



**FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sonoma County Waste Management Agency

We have audited the accompanying financial statements of Sonoma County Waste Management Agency (Agency) as of and for the year ended June 30, 2020, which collectively comprise the Agency'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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Maher Accountancy

June 25, 2021

SONOMA COUNTY WASTE MANAGEMENT AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of the Sonoma County Waste Management Agency (the Agency) financial activities for the fiscal year ended June 30, 2020. Please read it along with the Agency's financial statements, which begin on page 6.

FINANCIAL HIGHLIGHTS

The Agency's net position as of June 30, 2020 was \$8,539,251, an increase of \$407,799 over the prior year. Total revenues increased by \$970,026, and total operating expenses increased by \$879,577.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for Sonoma County Waste Management Agency as a whole. The statement of net position and the statement of revenues, expenses and changes in net position provide information about the activities of the Agency as a whole and present a long-term view of its finances.

THE AGENCY AS A WHOLE

One important question asked about the Agency's finances is, "the Agency better or worse off as a result of the year's activities?" The information in the basic financial statements helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the basis of accounting used by most private-sector companies.

The change in *net position* (the difference between total assets and total liabilities) over time is one indicator of whether the Agency's financial health is improving or deteriorating. However, one must consider other nonfinancial factors in making an assessment of the Agency's health, such as changes in the economy and changes in its jurisdiction, etc.

**SONOMA COUNTY WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Changes in the Agency's assets and liabilities were as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (decrease)</u>
Current assets	\$ 9,299,415	\$ 9,653,351	\$ (353,936)
Noncurrent assets	22,551	31,243	(8,692)
Total assets	<u>9,321,966</u>	<u>9,684,594</u>	<u>(362,628)</u>
Current liabilities	<u>782,715</u>	<u>1,553,142</u>	<u>(770,427)</u>
Net position:			
Investment in capital assets	22,551	31,243	(8,692)
Restricted	-	-	-
Unrestricted	<u>8,516,700</u>	<u>8,100,209</u>	<u>416,491</u>
Total net position	<u>\$ 8,539,251</u>	<u>\$ 8,131,452</u>	<u>\$ 407,799</u>

The Agency was able to shorten the time it takes to pay vendors, resulting in a decline of accounts payable as compared to the prior year. Cash balances as of June 2020 were also reduced from the prior year due to the same reason.

Changes in the Agency's revenue, expenses and net position were as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (decrease)</u>
Revenues:			
Operating revenues			
Municipal waste management	\$ 9,229,577	\$ 8,123,564	\$ 1,106,013
Nonoperating revenues			
Investment income	<u>129,504</u>	<u>265,491</u>	<u>(135,987)</u>
Total revenues	<u>9,359,081</u>	<u>8,389,055</u>	<u>970,026</u>
Expenses:			
Operating expenses	<u>8,951,282</u>	<u>8,071,705</u>	<u>879,577</u>
Change in net position	<u>\$ 407,799</u>	<u>\$ 317,350</u>	<u>\$ 90,449</u>

Operating revenue and operating expenses increased primarily from increased waste tonnage collected during the year and a rate increase in April 2019 that was in effect for all of 2019-20. Investment income decreased as a result of declining interest rates.

**SONOMA COUNTY WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

CAPITAL ASSETS

During the fiscal year ended June 30, 2018, we purchased a vehicle at a cost of approximately \$43,000. There were no capital asset additions during fiscal year 2019-20.

ECONOMIC OUTLOOK

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

REQUESTS FOR INFORMATION

This financial report is designed to provide our residents, taxpayers and creditors with a general overview of the Agency's finances and to demonstrate its accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to Sonoma County Waste Management Agency, 2300 County Center Drive Ste. B-100, Santa Rosa, CA 95403.

Respectfully submitted,

Leslie Lukacs

Executive Director

**SONOMA COUNTY WASTE MANAGEMENT AGENCY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 7,866,504
Receivables:	
Tipping and administration fees receivable	1,402,181
Due from State of California	18,109
Other	675
Prepaid expenses	<u>11,946</u>
Total current assets	<u>9,299,415</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>22,551</u>
Total assets	<u><u>9,321,966</u></u>

LIABILITIES

Current liabilities:	
Accounts payable and accrued expenses	518,834
Advances from grantors	<u>263,881</u>
Total current liabilities	<u><u>782,715</u></u>

NET POSITION

Investment in capital assets	22,551
Unrestricted	<u>8,516,700</u>
Total net position	<u><u>\$ 8,539,251</u></u>

The accompanying notes are an integral part of this financial statement.

**SONOMA COUNTY WASTE MANAGEMENT AGENCY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020**

OPERATING REVENUES:	
Tipping and administration fees	\$ 8,903,436
Grants from State of California	309,081
Miscellaneous fees and other revenue	<u>17,060</u>
Total operating revenues	9,229,577
OPERATING EXPENSES:	
Administration	1,020,749
Program services and supplies	7,634,796
Other services and supplies	287,045
Depreciation	<u>8,692</u>
Total operating expenses	<u>8,951,282</u>
Operating income	278,295
NONOPERATING REVENUES:	
Investment income	<u>129,504</u>
CHANGE IN NET POSITION	407,799
Net position at beginning of the year	<u>8,131,452</u>
Net position at end of the year	<u><u>\$ 8,539,251</u></u>

The accompanying notes are an integral part of this financial statement.

**SONOMA COUNTY WASTE MANAGEMENT AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:

Tipping and administration fees	\$ 8,803,996
Grants from State of California	315,437
Miscellaneous fees and other revenue	30,192
Administration expenses	(1,019,289)
Program services and supplies	(8,419,224)
Other services and supplies	<u>(275,016)</u>
Net cash used by operating activities	<u>(563,904)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment income received	<u>129,504</u>
Net increase in cash equivalents	(434,400)
Cash equivalents (Sonoma County pooled investment fund) at beginning of year	<u>8,300,904</u>
Cash equivalents (Sonoma County pooled investment fund) at end of year	<u><u>\$ 7,866,504</u></u>

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 278,295
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation Expense	8,692
(Increase) decrease in receivables	(77,799)
(Increase) decrease in prepaid expenses	(2,665)
Increase (decrease) in accounts payable other liabilities	(768,274)
Increase (decrease) in advances from grantors	<u>(2,153)</u>
Net cash used by operating activities	<u><u>\$ (563,904)</u></u>

**SONOMA COUNTY WASTE MANAGEMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

1. REPORTING ENTITY

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

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

The Agency is governed by a ten-member board of directors, with one member from nine Sonoma County cities and towns and one from the County. The Agency appoints an Executive Director who is employed through an at-will agreement with the County. Additional staffing is provided by the County through a contract with the Agency.

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

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

**SONOMA COUNTY WASTE MANAGEMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

1. REPORTING ENTITY (continued)

The County of Sonoma, through the Integrated Waste Management Division of the Department of Transportation and Public Works, tracks each load of yard and wood waste entering the county disposal system. A tonnage tipping fee is collected to pay for operating costs of the organic program. A surcharge on the solid waste tipping fee entering the county disposal system is used to fund the other programs, such as household hazardous waste, education, diversion, and planning. The Agency reimburses the County for services provided by the County as outlined in a Memorandum of Understanding between the County and the Agency dated September 18, 2007. Staff services include Agency Director, professional staff, secretarial and as requested by the Agency, reasonable and necessary services from other County departments.

2. SUMMARY OF SIGNIFICANCE ACCOUNTING POLICIES

The Agency's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

The Agency's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories – investment in capital assets, restricted, and unrestricted.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

INVESTMENT IN SONOMA COUNTY POOLED INVESTMENT FUND:

For purpose of the statement of cash flows, the Agency has defined cash equivalents to include investments within the Sonoma County Pooled Investment Fund that are not restricted as to use.

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.

**SONOMA COUNTY WASTE MANAGEMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

2. SUMMARY OF SIGNIFICANCE ACCOUNTING POLICIES (continued)

CAPITAL ASSETS AND DEPRECIATION

The Agency's policy is to capitalize furniture and equipment valued over \$500 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of five years.

Net Position Components

Net position is presented in the following components:

- **Investment in capital assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Agency did not have any outstanding borrowings as of June 30, 2020.
- **Restricted net position** (if any) - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of “investment in capital assets” or “restricted”.

Operating and Non-Operating Revenue

Operating revenues include revenue from tipping fees and grants.

Interest income is considered “non-operating revenue.”

Revenue recognition

The Agency's recognizes revenue on the accrual basis. Under this method, revenues are recorded when earned.

**SONOMA COUNTY WASTE MANAGEMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

2. SUMMARY OF SIGNIFICANCE ACCOUNTING POLICIES (continued)

Operating and nonoperating Expenses

Operating expenses include the cost of program services and supplies, administrative expenses and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

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.

3. INVESTMENT IN SONOMA COUNTY POOLED INVESTMENT FUND

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

The fair value of the Agency's cash investment with the Treasurer is \$42,415 more than the amortized cost of those investments. The amount invested in the Sonoma County Pooled Investment Fund at June 30, 2020, is as follows:

Amortized cost:	\$7,824,089
Fair value:	\$7,866,504

**SONOMA COUNTY WASTE MANAGEMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

3. INVESTMENT IN SONOMA COUNTY POOLED INVESTMENT FUND (continued)

Investment Guidelines

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury

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, 2020, approximately 36 percent of the securities in the Treasury pool had maturities of one year or less. Of the remainder, only 1 percent had a maturity of more than five years.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

**SONOMA COUNTY WASTE MANAGEMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

3. INVESTMENT IN SONOMA COUNTY POOLED INVESTMENT FUND (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Treasury Pool's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions:

- The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.
- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

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

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2019-2020 Sonoma County Comprehensive Annual Financial Report.

**SONOMA COUNTY WASTE MANAGEMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

3. INVESTMENT IN SONOMA COUNTY POOLED INVESTMENT FUND (continued)

FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Agency's only investment is in the Sonoma County Pooled Investment Fund and is not required to be categorized under the fair value hierarchy.

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, was as follow:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Cost of depreciable assets in service			
Automobile and trucks	\$ 43,459	\$ -	\$ 43,459
Total	43,459	-	43,459
Less: Accumulated depreciation	(12,216)	(8,692)	(20,908)
Equipment, net	<u>\$ 31,243</u>	<u>\$ (8,692)</u>	<u>\$ 22,551</u>

5. RISK MANAGEMENT

The Agency is exposed to various risks for which the Agency carries insurance with coverage for bodily injury, property damage, personal injury, auto liability, and errors and omissions, and cybersecurity. The Agency is covered through Alliant Insurance Services, Inc. for \$5,000,000 per occurrence.

6. COMMITMENTS

The Agency is obligated under several service agreements that extend beyond the fiscal year ended June 30, 2020, many of which ensure pricing per ton transported or processed.

**SONOMA COUNTY WASTE MANAGEMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

7. RELATED PARTY TRANSACTIONS

Agency staffing, occupancy, and support services are provided by the County of Sonoma, an Agency member. During the year ended June 30, 2020, expenses for these services totaled \$1,122,067.

8. COVID-19

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19’s effect on the Agency’s operational and financial performance will depend on future developments, including the duration, spread, and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Agency’s activities or funding. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material adverse effect on the Agency’s activities, result of operations, financial condition, and cash flows.