

Fiscal Year Ended June 30, 2025



ANNUAL FINANCIAL REPORT



Rancho Cucamonga, CA

**Annual Financial Report
Fiscal Year Ended June 30, 2025**

**A regional, cost-effective
approach to sustainable
organics management.**

**Inland Empire Regional
Composting Authority**

ierca.org

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Cucamonga, CA 91739

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Chino Hills, CA 91709

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Inland Empire Regional Composting Authority

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2025**

Prepared by

The Inland Empire Utilities Agency
Accounting Department

Acknowledgments

Special thanks to employees who contributed
photographs and their expertise for this Annual
Financial Report

INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

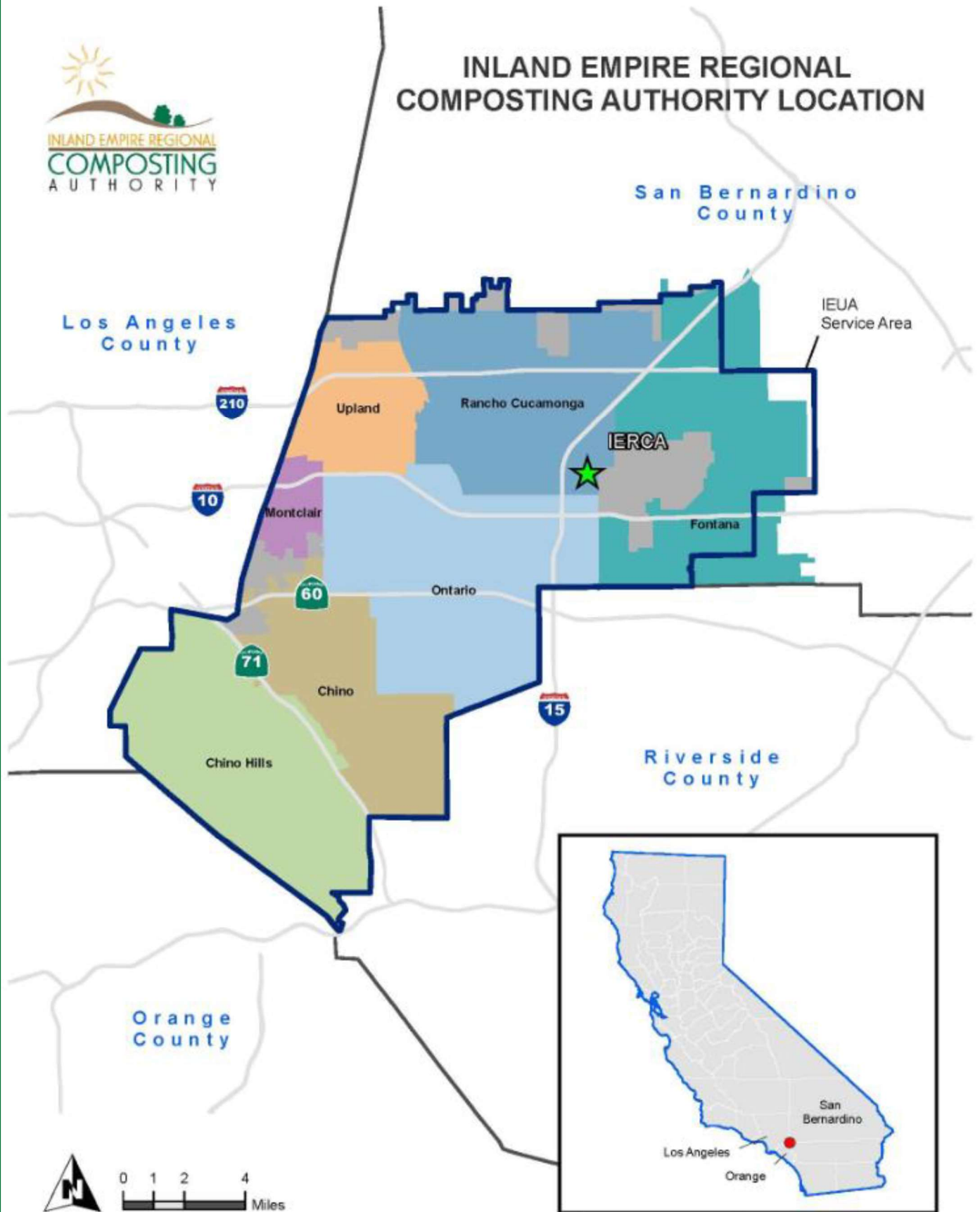
ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY LOCATION



Prepared by: IEUA//Date Created: 01/25/2017

May 18, 2026
Inland Empire Regional Composting Authority
Rancho Cucamonga, California

To the Chairperson of the Board of Directors, members of the Board, and Joint Powers Authority members of the Inland Empire Regional Composting Authority:

We are pleased to submit the Annual Financial Report of the Inland Empire Regional Composting Authority (Authority) for the fiscal year ended June 30, 2025. State law and local ordinances require the Authority to annually publish a report of its financial condition and activities in compliance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the Authority. Management assumes full responsibility for the completeness and reliability of the information presented in this report, based on a comprehensive framework of internal control established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

Baker Tilly US, LLP (Baker Tilly), an independent public accounting firm, has issued an unmodified opinion on the Authority's financial statements for the fiscal year ended June 30, 2025. The independent auditors' report is located at the front of the Financial Section of this report.

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

INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY PROFILE

The Authority was formed on 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 Inland Empire Utilities Agency (IEUA) and Los Angeles County Sanitation Districts (LACSD) entered into the JPA to implement the shared goal to develop a sustainable biosolids management project.

The Authority is governed by a six-member Board, comprised of two governing board members from each JPA member agency and their respective General Managers. The Treasurer of IEUA serves as the Treasurer of the Authority.

In March 2007, the two JPA member agencies completed construction of the Inland Empire Regional Composting Facility (IERCF). The IERCF is 445,275 square feet and is the nation's largest indoor biosolids composting facility. The Authority 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)

Operations at the IERCF began in April 2007 and reached full capacity in December 2008. At full capacity, the IERCF processes approximately 200,000 wet tons of biosolids and wood waste from local communities and produces approximately 230,000 cubic yards (80,000 tons) of high-quality compost each year.

Beginning in FY 2009/10 the Authority implemented a cost-of-service rate (biosolids recycling tipping fees) to support the operational costs of the Authority. Biosolids recycling tipping fees paid by each JPA member agency are based on the tonnage of biosolids shipped to IERCF for recycling. As defined by accounting principles generally accepted in the United States of America (US 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.

The Authority is staffed by 25 full-time IEUA employees. The Authority is also supported by LACSD employees on a part-time basis. The employees are onsite Monday through Friday, and conduct all operational activities including production, maintenance, safety and industrial hygiene training, sales, and administration.

The Authority 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. The 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 the air by removing odors and other regulated compounds before it is exhausted to the atmosphere.



Compost Storage Facility

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.

Marketed as SoilPro Premium Compost, the composted product is sold as a soil conditioner that enhances water retention, leading to improved 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).

The Authority completed the compost storage facility in 2010 to produce recycled products year-round and to allow compost storage during the winter season.

Additionally, the Authority entered into two separate agreements to host approximately 10,000 solar panels located on the roof of the facility which provides up to 2.5 megawatts of renewable energy. The system is paired with a shared battery storage system located at IEUA's Regional Water Recycling Plant No. 4 (RP-4). The entire system can provide all the energy required during peak operating hours.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

In fiscal year (FY) 2024/25, the Authority produced and sold over 215,000 cubic yards of compost. In FY 2023/24, the Authority produced and sold over 200,000 cubic yards of compost. More than 80 active customers purchased SoilPro products for various applications.

The tiered pricing system for the sale of compost remained unchanged in FY 2024/25 compared to FY2023/24 due to market stability. This structure provides volume-based discounts to customers, as detailed below.

Tier	Cubic Yards (CYDs) per Month	Premium
1	less than or equal to 499	\$5.00
2	500 - 999	\$4.00
3	greater than or equal to 1,000	\$3.50

Major Accomplishments for FY 2024/25

- Completed the Active Hopper replacement
- Started the Biofilter Media replacement
- Hosted facility tours and participated in community outreach events
- Sold all compost produced
- Met all budgeted targets



New Active Hopper



Biofilter Replacement

MAJOR INITIATIVES AND ACCOMPLISHMENTS (CONTINUED)

Major Initiatives for FY 2025/26

- Complete the Biofilter Media Replacement
- Clean the 12-foot reinforced concrete pipe that feeds the foul air to the biofilter.
- Install new upgraded lift pumps.



Biofilter New Media

FINANCIAL INFORMATION

Internal Controls

Management and staff at the Authority are 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 ensure that adequate accounting data is compiled to allow for the preparation of the Authority's financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP).

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the calculation of costs and benefits requires estimates and judgments by management.

FINANCIAL INFORMATION (CONTINUED)

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 expenses cannot legally exceed the appropriated amount) is 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 the end of the fiscal year. However, outstanding encumbrances are generally re-appropriated as part of the following fiscal year's budget following Board approval.

OTHER INFORMATION

Independent Audit

State statutes require an annual audit by independent certified public accountants. The Authority's Board of Directors appointed Baker Tilly US, LLP to perform the annual audit. In their opinion, the financial statements are presented fairly in all material aspects, and comply with the applicable laws and regulations related to financial activities conducted by the Authority. Government Auditing Standards, issued by the Comptroller General of the United States, were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements is included in the financial section of this report.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Accounting and Finance Department staff of the member agencies of the Authority. We would also like to express our appreciation to the other staff of the member agencies of the Authority for their cooperation, assistance, and support.

We further acknowledge the thorough and professional way our auditors, Baker Tilly US, LLP conducted the audit.

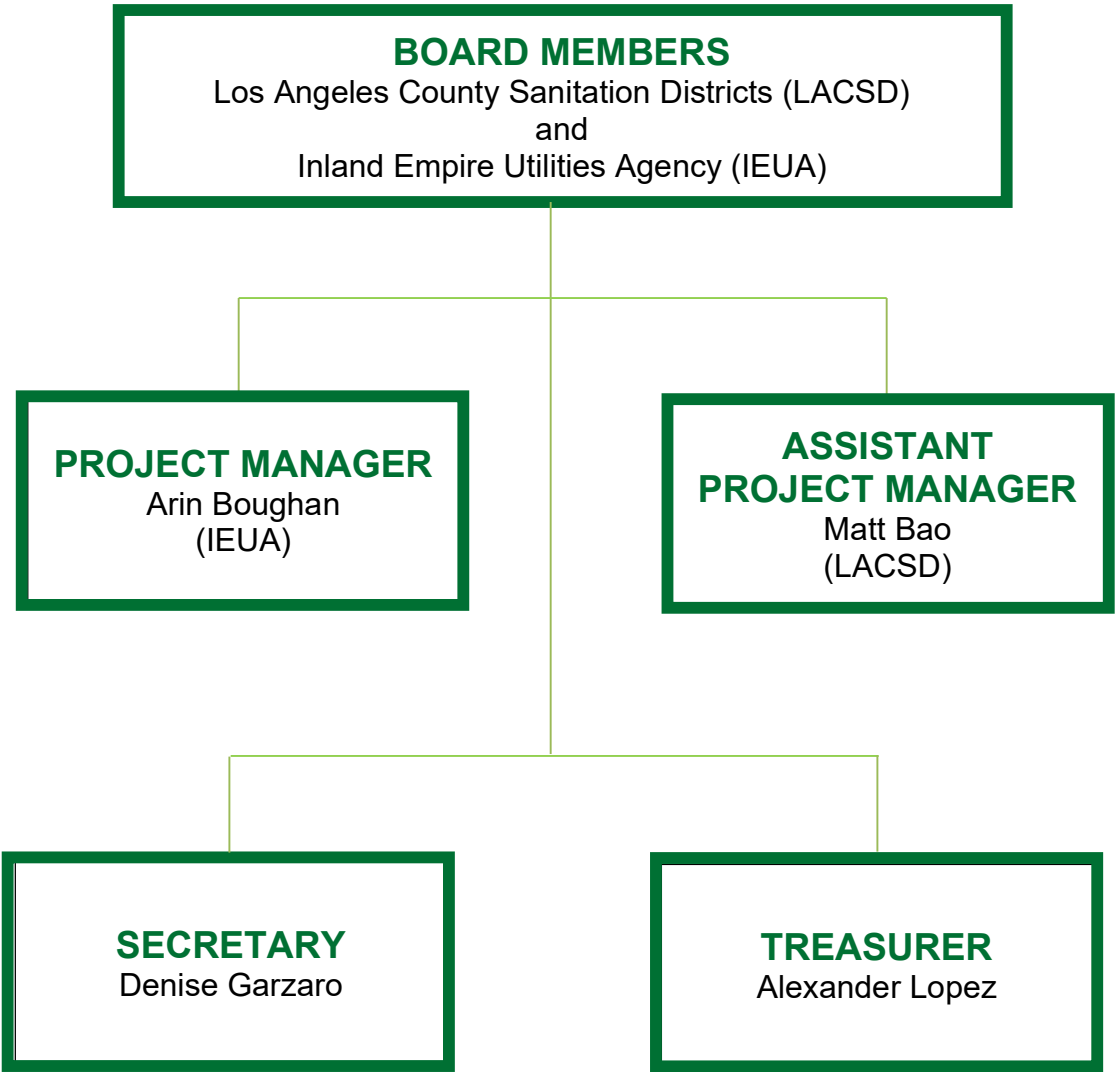
Additionally, we would like to acknowledge the Board of Directors for their continued support of the Authority's goal of sound accountable fiscal management, and for maintaining the highest standards of professionalism in the management of the Authority's finances. We genuinely appreciate their unfailing interest and support.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Alex Lopez', with a stylized flourish at the end.

Alexander Lopez, Treasurer

INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY (IERCA)
ORGANIZATIONAL CHART
As of May 18, 2026



INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY (IERCA)
PRINCIPAL OFFICIALS
As of May 18, 2026

BOARD OF DIRECTORS

Vacant, Chairperson
Paul Hofer, Vice Chairperson
Kevin Alexander, Director
Robert Ferrante, Director
Margaret Finlay, Director
Jasmin A. Hall, Director
Martha Tremblay, Alternate Director

OFFICERS OF THE AUTHORITY

Arin Boughan, Project Manager
Matt Bao, Assistant Project Manager
Alexander Lopez, Treasurer

GENERAL COUNSEL

Marty Cihigoyenetché

MAY 4 - 10, 2025

INTERNATIONAL COMPOST AWARENESS WEEK



Independent Auditors' Report

To the Board of Directors of
Inland Empire Regional Composting Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Inland Empire Regional Composting Authority (Authority), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2025, and the 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2026 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
May 18, 2026

MANAGEMENT DISCUSSION AND ANALYSIS

The intent of the Management Discussion and Analysis (MD&A) is to provide highlights of the financial activities of the Authority for the fiscal year ended June 30, 2025. 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 (JPA), the Authority owns a composting facility, the IERCF, on approximately 22 acres of land in the City of Rancho Cucamonga, California. The property is ideally situated in an industrial area adjacent to Regional Water Recycling Plant No. 4 (RP-4), a wastewater recycling treatment plant owned and operated by IEUA. The proximity of the IERCF to RP-4 provides opportunities to optimize staffing options and energy usage.



Living Wall at IERCA Headquarters

In fiscal year (FY) 2024/25, the IERCF processed 152,478 tons of biosolids and 35,393 tons of wood and stable bedding into approximately 218,792 cubic yards (76,587 tons) of high-quality compost. In FY 2023/24, the IERCF processed 149,756 tons of biosolids and 41,743 tons of wood and stable bedding into approximately 202,095 cubic yards (70,747 tons) of high-quality compost.

The IERCF 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 the IERCF's emissions are treated with a biofilter to meet air quality requirements. During FY 2024/25, a total of 187,871 tons of feedstock, equal to 90% of permitted capacity, was received by the IERCF. During FY 2023/24, a total of 191,499 tons of feedstock, equal to 91% of permitted capacity, was received by the IERCF.

To date as of June 30, 2025, the Authority has processed over 3.4 million tons of organic materials and sold over 3.8 million cubic yards of high-quality compost to customers across Southern California and Nevada.

The Authority's Operations – an Overview (continued)

For comparison, 3.8 million cubic yards of compost can:

- Fill Madison Square Garden almost 4 times
- Load 63,000 semi-trucks
- Increase soil health and save over 760 million gallons of water

The Authority has maintained an outstanding environmental compliance record recognized throughout the state and across the country resulting in numerous awards. Most recently, it recognized the operations team for more than four years with no recordable or lost time accidents, underscoring the team's strong safety culture and disciplined operational practices. Further, the team has worked with local jurisdictions to provide opportunities to comply with California's SB 1383 (Short Lived Climate Reduction Strategy), which mandates reductions in organic waste and methane emissions. To comply with SB 1383, the Authority offers discounts to its customers on approved compost materials.

Financial Highlights

The Authority's operations and changes in net position for the fiscal year ended June 30, 2025, reflects the eighteenth year of operations for the IERCF. Total operating revenues for FY 2024/25 were \$11,273,159, a \$1,237,494 (12.3%) increase from FY 2023/24 total operating revenues of \$10,035,665. Total operating expenses for FY 2024/25 were \$14,202,703, a \$1,049,537 (8.0%) increase from FY 2023/24 total operating expenses of \$13,153,166.

Overview of the Financial Statements

The Authority's basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, a statement of cash flows, and notes to the basic financial statements.

- Statement of Net Position – This statement presents information on the Authority's assets and liabilities, with the difference reported as net position.
- Statement of Revenues, Expenses and Changes in Net Position – This statement presents information on the Authority's current fiscal year revenue and expenses. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.
- Statement of Cash Flows – This statement provides relevant information about the Authority's cash receipts and cash payments segregated among operating, capital, non-capital and related financing, and investing activities.
- Notes to the Basic Financial Statements – These notes provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Summary of Operations and Changes in Net Position

Statement of Net Position
For the Fiscal Year Ended June 30, 2025
(With Comparative Totals for the Fiscal Year Ended June 30, 2024)

			Increase (Decrease)	
	FY 2024/25	FY 2023/24	Amount	% of Change
ASSETS				
Current Assets	\$ 8,455,784	\$ 6,665,357	\$ 1,790,427	26.9
Noncurrent Assets	<u>71,780,923</u>	<u>72,418,557</u>	<u>(637,634)</u>	(0.9)
Total Assets	80,236,707	79,083,914	1,152,793	1.5
LIABILITIES				
Current Liabilities	<u>2,377,704</u>	<u>1,398,087</u>	<u>979,617</u>	70.1
Total Liabilities	2,377,704	1,398,087	979,617	70.1
NET POSITION				
Net Investment in Capital Assets	71,780,923	72,405,396	(624,473)	(0.9)
Unrestricted	<u>6,078,080</u>	<u>5,280,431</u>	<u>797,649</u>	15.1
Total Net Position	<u>\$77,859,003</u>	<u>\$77,685,827</u>	<u>\$ 173,176</u>	0.2

The FY 2024/25 net increase in current assets of \$1,790,427 (26.9%) is primarily due to increases in cash and investments of \$2,620,352 (62.4%), accounts receivable, net of \$129,055 (10.9%), and interest receivable and other receivables of \$11,920 (92.5%). These increases were partially offset by decreases in prepaid expenses of \$955,712 (100.0%) and inventory of \$15,188 (4.9%). The increase in cash and investments is primarily due to an increase in contributed capital of \$1,425,000 (95.0%) and a decrease in prepaid expenses of \$955,712 (100.0%). Contributed capital are contributions made by the two JPA member agencies, IEUA and LACSD equally. Contributed capital can vary from year to year depending on the needs of the Authority.

The FY 2024/25 net decrease in noncurrent assets of \$637,634 (0.9%) is primarily due to a net increase in accumulated depreciation and amortization of \$2,631,993 (6.2%), partially offset by a net increase in capital assets – depreciated and amortized of \$677,630 (0.6%) and an increase in jobs in progress of \$1,316,729 (100.0%). Jobs in progress can vary from year to year depending on the jobs in progress at the end of the fiscal year.

The FY 2024/25 net increase in current liabilities of \$979,617 (70.1%) is primarily due to an increase in accounts payable of \$992,778 (71.7%). The increase in accounts payable is primarily due to the timing of payments at the end of the fiscal year and the decrease in prepaid expenses of \$955,712 (100.0%). Increases in accounts payable are also the result of increase in operating expenses. The net increase in current liabilities is partially offset by a decrease in retentions payable of \$13,161 (100.0%).

Summary of Operations and Changes in Net Position (continued)

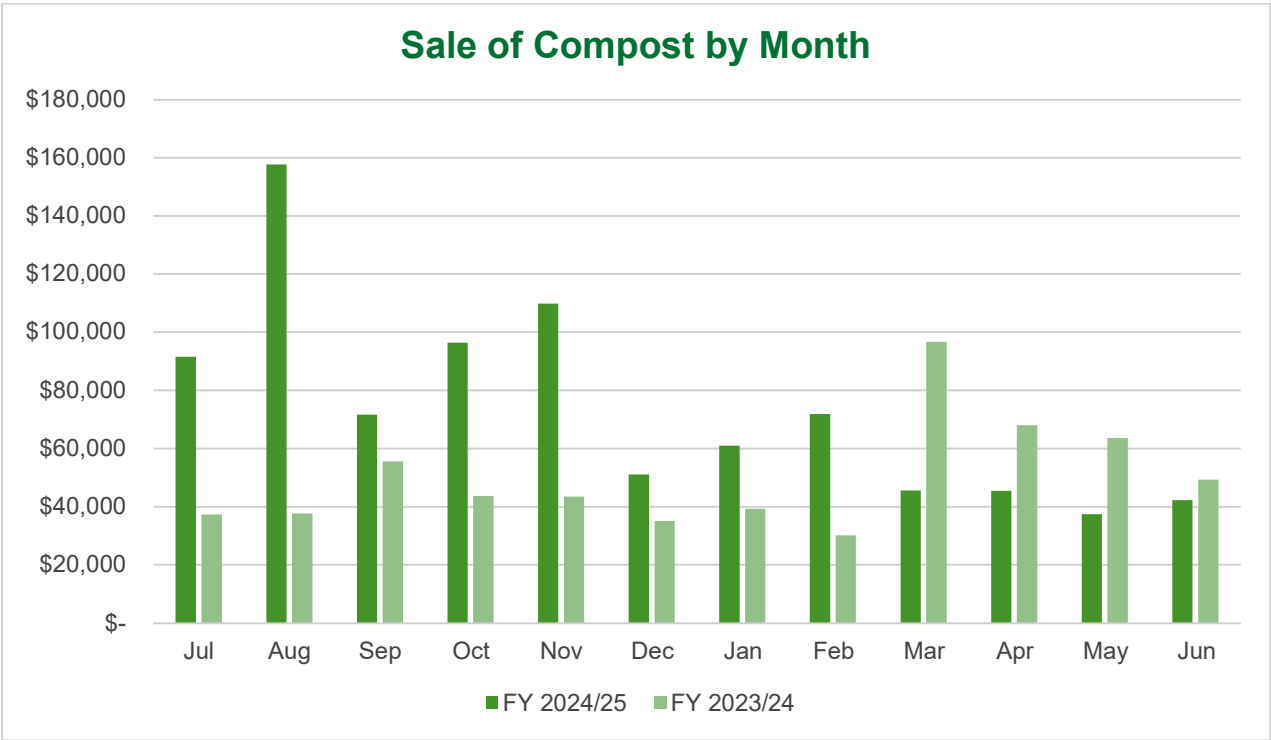
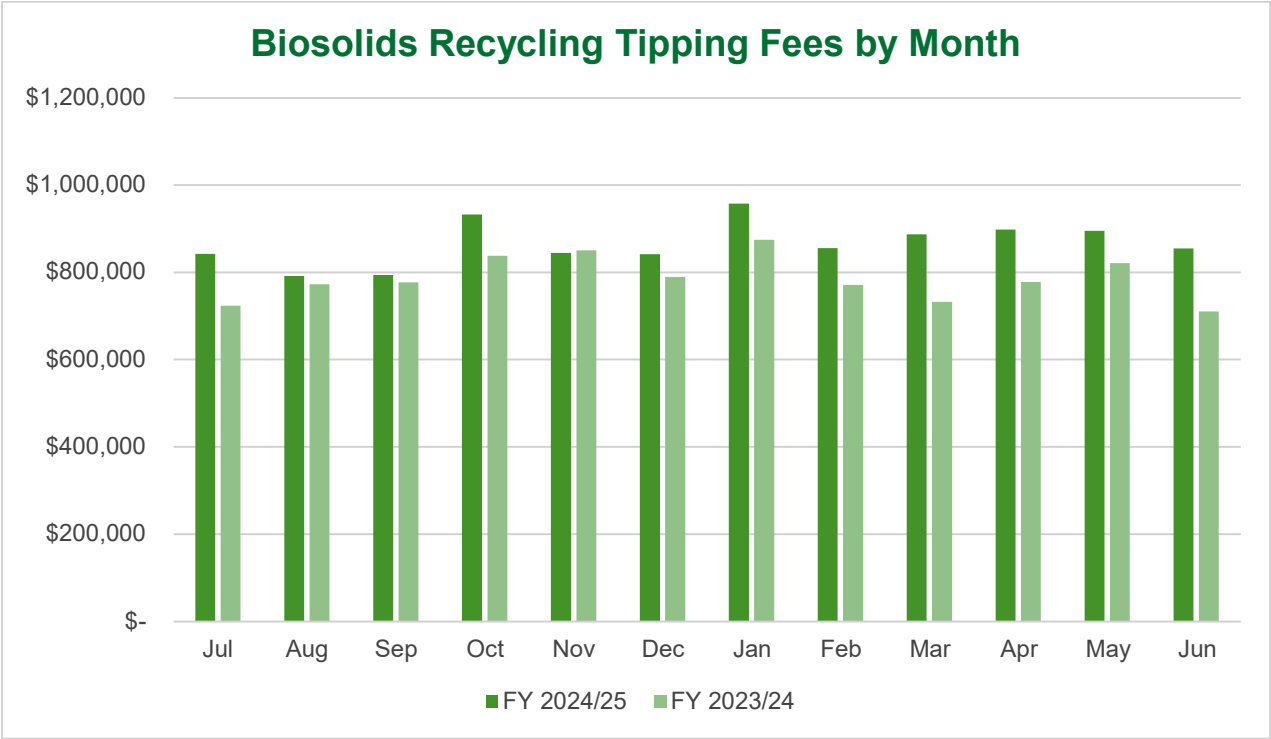
The FY 2024/25 net increase in net position of \$173,176 (0.2%) is primarily due to an increase in unrestricted net position of \$797,649 (15.1%), partially offset by a decrease in net investment in capital assets of \$624,473 (0.9%). The net decrease in net investment in capital assets is driven by capital and intangible asset activity during FY 2024/25, which consists of accumulated depreciation and amortization, partially offset by capital and intangible asset additions.

Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2025
(With Comparative Totals for the Fiscal Year Ended June 30, 2024)

			Increase (Decrease)	
	FY 2024/25	FY 2023/24	Amount	% of Change
OPERATING REVENUES	\$11,273,159	\$10,035,665	\$ 1,237,494	12.3
OPERATING EXPENSES	14,202,703	13,153,166	1,049,537	8.0
Operating Loss	(2,929,544)	(3,117,501)	187,957	(6.0)
NONOPERATING REVENUES (EXPENSES)				
Nonoperating Revenues	311,782	207,195	104,587	50.5
Nonoperating Expenses	(134,062)	(17,457)	(116,605)	668.0
Total Nonoperating Revenues, Net	177,720	189,738	(12,018)	(6.3)
Loss Before Capital Contributions	(2,751,824)	(2,927,763)	175,939	(6.0)
CAPITAL CONTRIBUTIONS				
Contributed Capital	2,925,000	1,500,000	1,425,000	95.0
Total Capital Contributions	2,925,000	1,500,000	1,425,000	95.0
Change in Net Position	173,176	(1,427,763)	1,600,939	(112.1)
Total Net Position - Beginning of Year	77,685,827	79,113,590	(1,427,763)	(1.8)
Total Net Position - End of Year	<u>\$77,859,003</u>	<u>\$77,685,827</u>	<u>\$ 173,176</u>	0.2

The FY 2024/25 increase in operating revenues of \$1,237,494 (12.3%) is primarily due to an increase in revenues from biosolids recycling tipping fees of \$955,888 (10.1%). In FY 2024/25, the biosolids recycling tipping fee per wet ton increased to \$65.50 compared to \$62.50 in FY 2023/24, a \$3.00 (4.8%) rate increase per wet ton. The increase in operating revenues is also due to an increase in revenues from the sale of compost of \$281,606 (46.9%).

Summary of Operations and Changes in Net Position (continued)



Summary of Operations and Changes in Net Position (continued)

Increases or decreases in operating expenses are primarily driven by increases or decreases in operating revenues. The FY 2024/25 net increase in operating expenses of \$1,049,537 (8.0%) is primarily due to an increase in operating revenues, as increases in revenues require additional resources and other variable operating expenses directly associated with generating operating revenues. The net increase in operating expenses includes an increase in operations and maintenance expense of \$1,028,176 (10.9%) and an increase in depreciation and amortization expense of \$104,852 (3.5%). These increases were partially offset by a decrease in administration and general expenses of \$83,491 (11.7%) due to cost savings.

The net decrease in net nonoperating revenues of \$12,018 (6.3%) is primarily due to an increase in other nonoperating expenses of \$116,605 (668.0%) and a decrease in other nonoperating revenues of \$29,032 (47.5%). The increase in other nonoperating expenses is primarily due to a loss on sale of capital assets and an increase in allowance for doubtful accounts. The net decrease was partially offset by increases in interest income of \$133,619 (91.5%) due to an improvement in interest rates and market performance.

Capital Contributions

The FY 2024/25 capital contributions of \$2,925,000 increased by \$1,425,000 (95.0%). Contributed capital are contributions made by the two JPA member agencies, IEUA and LACSD equally. Contributed capital can vary from year to year depending on the needs of the Authority.

Capital and Intangible Assets

	Balance at June 30, 2025	Balance at June 30, 2024	Increase (Decrease)	
			Amount	% of Change
Capital Assets				
Capital Assets - Not Depreciated or Amortized:				
Land	\$ 4,285,096	\$ 4,285,096	\$ -	-
Jobs in Progress	1,316,729	-	1,316,729	100.0
Total Capital Assets - Not Depreciated or Amortized	5,601,825	4,285,096	1,316,729	30.7
Capital Assets - Depreciated and Amortized:				
Facility	10,998,610	10,998,610	-	-
Structures and Improvements	75,099,293	75,099,293	-	-
Operations Equipment	24,009,995	23,332,365	677,630	2.9
Intangible Assets	1,047,580	1,047,580	-	-
Total Capital Assets - Depreciated and Amortized	<u>\$ 111,155,478</u>	<u>\$ 110,477,848</u>	<u>\$ 677,630</u>	0.6

Capital and Intangible Assets (continued)

Capital Assets (continued)	Balance at June 30, 2025	Balance at June 30, 2024	Increase (Decrease)	
			Amount	% of Change
Less: Accumulated Depreciation and Amortization:				
Facility	\$ (3,796,130)	\$ (3,575,321)	\$ (220,809)	6.2
Structures and Improvements	(25,303,549)	(23,756,932)	(1,546,617)	6.5
Operations Equipment	(15,536,126)	(14,697,229)	(838,897)	5.7
Intangible Assets	(340,575)	(314,905)	(25,670)	8.2
Total Accumulated Depreciation and Amortization	(44,976,380)	(42,344,387)	(2,631,993)	6.2
Total Capital Assets - Depreciated and Amortized, Net	66,179,098	68,133,461	(1,954,363)	(2.9)
Total Capital Assets, Net	<u>\$ 71,780,923</u>	<u>\$ 72,418,557</u>	<u>\$ (637,634)</u>	(0.9)

Total capital assets – not depreciated or amortized increased by \$1,316,729 (30.7%) in FY 2024/25 compared to FY 2023/24. The increase is due to jobs in progress at the end of FY 2024/25.

Total capital assets – depreciated and amortized increased by \$677,630 (0.6%) in FY 2024/25 compared to FY 2023/24. The increase is primarily due to the Authority completing jobs in progress and placing capital assets into service during FY 2024/25. The Authority placed assets into service totaling \$1,271,533 during FY 2024/25. The increase in total capital assets was partially offset by the disposal of capital assets totaling \$593,903.

Accumulated depreciation and amortization increased by \$2,631,993 (6.2%) during FY 2024/25, which was primarily due to FY 2024/25 depreciation and amortization expense of \$3,134,149. The increase was partially offset by the disposal of capital assets, which resulted in a reduction to accumulated depreciation and amortization of \$502,156. Refer to Note 3 of the Notes to Basic Financial Statements for additional information.

Cash and Investment Management

The Authority has a 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 authorized investment types and any restrictions.

Consistent with Government Code Section 53646, the Authority adopts an investment policy annually that requires the Authority 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 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.

Cash and Investment Management (continued)

The Authority's cash management system is also designed to forecast revenues and expenses, and to invest idle funds to the fullest extent possible. During FY 2024/25, idle funds were invested in accordance with this policy. These investments primarily consisted of deposits in a pooled investment fund administered by the Los Angeles County Investment Officer, the Local Agency Investment Fund (LAIF) of the California State Treasurer's Office, and the California Asset Management Program (CAMP).

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

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.

Liquidity – The investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements that might be reasonably anticipated.

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 the 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 with the following exceptions:

- A security with declining credit may be sold to minimize loss of principal.
- A security swap that would improve quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio that require the security to be sold.

Investment Summary

The Authority's investment portfolio is administered by the IEUA. The investment strategy continues to take a conservative approach consistent with the Authority's approved Investment Policy.

Total interest income for FY 2024/25 was \$279,701, an increase of \$133,619 (91.5%) compared to \$146,082 in FY 2023/24. The increase in interest income is primary due to an improvement in interest rates and market performance. Refer to Note 2 of the Notes to Basic Financial Statements for additional information.

Contacting the Authority's Financial Management

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

Statement of Net Position
June 30, 2025

	<u>2025</u>
ASSETS	
Current Assets:	
Cash and Investments (Note 2)	\$ 6,817,679
Accounts Receivable, Net	1,315,854
Interest Receivable	21,851
Other Receivables	2,960
Inventory	<u>297,440</u>
Total Current Assets	8,455,784
Noncurrent Assets:	
Land	4,285,096
Jobs in Progress	1,316,729
Capital Assets, Net of Accumulated Depreciation	65,472,093
Intangible Assets, Net of Accumulated Amortization	<u>707,005</u>
Total Capital Assets	<u>71,780,923</u>
Total Noncurrent Assets	<u>71,780,923</u>
Total Assets	80,236,707
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>2,377,704</u>
Total Current Liabilities	<u>2,377,704</u>
Total Liabilities	2,377,704
NET POSITION	
Net Investment in Capital Assets	71,780,923
Unrestricted	<u>6,078,080</u>
Total Net Position	<u><u>\$ 77,859,003</u></u>

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

Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2025

	2025
OPERATING REVENUES	
Biosolids Recycling Tipping Fees	\$ 10,391,667
Sale of Compost	881,492
Total Operating Revenues	11,273,159
OPERATING EXPENSES	
Operations and Maintenance	10,437,126
Administration and General	631,428
Depreciation and Amortization	3,134,149
Total Operating Expenses	14,202,703
Operating Loss	(2,929,544)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	279,701
Other Nonoperating Revenues	32,081
Other Nonoperating Expenses	(134,062)
Total Nonoperating Revenues, Net	177,720
Loss Before Capital Contributions	(2,751,824)
CAPITAL CONTRIBUTIONS	
Contributed Capital	2,925,000
Change in Net Position	173,176
Total Net Position - Beginning of Year	77,685,827
Total Net Position - End of Year	\$ 77,859,003

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

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025

	2025
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 11,142,062
Cash Payments to Suppliers for Goods and Services	(4,130,414)
Cash Payments for Contract Labor	(4,974,462)
Net Cash Provided by Operating Activities	2,037,186
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contract Reimbursement from Others (Other Nonoperating Revenues)	32,081
Cash Paid to Others (Other Nonoperating Expenses)	(134,062)
Net Cash Used for Noncapital Financing Activities	(101,981)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(2,509,676)
Contributed Capital	2,925,000
Net Cash Provided by Capital and Related Financing Activities	415,324
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	269,823
Net Cash Provided by Investing Activities	269,823
Net Increase in Cash and Cash Equivalents	2,620,352
Cash and Cash Equivalents - Beginning of Year	4,197,327
Cash and Cash Equivalents - End of Year	\$ 6,817,679

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

Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2025

	<u>2025</u>
RECONCILIATION OF OPERATING LOSS TO NET	
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating Loss	\$ (2,929,544)
Adjustments to Reconcile Operating Loss to Net	
Cash Provided by Operating Activities:	
Depreciation and Amortization	3,134,149
Changes in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts Receivable	(129,055)
Other Receivables	(2,042)
Inventory	15,188
Prepaid Expenses	955,712
Increase (Decrease) in:	
Accounts Payable	<u>992,778</u>
Net Cash Provided by Operating Activities	<u>\$ 2,037,186</u>

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

NOTE 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) (hereafter referred to as the Authority), was formed in February 2002. The Authority consists of two JPA member agencies, Inland Empire Utilities Agency (IEUA), a municipal water district in California, and Los Angeles County Sanitation Districts (LACSD), 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 Authority are shared equally by both JPA member agencies.

Beginning in FY 2009/10 the Authority implemented a cost-of-service rate (biosolids recycling tipping fees) to support the operational costs of the Authority. Biosolids recycling tipping fees paid by each JPA member agency are based on the tonnage of biosolids shipped to the IERCF for recycling. As defined by accounting principles generally accepted in the United States of America (US 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 is a minimum of two Board members from each JPA member agency. The principal office of the Authority is established by resolution of the Board. The Authority has appointed a Secretary, a Treasurer, a Project Manager, and an Assistant Project Manager. The appointed officers come from the membership of the Authority.

The accounting policies of the Authority conform to US GAAP as they relate to governmental units. The Authority applies all relevant 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, liabilities, net position, revenues and expenses, as appropriate. The Authority accounts for its activities in a single Enterprise Fund. An Enterprise Fund is presented in the financial statements as a Proprietary Fund Type.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. Proprietary Funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included in the statement of net position. The reported fund equity (net fund position) is segregated into net investment in capital assets, restricted net position, and unrestricted net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in the total net position. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)****Enterprise Funds**

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

Basis of Accounting

Basis of accounting refers to the timing when revenues and expenses are recognized 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.

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.

Operating and Nonoperating 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, and compost sales. Nonoperating revenues do not relate to the Authority's core operations and include interest income, gain on sales of assets, and other nonoperating 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 and maintenance, administration and general, and depreciation and amortization. In contrast, nonoperating expenses are not directly related to the Authority's core operations.

Budgetary Policy and Control

The Authority's Board approves a budget submitted by the Treasurer prior to the beginning of the new fiscal year. The Authority is not required to present budget comparisons; therefore, budgetary data is not presented in the accompanying basic financial statements.

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)****Budgetary Policy and Control (continued)**

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. Any encumbrance and commitments needed to support ongoing projects or activities are carried forward to the following fiscal year following Board approval.

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 financial presentation purposes, cash and cash equivalents are considered to be demand deposits and short-term highly liquid investments with an initial maturity of three months or less.

Accounts Receivable

All receivables are shown net of an allowance for uncollectible accounts. The Authority extends credit to customers in the normal course of operations. Management has evaluated the accounts and approved an allowance for uncollectible accounts of \$108,772 as of June 30, 2025. When an account is determined to be uncollectible, it is written off against the allowance.

Inventories

Inventory is valued at the weighted average cost of items on hand. Inventories of operating supplies are maintained and accounted for.

Capital Assets

Capital assets are stated at cost. The cost of a capital investment includes purchase, rehabilitation, installation 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. Capital assets include intangible assets, which are without physical substance, that provide economic benefits through the rights and privileges associated with their possession. Improvements are capitalized and depreciated, as applicable, over the remaining useful life of the related capital assets. Donated capital assets are recorded at acquisition value. Routine maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are expensed as incurred.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Capital Assets (continued)

The Authority’s capitalization thresholds are reflected in the following table:

Type of Expenditure	Total Cost	Estimated Life
Office Equipment	> \$5,000	> 1 Year
Computer Equipment	> \$1,000	> 1 Year
Other Equipment	> \$5,000	> 1 Year
Single Year Capital Projects	> \$5,000	> 1 Year
Multi-Year Capital Projects	> \$15,000	> 1 Year

Depreciation and amortization of capital assets has been provided using the straight-line method over the following estimated useful lives. One-half year depreciation and amortization are recorded in the years of acquisition and disposal.

Estimated useful lives are:	Furniture, Machinery, and Equipment	3 - 15 Years
	Improvements	15 Years
	Buildings and Plants	5 - 50 Years
	Intangible Assets	3 - 50 Years

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, workers’ compensation insurance is carried by IEUA.

The Authority maintains insurance for commercial general liability, up to \$1 million per occurrence, subject to a \$10,000 deductible per occurrence.

The Authority maintains auto liability insurance up to \$1 million per accident, with zero deductible.

The Authority maintains an excess liability policy which provides coverage up to \$4 million.

Insurance for property damage has a \$70 million per occurrence coverage limit, subject to a \$100,000 deductible per occurrence.

Settled claims from the risks discussed herein have not exceeded commercial insurance coverage in any of the last three fiscal years ending June 30, 2025, 2024, and 2023.

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)****Effect of New Accounting Standards on Current Period Financial Statements**

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The statement is effective for the periods beginning after June 15, 2024, or fiscal year ending June 30, 2025. This statement did not have an impact on the Authority.

GASB has approved GASB Statement No. 103, *Financial Reporting Model Improvements*, Statement No. 104, *Disclosure of Certain Capital Assets* and GASB Statement No. 105, *Subsequent Events*. When they become effective, application of these standards may restate portions of these financial statements.

NOTE 2 – CASH AND INVESTMENTS**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 preceding 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 fair value of at least ten percent (10%) greater than that remaining amount. The Authority has chosen to enter into these agreements.

In addition, the Authority's 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 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, 2025. As of June 30, 2025, the carrying amount and bank balance of the Authority's deposits was \$1,720,913.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments

The Authority invests in the Los Angeles County Pooled Surplus Investment Fund (LAC PSIF), which is managed by Los Angeles County Investment Officer. 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 invests in the California Asset Management Program (CAMP), a Joint Powers Authority established in 1989 to provide California public agencies with professional investment services. The fair value of the Authority's investment in these pools are reported in the accompanying financial statements at amounts based on the Authority's pro rata share of the fair value provided by LAIF, CAMP, and LAC PSIF for the entire LAIF, CAMP, and LAC PSIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF and CAMP, which are recorded on an amortized cost basis and are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the Authority has sufficient amounts to meet the redemption request. LAIF and CAMP are not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals in LAIF and CAMP are made based on one dollar and not fair value. Accordingly, the Authority's investment in these pools are measured on uncategorized inputs not defined as Level 1 or 2. LAIF CAMP, and LAC PSIF are authorized by California statutes to enter into investments on behalf of municipalities within California.

State statutes and the Authority's investment policy also allow the Authority to invest (short-term and long-term) in US Treasury Obligations, US 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 certificates of deposit, LAIF, CAMP, and medium-term notes.

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 other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless waived by the governmental unit). LAIF, CAMP, and LAC PSIF are not subject to custodial credit risk.

Cash and Investments

Cash and investments as of June 30, 2025 are classified in the accompanying financial statements as follows:

	2025
Statement of Net Position:	
Cash and Investments	\$ 6,817,679
Total Cash and Investments	\$ 6,817,679

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**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 and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
US Treasury Obligations	5 Years	None	None
US Agency Securities	5 Years	None	None
State Treasury Obligations	5 Years	10%	None
Local Agency Obligations	5 Years	None	None
Commercial Paper	270 Days	25%	10%
Negotiable/Placement Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	90 Days	None	None
Medium-Term Notes	5 Years	30%	None
Money Market Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	\$75M	None
Local Agency Investment Pools	N/A	None	None
Bank Deposits	N/A	None	None

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.

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:

Investment Type	Remaining Maturity of 12 Months or Less	Fair Value
Los Angeles County Investment Pooled Investment Fund	\$ 1,372,042	\$ 1,372,042
California Asset Management Pool (CAMP)	2,125,256	2,125,256
Local Agency Investment Fund (LAIF)	1,599,468	1,599,468
Total	<u>\$ 5,096,766</u>	<u>\$ 5,096,766</u>

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**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, 2025 for each investment type:

Investment Type	Amount	Minimum Legal Rating	Unrated
Los Angeles County Investment Pooled Investment	\$ 1,372,042	N/A	\$ 1,372,042
California Asset Management Pool (CAMP)	2,125,256	N/A	2,125,256
Local Agency Investment Fund (LAIF)	1,599,468	N/A	1,599,468
Total	<u>\$ 5,096,766</u>		<u>\$ 5,096,766</u>

Fair Value Measurement (GASB 72)

Government Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* requires an authority to use valuation techniques to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques.

The fair value hierarchy has three levels which are summarized below: Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Level 2 inputs are inputs - other than quoted prices - that are observable for identical assets or liabilities, either directly or indirectly; and Level 3 inputs are unobservable inputs for an asset or liability.

The information below shows the Authority's investments fair value measurements (market approach) as of June 30, 2025. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date under current market conditions.

Investment Type	As of June 30, 2025	Level 1	Level 2	Unrated
Los Angeles County Investment Pooled Investment Fund	\$ 1,372,042	\$ -	\$ -	\$ 1,372,042
California Asset Management Pool (CAMP)	2,125,256	-	-	2,125,256
Local Agency Investment Fund (LAIF)	1,599,468	-	-	1,599,468
Total	<u>\$ 5,096,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,096,766</u>

NOTE 3 – CHANGES IN CAPITAL ASSETS

The following is a summary of capital assets, intangible assets, and jobs in progress as of June 30, 2025:

Capital Assets	Balance at June 30, 2024	Additions	Transfers and Retirements	Balance at June 30, 2025
Capital Assets - Not Depreciated or Amortized:				
Land	\$ 4,285,096	\$ -	\$ -	\$ 4,285,096
Jobs in Progress	-	2,588,262	(1,271,533)	1,316,729
Total Capital Assets - Not Depreciated or Amortized	4,285,096	2,588,262	(1,271,533)	5,601,825
Capital Assets - Depreciated and Amortized:				
Facility	10,998,610	-	-	10,998,610
Structures and Improvements	75,099,293	-	-	75,099,293
Operations Equipment	23,332,365	1,271,533	(593,903)	24,009,995
Intangible Assets	1,047,580	-	-	1,047,580
Total Capital Assets - Depreciated and Amortized	<u>\$110,477,848</u>	<u>\$ 1,271,533</u>	<u>\$ (593,903)</u>	<u>\$111,155,478</u>
Less: Accumulated Depreciation and Amortization:				
Facility	\$ (3,575,321)	\$ (220,809)	\$ -	\$ (3,796,130)
Structures and Improvements	(23,756,932)	(1,546,617)	-	(25,303,549)
Operations Equipment	(14,697,229)	(1,341,053)	502,156	(15,536,126)
Intangible Assets	(314,905)	(25,670)	-	(340,575)
Total Accumulated Depreciation and Amortization	<u>(42,344,387)</u>	<u>(3,134,149)</u>	<u>502,156</u>	<u>(44,976,380)</u>
Total Capital Assets - Depreciated and Amortized, Net	<u>68,133,461</u>	<u>(1,862,616)</u>	<u>(91,747)</u>	<u>66,179,098</u>
Total Capital Assets, Net	<u>\$ 72,418,557</u>	<u>\$ 725,646</u>	<u>\$ (1,363,280)</u>	<u>\$ 71,780,923</u>

NOTE 3 – CHANGES IN CAPITAL ASSETS (CONTINUED)

Intangible Assets	Balance at June 30, 2024	Additions	Transfers and Retirements	Balance at June 30, 2025
Intangible Assets - Amortized:				
Software Licenses	\$ 54,108	\$ -	\$ -	\$ 54,108
Emission Reduction Credits	993,472	-	-	993,472
Total Intangible Assets - Amortized	1,047,580	-	-	1,047,580
Less: Accumulated Amortization:				
Software Licenses	(29,312)	(5,411)	-	(34,723)
Emission Reduction Credits	(285,593)	(20,259)	-	(305,852)
Total Accumulated Amortization	(314,905)	(25,670)	-	(340,575)
Total Intangible Assets, Net	\$ 732,675	\$ (25,670)	\$ -	\$ 707,005

In FY 2024/25, the Authority added \$2,588,262 assets to job in progress, placed \$1,271,533 assets into service and increased accumulated depreciation and amortization by \$3,134,149.

Jobs in Progress

As of fiscal year end June 30, 2025, the Authority had \$1,316,729 capital improvement projects in progress.

NOTE 4 – SUBSEQUENT EVENTS

The Authority evaluated subsequent events through May 18, 2026, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements. No subsequent events were identified.

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**Los Angeles County
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lacsds.org

**1955 Workman
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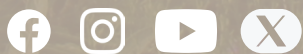
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