

**Sonoma County Waste Management Agency  
Annual Report**

For the Fiscal Year Ended  
June 30, 2015

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**Annual Report**  
For the Fiscal Year Ended June 30, 2015

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Members of the Board  
Sonoma County Waste Management Agency

## **Auditor-Controller's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements and the related notes to the financial statements of the Sonoma County Waste Management Agency (Agency), as of and for the year ended June 30, 2015, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the independence impairments described in the Basis for Disclaimer of Opinion paragraph, auditing standards require us to disclaim an opinion on the financial statements.

### **Basis for Disclaimer of Opinion**

As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing and financial reporting functions. In Sonoma County, the Auditor-Controller and Treasurer-Tax Collector (ACTTC) positions are combined. The Agency's cash is pooled with the Sonoma County Treasurer (a division of the ACTTC), who acts as a disbursing agent for the Agency. The Accounting Division within the ACTTC maintains internal controls over the financial accounting management information system, and processes transactions that have been approved by the Agency. The Accounting Division processes County checks for expenditures approved by the Agency, these checks are signed by the ACTTC. These non-audit activities create management participation threats to auditor independence, as discussed in Interpretation 101-3 of the American Institute of Certified Public Accountants' Code of Professional Conduct, which cannot be mitigated.

The audit has been performed by the ACTTC's Audit Division, which has no other responsibility for the accounts and records being audited. The amount that this departure affects the assets, liabilities, net position, deferred outflows of resources, deferred inflows of resources, revenues and expenses of the Agency has not been determined.

### **Disclaimer of Opinion**

Because of the independence impairments described in the Basis for Disclaimer of Opinion paragraph, auditing standards require us to disclaim an opinion on the financial statements. Accordingly, we do not express an opinion on these financial statements.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), beginning on page 1 of this report be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A 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 MD&A because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Sonoma County Auditor-Controller*

Sonoma County Auditor-Controller-Treasurer-Tax Collector

September 12, 2016

## Management's Discussion and Analysis

As management of the Sonoma County Waste Management Agency (Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of Agency for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the Agency's financial statements and the accompanying notes to the basic financial statements.

### Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the fiscal year ended June 30, 2015 by \$6,857,297 (net position). Of this amount, \$953,591 is restricted to pay for legal fees related to the action entitled, Renewed Efforts of Neighbors Against Landfill Expansion (RENALE) v. County of Sonoma, et al. The remaining amount \$5,903,706 is unrestricted and may be used to meet the agency's ongoing obligations to citizens and creditors.
- The Agency recognized total operating revenues of \$5,539,899 during the fiscal year ended June 30, 2015, which consisted primarily of \$4,985,180 in tipping fees and surcharges.
- The Agency recognized total operating expenses of \$6,827,396 during the fiscal year ended June 30, 2015. This includes \$217,993 in expenses related to services and supplies. The Agency recognized extraordinary expenses totaling \$1,093,518 related to the settlement of the legal action entitled, RENALE v. County of Sonoma, et al.
- The Agency's total net position decreased by \$ (2,393,965) or (25.88%).

### Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of two components: 1) basic financial statements and 2) notes to the basic financial statements.

**Proprietary Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency maintains one type of proprietary fund. The Agency uses enterprise funds to account for its agency activities, which include waste management.

**Notes to the basic financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## Financial Analysis

*Net position.* Over time, changes in net position may indicate whether the financial position of Agency is improving or deteriorating. Net position decreased to \$6,857,297 during the fiscal year ended June 30, 2015, a change of \$ (2,393,965) from the fiscal year ended June 30, 2014. The following table summarizes the net position for Agency's activities:

	<b>Net Position</b>		
	June 30, 2015	June 30, 2014	Increase (Decrease)
Current and other assets	\$ 8,413,945	\$ 10,256,893	\$ (1,842,948)
Current liabilities	<u>1,556,648</u>	<u>1,005,631</u>	<u>551,017</u>
Net position:			
Restricted	953,591	-	
Unrestricted	<u>5,903,706</u>	<u>9,251,262</u>	<u>(3,347,556)</u>
Total net position	<u>\$ 6,857,297</u>	<u>\$ 9,251,262</u>	<u>\$ (2,393,965)</u>

*Change in Net Position.* Total revenues for the fiscal year ended June 30, 2015 were \$5,526,949 compared with expenses of \$7,920,914. The following table summarizes the changes in net position for each year:

## Changes in Net Position

	2015	2014	Increase (Decrease)
Operating Revenues:			
Municipal waste management	\$ 5,539,899	\$ 5,850,386	\$ (310,487)
Nonoperating Revenues:			
Investment income and other	(12,950)	137,538	(150,488)
Total revenues	5,526,949	5,987,924	(460,975)
Operating Expenses:			
Municipal waste management	6,827,396	5,478,971	1,348,425
Extraordinary Expenses	1,093,518	-	1,093,518
Total expenses	7,920,914	5,478,971	2,441,943
Increase (decrease) in net position	(2,393,965)	508,953	(2,902,918)
Net position - beginning of the year	9,251,262	8,742,309	508,953
Net position - end of the year	\$ 6,857,297	\$ 9,251,262	\$ (2,393,965)

### Capital Assets

The Agency has no investment in capital assets, as of June 30, 2015.

### Economic Outlook

- The Agency will continue to set aside reserve funds as part of its long-term financial planning.
- The Agency's revenue is expected to cover expenditures for all planned future projects.

### Request for Additional Information

This financial report is designed to provide a general overview of Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sonoma County Waste Management Agency, 2300 County Center Drive Ste. B-100, Santa Rosa, CA 95403.

## **Basic Financial Statements**



**Sonoma County Waste Management Agency**  
**Statement of Net Position**  
**June 30, 2015**

**Assets**

Current assets:

Cash and investments	\$ 6,556,194
Cash with fiscal agent	953,591
Accounts receivable	813,704
Prepaid expenses	5,208
Due from other governments	<u>85,248</u>
Total assets	<u>8,413,945</u>

**Liabilities**

Accounts payable	887,064
Unearned revenue	402,650
Other liabilities	<u>266,934</u>
Total liabilities	<u>1,556,648</u>

**Net Position**

Restricted	953,591
Unrestricted	<u>5,903,706</u>
Total net position	<u>\$ 6,857,297</u>

The notes to the basic financial statements are an integral part of this statement.

**Sonoma County Waste Management Agency**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2015**

**Operating Revenues**

Tipping fees and surcharges	\$ 4,985,180
Service agreements	316,147
Grants and other contributions	<u>238,572</u>
Total operating revenues	<u>5,539,899</u>

**Operating Expenses**

Contract services	5,727,976
Professional services	166,500
Administration	714,927
Other services and supplies	<u>217,993</u>
Total operating expenses	<u>6,827,396</u>
Operating income (loss)	<u>(1,287,497)</u>

**Nonoperating Revenues**

Investment income net of unrealized losses	<u>(12,950)</u>
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**Extraordinary Expenses**

Settlement expenses	<u>1,093,518</u>
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Change in net position	(2,393,965)
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Net position, beginning of year	<u>9,251,262</u>
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Net position, end of year	\$ <u><u>6,857,297</u></u>
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The notes to the basic financial statements are an integral part of this statement.

**Sonoma County Waste Management Agency**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2015**

**Cash Flows from Operating Activities**

Receipts from customers and other funds	\$ 4,780,136
Payments to suppliers	(6,618,960)
Payments to settle lawsuit	<u>(826,584)</u>
Net cash used in operating activities	<u>(2,665,408)</u>

**Cash Flows from Investing Activities**

Interest received	<u>(12,950)</u>
Net cash used in investing activities	<u>(12,950)</u>
Net decrease in cash and cash equivalents	(2,678,358)
Cash and cash equivalents, beginning of year	<u>10,188,143</u>
Cash and cash equivalents, end of year	<u>\$ 7,509,785</u>

**Reconciliation of operating loss to net cash used in operating activities:**

Operating loss	\$ (1,287,497)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in accounts receivable	(762,357)
Increase in prepaid expenses	(4,008)
Increase in due from other governments	(69,045)
Increase in accounts payable	212,443
Increase in other liabilities	266,934
Increase in unearned revenue	71,640
Settlement expenses	<u>(1,093,518)</u>
Total adjustments	<u>(1,377,911)</u>
Net cash used in operating activities	<u>\$ (2,665,408)</u>

The notes to the basic financial statements are an integral part of this statement.

**Notes to the  
Basic Financial Statements**

**Sonoma County Waste Management Agency**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**I. Summary of Significant Accounting Policies**

**A. Definition of Reporting Entity**

The Sonoma County Waste Management Agency (Agency) was formed in April 1992 to assist the cities and County with the implementation of programs necessary to satisfy the requirements of the Assembly Bill (AB) 939, the Integrated Waste Management Act of 1989. This Act requires that every jurisdiction in California plan for and implement programs that reduce the amount of waste disposed in landfills by 25% by the year 1995 and 50% by 2000. The Agency was granted a three-year extension to 2003 by the State. The State has determined that the Agency has met its 2003 goal. The Agency is continuing its efforts to reduce the amount of waste disposed in landfills, beyond the current 50% required by AB939. As of the date of this report, no new laws requiring waste reduction beyond 50% have been enacted. In 2006, the California Integrated Waste Management Board changed the calculation to pounds per person per day rate to determine compliance without changing the percentage reduction, with a rate goal of 7.1. In 2012 Sonoma County's rate was 3.4 and in 2013 it was 3.6.

The Agency's activities include a regional composting program, household hazardous waste collections, and countywide efforts towards waste reduction and recycling.

The Agency is governed by a ten member board of directors, with one member from nine Sonoma County cities and towns and one from the County. The Agency employs an Executive Director. Additional staffing is provided by the County through a contract with the Agency.

The Agency's programs are funded through garbage disposal fee surcharges, charges for services and grants. Each program of the Agency is accounted for with a separate cost center. The composting program is entirely funded by charges for delivery of material to its program. The household hazardous waste, education and waste diversion efforts are funded through a surcharge on garbage brought to County disposal sites along with support from State Grants.

Since its creation in April of 1992, the Agency has added two new components to its scope of work: the Planning and Diversion Programs. Planning efforts currently include preparation of Annual Reports submitted to the California Integrated Waste Management Board and is funded through the disposal fee surcharge. The Diversion Program cost center was established to track expenditures that have direct measurable diversion. However, since 2010, all diversion activities are currently operating under the Education cost center.

**Sonoma County Waste Management Agency**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

The basic financial statements of the Agency are intended to present only the financial position and results of operations of only the Agency, which are held in trust by the Agency. They do not support and do not present fairly the financial position of the County of Sonoma as of June 30, 2015 and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The financial statements are reported using economic resources measurement focus and the accrual basis of accounting. This means that all assets and all liabilities (whether current or noncurrent) associated with this activity are included on the statement of net position. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

The Agency's Enterprise Fund financial statements report business-type activities financed in whole or in part by fees charged to external parties for goods or services. Enterprise Funds account for operations 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) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges – or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

The accrual basis of accounting is used by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Operating revenues and expenses are distinguished from non-operating items in the statement of revenues, expenses and changes in net position. *Operating* revenues, such as tipping fees and sales of recycled products result from exchange transactions associated with the principal activity of the funds. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as grants and investment earning, result from non-exchange transactions or ancillary activities. *Operating* expenses for enterprise funds include services and supplies and depreciation on capital assets. All expenses not falling within these categories are reported as *non-operating* expenses.

**Sonoma County Waste Management Agency  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

**C. Accounting System Maintained by Sonoma County Enterprise Financial System (EFS)**

The Agency uses the County's EFS and its budgetary recording and accounting control policies to account for all financial transactions affecting Agency funds. The County, through the Integrated Waste Management Division of the Department of Transportation and Public Works, tracks each load of yard and wood waste entering the county disposal system. A tonnage tipping fee is collected to pay for operating costs of the organic program. A surcharge on the solid waste tipping fee entering the county disposal system is used to fund the other programs, such as household hazardous waste, education, diversion and planning.

**D. Staff Services Performed by County of Sonoma**

The Agency reimburses the County for services provided by the County as outlined in a Memorandum of Understanding between the County and the Agency dated September 18, 2007.

Staff services include Agency Director, professional staff, secretarial and as requested by the Agency, reasonable and necessary services from other County departments.

**E. Assets, Liabilities and Net Position**

**1. Cash and Investments**

The Agency applies the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, which require governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the Agency has stated certain investments at fair value.

**2. Receivables and Payables**

Transactions representing accrual of revenues and expenses at year-end are referred to as either accounts receivables or accounts payables.

**3. Capital Assets**

Capital assets, which include land, buildings and improvements and equipment, are reported in the statement of net position. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**Sonoma County Waste Management Agency**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The Agency's policy is to capitalize assets with acquisition costs of at least \$5,000. Depreciation is computed using the straight-line method over estimated useful lives of 5 years for equipment.

The Agency does not own land, buildings or improvements.

**4. Net position components**

Net position components are classified into three components – net investment in capital asset, restricted and unrestricted. These classifications are defined as follow:

- Net investment in capital assets (if any) - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position (if any) - This component of net position consists of net position with limits on their use that are imposed by outside parties. The Agency and the County were named as co-defendants in the action entitled, *RENALE v. County of Sonoma, et al.* Due to this action, the Agency agreed to establish an escrow account to serve as security for the Agency's obligation to indemnify the County for legal fees incurred.
- Unrestricted net position - This component of net position consists of net position that is not restricted for any project or other purpose.

**5. Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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 and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.



**Sonoma County Waste Management Agency**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**6. Unearned revenues**

Under the accrual basis of accounting, revenues are recognized when an entity obtains a claim to resources, regardless when collection occurs or deferred inflow. Amounts collected prior to being earned must be offset by a liability or deferred outflow. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes guidance for reporting deferred outflows and inflows of resources, and net position in a statement of financial position. The Statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Under the statement, net position should be displayed in three components: net investment in capital assets, restricted, and unrestricted.

**F. New and Future Pronouncements**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this provision is to address accounting and financial reporting issues related to fair value measurements. The provisions of this statement are effective for the fiscal year ending June 30, 2016. Management has not determined the effect of this statement.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The provisions of this statement are effective for the County’s fiscal year ending June 30, 2016. Management has not determined the effect of this statement.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address certain pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of this statement are effective for the fiscal year ending June 30, 2016. Management has not determined the effect of this statement.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The objective of this Statement is to address accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions of this statement are effective for the fiscal year ending June 30, 2016. Management has not determined the effect of this statement.

**Sonoma County Waste Management Agency  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

**II. Detailed Notes**

**A. Cash and Investments**

Investment in the Sonoma County Treasurer's Investment Pool

The Agency follows the County's practice of pooling cash and investments with the County Treasurer, except for a petty cash fund. Cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent for the Agency. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Investment Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis.

The amount of cash at June 30, 2015 is as follows:

	Amortized Cost	Fair Value
Cash and investment in County Treasury	\$ <u>6,539,859</u>	\$ <u>6,556,194</u>

The Agency's fair value of the cash investment with the Treasurer is \$16,335 greater than the amortized cost of those investments.

Investment Guidelines

The Agency's pooled cash and investments are invested pursuant to investment policy guidelines established by the Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Suite 100, Santa Rosa, California, 95403-2871.

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 is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury

**Sonoma County Waste Management Agency**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2015, approximately 38 percent of the securities in the Treasury pool had maturities of one year or less. Of the remainder, only 3 percent had a maturity of more than five years.

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. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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 Treasury Pool'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 the following provision for deposits and securities lending transactions:

- 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 depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.
- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2014-2015 Sonoma County Comprehensive Annual Financial Report.

**Sonoma County Waste Management Agency  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

**B. Accounts receivables**

The Agency partially obtains funding from contract agreements with composting and recycling entities. The amount receivable from these sources as of June 30, 2015 is as follows:

ECS	\$	29,231
Good Will		169
Sonoma Compost		190,204
Battery Systems		300
The Ratto Group		1,151
Alpha Analytical		301
Republic Services		592,348
<b>Total Accounts receivable</b>	<b>\$</b>	<b><u>813,704</u></b>

**C. Due from other governments**

The Agency also obtains funding from agreements with other government entities to comply with AB 939. The following table summarizes the amount receivable from other governments as of June 30, 2015:

City of Petaluma		<u>\$ 85,248</u>
Total Due from other governments		<u>\$ 85,248</u>

**Sonoma County Waste Management Agency  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015**

**D. Accounts payables**

The Agency's payable has two components: vouchers payable and accounts payable. A voucher payable is used to record amounts to be paid by check for invoiced expenses and an account payable records liabilities for expenses not invoiced by June 30. At the close of the fiscal year ending June 30, 2015, the Agency's balance amounted to \$887,064.

**E. Unearned revenue**

In the fiscal year ending June 30, 2015, the Agency participated in two recycling programs grant funded by the State of California: the Beverage Container Program and the Oil Payment Program. The following table summarized the unearned revenue balance:

	June 30, 2014			June 30, 2015	
	Balance	Additions	Releases	Balance	
Beverage Container Program	\$ 188,043	\$ 161,341	\$ 70,396	\$	278,988
Oil Payment Program	142,966	148,872	168,176	\$	123,662
Total Unearned Revenues	\$ 331,009	\$ 310,213	\$ 238,572	\$	402,650

**F. Other Liabilities**

The Agency and the County have been involved in a lawsuit related to federal water quality. The settlement agreement and release required the Agency to pay \$266,934 in settlement charges which were paid after year end.

**III. Other Information**

**A. Risk Management**

The Agency is exposed to various risks for which the Agency carries insurance with coverage for bodily injury, property damage, personal injury, auto liability, and errors and omissions. For the fiscal year ended June 30, 2015 the Agency added coverage for cyber security. The Agency is covered through Alliant Insurance Services, Inc for \$5,000,000 per occurrence.

**B. Extraordinary Expenses**

In May 2015, the Agency and the County entered into a settlement agreement and mutual release with RENALE related to the federal water quality lawsuit regarding its compost operations that requires closing compost operations at the Central Landfill in fall 2015. The Agency signed the Settlement Agreement with RENALE and the County to resolve the lawsuit, and considers this event and certain related expenses unusual and infrequent. The Agency recognized \$1,093,518 in legal fees and other stipulated expenses in connection with this legal action.

**Sonoma County Waste Management Agency  
Roster of Board Members  
June 30, 2015**

As of June 30, 2015 the Agency Board of Directors consisted of the following members from the County of Sonoma and nine cities and towns of Sonoma County:

<b>Board Member</b>	<b>Jurisdiction</b>	<b>Position</b>	<b>Alternate</b>
Patrick Carter	Agency	Executive Director	
Ethan Walsh	Agency	Counsel	
Christopher Diaz	Agency	Deputy Counsel	
Robert Cox	Cloverdale	Board member	Paul Cayler
Susan Harvey	Cotati	Board member	Damien O'Bin
Shirlee Zane	County	Board member	Susan Gorin Susan Klassen
Brent Salmi	Healdsburg	Board member	David Mickaelian Gary Plass
John Brown	Petaluma	Board member	Dan St. John
Don Schwartz	Rohnert Park	Board member	John McArthur
John Sawyer	Santa Rosa	Board member	Gary Wysocky
Larry McLaughlin	Sebastopol	Board member	Sue Kelly
Madolyn Agrimonti	Sonoma	Board member	Carol Giovanatto Dan Takasugi
Debora Fudge	Windsor	Board member	Linda Kelly