  
TEL (909) 993-1600 • FAX (909) 597-8875  
[www.ieua.org](http://www.ieua.org)

December 16, 2009

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

State law and local ordinances require the Agency to annually publish a comprehensive report of its financial condition and activities, audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, it is with pleasure that we present The Comprehensive Annual Financial Report of the Inland Empire Utilities Agency (referred to as the Agency) for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of the Inland Empire Utilities Agency. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the Agency has established a comprehensive internal control framework that is designed both to protect the agency's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the Agency's financial statement in conformity with GAAP. Because the cost of internal control should not outweigh their benefits, the Agency's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The Inland Empire Utilities Agency's financial statements have been audited by Mayer Hoffman McCann P.C., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Agency for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent audit concluded, based upon the audit, that there was reasonable basis for rendering an unqualified ("clean") opinion that the Inland Empire Utilities Agency's financial statements for the year ended June 30, 2009 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

*Fifty-Five Years of Excellence in Water Resources & Quality Management*

Terry Catlin  
President

Angel Santiago  
Vice President

Michael E. Camacho  
Secretary/Treasurer

Gene Koopman  
Director

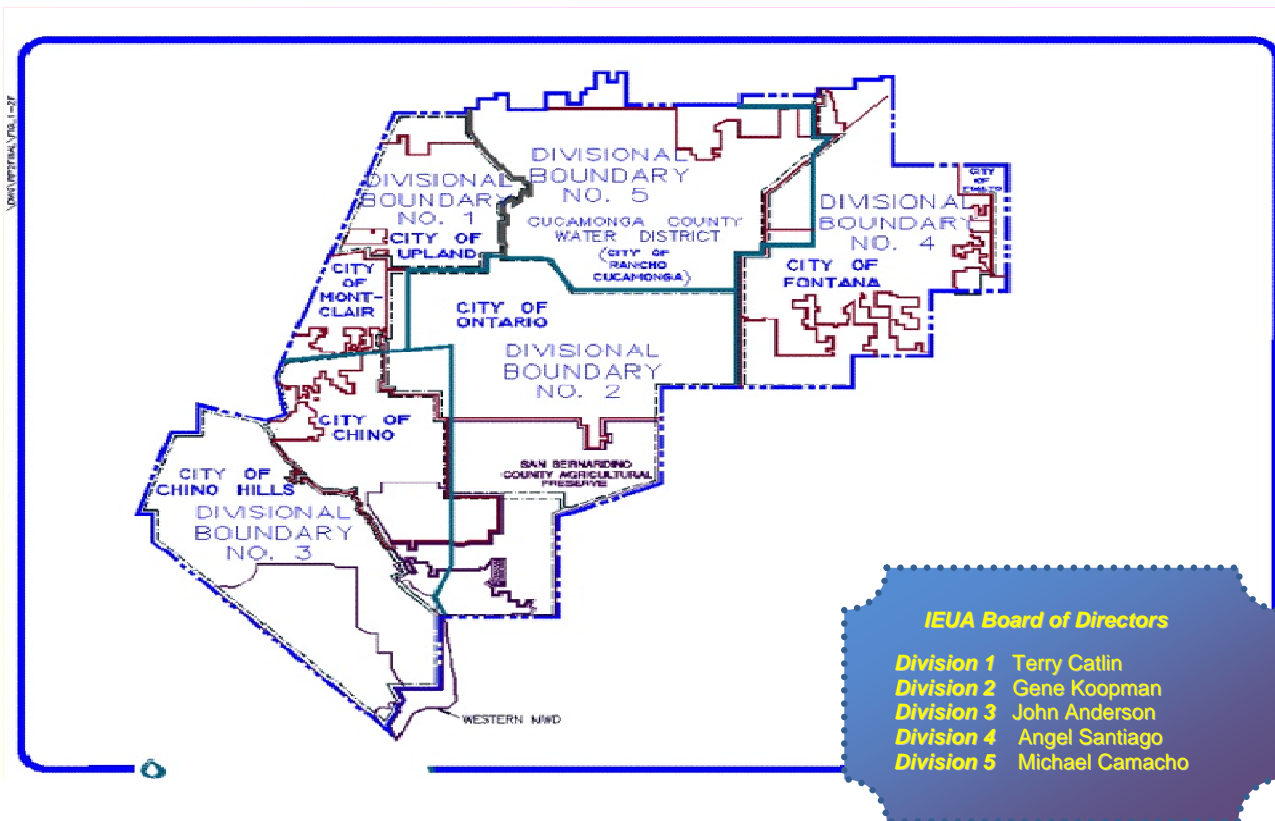
John L. Anderson  
Director

Richard W. Atwater  
Chief Executive Officer  
General Manager

## **INLAND EMPIRE UTILITIES AGENCY PROFILE**

### **Up to the Present**

The Agency was established by a majority vote in a special election, on June 6, 1950, to bring supplemental imported water to a semi-arid region, and to meet domestic and agricultural needs for an original population of approximately 80,000 people. Until July 1, 1998, the Agency was known as Chino Basin Municipal Water District, named after the underlying Chino groundwater basin, and was organized as a California municipal corporation and a political subdivision of the State under the Municipal Water District Act of 1911. Once formed, 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. 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.

**INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):**

**Up to the Present (continued):**

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**

*Regional Plant No. 1 (RP-1)* is located south of the 60 freeway at Archibald in the City of Ontario. This facility was originally commissioned in 1948 and has undergone several expansions to increase the design wastewater treatment capacity. RP-1 currently processes approximately 33.3 million gallons per day (mgd) of wastewater.



◆ **Regional Plant No. 2**



*Regional Plant No. 2 (RP-2)* is located in the southern service area in the City of Chino near El Prado and Pine Avenues and has been in operation since 1960. RP-2 wastewater flows have been diverted to RP-5, and as a result RP-2 no longer processes wastewater. Instead, treats the solids flow streams from the Carbon Canyon Water Recycling and Regional Water Recycling Plant No. 5 (RP-5) facilities.

◆ **Regional Plant No. 4**

*Regional Plant No. 4 (RP-4)* is located in the northeastern section of the service area in the City of Rancho Cucamonga, and has been in operation and producing recycled water since 1997. RP-4 is operated in conjunction with RP-1 to provide recycled water to users. The plant expansion project was completed late in FY0809 bringing the capacity from 7 mgd to 14 mgd, and it processed approximately 6.5 mgd.



**INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):**

**Up to the Present (continued):**

◆ **Regional Plant No. 5**

Regional Plant No. 5 (RP-5) is located in the Southwestern area of the Agency's boundary in the City of Chino. This facility was originally commissioned in 2000. Currently RP-5 processes approximately 10.1 mgd. RP-5 includes several treatment processes that contribute to providing a quality recycle water pursuant to the State of California Title 22 regulations.



◆ **Carbon Canyon Wastewater Recycling Facility**



Carbon Canyon Wastewater Facility (CCWRF) is located near the intersection of Central Avenue and Chino Hills Parkway in the City of Chino, and has been in operation since May 1992. Liquids are treated at CCWRF, while the solids removed from the waste flow are treated at RP-2. CCWRF processes approximately 9.9 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.

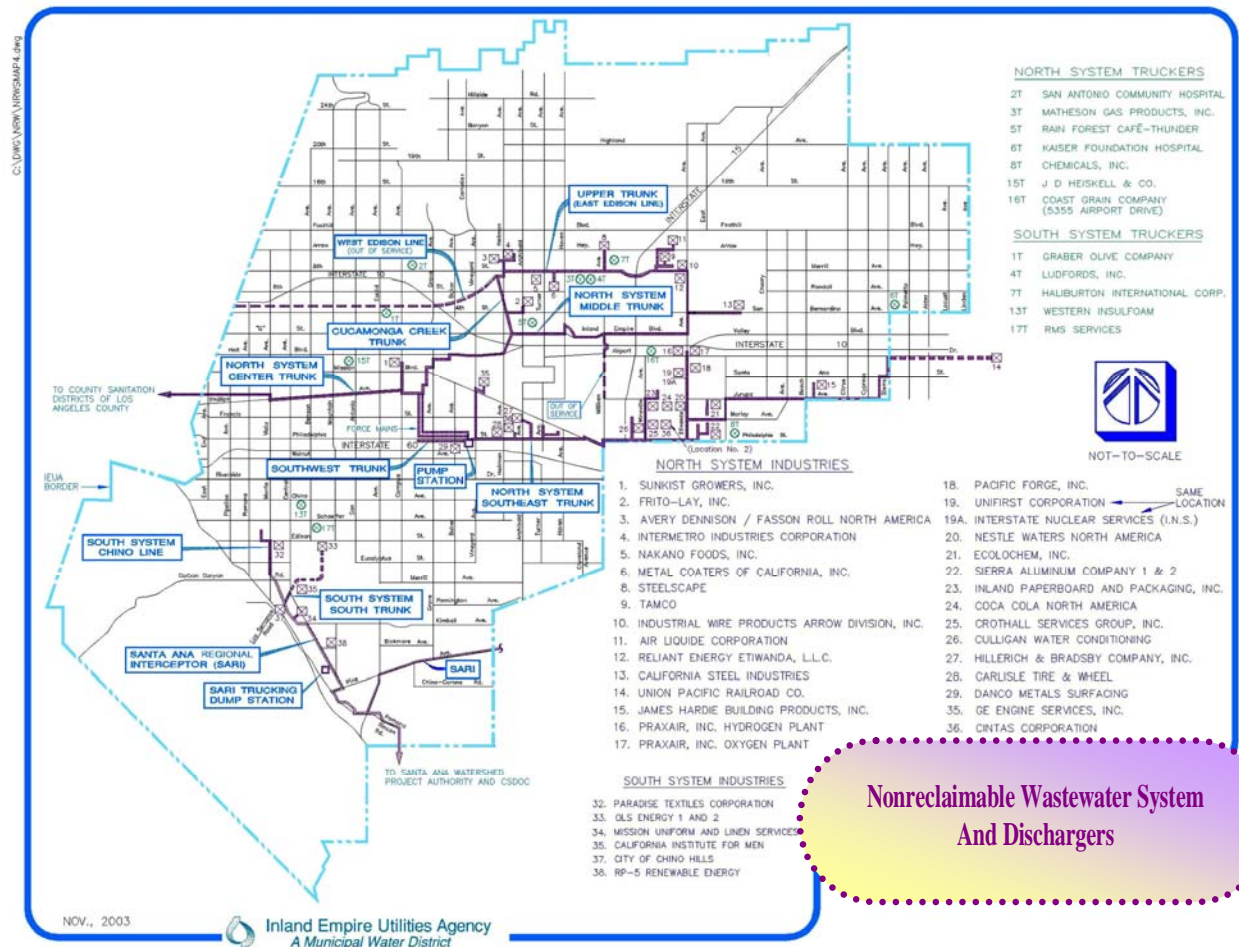
As of June 30, 2009, 64 industries discharged the brine wastewater generated from their process to the Agency's Nonreclaimable Wastewater System (NRWS). Some of the largest industries are California Steel Industries, Temple Inland Paperboard and Packaging Inc., Frito Lay Inc., Mission Uniform and Linen Services, Crothall Healthcare, Inc., Clement Pappas, Cintas #1 and Cintas #2, Chino Desalter I, GE Mobile Water, Arrowhead Water, Sierra Aluminum, Pacific Forge, Unifirst. These industries are directly connected to the Agency's NRWS. The NRWS also serves approximately 15 industrial customers that truck their wastewater to the Agency's dump discharge stations.

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 and 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. The wastewater generated from the Southern portion of the NRWS is diverted to Orange County Sanitation District.

**INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):**

**Up to the Present (continued):**

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.



**Nonreclaimable Wastewater System  
And Dischargers**

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.

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.

**INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):**

**Up to the Present (continued):**

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).

The Agency has replaced the existing facility with the nation's largest indoor biosolids composting facility, constructed by the RCA. The new facility started operation in March of 2007, and produces a wood based, nutrient rich, compost made from recycled green waste, biosolids and horse stable bedding. The previous composting site was sold to a local developer.



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 and Inland Empire Utilities Agency as an ex-officio member.

**ECONOMIC CONDITION and OUTLOOK**

Despite the State's unfavorable economic conditions, fiscal year 2008/09 turned out to be a very successful year for the Agency. While the State and many of our contracting agencies continued to struggle with lost revenues, IEUA has sustained its revenue base, due to the nature of its business and continued growth in property taxes. Additionally, cost containment measures have contributed to an increase in overall reserve balances.



Looking forward, with rapid declines in construction activities and high unemployment, the economic outlook is clouded. Moreover, the state will be facing another budget deficit because of the economic slowdown. The State has initiated the provisions of Proposition 1A to borrow local property tax revenue. IEUA's share is estimated to be about \$2.1 million dollars. At press time, IEUA has joined in the State's securitization program to avoid losing any portion of the \$2.1M. However, it is likely that the impact of adjusted assessments of devalued properties throughout the county in the next year or two will negatively affect Agency revenues.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

As a result of the depressed economy, the Agency cut drastically on capital expenditures as part of cost containment initiatives. However, the Agency continued to focus on the recycled water expansion projects in order to reach its projected demand of 50,000 acre feet of recycled water.

### **Major Initiatives for FY 2008/2009**

Total capital expenditures came to \$51 million, about 50% of the total amended budget. Some of the major projects completed in FY2008/09 were as follows:



#### **◆ RP-4 – Recycled Water Pump Stations; ASCE AWARD WINNING PROJECT**

In 1996 the City of Fontana and IEUA executed an agreement defining construction of infrastructure to bring wastewater from the northeast part of the Fontana to IEUA's regional wastewater Plant No. 4 (RP-4). The City was required to construct the San Bernardino Avenue sewer system between the San Sevaine Channel and Cypress Avenue. IEUA constructed the Lift Station and Force Main connecting to RP-4.

The Pump Station design was completed in 2008 followed by construction in 2009. The project was selected by ASCE San Bernardino and Riverside Branch as Civil Engineering Project of the Year.

#### ***Compaction of the soil around the 24 inch and 30 inch Force Main Lines on San Bernardino Avenue***



#### ***Installation of the Force Main Lines on San Bernardino Avenue***

The completion of the project captures and conveys wastewater flows to RP-4, providing additional recycled water supplies to the communities of Fontana and Rancho Cucamonga IEUA, together with the City of Fontana and Cucamonga Valley Water District, are planning construction of recycled water conveyance and distribution systems to improve recycled water use in their service areas.

**MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

**Major Initiatives for FY 2008/2009 (continued):**

💧 **RP-5 – 3.5 MW Solar Power Project**

This Solar Power Project includes solar cells installed at several IEUA facilities, including Regional Plant No. 5 (as pictured here at the RP-5 Project Dedication). The project is designed to offset 9% of IEUA's 13MW load and was implemented at record speed, being completed in less than nine months.



It was done through an innovative purchase power agreement with Sunpower; and, is said to be one of the largest solar power installations by a public agency.

South Coast Air Quality Management District representative Julia Lester, PHD is quoted as saying...



*"I am personally excited by this Project. When you understand the enormous challenge it will be to achieve healthful air in this area, this Solar Power Project takes on even more significance. This seems to me to be a natural continuation of IEUA's vision. This project produces local power with no air pollution, no greenhouse gases, reduces the need for other facilities to produce air pollution and greenhouse gases from fossil fuels, moves the Agency along the path of increased energy independence and represents innovative use of IEUA facilities."*

*"Part of our mission of being good environmental stewards is (that) you have to walk the walk. And when we produce clean water for our customers we need energy, so we wanted to find green, emission-free sustainable sources."* Daily Bulletin quote March 25, 2009



**MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

**Major Initiatives for FY 2008/2009 (continued):**

♦ **RP-1 – Order Control, Phase 1B and Solids Bypass;**



*Extension of the Headworks Building at RP-1*

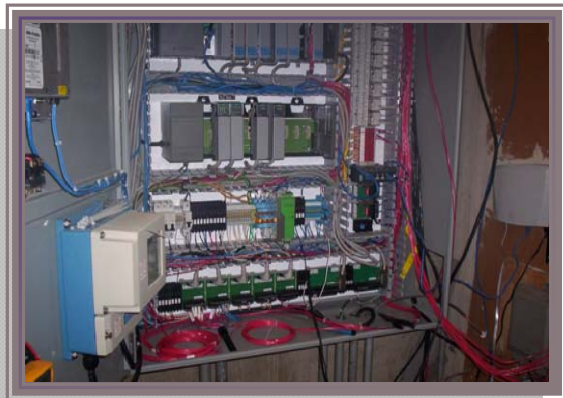


*End of Construction and Operation  
of the Odor Control Bio Filter*

♦ **RP-1 – Non-Reclaimable Wastewater System;  
Installation of new manhole rings and covers  
at the NRW Line.**



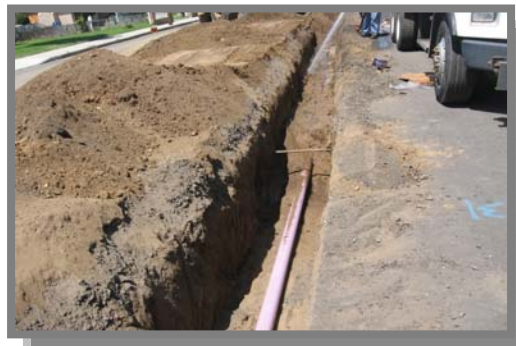
♦ **Philadelphia Pump Station Upgrades.  
Newly installed RTU Board at the  
Philadelphia Pump Station**



♦ **RP-4 – Expansion to 14 mgd;  
Testing of the Aeration panels in  
Aeration Basin #1.**



♦ **RP-4 – San Antonio Recycled Water  
Pipeline Segment B;**



**MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

**Major Initiatives for FY 2008/2009 (continued):**

- Completed a significant portion of the Recycled Water Three Year Business Plan and increased connection to meet 22,000 AF of recycled water.

**Recycled Water Customers and Usage Data:**

**Recent Connections:**

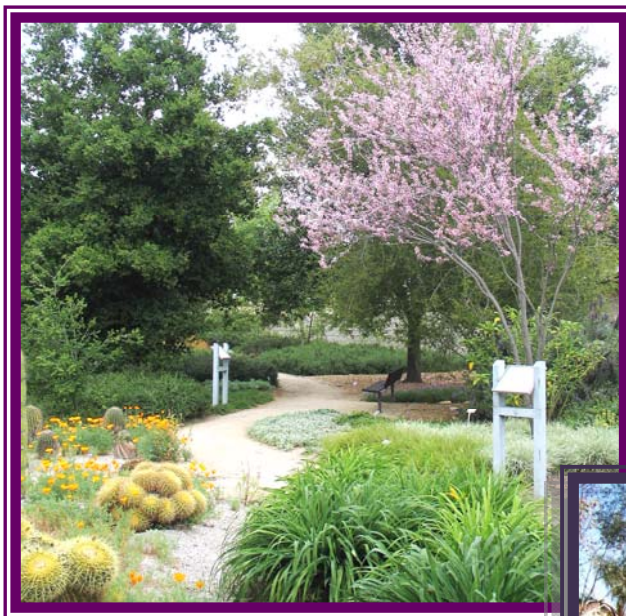
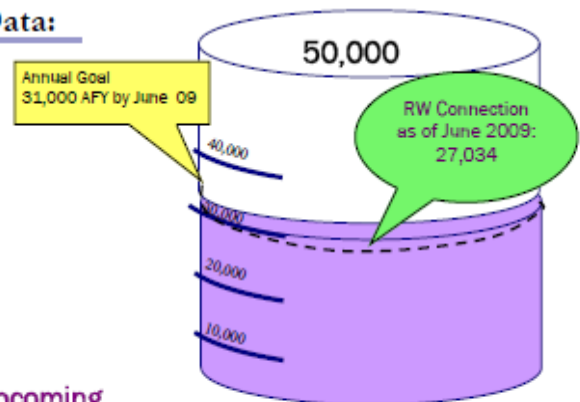
4th St. Landscape (CVWD, 5 AFY)  
 Mission Business Center (CVWD, 7 AFY)  
 Kingsley Park (MVWD, 9 AFY)  
 Saratoga Park (MVWD, 38 AFY)  
 Sunrise Park (MVWD, 7 AFY)  
 Sunset Park (MVWD, 21 AFY)  
 ACCO North America (Ontario, 9 AFY)  
 CCC-South (Ontario, 16.5 AFY)  
 Fruit Growers (Ontario, 20 AFY)  
 Galvin Park (Ontario, 30 AFY)  
 Vineyard Park (Ontario, 25 AFY)

**Upcoming Connections:**

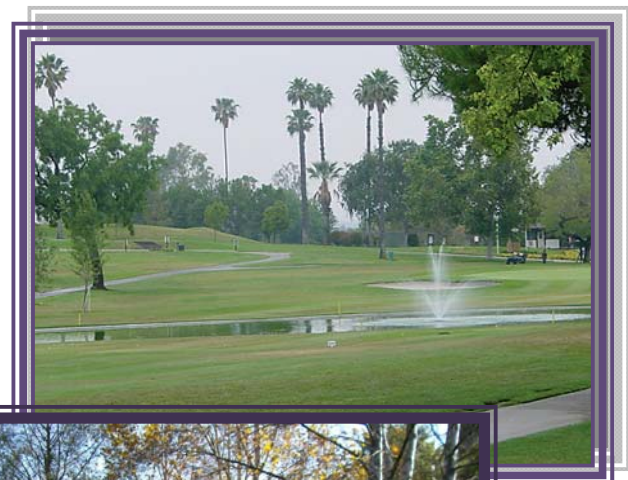
Vellano Golf Course (Chino Hills, 1,000 AFY)  
 Lee Farm on Schaeffer Ave (Ontario, 2,000 AFY)  
 CIM Farm N Connection (Chino, 2,000 AFY)  
 Bellevue Cemetery (Ontario, 220 AFY)  
 Cintas I (Ontario, 120 AFY)  
 Guasti Park (Ontario, 224AFY)

**Total New  
Connections:  
187.5**

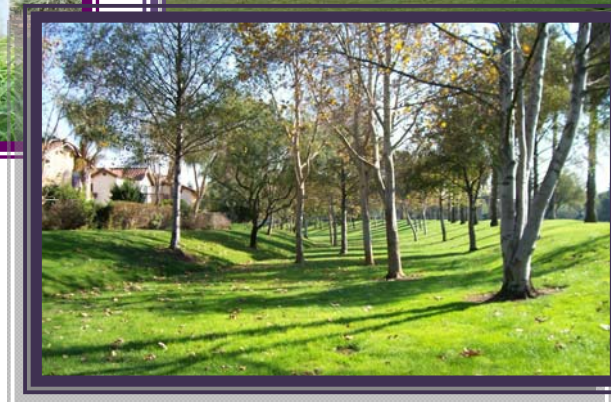
**Total Upcoming  
Connections:  
5,564 AFY**



**Chino Basin**  
**Water Conservation District**



**Los Serranos Golf Course**



**Butterfield Ranch**

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

### **Major Accomplishments for FY 2008/2009**

The highlights of major activities and accomplishments are as follows:

#### ***Funding Developments:***

- **Stimulus Funding - ARRA:** President Obama signed the American Recovery and Reinvestment Act of 2009 on February 17, 2009 that allocated \$6 billion for water and wastewater infrastructure improvements. Wastewater projects in California will receive \$280 million dollars through the Clean Water State Revolving Fund (CWSRF) Program and drinking water projects in California will receive \$160 million through the Drinking Water State Revolving Fund (DWSRF) Program.
  - IEUA has executed funding agreements for stimulus funding for the Northeast Area Recycled Water Project through the CWSRF Program.
- **Stimulus Funding – USBR:** Also, the United States Department of Interior, Bureau of Reclamation (USBR) has been allocated \$126 million for the Title XVI projects in the stimulus bill. IEUA is in line for \$19 million of the total appropriation through its Title XVI Recycled Water Business Plan Authorization.
  - The President's 2009 Budget contained a \$5 million appropriation for the IEUA project. A request for these funds was processed and the funds have been received.
  - On April 6, 2009 IEUA submitted two applications to USBR for Title XVI stimulus funds totaling \$14 million. The breakdown of the two application were as follow:

Northeast Area Project = \$10 million  
Northwest Area Project = \$ 4 million  
Total = \$14 million

- **Clean Water State Revolving Fund (CWSRF):** The California Water Resources Control Board adopted a new CWSRF Policy at their March 17, 2009 meeting. The new policy is designed to streamline and simplify the financial aid application process. The revised policy allows financing of soft costs (design, etc) and public sector on-site retrofits as an eligible cost.

As a result, on March 17, 2009 the Agency secured commitments for the following grants / State Revolving Fund Loan applications which included:

- \$4.2 million of grant from the California Water Resources Control for recycled water projects;
- \$34.0 million SRF loan from the State for the Northeast Area Recycle Water projects.

## **FUTURE YEARS**

The continuing State budget crisis will have significant fiscal impacts in the service area. Since property taxes are a primary funding source for the Agency, much would depend upon the State's ability to balance the budget in coming years. Also, we have to be cognizant of our contracting agencies' fiscal conditions, which are severely impacted by the State budget deficit.

### **FUTURE YEARS (continued):**

Future growth and construction activities are expected to recover slowly. As a result, connection fees will likely be low in coming years without additional property taxes. The Agency will continue to monitor the capital program and pursue vigorously grants and state low interest loans to fund essential projects, such as the recycled water expansion projects.

Water supply issues continue to be in the front page because of drought conditions, which resulted in the States' declaration of a drought emergency, mandating a 20% reduction in water use. It is anticipated that sharp increases in imported water rates charged by Metropolitan Water District will continue. The strategy is to work collaboratively with contracting agencies and other local governments to promote water conservation and increased use of recycled water.

Regulatory and permitting issues are also creating a major challenge for the Agency in the near future.

### **Vision**

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



The mission of the Agency is to supply imported and recycled water, collect, treat, and dispose of wastewater and provide other utility-related (renewable electrical energy, compost) services to the communities it serves. The Agency strives to provide these services in a regionally planned, managed, and cost-effective manner.

IEUA will continue to stay focused and be aggressive in the following programs:

1. Groundwater Management;
2. Water Recycling;
3. Organics Management;
4. Self Generating Energy, and
5. Water Conservation.

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

- Continue to strengthen water resources management initiatives to meet the reliable water supply challenge.
- Continue the effort to build recycled water infrastructure to promote usage of recycled water.
- Collaborate with the Chino Basin Watermaster on the implementation of the Optimum Basin Management Plan.
- Manage costs effectively through improved efficiency and productivity.
- Increase effort in contributing to a green environment.

## **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 following Board approval.

### **Cash and Investment Management**

In order of priority, the Agency's objectives when investing, reinvesting, purchasing, acquiring, selling 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 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, per type of instrument, to a percentage between 10% and 50% of the surplus funds investment portfolio at the time of 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.

## **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 Mayer Hoffman McCann P.C., 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, 2008. This was the eleventh consecutive year the Agency has received this prestigious award.

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.


### **Acknowledgements**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Agency's Financial Planning and Fiscal Management Departments. 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, Mayer Hoffman and McCann P.C. 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,



Richard W. Atwater  
Chief Executive Officer  
General Manager



Dean Martin  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
Inland Empire Utilities Agency -  
A Municipal Water District  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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.



A stylized, handwritten signature in black ink.

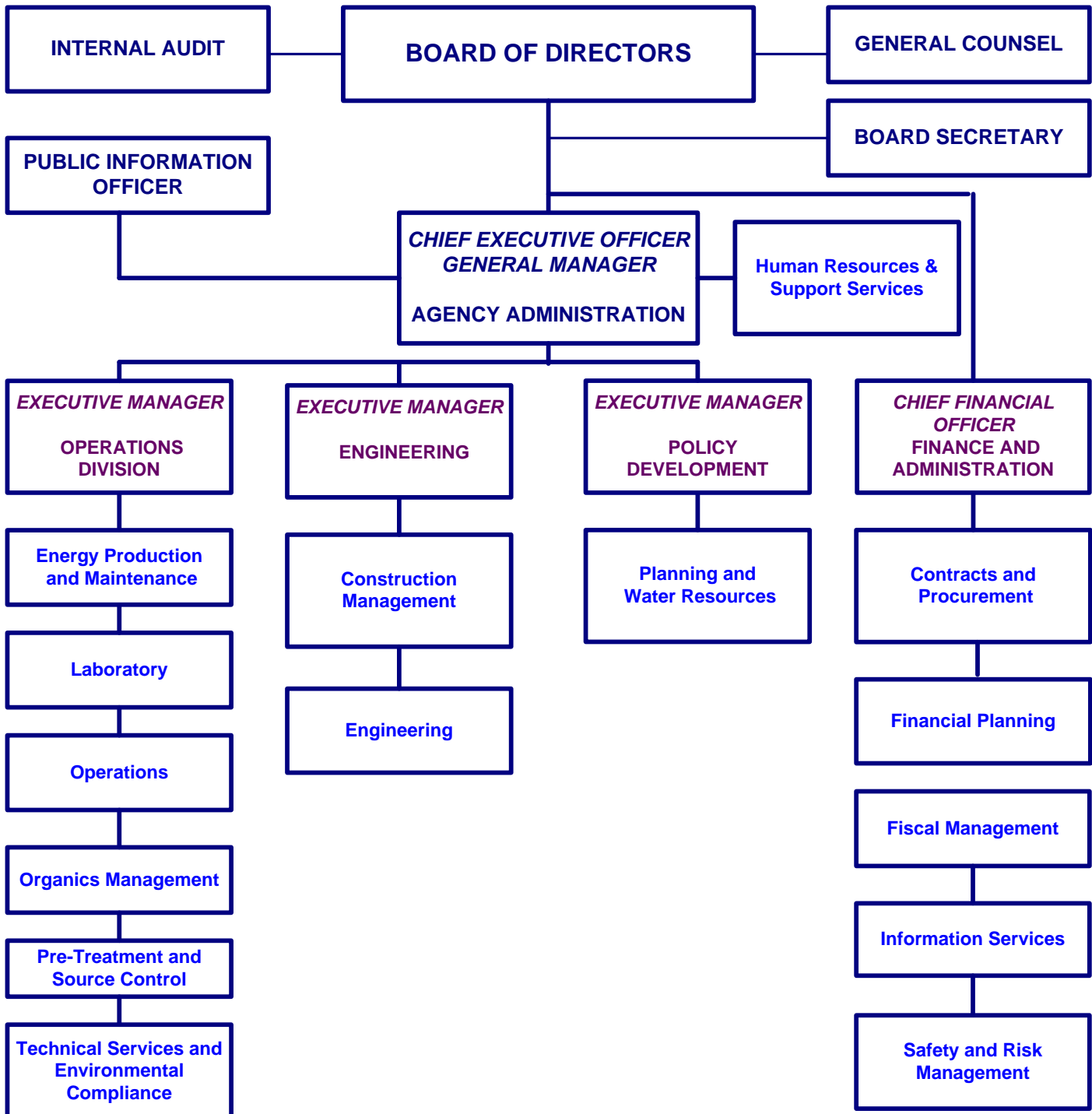
President

A handwritten signature in black ink that reads "Jeffrey R. Enen".

Executive Director

# INLAND EMPIRE UTILITIES AGENCY

## FY 2008/2009 ORGANIZATIONAL CHART



# **INLAND EMPIRE UTILITIES AGENCY**

## ***Principal Officials***

***June 30, 2009***

### **BOARD OF DIRECTORS**

<b>Terry Catlin</b>	<i>President</i>
<b>Angel Santiago</b>	<i>Vice President</i>
<b>Michael E. Camacho</b>	<i>Secretary/Treasurer</i>
<b>John L. Anderson</b>	<i>Director</i>
<b>Gene Koopman</b>	<i>Director</i>

### **EXECUTIVE STAFF**

<b>Richard W. Atwater</b>	<i>Chief Executive Officer - General Manager</i>
<b>Dean Martin</b>	<i>Chief Financial Officer</i>
<b>Patrick Sheilds</b>	<i>Executive Manager - Operations Division</i>
<b>Thomas A. Love</b>	<i>Executive Manager - Engineering</i>
<b>Martha Davis</b>	<i>Executive Manager - Policy Development</i>

### **MANAGEMENT STAFF**

<b>Gary P. Bankston</b>	<i>Manager - Energy Production &amp; Maintenance</i>
<b>Chris Berch</b>	<i>Manager - Operations</i>
<b>Tina Y. Cheng</b>	<i>Budget Officer</i>
<b>Michael C. Chung</b>	<i>Manager - Fiscal Management</i>
<b>Gabe J. De Saddi</b>	<i>Manager - Construction Management</i>
<b>Parivash Dezham</b>	<i>Manager - Pre-Treatment and Source Control</i>
<b>Sondra J. Elrod</b>	<i>Administration &amp; Public Information Officer</i>
<b>Jack E. Frazier</b>	<i>Manager - Safety</i>
<b>Jonathan Glazier</b>	<i>Manager - Information Services</i>
<b>Warren Green</b>	<i>Manager - Safety and Risk Management</i>
<b>Nelletje Groenveld</b>	<i>Manager - Laboratories</i>
<b>Jason Gu</b>	<i>Grants Officer</i>
<b>Gary E. Hackney</b>	<i>Manager - Program Funding</i>
<b>Gina L. Hillary</b>	<i>Manager - Human Resources and Support Services</i>
<b>Cameron B. Langner</b>	<i>Manager - Contracts and Procurement</i>
<b>Randy C. Lee</b>	<i>Manager - Technical Services &amp; Environmental Compliance</i>
<b>Craig J. Parker</b>	<i>Manager - Engineering</i>
<b>Marvin Shaw</b>	<i>Manager - Planning and Water Resources</i>
<b>Christina Valencia</b>	<i>Manager - Financial Planning</i>
<b>Teresa Velarde</b>	<i>Manager - Internal Audit</i>
<b>April Woodruff</b>	<i>Board Secretary</i>
<b>Ernest Yeboah</b>	<i>Manager - Maintenance</i>

## ***STRIVE TO ACHIEVE RECOGNITION (STAR) PROGRAM***

The Agency Mission statement was specifically written to provide guidelines for the success of the Agency, its officials, and employees. The Board of Directors and employees of the Agency are responsible for fulfilling the mission and values by expecting and demonstrating:

- ★ *Loyalty, professionalism and ethical behavior.*
- ★ *Open and courteous communication with each other and with the communities served.*
- ★ *Prudent and cost-effective resource planning, management, and utilization.*
- ★ *Safety and integrity of the Agency's employees, services, facilities, and the environment.*
- ★ *Innovation in meeting the present and future needs of the Agency.*

The STAR Program was conceived 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 2008/2009:

### **First Half FY 2008/2009**

#### **Finance/Administration**

*Wilson To – Technology Specialist*

#### **Engineering/Planning**

*Alan Lau – Associate Engineer*

#### **Operations**

*Julio Im – Sr. Associate Engineer*

### **Second Half FY 2008/2009**

#### **Finance/Administration**

*Matthew Hanson –Business System Analyst II*

#### **Engineering/Planning**

*Matthew Melendrez – Associate Engineer*

#### **Operations**

*Michael Barber – Pretreatment & Source Control  
Inspector II*

### ★ **Employee of the Year** ★

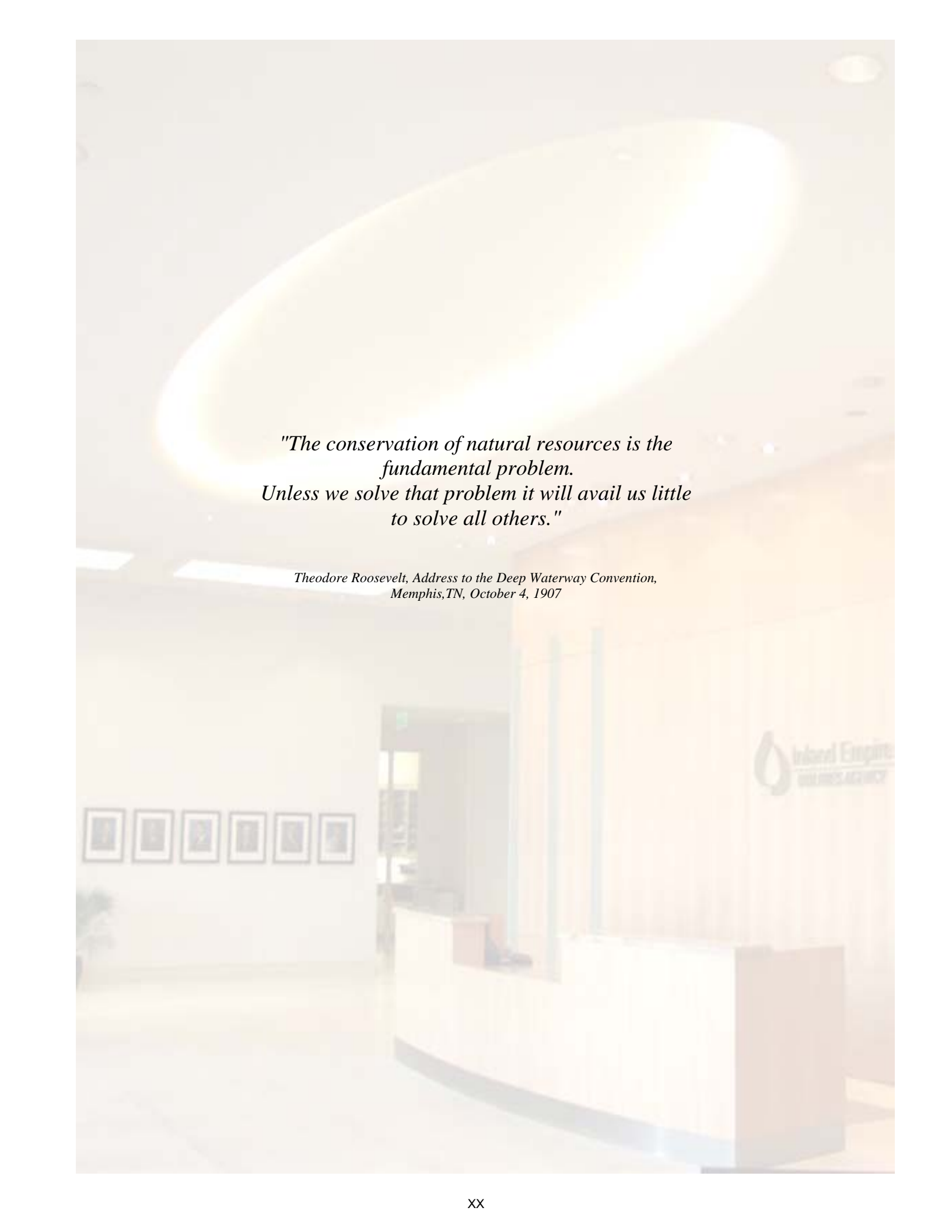
For the Fiscal Year 2008/2009, **Wilson To**, *Technology Specialist*, was chosen by the Selection Committee as the Employee of the Year.

***IEUA STAR AWARD RECIPIENT***  
***Employee of the Year 2008 / 2009***



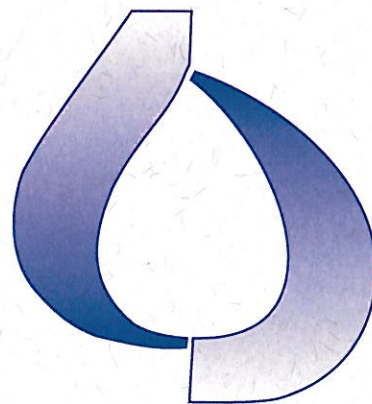
***Wilson To***  
***Technology Specialist***

*Wilson To* started working for IEUA in November of 2006. Wilson has accomplished a great deal of work, and IEUA staff relies on his support and friendly attitude. Wilson is very patient as he works through tough computer problems at IEUA. He has contributed many great ideas for streamlining processes and solving issues. Wilson was heavily involved with the Unified Messaging project at the Agency during the past year. He coordinated with IEUA staff and performed the configuration changes necessary to deliver their voice mail and fax messages to Outlook. Although he has great technical expertise, Wilson's strongest attributes are his customer service skills. Wilson is a very pleasant person to work with and an outstanding asset to IEUA.



*"The conservation of natural resources is the  
fundamental problem.  
Unless we solve that problem it will avail us little  
to solve all others."*

*Theodore Roosevelt, Address to the Deep Waterway Convention,  
Memphis, TN, October 4, 1907*



***FINANCIAL SECTION***



## Mayer Hoffman McCann P.C.

An Independent CPA Firm

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Irvine, California 92612  
949-474-2020 ph  
949-263-5520 fx  
www.mhm-pc.com

Board of Directors  
Inland Empire Utilities Agency  
Chino, California

### Independent Auditors' Report

We have audited the accompanying financial statements of the business-type activities, 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, 2009, 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 Agency. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the Agency for the year ended June 30, 2008 and, in our report dated January 21, 2009, we expressed an unqualified opinion on those financial statements.

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 the business-type activities, each major fund, and the aggregate remaining fund information of the Inland Empire Utilities Agency at June 30, 2009, 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.

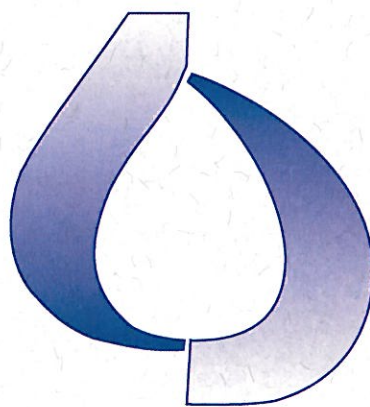
Board of Directors  
Inland Empire Utilities Agency  
Chino, California

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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2009, 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.

*Mayer Hoffman Melann P.C.*

Irvine, California  
November 30, 2009



***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

---

## **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, 2009. 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 method of 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 are: 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) organics management, digestion and marketing; 5) renewable energy production through digestion; and 6) Nonreclaimable wastewater system services, operations and maintenance.

Total revenues for FY 2008/09 decreased from \$115.3 million to \$95 million, primarily due to the gain on sale of land in the Regional Sewage fund of \$14 million reported in the prior fiscal year. Service charges, recycled water sales and property tax revenues increased by approximately 9.2% from a combined total of \$75.9 million in FY 2007/08 to \$82.8 million in the current fiscal year. The current economic recession continued to negatively affect new development in the Agency's service area resulting in a drastic decline in new connections to the Regional Sewage Treatment system of 65%, or \$5.7 million compared to \$16.6 million in the prior fiscal year. In response to the slowdown in new development, the Agency's Capital Improvement Program spending has been significantly curtailed and focus shifted from expansion to refurbishment, replacement, and improvement of existing facilities. A total of \$194 million in non essential capital projects that were primarily expansion related, have been deferred to date.

## **FINANCIAL HIGHLIGHTS**

### **Cash and Investment Management**

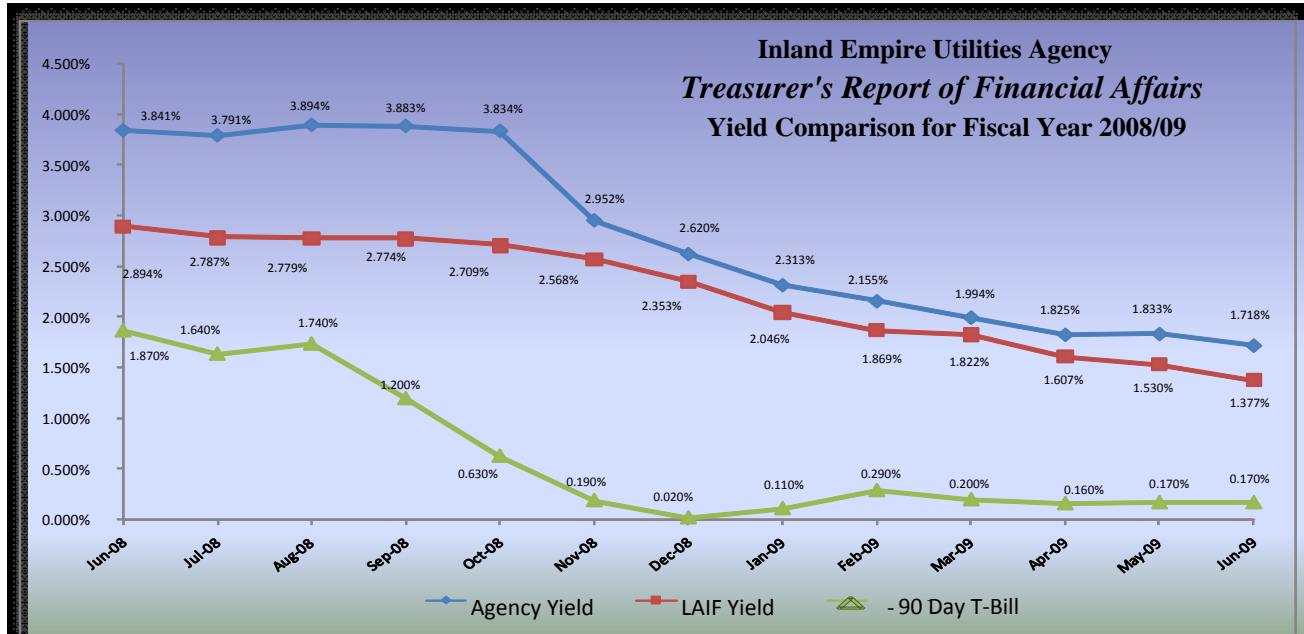
The Agency has a comprehensive cash and investment program subject to California State Code and bond covenants. These regulations are incorporated into the Agency's Investment Policy and Master Resolution, which identify the types of investments that are authorized and indicate any restrictions. Consistent with the State of California Government Code, the Agency bi-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, 2009 idle funds were invested in accordance with this policy. These investments primarily consisted of United States Government Securities/Instrumentalities and deposits in a pooled investment fund administered by the State of California.

## FINANCIAL HIGHLIGHTS (continued):

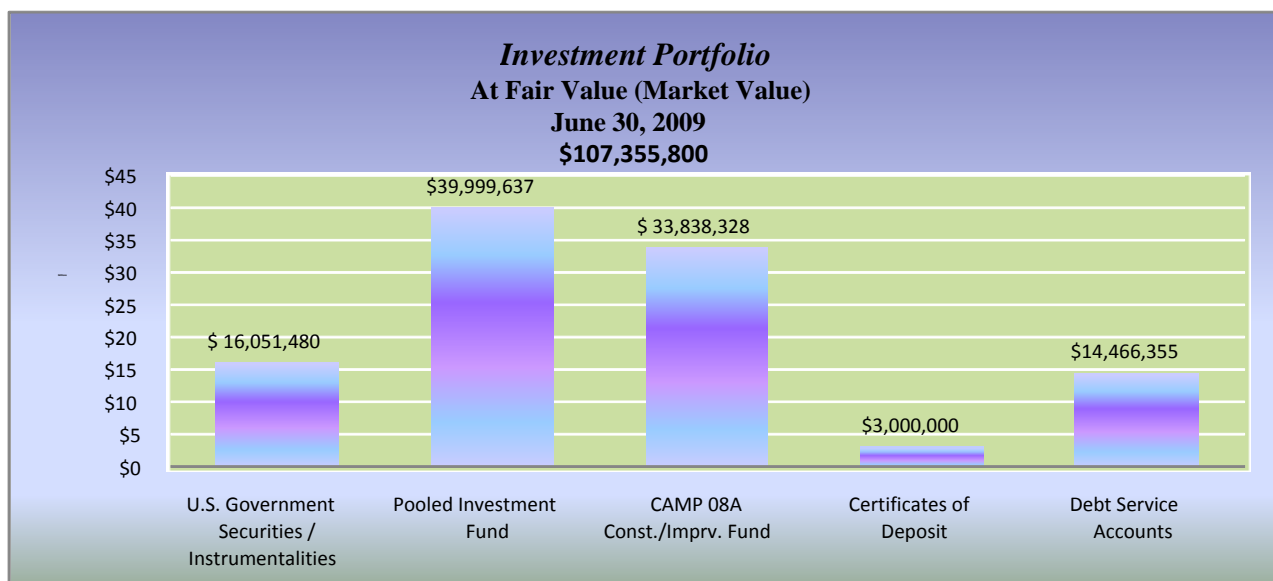
### Cash and Investment Management (continued):

#### Investment Portfolio Performance

The global economic recession caused a drastic drop in interest rates, particularly the second half of FY 2008/09. The average yield in the Agency's overall portfolio dropped from 3.841% to 1.718% towards the end of fiscal year end. Total interest income for FY 2008/09 of \$2,796,097 dropped nearly 44% compared to \$5,006,145 in FY 2007/08.



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, which are in the order of priority: liquidity, safety, and yield.



The Agency's portfolio fund balance for the fiscal years ended June 30, 2009 and 2008 were \$107,355,800 and \$135,384,347 respectively.

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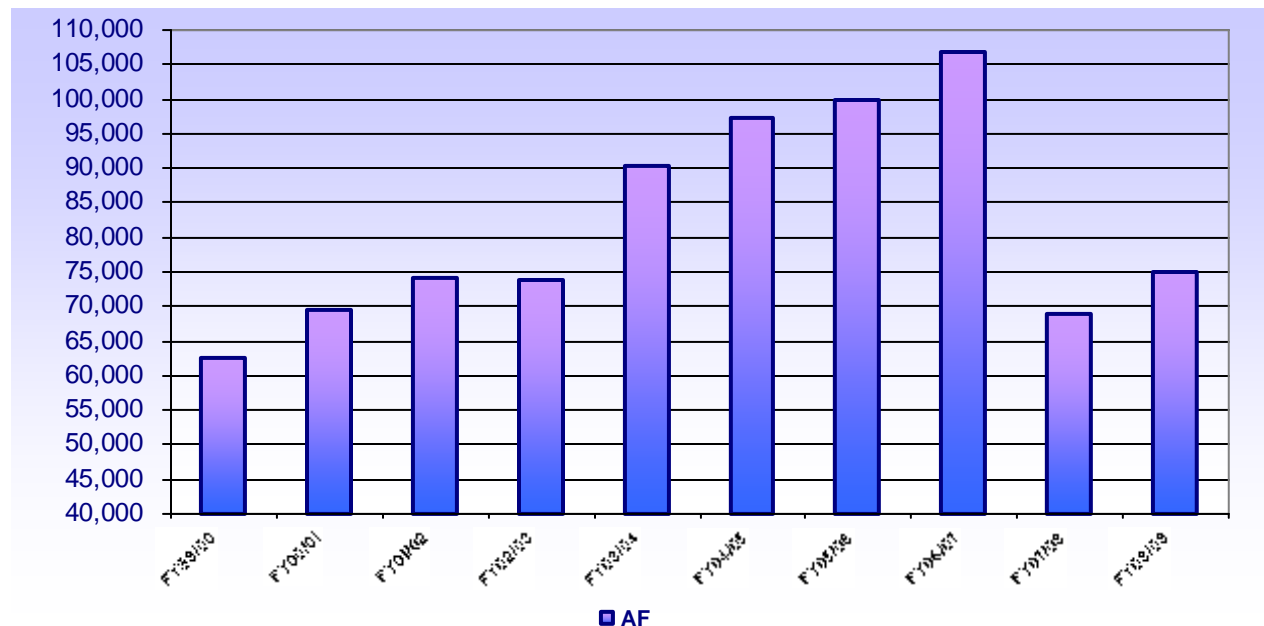
## **FINANCIAL HIGHLIGHTS (continued):**

### **Water Deliveries**

Total imported water deliveries for FY 2008/09 were 68,837 acre feet (AF) against a budgeted total of 65,000 AF, of which 4,376 related to the groundwater replenishment. The FY 2008/09 AF surcharge levied by IEUA to member agencies averaged at \$10 per AF.

The following is a comparative chart of past ten years' of imported water deliveries:

***Comparative Acre Feet (AF) Deliveries***  
**(Includes Conjunctive Program Use AF)**  
**For the Past Ten Fiscal Years**



The total operating revenue was \$2,257,068 compared to \$1,437,930 for last fiscal year. The increase was due to: 1) higher Readiness to Serve (RTS) charges of \$1.4m compared to \$.8m for last fiscal year; 2) an increase in the administrative surcharge from \$9/AF to \$10/AF, 3) the addition of billings to Fontana Water Company in FY 2008/09 of approximately \$148K, and 4) an increase in the monthly meter rate from \$.345 cents per unit to \$.596 cents.

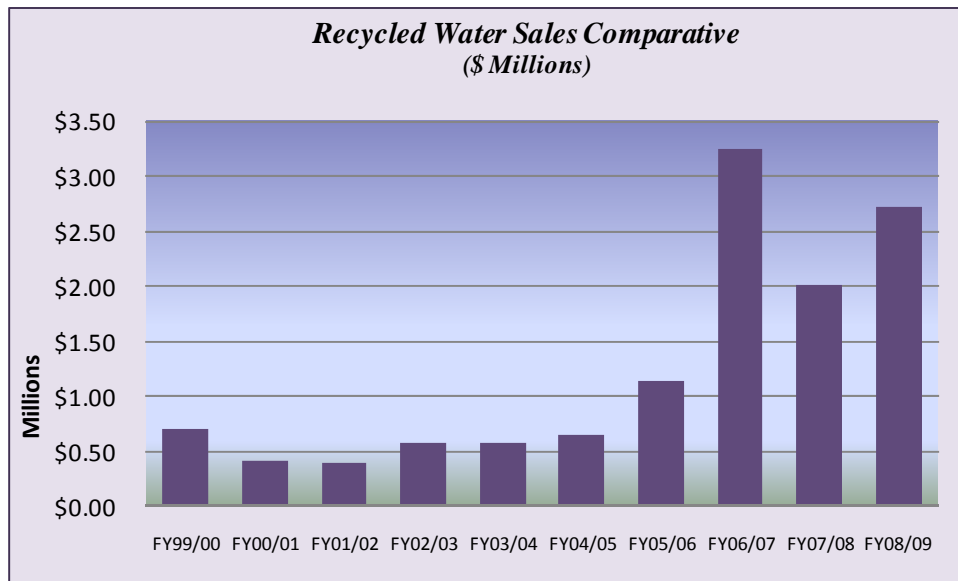
Total operating expenses decreased from \$3,232,700 in FY 2007/08 to \$1,963,583 in the current fiscal year primarily due to the completion of two major projects in prior fiscal year; 1) Final Flush Value Installation Projects, and 2) Final Irrigation Project at California Institution for Men facility. The significant increase in non-operating expenses of \$4.5m was due to the settlement of several multi-year O&M and reimbursable projects in FY 2008/09, including: 1) MWD Dry Year Yield Phase II Study Grant for \$1.2m, and 2) FY 2007/08 Multi-family Installation of ULFT project for \$1.2m. As a result of the settlement of these prior year transactions, the total net asset balance at June 30, 2009 decreased by \$2.6 million, to \$2,654,068 in FY 2008/09.

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## **FINANCIAL HIGHLIGHTS (continued):**

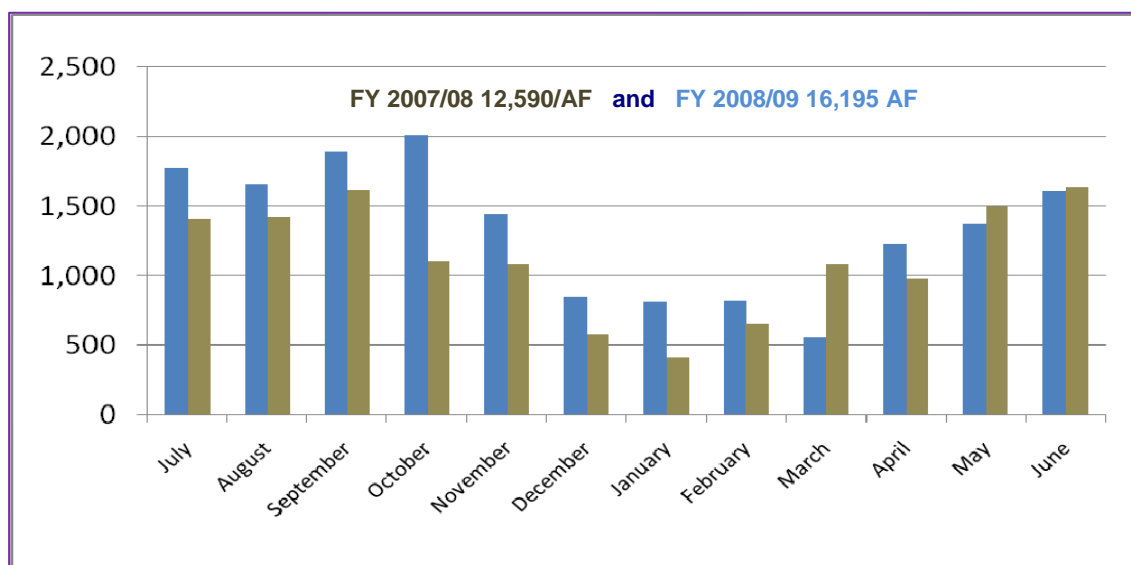
### **Recycled Water Sales**

Recycled water recorded total revenue of \$2,715,636 in FY 2008/09 and \$2,007,144 in FY 2007/08, respectively.



Total sales registered 16,195 AF of recycled water compared to 12,590 AF for last fiscal year.

### ***Recycled Water Monthly Usage Comparative*** ***By Acre Feet (AF)***



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## **FINANCIAL HIGHLIGHTS (continued):**

### **Recycled Water Sales (continued):**

Included in total operating revenues is the Metropolitan Water District of Southern California (MWD) rebate of \$154/AF for recycled water sales above 3,500 AF. Total receipts from MWD for the fiscal year were \$1,518,548 compared to \$1,063,770 in FY 2007/08. Grants receipts totaled \$7,631,498 in support of the Regional Recycled Water Expansion program. Total operating expenses increased by \$218,715, or 4.4%, to \$5,243,794, including depreciation of \$1,426,912.

Total net assets at June 30, 2009 were \$52,943,172, and increased by \$4,423,568 primarily as a result of the additional grant funding.

### **Chino Basin Desalter Operations**

Operating Chino I under an Operation and Maintenance Agreement, IEUA deployed the appropriate personnel to manage the production, treatment and distribution of the water produced by the desalination facilities.

All operations and maintenance expenses including labor incurred by IEUA are being tracked in the Administrative Service Fund. These expenses are billed to the CDA monthly. In FY 2008/09, the total amount billed and reimbursed was \$1,280,854 reported as Nonoperating Revenue.

### **Wastewater Treatment Activities**

The Regional Wastewater Treatment Funds reported combined total operating revenue of \$31,052,555, registering a 5.4% increase over last fiscal year. The increase was due to a 4.7% increase in the monthly volumetric EDU (equivalent dwelling unit) rate from \$9.16 to \$9.62 per unit effective July 1, 2008. Property tax revenue also recorded an increase of \$1,686,082 over the prior fiscal year for a total of \$33,367,731 allocated to the Regional Program.

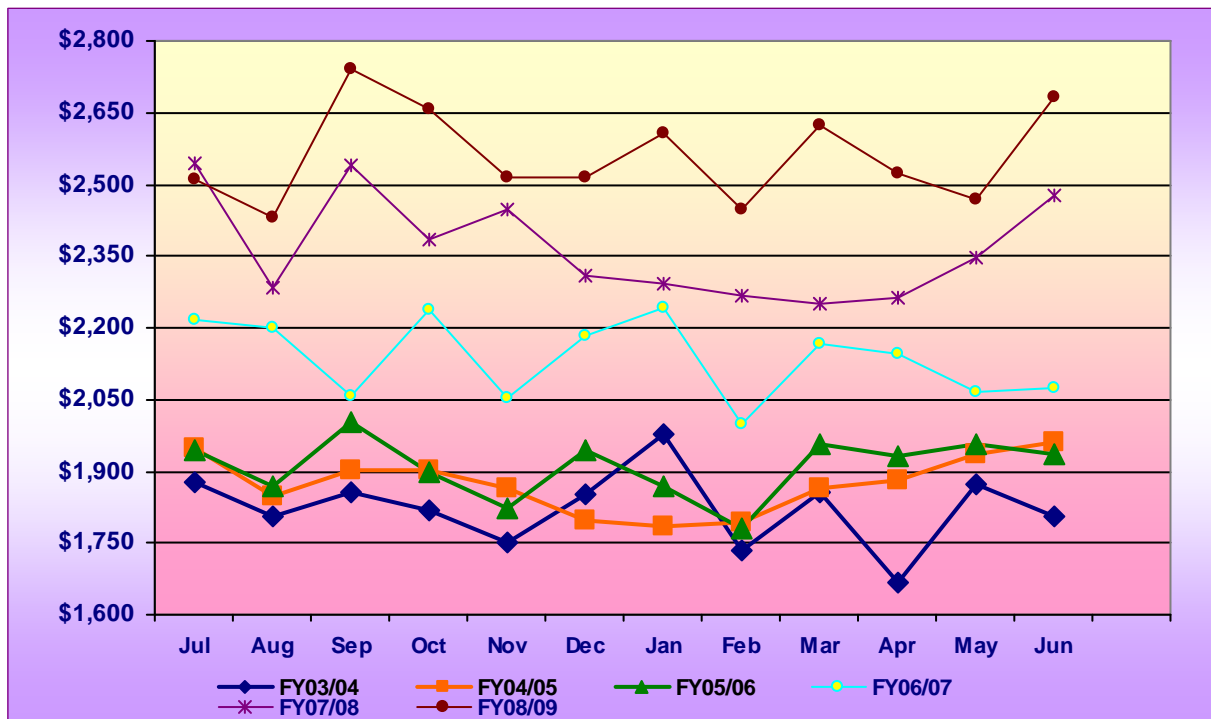
The total number of new EDU connections reported by contracting agencies in FY 2008/09 was 1,231, for total connection fee revenue of \$5,753,403. This represents a significant decrease of 65.4%, or \$10,872,317 in revenue. The continuing slowdown in building and new development within the Agency's service area attributed to the decline in new connections.

The Agency billed and collected a total of \$30,745,752 in revenue for its wastewater treatment operation, which represents a 4.4% increase over the past fiscal year. Total number of EDU's billed to contracting member agencies were 3,072,446 at an increased EDU rate of \$9.62, or \$.43 cents higher than last fiscal year's rate (see Service Charge Revenue Rates by Contracting Agency p.122). Each EDU equals approximately 98,550 gallons per year for a single residential household, or 270 gallon per day.

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## FINANCIAL HIGHLIGHTS (continued):

### Comparative EDU Revenues (In thousands)



Total wastewater collection, treatment and disposal costs decreased by approximately 15% in fiscal year 2008/09, for a total of \$31,342,087 compared to \$35,933,844 in the prior fiscal year. The decrease of \$4.6 million can be attributed to an overall cost containment initiative in response to the State budget crisis and economic conditions, along with the following: 1) Disposal costs decreased by approximately \$860K as a result of lower fees negotiated for the hauling of bio solids from Agency treatment plants and the suspension of the RP-5 Solids Handling facility, 2) Lower natural gas costs of approximately \$341K due to historically lower rates, (average rate of \$.60/term) and the operation of only one engine at the RP-1 plant due to fuel restrictions imposed by South Coast Air Quality Management District (AQMD), and 3) Chemical registered a \$188K decrease as a result of the use of a more cost effective polymer in the belt press operations at the RP-2 facility, reduced usage of ferric chloride at the RP-4 plant, and overall reduced consumption as a result of the suspension of the RP-5 Solids Handling facility.

### Non-reclaimable Wastewater Treatment

Total service charges increased by \$1,537,526 to \$8,215,676 compared to last fiscal year primarily due to rate increases that took effect in FY 2008/09, and the sale of three capacity units for a total \$450,000. Total operating expenses were \$6,572,102, registered a decrease of \$209,028, or 3.1% compared to prior year primarily due to lower inspection and permit review fees and pipe cleaning costs. Total net assets at June 30, 2009 were \$49,500,721, and increased by \$1,572,268 over the prior fiscal year.

A total of 64 users were connected to the Non-reclaimable Wastewater System during the FY 2008/09, with a total flow of 1,532 million gallons.

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## **FINANCIAL HIGHLIGHTS (continued):**

### **Organics Management**

For FY 2008/09, total service charge revenues were \$2,306,619 compared to \$1,898,678 for last fiscal year. These charges relate to contracted services provided to Inland Empire Regional Composting Authority (IERCA) for the operation of its facility.

Operations & Maintenance (O&M) expenses for the year increased substantially as a result of the increased productivity at the IERCA facility. Total O&M expenses nearly doubled from \$2,787,178 in FY 2007/08 to \$5,723,383 primarily as a result of the Agency's \$3,000,000 contribution for its 50% share to support the IERCF operations per the Joint Powers Authority (JPA) agreement. The IERCA is a joint venture (50/50 cost share) with the County Sanitation District of Los Angeles County (CSDLAC).

Total net asset balance at June 30, 2009 was \$47,837,173, with a negative net change of \$581,350.

### **Recharge Water Program Fund**

The Recharge Water Program Fund records the activities related to the Recharge Master Plan (the Plan). The Plan is a comprehensive plan to increase the groundwater recharge within the Chino Basin using storm water; recycled water generated by the Agency's treatment facilities, and imported water delivered by MWD. The improvement and on-going maintenance of the various groundwater recharge basins is expected to ultimately increase the recharged capacity to 90,000 acre feet per year (AFY). Through the joint efforts with the Chino Basin Watermaster (CBWM), the Chino Basin Water Conservation District (CBWCD), and the San Bernardino County Flood Control District (SBCFCD), the Agency performs all of the operation and financial functions related to the program. Costs include general basin maintenance and restoration, groundwater administration, compliance reporting, environmental documentation, and contracted services that are fully funded by CBWM and the Agency.

Total O&M expenses recorded were \$1,641,032 for FY 2008/09, compared to \$3,141,816 in FY 2007/08. The decrease was primarily due to: 1) settlement of FY 2007/08 annual basin monitoring expenses with CBWM of approximately \$800K, 2) discontinuance of outside laboratory services in FY 2008/09 for reduced costs of nearly \$200K, and 3) an adjustment to the allocation of indirect labor costs related to the operation and maintenance of discharge basins. As a result, FY 2008/09 reflected total indirect labor costs of \$72K compared to \$452K in the prior fiscal year.

Capital grant receipts increased by \$2,748,169 as a result of the progress of Recharge Basin Improvement Phase II project funded by the Department of Water Resources (DWR). Total reimbursement from CBWM included fixed project costs of \$415,831 and debt service and O&M reimbursement of \$599,660.

Total net assets balance at June 30, 2009 was \$33,348,514, a net increase of \$5,644,759 over last fiscal year primarily due to grant reimbursements billed to Department of Water Resources (DWR) in the amount of \$4.4million.

## FINANCIAL HIGHLIGHTS (continued):

### Revenues

Combined revenues for the fiscal year totaled \$94,965,131, a decrease of \$20,303,920, or 17.6%, compared to the prior fiscal year. The following table presents a comparison of revenues by category for the two fiscal years 2008/09 and 2007/08.

**Combined Revenues by Category - All Funds**  
**For the Fiscal Year Ended June 30, 2009**  
*(With Comparative Totals for the Fiscal Year Ended June 30, 2008)*

Revenue Category	FY 2008/09		FY 2007/08		Increase/<Decrease> from FY 2007/08	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Service Charges	\$43,831,918	46.0%	\$ 39,459,201	34.0%	\$ 4,372,717	11.0%
Recycled Water Sales	2,715,636	3.0%	2,007,144	2.0%	708,492	35.0%
Interest Income	2,796,097	3.0%	5,006,145	4.0%	( 2,210,048)	(44.0%)
Property Tax Revenue	36,324,998	38.0%	34,451,122	30.0%	1,873,876	5.0%
Wastewater Connection Fees	5,753,403	6.0%	16,625,720	14.0%	(10,872,317)	(65.0%)
Other Non-operating Revenues	3,543,079	4.0%	17,719,719	16.0%	(14,176,640)	(80.0%)
<b>Total Revenues</b>	<b>\$94,965,131</b>	<b>100.0%</b>	<b>\$115,269,051</b>	<b>100.0%</b>	<b>(\$20,303,920)</b>	<b>(17.6%)</b>

#### **Service Charges**

*Increase primarily due to rate increases in the Regional Program.*

#### **Interest Income**

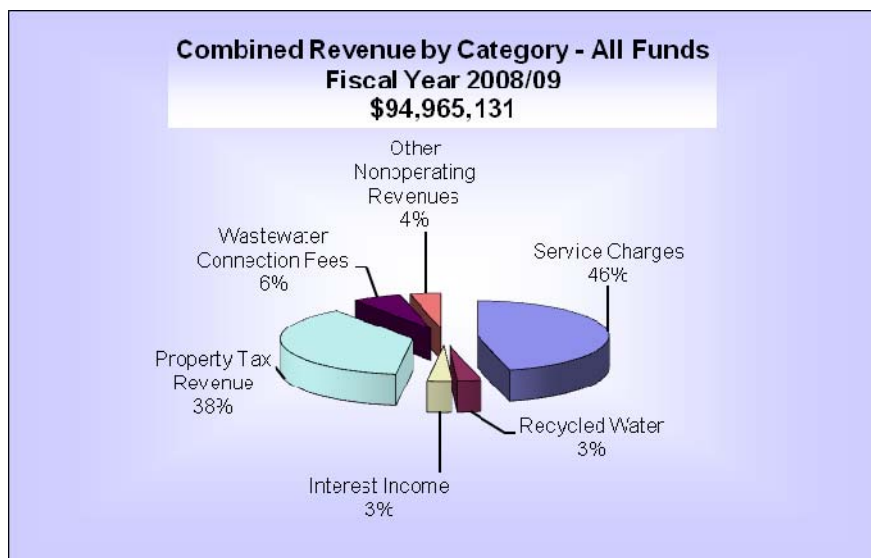
*Decrease is a result of an overall drop in interest rates due to current economic conditions.*

#### **Wastewater Connection Fees**

*Decline in new connections due to drastic decline in new development in the region.*

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

*FY 2007/08 includes a gain of \$14 million from the sale of land.*



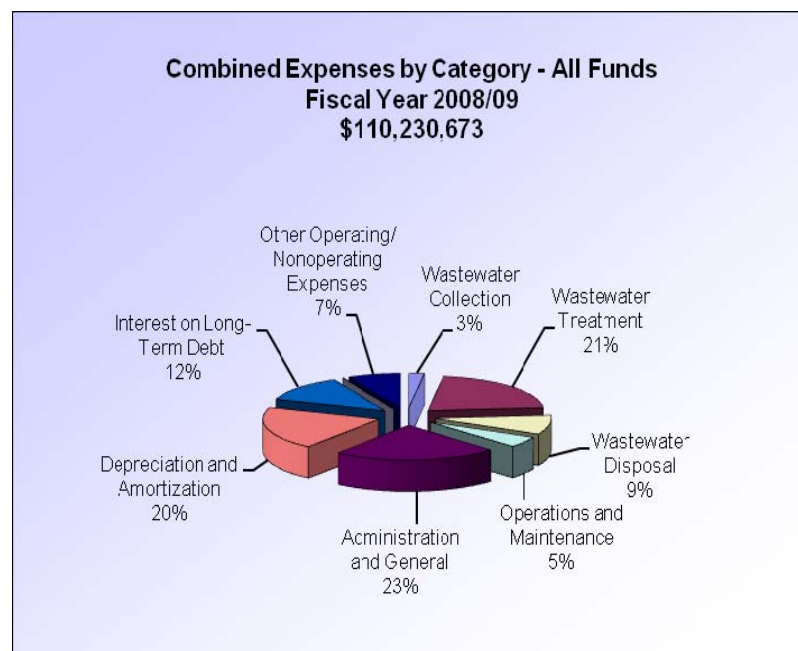
## **FINANCIAL HIGHLIGHTS (continued):**

### **Expenses**

Combined expenses for the fiscal year totaled \$110,230,673 an increase of \$12,997,968, or 13.4% over the prior fiscal year. The following table presents a comparison of expenses by category for the two fiscal years 2008/09 and 2007/08.

**Combined Expenses by Category - All Funds**  
**For the Fiscal Year Ended June 30, 2009**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2008)**

Expense Category	FY 2008/09		FY 2007/08		Increase/<Decrease> from FY 2007/08	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Wastewater Collection	\$ 2,351,158	3.0%	\$ 1,801,570	2.0%	\$ 549,588	31.0%
Wastewater Treatment	23,640,422	21.0%	26,089,331	27.0%	(2,448,909)	(9.0%)
Wastewater Disposal	9,885,191	9.0%	12,722,254	13.0%	(2,837,063)	(22.0%)
Operations and Maintenance	5,539,283	5.0%	2,175,342	2.0%	3,363,941	155.0%
Administration and General	25,100,609	23.0%	22,221,264	23.0%	2,879,345	13.0%
Depreciation and Amortization	22,184,542	20.0%	19,054,501	20.0%	3,130,041	16.0%
Interest on Long-Term Debt	13,498,208	12.0%	11,278,251	11.0%	2,219,957	20.0%
Other Operating/ Non-operating Expenses	8,031,260	7.0%	1,890,192	2.0%	6,141,068	325.0%
<b>Total Expenses</b>	<b>\$110,230,673</b>	<b>100.0%</b>	<b>\$97,232,705</b>	<b>100.0%</b>	<b>\$12,997,968</b>	<b>13.4%</b>



#### ***Wastewater Collection/Treatment***

*A reclassification of costs from collection to treatments accounts for some of the change between the categories. The net decrease of \$1.8 million is primarily due to historically low natural gas rates and lower chemical consumption.*

#### ***Operations and Maintenance***

*Current fiscal year includes a \$3 million contribution to the IERCA for the Agency's 50% share of O&M costs.*

#### ***Non-operating Expense***

*The significant increase is primarily the result of the final closure of several multi-year O&M and reimbursable projects in the Water Resources and Regional Programs*

## FINANCIAL HIGHLIGHTS (continued):

### Changes in Financial Conditions of the Agency

Combined Net Assets-All Funds				
For the Fiscal Year Ended June 30, 2009				
(With Comparative Totals for the Fiscal Year Ended June 30, 2008)				
	FY 2008//09	FY 2007/08	Increase/ <Decrease> from FY 2007/08	
<b>Assets</b>				
Current assets	\$ 114,005,175	\$ 98,470,547	\$15,534,628	15.8%
Restricted assets	58,904,907	99,142,816	(40,237,909)	(40.6%)
Capital assets	603,464,445	575,071,836	28,392,609	4.9%
Other assets	111,077,107	103,296,858	7,780,249	7.5%
<b>Total Assets</b>	<b>887,451,635</b>	<b>875,982,057</b>	<b>11,469,578</b>	<b>1.3%</b>
<b>Liabilities</b>				
Current liabilities	44,685,303	43,675,003	1,010,300	2.3%
Non-current liabilities	327,662,660	315,861,663	11,800,997	3.7%
<b>Total liabilities</b>	<b>372,347,963</b>	<b>359,536,666</b>	<b>11,436,395</b>	<b>3.6%</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	370,515,310	320,537,494	49,977,816	15.6%
Restricted	81,418,285	123,619,788	(42,201,503)	(34.1%)
Unrestricted	63,170,076	72,288,109	(9,118,033)	(12.6%)
<b>TOTAL NET ASSETS</b>	<b>\$515,103,671</b>	<b>\$516,445,391</b>	<b>(\$1,341,720)</b>	<b>(0.3%)</b>

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

- The increase in Current Assets of \$15.5 million consists of an increase in Accounts Receivable of approximately \$9.8 million, a significant portion of which is related to the accrual of grant related billings. Additionally, an inter-fund loan amount of \$3.7 million from the Regional Capital Improvement Fund to the Recharge Water Fund is offset by the same amount in Advances to Other funds included in Current Liabilities.
- The decrease in Restricted assets of \$40.2 million is primarily due to the withdrawal of 2008A bond proceeds to finance capital expenditures in the Regional, Recycled and Non-reclaimable programs.
- The increase in Capital Assets of \$28.4 million is primarily due to an increase in Jobs in Process in the Recycled Water Program as part of the Agency's Three Year Business Plan to expand the Recycled Water Distribution System, and the expansion to the Regional Wastewater Program. (Refer to Note 7 of the Notes to the Basic Financial Statements for detailed information).
- The increase in Other assets of \$7.8 million is primarily due to the \$3.7 million inter-fund loan due to the Regional Capital Improvement Fund from the Recharge Water Fund.
- The \$11.8 million increase in Non-current Liabilities is primarily due to additional State Revolving Fund (SRF) loans from the State Water Resources Control Board which are the primary financing source for construction of the Recycled Water Distribution System. (Refer to Note 12 of the Notes to the Basic Financial Statements for detailed information).

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**FINANCIAL HIGHLIGHTS (continued):**

**Changes in Financial Conditions of the Agency (continued):**

**Combined Schedule of Revenues, Expenses and Changes in Fund Net Assets - All Funds**  
**For the Fiscal Year Ended June 30, 2009**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2008)**

Item Category	FY 2008/09		FY 2007/08		Increase/<Decrease> from FY 2007/08	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Total Revenue	\$ 94,965,131	18.0%	\$ 115,269,051	22.0%	(\$20,303,920)	( 18.0%)
Total Expenses	110,230,673	21.0%	97,232,705	19.0%	12,997,968	13.0%
Excess (deficiency) before contrib.	( 15,265,542)	( 3.0%)	18,036,346	3.0%	( 33,301,888)	(185.0%)
Capital Grants	13,923,822	3.0%	12,373,062	2.0%	1,550,760	13.0%
Change in Net Assets	( 1,341,720)	0.0%	30,409,408	6.0%	( 31,751,128)	(104.0%)
Beginning Net Assets	516,445,391	100.0%	486,035,983	94.0%	30,409,408	6.0%
<b>Ending Net Assets</b>	<b>\$515,103,671</b>	<b>100.0%</b>	<b>\$ 516,445,391</b>	<b>100.0%</b>	<b>( \$ 1,341,720)</b>	<b>( 0.3%)</b>

**Capital Assets**

Net of accumulated depreciation and amortization, the Agency had total capital assets of \$603,464,445 in FY 2008/09, compared to \$575,071,836 in FY 2007/08. The increase was primarily due to the completion of various capital projects and the on-going construction in progress as follows:

- RP-4 Liquid Expansion to 14 mgd (\$39,283,246)
- RP-5 Systems Facility Upgrade & Improvements (\$20,982,130)
- San Bernardino Avenue Pump Station (\$10,922,005)
- San Antonio Pipeline B (\$10,378,802)
- RP-1 Facilities Improvement (\$10,245,048)
- RP-4 1158 & 1280 Pump Stations (\$10,142,372)
- RP-3 Phase Digestion Improvement (\$8,968,156)
- Recharge Enhancement Project (\$8,436,354)
- RP-1 Odor Control – Phase (\$8,131,940)
- Complete Mix Digestion Technology (\$5,637,749)
- RP-4 Area 1158 Reservoir (\$5,582,539)
- NRW Upgrades (\$4,528,727)

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

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## **FINANCIAL HIGHLIGHTS (continued):**

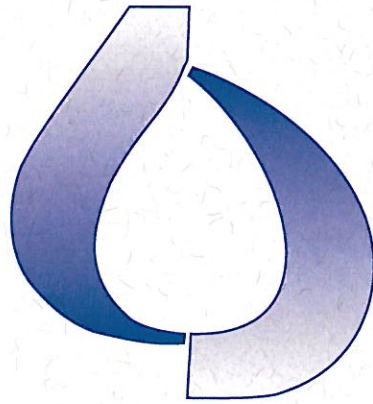
### **Debt Management**

At June 30, 2009, the Agency had five bond debt issues outstanding; \$59,821,124 for the 1994 Revenue Bonds, \$1,083,148 for the 1999 Revenue Bonds, \$22,084,310 for the 2005A Revenue Bonds, \$129,861,728 for the 2008A Revenue Bonds, and \$53,724,993 for the 2008B Variable Rate Revenue Bonds. *(Refer to Note 12 of the Notes to the Basic Financial Statements for detailed information).*

Notes and loans payable at June 30, 2009, included a note from the Santa Ana Watershed Project Authority pertaining to the purchases of pipeline capacity, with an outstanding balance of \$1,817,326, and State Revolving Financing loans in the amount of \$43,887,866 from the State Water Resources Control Board.

### **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 question about this report or need additional financial information, please contact the Agency's Fiscal Management Department.



## ***BASIC FINANCIAL STATEMENTS***

# **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, 2009, 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:

- 1) 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, 2009**

(With Comparative Totals for June 30, 2008)

	Enterprise Funds	
	Regional Wastewater	Recharge Water
<b>ASSETS</b>		
Current assets		
Cash and investments (note 3)	\$36,440,753	\$ 149,030
Accounts receivable	11,236,760	4,789,527
Interest receivable	240,049	659
Taxes receivable	4,012,067	0
Other receivables	128,739	0
Inventory	0	0
Prepaid items	18,558	0
Total current assets	52,076,926	4,939,216
Noncurrent assets		
Restricted assets (note 3)		
Deposits held by governmental agencies	7,295,364	0
Assets held for 401(a) plan (note 4)	0	0
Assets held with trustee/fiscal agent	40,893,545	841,910
Total restricted assets	48,188,909	841,910
Capital assets (note 7)		
Land	13,878,879	0
Jobs in progress	147,883,454	8,930,176
Capital assets, net of accumulated depreciation	258,648,656	41,047,427
Total capital assets	420,410,989	49,977,603
Other assets		
Long-term investments (note 11)	0	0
Long-term receivables (note 10)	2,912,396	0
Intangible assets, net of accumulated amortization (note 7)	6,306,364	74,011
Advances to other funds (note 14)	6,700,000	0
Deferred costs	2,346,419	74,214
Total other assets	18,265,179	148,225
Total noncurrent assets	486,865,077	50,967,738
Total assets	538,942,003	55,906,954

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

Recycled Water	Non-Major	Totals	
		2009	2008
\$ 59,898	\$28,056,380	\$64,706,061	\$58,875,955
11,740,894	13,735,365	41,502,546	32,230,581
259	166,299	407,266	824,190
0	304,936	4,317,003	4,248,674
0	538,608	667,347	197,981
0	1,650,230	1,650,230	1,579,594
103,500	632,664	754,722	513,572
<u>11,904,551</u>	<u>45,084,482</u>	<u>114,005,175</u>	<u>98,470,547</u>
0	0	7,295,364	12,541,961
0	1,376,084	1,376,084	1,095,604
<u>5,884,410</u>	<u>2,613,594</u>	<u>50,233,459</u>	<u>85,505,251</u>
<u>5,884,410</u>	<u>3,989,678</u>	<u>58,904,907</u>	<u>99,142,816</u>
0	20,829	13,899,708	13,899,708
47,086,902	9,619,316	213,519,848	173,098,117
<u>51,150,335</u>	<u>25,198,471</u>	<u>376,044,889</u>	<u>388,074,011</u>
<u>98,237,237</u>	<u>34,838,616</u>	<u>603,464,445</u>	<u>575,071,836</u>
0	47,184,474	47,184,474	49,355,944
0	4,812,846	7,725,242	3,094,104
39,262	29,612,437	36,032,074	35,516,649
0	9,000,000	15,700,000	12,000,000
<u>1,875,202</u>	<u>139,482</u>	<u>4,435,317</u>	<u>3,330,161</u>
<u>1,914,464</u>	<u>90,749,239</u>	<u>111,077,107</u>	<u>103,296,858</u>
<u>106,036,111</u>	<u>129,577,533</u>	<u>773,446,459</u>	<u>777,511,510</u>
<u>117,940,662</u>	<u>174,662,015</u>	<u>887,451,634</u>	<u>875,982,057</u>
			(continued)

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Net Assets (Continued from previous page)**  
**June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	Enterprise Fund Types	
	Regional Wastewater	Recharge Water
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	11,504,446	426,937
Accrued liabilities	329,629	0
Compensated absences (note 1)	0	0
Retentions payable	967,044	212,018
Notes payable, due within one year (note 12)	52,716	0
Long-term debt, due within one year (note 12)	5,950,000	500,000
Interest payable	2,585,700	6,681
Retention deposits and escrows	1,838,783	0
Total current liabilities	23,228,318	1,145,636
Noncurrent liabilities		
Compensated absences (note 1)	0	0
Long-term debt, due in more than one year (note 12)	212,915,761	17,712,804
Notes payable, due in more than one year (note 12)	4,275,896	0
Liability for 401(a) plan (note 4)	0	0
Advances from other funds (note 14)	0	3,700,000
Other noncurrent liabilities (note 13)	1,548,350	0
Total noncurrent liabilities	218,740,007	21,412,804
Total liabilities	241,968,325	22,558,440
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	229,767,453	31,838,810
Restricted for:		
Capital construction	33,539,838	0
Debt service	20,893,488	841,910
Bond operating contingency requirement	14,667,197	0
Total restricted	69,100,523	841,910
Unrestricted	(1,894,298)	667,794
Total net assets	\$296,973,678	\$33,348,514

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

Recycled Water	Non-Major	Totals	
		2009	2008
1,770,723	9,404,312	23,106,418	22,259,001
19,647	4,476,104	4,825,380	7,670,985
0	1,761,673	1,761,673	1,621,058
0	296,685	1,475,747	1,382,274
1,809,493	105,432	1,967,641	688,430
0	325,000	6,775,000	5,315,000
244,270	64,447	2,901,098	2,918,551
33,563	0	1,872,346	1,819,704
<u>3,877,696</u>	<u>16,433,653</u>	<u>44,685,303</u>	<u>43,675,003</u>
0	2,074,008	2,074,008	2,101,682
10,168,173	19,003,564	259,800,302	266,536,506
38,336,641	1,125,014	43,737,551	30,262,473
0	1,376,084	1,376,084	1,095,604
12,000,000	0	15,700,000	12,000,000
614,980	2,811,385	4,974,715	3,865,398
<u>61,119,794</u>	<u>26,390,055</u>	<u>327,662,660</u>	<u>315,861,663</u>
<u>64,997,490</u>	<u>42,823,708</u>	<u>372,347,963</u>	<u>359,536,666</u>
<u>53,623,188</u>	<u>55,285,859</u>	<u>370,515,310</u>	<u>320,537,494</u>
5,660,996	1,932,857	41,133,691	80,491,199
189,851	624,305	22,549,554	25,512,814
0	3,067,843	17,735,040	17,615,775
<u>5,850,847</u>	<u>5,625,005</u>	<u>81,418,285</u>	<u>123,619,788</u>
<u>(6,530,863)</u>	<u>70,927,443</u>	<u>63,170,076</u>	<u>72,288,109</u>
<u>\$52,943,172</u>	<u>\$131,838,307</u>	<u>\$515,103,671</u>	<u>\$516,445,391</u>

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Revenues, Expenses, and**  
**Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	Enterprise Fund Types	
	Regional Wastewater	Recharge Water
<b>OPERATING REVENUES</b>		
Service charges	\$ 31,052,555	\$0
Recycled water sales	0	0
Total operating revenues	31,052,555	0
<b>OPERATING EXPENSES</b>		
Wastewater collection	1,407,794	0
Wastewater treatment	20,049,102	0
Wastewater disposal	9,885,191	0
Operations and maintenance	0	0
Administration and general	12,659,500	697,218
Depreciation and amortization	15,859,472	943,814
Total operating expenses	59,861,059	1,641,032
Operating income (loss)	(28,808,504)	(1,641,032)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	1,732,186	7,687
Property tax revenue	33,367,731	0
Wastewater capital connection fees	5,753,403	0
Other nonoperating revenues	673,010	1,030,024
Interest on long-term debt	(11,248,272)	(418,953)
Other nonoperating expenses	(2,485,645)	(111,484)
Total nonoperating revenues (expenses)	27,792,413	507,274
Income (loss) before contributions and transfers	(1,016,091)	(1,133,758)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in (note 15)	2,270,007	2,329,215
Transfers out (note 15)	(8,316,796)	0
Capital grants	125,344	4,449,302
Change in net assets	(6,937,536)	5,644,759
Total net assets - beginning	303,911,214	27,703,755
Total net assets - ending	\$296,973,678	\$33,348,514

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

Recycled Water	Non-Major	Totals	
		2009	2008
\$0	\$ 12,779,363	\$ 43,831,918	\$ 39,459,201
2,715,636	0	2,715,636	2,007,144
2,715,636	12,779,363	46,547,554	41,466,345
0	943,364	2,351,158	1,801,570
0	3,591,320	23,640,422	26,089,331
0	0	9,885,191	12,722,254
0	5,539,283	5,539,283	2,175,342
3,816,882	7,927,009	25,100,609	22,221,264
1,426,912	3,954,344	22,184,542	19,054,501
5,243,794	21,955,320	88,701,205	84,064,262
(2,528,158)	(9,175,957)	(42,153,651)	(42,597,917)
105,008	951,216	2,796,097	5,006,145
0	2,957,267	36,324,998	34,451,122
0	0	5,753,403	16,625,720
13,475	1,826,570	3,543,079	17,719,719
(1,118,611)	(712,372)	(13,498,208)	(11,278,251)
(356,657)	(5,077,474)	(8,031,260)	(1,890,192)
(1,356,785)	(54,793)	26,888,109	60,634,263
(3,884,943)	(9,230,750)	(15,265,542)	18,036,346
790,000	5,624,952	11,014,174	74,103,170
(112,987)	(2,584,391)	(11,014,174)	(74,103,170)
7,631,498	1,717,678	13,923,822	12,373,062
4,423,568	(4,472,511)	(1,341,720)	30,409,408
48,519,604	136,310,818	516,445,391	486,035,983
\$52,943,172	\$131,838,307	\$515,103,671	\$516,445,391

**INLAND EMPIRE UTILITIES AGENCY****Statement of Cash Flows****For the Fiscal Year ended June 30, 2009**

(With Comparative Totals for June 30, 2008)

	Enterprise Funds	
	Regional Wastewater	Recharge Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$25,082,876	(\$2,880,405)
Cash received from interfund services provided	0	0
Cash payments to suppliers for goods and services	(14,239,984)	(1,231,304)
Cash payments to employees for services	(5,313,732)	(218,998)
Cash payments for interfund services used	(20,217,752)	(103,220)
Net cash provided by (used for) operating activities	(14,688,592)	(4,433,927)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	2,270,007	2,329,215
Transfers out	(8,316,796)	0
Other receivables	673,010	1,030,025
Contract reimbursement from others	0	0
Tax revenues	33,367,731	0
Long-term receivable	0	0
Cash paid to others	(2,134,528)	(111,484)
Advances from other funds	0	3,700,000
Advances to other funds	(3,700,000)	0
Net cash provided by (used for) noncapital financing activities	22,159,424	6,947,756
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	3,741,732	0
Acquisition and construction of capital assets	(28,295,445)	(5,918,849)
Proceeds from sale of assets	0	0
Proceeds from State Revolving Funds	0	0
Calls on deposits held by members	5,753,403	0
Capital grants received	125,344	4,449,302
Principal paid on capital debt	(4,511,483)	(480,177)
Interest paid on capital debt	(11,227,633)	(430,092)
Other nonoperating expenses	(351,117)	0
Changes in contractor deposits	151,932	0
Net cash provided by (used for) capital and related financing activities	(34,613,267)	(2,379,816)

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

Recycled Water	Non-Major	Totals	
		2009	2008
\$2,430,538	\$12,106,864	\$36,739,873	\$42,723,962
0	25,634,983	25,634,983	30,466,507
(7,488,631)	(10,525,363)	(33,485,282)	(31,394,084)
(251,899)	(27,621,841)	(33,406,470)	(33,156,483)
(2,246,888)	(4,785,783)	(27,353,643)	(26,115,277)
(7,556,880)	(5,191,140)	(31,870,539)	(17,475,375)
790,000	5,624,952	11,014,174	74,103,170
(112,987)	(2,584,391)	(11,014,174)	(74,103,170)
13,475	1,597,503	3,314,013	759,093
0	0	0	903,791
0	2,957,267	36,324,998	34,451,120
0	35,307	35,307	40,969
(356,658)	(227,888)	(2,830,558)	0
0	0	3,700,000	12,000,000
0	0	(3,700,000)	(12,000,000)
333,830	7,402,750	36,843,760	36,154,973
0	0	3,741,732	190,747,460
(14,864,724)	(9,291,920)	(58,370,938)	(68,808,193)
0	93,190	93,190	16,424,601
21,026,934	0	21,026,934	0
0	0	5,753,403	16,625,720
7,631,498	1,717,678	13,923,822	12,373,062
(9,877,940)	(420,982)	(15,290,582)	(52,909,021)
(1,011,133)	(751,502)	(13,420,360)	(11,942,520)
0	(54,892)	(406,009)	(903,905)
(99,290)	0	52,642	(1,790,696)
2,805,345	(8,708,428)	(42,896,166)	99,816,508
			(Continued)

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Cash Flows (Continued from previous page)**  
**For the Fiscal Year ended June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	Enterprise Funds	
	Regional Wastewater	Recharge Water
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	2,010,271	7,027
Sale of investments	0	0
Purchase of investments	0	0
Net cash provided by (used for) investing activities	2,010,271	7,027
Net increase (decrease) in cash and cash equivalents	(25,132,164)	141,040
Cash and cash equivalents - beginning	109,761,826	849,900
Cash and cash equivalents - ending	\$84,629,662	\$990,940
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating income (loss)	(\$28,808,504)	(\$1,641,032)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities		
Depreciation and amortization	15,859,472	943,814
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	(5,831,327)	(2,867,283)
Other receivables	12,055	0
Short-term receivable	(40,613)	0
Taxes Receivable	(109,794)	0
Inventory	0	0
Prepaid items	56,696	0
Deferred costs	0	(13,122)
Increase (decrease) in		
Accounts payable	4,537,530	(820,657)
Rententions payable	(80,260)	194,967
Accrued liabilities	18,910	(230,614)
Other liabilities	(302,757)	0
Compensated absences	0	0
Liability for 401(a) plan	0	0
Net cash provided by (used for) operating activities	(\$14,688,592)	(\$4,433,927)

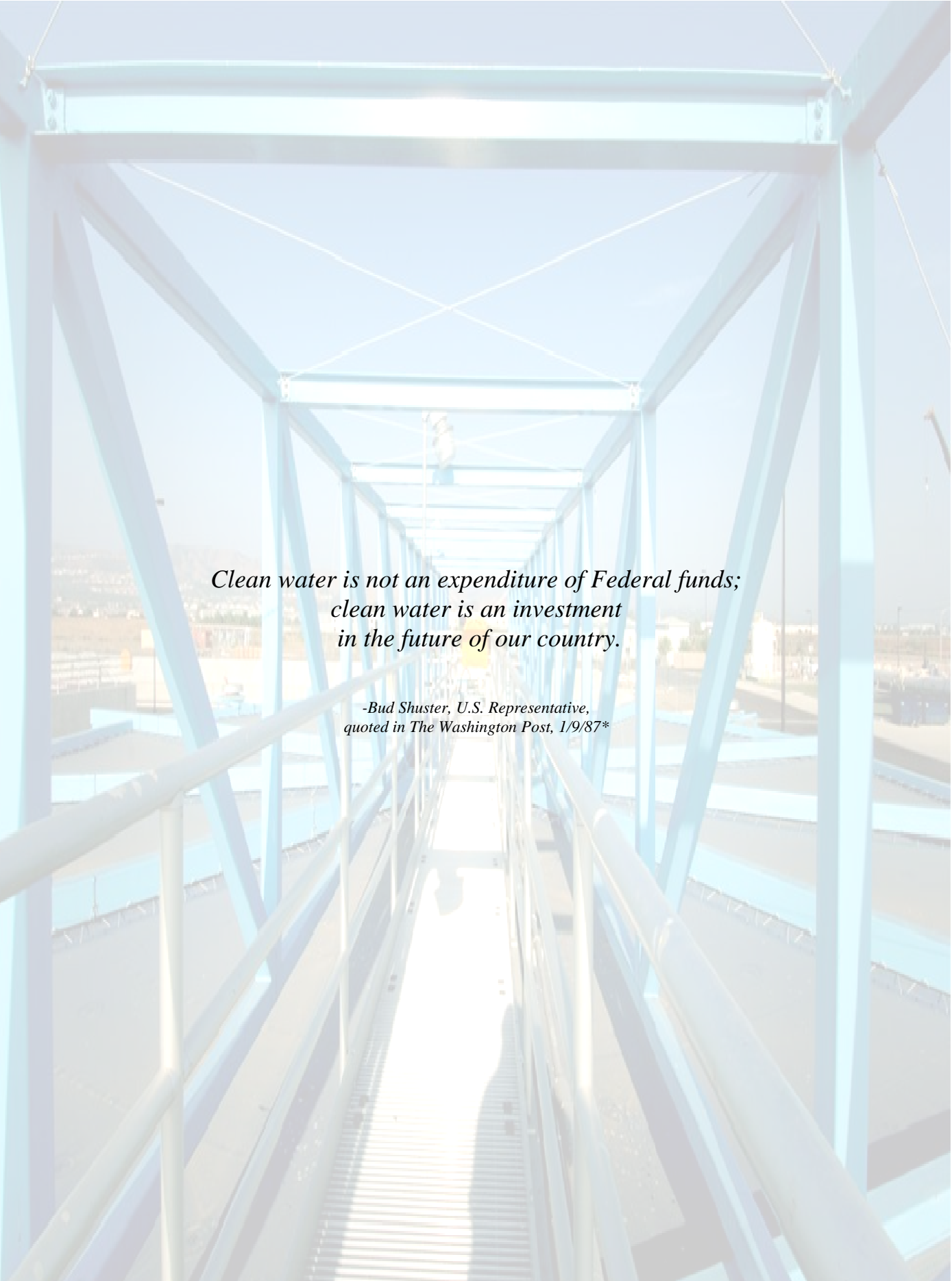
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**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Cash Flows - (Continued from previous page)**  
**For the Fiscal Year Ended June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	Enterprise Funds	
	Regional	Recharge
	Wastewater	Water
<b>RECONCILIATION OF CASH &amp; CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:</b>		
Cash and short-term investments	\$36,440,753	\$149,030
Restricted assets	48,188,909	841,910
Cash & cash equivalents at end of year	<u>\$84,629,662</u>	<u>\$990,940</u>
	<u>2009</u>	<u>2008</u>
<b>Noncash capital, financing and investing activities:</b>		
Regional Wastewater - Capital Capacity Reimbursement Account		10,591,879
Regional Wastewater - Recategorization of prior year restricted assets		1,950,083
Administrative services - Executive Deferred Comp		(1,095,604)

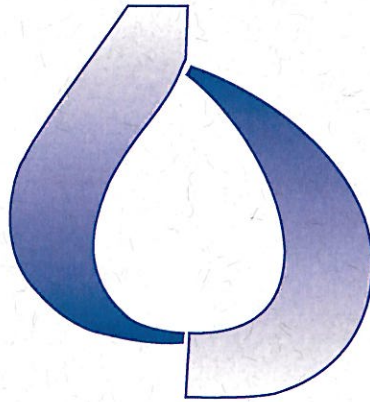
*The accompanying notes are an integral part of the basic financial statements*

Recycled Water	Non-Major	Totals	
		2009	2008
\$59,898	\$28,056,380	64,706,061	\$58,875,957
5,884,410	2,613,594	57,528,823	98,047,212
<u>\$5,944,308</u>	<u>\$30,669,974</u>	<u>\$122,234,884</u>	<u>\$156,923,169</u>



*Clean water is not an expenditure of Federal funds;  
clean water is an investment  
in the future of our country.*

*-Bud Shuster, U.S. Representative,  
quoted in The Washington Post, 1/9/87\**



***NOTES TO THE BASIC  
FINANCIAL STATEMENTS***

**INLAND EMPIRE UTILITIES AGENCY**  
*Index of Notes to the Basic Financial Statements*

**June 30, 2009**

(1)	<i>Reporting Entity and Summary of Significant Accounting Policies.....</i>	<i>30</i>
(2)	<i>Stewardship, Compliance &amp; Accountability.....</i>	<i>41</i>
(3)	<i>Cash and Investments.....</i>	<i>44</i>
(4)	<i>Deferred Compensation Plan.....</i>	<i>48</i>
(5)	<i>Defined Benefit Pension Plan.....</i>	<i>49</i>
(6)	<i>Risk Management.....</i>	<i>51</i>
(7)	<i>Changes in Capital Assets and Intangible Assets .....</i>	<i>53</i>
(8)	<i>Construction Commitments .....</i>	<i>55</i>
(9)	<i>Contingent Liabilities .....</i>	<i>56</i>
(10)	<i>Long-Term Receivables.....</i>	<i>57</i>
(11)	<i>Joint Ventures – Long Term Agreements.....</i>	<i>58</i>
(12)	<i>Long-Term Debt and Notes Payable.....</i>	<i>61</i>
(13)	<i>Arbitrage Rebate Obligation.....</i>	<i>68</i>
(14)	<i>Advance to/from Other Funds.....</i>	<i>69</i>
(15)	<i>Interfund Transfers .....</i>	<i>69</i>
(16)	<i>Operating Leases.....</i>	<i>70</i>

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## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

### **JUNE 30, 2009**

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **(1) Organization and Summary of Significant Accounting Policies:**

###### **a. 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 on June 6, 1950. As defined by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board (GASB), 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, Chief Financial Officer, Executive Manager of Operations, the Executive Manager of Engineering, and the Executive Manager of Policy Development as of June 30, 2009. The Agency's staff consisted of 308 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.

###### **b. Fund Financial Statements**

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets 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 "Proprietary Fund Types."

For financial reporting purposes, the Agency has the following major funds: Regional Wastewater, Recharge Water and Recycled Water. These major funds are comprised of certain sub-funds within the Agency's accounting system. The composition of the major funds by sub-fund is indicated in the accompanying supplementary information schedules. (Refer to "Individual Funds" section.)

## **(1) Organization and Summary of Significant Accounting Policies (continued):**

### **b. Fund Financial Statements (continued):**

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

### **c. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. The principal operating 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 recycled water. The principal operating expenses include the costs associated with the primary and secondary treatment of domestic wastewater delivered to the regional sewage system, biosolids recycling and delivery of recycled and domestic water. 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 invested in capital assets (net of related debt), restricted assets, and unrestricted 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 that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation and amortization) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges.

#### **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.

#### **Recharge Water Fund**

The Recharge Water Fund records the revenues and operating expenses associated with the management of the groundwater basins. The management of the operations and maintenance of the recharge basins is under contract with Chino Basin Watermaster. On the capital side, the fund records the receipts and expenditures associated with the Chino Basin Recharge Facilities Improvement Project.

## **(1) Organization and Summary of Significant Accounting Policies (continued):**

### **c. Measurement Focus, Basis of Accounting and Financial Statement Presentation** **(continued):**

#### **Recharge Water Fund (continued):**

This project has two phases involving basin improvements as part of 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.

#### **Recycled Water Fund**

The Recycled Water Fund records the revenues and expenses associated with the operations and maintenance of the facilities used to distribute recycled water supplied from the Agency's recycling plants. Additionally, the Recycled Water Fund records all of the costs associated with the construction of recycled water capital projects.

#### **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**

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, other than its role as a member of the Metropolitan Water District, has no control over the pricing of the water delivered to the contracting agencies by Metropolitan Water District.

Wastewater Capital Connection Fees that are held by contracting agencies, on behalf of the Agency are recognized 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.

## ***(1) Organization and Summary of Significant Accounting Policies (continued):***

### ***c. Measurement Focus, Basis of Accounting and Financial Statement Presentation*** ***(continued):***

#### ***Operating and Non-operating Revenues and Expenses***

Operating revenues relate to the direct revenues generated as a result of services performed or sale of commodities. Examples include sewage treatment and disposal service charges, sales of recycled water, and surcharges on the deliveries of domestic 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 expense types based upon the goods and/or services directly related to the operations of the Agency in providing the core services and/or goods to the public. Typical operating expenses include sewage treatment, disposal costs, and the cost of delivering recycled 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 Chief Financial Officer 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. The Agency is not required to present budget comparisons. Therefore budgetary data is not presented in the accompanying basic financial statements.

The Agency maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Board. All appropriations lapse at year-end.

### ***d. Assets, Liabilities and Net Assets or Equity***

#### ***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, 2009, 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 cash and investment balances. For financial presentation purposes, cash is shown within cash, short-term investments and restricted assets. Additionally, guidelines provided by GASB Statement No. 40 regarding risk disclosures on deposits and investments have been followed.

## **(1) Organization and Summary of Significant Accounting Policies (continued):**

### **d. Assets, Liabilities and Net Assets or Equity (continued):**

#### **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 and restricted accounts is credited directly to the related fund.

#### **Receivables and Payables**

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable enterprise funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are annually attached as an enforceable lien on property as of January 1. Taxes are levied annually 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 fiscal 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.

All receivables are shown net of an allowance for uncollectibles.

#### **Inventories and Prepaids**

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.

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

#### **Restricted Assets**

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

**(1) Organization and Summary of Significant Accounting Policies (continued):**

**d. Assets, Liabilities and Net Assets or Equity (continued):**

**Restricted Assets (continued):**

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 held by contracting agencies for Wastewater Capital Connection Fees collected on behalf of the Agency to fund regional capital construction expenditures, and (d) construction contract retentions which involve escrow agreements, and deposits held in lieu of retentions, both of which require funds to be separately set aside for retention.

**Capital Assets**

Property, plant and equipment are capitalized at cost. The cost of a capital investment includes purchase, rehabilitation 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	≥ \$ 5,000	> 1 Year	N/A	N/A
Computer Equipment	≥ \$ 1,000	> 1 Year	N/A	N/A
Other Equipment	≥ \$ 5,000	> 1 Year	N/A	N/A
Maintenance & Repair Expenditures	≥ \$ 5,000	> 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	≥ \$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, 2009, no interest was capitalized on jobs in process related to either the 1994, 1999 or the 2008A Revenue Bonds proceeds, since proceeds were completely expended on projects that were placed in operation in prior fiscal years.

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. Donated capital assets are recorded at estimated fair market value at the date of donation.

## **(1) Organization and Summary of Significant Accounting Policies (continued):**

### **d. Assets, Liabilities and Net Assets or Equity (continued):**

#### **Capital Assets (continued):**

Depreciation of capital assets has been provided on a straight-line basis. One-half year depreciation is recorded in the year of acquisition and disposal.

Estimated useful lives are:	Furniture, machinery and equipment	5 - 10 years
	Improvements	15 years
	Interceptors, buildings and plants	5 - 50 years
	Intangible Plant	40 years
	Computer Software	10 years

#### **Compensated Absences**

In accordance with GASB Code Section C60, the Agency records a liability for vacation, sick and compensatory leave earned but not used. Each employee earns vacation pay based on the length of employment. Upon termination, employees receive payment for accrued vacation pay.

Employees continuously employed by the Agency for at least one year 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 of all bargaining units to accrue up to a maximum of eighty (40) 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, 2009, the accumulated vacation leave payable was \$1,878,294, an increase of \$106,674 over the previous fiscal year; the sick and compensatory leave balance was \$1,957,387, an increase of \$6,267 over the previous fiscal year; and, has been recorded in the Administrative Service Fund as a combined total of \$3,835,681 payable in future years.

#### **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:

- A. 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.
- B. 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.

**(1) Organization and Summary of Significant Accounting Policies (continued):**

**d. Assets, Liabilities and Net Assets or Equity (continued):**

**Post - Employment Benefits (continued):**

- C. 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.
- D. 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.
- E. Each employee retiring after July 4, 2004, and who simultaneously retires from the Agency and CalPERS, who is at 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 No. 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, 2009, the Agency paid \$224,416 for 53 retired employees.

In accordance with GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension (OPEB), public entities are required to accrue OPEB costs throughout the employee's working lifetime and record the actuarially calculated cost as a liability. The Agency contracted an independent pension consultant and actuaries to perform an actuarial valuation of the OPEB as of July 1, 2008. The report used the "Entry Age Normal" actuarial cost method and an attribution period that runs from the date of hire until the expected retirement date. Normal costs can be defined to be the present value of future benefits that are "earned" by employees for service rendered during the current year. The report used the normal cost approach with which the Agency's unfunded actuarial accrued liability is being amortized as a level dollar amortization over a closed 28-year period.

As of June 30, 2009, the Agency has not decided to fund the OPEB liability. Staff has been directed to explore the various options in the near future.

**(1) Organization and Summary of Significant Accounting Policies (continued):**

**d. Assets, Liabilities and Net Assets or Equity (continued):**

**Post - Employment Benefits (continued):**

The following table presents the summary of the Actuarial Accrued Liability (AAL), Plan Assets and Annual Required Contribution for the past three Fiscal Years.

	<b>FY08/09</b>	<b>FY07/08</b>	<b>FY06/07</b>
Actuarial Accrued Liability	\$15,245,030	\$ 8,513,594	\$ 7,971,198
Actuarial Value of Assets	0	0	0
Unfunded AAL	\$15,245,030	\$ 8,513,594	\$ 7,971,198
Amortization Period	28 years	29 years	30 years
Discount Rate	3.5%	5.0%	5.0%
Annual Level Dollar Amortization of Unfunded AAL	\$ 544,605	\$ 562,285	\$ 518,538
Normal Cost	\$ 1,093,430	\$ 373,890	\$ 354,398
Annual Required Contribution (ARC)	\$ 1,638,035	\$ 936,175	\$ 872,936
Adjustment to ARC	\$ 2,785	(\$53,726)	(\$19,630)
IEUA Contributions	\$ 224,416	\$ 192,441	\$ 185,857
Percentage Contributed	13.7%	20.6%	21.3%
Net OPEB Obligation – Beginning of Year	\$ 1,357,457	\$ 667,449	\$ 0
Net OPEB Obligation – End of Year	\$ 2,773,861	\$ 1,357,457	\$ 667,449
Annual Covered Payroll	\$25,374,198	\$24,365,441	\$21,314,206
Unfunded Actuarial Accrued Liab. as a ratio of	10.9%	5.6%	3.1%

Actuarial assumptions used for the April 1, 2009 valuation were:

Discount Rate – a very conservative 3.5% discount was used to calculate the present value of future benefit payments.

Normal cost increase by 6.0% per year.

**(1) Organization and Summary of Significant Accounting Policies (continued):**

**d. Assets, Liabilities and Net Assets or Equity (continued):**

**Post - Employment Benefits (continued):**

Health Care Trend – based on recent rate increases, the projected trend was developed for the actuarial valuation, assuming an annual increase in CalPERS Kaiser rates, as follows:

<u>Year</u>	<u>Rate</u>
2010	8.2%
2011	7.9%
2012	7.6%
2013	7.3%
2014	7.0%
2015	6.7%
2016	6.4%
2017	6.1%
2018	5.8%
2019 and after	5.5%

A separate audited post employment benefit plan report is not available at this time.

**Long-Term Obligations**

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

The fund financial statements also recognize certain bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

**Fund Equity**

The fund financial statements report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Prior Year Data**

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only, and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

**(1) Organization and Summary of Significant Accounting Policies (continued):**

**d. Assets, Liabilities and Net Assets or Equity (continued):**

**New Accounting Pronouncements**

In November 2006, the GASB Board issued GASB Statement No. 49 *Accounting and Financial Reporting for pollution Remediation Obligations*, effective for fiscal periods beginning after December 15, 2007. The Agency does not currently have any instances of pollution remediation but will continue to monitor for possible future impacts.

## **II. STEWARDSHIP**

### **(2) Stewardship, Compliance & Accountability:**

#### **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The budget is the primary performance tool used to measure accountability of public agencies, ensuring the public trust for taxpayer dollars. The budget communicates to all stakeholders (i.e., elected officials, regional agencies, and citizens) how their investment will be used by providing detailed information on specific resource allocations and expenditures. Progress is monitored on a monthly basis, and revisions are made as necessary to meet changing needs or accommodate unplanned requests. This budget document is useful as a benchmark to evaluate the Agency's accomplishments and/or challenges, as well as to assess compliance with fiscal accountability.

#### ***Budget Basis***

The budget for the Agency is prepared on a full accrual basis, the same as the Agency's financial statements. Revenues are recognized when earned, and expenses are recognized as they are incurred.

The Agency is operated as an enterprise fund, which is an accounting entity with a self-balancing set of accounts established to record the financial position and results that pertain to a specific governmental activity. The activities of enterprise funds closely resemble those of businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis, and are substantially financed by revenue derived from user charges. The budget does not recognize non-cash items, such as depreciation, amortization, and deferred expenses.

The Agency's annual budget is prepared on a July 1 through June 30 fiscal year basis. Preparation begins in October with the issuance of the Chief Executive Office/General Manager's message, which communicates to all Department Managers and Supervisors the guidelines and the Agency's key objectives for the preparation of the Five Year Business Plan (operation budget) and the Ten Year Capital Improvement Plan (capital budget).

#### ***Strategic Planning***

To determine the short-term and long-term strategic directions of the Agency and to align them with the Agency's vision and goals and objectives, the Executive Managers meet to review the Agency's Vision, Master Plan, Long Range Plan of Finance (LRPF) and Ten Year Capital Improvement Plan (TYCIP). The Executive Managers review the various forecasts prepared by the Human Resources, Finance, Planning, Engineering, and Operations departments to identify fund commitments due to bargaining agreements, inflation, infrastructure needs, utilities, and operations and maintenance. Service fees and reserves are reviewed to identify Agency income and growth. Based upon this information, department managers are provided with guidelines for the preparation of their respective budgets.

## (2) Stewardship, Compliance & Accountability (continued):

### Budgetary Information (continued):

#### **Department Responsibilities**

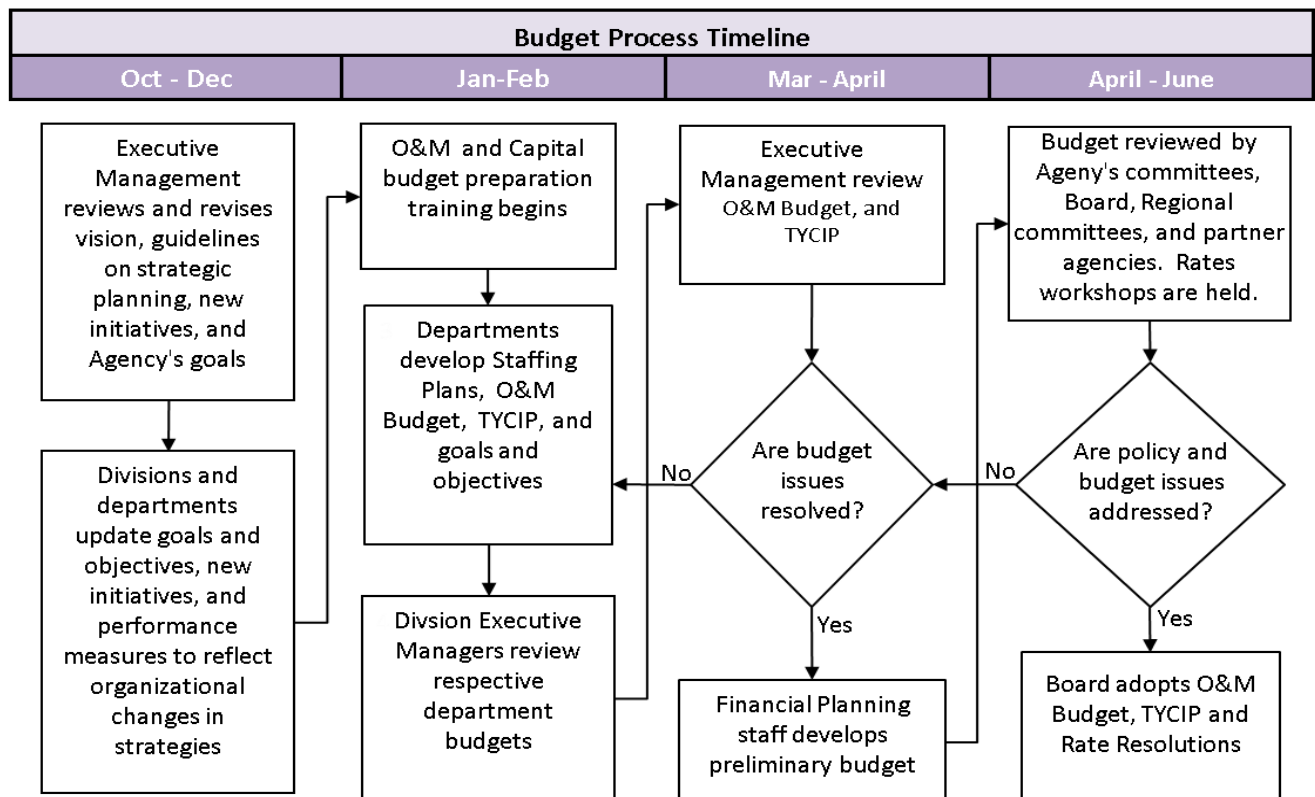
Each department is tasked to develop qualitative, quantitative, and justifiable departmental goals and objectives, key performance measurements, staffing plans, capital budget requests, and operation and maintenance (O&M) budget requests that are pertinent to the department's goal performances and consistent with the Agency's policy goals and objectives.

#### **Executive Management Responsibilities**

Executive Management meets with staff to review and evaluate both operation and capital budget requests over several sessions to minimize service rate impact and ensure greater operating efficiencies are achieved and to maintain sufficient operating reserves for the Agency's various programs. Budget workshops are held to inform the Board and the contracting agencies on major budget assumptions, proposed rate structures, capital programs, and respective policy issues.

Subsequently, the Board's Finance, Legal, and Administrative Committee reviews the proposed budget and the service rates as recommended by Executive Management. In May, the Regional Wastewater Program budget and the respective service rates are presented to the Regional Committees, which comprises representatives from the Agency's contracting agencies. Upon the Regional Committees' review and recommendation, the Agency's Board of Directors approves and adopts the final budget document, rate resolutions and the TYCIP before June 30th.

With the support from the Board of Directors, Executive Management, Department Managers and staff, the budget preparation process adheres to a timeline and plays an important role in the Agency's strategic financial planning.



## ***(2) Stewardship, Compliance & Accountability (continued):***

### **Budgetary Information (continued):**

#### ***Executive Management Responsibilities (continued):***

The Agency's Board approves each year's budget submitted by the Chief Financial Officer prior to the beginning of the new fiscal year.

The Agency is not required to present budget comparisons. Therefore budgetary data is not presented in the accompanying basic financial statements.

### **Budgetary Control**

The Agency maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Board. The Agency's Fiscal Control Ordinance establishes the Agency's basic principles of financial control and provides the Chief Executive Officer/General Manager and the Chief Financial Officer the authorization and fiscal flexibility to realign operation and maintenance budgets as needed.

The Chief Executive Officer/General Manager and the Chief Financial Officer are authorized to approve the transfer of appropriations for a single account category within a single fund's budget. In the event, the overall adopted Operation and Maintenance Budget or Capital Budget appropriation needs to be amended, a presentation to the Finance, Legal and Administrative Committee is required. The Board takes the Committee's recommendation into account as they consider the merits of the additional requested appropriation. A Board majority is required to change the budgeted appropriation.

Any increase in appropriation in any fund budget account category, whether accomplished through a change in anticipated revenues or through a transfer of, or increase to appropriations among funds or departments, and any transfer of appropriation so as to increase the salary appropriation of a fund, for whatever purpose, requires the approval of the Board. Information on budget transfers are presented to the Board as part of quarterly variance reporting. All appropriations lapse at year-end.

### **Encumbrances**

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

Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as unrestricted net assets in the fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent fiscal year.

### **Deficit Fund Balance**

At June 30, 2009 there were expenditures over appropriations in certain funds at the department level. However, this did not result in a negative fund balance of the individual funds because of expenditure savings from other departments in the fund and/or adequate revenues or sources in the fund to offset expenditures.

### **III. DETAILED NOTES ON ALL FUNDS**

#### **(3) Cash and Investments**

The Agency follows the practice of pooling cash and investments of all funds except for restricted funds generally held by outside custodians and funds in its employees' deferred compensation plans. Each fund's position in the pool is reported on the combined balance sheet as cash and investments. Amounts in the Agency's deferred compensation plan are no longer reported on the Agency's balance sheet as they are held in trust.

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

Cash and investments as of June 30, 2009 are classified in the accompanying financial statement as follows:

Statement of net assets:	
Cash and investments	\$ 64,706,061
Cash and investments held by fiscal agent	<u>57,528,823</u>
<b>Total cash and investments</b>	<b><u>\$ 122,234,884</u></b>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 1,697
Deposits with financial institutions	7,582,023
Deposits held by other governmental agencies	7,295,364
Investments	<u>107,355,800</u>
<b>Total cash and investments</b>	<b><u>\$ 122,234,884</u></b>

#### **GASB Statement No. 31**

The Agency adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 established fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the agency reports its investments at fair value in the balance sheet. All investment income, including changes in fair value of investments, is recognized as revenue in the operating statement.

#### **Investments and Interest Receivable – Restricted**

Restricted assets represent deposits held in short-term investments 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 held by contracting agencies for Wastewater Capital Connection Fees collected on behalf of the Agency to fund regional capital construction expenditures, and (d) 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.

### **(3) Cash and Investments (continued):**

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

Under provisions of the Agency's Investment Policy and in accordance with Section 53601 of the California Government Code, the Agency may invest in the following types of investments:

<b><u>Authorized Investment Type</u></b>	<b><u>Maximum Maturity</u></b>	<b><u>Maximum Percentage of Portfolio</u></b>	<b><u>Maximum Investment in One Issuer</u></b>
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	40%	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 the provisions of the Agency's debt agreements rather than the Agency's Investment Policy.

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.

<b><u>Authorized Investment Type</u></b>	<b><u>Minimum Rating</u></b>	<b><u>Maximum Maturity</u></b>	<b><u>Maximum Percentage Allowed</u></b>	<b><u>Maximum Investment in One Issuer</u></b>
U.S. Treasury Obligations	None	None	None	None
U.S. Agency Securities	None	None	None	None
Money Market Funds	AA-m / Aa2	N/A	None	None
Certificates of Deposits	None	None	None	None
Investment Agreements	None	None	None	None
Commercial Paper	A-1 / Prime-1	270 days	None	None
Banker's Acceptances	A-1 / Prime-1	1 Year	None	None
Repurchase agreements	A	30 days	None	None
LAIF	None	N/A	None	None

### **(3) Cash and Investments (continued):**

#### **Investment Pool Oversight**

##### **Local Agency Investment Fund (LAIF)**

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by 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.

##### **California Asset Management Program (CAMP)**

The Agency is a voluntary participant in the California Asset Management Program (CAMP), an investment pool managed by Public Financial Management, Inc. CAMP was established under provisions of the California Joint Exercise of Powers Act. 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 fair value provided by CAMP for the entire CAMP portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis.

#### **Deposits**

At June 30, 2009, the carrying amount of the Agency's deposits was \$7,582,023 and the bank balance was \$7,723,456. The \$141,433 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an Entity's deposits by pledging government securities with a value of 110% of an Entity's deposits. California law also allows financial institutions to secure Entity deposits by pledging first mortgage notes having a value of \$100,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank of San Francisco, California, as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agency of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local government agency.

### (3) 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.

#### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Agency has no formal policy for managing risks.

Presented below is the minimum rating required by the Agency's investment policy, and the actual rating as of fiscal year ended June 30, 2009 for each investment type:

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Not Required To Be Rated</u>	<u>Rating as of June 30, 2009</u>		
				<u>AAA</u>	<u>A-1+</u>	<u>Unrated</u>
U.S. Agency Securities	\$ 16,051,480	N/A	\$ 0	\$16,051,480	\$ 0	\$ 0
Certificates of Deposit	3,000,000	N/A	0	3,000,000		
State Investment Pool	39,999,637	N/A	0	0	0	39,999,637
Held by Bond Trustee:						
Money Market Funds	14,466,355	N/A	14,466,355	0		0
CAMP Investment Pool	33,838,328	AAAm	0	33,838,328	0	0
<b>Total</b>	<b>\$107,355,800</b>		<b>\$14,466,355</b>	<b>\$52,889,808</b>	<b>\$ 0</b>	<b>\$39,999,637</b>

#### Concentration of Credit Risk

The Agency's investment policy contains no limitations on the amount that can be invested with any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of the total Agency's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan	Bonds and Discount Notes	\$ 3,997,160
Freddie Mac	Bonds and Discount Notes	2,008,700
Federal Farm Credit	Bonds	6,010,620
Fannie Mae	Bonds and Discount Notes	4,035,000

Investments guaranteed by the U.S. Government and investments in external investment pools are excluded from the requirement.

### **(3) Cash and Investments (continued):**

#### **Custodial Credit Risk**

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2009, none of the Agency's deposits or investments were exposed to custodial credit risk.

#### **Interest Rate Risk**

Interest rate risk is the risk borne by an interest-bearing asset, due to variability of the interest rate of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Agency's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Agency's investment policy states that purchases of investments will be restricted to securities with a final state maturity not to exceed five years. The Agency manages its exposure to interest rate risk is by purchasing a combination of short term and long term investments. Investment maturities are spread out evenly to provide the cash flow and liquidity needed for operations. The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2009, the Agency had the following investments and original maturities:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>				<u>Fair Value</u>
	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>	
U.S. Agency Securities	\$ 0	\$2,033,120	\$14,018,360	\$0	\$ 16,051,480
Certificates of Deposit	3,000,000	0	0		3,000,000
State Investment Pool	39,999,637	0	0	0	39,999,637
Held by Bond Trustee:					
Money Market Funds	14,466,355	0	0		14,466,355
CAMP Investment Pool	33,838,328	0	0	0	33,838,328
<b>Total</b>	<b>\$91,304,320</b>	<b>\$2,033,120</b>	<b>\$14,018,360</b>	<b>\$0</b>	<b>\$107,355,800</b>

### **(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.

#### ***(4) Deferred Compensation Plan (continued):***

The Agency adopted GASB Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans." The implementation of GASB Statement No. 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). Each participant is expected to contribute up to 10% of their employee's earnings up to a maximum of \$49,000 for 2009. All contributions are made with pre-tax income and are solely obtained from the employee's funds. An employee's election to participate in the plan is irrevocable and shall remain in force until the employee terminates employment. Under current 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.

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 \$1,376,084 and \$1,095,604 at fiscal years ended June 30, 2009 and 2008, respectively.

#### ***(5) Defined Benefit Pension Plan***

##### **Plan Description**

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

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

##### **Funding Policy**

Agency employees are required to contribute 8% 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 Agency amended its contract with CalPERS from 2.0% @ 55, to 2.5% @ 55 effective June 29, 2008. As of result of this change, the required employer contribution rate for the fiscal year ended June 30, 2009 increased by 2.388% to 12.232%. Also, the employee's contribution rate increased from 7.0% to 8.0%. 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.

## **(5) Defined Benefit Pension Plan (continued):**

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 2.5% of their average salary during the period of 12 consecutive months in which they earned their highest salary.

### **Annual Pension Costs**

Under GASB Statement No. 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2006.

In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2009, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2008 to June 30, 2009. The Agency's annual pension cost for the fiscal year ended June 30, 2009 was \$5,083,038.

A summary of the principle assumptions and methods used to determine the annual required contribution are shown below.

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percentage of Payroll
Average Remaining Period	23 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administration expenses)
Projected Salary Increases	3.25% to 14.45% depending on age, Service, and type of employment.
Inflation	3.00%
Payroll Growth	3.25%
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%

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 percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability 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, 2035.

## **(5) Pension Plan (continued):**

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

The Schedule of Funding Progress below shows the recent history of the Entry Age Normal Accrued Liability, Actuarial Value of Assets, the Unfunded Liability (their relationship), Funded Ratio 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. This schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<b>Valuation Date</b>	<b>Entry Age Normal Accrued Liability (a)</b>	<b>Actuarial Value of Assets (b)</b>	<b>Unfunded Liability (Excess Assets) (a-b)</b>	<b>Funded Ratio Status (b/a)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a % of Payroll [(a) - (b)]/c</b>
6/30/2006	63,032,162	56,207,029	6,825,133	89.20%	19,176,313	35.6%
6/30/2007	71,918,900	63,177,134	8,741,766	87.80%	21,314,206	41.0%
6/30/2008	83,250,326	70,725,415	12,524,911	85.00%	24,428,539	51.3%

### **Three-year Trend information for the IEUA CalPERS**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2007	3,467,665	100%	0
6/30/2008	4,060,603	100%	0
6/30/2009	5,083,038	100%	0

## **(6) Risk Management**

The Agency is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. During fiscal year 1985/86, the Agency chose to establish a risk management program for risks associated with all liability losses except workers' compensation losses. These risks are covered by commercial insurance purchased from independent third parties.

- General and auto liability, public officials and employees' error and omissions: The Agency retains the risk of loss for general liability, automobile liability, and, errors and omissions claims of up to \$250,000 per person per occurrence.
- The Agency also retains the risk of loss for property damage, and boiler machinery claims of up to \$25,000.

In fiscal year 1993/94, the Agency adopted a self-insurance program for risks associated with workers' compensation to account for and finance uninsured workers' compensation losses. The Agency uses excess insurance agreements to reduce its exposure to large workers' compensation losses.

## **(6) Risk Management (continued):**

Excess insurance permits the recovery of a portion of losses from the excess insurers, although it does not discharge the primary liability of the fund as direct insurer of the risks.

- The Agency purchases commercial insurance coverage for that portion of workers' compensation claims exceeding the California statutory limits of \$1,000,000 per person per occurrence. The current commercial insurance provides coverage for workers' compensation claims up to \$25,000,000. The Agency does not report excess insurance risks as liabilities unless it is probable that those risks will not be covered by the excess insurance.

In addition to the above, the Agency has the following insurance coverage:

- Employee dishonesty coverage up to \$50,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's, and computer fraud; with a deductible of \$1,000 per occurrence.
- Property damage has a \$50,000,000 per occurrence coverage limit, subject to a \$25,000 deductible per occurrence. All other claims categories provide coverage up to \$10,000,000 on an annual aggregate basis.
- Boiler and machinery coverage for the replacement cost up to a shared limit of \$500,000, subject to various deductibles depending on the type of equipment.

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 is calculated using trends in actual claims experience. The allocation is based upon the percentage of each fund's current payroll as it relates to the total payroll of the Agency. These allocated interfund premiums are used to reduce the amount of claims expenditure reported in the Administrative Services Fund.

Settled claims from the risks discussed herein have not exceeded commercial insurance coverage in any of the last three fiscal years ending June 30, 2009, 2008, and 2007. 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.

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

	<b>Worker's Compensation</b>		<b>General Liability</b>	
	<b>2008/09</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2007/08</b>
Unpaid Claims, beginning of fiscal year	\$166,831	\$ 73,534	\$ 0	\$ 0
Incurred claims (including IBNRs)	307,951	243,348	40,937	52,986
Claim payments	( 179,694)	( 150,051)	(40,937)	(52,986)
<b>Unpaid claims, end of fiscal year</b>	<b>\$295,088</b>	<b>\$166,831</b>	<b>\$ 0</b>	<b>\$ 0</b>

## **(7) 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, 2009:

### **Capital Assets**

<b>Capital assets-</b>	<b>Balance at 6/30/08</b>	<b>Additions</b>	<b>Transfers &amp; Retirements</b>	<b>Balance at 06/30/09</b>	<b>Accumulated Depreciation at 6/30/09</b>	<b>Net Book Value at 6/30/09</b>
<b>Capital assets-not being depreciated:</b>						
Land	\$ 13,899,708	\$ 0	\$ 0	\$ 13,899,708	\$ 0	\$ 13,899,708
Jobs in progress	173,098,117	50,880,188	(10,458,457)	213,519,848	0	213,519,848
Total capital assets, not being depreciated	\$ 186,997,825	\$ 50,880,188	\$(10,458,457)	\$227,419,556	\$ 0	\$ 227,419,556
<b>Capital assets- being depreciated:</b>						
Interceptors, trunk lines and inter-ties	\$ 13,531,582	\$ 0	\$ 0	\$ 13,531,582	\$ ( 3,363,982)	\$ 10,167,600
Office facilities	11,418,552	86,447	0	11,504,999	( 1,198,978)	10,306,021
Collection, outfall, and transmission lines	107,242,621	206,809	( 783,476)	106,665,954	( 30,537,668)	76,128,286
Reservoirs, settling basins, ponds, and chlorination stations	74,948,442	216,748	0	75,165,190	( 12,027,232)	63,137,958
Recycled water distribution systems	73,560,032	3,768,230	0	77,328,262	( 4,248,691)	73,079,571
Treatment plants, pump stations and office buildings	212,734,635	1,577,265	0	214,311,900	(101,284,710)	113,027,190
Equipment	49,481,600	3,001,653	0	52,483,253	( 30,332,926)	22,150,327
Land improvement	12,846,663	451,678	0	13,298,341	( 5,250,405)	8,047,935
Total capital assets, being depreciated	\$ 555,764,127	\$ 9,308,830	\$( 783,476)	\$564,289,481	\$(188,244,592)	\$ 376,044,889
<b>Less accumulated depreciation for:</b>						
Interceptors, trunk lines and inter-ties	\$ ( 3,081,452)	\$ ( 282,530)	\$ 0	\$( 3,363,982)		
Office facilities	( 918,549)	( 280,429)	0	( 1,198,978)		
Collection, outfall, and transmission lines	( 26,999,010)	( 3,538,658)	0	( 30,537,668)		
Reservoirs, settling basins, ponds, and chlorination stations	( 10,287,572)	( 1,739,660)	0	( 12,027,232)		
Recycled water distribution systems	( 2,617,290)	( 1,631,401)	0	( 4,248,691)		
Treatment plants, pump stations and office buildings	( 94,013,518)	( 7,271,192)	0	(101,284,710)		
Equipment	( 25,178,203)	( 5,154,723)	0	( 30,332,926)		
Land improvement	( 4,594,522)	( 655,883)	0	( 5,250,404)		
Total accumulated depreciation	(167,690,116)	(20,554,476)	0	(188,244,592)		
Total capital assets, being depreciated, net	\$388,074,011	\$(11,245,646)	\$( 783,476)	\$376,044,889		
<b>Total capital assets-Enterprise Funds, net</b>	<b>\$575,071,836</b>	<b>\$ 39,634,542</b>	<b>\$(11,241,933)</b>	<b>\$603,464,445</b>		

***(7) Changes in Capital Assets and Intangible Assets (continued):***

**Intangible Assets**

Intangible assets-	Balance at 6/30/08	Additions	Transfers & Retirements	Balance at 06/30/09	Accumulated Amortization at 6/30/09	Net Book Value at 6/30/09
<b>Intangible assets-being amortized:</b>						
Computer Software	\$ 5,530,032	\$ 630,158	\$ 0	\$ 6,160,190	\$ ( 1,065,528)	\$ 5,094,662
Metropolitan Water District connections	198,891	0	0	198,891	( 153,147)	45,744
Corps of Engineers-Cucamonga Creek	43,489	0	0	43,489	( 21,229)	22,260
San Bernardino County Flood Control- Chino Road Barrier	48,078	0	0	48,078	( 8,814)	39,264
County Sanitation Districts of Los Angeles County's facilities and capacity rights	30,898,799	1,515,331	0	32,414,130	(10,850,780)	21,563,350
Santa Ana Watershed Project Authority capacity rights	12,467,002	0	0	12,467,002	( 4,609,242)	7,857,760
Organization and master planning	1,844,537	0	0	1,844,537	( 435,503)	1,409,034
Total intangible assets being amortized	\$ 51,030,828	\$ 2,145,489	\$ 0	\$ 53,176,317	\$(17,144,243)	\$36,032,074
<b>Less accumulated amortization for:</b>						
Computer Software	\$ ( 449,402)	\$ ( 616,126)	\$ 0	\$ (1,065,528)		
Metropolitan Water District connections	( 149,169)	( 3,978)	0	( 153,147)		
Corps of Engineers-Cucamonga Creek berm	( 20,359)	( 870)	0	( 21,229)		
San Bernardino County Flood Control- Chino Road Barrier	( 7,211)	( 1,603)	0	( 8,814)		
County Sanitation Districts of Los Angeles County's facilities and capacity rights	( 10,179,717)	( 671,063)	0	(10,850,780)		
Santa Ana Watershed Project Authority capacity rights	( 4,311,658)	( 297,584)	0	( 4,609,242)		
Organization and master planning	( 396,663)	( 38,840)	0	( 435,503)		
Total accumulated amortization	(15,514,179)	(1,630,064)	0	(17,144,243)		
<b>Total intangible assets-Enterprise Funds, net</b>	<b>\$ 35,416,649</b>	<b>\$ 515,425</b>	<b>\$ 0</b>	<b>\$36,032,074</b>		

The ending balance of accumulated depreciation and amortization for all capital assets has been adjusted to the Statement of Net Assets for 2009 (rounding difference). For the fiscal year ended June 30, 2009, depreciation and amortization expense was \$22,184,542.

## **(7) Changes in Capital Assets and Intangible Assets (continued):**

### **Jobs in Progress**

At the Fiscal Year ended June 30, 2009, the Agency had several jobs in progress designed to expand the Recycled Water Distribution System as part of the 3 Year Business Plan adopted in December 2007. Other significant projects are also underway to expand, improve and refurbish existing treatment facilities in the Agency's Regional Program, including the disposition of wastewater by-products and provide for ancillary facilities that support operating activities.

Other Projects (less than \$1,000,000 each)	\$18,157,133
RP-4 Liquid Expansion to 14 mgd	39,283,246
RP-5 Renewable Energy Efficiency	24,295,290
RP-5 System Facilities Upgrade & Improvements	21,035,245
San Bernardino Ave Pump Station	10,922,005
San Antonio Channel Pipeline-B	10,378,802
RP-1 Facilities Improvements	10,245,048
RP-4 1158 & 1270 PZ Pump Stations	10,142,372
RP-1 3-Phase Digestion Improvement	8,968,156
Recharge Enhancement Project	8,547,539
RP-1 Odor Control - Phase I	8,131,940
Complete Mix Digestion Technology	5,637,749
RP-4 Area 1158 Reservoir	5,582,539
RP-1 South RW Pump Station	4,783,703
NRW System Upgrades	4,528,727
RP-4 Area 1158 Pipeline	3,668,949
RP-1 Aeration Basin Modifications	3,139,495
RP-5/RP-2 Recycled Water Pipelines	2,234,504
RP-2 Dewatering Cake Storage System	2,201,641
RP-1 Dewatering Facility Expansion	1,676,918
Etiwanda Ave 42" Pipeline	1,554,538
1630 E Pipeline Segment A	1,450,438
ERP/CMMS Procurement	1,365,912
CCW Tertiary, Filtration & Chlorination Tank Expansion	1,212,846
RP-2-SARI Dump Site Relocation	1,181,813
City of Ontario - Brine Line	1,146,509
RP-5/RP-2 Capacity Improvements	1,045,343
Private Retrofit Ontario Other Private Retrofits	1,001,448
<b>Total jobs in progress</b>	<b><u>\$ 213,519,848</u></b>

## **(8) Construction Commitments**

The Agency is committed to several material construction contracts. Total outstanding obligation was \$5,825,091 at June 30, 2009. Some of the more significant contracts are as follows:

There are several projects on-going throughout the Agency's regional plants, with four major projects on-going at RP-1, one major project on-going at RP-2, and two major projects on-going at RP-4, one major project on-going at RP-5, several recycled water and smaller projects at each facility with a remaining combined obligation of \$1,035,645.

The major projects include:

- **EN04011** - RP-4 Liquid Expansion to 14 MGD – to increase the plant capacity to meet area growth forecasts with outstanding obligation of \$937,094.

## **(8) Construction Commitments (continued):**

- **WR04441** - RP-4 Recycled Water Pump Station project - involves retrofitting the existing RP-4 1270 Pressure Zone (PZ) pump to serve the 1158 pressure zone reservoirs, and the addition of a new pump station to serve the 1270 pressure zone. This project has an outstanding obligation of \$772,393.
- **EN07006** – RP-1 Assessment Management Phase II/Dechlorination Station project - includes the upgrade to the dechlorination pump station at RP-4 to dechlorinate the effluent before it is discharged into Cucamonga Creek, as well as the excess flow from RP-1 Tertiary (TP1) not being used by the pump station, and excess flow going into Prado Lake. Currently the basin has a dechlorination capacity of 11.2 MGD with completion of the RP-4 expansion; flows will increase between 27 to 29 MGD exceeding the capacity of the current Dechlorination station. This project has an outstanding obligation of \$703,175.
- **EN07117** - RP-2 SHF Improvements Phase I project – also identified as the RP-2 SARI Dump site relocation, involves the modification of the existing Santa Ana River Interceptor (SARI) Line in El Prado Road, and has an outstanding obligation of \$659,805;
- **EN08024** - RP-1 Digester #3 Roof Repairs – is the repair or replace analysis for Digester #3. This is a rush project due to roof problems also existing at Digesters #6 and #7. The project has an outstanding obligation of \$596,985;
- **PL03006** - RP-1 Odor Control Phase 1B – includes the design and construction of odor control facilities in the most odorous areas of RP-1, including the dewatering building, biosolids loading area, side stream treatment process, gravity thickeners, dissolved air flotation thickeners, manure handling area, circular and rectangular primary clarifiers, influent channels and scum boxes, primary effluent diversion structure and primary effluent intermediate pump station. The implementation of odor control will reduce the public exposure to odors generated from RP-1 and help to promote public acceptance of wastewater treatment and, ultimately, recycled water production. The project has an outstanding obligation of \$410,846;
- **EN07006.01** - RP-1 Asset Management, and Digesters #6 and #7 Roof Repairs - with an outstanding balance of \$389,868; and,
- **EN03029** – RP-5 Renewable Energy Efficiency Project – for the design and construction of multiple renewable energy projects that will conjunctively create an energy-efficient, environmentally friendly project at RP-5, and help to advance the development of renewable power. This project includes the use of conventional internal combustion engines and innovative power digestion equipment, and has an outstanding balance of \$319,280.

## **(9) Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time, although the Inland Empire Utilities Agency expects such amounts, if any, to be immaterial.

At June 30, 2009, 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.

## ***(10) Long-Term Receivables***

### **City of Ontario**

The Agency's original contract with the City of Ontario for the reimbursement of the RP-1 to RP-5 By-Pass Project was amended on June 4, 2004. As of March 31, 2008 the project was complete; and, as of June 30, 2009, the receivable amount is \$2,912,396 and is recorded in the Regional Wastewater Capital Improvement Fund.

### **Lewis Operating Corporation**

In January 2002, the Agency sold the Co-Composting site to Lewis Operating Corporation. In addition to the purchase price, Lewis agreed to pay \$4,678,500, payable in two equal installments, toward the Agency's relocation costs. In March 2008, the Agency Board of Directors approved a revision to the original due dates, with the first installment due on June 30, 2011 and the second installment due on June 30, 2012. As of June 30, 2009 the receivable balance remains \$4,678,500, and is recorded in the Organics Management Fund.

### **Niagara Bottling, L.L.C.**

The Agency entered into an agreement with Niagara Bottling, L.L.C. in March 2004 for the construction of a Non-reclaimable Wastewater (NRW) lateral pipeline, with a not-to-exceed cost of \$250,000. The agreement requires Niagara to reimburse 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 was due June 1, 2005. As of June 30, 2009, the receivable amount is \$134,346 and is recorded in the Non-reclaimable 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 an oversight committee of ten. Equal contributions are made by each member agency for administration and contributions based on capacity use rights for project agreements under which capital construction is accomplished. Special projects or studies are funded by equal contributions from each Agency based on the general or specific nature of the project or study. The Agency's share of ownership has not been determined. Financial data is available at the Agency's main office.

**(11) Joint Ventures - Long-Term Agreements (continued):**

**Santa Ana Watershed Project Authority (continued):**

Financial information for the operation of SAWPA as of and for the fiscal years ended June 30, are summarized as follows:

	<u>2008</u>	<u>2007</u>
Total assets	<u>\$190,962,231</u>	<u>\$195,644,845</u>
Total liabilities	<u>\$131,818,286</u>	<u>\$140,507,612</u>
Total net assets	<u>59,143,945</u>	<u>55,137,233</u>
Total revenues	21,749,524	19,826,506
Total expenses	<u>(17,742,812)</u>	<u>(17,922,666)</u>
<b>Net change in net assets</b>	<b><u>\$ 4,006,712</u></b>	<b><u>\$ 1,903,840</u></b>

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

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

***(11) Joint Ventures - Long-Term Agreements (continued):***

**Santa Ana Watershed Project Authority (continued):**

- 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 Non-reclaimable 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 Non-reclaimable 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 approved the sale of 2.10 mgd of pipeline capacity and 2.05 mgd of treatment and disposal capacity to the Chino Basin Desalter Authority. The sale price totaled \$14.25 million payable in three equal installments within one year. This sale was recorded in two separate funds with \$4.73 million going to the Regional Capital Improvement Fund and \$9.52 million going to the Non-reclaimable Wastewater 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, 2009, Desalter 1 and Desalter 2 delivered a total of 25,678.7 acre feet of water. Financial data is available at the Agency's main office.

## ***(11) Joint Ventures - Long-Term Agreements (continued):***

### **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 a fully enclosed biosolids composting facility. The JPA Agreement calls for a 50/50 share of all costs related to the activities of the JPA.

Prior to the JPA Agreement, the two partners entered into a separate agreement in December, 2001 to acquire real property for Proposed Joint Use. As a result of this agreement, a piece of property adjacent to IEUA's Regional Plant No. 4 was acquired in December, 2001. The cost of the property was \$15,116,229. Subsequent to the property acquisition, preliminary and final designs were launched to modify the property. As of June 30, 2009, the IEUA's share of the total costs is \$47,184,474 recorded in the Organics Management 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 as 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.

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	<u>20%</u>
Total	<u>100%</u>

## **(11) Joint Ventures - Long-Term Agreements (continued):**

### **Santa Ana River Watermaster (continued):**

Financial information for the operation of Watermaster as of and for the fiscal years ended June 30, are summarized as follows:

	<b>2008</b>	<b>2007</b>
Total assets - cash	<u>\$ 17,722</u>	<u>\$ 3,867</u>
Fund balance	<u>17,722</u>	<u>3,867</u>
Total revenues	\$ 14,000	\$ 25,995
Total expenses	<u>( 145)</u>	<u>(43,699)</u>
<b>Net increase/(decrease) in equity</b>	<b><u>\$ 13,855</u></b>	<b><u>\$ (17,704)</u></b>

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, 2009:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>	<b>Amounts Due After One Year</b>
<b>Bonds Payable:</b>						
1994 Revenue Bonds	\$63,715,000	\$0	\$2,690,000	\$61,025,000	\$2,890,000	\$58,135,000
1999 Revenue Bonds	2,130,000	0	1,040,000	1,090,000	1,090,000	0
2002A Variable Rate Revenue Bonds	23,135,000	0	165,000	22,970,000	1,320,000	21,650,000
2008A Revenue Bonds	125,000,000	0	0	125,000,000	0	125,000,000
2008B Variable Rate (2002A Refinancing)	55,225,000	0	1,420,000	53,805,000	1,475,000	52,330,000
Sub-total	269,205,000	0	5,315,000	263,890,000	6,775,000	257,115,000
Deferred Bond Cost	2,646,506	0	(38,797)	2,685,303	0	2,685,303
Total	<b><u>\$271,851,506</u></b>	<b><u>\$0</u></b>	<b><u>\$5,276,203</u></b>	<b><u>\$266,575,303</u></b>	<b><u>\$6,775,000</u></b>	<b><u>\$259,800,303</u></b>

### **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 Certificates of Participation.

## **(12) Long-term Debt and Notes Payable (continued):**

### **Long-term Debt (continued):**

#### **1994 Revenue Bonds (continued):**

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.

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 fixed rate bonds with an interest rate of 5.75% and annual installments ranging from \$2,300,000 and \$3,100,000, due on August 1. The balance outstanding at June 30, 2009 was \$59,821,631.

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 non-reclaimable waste capacity.

Maturing on November 1, 2009, the 1999 Bond principal will be \$1,090,000 and interest of \$27,500 at 5.00%. 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, 2009 was \$1,083,148, net of bond issue discount of \$6,852.

#### **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.

## **(12) Long-term Debt and Notes Payable (continued):**

### **Long-term Debt (continued):**

#### **2005A Revenue Bonds (continued):**

The bonds maturing through 2009 were Uninsured Serial Bonds payable in annual installments ranging from \$155,000 to \$1,320,000 with interest ranging from 3.00% to 3.50% on November 1. The bonds maturing between 2010 and 2023 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, 2009 was \$22,084,310.

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.)

#### **2008A Revenue Bonds**

- On February 5, 2008, the Chino Basin Regional Financing Authority issued the Inland Empire Utilities Agency Revenue Bonds, Series 2008A in the total amount of \$125,000,000.

The Bonds were issued (i) to finance the cost of certain replacements of Inland Empire Utilities Agency wastewater facilities and certain improvements to the wastewater recycled water and non-reclaimable wastewater facilities, (ii) to refund the outstanding Chino Basin Regional Financing Authority Commercial Paper, (iii) to purchase a debt service reserve surety bond for deposit in the Reserve Fund, (iv) to capitalize interest on a portion of the Bonds, and (v) to pay the cost of issuing the Bonds.

The bonds maturing through 2028 are Serial Bonds payable in annual installments ranging from \$2,620,000 to \$4,305,000 with an interest rate of 5.00%. The bonds maturing through 2034 are Term Bonds payable in annual installments ranging from \$5,495,000 to \$10,735,000 with an interest rate of 5.00%. The bonds maturing through 2039 are Term Bonds payable in annual installments ranging from \$11,285,000 to \$13,785,000 with an interest rate of 5.00%. The balance outstanding at June 30, 2009 was \$129,861,728.

#### **2008B Revenue Bonds**

- On March 1, 2008, the Chino Basin Regional Financing Authority issued the Inland Empire Utilities Agency Variable rate Demand Revenue Refunding Bonds, Series 2008B in the total amount of \$55,675,000.

The Bonds were issued to refund all of the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Variable Rate Revenue Bond Series 2002A. The refunding resulted in a \$700,406 amortization in the deferred cost balance of the Series 2002A Bonds, expensed in 2008, and the recording of \$249,242 of deferred cost for the Series 2008B Bonds to be amortized through the year 2032. The net present value of economic gain (loss) (*difference between the present value of the new and old debt service payments*) was \$0, based on the estimated variable interest rate.

The bonds maturing through 2032 are Serial Bonds payable in annual installments ranging from \$1,420,000 to \$3,480,000 with a variable interest rate no higher than 12.00% per annum. The balance outstanding at June 30, 2009 was \$53,724,993.

## **(12) Long-term Debt and Notes Payable (continued):**

### **Long-term Debt (continued):**

#### **Aggregate Long Term Debt**

As of June 30, 2009, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

<b>Year Ending June 30</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total</b>
2010	\$ 6,775,000	\$ 13,988,747	\$ 20,763,747
2011	5,920,000	13,631,810	19,551,810
2012	6,175,000	13,292,780	19,467,780
2013	6,535,000	12,944,504	19,479,504
2014	6,880,000	12,563,375	19,443,375
2015-2019	39,885,000	56,445,050	96,330,050
2020-2024	44,950,000	44,149,728	89,099,728
2025-2029	34,980,000	33,891,900	68,871,900
2030-2034	49,270,000	22,404,350	71,674,350
2035-2039	62,520,000	8,127,250	70,647,250
Subtotal	263,890,000	231,439,494	495,329,494
Less: Deferred amount on refunding	(1,965,577)		(1,965,577)
Plus: Net Premium (Discount)	4,650,880		4,650,880
<b>Total debt service payable</b>	<b>\$266,575,303</b>	<b>\$231,439,494</b>	<b>\$498,014,797</b>

#### **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, 2009. (Refer to the bond disclosures in the statistical section).

#### **Interest Rate Swaps**

Interest rate swaps 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. In FY 2008/09, the 1994 swap agreement had generated revenues in the amount of \$120,131. Since inception, the 1994 swap agreement has generated \$841,148 in net revenues.

## **(12) Long-term Debt and Notes Payable (continued):**

### **Long-term Debt (continued):**

#### **Interest Rate Swaps (continued):**

##### **■ 2005A 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. The 2005 swap agreement had generated revenues in the amount of \$69,584 in FY 2008/09 and a cumulative total of \$344,847 through June 30, 2009.

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	\$61,025,000	5/19/2005	BMA	62.4%LIBOR +0.604	(\$614,048)	8/1/2022	AA/Aa1
2005 Bond	22,970,000	11/1/2005	BMA	62.4%LIBOR +0.664	( 158,346)	11/1/2022	AA/Aa1
<b>Total swap</b>	<b>\$83,995,000</b>				<b>(\$772,394)</b>		

In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, disclosure has been limited to those types of risk actually faced by the Agency in connection with derivatives outstanding as of June 30, 2009

##### **■ Fair Value**

As of June 30, 2009, the swap had a fair value of (\$772,394), (\$614,048 for the 1994 bonds swap and \$158,346 for the 2005 Bonds Swap). 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, 2009. 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, 2009, 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.

## **(12) Long-term Debt and Notes Payable (continued):**

### **Long-term Debt (continued):**

#### **Interest Rate Swaps (continued):**

#### **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 than 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, 2009 was as follows:

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>	<b>Amounts Due After One Year</b>
<b><u>Notes Payable:</u></b>						
SARI Pipeline Cap. 1.5 mgd	\$ 1,966,522	\$ 0	\$ 149,196	\$ 1,817,326	\$ 158,148	\$ 1,659,178
State Revolving Fund Loan	28,984,381	15,863,152	959,667	43,887,866	1,809,493	42,078,373
<b>Total notes payable</b>	<b>\$30,950,903</b>	<b>\$15,863,152</b>	<b>\$1,108,863</b>	<b>\$45,705,192</b>	<b>\$1,967,641</b>	<b>\$43,737,551</b>

The financial statement includes imputed interest @ 6% in "Notes payable due in more than one year", in the amount of \$109,040.

#### **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 twelfth installment is due on July 15, 2009. This is a combined note payable from the Non-reclaimable Wastewater and Regional Wastewater Funds.

**(12) Long-term Debt and Notes Payable (continued):**

**Notes Payable (continued):**

**Santa Ana Watershed Project Authority (continued):**

As of June 30, 2009, the future payments for the remaining note payable obligation by year is as follows:

<b>Year Ending June 30</b>	<b>Principal Payments</b>	<b>Imputed Interest</b>	<b>Total</b>
2010	\$ 158,148	\$109,040	\$ 267,188
2011	167,637	99,551	267,188
2012	177,695	89,493	267,188
2013	188,357	78,831	267,188
2014	199,657	67,529	267,188
2015/2018	925,832	142,918	1,068,750
<b>Total SAWPA note</b>	<b><u>\$1,817,326</u></b>	<b><u>\$587,362</u></b>	<b><u>\$2,404,688</u></b>

**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, 2007, the five projects in Phase I had been completed and received \$15,142,293 of SRF funding. Payments on SRF loans commence one year after the completion of construction, with principal and interest paid annually for 20 years at an annual rate of 2.5%.
- The RP-1 Pump Station and West Edison SAC RW Pipeline A & B projects (Phase II) are also in part funded by the State Revolving Fund (SRF). As of June 30, 2009, the three projects were approximately 75% complete and have received \$13,618,077 of SRF funding.
- The RP-4 Pump Station, Pipeline and Reservoir projects (Phase III) is in part funded by the State Revolving Fund (SRF). As of June 30, 2009, the three projects were approximately 90% complete and received \$9,986,368 of SRF funding.
- The Phase IV Recycled Water Projects are also in part funded by the State Revolving Fund (SRF). As of June 30, 2009 the four projects had just started and received \$1,000,237 of SRF funding.
- In Phase V, the Recycled Water Project (Construction of 2 Monitoring Wells) is in part funded by the State Revolving Fund (SRF). As of June 30, 2009 the project had just started and had received \$60,586 of SRF funding.

## **(12) Long-term Debt and Notes Payable (continued):**

### **Notes Payable (continued):**

#### **State Water Resources Control Board (continued):**

- The Regional Capital Wastewater Project (San Bernardino Avenue Pump Station) is in part funded by the State Revolving Fund (SRF) through the City of Fontana. As of June 30, 2009 this project was approximately 90% complete, and the Agency had received \$2,093,443 of the City of Fontana's SRF funding.

As of June 30, 2009, the future payments for the remaining loan obligations by year are as follows:

<b>Year Ending June 30</b>	<b>Principal Payment</b>	<b>Interest Payment</b>	<b>Total Payment</b>
2010	\$ 1,809,493	\$ 718,829	\$ 2,528,322
2011	2,148,056	843,265	2,991,321
2012	2,178,655	804,947	2,983,602
2013	2,209,975	765,912	2,975,887
2014	2,242,031	726,139	2,968,170
2015/2019	11,717,989	3,007,107	14,725,096
2020/2024	12,640,275	1,891,906	14,532,181
2025/2029	8,632,729	795,679	9,428,408
2030/2034	308,663	7,716	316,379
<b>Total SRF loans</b>	<b><u>\$43,887,866</u></b>	<b><u>\$9,561,500</u></b>	<b><u>\$53,449,366</u></b>

## **(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 and 2008A Revenue, 2005A Variable Rate and 2008B Refunding Revenue Bonds are all subject to arbitrage limitations. As such, the initial arbitrage rebate installment on the 1994 Revenue Bonds was made in September 1998, the second installment was paid in September 2003, and the third installment was paid in August 2008.
- The initial arbitrage rebate on the 1999 Revenue Bonds was made in November, 2004, with the second installment due in November 2009.
- The initial arbitrage rebate on the 2005A Variable Rate Revenue Bonds will be due in May 2010; and,
- the 2008A and 2008B Bonds initial arbitrage rebate will be due in June 2013.

The Agency's arbitrage rebate liability is calculated by Willdan Financial Services, formerly MuniFinancial Inc. The arbitrage liability is included in "Other noncurrent liabilities" in the Regional Wastewater Fund, and reflected on the Statement of Net Assets on June 30, 2009 as a combined total of \$96,405.

#### ***(14) Advance to/from Other Funds***

The composition of advances to/from other funds balances as of June 30, 2009, is as follows:

Funds	Advances To Other Funds:		
	Recharge Water Fund	Recycled Water Fund	Total
<b>Advances From Other Funds:</b>			
Regional Capital Improvement Fund	\$3,700,000	\$ 3,000,000	\$ 6,700,000
Non-Major Funds:			
Non-reclaimable Wastewater Capital Improvement Fund	0	9,000,000	9,000,000
<b>Total advances</b>	<b>\$3,700,000</b>	<b>\$12,000,000</b>	<b>\$15,700,000</b>

#### **Regional Capital Improvement Fund & Recharge Water Fund**

The advance to the Recharge Water Fund from the Regional Capital Improvement Fund was needed to support capital expenditures funded through a Department of Water Resources (DWR) state grant. As of June 30, 2009, the reimbursement billings to DWR were still outstanding due to the temporary suspension of grant payments as a result of the State budget crisis. The Agency has been notified that payments will resume in FY 2009/10.

#### **Regional Capital Improvement Fund & Recycled Water Fund**

At June 30, 2009, the Regional Capital Improvement Fund reports an advance from the Recycled Water Fund, and the Recycled Water Fund reports an advance to the Regional Capital Improvement Fund, in the amount of \$3,000,000. This advance will support capital construction expenditures related to the Recycled Water Distribution System as part of the Agency's 3 Year Business Plan adopted in December 2007. Repayment is scheduled over several fiscal years from increased recycled water deliveries.

#### **Non-reclaimable Wastewater Capital Improvement Fund & Recycled Water Fund**

At June 30, 2009, the Non-reclaimable Wastewater Capital Improvement Fund reports an advance from the Recycled Water Fund, and the Recycled Water Fund reports an advance to the Non-reclaimable Wastewater Capital Improvement Fund, in the amount of \$9,000,000. This advance will support capital construction expenditures related to the Recycled Water Distribution System as part of the Agency's 3 Year Business Plan adopted in December 2007. Repayment is scheduled over several fiscal years from increased recycled water deliveries.

#### ***(15) Interfund Transfers***

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

### ***(15) Interfund Transfers (continued):***

The Recharge and Recycled Water Funds received administrative and capital support from the Regional Capital Improvement Fund in the amount of \$2,228,215 and \$490,000 respectively.

Non-Major Enterprise Funds received transfers in the amount of \$5,624,952 including \$5,598,581 from the Regional Wastewater Fund. These transfers included \$3,000,000 in operating support from the Regional Wastewater Fund to the Organics Management Fund (OM), and \$354,945 capital support to the Administrative Service Fund (GG) from various funds. The remaining amount of \$2,270,007 consisted of property tax transfers for debt service from the Obligation Payment Fund (OP) to the GG Fund.

The following table reflects the Interfund transfer balances in and out by fund as of June 30, 2009.

	<b>Transfers In:</b>				<b>Total</b>
	<b>Regional Wastewater</b>	<b>Recharge Water</b>	<b>Recycled Water</b>	<b>Non-Major Enterprise Funds</b>	
<b>Transfers out:</b>					
Regional Wastewater Fund	\$ 0	\$2,228,215	\$490,000	\$5,598,581	\$ 8,316,796
Recycled Water Fund		101,000		11,987	112,987
Non-Major Enterprise Fund	2,270,007		300,000	14,384	2,584,391
<b>Total Transfers</b>	<b>\$ 2,270,007</b>	<b>\$2,329,215</b>	<b>\$790,000</b>	<b>\$5,624,952</b>	<b>\$11,014,174</b>

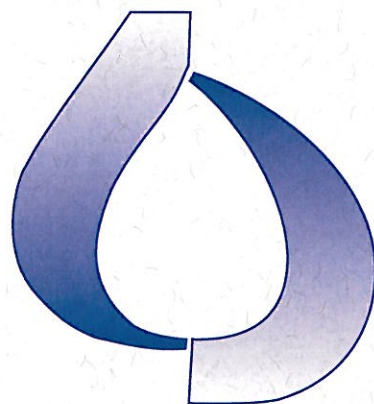
### ***(16) Operating Leases***

The Agency has one operating lease at June 30, 2009:

- One postage meter lease extending to June 30, 2010.

Total operating lease costs were \$2,898.61 for the year ended June 30, 2009. The future minimum lease payments for equipment leases are as follows:

<b><u>Year Ended June 30</u></b>	<b><u>Amount</u></b>
2010	\$1,549.20
<b>Total</b>	<b><u>\$,1549.20</u></b>



***SUPPLEMENTARY SCHEDULES***

**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, 2009**

(With Comparative Totals for June 30, 2008)

	Non-Major Enterprise Funds	
	Non-reclaimable	
<b>ASSETS</b>	Water	Wastewater
Current assets		
Cash and investments	\$1,755,573	\$11,193,293
Accounts receivable	8,607,597	1,632,733
Interest receivable	10,328	58,819
Taxes receivable	0	0
Other receivables	10,304	468,464
Inventory	0	0
Prepaid items	0	560,589
Total current assets	10,383,802	13,913,898
Noncurrent assets		
Restricted assets		
Assets held for 401(a) plan	0	0
Assets held with trustee/fiscal agent	0	2,066,525
Total restricted assets	0	2,066,525
Capital assets		
Land	0	0
Jobs in progress	94,104	6,861,165
Capital assets, net of accumulated depreciation	23,204	4,572,262
Total capital assets	117,308	11,433,427
Other assets		
Long-term investments	0	0
Long-term receivables	0	134,346
Intangible assets, net of accumulated amortization	53,754	24,681,155
Advances to other funds	0	9,000,000
Deferred costs	0	90,495
Total other assets	53,754	33,905,996
Total noncurrent assets	171,062	47,405,948
Total assets	10,554,864	61,319,846

Organics Management	Administrative Services	Totals	
		2009	2008
\$1,069,588	\$14,037,926	\$28,056,380	\$31,055,097
20,864	3,474,171	13,735,365	13,435,052
40,039	57,113	166,299	306,056
0	304,936	304,936	346,401
0	59,840	538,608	121,911
0	1,650,230	1,650,230	1,579,594
1,311	70,764	632,664	364,818
1,131,802	19,654,980	45,084,482	47,208,929
0	1,376,084	1,376,084	1,095,604
547,069	0	2,613,594	4,999,082
547,069	1,376,084	3,989,678	6,094,686
0	20,829	20,829	20,829
19,400	2,644,647	9,619,316	10,140,494
6,323,600	14,279,405	25,198,471	27,259,178
6,343,000	16,944,881	34,838,616	37,420,501
47,184,474	0	47,184,474	49,355,944
4,678,500	0	4,812,846	169,653
0	4,877,528	29,612,437	28,971,338
0	0	9,000,000	9,000,000
48,229	758	139,482	134,001
51,911,203	4,878,286	90,749,239	87,630,936
58,801,272	23,199,251	129,577,533	131,146,123
59,933,074	42,854,231	174,662,015	178,355,052

(continued)

**INLAND EMPIRE UTILITIES AGENCY**  
**Combining Statement of Net Assets (Continued from previous page)**  
**June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	Non-Major Enterprise Funds	
	Water	Non-reclaimable Wastewater
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	7,439,042	408,453
Accrued liabilities	461,754	2,343,890
Compensated absences	0	0
Retentions payable	0	283,211
Notes payable, due within one year	0	105,432
Long-term debt, due within one year	0	0
Interest payable	0	60,104
	<u>7,900,796</u>	<u>3,201,090</u>
Total current liabilities		
Noncurrent liabilities		
Compensated absences	0	0
Long-term debt, due in more than one year (note 12)	0	7,493,021
Notes payable, due in more than one year	0	1,125,014
Liability for 401(a) plan	0	0
Other noncurrent liabilities	0	0
	<u>0</u>	<u>8,618,035</u>
Total noncurrent liabilities		
Total liabilities	<u>7,900,796</u>	<u>11,819,125</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	<u>171,062</u>	<u>29,323,973</u>
Restricted for:		
Capital construction	0	1,932,857
Debt service	0	77,236
Bond operating contingency requirement	0	1,806,684
	<u>0</u>	<u>3,816,777</u>
Total restricted		
Unrestricted	<u>2,483,006</u>	<u>16,359,971</u>
Total net assets	<u>\$2,654,068</u>	<u>\$49,500,721</u>

Organics Management	Administrative Services	Totals	
		2009	2008
218,491	1,338,326	9,404,312	7,237,026
0	1,670,460	4,476,104	7,110,046
0	1,761,673	1,761,673	1,621,058
0	13,474	296,685	317,919
0	0	105,432	178,125
325,000	0	325,000	312,881
4,343	0	64,447	71,687
<u>547,834</u>	<u>4,783,933</u>	<u>16,433,653</u>	<u>16,848,742</u>
0	2,074,008	2,074,008	2,101,682
11,510,543	0	19,003,564	19,337,201
0	0	1,125,014	1,151,785
0	1,376,084	1,376,084	1,095,604
37,524	2,773,861	2,811,385	1,509,220
<u>11,548,067</u>	<u>6,223,953</u>	<u>26,390,055</u>	<u>25,195,492</u>
<u>12,095,901</u>	<u>11,007,886</u>	<u>42,823,708</u>	<u>42,044,234</u>
<u>3,968,415</u>	<u>21,822,409</u>	<u>55,285,859</u>	<u>54,967,106</u>
0	0	1,932,857	4,331,233
547,069	0	624,305	667,849
0	1,261,159	3,067,843	3,069,183
<u>547,069</u>	<u>1,261,159</u>	<u>5,625,005</u>	<u>8,068,265</u>
<u>43,321,689</u>	<u>8,762,777</u>	<u>70,927,443</u>	<u>73,275,447</u>
<u>\$47,837,173</u>	<u>\$31,846,345</u>	<u>\$131,838,307</u>	<u>\$136,310,818</u>

**INLAND EMPIRE UTILITIES AGENCY**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2009**

(With Comparative Totals for June 30, 2008)

	<u>Non-Major Enterprise Funds</u>	
	Water	Non-reclaimable Wastewater
<b>OPERATING REVENUES</b>		
Service charges	\$2,257,068	\$8,215,676
Total operating revenues	2,257,068	8,215,676
<b>OPERATING EXPENSES</b>		
Wastewater collection	0	943,364
Wastewater treatment	0	3,591,320
Operations and maintenance	99,782	0
Administration and general	1,858,434	885,369
Depreciation and amortization	5,367	1,152,049
Total operating expenses	1,963,583	6,572,102
Operating income (loss)	293,485	1,643,574
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	53,807	380,785
Property tax revenue	0	12
Other nonoperating revenues	445,117	29,463
Interest on long-term debt	0	(439,286)
Other nonoperating expenses	(4,762,801)	(27,896)
Total nonoperating revenues (expenses)	(4,263,877)	(56,922)
Income (loss) before contributions and transfers	(3,970,392)	1,586,652
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	0	0
Transfers out	(300,000)	(14,384)
Capital grants	1,648,540	0
Change in net assets	(2,621,852)	1,572,268
Total net assets - beginning	5,275,920	47,928,453
Total net assets - ending	\$2,654,068	\$49,500,721

Organics Management	Administrative Services	Totals	
		2009	2008
\$2,306,619	\$0	\$12,779,363	\$10,014,758
2,306,619	0	12,779,363	10,014,758
0	0	943,364	1,017,888
0	0	3,591,320	3,661,423
5,439,501	0	5,539,283	2,175,342
24,827	5,158,379	7,927,009	8,107,413
259,055	2,537,873	3,954,344	3,797,485
5,723,383	7,696,252	21,955,320	18,759,551
(3,416,764)	(7,696,252)	(9,175,957)	(8,744,793)
169,024	347,600	951,216	1,721,419
0	2,957,255	2,957,267	2,769,473
0	1,351,990	1,826,570	1,246,902
(273,086)	0	(712,372)	(550,976)
(60,524)	(226,253)	(5,077,474)	(735,782)
(164,586)	4,430,592	(54,793)	4,451,036
(3,581,350)	(3,265,660)	(9,230,750)	(4,293,757)
3,000,000	2,624,952	5,624,952	13,202,228
0	(2,270,007)	(2,584,391)	(2,078,481)
0	69,138	1,717,678	1,133,598
(581,350)	(2,841,577)	(4,472,511)	7,963,588
48,418,523	34,687,922	136,310,818	128,347,230
\$47,837,173	\$31,846,345	\$131,838,307	\$136,310,818

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Cash Flows**  
**For the Fiscal Year ended June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	<u>Non-Major Enterprise Funds</u>	
	<u>Water</u>	<u>Non-reclaimable Wastewater</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	(\$1,346,976)	\$8,157,208
Cash received from interfund services provided	0	0
Cash payments to suppliers for goods and services	(388,050)	(4,403,741)
Cash payments to employees for services	(261,584)	(539,121)
Cash payments for interfund services used	<u>(557,337)</u>	<u>(985,867)</u>
Net cash provided by (used for) operating activities	<u>(2,553,947)</u>	<u>2,228,479</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	0	0
Transfers out	(300,000)	(14,384)
Other receivables	445,117	29,465
Contract reimbursement from others	0	0
Tax revenues	0	12
Long term receivable	0	24,537
Cash paid to others	0	(33,526)
Advances from other funds	0	0
Advances to other funds	<u>0</u>	<u>0</u>
Net cash provided by (used for) noncapital financing activities	<u>145,117</u>	<u>6,104</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	0	0
Acquisition and construction of capital assets	(2,399,738)	(4,016,705)
Proceeds from sale of assets	0	0
Capital grants	1,648,540	0
Principal paid on capital debt	0	(108,867)
Interest paid on capital debt	0	(439,286)
Bond administration fees	<u>0</u>	<u>5,632</u>
Net cash provided by (used for) capital and related financing activities	<u>(751,198)</u>	<u>(4,559,226)</u>

Organics Management	Administrative Services	Totals	
		2009	2008
\$2,737,237	\$2,559,395	\$12,106,864	\$11,977,060
0	25,634,983	25,634,983	30,466,507
43,274	(5,776,846)	(10,525,363)	(10,325,640)
(2,224,575)	(24,596,561)	(27,621,841)	(29,692,287)
<u>(3,242,579)</u>	<u>0</u>	<u>(4,785,783)</u>	<u>(2,437,581)</u>
 <u>(2,686,643)</u>	 <u>(2,179,029)</u>	 <u>(5,191,140)</u>	 <u>(11,941)</u>
3,000,000	2,624,952	5,624,952	13,202,228
0	(2,270,007)	(2,584,391)	(2,078,481)
0	1,122,921	1,597,503	343,111
0	0	0	903,791
0	2,957,255	2,957,267	2,769,472
0	10,770	35,307	40,969
0	(194,362)	(227,888)	0
0	0	0	(9,000,000)
<u>0</u>	<u>0</u>	<u>0</u>	<u>25,476</u>
 <u>3,000,000</u>	 <u>4,251,529</u>	 <u>7,402,750</u>	 <u>6,206,566</u>
0	0	0	19,512,718
(2,508,887)	(366,590)	(9,291,920)	(9,957,387)
0	93,190	93,190	0
0	69,138	1,717,678	1,133,598
(312,115)	0	(420,982)	(11,631,884)
(280,326)	(31,890)	(751,502)	(508,252)
<u>(60,524)</u>	<u>0</u>	<u>(54,892)</u>	<u>(161,384)</u>
 <u>(3,161,852)</u>	 <u>(236,152)</u>	 <u>(8,708,428)</u>	 <u>(1,612,591)</u>

(Continued)

**INLAND EMPIRE UTILITIES AGENCY****Statement of Cash Flows (Continued from previous page)****For the Fiscal Year ended June 30, 2009**

(With Comparative Totals for June 30, 2008)

	<u>Non-Major Enterprise Funds</u>	
	<u>Water</u>	<u>Non-reclaimable Wastewater</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	78,638	464,936
Sale of investments		
Purchase of investments		
Net cash provided by (used for) investing activities	<u>78,638</u>	<u>464,936</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,081,390)</u>	<u>(1,859,707)</u>
Cash and cash equivalents - beginning	<u>4,836,963</u>	<u>15,119,525</u>
Cash and cash equivalents - ending	<u><u>\$1,755,573</u></u>	<u><u>\$13,259,818</u></u>

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

Operating income (loss)	\$293,485	\$1,643,574
Adjustments to reconcile operating income to net cash provided by (used for) operating activities		
Depreciation and amortization	5,367	1,152,049
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	(3,610,078)	(87,552)
Other receivables	6,035	(724)
Taxes receivable	0	26,761
Inventory	0	0
Prepaid items	0	(336,257)
Deferred costs	0	3,047
Increase (decrease) in		
Accounts payable	3,804,224	(352,425)
Retention payable	0	(8,757)
Accrued liabilities	(3,052,980)	188,763
Other noncurrent liabilities	0	0
Compensated absences	0	0
Liability for 401(a) plan	<u>0</u>	<u>0</u>
Net cash provided by (used for) operating activities	<u><u>(\$2,553,947)</u></u>	<u><u>\$2,228,479</u></u>

Organics Management	Administrative Services	Totals	
		2009	2008
156,318	276,842	976,734	1,713,305
	135,879	135,879	(175,135)
	0	0	426,391
156,318	412,721	1,112,613	1,964,561
(2,692,177)	2,249,069	(5,384,205)	6,546,595
4,308,834	11,788,857	36,054,179	29,507,584
<u>\$1,616,657</u>	<u>\$14,037,926</u>	<u>\$30,669,974</u>	<u>\$36,054,179</u>

(\$3,416,764)	(\$7,696,252)	(9,175,957)	(\$8,744,793)
259,055	2,537,873	3,954,344	3,797,482
430,618	2,506,433	(760,579)	2,127,110
0	38,258	43,569	(10,519)
0	14,704	41,465	(60,748)
0	(70,636)	(70,636)	(81,997)
7,600	60,811	(267,846)	(22,418)
0	0	3,047	(93,542)
42,848	(1,339,841)	2,154,806	(1,620,712)
0	0	(8,757)	291,969
(10,000)	240,276	(2,633,941)	2,515,334
0	1,416,404	1,416,404	690,008
0	112,941	112,941	996,963
0	0	0	203,922
<u>(\$2,686,643)</u>	<u>(\$2,179,029)</u>	<u>(\$5,191,140)</u>	<u>(\$11,941)</u>

(Continued)

**INLAND EMPIRE UTILITIES AGENCY**


**Statement of Cash Flows - (Continued from previous page)**

**For the Fiscal Year Ended June 30, 2009**

(With Comparative Totals for June 30, 2008)

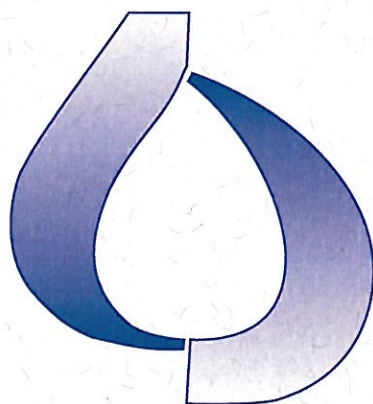
	<u>Non-Major Enterprise Funds</u>	
		Non-reclaimable
	<u>Water</u>	<u>Wastewater</u>
<b>RECONCILIATION OF CASH &amp; CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:</b>		
Cash and short-term investments	\$1,755,573	\$11,193,293
Restricted assets	0	2,066,525
Cash & cash equivalents at end of year	<u>\$1,755,573</u>	<u>\$13,259,818</u>

Organics Management	Administrative Services	Total Non-Major Funds	
		2009	2008
\$1,069,588	\$14,037,926	\$28,056,380	\$31,055,097
547,069	0	2,613,594	4,999,082
<u>\$1,616,657</u>	<u>\$14,037,926</u>	<u>\$30,669,974</u>	<u>\$36,054,179</u>

A photograph of a water treatment facility. In the foreground, a large blue cylindrical tank is visible, with the words "RECLAIMED WATER" printed in white capital letters on its side. Above the tank, a complex network of large blue pipes and structural supports extends into the sky. The background shows more industrial equipment and a clear blue sky. The overall scene is brightly lit, suggesting a sunny day.

*Water its living strength first shows,  
When obstacles its course oppose.*

*- Johann Wolfgang von Goethe,  
God, Soul, and World--Rhymed Distichs*



***INDIVIDUAL FUNDS***

# **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, 2002, 2005A and 2008 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.

#### ***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, 2009**  
(With Comparative Totals for June 30, 2008)

	Regional Capital Improvement	Regional Operations & Maintenance	Obligation Payment	Eliminations	Totals	
					2009	2008
<b>ASSETS</b>						
Current assets						
Cash and investments	15,190,291	13,167,262	8,083,200	\$0	\$36,440,753	\$27,732,317
Accounts receivable	2,197,340	9,039,420	0	0	11,236,760	5,417,489
Interest receivable	157,338	82,711	0	0	240,049	518,134
Taxes receivable	2,989,695	1,022,372	0	0	4,012,067	3,902,273
Other receivables	12,056	116,683	0	0	128,739	76,070
Prepaid items	16,603	1,955	0	0	18,558	75,254
Total current assets	20,563,323	23,430,403	8,083,200	0	52,076,926	37,721,537
Noncurrent assets						
Restricted assets						
Deposits held by governmental agencies	7,295,364	0	0	0	7,295,364	12,541,961
Assets held with trustee/fiscal agents	37,895,474	2,998,071	0	0	40,893,545	69,487,547
Total restricted assets	45,190,838	2,998,071	0	0	48,188,909	82,029,508
Capital assets						
Land	13,878,879	0	0	0	13,878,879	13,878,879
Jobs in progress	145,599,764	2,283,690	0	0	147,883,454	123,622,763
Capital assets, net of accumulated depreciation	258,321,879	326,777	0	0	258,648,656	270,358,010
Total capital assets	417,800,522	2,610,467	0	0	420,410,989	407,859,652
Other assets						
Intangible assets, net of accumulated amortization	6,306,364	0	0	0	6,306,364	6,421,728
Advances to other funds	6,700,000	0	0	0	6,700,000	3,000,000
Long-term receivables	2,912,396	0	0	0	2,912,396	2,924,451
Deferred costs	2,292,624	53,795	0	0	2,346,419	2,473,611
Total other assets	18,211,384	53,795	0	0	18,265,179	14,819,790
Total noncurrent assets	481,202,744	5,662,333	0	0	486,865,077	504,708,950
Total assets	501,766,067	29,092,736	8,083,200	0	538,942,003	542,430,487

(Continued)

	Regional Capital Improvement	Regional Operations & Maintenance	Obligation Payment	Eliminations	Totals	
					2009	2008
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	6,319,447	5,184,999	0	0	11,504,446	6,966,916
Accrued liabilities	45,036	284,593	0	0	329,629	310,719
Retentions payable	962,549	4,495	0	0	967,044	1,047,304
Notes payable, due within one year	52,716	0	0	0	52,716	89,063
Long-term debt, due within one year	5,950,000	0	0	0	5,950,000	4,520,763
Interest payable	2,549,971	35,729	0	0	2,585,700	2,692,253
Retention deposits and escrows	1,838,783	0	0	0	1,838,783	1,686,851
Total current liabilities	17,718,502	5,509,816	0	0	23,228,318	17,313,869
Noncurrent liabilities						
Long-term debt, due in more than one year	208,461,504	4,454,257	0	0	212,915,761	218,806,747
Notes payable, due in more than one year	4,275,896	0	0	0	4,275,896	547,550
Other noncurrent liabilities	96,405	1,451,945	0	0	1,548,350	1,851,107
Total noncurrent liabilities	212,833,805	5,906,202	0	0	218,740,007	221,205,404
Total liabilities	230,552,307	11,416,018	0	0	241,968,325	238,519,273
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	228,618,454	1,148,999	0	0	229,767,453	192,790,869
Restricted for:						
Capital construction	30,547,048	2,992,790	0	0	33,539,838	66,365,206
Debt service	12,805,006	5,282	8,083,200	0	20,893,488	23,621,102
Bond operating contingency requirement	1,587,197	13,080,000	0	0	14,667,197	14,546,592
Total restricted	44,939,251	16,078,072	8,083,200	0	69,100,523	104,532,900
Unrestricted	(2,343,945)	449,647	0	0	(1,894,298)	6,587,445
Total net assets	\$271,213,760	\$17,676,718	\$8,083,200	\$0	\$296,973,678	\$303,911,214

**INLAND EMPIRE UTILITIES AGENCY**  
**Regional Wastewater Fund**  
**Schedule of Revenues, Expenses and**  
**Changes in Fund Net Assets by Subfund**  
**For the Fiscal Year Ended June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	Regional Capital Improvement	Regional Operations & Maintenance	Obligation Payment	Eliminations	Totals	
					2009	2008
<b>OPERATING REVENUES</b>						
Service charges	\$306,803	\$30,745,752	\$0	\$0	\$31,052,555	\$29,444,443
Total operating revenues	306,803	30,745,752	0	0	31,052,555	29,444,443
<b>OPERATING EXPENSES</b>						
Wastewater collection	0	1,407,794	0	0	1,407,794	783,682
Wastewater treatment	0	20,049,102	0	0	20,049,102	22,427,908
Wastewater disposal	0	9,885,191	0	0	9,885,191	12,722,254
Administration and general	4,761,590	7,897,910	0	0	12,659,500	7,705,931
Depreciation and amortization	15,829,928	29,544	0	0	15,859,472	13,498,041
Total operating expenses	20,591,518	39,269,541	0	0	59,861,059	57,137,816
Operating income (loss)	(20,284,715)	(8,523,789)	0	0	(28,808,504)	(27,693,373)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest income	1,245,988	486,198	0	0	1,732,186	3,129,406
Property tax revenue	23,324,918	10,042,813	0	0	33,367,731	31,681,649
Wastewater capital connection fees	5,753,403		0	0	5,753,403	16,625,720
Other nonoperating revenues	113,926	559,084	0	0	673,010	14,362,011
Interest on long-term debt	(11,033,897)	(214,375)	0	0	(11,248,272)	(9,550,126)
Other nonoperating expenses	(1,937,438)	(548,207)	0	0	(2,485,645)	(742,517)
Total nonoperating revenues (expenses)	17,466,900	10,325,513	0	0	27,792,413	55,506,143
Income (loss) before capital contributions and transfers	(2,817,815)	1,801,724	0	0	(1,016,091)	27,812,770
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>						
Transfers in	21,414,072	7,670,361	31,480,840	(58,295,266)	2,270,007	56,365,335
Transfers out	(24,587,261)	(10,670,361)	(31,354,440)	58,295,266	(8,316,796)	(71,984,840)
Capital grants	90,351	34,993	0	0	125,344	1,094,236
Change in net assets	(5,900,653)	(1,163,283)	126,400	0	(6,937,536)	13,287,501
Total net assets - beginning	277,114,413	18,840,001	7,956,800	0	303,911,214	290,623,713
Total net assets - ending	\$ 271,213,760	\$ 17,676,718	\$ 8,083,200	\$ -	\$ 296,973,678	\$ 303,911,214

# **INLAND EMPIRE UTILITIES AGENCY**

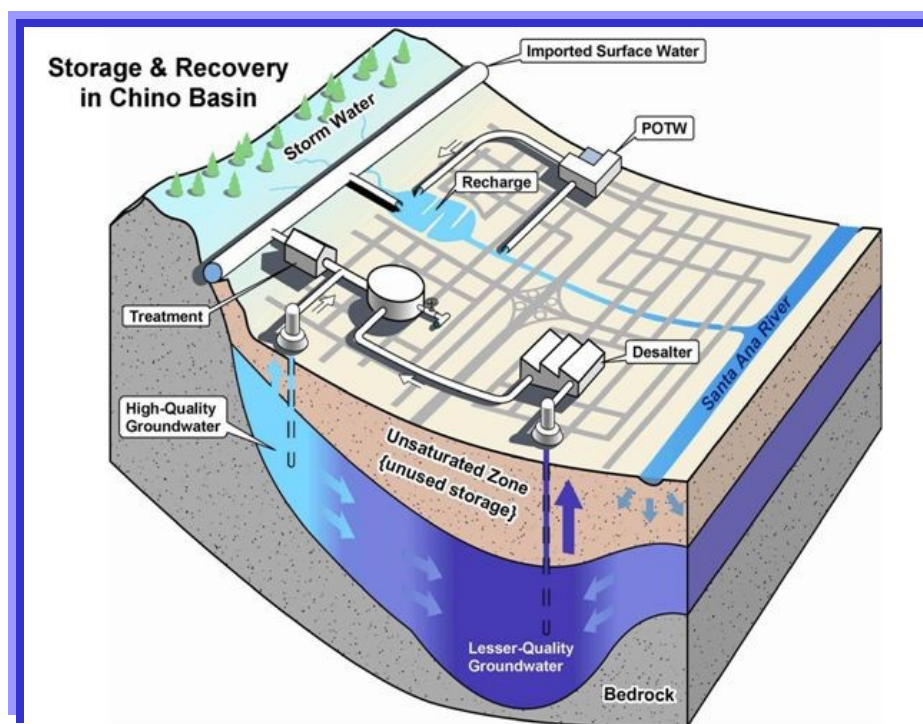
## **RECHARGE WATER FUND**

### **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, 2009**  
(With Comparative Totals for June 30, 2008)

	Totals	
	2009	2008
<b>ASSETS</b>		
Current assets		
Cash and investments	\$149,030	\$5,809
Accounts receivable	4,789,527	1,922,244
Interest receivable	659	0
Total current assets	4,939,216	1,928,053
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agents	841,910	844,091
Total restricted assets	841,910	844,091
Capital assets		
Capital assets, net of accumulated depreciation	41,047,427	40,728,447
Jobs in progress	8,930,176	4,265,414
Total capital assets	49,977,603	44,993,861
Other assets		
Intangible assets, net of accumulated amortization	74,011	82,719
Deferred costs	74,214	61,092
Total other assets	148,225	143,811
Total noncurrent assets	50,967,738	45,981,763
Total assets	55,906,954	47,909,816

(Continued)

		Totals	
		2009	2008
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable		426,937	1,247,594
Accrued liabilities		0	230,615
Long-term debt, due within one year		500,000	481,356
Interest payable		6,681	17,820
Retentions payable		212,018	17,051
Total current liabilities		1,145,636	1,994,436
Noncurrent liabilities			
Advances from other funds		3,700,000	0
Long-term debt, due in more than one year		17,712,804	18,211,625
Total noncurrent liabilities		21,412,804	18,211,625
Total liabilities		22,558,440	20,206,061
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		31,838,810	26,444,690
Restricted for:			
Debt service		841,910	844,092
Total restricted		841,910	844,092
Unrestricted		667,794	414,973
Total net assets		\$33,348,514	\$27,703,755

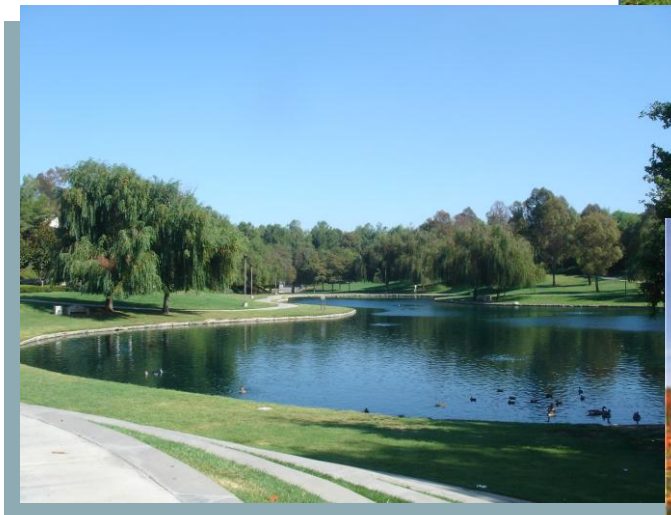
**INLAND EMPIRE UTILITIES AGENCY**  
**Recharge Water Fund**  
**Schedule of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	Totals	
	2009	2008
<b>OPERATING REVENUES</b>		
Recycled water sales	\$0	\$0
Total operating revenues	0	0
<b>OPERATING EXPENSES</b>		
Administration and general	697,218	2,426,238
Depreciation and amortization	943,814	715,578
Total operating expenses	1,641,032	3,141,816
Operating income (loss)	(1,641,032)	(3,141,816)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	7,687	1,882
Other nonoperating revenues	1,030,024	1,694,824
Interest on long-term debt	(418,953)	(652,248)
Other nonoperating expenses	(111,484)	(214,863)
Total nonoperating revenues (expenses)	507,274	829,595
Income (loss) before contributions and transfers	(1,133,758)	(2,312,221)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	2,329,215	1,335,607
Capital grants	4,449,302	1,701,133
Change in net assets	5,644,759	724,519
Total net assets - beginning	27,703,755	26,979,236
Total net assets - ending	<u>\$33,348,514</u>	<u>\$27,703,755</u>

# INLAND EMPIRE UTILITIES AGENCY RECYCLED WATER FUND COMPARATIVE SCHEDULES

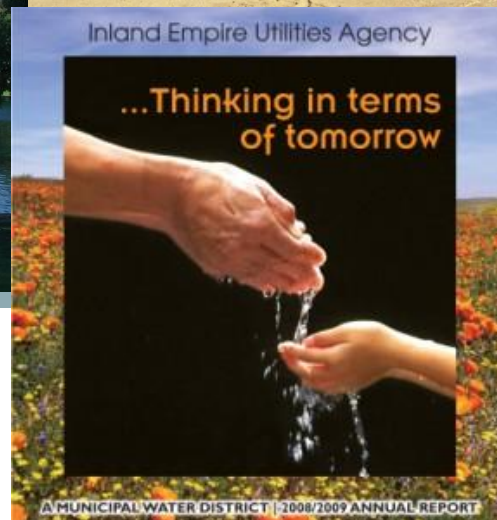
## ***Recycled Water Fund:***

Accounts for the development costs associated with the Agency's Regional Recycled Water System and the various funding sources. It also 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. This program currently includes the operation of the Carbon Canyon and other Regional Plants distribution systems, and the Ely Basin Groundwater Recharge Project.



***City of Chino Hills: English Springs Park***

***City of Ontario: Lee Farm on Whispering Lakes***



**INLAND EMPIRE UTILITIES AGENCY**  
**Recycled Water Fund**  
**Schedule of Net Assets by Subfund**  
**June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	Totals	
	2009	2008
<b>ASSETS</b>		
Current assets		
Cash and investments	\$59,898	\$82,732
Accounts receivable	11,740,894	11,455,796
Interest receivable	259	0
Prepaid items	103,500	73,500
Total current assets	11,904,551	11,612,028
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agents	5,884,410	10,174,531
Total restricted assets	5,884,410	10,174,531
Capital assets		
Jobs in progress	47,086,902	35,069,446
Capital assets, net of accumulated depreciation	51,150,335	49,728,376
Total capital assets	98,237,237	84,797,822
Other assets		
Intangible assets, net of accumulated amortization	39,262	40,864
Deferred costs	1,875,202	661,457
Total other assets	1,914,464	702,321
Total noncurrent assets	106,036,111	95,674,674
Total assets	117,940,662	107,286,702

(Continued)

	Totals	
	2009	2008
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	1,770,723	6,807,465
Accrued liabilities	19,647	19,605
Notes payable, due within one year	1,809,493	421,242
Interest payable	244,270	136,791
Retention deposits and escrows	33,563	132,853
Total current liabilities	3,877,696	7,517,956
Noncurrent liabilities		
Advances from other funds	12,000,000	12,000,000
Long-term debt, due in more than one year	10,168,173	10,180,933
Notes payable, due in more than one year	38,336,641	28,563,138
Other noncurrent liabilities	614,980	505,071
Total noncurrent liabilities	61,119,794	51,249,142
Total liabilities	64,997,490	58,767,098
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	53,623,188	46,334,829
Restricted for:		
Capital construction	5,660,996	9,794,760
Bond debt service	189,851	379,771
Total restricted	5,850,847	10,174,531
Unrestricted	(6,530,863)	(7,989,756)
Total net assets	\$52,943,172	\$48,519,604

**INLAND EMPIRE UTILITIES AGENCY**  
**Recycled Water Fund**  
**Schedule of Revenues, Expenses, and**  
**Changes in Fund Net Assets by Subfund**  
**For the Fiscal Year Ended June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	Totals	
	2009	2008
<b>OPERATING REVENUES</b>		
Recycled water sales	\$2,715,636	\$2,007,144
Total operating revenue	2,715,636	2,007,144
<b>OPERATING EXPENSES</b>		
Administration and general	3,816,882	3,981,682
Depreciation and amortization	1,426,912	1,043,397
Total operating expenses	5,243,794	5,025,079
Operating income (loss)	(2,528,158)	(3,017,935)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	105,008	153,438
Other nonoperating revenues	13,475	415,982
Other nonoperating expenses	(356,657)	(197,030)
Interest on long-term debt	(1,118,611)	(524,901)
Total nonoperating revenues (expenses)	(1,356,785)	(152,511)
Income (loss) before contributions and transfers	(3,884,943)	(3,170,446)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	790,000	3,200,000
Transfers out	(112,987)	(39,849)
Capital grants	7,631,498	8,444,095
Change in net assets	4,423,568	8,433,800
Total net assets - beginning	48,519,604	40,085,804
Total net assets - ending	\$52,943,172	\$48,519,604

# **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 water provided to member agencies. Effective January 2009, the surcharge amount increased to \$10.00 per acre-foot, of which \$4.00 per acre-foot is dedicated to funding water conservation programs consistent with the Agency's 2005 Urban Water Management Plan. The Urban Water Management Plan is updated every five years.

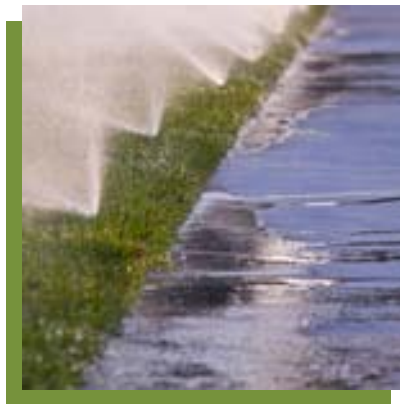


#### **High Efficiency Clothes Washers (HECW)**

- Rebate: \$110



#### **Save Water --**



#### **Rotating Sprinkler Nozzles**

- Rotating Nozzles for Pop-Up Spray Heads
- Rebate: \$6 per nozzle

*Properly direct water flow and use 20% less water than conventional spray heads.*



#### **Water Wise Landscape Rebate**

##### **Say Goodbye to Mowing your Lawn**

Reduce or eliminate the need for watering your lawn.

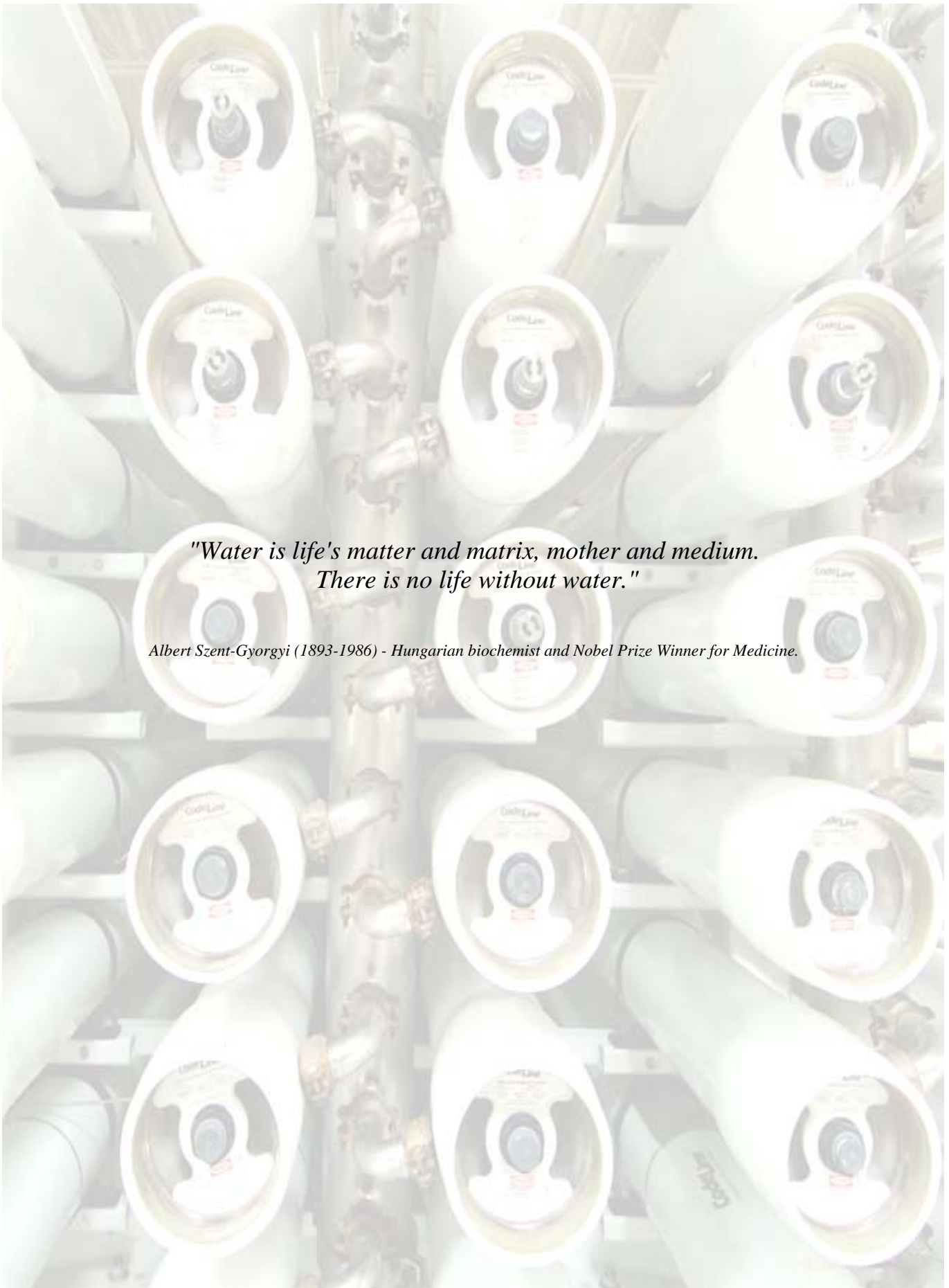
- Rebate: \$.75/ Square foot, up to ½ acre maximum per service address

**INLAND EMPIRE UTILITIES AGENCY**  
**Water Fund**  
**Schedule of Net Assets**  
**June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	<b>Totals</b>	
	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 1,755,573	\$ 4,836,963
Accounts receivable	8,607,597	4,997,519
Interest receivable	10,328	35,159
Other receivable	<u>10,304</u>	<u>16,339</u>
Total current assets	<u>10,383,802</u>	<u>9,885,980</u>
Noncurrent assets		
Capital assets		
Jobs in progress	94,104	2,457,167
Capital assets, net of accumulated depreciation	<u>23,204</u>	<u>23,750</u>
Total capital assets	<u>117,308</u>	<u>2,480,917</u>
Other assets		
Intangible assets, net of accumulated amortization	<u>53,754</u>	<u>58,575</u>
Total other assets	<u>53,754</u>	<u>58,575</u>
Total noncurrent assets	<u>171,062</u>	<u>2,539,492</u>
Total assets	<u>10,554,864</u>	<u>12,425,472</u>
<b>LIABILITIES</b>		
Accounts payable	7,439,042	3,634,818
Accrued liabilities	<u>461,754</u>	<u>3,514,734</u>
Total liabilities	<u>7,900,796</u>	<u>7,149,552</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	171,062	2,539,493
Unrestricted	2,483,006	2,736,427
Total net assets	<u>\$2,654,068</u>	<u>\$5,275,920</u>

**INLAND EMPIRE UTILITIES AGENCY**  
**Water Fund**  
**Schedule of Revenues, Expenses, and**  
**Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	Totals	
	2009	2008
<b>OPERATING REVENUES</b>		
Service charges	\$2,257,068	\$1,437,930
Total operating revenues	2,257,068	1,437,930
<b>OPERATING EXPENSES</b>		
Operations and maintenance	99,782	40,064
Administration and general	1,858,434	3,185,919
Depreciation and amortization	5,367	6,717
Total operating expenses	1,963,583	3,232,700
Operating income (loss)	293,485	(1,794,770)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	53,807	191,667
Other nonoperating revenues	445,117	328,520
Other nonoperating expenses	(4,762,801)	(254,069)
Total nonoperating revenues (expenses)	(4,263,877)	266,118
Income (loss) before contributions and transfers	(3,970,392)	(1,528,652)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	0	50,000
Transfers out	(300,000)	0
Capital grants	1,648,540	1,132,864
Change in net assets	(2,621,852)	(345,788)
Total net assets - beginning	5,275,920	5,621,708
Total net assets - ending	\$2,654,068	\$5,275,920



*"Water is life's matter and matrix, mother and medium.  
There is no life without water."*

*Albert Szent-Gyorgyi (1893-1986) - Hungarian biochemist and Nobel Prize Winner for Medicine.*

## **INLAND EMPIRE UTILITIES AGENCY NON-RECLAIMABLE WASTEWATER FUND COMPARATIVE SCHEDULES**

### ***The Non-reclaimable Wastewater Fund consists of the following:***

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 Non-reclaimable Wastewater System are recorded in this Fund.

It also accounts for the revenues and costs attributable to the operations and maintenance of the Agency's non-reclaimable 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).

***RP-1 Manure Slurry Delivery***



***Test Sampling at Headquarters Wetlands***



**INLAND EMPIRE UTILITIES AGENCY**  
**Non-reclaimable Wastewater Fund**  
**Schedule of Net Assets by Subfund**  
**June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	Totals	
	2009	2008
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 11,193,293	\$ 10,669,002
Accounts receivable	1,632,733	1,745,266
Interest receivable	58,819	142,970
Taxes receivable	0	26,761
Other receivables	468,464	267,655
Prepaid items	560,589	224,332
Total current assets	13,913,898	13,075,986
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agent	2,066,525	4,450,523
Total restricted assets	2,066,525	4,450,523
Capital assets		
Jobs in progress	6,861,165	4,566,320
Capital assets, net of accumulated depreciation	4,572,262	4,686,387
Total capital assets	11,433,427	9,252,707
Other assets		
Advances from other funds	9,000,000	9,000,000
Long-term receivables	134,346	158,883
Intangible assets, net of accumulated amortization	24,681,155	23,997,219
Deferred costs	90,495	93,542
Total other assets	33,905,996	33,249,644
Total noncurrent assets	47,405,948	46,952,874
Total assets	61,319,846	60,028,860

(Continued)

	Totals	
	2009	2008
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	408,453	760,873
Accrued liabilities	2,343,890	2,155,127
Retention deposits and escrows	283,211	291,969
Notes payable, due within one year	105,432	178,125
Interest payable	60,104	60,104
Total current liabilities	3,201,090	3,446,198
Noncurrent liabilities		
Long-term debt, due in more than one year	7,493,021	7,502,424
Notes payable, due in more than one year	1,125,014	1,151,785
Total noncurrent liabilities	8,618,035	8,654,209
Total liabilities	11,819,125	12,100,407
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	29,323,973	24,511,135
Restricted for:		
Capital construction	1,932,857	4,331,233
Bond debt service	77,236	119,290
Bond operating contingency requirement	1,806,684	1,891,646
Total restricted	3,816,777	6,342,169
Unrestricted	16,359,971	17,075,149
Total net assets	\$49,500,721	\$47,928,453

**INLAND EMPIRE UTILITIES AGENCY**  
**Non-reclaimable Wastewater Fund**  
**Schedule of Revenues, Expenses and**  
**Changes in Fund Net Assets by Subfund**  
**For the Fiscal Year Ended June 30, 2009**  
(With Comparative Totals for June 30, 2008)

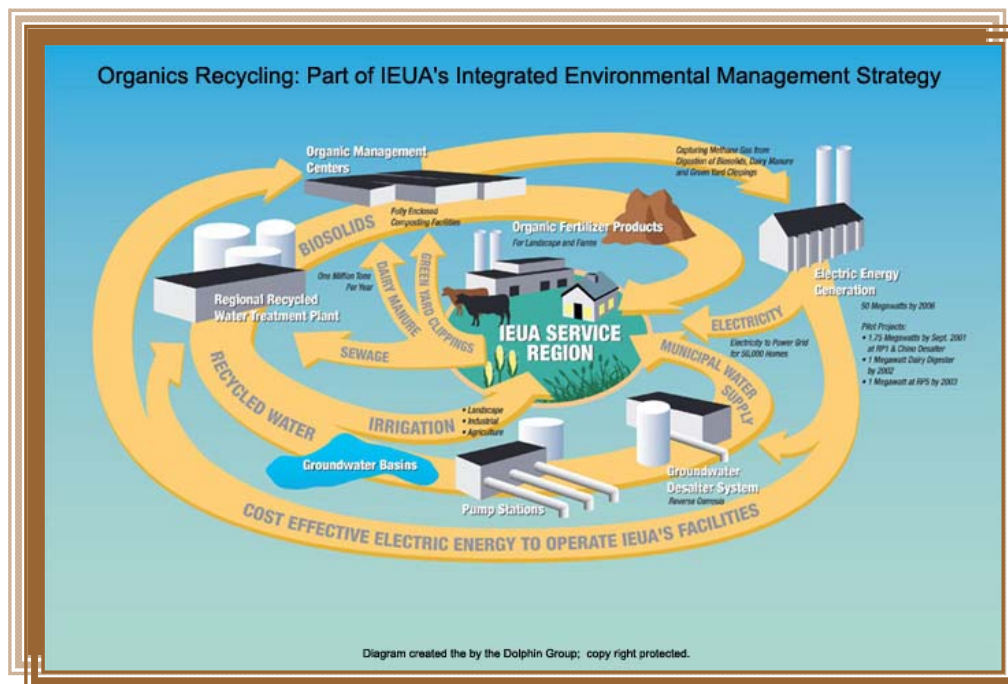
	Totals	
	2009	2008
<b>OPERATING REVENUES</b>		
Service charges	\$8,215,676	\$6,678,150
Total operating revenues	8,215,676	6,678,150
<b>OPERATING EXPENSES</b>		
Wastewater collection	943,364	1,017,888
Wastewater treatment	3,591,320	3,661,423
Administration and general	885,369	995,628
Depreciation and amortization	1,152,049	1,106,191
Total operating expenses	6,572,102	6,781,130
Operating income (loss)	1,643,574	(102,980)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	380,785	862,446
Property tax revenue	12	8
Other nonoperating revenues	29,463	14,591
Interest on long-term debt	(439,286)	(84,291)
Other nonoperating expenses	(27,896)	(145,193)
Total nonoperating revenues (expenses)	(56,922)	647,561
Income (loss) before contributions and transfers	1,586,652	544,581
<b>TRANSFERS</b>		
Transfers out	(14,384)	(39,849)
Change in net assets	1,572,268	504,732
Total net assets - beginning	47,928,453	47,423,721
Total net assets - ending	\$49,500,721	\$47,928,453

# INLAND EMPIRE UTILITIES AGENCY ORGANICS MANAGEMENT FUND COMPARATIVE SCHEDULES

## *The Organics Management Fund consists of the following:*

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. It also 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**  
**Schedule of Net Assets by Subfund**  
**June 30, 2009**

(With Comparative Totals for June 30, 2008)

	Totals	
	2009	2008
<b>ASSETS</b>		
Current assets		
Cash and investments	\$1,069,588	\$3,760,275
Accounts receivable	20,864	451,482
Interest receivable	40,039	27,333
Prepaid items	1,311	8,911
Total current assets	1,131,802	4,248,001
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agents	547,069	548,559
Total restricted assets	547,069	548,559
Capital assets		
Jobs in progress	19,400	26,071
Capital assets, net of accumulated depreciation	6,323,600	6,582,655
Total capital assets	6,343,000	6,608,726
Other assets		
Investment in joint venture	47,184,474	44,677,444
Long-term receivables	4,678,500	4,678,500
Deferred costs	48,229	39,701
Total other assets	51,911,203	49,395,645
Total noncurrent assets	58,801,272	56,552,930
Total assets	59,933,074	60,800,931

(Continued)

	Totals	
	2009	2008
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	218,491	175,643
Accrued liabilities	0	10,000
Long-term debt, due within one year	325,000	312,881
Interest payable	4,343	11,583
Total current liabilities	547,834	510,107
Noncurrent liabilities		
Long-term debt, due in more than one year	11,510,543	11,834,777
Other noncurrent liabilities	37,524	37,524
Total noncurrent liabilities	11,548,067	11,872,301
Total liabilities	12,095,901	12,382,408
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,968,415	3,922,026
Restricted for:		
Debt service	547,069	548,559
Total restricted	547,069	548,559
Unrestricted	43,321,689	43,947,938
Total net assets	\$47,837,173	\$48,418,523

**INLAND EMPIRE UTILITIES AGENCY**  
**Organics Management Fund**  
**Schedule of Revenues, Expenses and**  
**Changes in Fund Net Assets by Subfund**  
**For the Fiscal Year Ended June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	Totals	
	2009	2008
<b>OPERATING REVENUES</b>		
Service charges	\$2,306,619	\$1,898,678
Total operating revenues	2,306,619	1,898,678
<b>OPERATING EXPENSES</b>		
Operations and maintenance	5,439,501	2,135,278
Administration and general	24,827	393,255
Depreciation and amortization	259,055	258,645
Total operating expenses	5,723,383	2,787,178
Operating income (loss)	(3,416,764)	(888,500)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	169,024	150,227
Other nonoperating revenues	0	0
Other nonoperating expenses	(60,524)	(161,385)
Interest on long-term debt	(273,086)	(466,685)
Total nonoperating revenues (expenses)	(164,586)	(477,843)
Income (loss) before contributions and transfers	(3,581,350)	(1,366,343)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	3,000,000	9,967,041
Change in net assets	(581,350)	8,600,698
Total net assets - beginning	48,418,523	39,817,825
Total net assets - ending	\$47,837,173	\$48,418,523

# **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, 2009**  
(With Comparative Totals for June 30, 2008)

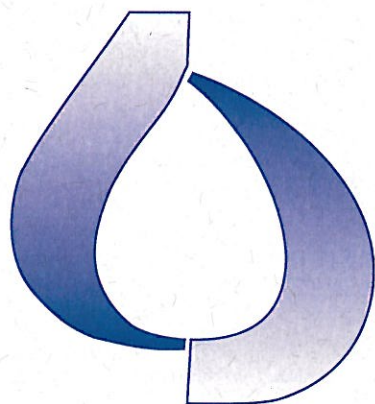
	Totals	
	2009	2008
<b>ASSETS</b>		
Current assets		
Cash and investments	\$14,037,926	\$11,788,857
Accounts receivable	3,474,171	5,980,604
Interest receivable	57,113	100,594
Taxes receivable	304,936	319,640
Other receivables	59,840	98,098
Inventory	1,650,230	1,579,594
Prepaid items	70,764	131,575
Total current assets	19,654,980	19,998,962
Noncurrent assets		
Restricted assets		
Assets held for 401(a) plan	1,376,084	1,095,604
Total restricted assets	1,376,084	1,095,604
Capital assets		
Land	20,829	20,829
Jobs in progress	2,644,647	3,090,936
Capital assets, net of accumulated depreciation	14,279,405	15,966,386
Total capital assets	16,944,881	19,078,151
Other assets		
Intangible assets, net of accumulated amortization	4,877,528	4,915,544
Long-term receivables	0	10,770
Deferred costs	758	758
Total other assets	4,878,286	4,927,072
Total noncurrent assets	23,199,251	25,100,827
Total assets	42,854,231	45,099,789

(Continued)

	Totals	
	2009	2008
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	1,338,326	2,665,692
Accrued liabilities	1,670,460	1,430,185
Compensated absences	1,761,673	1,621,058
Retentions payable	13,474	25,950
Current liabilities	4,783,933	5,742,885
Noncurrent liabilities		
Compensated absences	2,074,008	2,101,682
Liability for 401(a) plan	1,376,084	1,095,604
Other noncurrent liabilities	2,773,861	1,471,696
Total noncurrent liabilities	6,223,953	4,668,982
Total liabilities	11,007,886	10,411,867
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	21,822,409	23,994,452
Restricted for:		
Bond operating contingency requirement	1,261,159	1,177,537
Total restricted	1,261,159	1,177,537
Unrestricted	8,762,777	9,515,933
Total net assets	\$31,846,345	\$34,687,922

**INLAND EMPIRE UTILITIES AGENCY**  
**Administrative Services Fund**  
**Schedule of Revenues, Expenses and**  
**Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2009**  
(With Comparative Totals for June 30, 2008)

	Totals	
	2009	2008
<b>OPERATING REVENUES</b>		
Service charges	\$0	\$0
Total operating revenues	0	0
<b>OPERATING EXPENSES</b>		
Administration and general	5,158,379	3,532,611
Depreciation and amortization	2,537,873	2,425,932
Total operating expenses	7,696,252	5,958,543
Operating income (loss)	(7,696,252)	(5,958,543)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	347,600	517,079
Property tax revenue	2,957,255	2,769,465
Other nonoperating revenues	1,351,990	903,791
Other nonoperating expenses	(226,253)	(175,135)
Total nonoperating revenues (expenses)	4,430,592	4,015,200
Income (loss) before contributions and transfers	(3,265,660)	(1,943,343)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	2,624,952	3,185,187
Transfers out	(2,270,007)	(2,038,632)
Capital grants	69,138	734
Change in net assets	(2,841,577)	(796,054)
Total net assets - beginning	34,687,922	35,483,976
Total net assets - ending	\$31,846,345	\$34,687,922



***STATISTICAL SECTION***

**INLAND EMPIRE UTILITIES AGENCY**  
*Index of Statistical Section Schedules*

**June 30, 2009**

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

- (1) *Financial Trends..... 114*
  - a. *These schedules contain trend information to help the reader understand how IEUA's financial performance and well-being have changed over time.*
- (2) *Revenue Capacity..... 118*
  - a. *These schedules contain information to help the reader assess IEUA's most significant revenue sources.*
- (3) *Debt Capacity..... 123*
  - a. *These schedules present information to help the reader assess the affordability of IEUA's current levels of outstanding debt and ability to issue additional debt in the future.*
- (4) *Operating Indicators..... 128*
  - a. *These schedules contain service and infrastructure data to help the reader understand the information in IEUA's financial reports and how it relates to the services that IEUA provides and the activities it performs.*
- (5) *Demographic and Economic Information..... 133*
  - a. *These schedules offer demographic and economic indicators to help the reader understand the environment within which IEUA's financial activities take place.*

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**INLAND EMPIRE UTILITIES AGENCY**  
**Historical Operating Results**  
**Wastewater Revenue Funds' Combined Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Fiscal Years Ended June 30, 2000 through 2009**  
**(Dollars in Thousands)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Operating Revenues</b>					
Service charges	\$41,575	\$38,021	\$36,132	\$31,716	\$27,091
Other charges	0	0	0	0	1,755
Total operating revenues	<u>41,575</u>	<u>38,021</u>	<u>36,132</u>	<u>31,716</u>	<u>28,845</u>
<b>Operating Expenses</b>					
Wastewater collection	2,351	5,361	1,086	1,143	1,052
Wastewater treatment	23,640	22,429	25,082	22,694	19,194
Wastewater disposal	9,885	12,722	7,434	6,235	5,851
Operations and maintenance	5,440	2,135	4,442	42	1,067
Administration and general	18,728	12,728	17,650	16,607	15,483
Depreciation and amortization	19,808	17,289	17,603	18,261	16,160
Total operating expenses	<u>79,852</u>	<u>72,665</u>	<u>73,297</u>	<u>64,982</u>	<u>58,807</u>
Operating income (loss)	<u>(38,277)</u>	<u>(34,644)</u>	<u>(37,165)</u>	<u>(33,266)</u>	<u>(29,962)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	2,630	4,659	5,226	3,670	2,642
Property tax revenue	36,325	34,451	31,018	20,070	16,674
Wastewater Capital Connection Fees	5,753	16,626	24,671	20,896	27,958
Other nonoperating revenues	2,054	15,280	5,711	6,302	2,005
Interest on long-term debt	(11,961)	(10,101)	(8,419)	(7,029)	(6,613)
Other nonoperating expenses	<u>(2,800)</u>	<u>(1,224)</u>	<u>(15,275)</u>	<u>(1,415)</u>	<u>(804)</u>
Total nonoperating revenues (expenses)	<u>32,001</u>	<u>59,692</u>	<u>42,932</u>	<u>42,494</u>	<u>41,862</u>
Income (loss) before contributions and transfers	(6,276)	25,048	5,767	9,228	11,900
Capital Grants	194	1,095	3,380	2,493	975
Contribution in Aid	0	0	0	75	0
Transfers (to non-sewer funds)	(2,706)	(4,546)	(14,358)	(3,107)	(6,124)
Change in net assets	(8,788)	21,597	(5,210)	8,689	6,751
Total net assets - beginning	434,393	412,797	422,441	413,752	407,001
Prior Period Adjustment			(4,434)		
Total net assets - ending	<u>\$425,606</u>	<u>\$434,393</u>	<u>\$412,797</u>	<u>\$422,441</u>	<u>\$413,752</u>

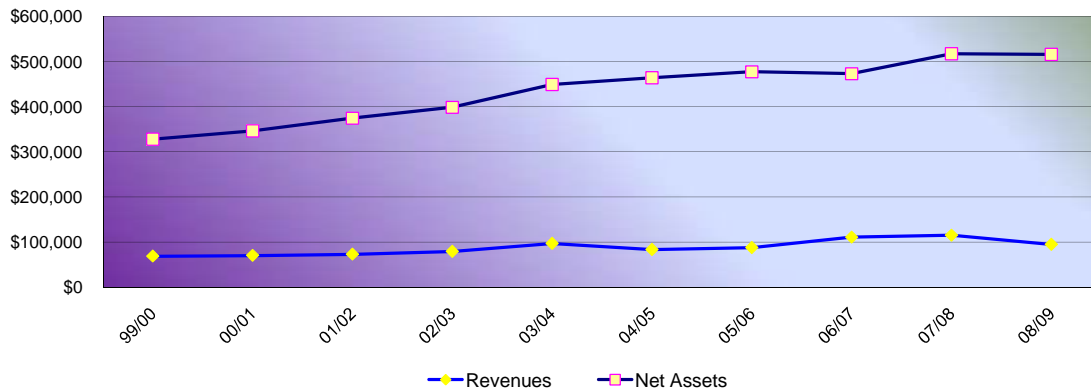
**INLAND EMPIRE UTILITIES AGENCY**  
**Historical Operating Results**  
**Wastewater Revenue Funds' Combined Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Fiscal Years Ended June 30, 2000 through 2009**  
**(Dollars in Thousands)**

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$25,579	\$25,253	\$24,768	\$22,970	\$28,795
1,707	1,677	1,609	1,590	1,568
<u>27,286</u>	<u>26,930</u>	<u>26,376</u>	<u>24,560</u>	<u>30,363</u>
967	1,521	875	584	670
18,677	15,790	15,876	13,472	12,591
4,749	4,663	4,037	3,735	3,942
0	0	0		
11,997	10,937	8,514	8,691	12,684
14,178	13,614	13,555	13,167	12,392
<u>50,568</u>	<u>46,525</u>	<u>42,857</u>	<u>39,649</u>	<u>42,280</u>
<u>(23,282)</u>	<u>(19,595)</u>	<u>(16,481)</u>	<u>(15,089)</u>	<u>(11,917)</u>
2,693	3,735	4,449	6,345	5,574
21,508	19,292	17,269	15,933	15,135
28,451	23,999	20,135	17,672	15,028
12,780	935	963	544	1,132
(6,669)	(7,134)	(7,038)	(6,915)	(6,546)
<u>(3,152)</u>	<u>(908)</u>	<u>(86)</u>	<u>(662)</u>	<u>(113)</u>
<u>55,612</u>	<u>39,919</u>	<u>35,693</u>	<u>32,917</u>	<u>30,210</u>
32,329	20,324	19,212	17,828	18,293
221	79	1,010	0	0
1,225	0	0	0	0
(4,838)	(3,888)	(4,080)	(6,085)	(328)
28,938	16,515	16,142	11,743	17,965
378,063	361,548	345,406	333,664	315,699
<u>\$407,001</u>	<u>\$378,063</u>	<u>\$361,548</u>	<u>\$345,407</u>	<u>\$333,664</u>

**INLAND EMPIRE UTILITIES AGENCY**  
**Combined Schedule of Revenues, Expenses and Changes in Fund Net Assets**  
**- All Funds -**  
**Fiscal Years Ended June 30, 2000 through 2009**  
(Dollars in Thousands)

	2008/09	2007/08	2006/07	2005/06
<b>Operating revenues</b>				
Service charges	\$43,832	\$39,459	\$37,964	\$33,837
Other Charges	0	0	0	-
Recycled water sales	2,716	2,007	3,254	1,147
Total operating revenues	46,548	41,466	41,217	34,984
<b>Operating expenses</b>				
Wastewater collection	2,351	1,802	1,086	1,143
Wastewater treatment	23,640	26,089	25,082	22,694
Wastewater disposal	9,885	12,723	7,434	6,236
Administration and general	25,101	22,221	24,447	23,568
Depreciation and amortization	22,185	19,054	18,944	18,719
Operations and maintenance	5,539	2,175	7,431	67
Total operating expenses	88,700	84,064	84,423	72,427
Operating income (loss)	(42,154)	(42,598)	(43,206)	(37,443)
<b>Nonoperating revenues (expenses)</b>				
Interest income	2,796	5,006	5,325	3,868
Property tax revenue	36,325	34,451	31,018	20,070
Wastewater capital connection fees	5,753	16,626	24,671	20,895
Other nonoperating revenues	3,543	17,720	8,645	8,007
Interest on long-term debt	(13,498)	(11,278)	(9,540)	(7,796)
Other nonoperating expenses	(8,031)	(1,890)	(19,678)	(1,478)
Total nonoperating revenues (expenses)	26,888	60,634	40,441	43,564
Income (loss) before contributions and transfers	(15,266)	18,036	(2,765)	6,123
Capital grants	13,924	12,373	13,883	6,656
Contributions in aid	-	-	-	68
<b>Change in net assets</b>	<b>(\$1,342)</b>	<b>\$30,409</b>	<b>\$11,118</b>	<b>\$12,847</b>
<b>Net assets by component:</b>				
Invested in capital assets, net of related debt	370,516	320,537	330,897	339,320
Restricted for Debt service & Capital construction	81,418	123,620	66,071	59,447
Unrestricted	63,170	72,288	75,224	77,673
<b>Total net assets</b>	<b>\$ 515,104</b>	<b>\$ 516,445</b>	<b>\$ 472,193</b>	<b>\$ 476,440</b>

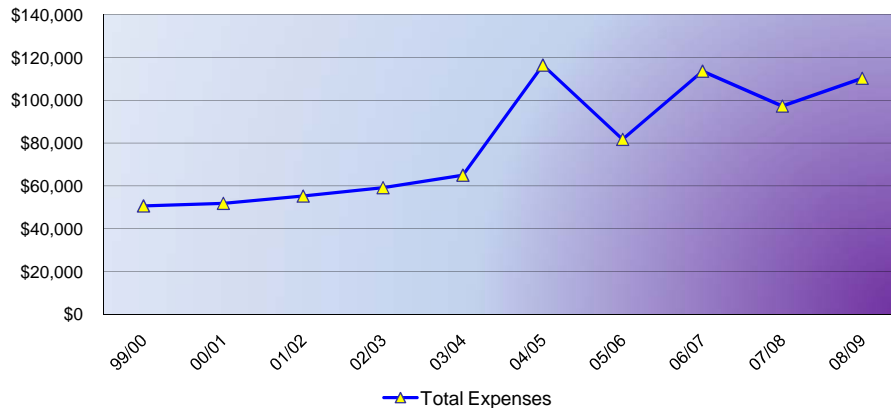
**Operating & Nonoperating Revenues & Net Assets**  
**Trends For the Past Ten Fiscal Years**



**INLAND EMPIRE UTILITIES AGENCY**  
**Combined Schedule of Revenues, Expenses and Changes in Fund Net Assets**  
**- All Funds -**  
**Fiscal Years Ended June 30, 2000 through 2009**  
**(Dollars in Thousands)**

2004/05	2003/04	2002/03	2001/02	2000/01	1999/00
\$29,194	\$27,509	\$26,586	\$25,781	\$23,963	\$29,387
1,755	1,707	1,677	1,608	1,590	1,568
653	589	586	1,642	1,809	985
31,602	29,805	28,849	29,031	27,362	31,940
1,052	967	1,521	875	584	670
19,194	18,677	15,790	15,876	13,472	12,591
5,851	4,749	4,663	4,037	3,735	3,942
20,605	14,415	13,515	11,898	11,128	13,783
16,311	14,328	13,769	13,700	13,310	12,483
1,688	1,788	1,367	1,606	1,808	116
64,701	54,924	50,625	47,992	44,037	43,585
(33,099)	(25,119)	(21,776)	(18,961)	(16,675)	(11,645)
2,903	2,874	4,246	4,657	6,601	5,753
16,674	21,508	19,292	17,269	15,934	15,135
27,958	28,451	23,999	20,135	17,672	15,028
4,195	14,288	2,848	2,013	2,850	993
(7,138)	(6,876)	(7,355)	(7,037)	(7,153)	(6,921)
(868)	(3,211)	(1,176)	(160)	(668)	(113)
43,724	57,034	41,854	36,877	35,236	29,875
10,623	10,625	20,078	20,078	17,916	18,561
4,220	17,480	3,104	9,679	0	0
26	1,482	866	188	75	0
<u>\$14,869</u>	<u>\$29,588</u>	<u>\$24,048</u>	<u>\$29,945</u>	<u>\$17,991</u>	<u>\$18,561</u>
300,869	256,642	219,305	234,640	198,171	171,249
101,162	138,875	127,349	102,648	97,913	89,535
61,563	53,208	51,193	36,511	6,488	18,424
<u>\$ 463,594</u>	<u>\$ 448,725</u>	<u>\$ 397,847</u>	<u>\$ 373,799</u>	<u>\$ 302,572</u>	<u>\$ 279,208</u>

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



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

Fiscal Year	CVWD*	Chino	Chino Hills	Fontana
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
2005/06	1,687,180	977,463	257,703	1,600,188
2006/07	2,788,920	2,416,243	911,522	2,351,750
2007/08	1,603,879	1,217,755	2,360,905	2,711,172
2008/09	1,228,895	901,211	977,018	2,288,502
Percentage	16.8%	12.4%	13.4%	31.4%

**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.

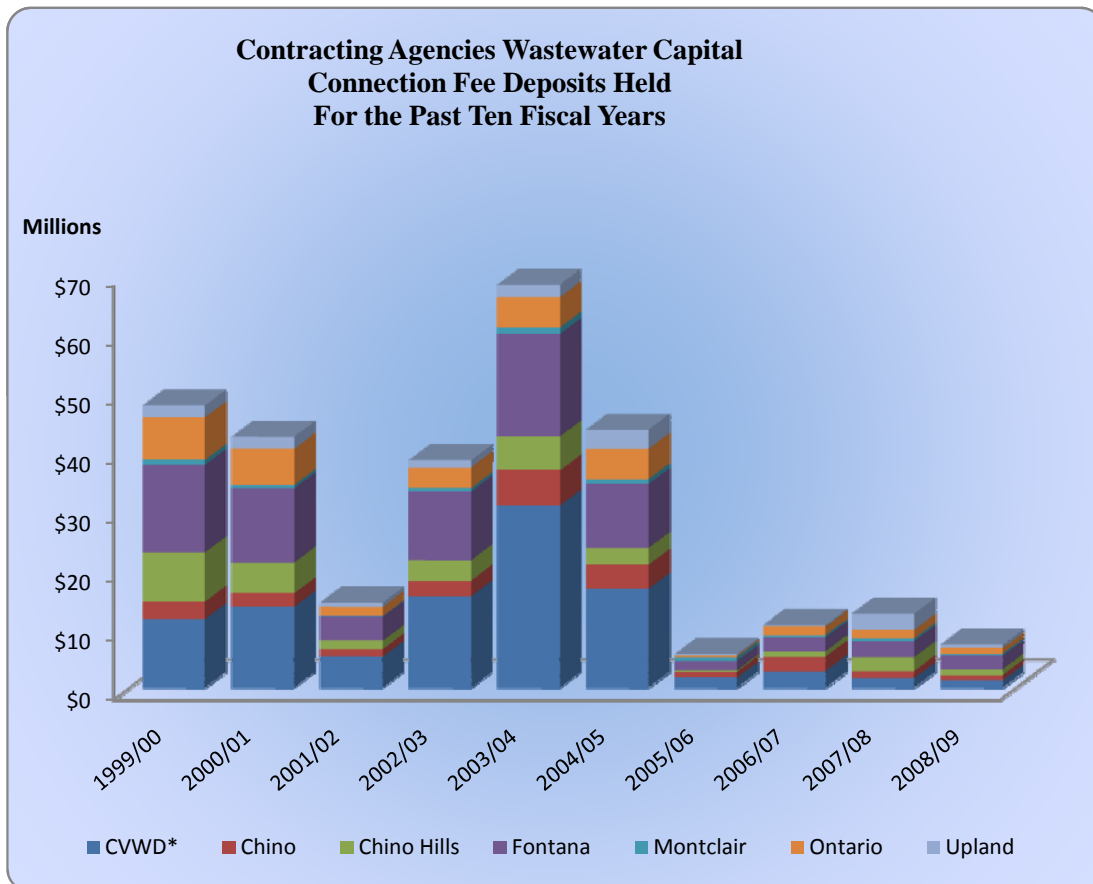
In accordance with the Chino Basin Regional Sewage Service Contract, IEUA must provide each Contracting Agency: a) a quarterly report concerning the level of Capital Capacity Reimbursement Account reserves, b) Regional wastewater capital improvement expenditures and, c) the estimated amount of Supplemental Capital Outlay which will be necessary to call for funds from each Contracting Agency .

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 2008/09 are subject to further adjustment after audit.

\*Cucamonga Valley Water District

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

Fiscal Year	Montclair	Ontario	Upland	Total
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
2005/06	645,129	241,894	259,375	5,668,934
2006/07	400,636	1,478,984	243,823	10,591,879
2007/08	417,175	1,498,502	2,732,573	12,541,961
2008/09	372,894	921,436	605,408	7,295,364
Percentage	5.1%	12.6%	8.3%	100.0%



**INLAND EMPIRE UTILITIES AGENCY**  
**Wastewater Revenue Funds' Capital Requirements**  
**For the Ten Fiscal Years Ending June 30, 2018\***  
**(Dollars in Thousands)**

<u><b>Project Description</b></u>	<b>Actual Thru</b>	<b>Projected</b>	
	<b>08/09</b>	<b>09/10</b>	<b>10/11</b>
Replacement Projects			
CCWRF Aerations System Replacement	\$0	\$0	\$1,000
Plant Equipment Improvements	731	500	1,000
Regional Facilities Chemical & Control Automation	5	0	0
Facilities Luminare Replacement	3	0	0
Various Replacement Projects	1,598	387	239
Total Replacement Projects	2,337	887	2,239
Equipment Projects			
DCS Upgrade	0	200	0
Etiwanda Interceptor Manholes	0	0	380
Various Equipment Projects	744	149	303
Total Replacement Projects	744	349	683
Construction Projects			
San Bernardino Ave. Pump Station	10,922	524	0
RP1 Sludge Thickening	0	0	0
RP5 Maintenance Facility	0	0	0
RP5 Capacity Improvements	1,468	500	1,700
RP2 Decommissioning	37	0	0
RP2 Dewatered Cake Storage System & Energy Efficiency Improvemer	2,202	310	0
RP1 Dewatering Facilities Expansion	1,677	10,160	11,112
RP5 System Facilities Upgrade and Improvements	22,198	1,700	0
RP1 Facilities Improvements	10,245	747	0
RP2 Gravity Thickener	234	1,357	0
RP1 Upgrades	22	0	187
RP1 Asset Replacement	1,047	500	814
RP1 Digester No. 3 Roof Repair	476	663	0
Miscellaneous RC Construction Projects	517	500	500
Various Construction Projects	98,005	1,836	647
Total Construction Projects	149,050	18,797	14,960
<b>Total Projected Capital Costs</b>	<b>\$152,131</b>	<b>\$20,033</b>	<b>\$17,882</b>

\* Source: Projections were derived from the IEUA Ten Year Capital Improvement Plan.

**INLAND EMPIRE UTILITIES AGENCY**  
**Wastewater Revenue Funds' Capital Requirements**  
**For the Ten Fiscal Years Ending June 30, 2018\* (continued)**  
**(Dollars in Thousands)**

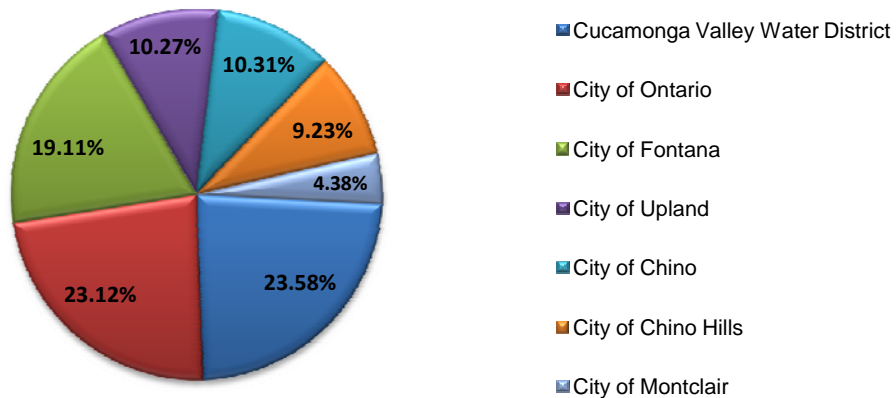
<b>Projected</b>							<b>Total</b>
<b><u>11/12</u></b>	<b><u>12/13</u></b>	<b><u>13/14</u></b>	<b><u>14/15</u></b>	<b><u>15/16</u></b>	<b><u>16/17</u></b>	<b><u>17/18</u></b>	
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000
500	500	1,000	500	2,000	2,000	2,000	\$10,731
89	504	0	0	0	0	0	\$598
255	255	900	0	0	0	0	1,413
0	0	0	0	0	500	496	3,220
844	1,259	1,900	500	2,000	2,500	2,496	16,962
0	0	0	0	0	0	0	200
0	0	0	0	0	0	0	380
361	289	314	0	0	0	0	2,160
361	289	314	0	0	0	0	2,740
0	0	0	0	0	0	0	11,446
1,000	0	0	0	0	0	0	1,000
0	0	0	0	0	0	2,939	2,939
0	0	0	0	0	0	0	3,668
0	0	0	0	1,000	7,000	0	8,037
0	0	0	0	0	0	0	2,512
5,154	0	0	0	0	0	0	28,103
0	0	0	0	0	0	0	23,898
0	0	0	1,251	500	0	0	12,743
0	0	0	0	0	0	0	1,591
2,654	0	0	0	0	0	0	2,863
500	500	500	700	250	1,300	300	6,411
0	0	0	0	0	0	0	1,139
500	500	500	500	500	500	500	5,017
713	927	1,272	499	250	250	250	104,649
10,521	1,927	2,272	2,950	2,500	9,050	3,989	216,016
<b>\$11,726</b>	<b>\$3,475</b>	<b>\$4,486</b>	<b>\$3,450</b>	<b>\$4,500</b>	<b>\$11,550</b>	<b>\$6,485</b>	<b>\$235,718</b>

**INLAND EMPIRE UTILITIES AGENCY**  
**Regional Wastewater Funds**  
**Service Charge Revenue and Rates by Contracting Agency**  
**For the Fiscal Year Ended June 30, 2009**

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 2008/2009.

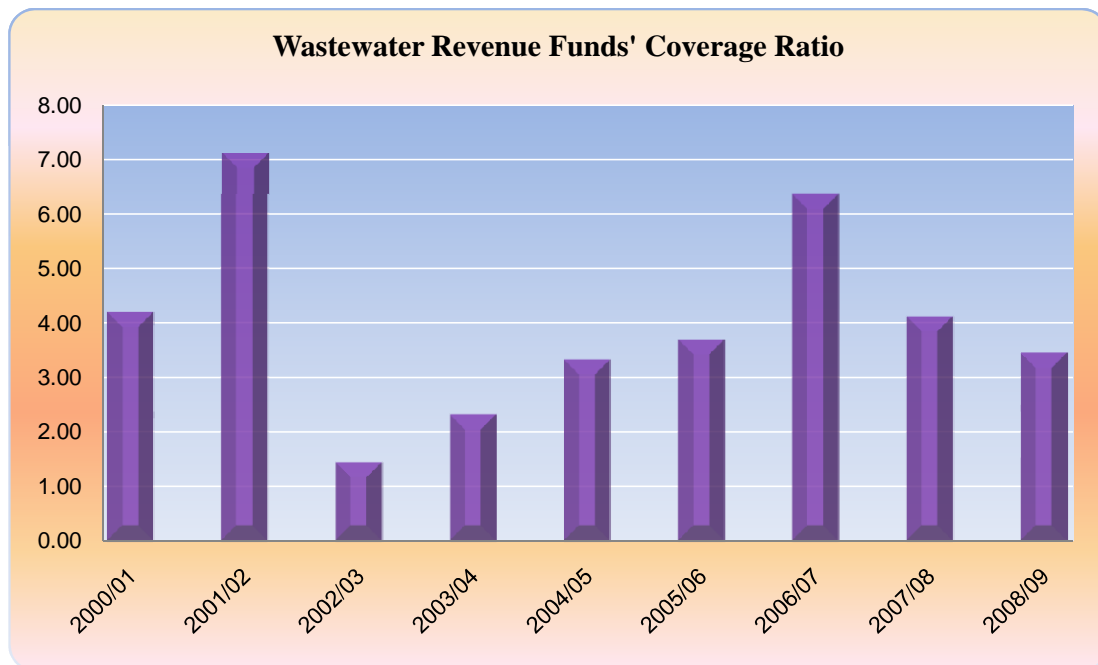
Contracting Agency	Total EDU's	Rate	Service Charge Revenue	% of Service Charge Revenue
Cucamonga Valley Water District	724,427	9.62	\$6,968,989	23.58%
City of Ontario	710,462	9.62	\$6,834,649	23.12%
City of Fontana	587,027	9.62	\$5,647,202	19.11%
City of Upland	315,627	9.62	\$3,036,332	10.27%
City of Chino	316,663	9.62	\$3,046,294	10.31%
City of Chino Hills	283,579	9.62	\$2,728,033	9.23%
City of Montclair	134,661	9.62	\$1,295,437	4.38%
<b>Total Contracting Agencies' Service Charge Revenue</b>	<b>3,072,446</b>		<b>\$29,556,936</b>	<b>100.00%</b>

**Total Service Charge Revenue by Contracting Agency**  
**For the Fiscal Year Ended June 30, 2009**



**INLAND EMPIRE UTILITIES AGENCY**  
**Wastewater Revenue Funds' Coverage Ratio**  
**For the Past Nine Fiscal Years**

<b>Fiscal Year</b>	<b>Funds Available</b>	<b>Debt Service Payments</b>	<b>Debt Coverage Ratio</b>
2008/09	\$25,927,713	\$7,531,626	3.44
2007/08	\$30,944,589	\$7,532,623	4.11
2006/07	\$48,268,471	\$7,589,258	6.36
2005/06	\$28,046,154	\$7,594,944	3.69
2004/05	\$29,252,674	\$8,802,369	3.32
2003/04	\$21,156,935	\$9,160,462	2.31
2002/03	\$13,197,518	\$9,230,628	1.43
2001/02	\$64,609,982	\$9,076,101	7.12
2000/01	\$36,553,279	\$8,723,391	4.19



The table and chart above reflect the debt coverage ratio of the Agency's wastewater funds for the past nine years. As required by the 1994 & 1999 Revenue Bond Debentures, the Agency must reflect more than 1.25 time the sum of all obligation service on parity obligations in the sewer fund.

**INLAND EMPIRE UTILITIES AGENCY**  
**Agency System Subordinate Debt Coverage Ratio**  
**For Fiscal Years Ended June 30, 2009**  
**(With Comparative Totals for the Fiscal Year Ended June 2008)**

	<u>2009</u>	<u>2008</u>
<u>Revenues:</u>		
Wastewater System Service Charges	\$ 31,052,555	\$ 29,444,443
Wastewater Capital Connection Fees	5,753,403	16,625,720
Property Tax	36,324,998	34,451,121
NRW System Service Charges	8,215,676	6,678,150
Interest	2,742,290	4,814,488
Recycled Water Sales	2,715,636	2,007,144
Desalter/Composter Services	3,318,721	1,898,678
Other	1,321,837	1,180,499
Total Revenues	<u>\$ 91,445,115</u>	<u>\$ 97,100,243</u>
<u>Operation and Maintenance Costs:</u>		
Administration and General	\$ 21,157,856	\$ 23,507,828
Wastewater Treatment	23,640,423	22,429,388
Wastewater Disposal	9,885,191	12,722,254
Wastewater Collection	2,351,158	5,360,905
Operations and maintenance	7,532,822	2,135,279
Other	949,952	0
Total Operation and Maintenance Costs:	<u>\$ 65,517,402</u>	<u>\$ 66,155,654</u>
Revenues Available to Pay Senior Debt Service	\$ 25,927,713	\$ 30,944,589
<u>Senior Obligation Debt Service:</u>		
1994 Installment Payments	\$ 6,411,776	\$ 6,413,910
1999 Installment Payments	1,119,850	1,118,713
Total Senior Obligation Debt Service	<u>\$ 7,531,626</u>	<u>\$ 7,532,623</u>
<b>Senior obligation debt service coverage</b>	<u><b>3.44</b></u>	<u><b>4.11</b></u>
Net Revenues	\$ 18,396,087	\$ 23,411,966
<u>Parity Obligation Debt Service:</u>		
2005A Installment Purchase Payments	\$ 1,156,825	\$ 1,157,512
2002 Installment Payments	-	1,797,840
2008A Installment Payments	6,250,000	1,493,056
2008B Installment Payments	2,687,594	554,505
Total Parity Obligation Debt Service	<u>\$ 10,094,419</u>	<u>\$ 5,002,913</u>
<b>Parity obligation debt service coverage</b>	<u><b>1.82</b></u>	<u><b>4.68</b></u>
Net Revenues	\$ 8,301,668	\$ 18,409,053
<u>Subordinate Obligations:</u>		
State Revolving Fund Loan	\$ 1,794,610	\$ 972,231
SAWPA Sari Capacity Purchase	267,182	267,188
Commercial Paper Program	0	1,357,489
Total Subordinate Obligations	<u>\$ 2,061,792</u>	<u>\$ 2,596,908</u>
<b>Other debt service coverage</b>	<u><b>4.03</b></u>	<u><b>7.09</b></u>
Remaining Net Revenue	<u>\$ 6,239,876</u>	<u>\$ 15,812,145</u>
Revenues available after O&M expenses	\$ 25,927,713	\$ 30,944,589
Total debt service	<u>\$ 19,687,837</u>	<u>\$ 15,132,444</u>
<b>Total debt coverage ratio</b>	<u><b>1.32</b></u>	<u><b>2.04</b></u>

**INLAND EMPIRE UTILITIES AGENCY**  
**Agency System Subordinate Debt Coverage Ratio**  
**For Fiscal Years Ended June 30, 2009**  
**(With Comparative Totals for the Fiscal Year Ended June 2008)**

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. In March 2008, the Agency issued the Inland Empire Utilities Agency Variable rate Demand Revenue Refunding Bonds, Series 2008B to refund all of the outstanding 2002A Bonds.

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.

In February 2008, the Chino Basin Regional Financing Authority issued the Inland Empire Utilities Agency Revenue Bonds, Series 2008A

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 2008/09 amended budget for operating and maintenance expenses for four months was \$28,524,826
- > As of the Fiscal Year Ended June 30, 2009, the Agency had designated debt service reserves of \$64,142,500. This balance exceeded the stated minimum requirements.

In FY 2007/08 the debt coverage calculation was revised to be consistent with bond covenant requirement and the presentation on the bond official statement(s).

**INLAND EMPIRE UTILITIES AGENCY**  
**Computation of Direct and Overlapping Bonded Debt**  
**As of June 30, 2009**

2008/2009 Assessed Valuation: \$57,383,934,005 (after deducting \$27,845,724,121 Redevelopment Incremental Valuation)

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable (1)</u></b>	<b><u>Debt 6/30/09</u></b>
Metropolitan Water District	3.112%	\$ 9,131,386
Chaffey Community College District	99.550	165,643,545
San Bernardino Community College District	0.236	1,030,187
Chino Valley Unified School District	100.	143,459,999
Colton Joint Unified School District	2.341	2,226,873
Fontana Unified School District	97.127	195,074,967
Rialto Unified School District	0.092	43,461
Upland Unified School District	99.773	57,111,312
Chaffey Union High School District	99.709	101,065,042
Alta Loma School District	99.818	20,906,753
Central School District	100.	10,720,755
Mountain View School District & School Facilities Improvement District No. 1	100.	15,649,416
Ontario-Montclair School District	100.	31,384,640
Inland Empire Utilities Agency	100.	0 (2)
City of Chino Community Facilities Districts	100.	119,330,000
City of Chino Hills Community Facilities Districts	100.	71,005,000
Etiwanda School District Community Facilities Districts	100.	96,185,000
Upland Unified School District Community Facilities District No. 99-1	100.	5,520,000
City of Fontana Community Facilities Districts	4.930-100.	91,555,598
Mountain View School District Community Facilities District	100.	4,820,000
San Bernardino County Community Facilities Districts No. 2002-1	100.	23,365,000
City of Ontario Community Facilities District	100.	11,245,000
City of Rancho Cucamonga Community Facilities Districts	100.	104,595,000
City of Upland Community Facilities Districts	100.	43,345,000
City of Chino Hills 1915 Act Bonds	100.	7,485,000
City of Ontario 1915 Act Bonds	100.	18,345,933
City of Rancho Cucamonga 1915 Act Bonds	100.	3,270,000
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b><u>\$1,353,514,867</u></b>
<b><u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u></b>		
San Bernardino County General Fund Obligations	45.522%	\$ 337,531,973
San Bernardino County Pension Obligations	45.522	313,339,576
San Bernardino County Flood Control General Fund Obligations	45.522	53,486,074
Chaffey Community College District Certificates of Participation	99.550	12,573,828
Chino Valley Unified School District Certificates of Participation	100.	43,875,000
Colton Joint Unified School District Certificates of Participation	2.341	159,305
Fontana Unified School District Certificates of Participation	97.127	51,695,846
Rialto Unified School District Certificates of Participation	0.092	13,662
Upland Unified School District Certificate of Participation	99.773	1,526,527
Cucamonga School District Certificate of Participation	100.	12,140,000
City of Chino Hills	100.	21,955,000
City of Fontana Certificates of Participation	91.973	53,091,414
City of Montclair General Fund Obligations	100.	29,560,000
City of Ontario General Fund Obligations	100.	64,504,320
Other City General Fund Obligations	5.381&100.	1,932,416
Monte Vista County Water Authority	100.	140,000
West Valley Vector Control District Certificates of	100.	3,785,000
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b><u>\$1,001,309,941</u></b>
Less: Fontana Unified School District QZABs supported by investment fund payments		<u>4,856,350</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND</b>		<b><u>\$ 996,453,591</u></b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b><u>\$2,354,824,808</u></b> (3)
<b>NET COMBINED TOTAL DEBT</b>		<b><u>\$2,349,968,458</u></b>

**INLAND EMPIRE UTILITIES AGENCY**  
**Computation of Direct and Overlapping Bonded Debt, (continued)**  
**As of June 30, 2009**

Ratios to 2008-09 Assessed Valuation:

Direct Debt .....	0.00%
Total Direct and Overlapping Tax and Assessment Debt.....	1.59%

Ratios to Adjusted Assessed Valuation:

Gross Combined Direct Debt.....	4.10%
Net Combined Direct Debt.....	4.10%
<u>State School Building Aid Repayable As Of 6/30/09:</u> .....	\$0

*Source: California Municipal Statistics, Inc.*

**Footnotes:**

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the agency.
- (2) Excludes revenue issues.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax Allocation Bonds and non-bonded capital lease obligations.

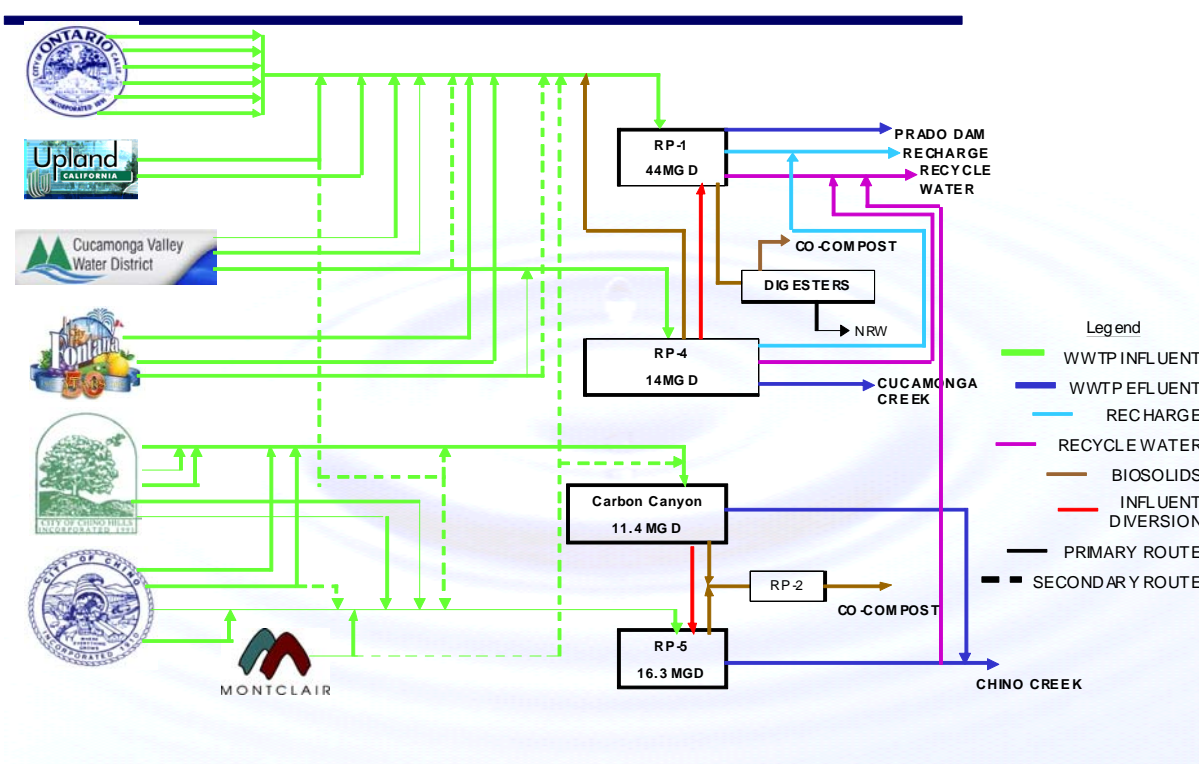
# INLAND EMPIRE UTILITIES AGENCY

## Operating Indicators - Wastewater Facilities -

### Design Capacity and Average Flow As of June 30, 2009

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

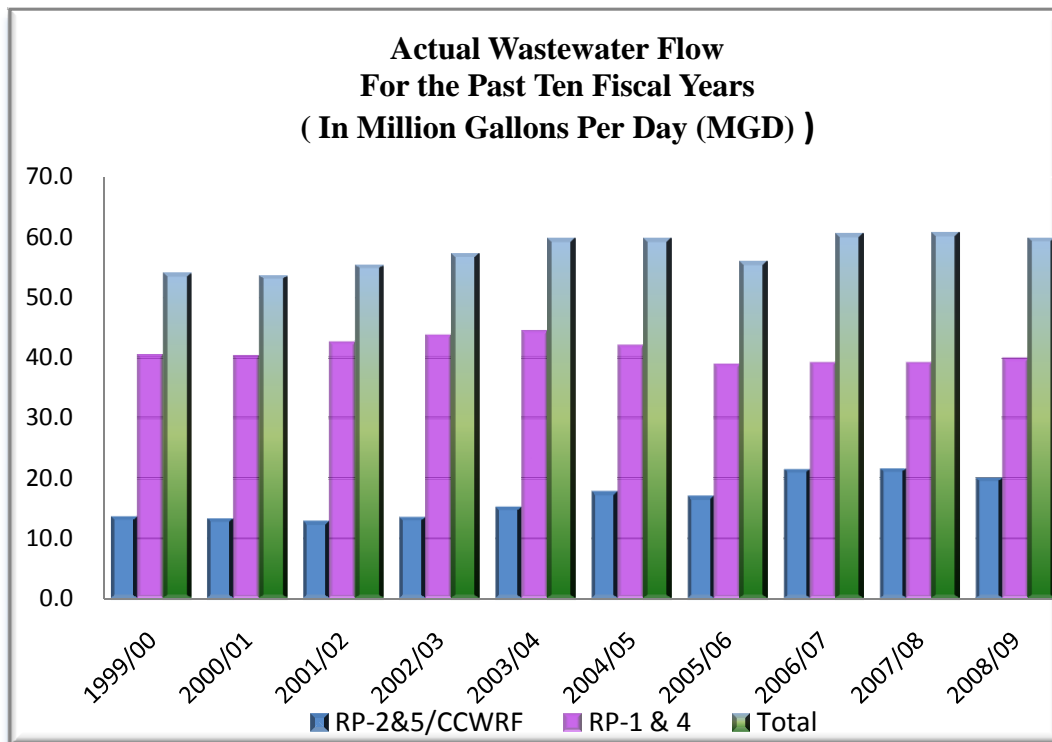


The following table presents the current design capacities and flows of the Agency's wastewater treatment as of June 30, 2009:

Facility	Design Capacity (MGD)	Average Flow (MGD)	Average Flow as % of Design Capacity
RP-1	44.0	33.3	75.7%
RP-2/RP-5	16.3	10.1	61.9
RP-4	14.0	6.5	46.4
CCWRF	11.4	9.9	86.8
<b>Total</b>	<b>85.7</b>	<b>59.8</b>	<b>69.8%</b>

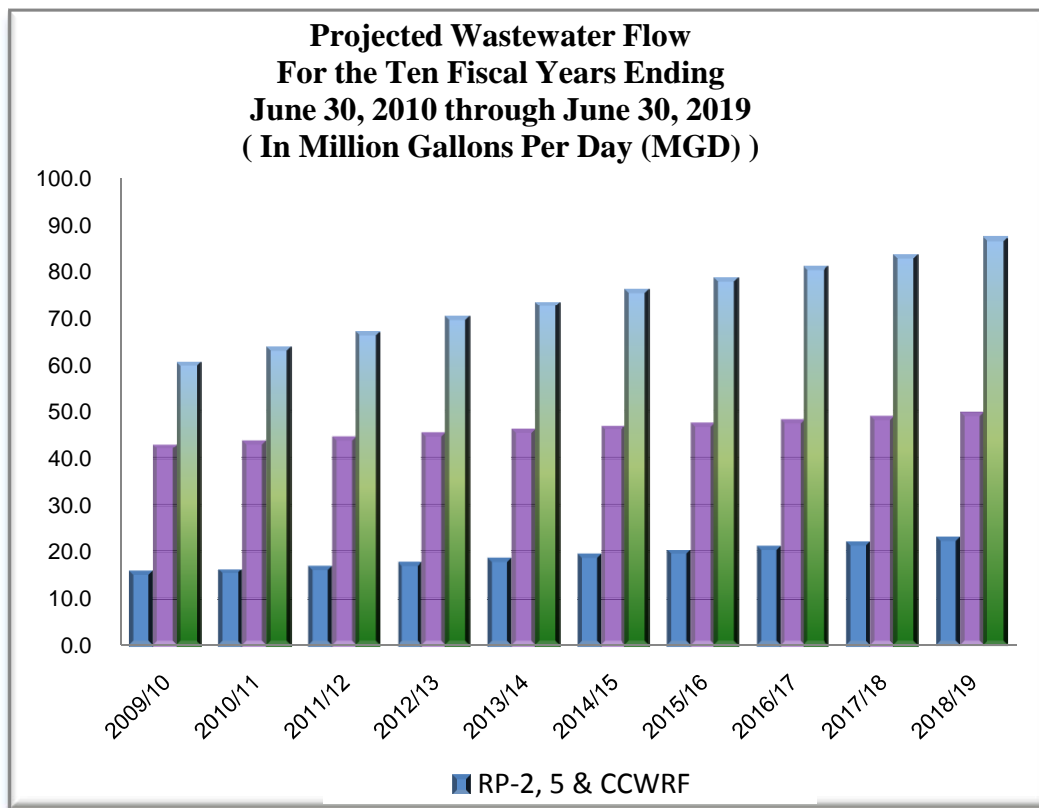
**INLAND EMPIRE UTILITIES AGENCY**  
**Operating Indicators - Actual Wastewater Flow**  
**For the Past Ten Fiscal Years**  
**( In Million Gallons Per Day (MGD) )**

Fiscal Year	RP-1 & 4 (MGD)	RP-2&5/CCWRF (MGD)	Total (MGD)
1999/00	40.4	13.6	54.0
2000/01	40.2	13.3	53.5
2001/02	42.5	12.8	55.3
2002/03	43.7	13.5	57.2
2003/04	44.4	15.2	59.6
2004/05	41.9	17.7	59.6
2005/06	38.8	17.0	55.8
2006/07	39.1	21.4	60.5
2007/08	39.1	21.5	60.6
2008/09	39.8	20.0	59.8



**INLAND EMPIRE UTILITIES AGENCY**  
**Operating Indicator - Projected Wastewater Flow**  
**For the Ten Fiscal Years Ending June 30, 2010 through June 30, 2019\***  
**( In Million Gallons Per Day (MGD) )**

Fiscal Year	RP-1 & 4 (MGD)	RP-2, 5 & CCWRF (MGD)	Total (MGD)
2009/10	45.4	15.7	61.1
2010/11	46.0	16.1	62.1
2011/12	46.8	16.9	63.7
2012/13	47.7	17.7	65.4
2013/14	48.6	18.6	67.2
2014/15	49.6	19.4	69.0
2015/16	50.5	20.2	70.7
2016/17	51.4	21.2	72.6
2017/18	52.3	22.1	74.4
2018/19	53.2	23.0	76.1



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

**INLAND EMPIRE UTILITIES AGENCY**  
**Operating Indicators**  
**FY 2008/09 Staffing Allocations**  
**As of June 30, 2009**

<b>IEUA Programs</b>	<b>FTE</b>
Regional Operations	151.6
Regional Capital Programs	58.3
Recycled Programs	17.5
IERCA Operations/Organics Management	35.0
NRWS Programs	5.9
Desalter Operations & Capital Programs	5.8
Recharge Water Programs	2.9
Water Related Activities & Conservation Programs	5.8
General Administration	8.7
Total Staffing in FTE *	291.5

The above allocations are based on the FY 2008/09 labor distribution for all departments and staffing positions.

Budgeted employees = 308

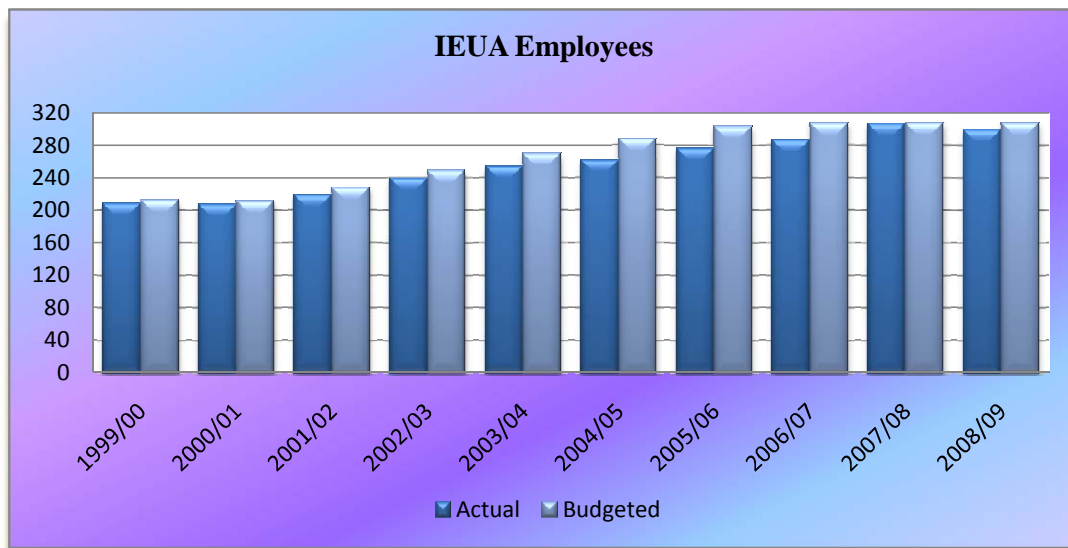
FTE = 291.5 excluding Intern and Limited Term positions

***\*FTE- Full Time Equivalent***

**Source :** IEUA FY 2008/09 Adopted Budget, IEUA Position Control Report

**INLAND EMPIRE UTILITIES AGENCY**  
**Operating and Capacity Indicators**  
**For the Past Ten Fiscal Years**

<b><u>Fiscal Year</u></b>	<b><u>Employees Actual</u></b>	<b><u>Employees Budgeted</u></b>
1999/00	208	212
2000/01	207	211
2001/02	218	228
2002/03	240	249
2003/04	254	270
2004/05	262	288
2005/06	276	303
2006/07	286	308
2007/08	306	308
2008/09	299	308



The chart and table above reflect the number of actual employees verses budgeted positions by fiscal year for the past ten fiscal years.

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**Pipeline System**

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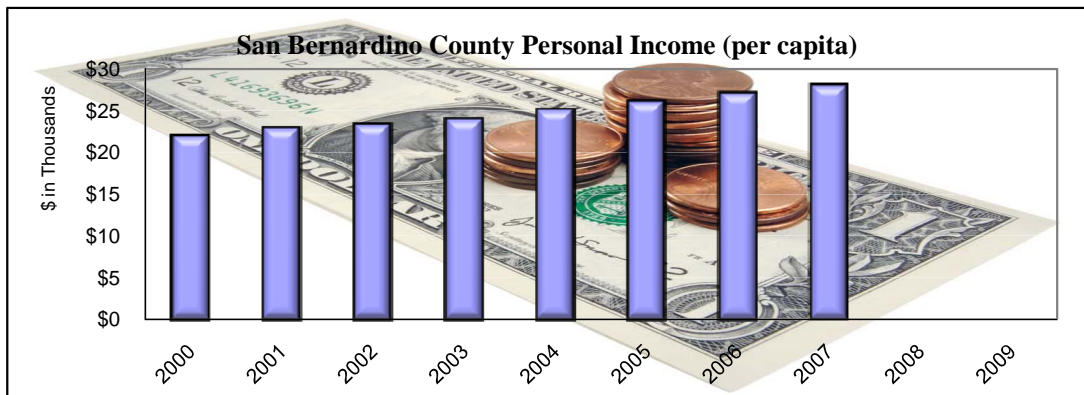
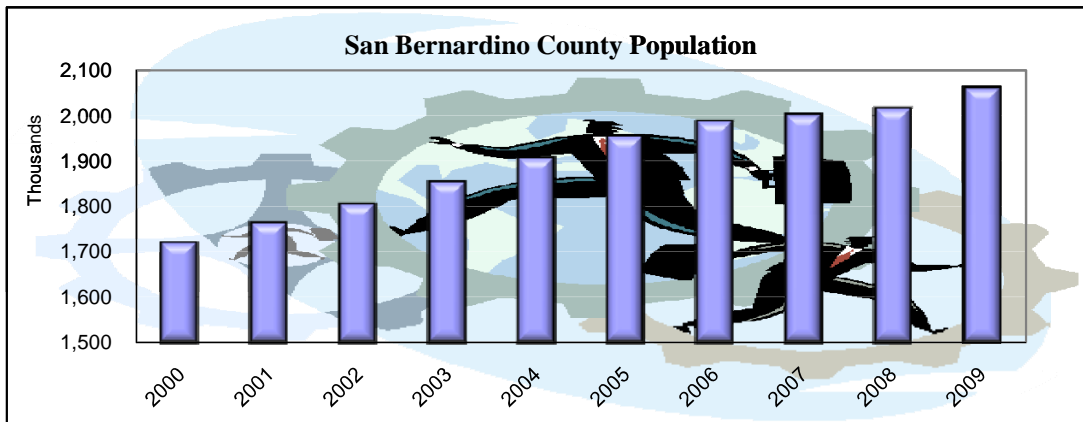
	<b><u>Miles</u></b>	<b><u>Percentage</u></b>
<b>Regional Domestic Sewer</b>	92.85	39.62%
<b>NRW Lines</b>	72.28	30.84%
<b>SARI Lines</b>	4.91	2.10%
<b>Desalter Lines</b>	3.96	1.69%
<b>Recycled Water Lines</b>	60.36	25.75%
<b>TOTAL</b>	<u>234.36</u>	<u>100.00%</u>

Note: No data available prior to most recent information.

**INLAND EMPIRE UTILITIES AGENCY**  
**Demographic and Economic Statistics**  
**For the Past Ten Fiscal Years**

**San Bernardino County (1)**

<b>Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars)</b>	<b>Personal Income (per capita)</b>
2000	1,718,840	\$37,772,136	\$21,975
2001	1,762,968	40,431,224	22,934
2002	1,804,283	42,140,603	23,356
2003	1,853,248	44,452,948	23,987
2004	1,907,138	47,921,959	25,128
2005	1,953,229	50,916,445	26,068
2006	1,987,505	53,928,618	27,134
2007	2,002,208	56,110,017	28,024
2008 (2)	2,015,355	N/A	N/A
2009 (2)	2,060,950	N/A	N/A



Notes: 1. The Agency has chosen to use the County data since it believes that the County data is representative of the conditions and experience of the Agency.

2. N/A - Data not available for the time period.

## INLAND EMPIRE UTILITIES AGENCY

### Demographic and Economic Statistics

#### Area's largest public and private employers:

FIRM	LOCATION	NUMBER OF EMPLOYEES
Ontario International Airport	Ontario	7,690
Kaiser Medical Center	Fontana	6,000
Fontana Unified School District	Fontana	4,584
United Parcel Service	Ontario	3,500
San Antonio Community Hospital	Upland	2,999
Chino Valley Unified School District	Chino	2,765
California Institution for Men	Chino	2,327
Montclair School District	Montclair	2,000
Chaffey Joint Union High School District	Montclair	1,930
Pro & Sons Inc.	Ontario	1,575

Sources: San Bernardino Area Chamber of Commerce, City's Websites

Note: No data available prior to most recent information.



*Ontario International Airport*



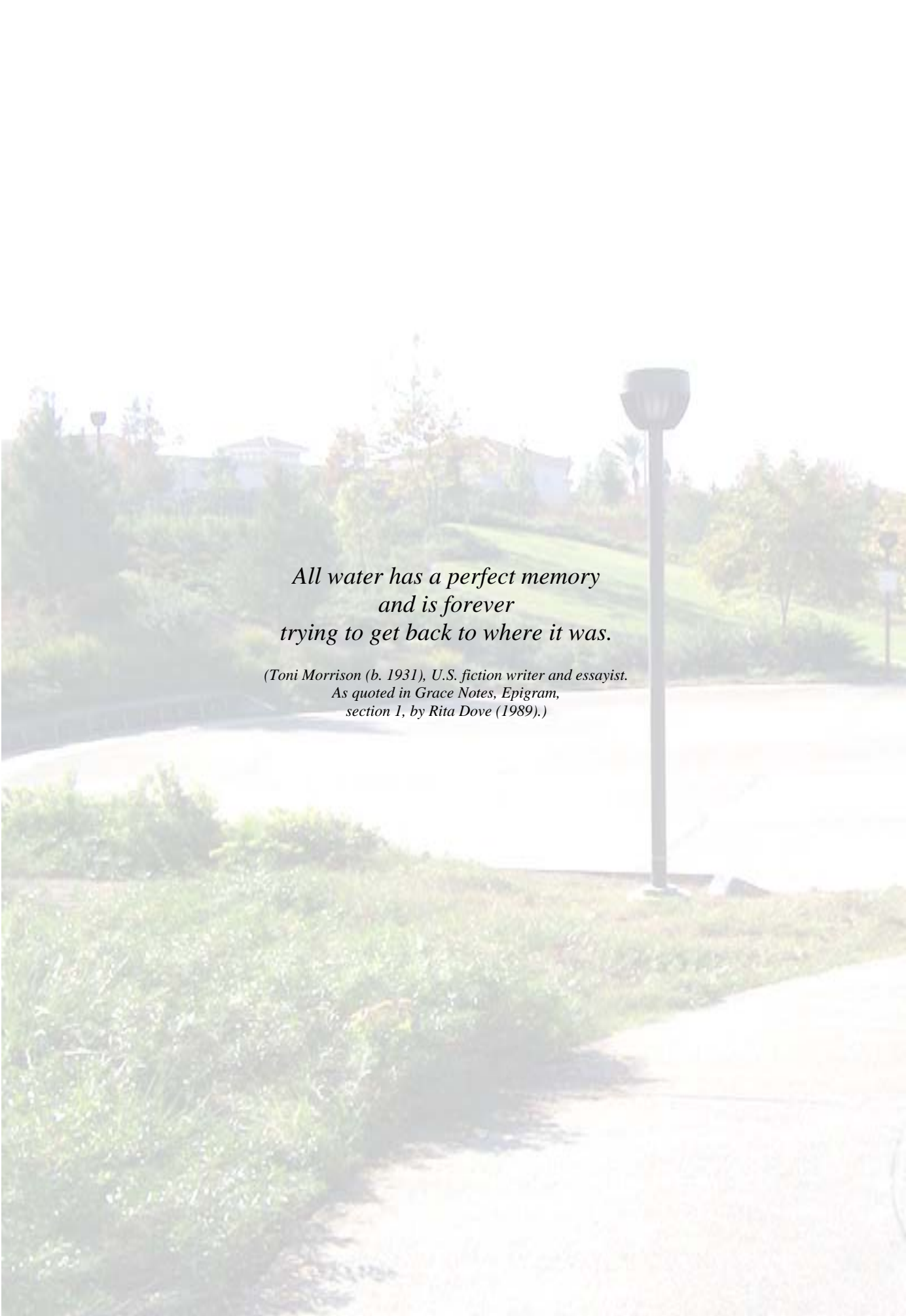
*Kaiser Medical Center*



*United Parcel Service*

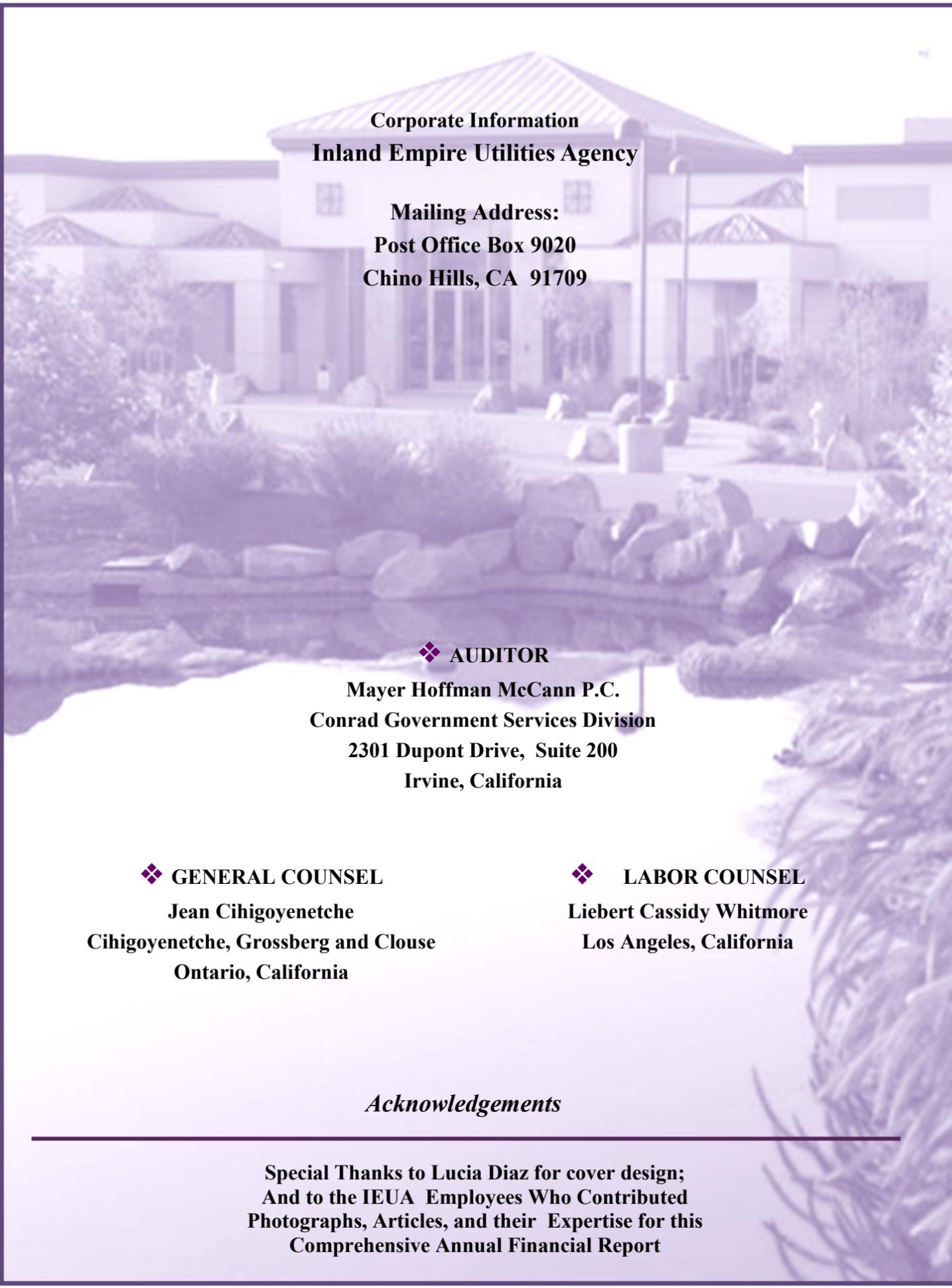


*San Antonio Community Hospital*

A photograph of a park scene. In the foreground, there is a concrete path leading towards a pond. To the left of the path is a large, dense bush. In the middle ground, a tall, dark lamp post stands on the grass. The background features a line of trees and some houses visible in the distance under a bright sky.

*All water has a perfect memory  
and is forever  
trying to get back to where it was.*

*(Toni Morrison (b. 1931), U.S. fiction writer and essayist.  
As quoted in Grace Notes, Epigram,  
section 1, by Rita Dove (1989).)*



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***Acknowledgements***

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**Special Thanks to Lucia Diaz for cover design;  
And to the IEUA Employees Who Contributed  
Photographs, Articles, and their Expertise for this  
Comprehensive Annual Financial Report**



Building For Tomorrow ....

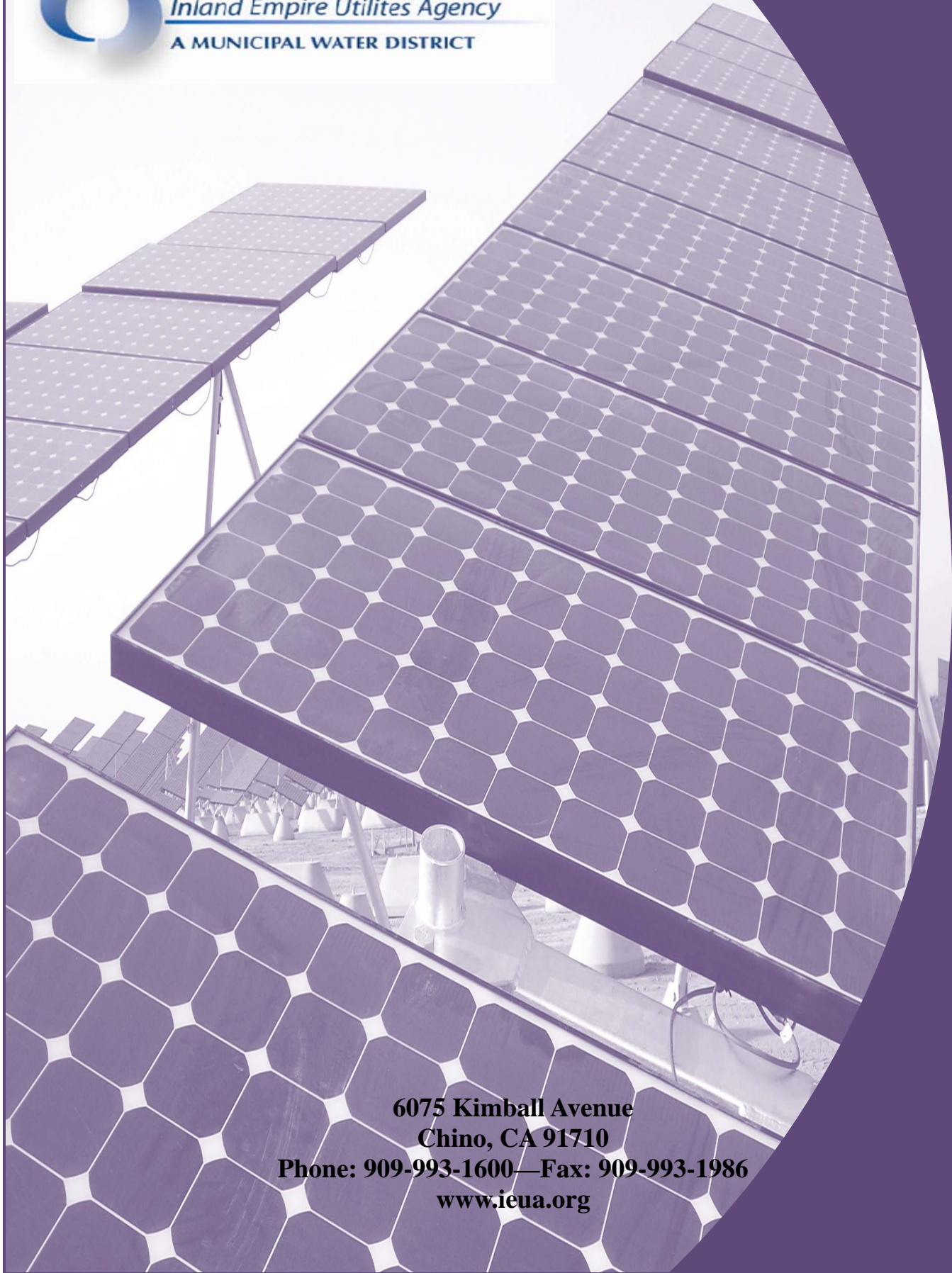
The IEUA TEAM at work

In the Communities it Serves.





*Inland Empire Utilities Agency*  
A MUNICIPAL WATER DISTRICT



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