

**WEST CONTRA COSTA INTEGRATED
WASTE MANAGEMENT AUTHORITY**

**FINANCIAL STATEMENTS WITH
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

JUNE 30, 2016



**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Table of Contents
June 30, 2016

| | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report..... | 1-2 |
| Management's Discussion and Analysis | 3-7 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 8 |
| Statement of Activities..... | 9 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds..... | 10 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 11 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds..... | 12 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities..... | 13 |
| Statement of Assets and Liabilities – Agency Funds..... | 14 |
| Notes to Basic Financial Statements..... | 15-29 |
| Required Supplementary Information: | |
| Budgetary Control and Accounting..... | 30 |
| Budgetary Comparison Schedule – General Fund..... | 31 |
| Budgetary Comparison Schedule – Recycling Revenue Special Revenue Fund..... | 32 |
| Schedule of the Authority's Proportionate Share of the Net Pension Liability | 33 |
| Schedule of Contributions | 33-34 |
| Post Employment Benefit Plans Other the Pensions Trend Information..... | 34 |
| Other Supplementary Information: | |
| Combining Balance Sheet – General Fund..... | 35 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund | 36 |
| Combining Statement of Changes in Assets and Liabilities – Agency Funds..... | 37 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 38-39 |
| Summary Schedule of Audit Findings and Responses..... | 40 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Contra Costa Integrated Waste Management Authority
San Pablo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Contra Costa Integrated Waste Management Authority (Authority), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Authority, as of June 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 10 to the financial statements, prior period adjustments were recorded for the correction of errors in prior year financial statements. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Combining Balance Sheet - General Fund, the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund and Statement of Changes in Assets and Liabilities – Agency Funds (Supplementary Information) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Roseville, California
September 6, 2017

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Management's Discussion and Analysis
June 30, 2016

As management of the West Contra Costa Integrated Waste Management Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2016. This document has been prepared as required by the Statement No. 34 of Governmental Accounting Standards Board (GASB No. 34). We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes to those financial statements.

I. Financial Highlights

Government-Wide Financial Analysis

The Authority's net assets are largely in cash and investments and the largest revenue stream comes from a new rate-payer surcharge. The Authority entered into a new Post-Collection Recycling and Disposal Services agreement effective January 1, 2014 between the Authority and the operating subsidiaries of Republic Services, Inc. (RSI) Under the new agreement, RSI continues to collect from the ratepayers, as part of the revenue requirement, a surcharge to cover the cost of the Authority's operating budget and the cost to operate the Household Hazardous Waste Facility. RSI wire transfers monthly to the Authority the surcharge collected for the Authority's operating expenses.

The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year leaving a net position of \$3,623,652.

The net position of the Authority decreased by \$4,065,024 over the prior year as a result of the following:

- Increased expenditures in personnel Services and Professional services contracts
- Distribution to member agencies
- Intergovernmental Revenue
- Prior period adjustments to record capital assets not recorded in prior years

Financial Analysis of the Authority's Governmental Funds

The Authority's governmental funds' combined ending fund balance of \$3,937,450, was a decrease of \$4,102,796 from the prior year ending fund balance of \$8,040,246. This is mainly due to the distribution to member agencies of \$4,089,018.

II. Overview of the Basic Financial Statements

The Basic Financial Statements comprise the Government-Wide Financial Statements and the Fund Financial Statements: these two sets of financial statements provide two different views of the Authority's financial activities and financial position.

Government-Wide Financial Statements

The Government-Wide Financial Statements provide a longer-term view of the Authority's activities as a whole, and comprise The *Statement of Net Position* and the *Statement of Activities and Changes in Net Position*.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Management's Discussion and Analysis
June 30, 2016

The *Statement of Net Position* provides information about the financial position of the Authority as a whole, including all capital assets and liabilities on the full accrual basis. Over time, increases or decreases in the Authority's net position may serve as one useful indicator of the Authority's overall financial position. In the case of the Authority, total assets and deferred outflows exceeded liabilities and deferred inflows by \$3,623,652 as of the close of the fiscal year. This amount is the total net position as of June 30, 2016.

Authority's Net Position

| | <u>2016</u> | <u>2015</u> | <u>\$ Change</u> | <u>% Change</u> |
|----------------------------------|---------------------|---------------------|----------------------|-----------------|
| Assets | | | | |
| Current assets | \$ 4,147,748 | \$ 8,162,490 | \$(4,014,742) | -49.19% |
| Non-current assets | 43,862 | -- | 43,862 | 100.00% |
| Total assets | <u>4,191,610</u> | <u>8,162,490</u> | <u>(3,970,880)</u> | -48.65% |
| Deferred outflows of resources | | | | |
| Pension related | <u>23,364</u> | <u>62,407</u> | <u>(39,043)</u> | -62.56% |
| Liabilities | | | | |
| Current liabilities | 109,748 | 91,366 | 18,382 | 20.12% |
| Non-current liabilities | 438,607 | 330,587 | 108,020 | 32.68% |
| Total liabilities | <u>548,355</u> | <u>421,953</u> | <u>126,402</u> | 29.96% |
| Deferred inflows of resources | | | | |
| Pension related | <u>42,967</u> | <u>114,268</u> | <u>(71,301)</u> | -62.40% |
| Net position | | | | |
| Net investment in capital assets | 43,862 | - | 43,862 | 100.00% |
| Unrestricted | <u>3,579,790</u> | <u>7,688,676</u> | <u>(4,108,886)</u> | -53.44% |
| Total net position | <u>\$ 3,623,652</u> | <u>\$ 7,688,676</u> | <u>\$(4,065,024)</u> | -52.87% |

The Authority's net position decreased by \$4,065,024, primarily from a decrease in cash of \$4,014,742. The cash decrease resulted from the distribution of more than \$4.0 million of excess funds to member agencies during the fiscal year.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Management's Discussion and Analysis
June 30, 2016

The *Statement of Activities and Changes in Net Position* provides information about all of the Authority's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues and expenses of each of the Authority's programs.

Authority's Changes in Net Position

| | <u>2016</u> | <u>2015</u> | <u>\$ Change</u> | <u>% Change</u> |
|------------------------------------|---------------------|---------------------|----------------------|-----------------|
| Program revenues | | | | |
| Charges for services | \$ 837,833 | \$ 3,681,380 | \$(2,843,547) | -77.24% |
| Operating grants and contributions | 111,932 | 52,165 | 59,767 | 114.57% |
| Total program revenues | <u>949,765</u> | <u>3,733,545</u> | <u>(2,783,780)</u> | -74.56% |
| General revenues | | | | |
| Unrestricted investment income | 12,276 | 8,584 | 3,692 | 43.01% |
| Total general revenues | <u>12,276</u> | <u>8,584</u> | <u>3,692</u> | 43.01% |
| Total revenues | 962,041 | 3,742,129 | (2,780,088) | -74.29% |
| Program expenses | <u>5,065,613</u> | <u>726,880</u> | <u>4,338,733</u> | 596.90% |
| Change in net position | (4,103,572) | 3,015,249 | (7,118,821) | -236.09% |
| Net position - beginning | 7,688,676 | 5,066,969 | 2,621,707 | 51.74% |
| Prior period adjustments | 38,548 | (393,542) | 432,090 | -109.80% |
| Net position - ending | <u>\$ 3,623,652</u> | <u>\$ 7,688,676</u> | <u>\$(4,065,024)</u> | -52.87% |

The decrease in charges for services is mostly attributable to a one-time settlement of \$2,650,000 received in the prior fiscal year. Expenses in the current year increased over the prior year due to a distribution of excess funds of more than \$4.0 million to the Authority's member agencies during the current year.

Government-Wide Financial Statements are presented on an "*economic resources*" measurement focus and on the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

The Fund Financial Statements provide detailed information about the Authority's major funds - not the Authority as a whole. The Authority has established separate funds to help control and manage money for particular purposes or to comply with the requirements of the State Grants.

Governmental Funds – All of the Authority's services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the *modified accrual* basis of accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Authority's general operations. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Capital assets and other long-lived assets are not presented in the

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Management's Discussion and Analysis
June 30, 2016

Governmental Fund Financial Statements. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities and Changes in Net Assets) and Governmental Funds Financial Statements are explained in a reconciliation schedule following each Governmental Fund financial statement

Fiduciary Funds – The Authority is the trustee for certain funds held on behalf of external parties. The Authority's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. These activities are excluded from the Authority's other financial statements because the resources of these funds are not available to support the Authority's own programs. The Authority is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* including a budgetary comparison to demonstrate compliance with the approved budget; and *Supplementary Information* for the Agency Funds.

III. Fund Financial Statements Analysis

The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal and grant requirements.

Governmental Funds – The focus of the Authority's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

IV. Budgetary Highlights

Total expenditures were \$3,930,165 over budget due to unbudgeted distributions to member agencies of \$4,086,887 in Special Revenue Fund. These distributions were approved by the Board of Directors. Professional service contracts were overspent while personnel services and program direct expenses were underspent.

V. Capital Asset and Long-Term Obligations

Capital Assets – As of June 30, 2016 the Authority's capital assets, net of depreciation, were \$43,862. This represents furniture and equipment totaling \$257,461 offset by accumulated depreciation of \$213,599.

Long-Term Obligations – The Authority's long-term obligations as of June 30, 2016 consist of Net Pension liability of \$428,066 and OPEB of \$10,541, totaling \$438,607.

VI. Economic Factors and Next Year's Budget

A large portion of the Authority's revenues prior to the new agreement was from the Authority's share of revenues from the sale of recyclable materials. The market price of recyclable materials is affected by

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Management's Discussion and Analysis
June 30, 2016

local, national, and global markets. Now a more stable revenue stream is provided by the ratepayer surcharge.

The budget for fiscal year 2016/2017 has been developed based on current operating agreements for programs of the Authority and the latest rate in the change in Consumer Price Index was used to inflate anticipated expenses subject to inflation.

VII. Requests for Information

This financial report is designed to provide a general overview for those who are interested in the Authority's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Manager – Office Administration, West Contra Costa Integrated Waste Management Authority, 13831 San Pablo Avenue, San Pablo, CA 94806.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Statement of Net Position
June 30, 2016

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and investments | \$ 3,918,907 |
| Accounts receivable | <u>228,841</u> |
| Total current assets | <u>4,147,748</u> |
| Noncurrent assets: | |
| Equipment, net | <u>43,862</u> |
| Total noncurrent assets | <u>43,862</u> |
| Total Assets | <u>4,191,610</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension | <u>23,364</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 68,871 |
| Unearned revenue | 21,510 |
| Compensated absences | <u>19,367</u> |
| Total current liabilities | <u>109,748</u> |
| Noncurrent liabilities: | |
| Post employment benefit plan liability | 10,541 |
| Net pension liability | <u>428,066</u> |
| Total noncurrent liabilities | <u>438,607</u> |
| Total Liabilities | <u>548,355</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension | <u>42,967</u> |
| NET POSITION | |
| Net Investment in capital assets | 43,862 |
| Unrestricted | <u>3,579,790</u> |
| Total Net Position | <u><u>\$ 3,623,652</u></u> |

The accompanying notes are an integral part of these financial statements.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Balance Sheet
Governmental Funds
June 30, 2016

| | <u>General Fund</u> | <u>Recycling Special Revenue Fund</u> | <u>Total</u> |
|---|----------------------------|---|----------------------------|
| Assets | | | |
| Cash and investments | \$ 1,359,423 | \$ 2,559,484 | \$ 3,918,907 |
| Accounts receivable | <u>228,841</u> | <u>--</u> | <u>228,841</u> |
| Total Assets | <u>\$ 1,588,264</u> | <u>\$ 2,559,484</u> | <u>\$ 4,147,748</u> |
| Liabilities | | | |
| Accounts payable | \$ 68,871 | \$ -- | \$ 68,871 |
| Unearned revenue | <u>21,510</u> | <u>--</u> | <u>21,510</u> |
| Total Liabilities | <u>90,381</u> | <u>--</u> | <u>90,381</u> |
| Deferred inflows of resources | | | |
| Unavailable revenue | <u>119,917</u> | <u>--</u> | <u>119,917</u> |
| Fund Balances | | | |
| Committed | -- | 2,559,484 | 2,559,484 |
| Assigned | 273,708 | -- | 273,708 |
| Unassigned | <u>1,104,258</u> | <u>--</u> | <u>1,104,258</u> |
| Total Fund Balances | <u>1,377,966</u> | <u>2,559,484</u> | <u>3,937,450</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 1,588,264</u> | <u>\$ 2,559,484</u> | <u>\$ 4,147,748</u> |

The accompanying notes are an integral part of these financial statements.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position - Governmental Activities
June 30, 2016

| | |
|--|----------------------------|
| Fund Balance - governmental funds | \$ 3,937,450 |
| Amounts reported for governmental activities in the statement of net position are different because of the following: | |
| Capital assets | |
| Capital assets used in governmental activities are not current assets or financial resources and therefore are not reported in the governmental funds. | 43,862 |
| Deferred outflows reported on the statement of net position | 23,364 |
| Some of the Authority's revenue will be collected after year-end but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds | 119,917 |
| Long term liabilities | |
| In governmental funds, only current liabilities are reported. In the Statement of Net Position, all liabilities, including long-term liabilities, are reported. | |
| Long-term liabilities relating to governmental activities consist of: | |
| Net pension liability | (428,066) |
| Post employment benefit plan liability | (10,541) |
| Compensated absences payable | (19,367) |
| Deferred inflows of resources reported on the statement of net position | <u>(42,967)</u> |
| Net position of governmental activities | <u><u>\$ 3,623,652</u></u> |

The accompanying notes are an integral part of these financial statements.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

| | General Fund | Recycling Special Revenue Fund | Total |
|----------------------------------|-------------------|---|---------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Revenues: | | | |
| Charges for services | \$ 757,901 | \$ -- | \$ 757,901 |
| Intergovernmental | 111,932 | -- | 111,932 |
| Interest income | 2,145 | 10,131 | 12,276 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Revenues | 871,978 | 10,131 | 882,109 |
| | <u> </u> | <u> </u> | <u> </u> |
| Expenditures: | | | |
| Personnel services | 415,898 | -- | 415,898 |
| Professional services contracts | 270,595 | -- | 270,595 |
| General | 96,163 | -- | 96,163 |
| Program direct expenditures | 113,231 | -- | 113,231 |
| Distributions to member agencies | -- | 4,089,018 | 4,089,018 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Expenditures | 895,887 | 4,089,018 | 4,984,905 |
| | <u> </u> | <u> </u> | <u> </u> |
| Net Changes in Fund Balances | (23,909) | (4,078,887) | (4,102,796) |
| Fund Balances, Beginning of Year | 1,401,875 | 6,638,371 | 8,040,246 |
| | <u> </u> | <u> </u> | <u> </u> |
| Fund Balances, End of Year | <u> </u> | <u>\$ 2,559,484</u> | <u>\$ 3,937,450</u> |

The accompanying notes are an integral part of these financial statements.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities - Governmental Activities
For the Year Ended June 30, 2016

| | |
|--|----------------|
| Net change in fund balance | \$ (4,102,796) |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p> | |
| <p>Capital Assets</p> | |
| <p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and allocated over their estimated useful lives and reported in depreciation expense This amount of capital asset additions was recorded in the current period.</p> | 9,836 |
| <p>Depreciation expense on capital assets is reported in the Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. This is the current year depreciation expense:</p> | (4,522) |
| <p>Revenues in the statement of activities which do not provide current financial resources are not reported as revenues in governmental funds Change in unavailable revenue from cumulative prior year's activity</p> | 79,932 |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore , are not reported as expenditures in governmental funds.</p> | |
| <p>Change in compensated absences</p> | (10,260) |
| <p>Difference between pension expense and funding</p> | (75,751) |
| <p>Change in post employment benefits liability</p> | (11) |
| | (86,742) |
| Change in net position of governmental activities | \$ (4,103,572) |

The accompanying notes are an integral part of these financial statements.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Statement of Assets and Liabilities - Agency Funds
June 30, 2016

| | <u>Agency Funds</u> |
|----------------------|--------------------------|
| Assets | |
| Cash and investments | <u>\$ 239,212</u> |
| Total Assets | <u>239,212</u> |
| Liabilities | |
| Agency obligations | <u>239,212</u> |
| Total Liabilities | <u><u>\$ 239,212</u></u> |

The accompanying notes are an integral part of these financial statements.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The West Contra Costa Integrated Waste Management Authority (Authority) was formed in 1991 in accordance with State of California Law (California Integrated Waste Management Act AB939). The Authority was formed for the purposes of planning and implementing measures to reduce the disposal of solid waste in accordance with State Law and developing the Integrated Resource Recovery Facility (IRRF), to meet the requirements of a materials recovery facility under Section 50000 (a) (4) of the California Public Resource Code, for the collection, processing, recycling, and transportation of solid waste and the recovery of materials from such waste in the West Contra Costa County area of California, in cooperation with West County Resource Recovery, Inc. (WCRR), a wholly owned subsidiary of Richmond Sanitary Services, Inc. (RSS). The IRRF is located in the unincorporated City of North Richmond, and is owned and operated by WCRR, to serve ratepayers within the boundary of the Authority and the unincorporated area of Contra Costa County serviced by RSS. The Authority is a regional agency and the members include the Cities of El Cerrito, Hercules, Pinole, Richmond, San Pablo, and the unincorporated areas of Contra Costa County serviced by RSS. Each member has one representative on the Authority's Board of Directors, with the exceptions of the City of Richmond, which has three, and Contra Costa County, which has a nonvoting representative. The Authority's boundaries are those of its members. The Authority functions independently of its members.

The Authority is not financially accountable for any other organization and is the only entity included in these statements.

B. Basis of Accounting and Measurement Focus

The accounts of the Authority are organized and operated on the basis of funds, each of which is defined as a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenue, and expenditures. Authority resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Authority's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental Activities for the Authority. The Authority has no Business-type Activities.

The Government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all the Authority's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. In the Statement of Activities, interfund transfers have been eliminated.

Governmental Fund Financial Statements – Governmental Fund Financial Statements include a Balance Sheet, and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the difference in fund balance as presented in these statements to the net position presented in the Government-Wide financial statements. The Authority has presented all funds as major funds.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

All governmental funds are accounted for on a spending or “*current financial sources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Because Agency funds only report assets and liabilities, they have no measurement focus.

Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the difference created by the integrated approach.

Fiduciary funds are used to account for assets held by the Authority in a trustee capacity or as an agent for other governmental units. The Authority maintains three fiduciary (Agency) funds. The Agency funds use the accrual basis of accounting. Accordingly, all assets and liabilities are included on the Statement of Assets and Liabilities. Because Agency funds only report assets and liabilities, they have no measurement focus.

C. Use of Restricted/Unrestricted Net Position

When an expense is incurred for a purpose for which both restricted and unrestricted net position are available, the Authority’s policy is to apply restricted net position first.

D. Cash and Investments

The Authority pools cash resources from all funds with the City of Hercules’ cash in order to facilitate management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

E. Investment Valuation

The Authority has implemented GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Interest earned on investments is allocated to all funds on the basis of monthly cash and investment balances.

F. Capital Assets

Capital assets are those assets acquired for general governmental purposes and are reported in the governmental activities in the Government-wide Financial Statements. All purchased capital assets are recorded at historical or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date received. Authority policy has set the capitalization thresholds for reporting capital assets at the following:

| | |
|----------------|---------|
| Capital Assets | \$1,000 |
|----------------|---------|

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

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

Depreciation is computed utilizing the straight-line method over the estimated useful lives, which range from two to ten years.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources expense/expenditure) until then. The Authority has deferred outflows related to pensions.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has deferred inflows related to pensions.

H. Unearned Revenue

Unearned revenue represents grants and intergovernmental funding received during the current or previous years that have not been earned as of June 30, 2016, for both Government-Wide and Fund Financial Statements.

I. Compensated Absences

Compensated absences comprise unpaid vacation and compensated time off. The Authority accrues the cost of these absences when they are earned. The Authority expects its governmental funds' liability for compensated absences to be utilized in the next year.

J. Net Position and Fund Equity

In the Government-Wide Financial Statements, net position are classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net position” as defined above.

K. Fund Balances – Governmental Funds

The Fund Financial Statements consist of Nonspendable, Restricted, Committed, Assigned and Unassigned amounts as described below:

Nonspendable: Items that cannot be spent because they are not in spendable form, such as prepaid items, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund.

Restricted: Restricted fund balances encompass the portion of net fund resources subject to externally

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balances represent amounts that can only be used for specific purposes through resolutions by the Board of Directors. Commitments can only be modified or lifted through Board resolutions.

Assigned: Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose.

Unassigned: This category is the residual classification for the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

L. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures (governmental fund types). Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recovered as a reduction in expenditures in the user fund. All other interfund transactions are reported as transfers.

NOTE 2: CASH AND INVESTMENTS

The Authority maintains a cash and investment pool with the City of Hercules (City) for all funds.

The investments made by the City are limited to those allowable under State statutes as incorporated into the Authority's Joint Powers Agreement, which is more conservative than that allowed by State, statute.

Under provisions of this policy, the Authority is authorized to invest in the following types of investments:

| | |
|--------------------------|--|
| Certificates of Deposits | Government Agency Securities |
| Bankers' Acceptances | Treasury Bills and Notes |
| Commercial Paper | Passbook Savings Accounts |
| Repurchase Agreements | State of California Local Agency Investment Fund |
| Government Cash Pools | |

See the City of Hercules' Annual Financial Report for disclosures related to cash and investments and the related interest rate risk, credit rate risk, custodial risk, and concentration of risk.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

A. Cash Deposits

The Authority pools all operating cash, except its payroll account, with the City of Hercules and records the pooled monies as cash and investments. However, the Authority does maintain a petty cash fund of \$250.

B. Investments

The Authority's investments are carried at fair value as required by accounting principles generally accepted in the United States. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in investment income (loss) for that fiscal year.

C. Summary of Cash and Investments

The Cash and investments are classified in the financial statements as shown below:

| | |
|---|--------------|
| Cash and investments, Statement of Net Position | \$ 3,918,907 |
| Cash and investments, Statement of Fiduciary Net Position | 239,212 |
| Total Cash and investments | \$ 4,158,119 |

Cash and Investments held by the Authority at June 30, 2016 consisted of the following:

| | |
|-----------------------------------|--------------|
| Petty Cash | \$ 250 |
| Pooled Cash with City of Hercules | 4,125,923 |
| Deposits in bank | 31,946 |
| Total Cash and investments | \$ 4,158,119 |

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the Authority by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. The Authority has not adopted a formal investment policy.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage Of Portfolio | Maximum Investment in One Issuer |
|-------------------------------------|---------------------|---------------------------------------|--|
| Local Agency Investment Fund (LAIF) | N/A | None | \$50 million |
| Certificates of Deposit | None | None | None |
| U.S. Government Securities | None | None | None |
| City Cash Pool | None | None | None |

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

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.

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 investments by maturity:

| Investment Type | Totals | Remaining Maturity (in Months) | | | | | |
|------------------|---------------------|--------------------------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| | | 12 Months or Less | 12 to 24 Months | 25 to 36 Months | 37 to 48 Months | 49 to 60 Months | More than 60 Months |
| Deposits with | | | | | | | |
| City of Hercules | \$ 4,125,923 | \$ 4,125,923 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| | <u>\$ 4,125,923</u> | <u>\$ 4,125,923</u> | <u>\$ --</u> |

Disclosures Relating to Credit Rate 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 (where applicable) the California Government Code, and the actual rating as of fiscal year end for each investment type.

| Investment Type | Amount | Minimum Legal Rating | Exempt From Disclosure | Rating as of Fiscal Year End | | | |
|------------------|---------------------|----------------------|------------------------|------------------------------|--------------|--------------|--------------|
| | | | | AAA | AA | A | Not Rated |
| Deposits with | | | | | | | |
| City of Hercules | \$ 4,125,923 | N/A | \$ 4,125,923 | \$ -- | \$ -- | \$ -- | \$ -- |
| | <u>\$ 4,125,923</u> | | <u>\$ 4,125,923</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

D. 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 (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 does 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: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2016, all of the Authority's deposits with financial institutions were covered by the federal depository insurance limits.

NOTE 3: CAPITAL ASSETS

The following is a summary of the Authority's capital asset accounting for the fiscal year ended June 30, 2016:

| Governmental Activities | Restated Balance July 1, 2015 | Additions | Retirements | Balance June 30, 2016 |
|---|-------------------------------------|---------------------|------------------|--------------------------|
| Capital assets, being depreciated: | | | | |
| Furniture and Equipment | \$ 247,625 | \$ 9,836 | \$ -- | \$ 257,461 |
| Total capital assets, being depreciated | 247,625 | 9,836 | -- | 257,461 |
| Less accumulated depreciation for: A/D - Furniture and Equipment | (209,077) | (4,522) | -- | (213,599) |
| Total accumulated depreciation | (209,077) | (4,522) | -- | (213,599) |
| Total capital assets, being depreciated, net | <u>\$ 38,548</u> | <u>\$ 5,314</u> | <u>\$ --</u> | <u>\$ 43,862</u> |

The depreciation expense of the capital assets for the fiscal year ended June 30, 2016 was \$10,378. This expense was charged to the Recycling and Waste Management Services function on the Statement of Activities.

NOTE 4: RISK MANAGEMENT

A. General Liability Insurance

The Authority maintains a deductible of \$500 per occurrence. Coverage is maintained with the Special District Risk Management Authority with coverage limits of \$2,500,000 per occurrence.

B. Workers' Compensation

The Authority maintains adequate workers' compensation coverage with the Special District Risk Management Authority.

NOTE 5: COMMITMENTS AND CONTINGENCIES

A. Lawsuits

The Authority is not a defendant in any lawsuit as of June 30, 2016.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

B. Federal and State Grant Programs

The Authority participates in a number of Federal, State, and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the Authority may be required to reimburse the grantor government.

As of June 30, 2016, in the opinion of Authority management, there were no outstanding matters that would have a significant effect on the financial position of the funds of the Authority.

C. Reserve Fund Disbursement

At the November 11, 2015 meeting, the Board approved the disbursement of \$4,749,100 of the Authority's Reserve Funds to member agencies. During the year ended June 30, 2016, \$4,089,019 of these funds were disbursed. \$659,481 was authorized to be disbursed to the County of Contra Costa (County), and as of June 30, 2016, the County had not yet accepted the disbursement of these funds.

NOTE 6: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

Plan Description

The Authority provides certain health insurance benefits to retired employees in accordance with memoranda of understanding as follows:

For employees who retire from the Authority after at least five (5) years of service with the Authority and who have reached the age of fifty-five (55) years old, and who continue health insurance through an Authority-sponsored health insurance plan, the Authority will contribute the minimum monthly amount (as required by CalPERS) of the health insurance premium \$95 (single coverage) and \$199 for (retiree and spouse).

Funding Policy

The Authority's policy is to contribute an amount sufficient to pay the current year's premium. For fiscal year 2015-2016, the Authority contributed \$3,528, which covered current premiums, but did not include any additional prefunding of benefits. Currently, there is one retiree who is receiving benefits.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

Annual OPEB and Net OPEB Obligation

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45's Alternative Measurement Method allowed for employers with less than 100 plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation.

| | |
|--|-----------|
| Annual required contribution | \$ 3,539 |
| Annual OPEB cost (expense) | 3,539 |
| Contributions made | (3,528) |
| Increase in net OPEB obligation | 11 |
| Net OPEB obligation - beginning of fiscal year | 10,530 |
| Net OPEB obligation - end of fiscal year | \$ 10,541 |

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015-2016 was as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
|-------------------------|---------------------|--|-----------------------------------|
| 6/30/2014 | 3,437 | 33.17% | 10,574 |
| 6/30/2015 | 3,484 | 101.26% | 10,530 |
| 6/30/2016 | 3,539 | 99.69% | 10,541 |

Funded Status and Funding Progress

As of June 30, 2016, the most recent Alternate Measurement Method valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$257,529, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$257,529. The covered payroll (annual payroll of active employees covered by the plan) was \$260,215, and the ratio of the UAAL to the covered payroll was 98.97 percent.

The Alternate Measurement Method valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The Alternate Measurement Method valuation (valuation) methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the actuarial assumptions included a 3.3 percent investment rate of return, a 75 percent continuity rate that retirees will continue to participate in CalPERS health, and an annual healthcare cost trend rate of 3.2 percent. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at June 30, 2016 was twenty-five years.

NOTE 7: PUBLIC EMPLOYEES' RETIREMENT SYSTEM

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the Authority's Miscellaneous and PEPRA Miscellaneous Plans. Both plans are cost-sharing multiple employer defined benefit pension plans. Both plans are administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Shasta County resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provision, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

| | Miscellaneous and PEPRA Miscellaneous | |
|--|--|--------------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire Date | | |
| Benefit formula | 2.0 @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50-63 | 52-67 |
| Monthly benefits, as a % of eligible compensation | 1.426% to 2.418% | 1.0% to 2.5% |
| Required employee contribution rates | 7% | 6.25% |
| Required employer contribution rates | 11.92% | 6.25% |

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the Authority reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

| | Proportionate Share of Net Pension Liability |
|------------------------------------|--|
| Miscellaneous | \$ 428,362 |
| PEPRA Miscellaneous | (296) |
| Total Net Pension Liability | \$ 428,066 |

The Authority's net pension liability for each plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the plans is determined as of June 30, 2015, and the total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015 using standard update procedures.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

The Authority's proportion of the net pension plan liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for each plan as of June 30, 2014 and 2015 was as follows:

| | <u>Miscellaneous</u> | PEPRA <u>Miscellaneous</u> |
|------------------------------|----------------------|-------------------------------|
| Proportion - June 30, 2014 | \$ 319,965 | \$ 92 |
| Proportion - June 30, 2015 | \$ 428,362 | \$ (296) |
| Change - Increase (Decrease) | \$ 108,397 | \$ (388) |

For the year ended June 30, 2016, the Authority recognized pension expense of \$75,751. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Pension contributions subsequent to measurement date | \$ 22,280 | \$ -- |
| Changes in assumptions | -- | (10,263) |
| Differences between expected and actual experience | 1,084 | -- |
| Change in proportion | -- | (2,015) |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | -- | (25,544) |
| Net difference between projected and actual earnings on plan investments | -- | (5,145) |
| | <u> </u> | <u> </u> |
| Total | <u>\$ 23,364</u> | <u>\$ (42,967)</u> |

The Authority reported \$22,280 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended June 30</u> | |
|-------------------------------|-------------|
| 2017 | \$ (14,407) |
| 2018 | (14,407) |
| 2019 | (11,783) |
| 2020 | (1,286) |
| 2021 | -- |
| Thereafter | -- |

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

| | |
|----------------------------------|---|
| Actuarial Cost Method | Entry Age Normal in accordance with the requirements of GASB Statement 68 |
| Actuarial Assumptions | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation |
| Mortality Rate Table | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a June 2013 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until there is a change in methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| <u>Asset Class</u> | <u>Current Target Allocation</u> | <u>Real Return Years 1-10 (a)</u> | <u>Real Return Years 11+ (b)</u> |
|-------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| Global Equity | 51% | 5.25% | 5.71% |
| Global Fixed Income | 19% | 0.99% | 2.43% |
| Inflation Sensitive | 6% | 0.45% | 3.36% |
| Private Equity | 10% | 6.83% | 6.95% |
| Real Estate | 10% | 4.5% | 5.13% |
| Infrastructure and Forestland | 2% | 4.5% | 5.09% |
| Liquidity | 2% | (0.55)% | (1.05)% |

(a) An expected inflation rate of 2.5% used for this period

(b) An expected inflation rate of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | <u>Discount Rate -1% (6.65%)</u> | <u>Discount Rate (7.65%)</u> | <u>Discount Rate +1% (8.65%)</u> |
|------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| <u>Net Pension Liability</u> | | | |
| Miscellaneous | \$ 718,393 | \$ 428,362 | \$ 188,908 |
| PEPRA Miscellaneous | (496) | (296) | (130) |
| Total | <u>\$ 717,897</u> | <u>\$ 428,066</u> | <u>\$ 188,778</u> |

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 8: RELATED PARTY TRANSACTIONS

The City of Hercules (City) performs accounting services for the Authority. In this regard, the City charged the Authority \$19,320 (\$1,610/month) for the fiscal year ended June 30, 2016.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Notes to Basic Financial Statements
June 30, 2016

NOTE 9: PRIOR PERIOD ADJUSTMENTS

Adjustments resulting from errors or a change to comply with the provisions of accounting standards are treated as adjustments to prior periods. Accordingly, the Authority reports these changes as restatements of beginning net position as follows.

The following table is a summary of the restatement of beginning net position:

| | Government-wide Statements Governmental Activities |
|--|---|
| Net position as of June 30, 2015 | \$ 7,688,676 |
| Addition of capital assets not recorded in prior years | 44,404 |
| Depreciation of capital assets not recorded in prior years | <u>(5,856)</u> |
| Total prior period adjustments | <u>38,548</u> |
| Net position as of July 1, 2015, restated | <u><u>\$ 7,727,224</u></u> |

REQUIRED SUPPLEMENTARY INFORMATION

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Required Supplementary Information
June 30, 2016

NOTE 1: BUDGETARY CONTROL AND ACCOUNTING

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In May of each year, the Executive Director submits to the Board of Directors a proposed operating budget for the following two fiscal years. This budget includes proposed expenditures by fund and the revenues expected to finance them.
2. Public hearings are conducted to obtain public and ratepayer comments.
3. The budget is legally enacted through passage of a resolution before July 1.
4. The Executive Director is authorized to transfer budgeted amounts; however, any revisions which alter total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration is employed as management control device during the year for the General Fund and Special Revenue Funds.
6. Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year which were contingent upon new or additional revenue sources and re-appropriated amounts for prior year encumbrances. The Executive Director must approve any adjustments to the budget.
7. Appropriations lapse at the end of the fiscal year and then are re-budgeted for the subsequent fiscal year.
8. Budgeted appropriations for the various governmental funds become effective each July 1. The Board of Directors may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level. Appropriations generally lapse at the end of the fiscal year to the extent they have not been expended or encumbered.
9. The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund and Special Revenue Funds present comparisons of the legally adopted budget with actual data on a basis consistent with accounting principles generally accepted in the United States of America.

Expenditures exceeded appropriations in the Recycling Fund due to the Authority's disbursement of reserve funds to member agencies.

Encumbrances

Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end are reported as reservations of fund balance since they represent commitments, which will be honored during the subsequent year. Encumbrances do not represent expenditures or liabilities.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with |
|---------------------------------|-------------------------|---------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | Final Budget Positive (Negative) |
| Revenues: | | | | |
| Charges for services | \$ 810,406 | \$ 810,406 | \$ 757,901 | \$ (52,505) |
| Intergovernmental | -- | -- | 111,932 | (111,932) |
| Interest income | 1,580 | 1,580 | 2,145 | 565 |
| | <u>811,986</u> | <u>811,986</u> | <u>871,978</u> | <u>(163,872)</u> |
| Total Revenues | | | | |
| Expenditures: | | | | |
| Personnel services | 495,482 | 495,482 | 415,898 | 79,584 |
| Professional services contracts | 213,558 | 213,558 | 270,595 | (57,037) |
| General | 110,800 | 110,800 | 96,163 | 14,637 |
| Program direct expenditures | 214,400 | 214,400 | 113,231 | 101,169 |
| Grant awards | 20,000 | 20,000 | -- | 20,000 |
| | <u>1,054,240</u> | <u>1,054,240</u> | <u>895,887</u> | <u>158,353</u> |
| Total Expenditures | | | | |
| Net Change in Fund Balances | <u>\$ (242,254)</u> | <u>\$ (242,254)</u> | (23,909) | <u>\$ (5,519)</u> |
| Fund Balances, July 1 | | | <u>1,401,875</u> | |
| Fund Balances, June 30 | | | <u>\$ 1,377,966</u> | |

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Budgetary Comparison Schedule
Recycling Budget – Special Revenue Fund
For the Year Ended June 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|----------------------------------|-------------------------|-----------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Interest income | \$ 8,000 | \$ 8,000 | \$ 10,131 | \$ 2,131 |
| Total Revenues | <u>8,000</u> | <u>8,000</u> | <u>10,131</u> | <u>2,131</u> |
| Expenditures: | | | | |
| Distributions to member agencies | <u>--</u> | <u>--</u> | <u>4,089,018</u> | <u>(4,089,018)</u> |
| Total Expenditures | <u>--</u> | <u>--</u> | <u>4,089,018</u> | <u>(4,089,018)</u> |
| Net Change in Fund Balances | <u>\$ 8,000</u> | <u>\$ 8,000</u> | <u>(4,078,887)</u> | <u>\$ (4,086,887)</u> |
| Fund Balances, July 1 | | | <u>6,638,371</u> | |
| Fund Balances, June 30 | | | <u>\$ 2,559,484</u> | |

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Required Supplementary Information – PERS and OPEB
Benefit Plans Trend Information
June 30, 2016

NOTE 2: DEFINED BENEFIT PENSION PLAN

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| | Miscellaneous Plans | |
|---|---|--------------------------|
| | Reporting Fiscal Year (Measurement Date) | |
| | 6/30/2016 (6/30/2015) | 6/30/2015 (6/30/2014) |
| Proportion of the net pension liability | 0.00% | 0.00% |
| Proportionate share of the net pension liability | \$ 428,066 | \$ 320,057 |
| Covered - employee payroll | \$ 279,183 | 370,907 |
| Proportionate share of the net pension liability as percentage of covered-employee payroll | 153.33% | 86.29% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.70% | 83.03% |

Notes to Schedule:

Benefit changes. In 2015, benefit terms were modified to base miscellaneous employee pensions on a final three-year average salary instead of a five-year average salary.

Change in assumptions: In 2015, amounts reported as change in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

*Fiscal year 2015 (measurement date June 30, 2014) was the 1st year of implementation. Additional years will be presented as they become available.

SCHEDULE OF CONTRIBUTIONS

| | Miscellaneous Plans | |
|--|---|--------------------------|
| | Reporting Fiscal Year (Measurement Date) | |
| | 6/30/2016 (6/30/2015) | 6/30/2015 (6/30/2014) |
| Contractually required contribution (actuarially determined) | \$ 16,927 | \$ 45,242 |
| Contributions related to the actuarially determined contribution | 16,927 | 45,242 |
| Contribution deficiency (excess) | \$ -- | \$ -- |
| Authority's covered-employee payroll | \$ 279,183 | \$ 370,907 |
| Contributions as a percentage of covered-employee payroll | 6.06% | 12.20% |

*Fiscal year 2015 (measurement date June 30, 2014) was the 1st year of implementation. Additional years will be presented as they become available.

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Required Supplementary Information – PERS and OPEB
Benefit Plans Trend Information
June 30, 2016

Notes to schedule

| | |
|---|--|
| Valuation date: | 6/30/2015 |
| Methods and assumptions used to determine contribution rates: | |
| Actuarial cost method | Entry Age Normal |
| Amortization method | For details, see June 30, 2015 Funding Valuation Report. |
| Asset valuation method | Actuarial value of assets. For details, see June 30, 2015 Funding Valuation Report. |
| Inflation | 2.75% |
| Salary increases | Varies by Entry Age and Service |
| Investment rate of return | 7.50% Net of Pension Plan Investment and Administrative Expense; includes Inflation. |
| Retirement age | The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. |
| Mortality | The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. |

NOTE 3: OTHER POST EMPLOYMENT BENEFITS

Post Employment Benefit Plans Other than Pensions Trend Information:

| Actuarial Valuation Date | Actuarial Accrued Liability | Actuarial Value of Assets | Unfunded Liability (Excess Assets) | Funded Ratio | Covered Payroll | Actuarial Accrued Liability as a Percentage of Covered Payroll |
|--------------------------------|-----------------------------------|---------------------------------|---|-----------------|--------------------|---|
| 6/30/14 | \$ 254,793 | \$ -- | \$ 254,793 | 0.00% | \$ 336,902 | 75.68% |
| 6/30/15 | \$ 256,247 | \$ -- | \$ 256,247 | 0.00% | \$ 237,067 | 108.09% |
| 6/30/16 | \$ 257,529 | \$ -- | \$ 257,529 | 0.00% | \$ 260,215 | 98.97% |

OTHER SUPPLEMENTARY INFORMATION

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Combining Balance Sheet
General Fund
June 30, 2016

| | General Fund- Operating | Household Hazardous Waste | Eliminations | Total |
|---|-------------------------------|---------------------------------|---------------------------|----------------------------|
| Assets | | | | |
| Cash and investments | \$ 1,154,900 | \$ 204,523 | \$ -- | \$ 1,359,423 |
| Due from other funds | -- | 56,985 | (56,985) | -- |
| Accounts receivable | 189,176 | 39,665 | -- | 228,841 |
| Total Assets | <u>\$ 1,344,076</u> | <u>\$ 301,173</u> | <u>\$ (56,985)</u> | <u>\$ 1,588,264</u> |
| Liabilities | | | | |
| Accounts payable | \$ 62,916 | \$ 5,955 | \$ -- | \$ 68,871 |
| Due to other funds | 56,985 | -- | (56,985) | -- |
| Unearned revenue | -- | 21,510 | -- | 21,510 |
| Total Liabilities | <u>119,901</u> | <u>27,465</u> | <u>(56,985)</u> | <u>90,381</u> |
| Deferred inflows of resources | | | | |
| Unavailable revenue | 119,917 | -- | -- | 119,917 |
| Fund Balances | | | | |
| Assigned | -- | 273,708 | -- | 273,708 |
| Unassigned | 1,104,258 | -- | -- | 1,104,258 |
| Total Fund Balances | <u>1,104,258</u> | <u>273,708</u> | <u>--</u> | <u>1,377,966</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 1,344,076</u> | <u>\$ 301,173</u> | <u>\$ (56,985)</u> | <u>\$ 1,588,264</u> |

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2016

| | General Fund- Operating | Household Hazardous Waste | Total |
|----------------------------------|-------------------------------|---------------------------------|---------------------|
| Revenues: | | | |
| Charges for services | \$ 757,901 | \$ -- | \$ 757,901 |
| Intergovernmental | -- | 111,932 | 111,932 |
| Interest income | 1,693 | 452 | 2,145 |
| | <u>759,594</u> | <u>112,384</u> | <u>871,978</u> |
| Total Revenues | | | |
| Expenditures: | | | |
| Personnel services | 415,898 | -- | 415,898 |
| Professional services contracts | 251,428 | 19,167 | 270,595 |
| General | 96,163 | -- | 96,163 |
| Program direct expenditures | 25,882 | 87,349 | 113,231 |
| | <u>789,371</u> | <u>106,516</u> | <u>895,887</u> |
| Total Expenditures | | | |
| Net Changes in Fund Balances | (29,777) | 5,868 | (23,909) |
| Fund Balances, Beginning of Year | <u>1,134,035</u> | <u>267,840</u> | <u>1,401,875</u> |
| Fund Balances, End of Year | <u>\$ 1,104,258</u> | <u>\$ 273,708</u> | <u>\$ 1,377,966</u> |

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2016

Host Mitigation Fees

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|----------------------|-------------------------|--------------|--------------|--------------------------|
| Assets | | | | |
| Cash and investments | \$ 130 | \$ -- | \$ -- | \$ 130 |
| Total Assets | <u>\$ 130</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 130</u> |
| Liabilities | | | | |
| Agency obligations | \$ 130 | \$ -- | \$ -- | \$ 130 |
| Total Liabilities | <u>\$ 130</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 130</u> |

Countywide Solid Waste Management Fees

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|----------------------|-------------------------|--------------|--------------|--------------------------|
| Assets | | | | |
| Cash and investments | \$ 43 | \$ -- | \$ -- | \$ 43 |
| Total Assets | <u>\$ 43</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 43</u> |
| Liabilities | | | | |
| Accounts payable | \$ 43 | \$ -- | \$ -- | \$ 43 |
| Total Liabilities | <u>\$ 43</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 43</u> |

RSS Balancing Fund

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|----------------------|-------------------------|--------------|--------------|--------------------------|
| Assets | | | | |
| Cash and investments | \$ 239,039 | \$ -- | \$ -- | \$ 239,039 |
| Total Assets | <u>\$ 239,039</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 239,039</u> |
| Liabilities | | | | |
| Due to ratepayers | \$ 239,039 | \$ -- | \$ -- | \$ 239,039 |
| Total Liabilities | <u>\$ 239,039</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 239,039</u> |

Total of All Agency Funds

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|----------------------|-------------------------|--------------|--------------|--------------------------|
| Assets | | | | |
| Cash and investments | \$ 239,212 | \$ -- | \$ -- | \$ 239,212 |
| Total Assets | <u>\$ 239,212</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 239,212</u> |
| Liabilities | | | | |
| Agency obligations | \$ 239,212 | \$ -- | \$ -- | \$ 239,212 |
| Total Liabilities | <u>\$ 239,212</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 239,212</u> |



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
West Contra Costa Integrated Waste Management Authority
San Pablo, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Contra Costa Integrated Waste Management Authority (Authority), as of and for the fiscal year ended June 30, 2016 which collectively comprise the West Contra Costa Integrated Waste Management Authority's basic financial statements, and have issued our report thereon dated September 6, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the West Contra Costa Integrated Waste Management Authority's internal control over financial reporting.

A deficiency internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all weaknesses in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings and responses as item 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Contra Costa Integrated Waste Management Authority financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or in compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Roseville, California
September 6, 2017

**WEST CONTRA COSTA
INTEGRATED WASTE MANAGEMENT AUTHORITY**

Summary Schedule of Audit Findings and Responses

For the Year Ended June 30, 2016

Finding 2016-001

Criteria:

Accounting principles generally accepted in the United States of America (GAAP) state that all assets eligible to be capitalized should be included in capital assets on the statement of net position in the period in which the asset is purchased, and depreciated in accordance with the Authority's capital asset policy.

Condition:

During the audit, the Authority brought to our attention that two storage containers, one purchased in 2013, and one purchased in 2014, had been expensed at the time of purchase, and had not been added to the Authority's capital asset listing, and therefore had not been properly capitalized.

Cause:

The individual who had been tasked with tracking capital assets resigned during the year ended June 30, 2014, and as a result the inventory of all capital assets acquired during the year ended June 30, 2014 did not occur.

Effect:

Capital assets and net position were understated in prior year financial statements by \$38,548. As a result, prior period adjustments were made to recognize \$44,404 of additional capital assets and (\$5,856) of accumulated depreciation for prior years.

Recommendation:

We recommend that the Authority add a review step in its year-end closing process to ensure that all assets that are eligible to be capitalized are reflected in the capital asset listing and are being properly capitalized.

Management Response:

Melinda Wong was promoted to the position of Manager of Office Administration in February 2015. Stan Hakes was hired as Executive Director in July 2015. Going forward, Ms. Wong and Mr. Hakes will make it a regular practice to review all purchases of more than \$1,000. Supplies, services and maintenance will not be capitalized, but any furniture, computer, piece of equipment or other "fixed" asset which would last one year or longer will be placed on the Capital Assets list.