



Rancho Cucamonga, CA

Annual Financial Report

Fiscal Year Ended

June 30, 2014

INLAND EMPIRE
REGIONAL COMPOSTING AUTHORITY
RANCHO CUCAMONGA, CA



ANNUAL FINANCIAL REPORT

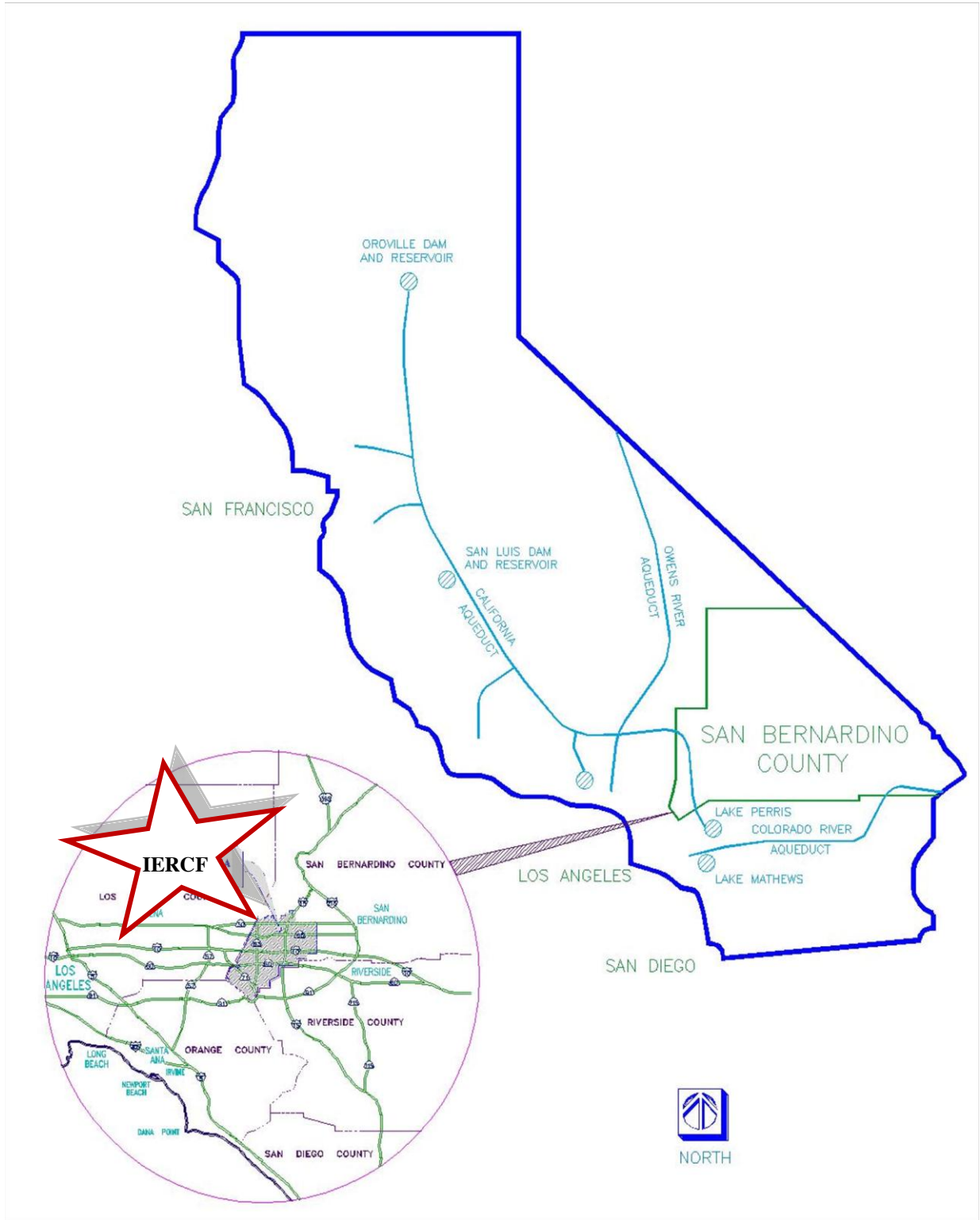
Prepared by the Finance and Accounting Department

Inland Empire Utilities Agency

Javier Chagoyen-Lazaro

Manager of Finance and Accounting

Inland Empire Regional Composting Authority Location

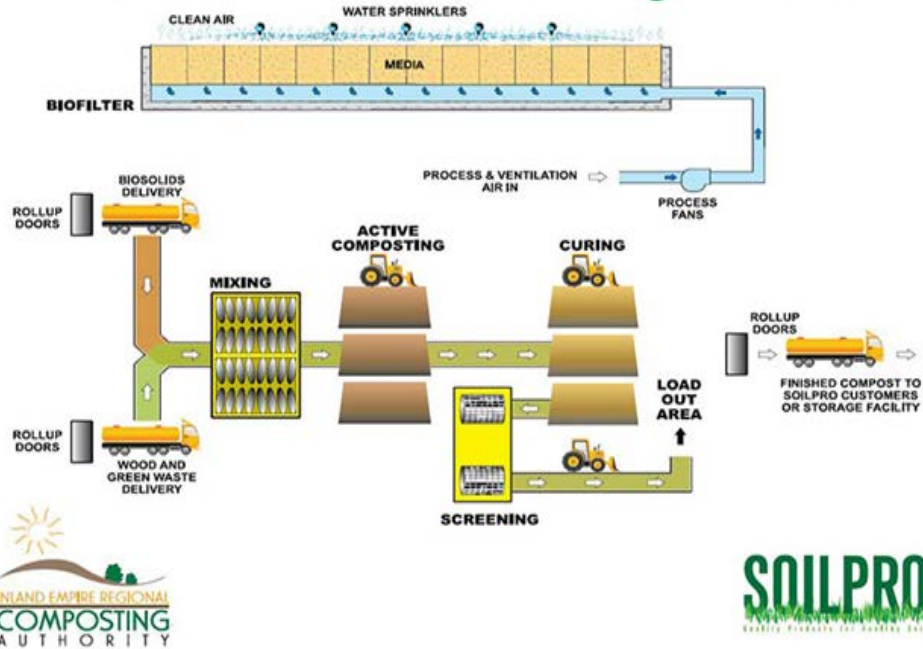


INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY
Annual Financial Report
For the Fiscal Year Ended June 30, 2014

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How Material Moves Through the IERCF



Compost Process:

The entire composting process at the IERCF takes approximately 60 days. In the first few weeks of composting, temperatures are much higher due to the high level of microbial activity within the compost piles. Microbes break down the organic material transforming it into humus-like compost. The material is then aged (cured) for about a month allowing it to cool down and stabilize before it's screened for customer use.



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Quality Products for Healthy Soil

December 8, 2014

To the Chairperson of the Inland Empire Regional Composting Authority Board, Members of the Board, and Joint Powers Authority members of the Inland Empire Regional Composting Authority.

The Annual Financial Report of the Inland Empire Regional Composting Authority (hereafter referred to as IERCA or the Authority) is hereby submitted for the Fiscal Year ended June 30, 2014. State and local ordinances and statutes require the Authority to annually publish a report of its financial condition and activities, audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Generally Accepted Accounting Principles (GAAP) requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Management Responsibility for Financial Information

The Finance and Accounting Department of Inland Empire Utilities Agency (IEUA) prepared this report. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the Authority's and IEUA's management. To the best of management's knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. Disclosures are presented to enable the reader to gain an understanding of the Authority's financial activities.

INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY PROFILE

Up to the Present

The IERCA was formed February 27, 2002 as a Joint Powers Authority (JPA) to divert organic solids from landfill disposal and to recycle organic products generated from within the community. The IEUA and County Sanitation District No. 2 of Los Angeles County (CSDLAC) entered into the JPA to implement the shared goal of development of a sustainable biosolids management project.

The Authority is governed by a six member Board, comprised of two governing board members from each JPA and their respective General Manager. The Chief Financial Officer/Assistant General Manager of IEUA serves as the Treasurer of the Authority.

In March 2007, the two joint powers agencies completed construction of the Inland Empire Regional Composting Facility (IERCF). As the nation's largest indoor biosolids composting facility, it consists of 445,275 square feet indoors. The IERCA focuses on producing top quality compost under the guidelines outlined in the US Composting Council's Seal of Testing Assurance (STA) program.

INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY PROFILE (continued):

Up to the Present (continued):

Operations at the facility began in April 2007, and reached full capacity in December 2008. At full capacity, the IERCF receives and processes over 200,000 wet tons of biosolids and wood waste from local communities, and produces approximately 230,000 cubic yards (90,000 tons) of high-quality compost each year.



The facility is staffed by twenty-four full-time IEUA employees, and one part time employee from CSDLAC. The employees are onsite seven days per week, and conduct all operational activities including production, maintenance, safety and industrial hygiene training, sales and administration.

The IERCA produces compost using the aerated static pile (ASP) composting method by mixing together organic material in large piles instead of in traditional windrows. Aeration occurs as air is pushed or pulled through the ASP. IERCF pulls air directly from the piles and sends the air to a biofilter along with air exchange through the composting building. The biofilter is 50,000 cubic yards of a special blend of wood chips that treats all of the air by removing odors and other regulated compounds before it is exhausted to the atmosphere.

The entire composting process at the IERCF takes approximately 60 days. Active composting lasts approximately 22 days before the pile is moved into curing. The material is stabilized in curing for 30 to 38 days. After curing, the compost is screened and is then ready for distribution and use.

The composted product, which is marketed as SoilPro Premium Compost, has been sold as a soil conditioner which helps improve water retention resulting in better plant growth and water savings. Compost products are also proven to produce direct benefits to soils and crops in both horticulture (lawns and gardens) and agriculture (vegetables, fruits, nuts, and hay crops).



In order to produce recycled products year-round, the IERCA completed the compost storage facility in 2010 to allow compost storage during the winter season.

Additionally, the Authority entered into a Power Purchase Agreement (PPA) with Sunpower, Inc. in 2010 for the installation of 1 megawatt of solar panels on the rooftop of the facility. The solar panel system is currently providing about half of the facility's required electrical power during operating hours.

MAJOR INITIATIVES and ACCOMPLISHMENTS

Major Initiatives for FY 2014/2015

During the fiscal year ended June 30, 2014, the IERCF staff focused on expanding the compost marketing program and working with farmers to develop sales in the agricultural marketplace. Staff has increased the customer base by 22% and initiated six take or pay contracts. In the fall of 2013, the IERCA began the “Give Back” program. The program offers SoilPro compost at no charge to cities and municipalities affiliated with IEUA and CSDLAC. Approximately 20,000 cubic yards of material have been used through the program.

The staff will continue to focus on projects to increase the safety and efficiency of the composting facility. These projects include: 1) process improvement project designed to modify the conveyance system to reduce loader traffic and move material more efficiently; 2) Baghouse and dust improvement project; and 3) indoor lighting evaluation project to improve safety and provide adequate and efficient lighting.

◆ Process Improvements:

The Process Improvement project when completed will accomplish:

- Reduced loader traffic between compost-curing areas;
- Increased energy savings, higher performance, improved safety;
- Improved belt conveyors (BC) system;
- Improved amendment hopper (AH) bottom plates with stronger material;
- Improved amendment hopper augers.



Belt Conveyors System

New Amendment Hopper Screw Conveyors



MAJOR INITIATIVES and ACCOMPLISHMENTS (continued):

Major Initiatives for FY 2014/2015

◆ **Baghouse Evaluation**

- Baghouse safety hazard evaluation;
- System improvements in collecting & removing dust from trommel screens;
- New ducting and safety suppression Canisters;
- Baghouse safety compliance, removal, or system upgrade;



Trommel Screens Dust Collection

Major Accomplishments for FY 2013/2014

◆ **Locker Room AC/Heating System:**



Inadequate cooling and heating in the locker room required system evaluation, redesign, and upgrades. This project added energy recovery ventilation system, relocated the thermostat, and expanded ducting.

MAJOR INITIATIVES and ACCOMPLISHMENTS (continued):

Major Accomplishments for FY 2013/2014

◆ **Receiving Door Widening and Stop and Go Lights:**



This project installed new doors and stop and go lights in the IERCF receiving area improving safety and truck traffic.

◆ **2013 Governor's Environmental and Economic Leadership Award**



The Governor's Environmental and Economic Leadership Award program recognizes individuals, organizations, and businesses that have demonstrated exceptional leadership and made notable, voluntary contributions in conserving California's precious resources, protecting and enhancing our environment, building public-private partnerships and strengthening the State's economy.

The IERCA received the Governor's Environmental and Economic Leadership Award for the design and construction of Inland Empire Regional Composting Facility which produces approximately 230,000 cubic yards of compost per year.



◆ **2013 Environmental Protection Agency Environmental Award**



IERCA received the Pacific Southwest Region Environmental Protection Agency's Environmental Award. The EPA Environmental Award Program recognizes individuals and groups making outstanding contributions to protect public health and the environment.

FINANCIAL INFORMATION

Internal Controls

The Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with GAAP.

The internal control structure is designed to provide reasonable rather than absolute assurance the financial statements will be free from material misstatement and that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not outweigh the benefits likely to be derived; and, the valuation of costs and benefits requires estimates and judgments by management.

As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

Budgetary Controls

The Authority 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 Authority's Board of Directors. The level of budgetary control (i.e., the level at which expenditures can not legally exceed the appropriated amount) is set at the category level (i.e., Capital and Operating) within the Authority. The Authority maintains an encumbrance accounting system as an additional method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances are generally re-appropriated as part of the following fiscal year's budget following Board approval.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The Authority's Board of Directors appointed the firm of White Nelson Diehl Evans LLP to perform the annual audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2014 are free of any material misstatement. As part of the independent audit, reviews on a test basis 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 Authority. Generally accepted auditing standards were used by the auditors in conducting the engagement. The auditor's report on the basic financial statements is included in the financial section of this report.

The independent audit concluded, based upon the audit, that there was reasonable basis for rendering an unqualified ("clean") opinion that the Inland Empire Regional Composting Authority's financial statements for the year ended June 30, 2014 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.

Cash and Investment Management

The Authority has comprehensive cash and investment program subject to California Government Code Sections 53601, 53607, 53635, 53638, 53646, 53652, and 53653. These regulations are incorporated into the Authority's Investment Policy, which identifies the types of investments that are authorized and indicates any restrictions.

FINANCIAL INFORMATION: (continued)

Cash and Investment Management (continued):

As required by the Code, the Authority annually adopts an investment policy that requires the IERCA to invest funds in a manner which will provide: (i) the maximum security; (ii) the funds necessary to meet the daily cash flow demands of the Authority; and (iii) the highest investment return while conforming to all statutes governing the investment of the Authority funds within the constraints of the investment policy. By adoption of the policy, it is the intent of the Authority to minimize credit and market risks, while maintaining a competitive yield on its overall portfolio.

The Authority's cash management system is also designed to forecast revenues and expenses accurately, and to invest idle funds to the fullest extent possible. During the Fiscal Year ended June 30, 2014, idle funds were invested in accordance with this policy. These investments primarily consisted of deposits in a pooled investment fund administered by the State of California.

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

1. **Safety:** *Safety of principal is the foremost objective of the investment program. Investments made by the Authority shall be 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 Authority 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. Return on investment is of secondary importance compared to safety and liquidity objectives described above. The core investment is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity without the following exceptions:*
 - A. *A security with declining credit may be sold to minimize loss of principal.*
 - B. *A security swap would improve quality, yield, or target duration in the portfolio.*
 - C. *Liquidity needs of the portfolio that requires the security to be sold.*

All cash and investment transactions are conducted in accordance with the Authority's resolutions and Investment Policy. While management recognizes that investment risks may result from issuer defaults, market price changes or various technical complications leading to temporary liquidity, portfolio diversification is employed as a way to minimize these risks.

Acknowledgements

We acknowledge the thorough and professional manner in which the external auditors, White Nelson Diehl Evans LLP, conducted the audit. Additionally, we would like to acknowledge the staffs from the member agencies of the Authority for their cooperation and contribution in providing the necessary information to complete this report.

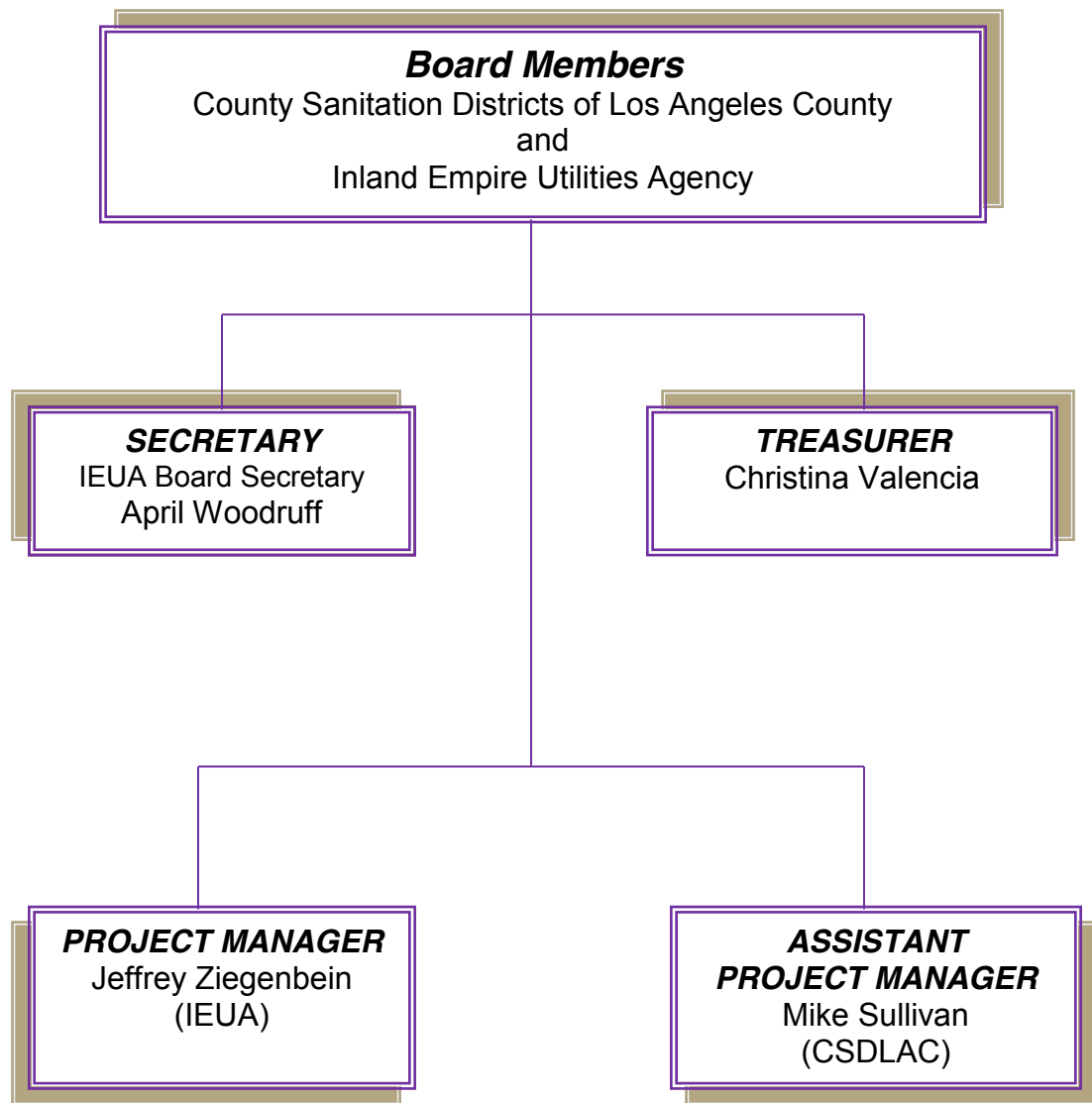
Respectfully submitted,

Christina Valencia, Treasurer

Inland Empire Regional Composting Authority

Organizational Chart

June 30, 2014



INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

Principal Officials

June 30, 2014

BOARD OF DIRECTORS

Jon Blickenstaff, *Chairperson*
Gene Koopman, *Vice-Chairperson*
Grace Robinson Hyde *Director*
Margaret Finlay, *Director*
Jasmin A. Hall, *Director*
Joseph Grindstaff, *Director*

OFFICERS OF THE AUTHORITY

Christina Valencia, *Treasurer*
Jeffrey Ziegenbein, *Project Manager*
Mike Sullivan, *Assistant Project Manager*

LEGAL COUNSEL

Cihigoyenette Grossberg & Clouse
A Professional Corporation
Rancho Cucamonga, California



BIOFILTER INSTALLATION

Biofilter (3 Acres) – ASP Composting

Aerated Static Pile (ASP) Composting is an EPA approved method of composting where air is forced through loosely piled organic feedstocks such as biosolids and green waste. The IERCA uses the ASP method of composting by drawing air through the compost piles with fans and exhausting the foul air through a biofilter.

The biofilter satisfies the South Coast Air Quality Managements air regulations, and controls odor emissions.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Inland Empire Regional
Composting Authority
Chino, California

Report on the Financial Statements

We have audited the accompanying statement of the Inland Empire Regional Composting Authority (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Inland Empire Regional Composting Authority as of June 30, 2014 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Summarized Comparative Information

We have previously audited the Inland Empire Regional Composting Authority's 2013 financial statements, and we expressed an unmodified opinion on those respective financial statements of the Authority in our report dated November 27, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on it.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The introductory section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

White Nelson Dick Evans LLP

Irvine, California
December 1, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The intent of the management's discussion and analysis is to provide highlights of the Authority's financial activities for the fiscal year ended June 30, 2014. Readers are encouraged to read this section in conjunction with the transmittal letter and the accompanying basic financial statements.

The Authority's Operations – an Overview

As a Joint Powers Authority, the Inland Empire Regional Composting Authority (IERCA or the Authority) owns a composting facility on approximately 22 acres of land in Rancho Cucamonga. The property is ideally situated in an industrial area adjacent to Regional Water Recycling Plant No. 4 (RP-4), a wastewater treatment plant owned and operated by Inland Empire Utilities Agency. The proximity of the facility to RP-4 provides opportunities to improve staffing options and optimize energy usage.

The 445,275 square foot composting facility is a fully enclosed biosolids processing plant that processes approximately 150,000 tons of biosolids and 59,000 tons of wood and green waste into 230,000 cubic yards (90,000 tons) of high quality compost.



The facility utilizes aerated static pile composting technology to process a mixture of biosolids, greenwaste and woodwaste to generate Class 'A' Exceptional Quality compost for use in local agriculture and horticulture markets. All of the facility's emissions are treated with a biofilter to meet air quality requirements. In FY 2013/14, a total of 200,949 tons of feedstock, equal to 96% of permitted capacity, was received by the facility.

As of June 30, 2014, the IERCF had sold 1.35 million cubic yards of high-quality compost to various customers in Southern California, Arizona, and Nevada and processed over 1.3 million tons of recycled materials.

For comparison, 1.35 million cubic yards can:

- ☀ Fill the Rose Bowl, in Pasadena, CA. to the top 3 times
- ☀ Load 27,000 semi-trucks
- ☀ Increase soil health and water retention for 47,000 football fields



Throughout the last seven years of operation, the IERCF has operated continuously in full compliance with applicable permits, rules and regulations, and has maintained an excellent safety record.

The Authority's Operations – an Overview (continued):

Projects such as the IERCF Process Improvement Project, implemented to modify the facility's material handling system, are targeted for completion in 2015. The projects will improve safety and efficiencies in areas such as:

- Evaluation, installation, and testing of an explosion control and suppression devices on the Baghouse and Dust Collection System with installation of a Baghouse Leak Detection System, for prevention of fire and dust explosions, improved system performance, and detection of any duct leakage;
- Evaluation and upgrades to the Condensate Pit Drainage, improves condensate drainage to sewer lines, improves dust and debris collection in receiving pit;
- Evaluation and implementation of the maintenance planning and tracking system;
- Indoor lighting evaluation to improve safety and provide adequate and efficient lighting.



Dust Collection Fans



Process Fan Corridor

Basic Financial Statements

The basic financial statements present a summary of the Authority's financial position as of June 30, 2014. The Authority uses full accrual accounting, which recognizes transactions when they occur, regardless of when cash is exchanged.

The Statement of Revenues and Expenses for the fiscal year ended June 30, 2014 reflects the seventh year of operations for the IERCF. Total operating revenues were \$8,302,106, a 6% increase from prior year, while total operating expenses decreased by 2% as compared to the prior year for a total of \$8,405,415, which included \$2,268,907 of depreciation and amortization expense on capitalized assets.

FINANCIAL HIGHLIGHTS

	FY2013/14	FY2012/13	Increase (Decrease) from FY2012/13	
Current assets	\$7,323,383	\$7,890,917	(\$567,534)	-7.19%
Restricted assets	85,881	0	85,881	100.00%
Capital & Intangible assets	87,506,900	86,373,245	1,133,655	1.31%
Total Assets	94,916,164	94,264,162	652,002	0.69%
Current liabilities	1,841,081	1,173,066	668,015	56.95%
Restricted liabilities	85,881	0	85,881	100.00%
Total Liabilities	1,926,962	1,173,066	753,896	64.27%
Net investment in capital assets	87,506,900	86,373,245	1,133,655	1.31%
Unrestricted	5,482,302	6,717,853	(1,235,551)	-18.39%
Total net position	\$92,989,202	\$93,091,098	(\$101,896)	-0.11%
Operating revenues	\$8,302,106	\$7,811,125	\$490,981	6.29%
Operating expenses	(8,405,415)	(8,573,466)	\$168,051	-1.96%
Net operating income (loss)	(103,309)	(762,341)	659,032	-86.45%
Other Non-operating revenues	18,097	26,293	(8,196)	-31.17%
Other Non-operating expenses	(16,684)	(189,706)	173,022	-91.21%
Net nonoperating revenues (expenses)	1,413	(163,413)	164,826	-100.86%
Net income (loss) before capital contributions	(101,896)	(925,754)	823,858	-88.99%
Contributed Capital	0	1,000,000	(1,000,000)	100.00%
Total change in net position	(101,896)	74,246	(176,142)	-237.24%
Total net position-beginning	93,091,098	93,016,852	74,246	0.08%
Total net position- ending	\$92,989,202	\$93,091,098	(\$101,896)	-0.11%

Changes in Financial Conditions of the Authority

- The net decrease of \$567,534 in current assets is comprised of three components: 1) a decrease of \$1,149,361 in customer receivables which includes an increase of \$16,629 in bad debt provision; 2) a decrease of \$482 in interest receivable; and 3) an increase of \$582,309 in cash and investments, primarily due to the increase in tipping fee rates from \$50 to \$52 per wet ton.

FINANCIAL HIGHLIGHTS (continued):

Changes in Financial Conditions of the Authority (continued):

- The increase in Capital and Intangible assets of \$1,133,655 is primarily due to an increase of \$3,402,562 in jobs in progress and additions to capital assets, which is partially offset by an increase of \$2,268,907 in accumulated depreciation and amortization.
- The increase of \$490,981 in operating revenues is primarily due to the increase in biosolids tipping fees, from \$50 per ton in FY 2012/13 to \$52 per ton in FY 2013/14.
- The \$168,051 decrease in operating expenses is due to a decrease of \$477,779 in equipment maintenance, repairs and supplies, which is partially offset by an increase of \$279,849 in non-project related contract labor and an increase of \$29,879 in depreciation expense.

As of June 30, 2014, contributed capital from CSDLAC and IEUA was \$83,364,402 equally split between the partners. Additionally, the JPA partners contributed a total of \$15,116,229 for the original property, which resulted in a total contribution of \$98,480,631. In FY 2013/14, each JPA member was charged \$52 per ton tipping fee for bio-solids deliveries. The total net position at June 30, 2014 was \$92,989,202, compared to \$93,091,098 in FY 2012/13.

Capital & Intangible Assets

At June 30, 2014, the Authority had total capital and intangible assets, net of depreciation and amortization, of \$87,506,900. Jobs in progress of \$4,659,675 include the cost of all design and construction work, and normal incidental expenses to maintain and improve the facility. Please refer to Note #3 to the basic financial statements for additional information regarding capital asset balances.

Investment Summary

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

Investment interest for FY 2013/14 totaled \$16,006, for an average yield of 0.24%. The Authority's short term investment fund balance for the fiscal year ended June 30, 2014 was \$5,577,261 comprised of \$1,539,370 in Sweep Investment Fund with Citizens Business Bank. The Authority also invested \$4,037,891 in the Local Agency Investment Agency Fund (LAIF). Please see Note #2 of the basic financial statements for additional information regarding investment balances.

Contacting the Authority's Financial Management

This financial report is prepared to provide the Authority's members, our citizens, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have questions about this report or need additional financial information, please contact the Inland Empire Utilities Agency, Finance and Accounting Department, P.O. Box 9020, Chino Hills, California, 91709.

**INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY
BASIC FINANCIAL STATEMENTS
OVERVIEW**

Financial Statements

The following Basic Financial Statements, along with the Supplementary Notes to the Basic Financial Statements, present a summary of the Authority's financial position at June 30, 2014, and the results of operations and the cash flows of its proprietary fund type for the fiscal year ended.

The Basic Financial Statements consist of:

- 1) Statement of Net Position – the statement denotes the increase/ (decrease) of net assets of the Authority.
- 2) Statement of Revenues, Expenses and Changes in Net Position – the statement shows all revenue and expense sources recorded for the period, and their effects on the net assets of the Authority.
- 3) Statement of Cash Flows – the statement reflects the Authority's financial activities and their effect on cash. It also denotes the cash position of the Authority at the end of the fiscal period.
- 4) Notes to the Basic Financial Statements.

Inland Empire Regional Composting Authority
Statement of Net Position
June 30, 2014
(With Comparative Total for June 30, 2013)

	Totals	
	2014	2013
ASSETS		
Current assets		
Cash & Investments (Note 2)	\$6,552,958	\$5,970,650
Accounts receivable	767,555	1,916,916
Interest receivable	2,870	3,351
Total current assets	<u>7,323,383</u>	<u>7,890,917</u>
Non current assets		
Assets held with trustee (Note 2)	<u>85,881</u>	<u>0</u>
Total assets held with trustee	<u>85,881</u>	<u>0</u>
Capital assets (Note 3)		
Land	4,285,096	4,285,096
Jobs in progress	4,659,675	2,787,313
Capital assets, net of accumulated depreciation	77,518,530	78,342,904
Intangible assets, net of accumulated amortization	<u>1,043,599</u>	<u>957,932</u>
Total capital assets	<u>87,506,900</u>	<u>86,373,245</u>
Total noncurrent assets	<u>87,592,781</u>	<u>86,373,245</u>
Total assets	<u>\$94,916,164</u>	<u>\$94,264,162</u>

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

	Totals	
	2014	2013
LIABILITIES		
Current liabilities		
Accounts payable	\$1,838,503	\$1,156,104
Retentions payable	1,337	15,550
Accrued liabilities other	1,241	1,412
	<u>1,841,081</u>	<u>1,173,066</u>
Total current liabilities		
Liabilities payable from noncurrent assets		
Retention deposits and escrows	85,881	0
	<u>85,881</u>	<u>0</u>
Total liabilities payable from noncurrent assets		
	<u>85,881</u>	<u>0</u>
Total liabilities		
	<u>1,926,962</u>	<u>1,173,066</u>
NET POSITION		
Net investment in capital assets	87,506,900	86,373,245
Unrestricted	5,482,302	6,717,851
	<u>5,482,302</u>	<u>6,717,851</u>
Total net position		
	<u>\$92,989,202</u>	<u>\$93,091,096</u>

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

Inland Empire Regional Composting Authority
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014
(With Comparative Total for June 30, 2013)

	Totals	
	2014	2013
Operating revenues		
Biosolids Recycling Tipping Fees	\$7,715,437	\$7,133,768
Sale of compost	569,227	653,848
Energy Rebates	17,442	23,509
	<u>8,302,106</u>	<u>7,811,125</u>
Operating expenses		
Operations and maintenance	5,260,954	5,738,733
Administration and general	875,554	595,704
Depreciation and amortization	2,268,907	2,239,029
	<u>8,405,415</u>	<u>8,573,466</u>
Total operating expenses	<u>8,405,415</u>	<u>8,573,466</u>
Operating income (loss)	<u>(103,309)</u>	<u>(762,341)</u>
Nonoperating revenues (expenses)		
Interest income	16,006	18,607
Other nonoperating revenues	2,091	7,686
Other nonoperating expenses	(16,684)	(189,706)
	<u>1,413</u>	<u>(163,413)</u>
Net nonoperating revenues (expenses)	<u>1,413</u>	<u>(163,413)</u>
Income (loss) before capital contributions	<u>(101,896)</u>	<u>(925,754)</u>
Capital contributions	<u>0</u>	<u>1,000,000</u>
Change in net position	(101,896)	74,246
Total net position - beginning	<u>93,091,098</u>	<u>93,016,852</u>
Total net position - ending	<u>\$92,989,202</u>	<u>\$93,091,098</u>

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



AIR DUCTS

**Process & Ventilation -
State of the art, subsurface aeration system
(up to 800,000 cfm)**

Up to 12 air changes per hour in the composting area.

Inland Empire Regional Composting Authority
Statement of Cash Flows
Year Ended June 30, 2014
(With Comparative Totals for June 30, 2013)

	Totals	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	9,451,467	7,158,126
Cash payments to suppliers for goods and services	(2,520,852)	(2,900,542)
Cash payments for contract labor	(2,933,427)	(3,111,224)
	<u>3,997,188</u>	<u>1,146,360</u>
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
Contract reimbursement from other (Other Non Op Rev)	2,091	7,686
Cash paid to others (Other Non Op Exp)	(16,684)	(189,706)
	<u>(14,593)</u>	<u>(182,020)</u>
Net cash used for noncapital financing activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(3,402,562)	(1,532,868)
Proceeds from sale of assets	0	192,195
Contribution for capital	0	1,000,000
Changes in contractor deposits/retentions	71,668	(11,150)
Net cash used for capital and related financing activities	<u>(3,330,894)</u>	<u>(351,823)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	16,488	22,914
	<u>16,488</u>	<u>22,914</u>
Net cash provided by investing activities		
Net increase in cash and cash equivalents	668,189	635,431
Cash and cash equivalents - beginning	5,970,650	5,335,219
Cash and cash equivalents - ending	<u>\$6,638,839</u>	<u>\$5,970,650</u>

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

	Totals	
	2014	2013
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	(\$103,309)	(\$762,341)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	2,268,907	2,239,029
(Increase) decrease in operating assets		
Accounts receivable	1,149,361	(658,241)
Other receivable	0	5,243
Prepaid items	0	106,502
Increase (decrease) in operating liabilities		
Accounts payable	682,399	216,148
Other accrued liabilities	(171)	20
Net cash provided by operating activities	<u>\$3,997,188</u>	<u>\$1,146,360</u>
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash & cash equivalents at end of year	<u>6,638,839</u>	<u>5,970,650</u>
Total cash and cash equivalents	<u>\$6,638,839</u>	<u>\$5,970,650</u>
Cash	\$2,515,067	\$1,945,627
Short-term investments	4,037,891	4,025,023
Restricted assets	<u>85,881</u>	<u>0</u>
Total cash, short-term investments and restricted cash	<u>\$6,638,839</u>	<u>\$5,970,650</u>

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



AIR EXHAUST FANS

**Process & Ventilation -
Automation of fans for pile aeration
based on temperature probes.**

These forward curved belt drive blowers are designed for low to medium pressure ventilating and exhaust applications.

INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

Index of Notes to the Basic Financial Statements

JUNE 30, 2014

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NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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

Description of the Reporting Entity

The Inland Empire Regional Composting Authority, a Joint Powers Authority (JPA), was formed in February of 2002. The JPA consists of two partners, Inland Empire Utilities Agency (IEUA), a municipal water district in California, and County Sanitation District No. 2 of Los Angeles County (CSDLAC), a special district organized and operating pursuant to the County Sanitation District Act, Health and Safety Code Section 4700, et seq. All capital contribution investments related to the JPA are shared equally by both partners. Beginning FY 2009/10 the Authority implemented a cost of service rate (tipping fees) to support the operational costs. Tipping fees paid by each JPA partner are based on the tonnage of biosolids shipped to the facility for recycling. As defined by Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the Authority as the primary government. The Authority has no legally separate component units that require blended or discrete presentation.

Subject to the limitations imposed by the Constitution of California, and pursuant to its charter, all powers of the Authority not defined are vested in a six-member Board of Directors. For the purposes of transacting business of the Board, a quorum shall consist of four of the six members of the Board, provided that there are a minimum of two Board members from each partner. The principal office of the Authority is established by resolution of the Board. The Authority has appointed a Secretary, a Treasurer and a Project Manager. The appointed officers come from the membership of the Authority.

The accounting policies of the Authority conform to Generally Accepted Accounting Principles (GAAP) as they relate to governmental units. The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Fund Accounting

The accounts of the Authority are organized on the basis of funds. All transactions are accounted for with a separate set of self-balancing accounts that comprise its assets, GASB pronouncements, the Authority's type of operation would be considered an "Enterprise Fund". An Enterprise Fund is normally grouped and presented in the financial statements as a "Proprietary Fund Type".

Proprietary Fund Types

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

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

Proprietary Fund Types (continued):

Enterprise Funds

An Enterprise Fund is used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation and amortization) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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 Authority 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 regardless of when the related cash flows take place.

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.

Use of Restricted and Unrestricted Funds

Restricted funds represent deposits held in short-term investments with Trustee/Fiscal Agents. As of June 30, 2014, funds held with Trustee/Fiscal Agents include 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. Unlike restricted funds, unrestricted funds become discretionary funds for the Authority to use when it becomes available.

Operating and Non-operating Revenues and Expenses

Operating revenues relate to revenue transactions generated as a direct result of the core business in which the Authority is engaged. These transactions can be repetitive in nature within the normal business cycle. Examples include biosolids recycling, compost delivery services, compost sales and the sale of renewable energy credits. Non-operating revenues are transactions incurred infrequently, during the course of the Authority's business. These types of transaction are generally not directly related to the general business of the Authority, such as 1) interest income; 2) gain on sales of assets; and 3) miscellaneous other revenues.

The Authority classifies expense types based upon the goods and/or services directly related to the operations of the Authority. Typically operating expenses include such items as operations, maintenance, and administrative costs. In contrast, non-operating expenses are not directly related to the Authority's core operations, such as interest expense, bad debt, and the cost of financial services.

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

Budgetary Policy and Control

The Authority's Board approves each year's budget submitted by the Treasurer 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 Authority is not required to present budget comparisons; therefore budgetary data is not presented in the accompanying financial statements.

The Authority maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Board. All appropriations which are not obligated, encumbered or expended at the end of the fiscal year, lapse at year-end, except for multi-year capital appropriations.

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 are reported at amortized cost. Investments are carried at fair value.

For financial presentation purposes, cash and cash equivalents are shown within cash and short-term investments.

Receivables and Payables

All receivables are shown net of an allowance for uncollectibles. The Authority extends credit to customers in the normal course of operations. Management has evaluated the accounts and approved a \$22,129 Bad Debt reserve for the fiscal year ended of June 30, 2014. When an account is determined to be uncollectible, it is written off as a bad debt expense following Board approval.

Capital Assets

Property, plant and equipment are stated at cost. The cost of a capital investment includes purchase, rehabilitation or construction costs, Authority labor for engineering, construction management and administrative activities, as well as ancillary expenses necessary to make productive use of the assets. Current capitalization thresholds are reflected in the following table:

Type of Expenditure	Total Cost	Estimated Life	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
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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized.

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

Capital Assets (continued):

Improvements are capitalized and depreciated, as applicable, over the remaining useful life of the related capital assets. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Estimated useful lives are:	Ω Furniture, machinery and equipment	5 - 10 years
	 Improvements	15 years
	 Buildings and plants	5 - 50 years
	 Intangible Assets	30 - 50 years

Comparative Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the authority's prior year financial statements, from which this financial data was derived.

Risk Management

The Authority 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. The Authority secures liability, boiler and machinery insurance to protect itself from any risk exposure, relative to its business operations. Since the Authority has no employees and the operations and management of its facility is contracted out to IEUA, worker's compensation insurance is carried by IEUA.

- ⊕ General and auto liability, public officials and employees' error and omissions: The Authority retains the risk of loss for general liability, and, errors and omissions claims of up to \$1,000,000 per person per occurrence; with an aggregate amount of \$2,000,000.

In addition to the above, the Authority 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 an \$89,775,000 per occurrence coverage limit, subject to a \$100,000 deductible per occurrence. All other claims categories provide coverage up to \$800,000,000 on an annual aggregate basis.

Settled claims from the risks discussed herein have not exceeded commercial insurance coverage in any of the last three fiscal years ending June 30, 2014, 2013, and 2012. Additionally, there have been no reductions in insurance coverage.

(2) Cash and Investments

Cash Deposits

The Authority's cash accounts are maintained with financial institutions that provide deposit protection for the account balance through participation in the Federal Deposit Insurance Corporation (FDIC). The California Government Code (CGC§53652 and 53667) requires banks and savings and loan associations to secure local agency deposits by placing appropriate and adequate securities as collateral with an approved trustee.

For deposits in commercial banks, the California Government Code allows the Authority to waive the proceeding requirement for that portion of each deposit insured pursuant to the FDIC regulations; with the remainder of the deposit being secured by collateral (U. S. Government Securities) with a market value of at least ten percent (10%) greater than that remaining amount. The Agency has chosen to enter into these agreements.

For savings and loan associations and/or savings banks, similar waiver agreements (maximum \$250,000) may be implemented provided the remainder of the deposit is secured by collateral; typically promissory notes secured by first mortgages or deeds of trust (CGC§53651), with a market value at least fifty percent (50%) greater than the remaining amount.

In addition, the Authority investment policy requires financial institutions to meet other minimum criteria. Financial institutions must: (a) have been in business for at least three years; have total assets in excess of ten (\$10) billion dollars; and, a core capital/asset ratio of five percent (5%) or better; or, (b) have total assets in excess of five hundred million dollars (\$500,000,000); and a core capital/asset ratio of six percent (6%) or better. State statutes, and the Authority's investment policy, authorize the Authority to maintain cash deposits in demand accounts, savings accounts, and in certificates of deposit.

The custodial credit for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than as required for the California Government Code for deposits.

The investment in the Repurchase Agreement is uninsured with the collateral for the repurchase agreement held in the name of Citizens Business Bank but not in the name of the Authority.

The bank balance reflects the amount credited by a financial institution to the Authority's account as opposed to the Authority's own ledger balance for the account. The carrying value reflects the ledger balance, which includes checks written by the Authority that have not cleared the bank as of June 30, 2014.

Investments

The Authority invests in the Local Agency Investment Fund (LAIF), which is an investment pool managed by the Treasurer of the State of California. The Authority's investment in LAIF is reported at amortized cost in the balance sheet. The market value of the Authority's investment in LAIF constitutes one hundred percent (100%) of investments, and equals the net realizable value of the Authority's share of LAIF. LAIF is authorized by California statutes to enter into investments on behalf of municipalities within California.

State statutes and the Authority's investment policy also authorize the Authority to invest (short-term and long-term) in U.S. Treasury Obligations, U.S. agency issues and instrumentalities, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Records, negotiable certificate of deposit, LAIF, and medium term notes.

(2) Cash and Investments (continued):

Cash and Investments

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

	<u>2014</u>	<u>2013</u>
Statement of net assets:		
Cash & Investments	\$6,552,958	\$5,970,650
Assets held with Trustee/Fiscal Agents	<u>85,881</u>	<u>0</u>
Total Cash and Investments	<u>\$6,638,839</u>	<u>\$5,970,650</u>

Investments Authorized by the California Governmental Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for the Authority by the Authority's investment policy. The table also identifies certain provisions of the Authority's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Authority Securities	5 years	None	None
State Municipal Securities	5 years	None	None
California Agency Municipal Securities	5 years	10%	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificate of Deposit	5 years	30%	None
Repurchase Agreements	90 days	50%	None
Medium-Term Notes	5 years	10%	None
Money Market Mutual Funds	N/A N/A	20%	10%
Mortgage Pass-Through Securities	N/A N/A	20%	None
Local Authority Investment Fund	N/A N/A	None	None

Disclosures Relating to Interest Rate Risk

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

(2) Cash and Investments (continued):

Disclosures Relating to Interest Rate Risk (continued):

Information about the sensitivity of the fair values of the Authority’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority’s investment by maturity:

<u>Investment Type</u>	Remaining Maturity (In Months)	
	<u>Fair Value</u>	<u>12 or Less</u>
Sweep/COD Accounts	\$1,539,370	\$1,539,370
State Investment Pool	4,037,891	4,037,891
Total	\$5,577,261	\$5,577,261

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the Authority’s investment policy, and the actual Standard and Poor’s rating as of fiscal year ended June 30, 2014 for each investment type:

<u>Investment Type</u>	<u>Value</u>	Minimum Legal Rating	<u>Unrated</u>
Sweep/COD Accounts	\$1,539,370	N/A	\$1,539,370
State Investment Pool	4,037,891	N/A	4,037,891
Total	\$5,577,261		\$5,577,261

(3) Changes in Capital Assets

The following is a summary of capital assets, jobs in progress and intangible assets at June 30, 2014:

Capital Assets	Balance at 6/30/2013	Additions	Transfers, Sales & Retirements	Balance at 6/30/2014
Capital assets				
Capital assets, not being depreciated:				
Land	\$4,285,096	\$0	\$0	\$4,285,096
Jobs in progress	2,787,314	3,402,562	(1,530,201)	4,659,675
Total capital assets, not being depreciated	\$7,072,410	\$3,402,562	(\$1,530,201)	\$8,944,771
Capital assets, being depreciated:				
Facility	10,831,133	0	0	10,831,133
Structures & improvements	70,197,633	544,559	0	70,742,192
Operations equipment	8,146,734	877,170	0	9,023,904
Total capital assets, being depreciated	\$89,175,500	\$1,421,729	\$0	\$90,597,229
Less accumulated depreciation for:				
Facility	(1,191,425)	(216,623)	0	(1,408,048)
Structures & improvements	(7,544,939)	(1,419,496)	0	(8,964,435)
Operations equipment	(2,096,233)	(609,984)	0	(2,706,217)
Total accumulated depreciation	(\$10,832,597)	(\$2,246,103)	\$0	(\$13,078,700)
Total capital assets, being depreciated, net	\$78,342,903	(\$824,374)	\$0	\$77,518,529
Intangible assets, being amortized:				
Capacity rights	1,035,000	108,472	0	1,143,472
Total intangible assets, being amortized	\$1,035,000	\$108,472	\$0	\$1,143,472
Less accumulated amortization for:				
Capacity rights	(77,068)	(22,804)	0	(99,872)
Total accumulated amortization	(\$77,068)	(\$22,804)	\$0	(\$99,872)
Total capital assets, being amortized, net	\$957,932	\$85,668	\$0	\$1,043,600
Total capital assets, net	\$86,373,245	\$2,663,856	(\$1,530,201)	\$87,506,900

In FY 2013/14, IERCA acquired \$3,402,562 in assets; depreciation and amortization increased by \$2,268,907. The ending balance of accumulated depreciation and amortization for all capital assets has been adjusted to the Statement of Net Position for 2014 (rounding difference).

Jobs in Progress

At Fiscal Year ended June 30, 2014, the Authority had seven modification and improvement projects and sub-projects open.

IERCF Process Improvements	\$3,398,488
Maintenance Tools and Equipment	492,156
Material Handling Equipment Replacement	295,846
Equipment R&R	266,868
IERCF Locker Room A/C System Upgrade	80,257
Support Vehicles	45,598
Baghouse Evaluation	40,708
IERCF Baghouse and Dust Collection System	15,144
IERCF Harmonic Filters Air Conditioning	14,817
IERCF Receiving Pit and Drainage	9,793
Total Jobs in Progress	\$4,659,675

(4) Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through December 8, 2014, the date financial statements were available to be issued, and found no subsequent event.

Biofilter at Inland Empire Regional Composting Facility Prior to Media Placement



Biofilter at Inland Empire Regional Composting Facility After Media Placement



Active Biofilter at Inland Empire Regional Composting Facility



SoilPro Products compost is screened to 3/8" and has a bulk density of only 800 lbs per cubic yard. It is manufactured from recycled construction materials, horse stable bedding and biosolids.

SoilPro Products compost is a well decomposed, stable, and weed-free source of organic matter. It contains a full spectrum of micro-nutrients necessary for healthy plant growth and possesses a pleasant earthy odor. Call 909-993-1500 for current pricing and to

place an order.



**Joint project with
Inland Empire Utilities Agency and the Sanitation Districts of Los Angeles County**

Inland Empire Utilities Agency

6075 Kimball Avenue Chino, CA 91710

P.O. Box 9020 Chino Hills, CA 91709

TEL (909) 993-1600 FAX (909) 993-1986

www.ieua.org

Sanitation Districts of Los Angeles County

1955 Workman Mill Road Whittier, Ca 90601

P.O. Box 4998 Whittier, CA 90607

TEL (562) 699-7411 FAX (562) 699-5422

www.lacsd.org

Inland Empire Regional Composting Authority (IERCA)

contact us @ www.ierca.org



Inland Empire Regional Composting Authority

12645 Sixth Street, Rancho Cucamonga, CA 91739

P.O. Box 2470, Chino Hills, CA 91729

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