Financial Statement Audit:
Sonoma County Waste Management Agency
Annual Report

For the Fiscal Year Ended
June 30, 2012

Audit No: 3610
Report Date: January 31, 2013

Audit Manager: Kanchan K. Charan, CPA
Audit Supervisor: Damian Gonshorowski, CPA
Auditor: Ann Hargreaves, CPA
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Sonoma County Waste Management Agency  
Audit Report  

Audit No. 3610  

For the Fiscal Year Ended  
June 30, 2012  

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Members of the Board
Sonoma County Waste Management Agency

Auditor-Controller’s Report

We have audited the accompanying basic financial statements of the Sonoma County Waste Management Agency, (the Agency) as of and for the year ended June 30, 2012, as listed in the table of contents. These basic financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As required by various statutes within the California Government Code, County Auditor-Controller’s are mandated to perform certain accounting, auditing and financial reporting functions. According to the American Institute of Certified Public Accountants (AICPA) these activities necessarily impair auditor independence. Although the office of the Auditor-Controller-Treasurer-Tax Collector (ACTTC) is statutorily obligated to maintain accounts of departments, districts or funds that are contained within the County Treasury, we believe that adequate safeguards and divisions of responsibility exist. The ACTTC’s Internal Audit Division, which has the responsibility to perform audits, has no other responsibility for the accounts and records being audited. This would therefore enable the reader of this report to rely on the information contained herein.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2012 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.
The Management’s Discussion and Analysis (MD&A) on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A. However, we did not audit the information and express no opinion on it.

January 31, 2013
Management’s Discussion and Analysis

As management of the Sonoma County Waste Management Agency (the Agency), we offer readers of Agency’s financial statements this narrative overview and analysis of the financial activities of Agency for the fiscal year ended June 30, 2012. 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, 2012 by $8,120,183 (net assets). All of this amount is unrestricted and may be used to meet the agency’s ongoing obligations to citizens and creditors.

- The Agency’s total net assets increased by $450,022 or 5.86%. This increase is a result of revenues exceeding expenses in the agency activities.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to Agency’s basic financial statements. 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 increased to $8,120,183 during the fiscal year ended June 30, 2012, a change of $450,022 from the fiscal year ended June 30, 2011. The following table summarizes the net position for Agency’s activities:

<table>
<thead>
<tr>
<th>Net Position</th>
<th>2012</th>
<th>2011</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$9,358,024</td>
<td>$8,792,331</td>
<td>565,693</td>
</tr>
<tr>
<td>Liabilities outstanding</td>
<td>1,237,841</td>
<td>1,122,170</td>
<td>115,671</td>
</tr>
<tr>
<td>Net position:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>8,120,183</td>
<td>7,670,161</td>
<td>450,022</td>
</tr>
<tr>
<td>Total net position</td>
<td>$8,120,183</td>
<td>$7,670,161</td>
<td>450,022</td>
</tr>
</tbody>
</table>
Change in Net Assets. Total revenues for the fiscal year ended June 30, 2012 were $6,176,616 compared with expenses of $5,726,594. The following table summarizes the changes in net assets for each year:

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>2012</th>
<th>2011</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal waste management</td>
<td>$6,107,142</td>
<td>$5,553,897</td>
<td>$553,245</td>
</tr>
<tr>
<td>General Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income and other</td>
<td>69,474</td>
<td>48,005</td>
<td>21,469</td>
</tr>
<tr>
<td>Total revenues</td>
<td>6,176,616</td>
<td>5,601,902</td>
<td>574,714</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal waste management</td>
<td>5,726,594</td>
<td>5,318,433</td>
<td>408,161</td>
</tr>
<tr>
<td>Total expenses</td>
<td>5,726,594</td>
<td>5,318,433</td>
<td>408,161</td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>450,022</td>
<td>283,469</td>
<td>166,553</td>
</tr>
<tr>
<td>Net position - beginning of the year</td>
<td>7,670,161</td>
<td>7,386,692</td>
<td>283,469</td>
</tr>
<tr>
<td>Net position - end of the year</td>
<td>$8,120,183</td>
<td>$7,670,161</td>
<td>$450,022</td>
</tr>
</tbody>
</table>

Capital Assets

The Agency has no investment in capital assets, as of June 30, 2012.

Economic Outlook

- The Agency continues to have the goal of stabilizing tipping fees in order to maintain its programs and mitigate effects on the ratepayers. The Agency will set aside reserve funds, when possible, as part of its long-term financial planning.

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  
Enterprise Fund  
June 30, 2012

**Assets**

Current assets:
- Cash and investments $8,996,690
- Accounts receivable 270,141
- Due from Other Governments 91,193

Total assets $9,358,024

**Liabilities**

- Accounts payable 997,012
- Unearned revenue 240,829

Total liabilities 1,237,841

**Net Position**

- Unrestricted 8,120,183

Total net position $8,120,183

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 Fund Net Position  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2012

**Operating Revenues**  
- Tipping fees and surcharges $4,873,336  
- Service agreements 867,406  
- Grants and other contributions 366,400  
  
  Total operating revenues 6,107,142

**Operating Expenses**  
- Contract services 4,376,915  
- Professional services 307,741  
- Administration 678,475  
- Other services and supplies 363,463  
  
  Total operating expenses 5,726,594  
  
  Operating income (loss) 380,548

**Nonoperating Revenues (expenses)**  
- Investment earnings 69,474  
- Change in net position 450,022  
  
  Net position, beginning of year 7,670,161  
  
  Net position, end of year $8,120,183

The notes to the basic financial statements are an integral part of this statement.
### Cash Flows from Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from customers and other funds</td>
<td>$ 6,193,219</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(5,659,376)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$ 533,843</td>
</tr>
</tbody>
</table>

### Cash Flows from Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>69,474</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>69,474</td>
</tr>
</tbody>
</table>

Net increase in cash and cash equivalents: 603,317

Cash and cash equivalents, beginning of year: 8,393,373

Cash and cash equivalents, end of year: 8,996,690

### Reconciliation of operating income to net cash provided by operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$ 380,548</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net cash provided by operating activities:</td>
<td></td>
</tr>
<tr>
<td>Increase in accounts receivable</td>
<td>(18,469)</td>
</tr>
<tr>
<td>Decrease in due from other governments</td>
<td>56,093</td>
</tr>
<tr>
<td>Increase in accounts payable</td>
<td>67,218</td>
</tr>
<tr>
<td>Increase in unearned revenue</td>
<td>48,453</td>
</tr>
<tr>
<td><strong>Total adjustments</strong></td>
<td>153,295</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities: $ 533,843

The notes to the basic financial statements are an integral part of this statement.
Notes to the
Basic Financial Statements
Summary of Significant Accounting Policies

I. Summary of Significant Accounting Policies

A. Definition of Reporting Entity

The Sonoma County Waste Management Agency (the Agency) was formed in April 1992 to assist the cities and County with the implementation of programs necessary to satisfy the requirements of AB939, 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 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 this report, no new laws requiring waste reduction beyond 50% have been enacted.

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 ten board members, with one member from each city (9) and one with the County. The Agency has a Executive Director and the 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.

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 to and do not present fairly the financial position of the County of Sonoma as of June 30, 2012 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 assets. 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 has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board or any Accounting Research Bulletins issued on or before November 20 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The Agency’s Enterprise Fund financial statements report business-type activities financed in whole or in part by fees charges 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 assets. 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 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.

C. Accounting System Maintained by Sonoma County Financial Accounting and Management Information System (FAMIS)

The Agency uses the County’s FAMIS 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 Department, 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 organics 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 June 1, 2010.

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 Equity

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 receivable or accounts payable.

3. Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the statement of net assets. 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. 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 - invested in capital asset (net of related debt), restricted and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt (if any) - This component of net assets 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 assets (if any) - This component of net assets consists of net assets with limits on their use that are imposed by outside parties.
- Unrestricted net assets - This component of net assets consists of net assets that are 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.

6. **Unearned Revenue**

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. The GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, establishes guidance for reporting deferred outflows of resources, deferred 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. **Future Pronouncements**

The Agency is currently analyzing its accounting and financial reporting practices to determine the potential impact on the financial statements of the following GASB Statements:

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this statement is to
improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this statement are effective for the Agency’s fiscal year ending June 30, 2013.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this statement are effective for the Agency’s fiscal year ending June 30, 2013.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of this statement are effective for the Agency’s fiscal year ending June 30, 2013.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4. This statement amends the net assets reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this statement are effective for the Agency’s fiscal year ending June 30, 2013.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These determinations are based on the definitions of those elements in Concepts Statement No. 4, *Elements of Financial
Statement. The requirements of this statement are effective for the Agency’s fiscal year ending June 30, 2014.

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 and No. 62. The requirements of this statement are effective for the Agency’s fiscal year ending June 30, 2014.

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25. The objective of this statement is to improve financial reporting by state and local governmental pension plans. The requirements of this statement are effective for the Agency’s fiscal year ending June 30, 2014.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. The objective of this statement is to improve accounting and financial reporting by state and local governmental pensions. The requirements of this statement are effective for the Agency’s fiscal year ending 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. 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. 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 amount of cash at June 30, 2012 is as follows:

<table>
<thead>
<tr>
<th>Cash and investment in County Treasury</th>
<th>Amortized Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$8,996,690</td>
<td>$9,030,079</td>
</tr>
</tbody>
</table>

The Agency’s fair value of the cash investment with the Treasurer is $33,389 greater than the amortized cost of those investments. No adjustment was made for the difference between cost and fair value.

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, Room 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 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, 2012, approximately 18% of the securities in the Treasury pool had maturities of one year or less. Of the remainder, only 3% 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 stated 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 2011 Sonoma County Comprehensive Annual Financial Report.

**B. Accounts receivables**

The Agency partially obtains funding from contracts agreements with composting and recycling entities. The amount receivable from these sources as June 30, 2012 is as follows:
Sonoma County Waste Management Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sonoma Compost</td>
<td>$219,386</td>
</tr>
<tr>
<td>ECS</td>
<td>$37,930</td>
</tr>
<tr>
<td>Battery Systems</td>
<td>$843</td>
</tr>
<tr>
<td>PG&amp;E</td>
<td>$11,982</td>
</tr>
<tr>
<td><strong>Total Accounts Receivables</strong></td>
<td><strong>$270,141</strong></td>
</tr>
</tbody>
</table>

C. Due from other governments

The Agency also obtains funding from agreements with other government entities for programs such as the Used Oil Block Grant the AB939 program. The following table summarizes the amount receivable from these other governments as June 30, 2012:

<table>
<thead>
<tr>
<th>Government</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Petaluma</td>
<td>$29,429</td>
</tr>
<tr>
<td>City of Sonoma</td>
<td>$1,575</td>
</tr>
<tr>
<td>State of California</td>
<td>$60,189</td>
</tr>
<tr>
<td><strong>Total Due from other governments</strong></td>
<td><strong>$91,193</strong></td>
</tr>
</tbody>
</table>

D. Accounts payables

The Agency’s payable has two components: vouchers payables and accounts payables. 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, 2012, the voucher payable balance was $860,391 and the accounts payables balance is detailed below:
Iron Mountain $ 191
Wells Fargo Center for the Arts 100
Town of Windsor 1,740
City of Petaluma 294
Clean Harbours Environment 105,126
Maverick Media LLC 5,454
Richards, Watson & Gershon 11,057
Environmental Science Associates 6,995
R&B Wholesale Distributors, Inc 250
UC CO-OP Extension 5,414
Total Accounts Payables $ 136,621

E. Unearned revenues

In the fiscal year ending June 30, 2012, the Agency participated in two recycling programs grant funded by the State of California: the Oil Payment Program and the Beverage Container Program. The following table summarized the unearned revenue balances:

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Payment Program</td>
<td>$143,276</td>
</tr>
<tr>
<td>Beverage Container Program</td>
<td>97,553</td>
</tr>
<tr>
<td>Total Unearned Revenue</td>
<td>$240,829</td>
</tr>
</tbody>
</table>

III. Other Information

The Sonoma County Waste Management 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. SCWMA is covered through Alliant Insurance Services, Inc for $5,000,000 per occurrence.
As of May 31, 2012, the Agency Board consisted of the following members:

<table>
<thead>
<tr>
<th>Member</th>
<th>Entity</th>
<th>Position</th>
<th>Alternative</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nina Rigor</td>
<td>City of Cloverdale</td>
<td>City Manager</td>
<td>Bob Cox</td>
<td>Mayor</td>
</tr>
<tr>
<td>Susan Harvey</td>
<td>City of Cotati</td>
<td>Mayor</td>
<td>Dianne Thompson</td>
<td>City Manager</td>
</tr>
<tr>
<td>Mike Kim</td>
<td>City of Healdsburg</td>
<td>Public Works Director</td>
<td>Vacant</td>
<td></td>
</tr>
<tr>
<td>Dan St John</td>
<td>City of Petaluma</td>
<td>Public Utilities Director</td>
<td>John Brown</td>
<td>City Manager</td>
</tr>
<tr>
<td>John McArthur</td>
<td>City of Rohnert Park</td>
<td>Public Works Director</td>
<td>Linda Babonis</td>
<td>Economic Development</td>
</tr>
<tr>
<td>Jennifer Phillips</td>
<td>City of Santa Rosa</td>
<td>Assistant City Manager</td>
<td>Dell Tredinnick</td>
<td>Project Development</td>
</tr>
<tr>
<td>Vacant</td>
<td>City of Sebastopol</td>
<td>City Manager</td>
<td>Sue Kelly</td>
<td>Assistant City Manager</td>
</tr>
<tr>
<td>Stephens Barbose</td>
<td>City of Sonoma</td>
<td>Councilmember</td>
<td>Linda Kelly</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Milenka Bates</td>
<td></td>
</tr>
<tr>
<td>Matt Mullan</td>
<td>Town of Windsor</td>
<td>Town Manager</td>
<td>Debora Fudge</td>
<td>Mayor</td>
</tr>
</tbody>
</table>

Meetings are held at the City of Santa Rosa Utilities Department's Sub-regional Water Reclamation System Laguna Plant, 4300 Llano Road, Santa Rosa every third Wednesday of each month at 9:00 A.M.