

INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018



2018

A REGIONAL, COST-EFFECTIVE APPROACH TO SUSTAINABLE
ORGANICS MANAGEMENT

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2018

Prepared by
Inland Empire Utilities Agency
Finance and Accounting Department

INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

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INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY
Annual Financial Report
For the Fiscal Year Ended June 30, 2018

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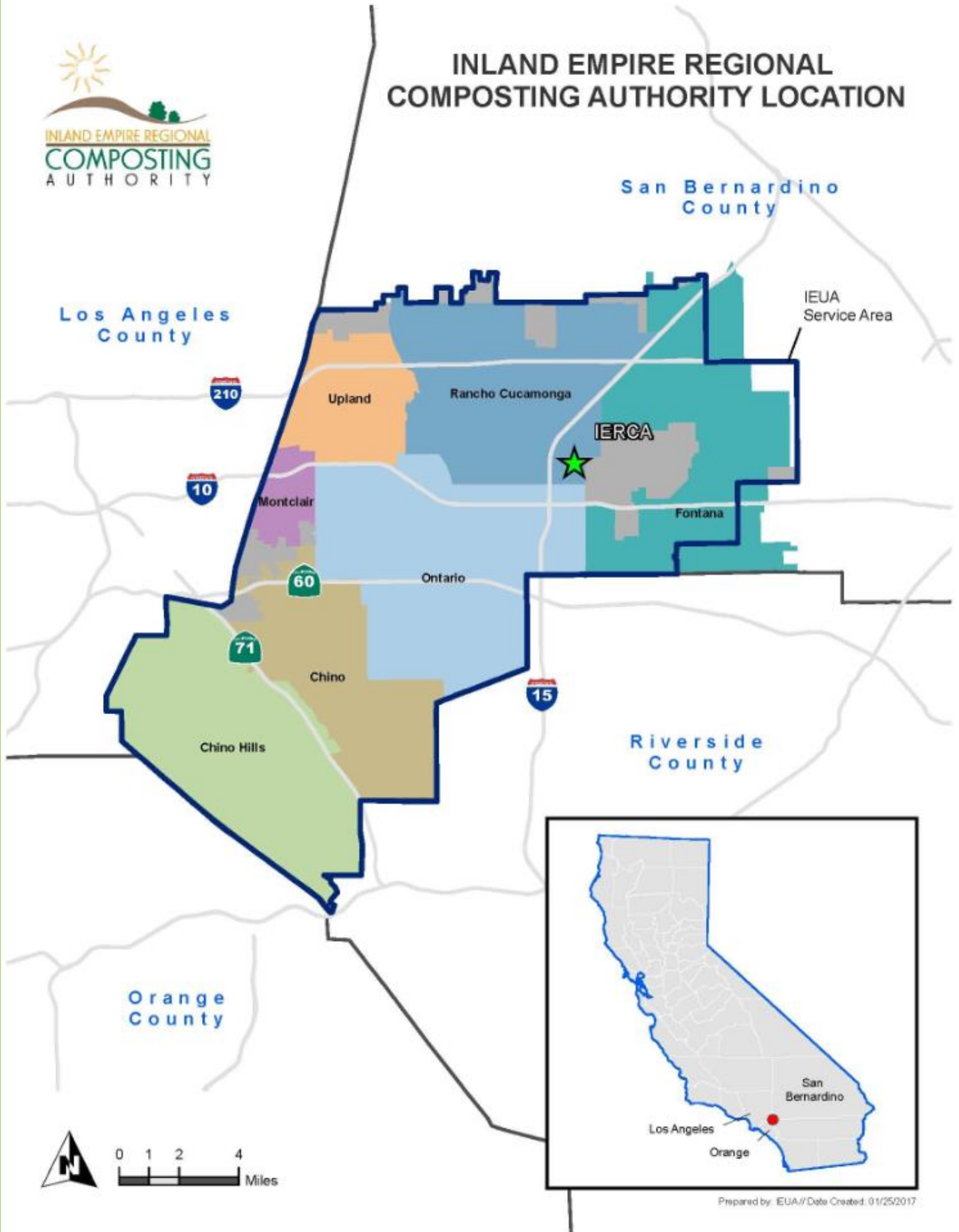
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INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY LOCATION





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Phone: (909) 993-1500 Fax: (909) 993-1510
www.ierca.org

Quality Products for Healthy Soil

February 04, 2019

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 (IERCA or the Authority) is hereby submitted for the Fiscal Year ended June 30, 2018. 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.

Accounting principles generally accepted in the United States of America 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. IEUA and Sanitation District No. 2 of Los Angeles County (SDLAC) 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 Manager. The Executive Manager of Finance & Administration/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. 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 232,000 cubic yards (81,000 tons) of high-quality compost each year.



Succulent flower

The facility is staffed by twenty-five full-time IEUA employees, and one part time employee from SDLAC. The employees are onsite five 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

During the fiscal year ended June 30, 2018, the IERCF surpassed 2 million tons of biosolids and amendments processed into compost. Compost sales staff focused on increasing revenue and finding best value for SoilPro while expanding compost markets. The agricultural market continues to provide the largest opportunities prompting staff to work closely with new and existing customers. The sales team remains committed to promoting the many advantages of SoilPro, including the increase water savings potential, ability to sequester carbon, and the use in correcting unproductive soils through healthy and natural processes. IERCF sales staff continues to monitor market conditions to ensure the best value for our compost.

There are over 100 active customers who purchase SoilPro products for a variety of applications each year. The customer base comprises of 65% landscape markets and 30% agriculture with 5% going to the “Give Back” program. The “Give Back” program was initiated in the fall of 2013 and offers SoilPro composts at no cost charge to cities and municipalities affiliated with IEUA and CSDLAC, IERCF continues to see positive results from the program.

There were no changes to the tiered pricing system as the market has remained stable. Tiered pricing offers incentives to customers who purchase large volumes of compost in exchange for pricing discounts. The tiered compost pricing structure is shown in Table 1.

Table 1:

Tier	Cubic Yards (CYDs)/Month	Premium (Cubic Yard)
1 (will call)	<499	\$5.00
2	500-999	\$4.00
3	≥1,000	\$3.50

Major Initiatives for FY 2018/2019

In fiscal year 2018/2019, the facility expects to commission an expanded renewal energy project which includes the addition of 1.4 megawatts of solar panels connected to a battery storage system. The facility also expects to commission the new trommel screen project. Staff had zero loss time incidents, perfect environmental compliance, and met all budgeted targets.

Additional initiatives include:

- Installation of a weather cover over the wash pad for loader maintenance
- Completion of transition air duct engineering
- Completion of biofilter media replenishment

Major Accomplishments for FY 2017/2018

- Set up a new warehouse on site and initiated a parts management system increasing the efficiency of the maintenance program;
- Completed a ventilation improvement project delivering fresh-air and improving the facility’s air quality;
- Completed a loader refurbishment project significantly extending the life of an existing loader at a much lower cost than replacement.



Refurbished Loader at IERCF Warehouse

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 accounting principles generally accepted in the United States of America.

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 cannot 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 Lance, Soll & Lunghard, 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, 2018 are free of any material misstatement. As part of the independent audit, reviews on a test basis were made to determine the adequacy of internal controls, and to ensure compliance with applicable laws and regulations related to all financial activities conducted by the Authority. Generally accepted auditing standards, issued by the Controller General of the United States of America, 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 unmodified opinion that the Inland Empire Regional Composting Authority's financial statements for the year ended June 30, 2018 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

FINANCIAL INFORMATION (continued):

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 types of investments that are authorized and indicates any restrictions.

Consistent with Government Code Section 53646, 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 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, 2018, idle funds were invested in accordance with this policy. These investments consisted primarily of deposits in a pooled investment fund administered by the Los Angeles County Investment Officer.

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 with the following exceptions:*

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

*February 04, 2018
To the Chairperson and Members of
The Board of The Inland Empire Regional Composting Authority*

FINANCIAL INFORMATION (continued):

Acknowledgements

We acknowledge the thorough and professional manner in which the external auditors, Lance, Soll & Lunghard, 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

Principal Officials

June 30, 2018

BOARD OF DIRECTORS

Jon Blickenstaff, *Chairperson*
Jasmin A. Hall, *Vice-Chairperson*
Grace Robinson Hyde, *Director*
Margaret Finlay, *Director*
Paul Hofer, *Director*
Halla Razak, *Director*

OFFICERS OF THE AUTHORITY

Jeffrey Ziegenbein, *Project Manager*
Ann Heil, *Assistant Project Manager*
Christina Valencia, *Treasurer*

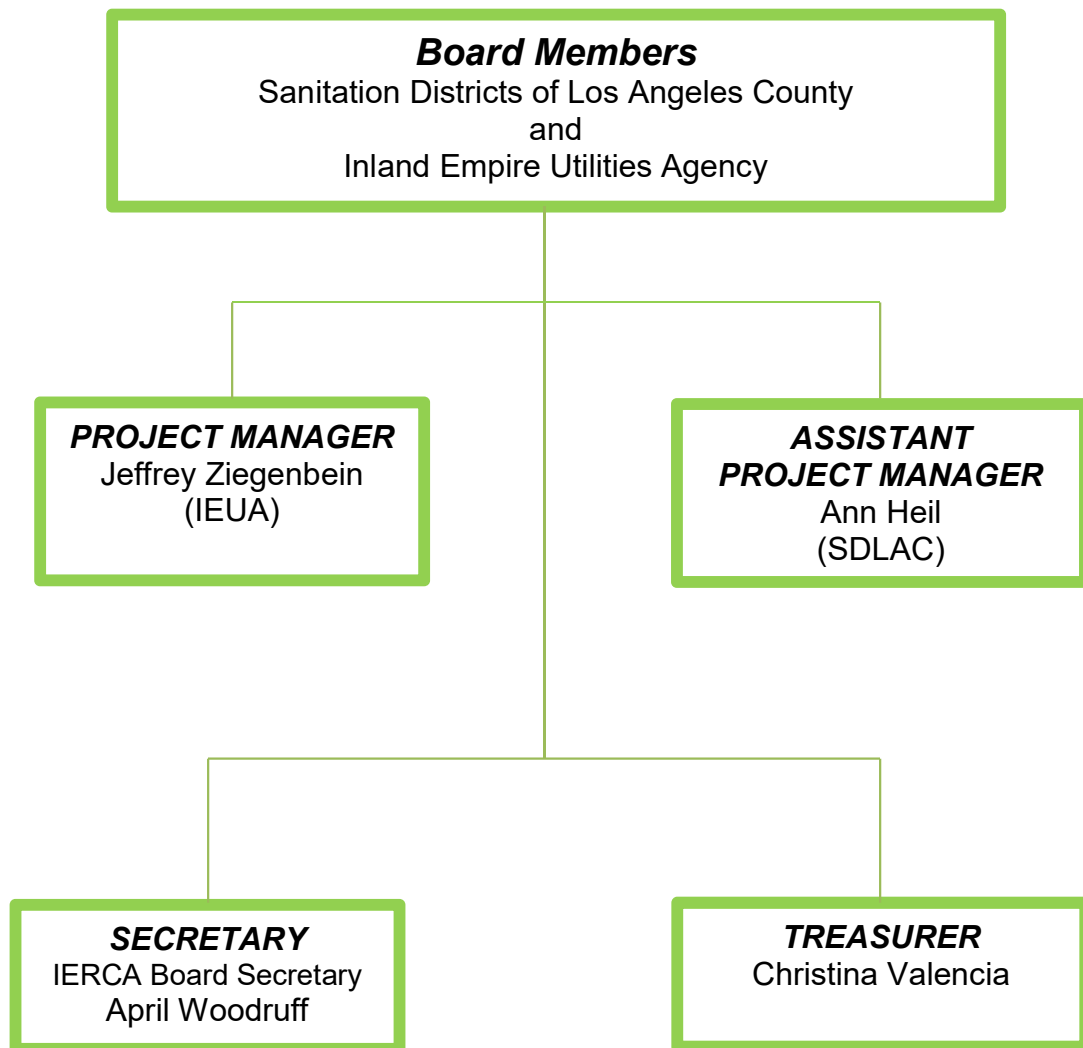
LEGAL COUNSEL

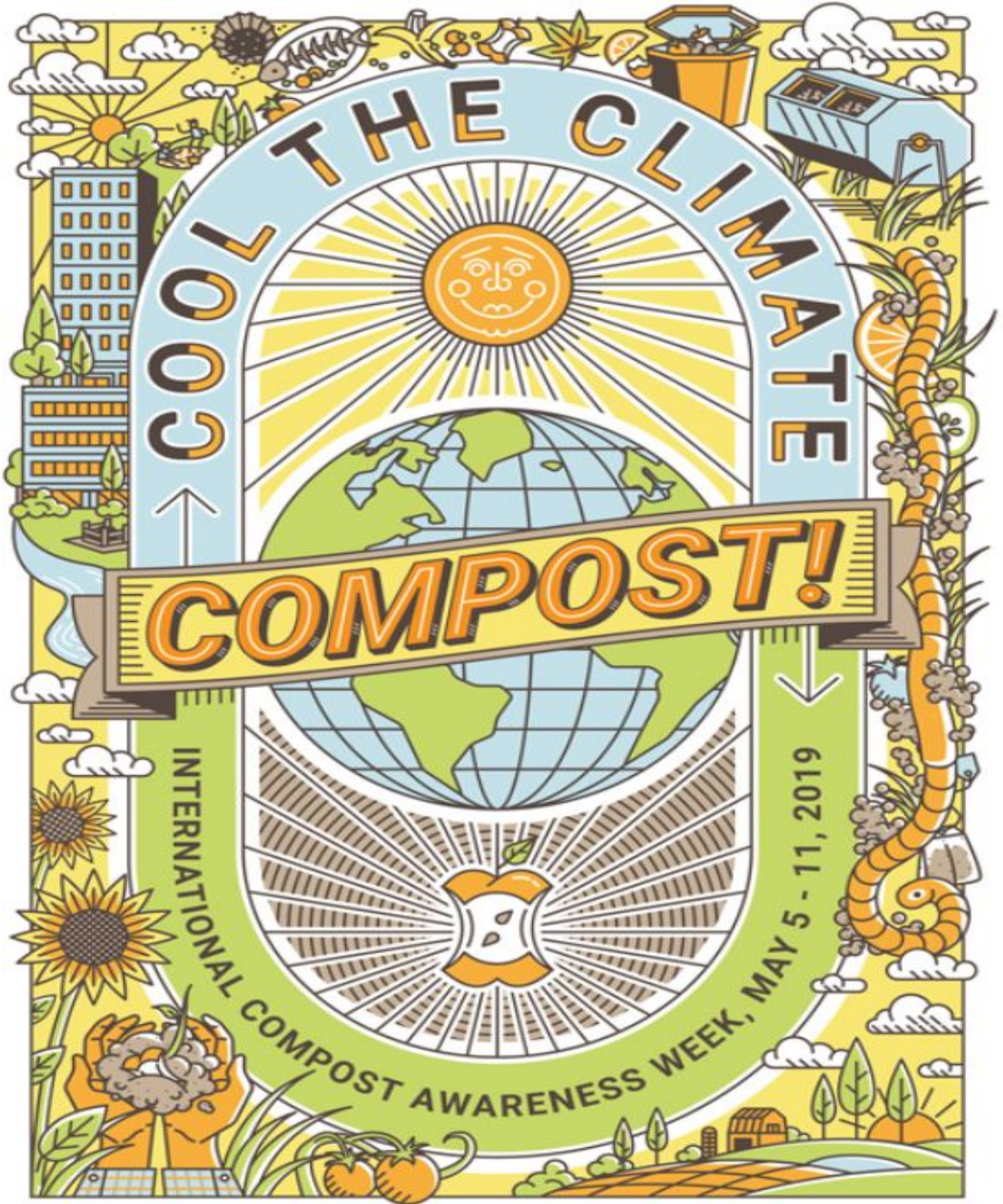
JC Law Firm
Jean Cihigoyenette, APC
Chino Hills, California

Inland Empire Regional Composting Authority

Organizational Chart

June 30, 2018





Poster artwork by Evan Clark of Los Angeles, California

Winner of U.S. Composting Council's 2019 International Composting Awareness Week Poster Contest



January 28, 2019

To the Board of Directors
Inland Empire Regional Composting Authority
Rancho Cucamonga, California

We have audited the financial statements of the Inland Empire Regional Composting Authority (the Authority) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in the notes to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2017-2018.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were found.



To the Board of Directors
Inland Empire Regional Composting Authority
Rancho Cucamonga, California

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 28, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

New Accounting Standards

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2017-2018 audit:

GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions.

GASB Statement No. 81, Irrevocable Split Interest Agreements.

GASB Statement No. 85, Omnibus 2017.

GASB Statement No. 86, Certain Debt Extinguishment Issues.



To the Board of Directors
Inland Empire Regional Composting Authority
Rancho Cucamonga, California

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal year audit and should be reviewed for proper implementation by management:

Fiscal year 2018-2019

GASB Statement No. 83, *Certain Assets Retirement Obligations*.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*.

Fiscal year 2019-2020

GASB Statement No. 84, *Fiduciary Activities*.

Fiscal year 2020-2021

GASB Statement No. 87, *Leases*.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Inland Empire Regional Composting Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California

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, 2018. 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 recycling treatment plant owned and operated by Inland Empire Utilities Agency (IEUA). The proximity of the facility to RP-4 provides opportunities to optimize staffing options and energy usage.

The 445,275-square foot composting facility is a fully enclosed biosolids processing plant that processes approximately 144,000 tons of biosolids and 54,000 tons of wood and green waste into 232,000 cubic yards (81,000 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 2017/2018, a total of 187,427 tons of feedstock, equal to 90% of permitted capacity, was received by the facility.

As of June 30, 2018, the IERCF had sold 2.35 million cubic yards of high-quality compost to various customers in Southern California, Arizona, and Nevada and processed nearly 2.1 million tons of recycled materials.



John Anderson – Acorn tree plague

For comparison, 2.35 million cubic yards can:

- ✿ Fill the Rose Bowl, in Pasadena, CA to the top 6 times
- ✿ Load 46,000 semi-trucks
- ✿ Increase soil health and water retention for 80,500 football fields

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

Throughout the last ten years of operation, the Inland Empire Regional Composting Facility (IERCF) has operated continuously in full compliance with applicable permits, rules and regulations, and has maintained an excellent safety record. As of June 30, 2018, the IERCF has logged 2,670 days without a lost-time incident exceeding six years.

Projects such as the IERCF Capital Improvement Project, IERCF Amendment Hopper #2 Overhaul Project, IERCF Lighting Improvement Project, and IERCF Fire Sprinkler Replacement Project were completed in FY2017/2018. The projects improved safety and efficiency in areas such as:

- Repair, replace, improve, and upgrade IERCF and equipment immediately as needed, to keep them in the best condition and give employees a safe work environment.
- Amendment Hopper Overhaul included the installation of new floor and augers with hardened steel to increase useful life of the asset.
- Installation of new floor and augers with hardened steel to increase useful life of the asset of the Amendment Hopper #2.
- Lighting improvement replacing older lights with LED lights to reduce energy and operating costs.
- Removed corroded black piping on the fire sprinkler system and replaced with stainless steel to increase reliability and improve safety.

Future Goals

Over the next year, outreach efforts will continue to expand through, increased consulting on IEUA's Garden in Every School program, attending local agriculture shows, and giving tours and talks about the IERCF. IERCF will remain a leader in outreach and education stressing the importance of healthy soils and the vital role compost plays in water conservation and groundwater protection.

The sales team remains committed to promoting the many advantages of SoilPro, including increased water savings, ability to sequester carbon, and the use in correcting unproductive soils through healthy and natural processes. IERCF sales staff continues to monitor market conditions to ensure the best value for our compost products.

Basic Financial Statements

The basic financial statements present a summary of the Authority's financial position as of June 30, 2018. The Authority uses full accrual accounting, which recognizes transactions when they occur, regardless of when cash is exchanged.

The Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year end June 30, 2018 reflects the eleventh year of operations for the IERCF. Total operating revenues were \$8,747,021, a 2.6% increase from prior year, while total operating expenses increased by 5% as compared to the prior year for a total of \$10,553,419, which included \$3,052,675 of depreciation and amortization expense on capitalized assets.

FINANCIAL HIGHLIGHTS

	FY2017/18	FY2016/17	Increase (Decrease) from FY2016/17	
Current assets	\$6,620,009	\$5,782,691	\$837,318	14.48%
Capital & Intangible assets	82,204,106	84,418,376	(2,214,270)	-2.62%
Total Assets	88,824,115	90,201,067	(1,376,952)	-1.53%
Current liabilities	1,753,048	1,225,648	527,400	43.03%
Total Liabilities	1,753,048	1,225,648	527,400	43.03%
Net investment in capital assets	82,204,106	84,418,376	(2,214,270)	-2.62%
Unrestricted	4,866,961	4,557,043	309,918	6.80%
Total net position	\$87,071,067	\$88,975,419	(\$1,904,352)	-2.14%
Operating revenues	\$8,747,021	\$8,522,688	224,333	2.63%
Operating expenses	(10,553,419)	(10,038,004)	(515,415)	5.13%
Net operating income (loss)	(1,806,398)	(1,515,316)	(291,082)	19.21%
Other Non-operating revenues	23,933	43,757	(19,824)	-45.30%
Other Non-operating expenses	(121,887)	(3,500)	(118,387)	3382.49%
Net nonoperating revenues (expenses)	(97,954)	40,257	(138,211)	-343.32%
Net income (loss) before capital contributions	(1,904,352)	(1,475,059)	(429,293)	29.10%
Capital Grant	0	10,070	(10,070)	0.00%
Total change in net position	(1,904,352)	(1,464,989)	(439,363)	29.99%
Total net position-beginning	88,975,419	90,440,408	(1,464,989)	-1.62%
Total net position- ending	\$87,071,067	\$88,975,419	(\$1,904,352)	-2.14%

Changes in Financial Conditions of the Authority

- The net increase of \$837,318 in current assets includes an increase of \$794,803 in cash and investments, an increase of \$36,612 in customer receivables, and an increase of \$5,903 in inventory.

FINANCIAL HIGHLIGHTS (continued):

Changes in Financial Conditions of the Authority (continued):

- The decrease in Capital and Intangible assets of \$2,214,270 is primarily due to an increase of \$3,052,675 in accumulated depreciation and amortization.
- The increase of \$224,333 in operating revenues is primarily due to the increase of \$190,675 in biosolids recycling tipping fee revenue.
- The \$515,415 increase in operating expenses is due to an increase of \$335,425 in materials and supplies primarily due to bio-filter media replacement (wood chips), and an increase of \$150,979 in depreciation expense.

Depreciation is the expiration of the service life of capital assets attributable to wear and tear, deterioration, and obsolescence. Depreciation expense is the cost of a capital asset prorated over the service life of the asset and each period is charged with a portion of the cost.

Amortization is the gradual reduction, redemption, or liquidation of intangible capital assets over the service life of the asset. Amortization expense is the cost of a capital intangible asset prorated over the service life of the asset and each period is charged with a portion of the cost. IERCF currently has two intangible assets, emission reduction credits and software licenses.

As of June 30, 2018, contributed capital from SDLAC 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 2017/2018, each JPA member was charged \$56 per ton tipping fee for bio-solids deliveries. Orange County Sanitation Districts also delivered 15,818 tons of biosolids at a fee of \$58 per ton. The total net position at June 30, 2018 was \$87,071,067 compared to \$88,975,419 in FY 2016/2017.

Capital & Intangible Assets

At June 30, 2018, the Authority had total capital and intangible assets, net of depreciation and amortization, of \$82,204,106. Jobs in progress of \$196,531 include the cost of all design and construction work, and rehabilitation and replacement (R & R) need 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's investment portfolio is administered by the IEUA staff. The investment strategy continues to take a conservative approach consistent with the Authority's approved Investment Policy.

Interest earnings for FY 2017/2018 totaled \$63,746, for an average yield of 1.45%. The Authority's short-term investment fund balance for the fiscal year ended June 30, 2018 was \$5,329,358 comprised of \$1,488,019 in Sweep Investment Fund with Citizens Business Bank and \$3,841,333 in the Los Angeles County Pooled Surplus Investing Fund (LAC PSIF) and \$6 in the Local Agency Investment Agency Fund (LAIF). Please see Note #2 of the basic financial statements for additional information regarding investment balances.

FINANCIAL HIGHLIGHTS (continued):

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, 2018, and the results of operations and the cash flows of its proprietary fund type for the fiscal year then ended.

The Basic Financial Statements consist of:

- 1) Statement of Net Position – the statement denotes the increase/(decrease) of net position 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 position 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, 2018
(With Comparative Total for June 30, 2017)

	Totals	
	2018	2017
ASSETS		
Current assets		
Cash & Investments (Note 2)	\$5,798,098	\$5,003,295
Accounts receivable	812,380	775,903
Interest receivable	3,493	3,493
Other receivables	135	0
Inventory	5,903	0
Total current assets	<u>6,620,009</u>	<u>5,782,691</u>
Land	4,285,096	4,285,096
Jobs in progress	196,531	461,702
Capital assets, net of accumulated depreciation	76,851,608	78,700,007
Intangible assets, net of accumulated amortization	870,871	971,571
Total capital assets	<u>82,204,106</u>	<u>84,418,376</u>
Total noncurrent assets	<u>82,204,106</u>	<u>84,418,376</u>
Total assets	<u><u>\$88,824,115</u></u>	<u><u>\$90,201,067</u></u>
LIABILITIES		
Current liabilities		
Accounts payable	\$1,751,946	\$1,224,476
Accrued liabilities other	1,102	1,172
Total current liabilities	<u>1,753,048</u>	<u>1,225,648</u>
Total liabilities	<u>1,753,048</u>	<u>1,225,648</u>
NET POSITION		
Net investment in capital assets	82,204,106	84,418,376
Unrestricted	4,866,961	4,557,043
Total net position	<u><u>\$87,071,067</u></u>	<u><u>\$88,975,419</u></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, 2018
(With Comparative Total for June 30, 2017)

	Totals	
	2018	2017
Operating revenues		
Biosolids Recycling Tipping Fees	\$8,213,480	\$8,022,805
Sale of compost	533,541	470,942
Energy Rebates	0	28,941
	<u>8,747,021</u>	<u>8,522,688</u>
Operating expenses		
Operations and maintenance	6,668,687	6,333,262
Administration and general	832,057	803,046
Depreciation and amortization	3,052,675	2,901,696
	<u>10,553,419</u>	<u>10,038,004</u>
Total operating expenses		
	<u>10,553,419</u>	<u>10,038,004</u>
Operating income (loss)	<u>(1,806,398)</u>	<u>(1,515,316)</u>
Nonoperating revenues (expenses)		
Interest income	63,746	27,786
Other nonoperating revenues	12,343	15,971
Unrealized loss on investment	(52,156)	0
Other nonoperating expenses	(121,887)	(3,500)
	<u>(97,954)</u>	<u>40,257</u>
Net nonoperating revenues (expenses)		
	<u>(97,954)</u>	<u>40,257</u>
Income (loss) before capital contributions	<u>(1,904,352)</u>	<u>(1,475,059)</u>
Capital contributions:		
Capital Grant	0	10,070
	<u>0</u>	<u>10,070</u>
Change in net position	(1,904,352)	(1,464,989)
Total net position - beginning	<u>88,975,419</u>	<u>90,440,408</u>
Total net position - ending	<u>\$87,071,067</u>	<u>\$88,975,419</u>

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

Inland Empire Regional Composting Authority
Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	Totals	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$8,704,506	\$8,590,523
Cash payments to suppliers for goods and services	(3,032,446)	(3,602,557)
Cash payments for contract labor	(3,940,897)	(3,649,451)
	<u>1,731,163</u>	<u>1,338,515</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contract reimbursement from other (Other Non Op Rev)	12,343	15,971
Cash paid to others (Other Non Op Exp)	(121,887)	(3,500)
	<u>(109,544)</u>	<u>12,471</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(838,405)	(588,085)
Capital grants	0	10,070
Net cash provided (used) by capital and related financing activities	<u>(838,405)</u>	<u>(578,015)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	63,746	26,111
Unrealized loss on investments	(52,156)	0
	<u>11,590</u>	<u>26,111</u>
Net increase (decrease) in cash and cash equivalents	794,803	799,082
Cash and cash equivalents - beginning	<u>5,003,295</u>	<u>4,204,213</u>
Cash and cash equivalents - ending	<u><u>\$5,798,098</u></u>	<u><u>\$5,003,295</u></u>

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

Inland Empire Regional Composting Authority
Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	Totals	
	2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FOR (USED BY) OPERATING ACTIVITIES		
Operating income (loss)	(\$1,806,398)	(\$1,515,316)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	3,052,675	2,901,696
(Increase) decrease in operating assets		
Accounts receivable	(36,477)	67,835
Other receivable	(135)	0
Inventory	(5,903)	0
Increase (decrease) in operating liabilities		
Accounts payable	527,471	(116,165)
Other accrued liabilities	(70)	465
	<u>527,401</u>	<u>(115,695)</u>
Net cash provided (used) by operating activities	<u>\$1,731,163</u>	<u>\$1,338,515</u>
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash	\$468,740	\$512,012
Short-term investments	<u>5,329,358</u>	<u>4,491,283</u>
Total cash, short-term investments, and restricted cash	<u>\$5,798,098</u>	<u>\$5,003,295</u>

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

INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

Index of Notes to the Basic Financial Statements

JUNE 30, 2018

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NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

(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 Sanitation District No. 2 of Los Angeles County (SDLAC), 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 2009/2010 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 accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America 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's accounts for its activities in an "Enterprise Fund". An Enterprise Fund is 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.

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 earnings; 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 and the cost of financial services.

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

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

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 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 \$17,401 for the fiscal year ended of June 30, 2018. When an account is determined to be uncollectible, it is written off against the allowance 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.

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.

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

Capital Assets (continued):

Depreciation and amortization of capital assets has been provided on a straight-line basis. One-half year depreciation and amortization are 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	3 - 50 years

Comparative Data

The basic financial statements include certain prior years summarized comparative information in total but not at the level of detail required for a presentation in accordance with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2017 from which the summarized 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, subject to a \$10,000 deductible per occurrence.

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

- ⊕ Property damage has an \$99,292,000 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, 2018, 2017, and 2016. Additionally, there have been no reductions in insurance coverage.



IERCF Event Tent

(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 Authority has chosen to enter into these agreements.

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, 2018.

Investments

In FY 2017/2018, the Authority invested in the Los Angeles County Pooled Surplus Investment Fund (LAC PSIF), which is also 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's investments are reported at amortized cost in the balance sheet. The market value of the Authority's investments constitutes one hundred percent (100%) of investments, and equals the net realizable value of the Authority's share of LAIF and LAC PSIF. LAIF 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 allows 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, 2018 are classified in the accompanying financial statements as follows:

	<u>2018</u>	<u>2017</u>
Statement of Net Position:		
Cash & Investments	<u>\$5,798,098</u>	<u>\$5,003,295</u>
Total Cash and Investments	<u>\$5,798,098</u>	<u>\$5,003,295</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. Agency Securities	5 years	None	None
State Treasury Obligations	5 years	10%	None
Local Agency Obligations	5 years	None	None
Commercial Paper	270 days	20%	10%
Negotiable/Placement Certificates of Deposits	5 years	30%	None
Repurchase Agreements	90 days	40%	None
Medium-Term Notes	5 years	10%	None
Money Market Funds	N/A	20%	10%
Local Agency Investment Fund	N/A	\$65M	None
Local Agency Investment Pools	N/A	\$20M/Acct	None
Bank Deposits	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.

(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>	<u>Remaining Maturity (In Months)</u>	
	<u>Fair Value</u>	<u>12 or Less</u>
Los Angeles County Investment Pooled Investment Fund	\$ 3,841,333	\$ 3,841,333
Repurchase Agreement	1,488,019	1,488,019
Local Agency Investment Fund	6	6
Total	\$ 5,329,358	\$ 5,329,358

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, 2018 for each investment type:

<u>Investment Type</u>	<u>Value</u>	<u>Minimum Legal Rating</u>	<u>Unrated</u>
Los Angeles County Investment Pooled Investment Fund	\$ 3,841,333	N/A	\$ 3,841,333
Repurchase Agreement	1,488,019	N/A	1,488,019
Local Agency Investment Fund	6	N/A	6
Total	\$ 5,329,358		\$ 5,329,358

Fair Value Measurement (GASB 72)

The information below shows the Authority's investments fair value measurements (market approach) as of June 30, 2018. 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.

<u>Investments by Fair Value Level</u>	<u>June 30, 2018</u>	<u>Level 1 ^(A)</u>	<u>Level 2 ^(B)</u>	<u>Level 3 ^(C)</u>
Los Angeles County Investment Pooled Investment Fund	\$ 3,841,333		\$ 3,841,333	
Repurchase Agreement	1,488,019		1,488,019	
Local Agency Investment Fund	6		6	
Total	\$ 5,329,358	\$ -	\$ 5,329,358	\$ -

^(A) Level 1 - Quoted prices in active markets for identical assets

^(B) Level 2 - Quoted prices in active markets for significant other observable inputs

^(C) Level 3 - Quoted prices in active markets for significant unobservable inputs

(3) Changes in Capital Assets

The following is a summary of capital assets, jobs in progress and intangible assets at June 30, 2018:

Capital assets	Balance at 6/30/2017	Additions	Transfers, Sales & Retirements	Balance at 6/30/2018
Capital assets, not being depreciated:				
Land	\$4,285,096	\$0	\$0	\$4,285,096
Jobs in progress	461,702	959,968	(1,225,139)	196,531
Total capital assets, not being depreciated	\$4,746,798	\$959,968	(\$1,225,139)	\$4,481,627
Capital assets, being depreciated:				
Facility	10,831,133	0	0	10,831,133
Structures & improvements	71,343,748	766,952	0	72,110,700
Operations equipment	17,224,334	414,572	0	17,638,906
Total capital assets, being depreciated	\$99,399,215	\$1,181,524	\$0	\$100,580,739
Less accumulated depreciation for:				
Facility	(2,057,916)	(216,623)	0	(2,274,539)
Structures & improvements	(13,268,122)	(1,463,128)	0	(14,731,250)
Operations equipment	(5,373,171)	(1,350,171)		(6,723,342)
Total accumulated depreciation	(\$20,699,209)	(\$3,029,922)	\$0	(\$23,729,131)
Total capital assets, being depreciated, net	\$78,700,007	(\$1,848,398)	\$0	\$76,851,608
Intangible assets, being amortized:				
Capacity rights	1,143,472	43,616	(150,000)	1,037,088
Total intangible assets, being amortized	\$1,143,472	\$43,616	(\$150,000)	\$1,037,088
Less accumulated amortization for:				
Capacity rights	(171,901)	(22,753)	28,438	(166,217)
Total accumulated amortization	(\$171,901)	(\$22,753)	\$28,438	(\$166,217)
Total capital assets, being amortized, net	\$971,571	\$20,863	(\$121,563)	\$870,871
Total capital assets, net	\$84,418,376	(\$867,567)	(\$1,346,702)	\$82,204,106

In FY 2017/2018, IERCF acquired \$1,225,139 in assets; accumulated depreciation and amortization increased by \$3,052,675. The ending balance of accumulated depreciation and amortization for all capital assets has been adjusted for rounding to the Statement of Net Position for FY 2017/18.

(3) Changes in Capital Assets (continued):

Jobs in Progress

At Fiscal Year ended June 30, 2018, the Authority had five capital modification and improvement projects and sub-projects in progress.

IERCF Building Improvements	\$	125,797
IERCF Duct Work Phase II		28,362
IERCF Transition Air Duct Improvements		18,951
IERCF Ventilation Improvements		15,527
IERCF Trommel Screen Improvements		7,894
Total Jobs in Progress	\$	196,531

(4) Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through February 4, 2018, the date financial statements were available to be issued, and found no subsequent event.



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