



DATE: February 8, 2018

TO: Programs and Administration Committee
Planning Committee/Recycling Board

FROM: Pat Cabrera, Administrative Services Director

BY: Todd High, Financial Services Manager

SUBJECT: Fiscal Year 2016-17 Audit Report

SUMMARY

California state law requires that the Agency issue a complete set of financial statements annually and that an independent firm of certified public accountants audit the financial reports. The Agency's fiscal year (FY) closed on June 30, 2017, at which time Agency staff prepared the financials in conformity with generally accepted accounting principles (GAAP) and the firm of Maze and Associates audited the reports. Staff will present the Audit Report at the February 8, 2018 Programs and Administration Committee meeting.

DISCUSSION

The auditor's responsibility is to express opinions on the financial statements. We are pleased the Agency received an unmodified (clean) audit opinion for FY 2017 from the external auditors. In addition, there were no internal control weaknesses noted.

The Annual audit report for the fiscal year ended June 30, 2017 is attached. The Management's Discussion and Analysis (MD&A) section of the report (pages 5-8) provides an overview of the Agency's financial activities for the year. The report includes a total Agency (WMA, Recycling Board and Energy Council) Statement of Net Position (page 9); total Statement of Revenues, Expenses and Changes in Net Position (page 10); and total Statement of Cash Flows (page 11). On pages 33-38, the report shows the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position by Board and by fund. The two Boards and the Energy Council are distinct legal entities (but function as one Agency); therefore, these statements are of particular importance as they separately outline their respective financial activity for the year.

Revenue and Expenses

The audit report shows total revenues of \$36.0 million. This is a 2.3% increase in revenues compared to the FY 16-17 budget. The increase is due primarily to higher disposal tonnages partially offset by the timing of grant funding on the multiyear Bay-Friendly Water Efficient Landscape externally funded project. Total expenses were \$33.6 million, a 12.5% reduction compared to budgeted expenses. The decrease is attributable primarily to the timing of grant expenses, which are linked to grant funding, and lower costs than those budgeted for the Household Hazardous Waste Program.

Revolving Loan Fund

During the year, the Agency determined there were other commercial financing alternatives available for borrowers and closed the Revolving Loan Fund to new activity. At the end of the fiscal year, the outstanding loan receivable balance was \$156,688. Repayments from outstanding loans totaled \$319,763 and one loan for \$108,255 was written off during the year. The Revolving Loan Fund returned \$1,700,000 of cash to the Market Development Fund.

Net Position

Total net position is the difference between the Agency's assets and deferred outflows and its liabilities and deferred inflows of resources. Deferred Outflows represents a consumption of net assets that applies to a future reporting period/periods (equivalent to a prepaid expense). Deferred Inflows is the acquisition of net assets that applies to a future period/periods (equivalent to deferred revenue). The Agency's total net position was \$50.2 million (Authority's portion \$39.0 million or 77.7%; Recycling Board's \$11.1 million or 22.1% and Energy Council \$120,000 or 0.2%). The total net position is comprised of \$14.2 million for the net investment in capital assets (land, buildings, furnishings and equipment), \$11.4 million is reserved and designated for specific purposes by the Board, \$10.3 million for the Household Hazardous Waste Fund while the remaining \$14.2 million may be used to meet the Agency's ongoing obligations, including outstanding contracts. The Agency's overall net position increased by approximately \$2.3 million or 4.9% compared to FY 15-16.

As indicated above net position is the difference between the Agency's assets and deferred outflows and its liabilities and deferred inflows of resources. Not all assets can be readily converted to cash (i.e. illiquid) such as the investments in capital assets (building, furniture and equipment); the prepayment of Other Post Employment Benefits (OPEB) is an asset but this asset is not available for the Agency to meet its ongoing obligations, neither are the deferred outflows. Conversely, not all liabilities are due within one year, some are long-term liabilities that may be paid off over a long period of time or from specified funds (not operating revenues), such as the net pension liability.

Recognizing these factors and for purposes of determining what portion of the net position (per audit report) is available to supplement the following year's budget, we eliminated the net OPEB asset, deferred outflow/inflows, accrued vacation and the net pension liability to arrive at a new calculated available net position. This new available net position (after making provisions for Board approved reserves and contract commitments) is what we refer to as "projected beginning fund balance 7/1/16" in the FY 16-17 budget. We consider this amount as available because these are additional funds (addition to projected revenues) that may be used to spend on Agency programs and projects.

Implementation of Governmental Accounting Standards Board (GASB) 75-Accounting for OPEB

Since 2008, the Agency has been a participant in the CalPERS California Employers' Retiree Benefit Trust. This prefunding trust fund exists to cover employee "other post-employment benefits" (OPEB) liabilities which in the Agency's case pertains to medical benefits for retirees. The Agency adopted GASB 75 this year which resulted in a Net OPEB Asset of \$364,797 and a small credit to OPEB expense of \$7,958 as a result of investment earnings in the trust exceeding the interest and service cost components of the OPEB liability.

RECOMMENDATION

Staff recommends that the Programs and Administration Committee review and forward the FY 16-17 audit report to the Waste Management Authority Board for acceptance and filing.

Staff recommends that the Recycling Board accept and file the FY 16-17 audit report.

Attachment: Audit Report for the Years ended June 30, 2017 and June 30, 2016.

**ALAMEDA COUNTY
WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND
RECYCLING BOARD AND ENERGY COUNCIL**

**BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

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**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
For The Years Ended June 30, 2017 and 2016**

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ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY
BOARD OF DIRECTORS
JUNE 2017

Dan Kalb, *City of Oakland, **President***
Mike Hannon, *City of Newark, **First Vice President***
Dave Sadoff, *Castro Valley Sanitary District, **Second
Vice President***
Keith Carson, *County of Alameda*
Jim Oddie, *City of Alameda*
Peter Maass, *City of Albany*
Jesse Arreguin, *City of Berkeley*
Don Biddle, *City of Dublin*

Dianne Martinez, *City of Emeryville*
Vinnie Bacon, *City of Fremont*
Sara Lamnin, *City of Hayward*
Robert Carling, *City of Livermore*
Shelia Young, *Oro Loma Sanitary District*
Tim Rood, *City of Piedmont*
Jerry Pentin, *City of Pleasanton*
Deborah Cox, *City of San Leandro*
Lorrin Ellis, *City of Union City*

ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
BOARD OF DIRECTORS
JUNE 2017

Dianne Martinez, *City of Emeryville, **President***
Steve Sherman, *Source Reduction Specialist, **First Vice President***
Jerry Pentin, *City of Pleasanton, **Second Vice President***
Jim Oddie, *City of Alameda*
Peter Maass, *City of Albany*
Tim Rood, *City of Piedmont*
Toni Stein, *Environmental Educator*
John Moore, *Environmental Organization*
Bernie Camara, *Recycling Materials Processing Industry*
Adan Alonzo, *Recycling Programs*
Michael Peltz, *Solid Waste Industry Representative*

ENERGY COUNCIL
BOARD OF DIRECTORS
JUNE 2017

Lorrin Ellis, *City of Union City, **President***
Dianne Martinez, *City of Emeryville, **First Vice President***
Jim Oddie, *City of Alameda, **Second Vice President***
Keith Carson, *County of Alameda*
Peter Maass, *City of Albany*
Jesse Arreguin, *City of Berkeley*
Don Biddle, *City of Dublin*
Vinnie Bacon, *City of Fremont*
Sarah Lamnin, *City of Hayward*
Robert Carling, *City of Livermore*
Mike Hannon, *City of Newark*
Dan Kalb, *City of Oakland*
Tim Rood, *City of Piedmont*
Jerry Pentin, *City of Pleasanton*
Deborah Cox, *City of San Leandro*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Alameda County Waste Management Authority,
Alameda County Source Reduction and Recycling Board
and Energy Council
Oakland, California

Report on Financial Statements

We have audited the accompanying financial statements of the Alameda County Waste Management Authority, Alameda County Source Reduction and Recycling Board and Energy Council (Agency), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, 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 the 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 as to whether the financial statements are free of 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 Agency'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 Agency'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 positions of the Agency as of June 30, 2017 and 2016, and the change in financial positions and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Management early adopted the provisions of the following Governmental Accounting Standards Board Statements, during the year ended June 30, 2017 and required a prior period adjustment to net position as discussed in Note 1H 1I to the financial statements:

Statement No. 75 – Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions

During the fiscal year ended June 30 2017, management adopted the Government Accounting Standards Board Statement No. 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.*

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information 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 this information in accordance with generally accepted auditing standards 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 Agency's basic financial statements as a whole. The Supplemental Information as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplemental 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 January 26, 2018 on our consideration of the Agency'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 the 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 Agency's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
January 26, 2018

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**ALAMEDA COUNTY WASTE MANGEMENT AUTHORITY, ALAMEDA COUNTY SOURCE
REDUCTION AND RECYLING BOARD AND ENERGY COUNCIL (“STOPWASTE”)
MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017**

This section presents management’s analysis of the Alameda County Waste Management Authority’s (the Authority) financial condition and activities as of and for the year ended June 30, 2017. Management’s Discussion and Analysis (MD&A) provides an overview of the Authority which operates as “StopWaste”. To obtain a complete understanding of the Authority’s financial condition, this document should be read in conjunction with the financial statements and the accompanying notes to those financial statements.

ORGANIZATION AND BUSINESS

Alameda County Waste Management Authority operating as StopWaste, is a public agency responsible for reducing waste in Alameda County and is governed by three Boards: The Alameda County Source Reduction Board, the Recycling Board, and the Energy Council. StopWaste helps local governments, businesses, schools and residents with projects and initiatives that increase recycling and reduce waste; develop and expand markets for recycled materials, provide technical and implementation assistance to increase recycling; motivate people to make recycling and waste reduction part of their everyday routines, reduce energy wastes and increase community resilience to climate change.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Authority operates as an Enterprise Fund and presents its financial statements using the full accrual basis of accounting. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when cash is received or paid.

The Authority’s financial reports include three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Statement of Net Position includes information about the Authority’s assets, liabilities, deferred outflows and inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position present the results of the Agency’s operations over the course of the fiscal year and information as to how the net position changed during the year. All of the fiscal year’s revenues and expenses are accounted for in this statement.

The Statement of Cash Flows provides information about the Authority’s cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities. The statement shows what the sources and uses of cash were and what the change in the cash balance was during the fiscal year.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic Financial Statements can be found on pages 9-38 of this report.

Alameda County Waste Management Authority
Table 1 - Statement of Net Position
June 30, 2017

As of June 30,	2017	2016	Change (\$)	Change (%)	2015	Change (\$)	Change (%)
Assets							
Cash and Cash Equivalents	41,777,518	38,287,604	3,489,914	9.1%	36,153,560	2,134,044	5.9%
Other Current Assets	4,478,451	7,308,213	(2,829,762)	-38.7%	3,389,336	3,918,877	115.6%
Capital Assets	14,240,814	14,304,952	(64,138)	-0.4%	14,453,559	(148,607)	-1.0%
Net OPEB Asset	364,797	-	364,797	100.0%	-	-	0.0%
Loans Receivable, non-current	112,865	369,754	(256,889)	-69.5%	304,557	65,197	21.4%
Total Assets	<u>60,974,445</u>	<u>60,270,523</u>	<u>703,922</u>	<u>1.2%</u>	<u>54,301,012</u>	<u>5,969,511</u>	<u>11.0%</u>
Deferred Pension Outflows	2,618,901	2,128,589	490,312	23.0%	640,526	1,488,063	232.3%
Liabilities							
Current Liabilities	7,154,459	8,840,260	(1,685,801)	-19.1%	5,275,576	3,564,684	67.6%
Net Pension Liability	5,260,783	4,631,507	629,276	13.6%	3,501,440	1,130,067	32.3%
Accrued Vacation, non-current	69,942	269,343	(199,401)	-74.0%	285,099	(15,756)	-5.5%
Net OPEB Liability	-	35,266	(35,266)	-100.0%	-	35,266	100.0%
Total Liabilities	<u>12,485,184</u>	<u>13,776,376</u>	<u>(1,291,192)</u>	<u>-9.4%</u>	<u>9,062,115</u>	<u>4,714,261</u>	<u>52.0%</u>
Deferred Pension Inflows	722,285	654,281	68,004	10.4%	1,289,856	(635,575)	-49.3%
Unavailable Revenues	168,533	84,037	84,496	100.5%	17,525	66,512	379.5%
Total Deferred Inflows	<u>890,818</u>	<u>738,318</u>	<u>152,500</u>	<u>20.7%</u>	<u>1,307,381</u>	<u>(569,063)</u>	<u>-43.5%</u>
Unrestricted Reserves	13,860,111	13,127,972	732,139	5.6%	11,117,439	2,010,533	18.1%
Net Investment in Capital Assets	14,240,814	14,304,952	(64,138)	-0.4%	14,453,559	(148,607)	-1.0%
Restricted Reserves	11,418,045	12,865,780	(1,447,735)	-11.3%	14,399,244	(1,533,464)	-10.6%
Household Hazardous Waste Fund	10,333,577	7,585,714	2,747,863	36.2%	4,601,800	2,983,914	64.8%
Net OPEB Asset	364,797	-	364,797	100.0%	-	-	0.0%
Total Net Position	<u>50,217,344</u>	<u>47,884,418</u>	<u>2,332,926</u>	<u>4.9%</u>	<u>44,572,042</u>	<u>3,312,376</u>	<u>7.4%</u>

Cash and Cash Equivalents increased \$3.5 million (9.1%) in 2017 from 2016, this was primarily due to the increased fund balance in the Household Hazardous Waste Fund and increases in the Discretionary, Grants to Non-Profits and Source Reduction Fund Balances due to increased disposal tons. Other current assets decreased \$2.9 million (-38.7%) reflecting the grant activity performed on water conservation measures with Bay Area Water Agencies and the Agency as the administrative lead. Net OPEB asset of \$0.4 million was generated from the current year contributions. Loans receivable decreased \$0.3 million (-69.5%) largely as a result of repayment activity. At June 30, 2017, there is one outstanding loan in the Revolving Loan Fund.

Current liabilities decreased \$1.7 million (-19.1%) in 2017 from 2016, this was primarily attributed to the reduction on amounts due to Bay Area Water Agencies for pass through grant expenditures related to water conservation measures performed during the year funded by the State of California.

Deferred Pension Outflows, Net Pension Liability and Deferred Pension Inflows reflect the Agency's proportionate share of CalPERS' Miscellaneous Risk Pool Pension Liabilities and Assets as of the annual measurement date. These amounts are impacted largely by Investment performance, actuarial assumptions and gains or losses.

Cash and Cash Equivalents increased \$2.1 million (5.9%) in 2016 from 2015, this was primarily due to the increased fund balance in the Household Hazardous Waste Fund. Other current assets increased \$3.9 million (115.6%) reflecting the grant awarded from the State of California to support water conservation measures with Bay Area Water Agencies and the Agency as the administrative lead.

Current liabilities increased \$3.6 million (67.6%) in 2016 from 2015, this was primarily attributed to amounts due to Bay Area Water Agencies for pass through grant expenditures related to water conservation measures performed during the year funded by the State of California.

Alameda County Waste Management Authority
Table 2 - Statement of Revenues, Expenses and Changes in Net Position
June 30, 2017

Period Ended June 30	2017	2016	Change (\$)	Change (%)	2015	Change (\$)	Change (%)
Operating Revenues							
In County Facility Fees	5,056,006	4,370,235	685,771	15.7%	4,514,279	(144,044)	-3.2%
Measure D Municipality Allocation	4,793,312	4,142,273	651,039	15.7%	4,278,353	(136,080)	-3.2%
Other Tonnage Fees	4,793,311	4,142,273	651,038	15.7%	4,278,353	(136,080)	-3.2%
San Francisco Mitigation Fees	-	1,338,995	(1,338,995)	-100.0%	2,366,289	(1,027,294)	-43.4%
Other Counties Mitigation Fees	382,842	302,498	80,344	26.6%	279,203	23,295	8.3%
Out of County Facility Fees	476,915	204,522	272,393	133.2%	274,636	(70,114)	-25.5%
Benchmark Fees	927,963	940,163	(12,200)	-1.3%	966,471	(26,308)	-2.7%
Household Hazardous Waste Fees and Grants	7,716,614	7,785,913	(69,299)	-0.9%	9,230,570	(1,444,657)	-15.7%
Energy Council	6,653,388	9,196,513	(2,543,125)	-27.7%	8,797,720	398,793	4.5%
Externally Funded	4,253,164	320,098	3,933,066	1228.7%	404,644	(84,546)	-20.9%
Other Fees and Revenue	102,067	253,259	(151,192)	-59.7%	66,529	186,730	280.7%
Non-operating Revenues							
Rents and Royalties	530,630	434,641	95,989	22.1%	741,785	(307,144)	-41.4%
Interest Income	264,958	189,177	75,781	40.1%	129,321	59,856	46.3%
Total Revenues	35,951,170	33,620,560	2,330,610	6.9%	36,328,153	(2,707,594)	-7.5%
Operating Expenses							
Salaries and Benefits	7,081,369	6,232,177	849,192	13.6%	6,479,417	(247,240)	-3.8%
Program Expenses	26,172,889	23,596,811	2,576,078	10.9%	23,899,072	(302,261)	-1.3%
Legal and Accounting	148,330	247,917	(99,587)	-40.2%	157,922	89,995	57.0%
Board Expenses	53,850	51,735	2,115	4.1%	47,437	4,298	9.1%
Depreciation Expense	161,806	159,002	2,804	1.8%	160,070	(1,068)	-0.7%
Total Expenses	33,618,244	30,287,643	3,330,602	10.8%	30,743,918	(456,275)	-1.5%
Change in Net Position	2,332,926	3,332,917	(999,991)	-30.0%	5,584,235	(2,251,318)	-40.3%
Net Position - Beginning, as reported	47,884,418	44,572,042	3,312,376	7.4%	41,219,475	3,352,567	8.1%
Prior Period Adjustment - GASB 75 OPEB	-	(20,541)	20,541	-100.0%	(2,231,668)	2,211,127	-100.0%
Net Position - Beginning, as adjusted	\$ 47,884,418	\$ 44,551,501	\$ 3,332,917	7.5%	\$ 38,987,807	\$ 3,312,376	8.5%
Net Position - Ending	\$ 50,217,344	\$ 47,884,418	\$ 2,332,926	4.9%	\$ 44,572,042	\$ 3,312,376	7.4%

Total revenues increased \$2.3 million (6.9%) in 2017 from 2016, this was primarily due to a increase of approximately 158,200 tons for reporting Facilities. Out of County Facility Fees increased for tonnages taken out of the County of Alameda during calendar 2015 that were settled in fiscal year 2017 as well as higher tonnages from facilities and haulers which self-report and remit to the Authority. There were no San Francisco Mitigation fees in fiscal 2017, as in January 2016 the contractual limitation was reached in the Waste Disposal Agreement between Recology San Francisco (f/k/a Sanitary Fill Company) and Waste Management's Altamont Landfill. Based on an RFP process, the Hay Road Landfill in Solano County was the successful proposer to accept future MSW from San Francisco. Externally funded projects increased \$4.2 million from a multiyear round of funding for water conservation measures with Bay Area Water Agencies and the Agency as the administrative lead. Energy Council's revenues decreased \$2.5 million representing a normalized annual funding level of approximately \$7.0 million.

Total expenses increased \$3.3 million (10.8%) in 2017 from 2016, this was primarily due to \$3.9 million of pass through grant expenditures to Bay Area Water Agencies for water conservation measures funded by the State of California. This increase was partially offset by lower grants and professional services incurred by the Energy Council program reflecting the current funding level. Salaries and benefits increased due to annual wage increases, an accrual for the former Executive Director's medical costs and increased medical premiums. Also, in 2016 the Agency withdrew amounts from the CERBT fund for cost of retiree premiums which lowered the reported expenses by \$0.1 million.

Total revenues decreased \$2.7 million (-7.5%) in 2016 from 2015. Household Hazardous Waste Fees decreased \$1.4 million as fiscal 2015 included a one-time fund balance transfer when the Authority took over as the fiscal agent effective July 1, 2014. San Francisco Mitigation fees decreased \$1.0 million, as in January 2016 the contractual limitation was reached in the Waste Disposal Agreement between Recology San Francisco (f/k/a Sanitary Fill Company) and Waste Management's Altamont Landfill. The remaining decrease was due to a moderate reduction in tonnage at reporting Facilities in the County of Alameda.

Request for information

The Authority's financial statements are designed to provide a general overview of the Authority's finances and to show the Authority's accountability of the resources it receives and expends. If you have questions about this report, or need additional information, contact the Administrative Services Director or Financial Services Manager at the Alameda County Waste Management Authority, operating as StopWaste, 1537 Webster Street, Oakland CA 94612.

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
STATEMENT OF NET POSITION
JUNE 30, 2017 AND 2016

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents (Note 2)	\$41,777,518	\$38,287,604
Accounts receivable	2,696,088	2,251,863
Interest receivable	82,592	12,985
Grants receivable	1,639,733	4,831,024
Prepaid expense	18,826	-
Loans receivable - current (Note 3)	41,212	212,341
Total current assets	46,255,969	45,595,817
Noncurrent Assets		
Capital Assets - net of accumulated depreciation (Note 4)	14,240,814	14,304,952
Loans receivable - non-current (Note 3)	112,865	369,754
Net OPEB asset (Note 9)	364,797	-
Total noncurrent assets	14,718,476	14,674,706
Total Assets	60,974,445	60,270,523
DEFERRED OUTFLOWS OF RESOURCES		
Related to pension (Note 8)	2,618,901	2,128,589
LIABILITIES		
Current Liabilities		
Accounts payable	5,173,762	7,360,394
Accrued expenses	319,385	289,621
Accrued vacation (Note 6)	276,559	63,114
Due to other governmental agencies (Note 5)	1,262,974	1,046,688
Unearned revenue	121,779	80,443
Total current liabilities	7,154,459	8,840,260
Noncurrent liabilities		
Net pension liability (Note 8)	5,260,783	4,631,507
Net OPEB liability (Note 9C)	-	35,266
Accrued vacation (Note 6)	69,942	269,343
Total noncurrent liabilities	5,330,725	4,936,116
Total Liabilities	12,485,184	13,776,376
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	168,533	84,037
Related to pension (Note 8)	722,285	654,281
Total Deferred Inflows of Resources	890,818	738,318
NET POSITION (Note 7)		
Net investment in capital assets	14,240,814	14,304,952
Unrestricted	35,976,530	33,579,466
Total Net Position	\$50,217,344	\$47,884,418

See accompanying notes to financial statements

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Disposal and waste import mitigation fees	\$15,543,134	\$14,518,653
Household hazardous waste fees	7,496,640	7,627,800
Benchmark fees	927,963	940,161
Other	886,743	928,091
	<u>24,854,480</u>	<u>24,014,705</u>
OPERATING EXPENSES		
Salaries and benefits	7,081,369	6,232,177
Program expenses	26,172,889	23,596,811
Legal and accounting	148,330	247,917
Board expenses	53,850	51,735
Depreciation (Note 4)	161,806	159,002
	<u>33,618,244</u>	<u>30,287,642</u>
OPERATING LOSS	<u>(8,763,764)</u>	<u>(6,272,937)</u>
NON-OPERATING REVENUE		
Grants	10,781,732	9,386,969
Interest income	264,958	173,885
Other income	50,000	45,000
	<u>11,096,690</u>	<u>9,605,854</u>
CHANGE IN NET POSITION	2,332,926	3,332,917
Net position, beginning of year	<u>47,884,418</u>	<u>46,803,710</u>
Prior period adjustment (Note 11)	<u>-</u>	<u>(2,252,209)</u>
Net position, end of year	<u><u>\$50,217,344</u></u>	<u><u>\$47,884,418</u></u>

See accompanying notes to financial statements

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$24,819,447	\$24,083,335
Cash payments to suppliers	(28,646,338)	(20,237,870)
Cash payments to employees for wages and benefits	<u>(6,860,357)</u>	<u>(7,219,571)</u>
Net cash provided by (used for) operating activities	<u>(10,687,248)</u>	<u>(3,374,106)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants	<u>14,023,023</u>	<u>5,315,572</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(97,668)	(10,395)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>251,807</u>	<u>202,973</u>
Net change in cash and cash equivalents	3,489,914	2,134,044
Cash and cash equivalents at beginning of year	<u>38,287,604</u>	<u>36,153,560</u>
Cash and cash equivalents at end of year	<u><u>\$41,777,518</u></u>	<u><u>\$38,287,604</u></u>
Reconciliation of operating loss to net cash provided by (used for)		
Operating activities:		
Operating loss	(\$8,763,764)	(\$6,272,937)
Adjustments to reconcile operating loss to		
Depreciation	161,806	159,002
(Increase) decrease in accounts receivable	(444,225)	282,996
(Increase) decrease in loans receivable	428,018	(214,366)
(Increase) decrease in prepaid expense	(18,826)	-
(Increase) decrease in OPEB asset	(400,063)	14,725
Increase (decrease) in accounts payable	(2,327,584)	3,466,361
Increase (decrease) in accrued expenses	29,764	72,005
Increase (decrease) in amounts due to other governments	216,286	(20,970)
Increase (decrease) in unearned revenue	125,832	59,960
Increase (decrease) in accrued vacation	14,044	(28,428)
Increase (decrease) in unavailable revenues	84,496	66,512
Increase (decrease) net pension liability, deferred inflows and deferred outflows	<u>206,968</u>	<u>(958,966)</u>
Net cash provided by (used for) operating activities	<u><u>(\$10,687,248)</u></u>	<u><u>(\$3,374,106)</u></u>

See accompanying notes to financial statements

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES

A. *Description of the Agency and its Programs*

Alameda County Waste Management Authority, Alameda County Source Reduction and Recycling Board and Energy Council are three separate legal entities:

The Alameda County Waste Management Authority (Agency) is a public agency formed in 1976 by a Joint Exercise of Powers Agreement among the County of Alameda, each of the fourteen cities within the county, and two sanitary districts that provide refuse and recycling collection services. The Agency has a seventeen-member board composed of elected officials appointed by each member agency.

The Agency is responsible for preparation of the Alameda County Integrated Waste Management Plan and Alameda County Hazardous Waste Management Plan. It manages a long-range program for development of solid waste facilities and offers a wide variety of other programs in the areas of source reduction and recycling, market development, technical assistance and public education. Funding is provided by per ton disposal and waste import mitigation fees.

The Alameda County Source Reduction and Recycling Board (Recycling Board) was created in 1990 by the voters of Alameda County through a ballot initiative, “Measure D”. The eleven-member board includes six citizen experts appointed by the Alameda County Board of Supervisors and five elected officials from the Alameda County Waste Management Authority.

The Recycling Board is responsible for programs that promote source reduction, residential and commercial recycling, recycled product procurement and market development. Program funding is provided from a per ton disposal surcharge at the Altamont and Vasco Road landfills.

The Energy Council was formed in Spring 2013 as a Joint Powers Agency to seek funding on behalf of its member agencies to develop and implement programs and policies that reduce energy demand, increase energy efficiency, advance the use of clean, efficient and renewable resources, and help create climate resilient communities. The Energy Council will assist its members in strengthening staff capacity, providing technical expertise, and securing funds to implement local sustainable energy strategies. To date, fifteen members serve on the Board. Funding for projects comes from external sources, mainly grants.

B. *Basis of Presentation*

The Agency’s Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

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NOTE 1 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Basis of Accounting*

Enterprise fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

Enterprise funds are accounted for using “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows of resources, and liabilities and deferred inflow of resources, (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total 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.

Operating revenues are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

D. *Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability. Generally, earned vacation may be accumulated up to a maximum of 400 hours by all personnel. Agency employees do not receive compensation for accumulated sick leave unless they retire, in which case they have the option of cashing out half of their sick leave or converting sick leave to service credit. To date all eligible employees have chosen the latter option. Accordingly, no sick leave has been accrued.

E. *Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

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NOTE 1 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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 expenses during the reporting period. Actual results could differ from those estimates.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, 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) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, 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 Agency has only one item that qualifies for reporting in this category.

H. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2017:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB Statement No. 74) establishes new accounting and financial reporting requirements for OPEB plans, as well as for certain nonemployer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB Statement No. 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. This statement did not have a significant impact to the Agency's financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). The Statement replaces the requirements of Statements No. 45 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. See note 11 below and Note 9 for additional information

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NOTE 1 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73, to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement did not have a significant impact to the Agency’s financial statements.

I. Prior Period Adjustment

As a result of the early implementation of GASB Statement 75, the Agency made an adjustment of \$2,252,209 to the July 1, 2015 beginning net position. See Note 9 for additional information.

NOTE 2 - CASH AND INVESTMENTS

The Agency invests in investment pools. The Agency carries its investments at fair market value, as required by generally accepted accounting principles. Cash and investments at June 30, consist of the following:

	2017	2016
Cash on hand and in banks	\$716,594	\$132,270
Investment pool	41,060,924	38,155,334
Total cash and cash equivalents	\$41,777,518	\$38,287,604

A. Authorized Investments

The Agency is authorized to invest in the instruments, in the table below, which also identifies certain provisions of the California Government Code or the Agency’s investment policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Alameda County Investment Pool	N/A	None	None

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NOTE 2 - CASH AND INVESTMENTS (Continued)

B. 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 Agency's investments to market interest rate fluctuations is provided by the following table, which shows the distribution of the Agency's investments by maturity as of June 30:

Authorized Investment Type	2017	2016
	Remaining Maturity (in Months) 12 Months or less	Remaining Maturity (in Months) 12 Months or less
Alameda County Investment Pool	\$41,060,924	\$23,489,349
Local Agency Investment Fund (LAIF)	-	14,665,985
Total	\$41,060,924	\$38,155,334

The Agency is considered to be a voluntary participant in the Alameda County Investment Pool, an external investment pool. The fair value of the Agency's investment in the pool is reported in the financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

C. Fair Value Hierarchy

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. 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.

As of June 30, 2017 and 2016, there were no investments that were subject to the Fair Value Hierarchy.

D. Credit Risk

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 State and County investment pools are not rated.

E. Concentration of Credit Risk

Investments in any one issuer (other than U. S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total investments. As of June 30, 2017, there were no investments that represent 5% or more of the total Agency investments.

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NOTE 2 - CASH AND INVESTMENTS (Continued)

F. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency 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. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of the Agency's cash on deposit. All of the Agency's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the Agency's name.

NOTE 3 – LOANS RECEIVABLE

The Agency has loaned funds to businesses in order to improve their recycling and waste management programs. The Revolving Loan Fund was designed to encourage businesses to reduce the amount of waste going to Alameda County landfills by providing low interest loans for source reduction, recycling, composting, processing or recycled market development efforts. Loan funds were available to existing and startup businesses with projects that reduce waste disposed in Alameda County landfills. To be eligible, businesses must be located in Alameda or an adjacent county or be relocating to Alameda County. Loans were available from \$10,000 to \$300,000 with interest rates ranging from Wall Street Journal (WSJ) prime to prime plus 6%. Loan terms do not exceed 5 years. As of June 30, 2017 and 2016, outstanding loans totaled \$154,077 and \$582,095, respectively. The scheduled maturity date of the remaining outstanding loan is January 2021.

NOTE 4 – CAPITAL ASSETS

Capital assets are stated at cost less accumulated depreciation, which is provided on the straight-line basis over the estimated useful lives of the respective assets. The estimated useful lives of the assets and capitalization thresholds are listed below:

Asset Type	Asset Life	Capitalization Thresholds
Building and improvements	25 to 50 years	\$5,000
Vehicles, furniture, and equipment	5 to 10 years	\$5,000

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NOTE 4 – CAPITAL ASSETS (Continued)

The Agency's capital assets at June 30, 2017 consist of:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$9,230,922	-	-	\$9,230,922
Total	9,230,922	-	-	9,230,922
Capital assets being depreciated:				
Buildings and improvements	6,278,660			6,278,660
Furniture and equipment	263,727	\$97,668	(\$59,702)	301,693
Total	6,542,387	97,668	(59,702)	6,580,353
Less accumulated depreciation for:				
Building	(1,234,169)	(132,059)		(1,366,228)
Furniture and equipment	(234,188)	(29,747)	59,702	(204,233)
Total	(1,468,357)	(161,806)	59,702	(1,570,461)
Total capital assets being depreciated, net	5,074,030	(64,138)	-	5,009,892
Total capital assets, net	\$14,304,952	(\$64,138)	-	\$14,240,814

NOTE 5 – DUE TO OTHER GOVERNMENTAL AGENCIES

The Agency provides direct funding to member agencies through the mandated allocation of funds to municipalities. Measure D requires the Agency to disburse 50% of Measure D fees on a per capita basis to municipalities for the continuation and expansion of municipal recycling programs. On June 30, 2017 and 2016, \$1,262,974 and \$1,046,688, respectively, represented the last quarter of Measure D fees that had not yet been remitted.

NOTE 6 – LONG-TERM LIABILITIES

A summary of long-term liability activities for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Additions	Reductions	Ending June 30, 2017	Due within One Year
Accrued vacation	\$332,457	\$304,493	(\$290,449)	\$346,501	\$276,559

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NOTE 7 – NET POSITION

A. Net Position

Net Position is the excess of all the Agency's assets and deferred outflows over all its liabilities, and deferred inflows regardless of fund. Net Position are divided into three captions defined below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets and related deferred inflows.

Restricted describes the portion of Net Position which is restricted to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter.

Unrestricted describes the portion of Net Position which is not restricted to use.

NOTE 8 - PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent, limited term and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a risk pool. Plan assets may be used to pay benefits for any employer rate plan of the pool. Accordingly, rate plans within the pool are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the risk pool. The Agency sponsors two rate plans (miscellaneous classic and miscellaneous PEPRAs). Benefit provisions under the Plan are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

B. 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 rate plan are applied as specified by the Public Employees' Retirement Law.

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NOTE 8 - PENSION PLAN (Continued)

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Miscellaneous</u>	<u>PEPRA</u>
	Prior to January 1, 2013	After January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	10.07%	6.56%

Starting in fiscal year 2016, the required employer contribution rate was separated into an Employer Normal Cost Rate and a fixed dollar payment of the unfunded liability. For fiscal year 2017, the required employer payment of the unfunded liability was \$190,048.

- C. 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 Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Agency's contributions recognized as part of pension expense for the year ended June 30, 2017 were \$560,386.

- D. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2017, the Agency reported net pension liabilities for its proportionate shares of the net pension liability for the Plan as follows:

	<u>2017</u>	<u>2016</u>
	Proportionate Share of Net Pension Liability	Proportionate Share of Net Pension Liability
Miscellaneous	\$5,260,783	\$4,631,507

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NOTE 8 - PENSION PLAN (Continued)

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2015	0.067476%
Proportion - June 30, 2016	<u>0.151438%</u>
Change - Increase (Decrease)	<u><u>0.083962%</u></u>

For the year ended June 30, 2017, the Agency recognized pension expense of \$168,848. At June 30, 2017, the Agency 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	\$600,645	-
Differences between actual and expected experience	21,410	\$4,906
Changes in assumptions	-	202,563
Difference in proportion	422,939	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	519,632	514,816
Net differences between projected and actual earnings on plan investments	<u>1,054,275</u>	<u>-</u>
Total	<u><u>\$2,618,901</u></u>	<u><u>\$722,285</u></u>

\$600,645 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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>	<u>Annual Amortization</u>
2018	\$301,667
2019	274,021
2020	447,213
2021	273,070

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NOTE 8 - PENSION PLAN (Continued)

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

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% - 12.2% (1)
Investment Rate of Return	7.65% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation, and net of administrative expenses in 2014.

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

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NOTE 8 - PENSION PLAN (Continued)

F. 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% 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% 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 under the GASB 68 section.

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.

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.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

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NOTE 8 - PENSION PLAN (Continued)

G. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Agency’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Agency’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>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$8,420,458
Current Discount Rate	7.65%
Net Pension Liability	\$5,260,783
1% Increase	8.65%
Net Pension Liability	\$2,649,468

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

At June 30, 2017, the Agency reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

A. Net Other Post-Employment Benefits (OPEB) Liability

At June 30, 2017, net OPEB asset/(liability) was \$364,797.

B. Post-Employment Health Care Benefits

Description

The Agency participates in the CALPERS sponsored health care plan for its employees and long-service retirees and/or their dependents. In addition, the Agency sponsors and administers dental and vision coverage for its employees and/or their dependents.

The Agency provides post-retirement health care defined benefits to eligible retirees. Prior to January 1, 2007, eligible employees retiring at or after age 50 with a minimum of 5 years of service credit, may opt to continue health care coverage, including spouse and dependents, with a monthly premium paid by the Agency. Vesting requirements have been implemented for employees hired after January 1, 2007.

The Agency has elected to set up a trust fund with the California Employers’ Retiree Benefit Trust (CERBT) to fund their plan. The Agency does not have a stand-alone financial statement to their plan. Financial activity of the plan will be included as part of the CERBT’s financial statements available through their executive office.

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NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The Plan provisions and benefits in effect at June 30, 2017 are summarized as follows:

	HIRED BEFORE 1/1/2007	HIRED ON OR AFTER 1/1/2007
Full Retirement Benefit		
Eligibility Age	50	50 (52 if hired after 2012)
Service Required	5 years	20 years
Benefit Amount	Payment of any PERS premium for retiree and eligible dependents.	Payment of PERS premium for retiree and eligible dependents to limits under Section 22893. In 2017, caps are \$707 for 1-party, \$1,349 for 2-party, and \$1,727 for family.
Benefits End	Paid for life	Paid for life
Partial Retirement Benefit		
Eligibility Age		50 (52 if hired after 2012)
Service Required		10-19 years
Benefit Amount	Not Applicable	Full benefit times vested percentage of 50% to 95%
Benefits End		Paid for life
PERS Minimum Benefit		
Eligibility Age		50 (52 if hired after 2012)
Service Required		5 years in PERS
Benefit Amount	Not Applicable	\$125 in 2016, \$128 in 2017, and indexed to the medical component of the Consumer Price Index thereafter.
Benefits End		Paid for life
Post-Retirement Death Benefit	Payment of premium for eligible dependents for life of spouse or, while eligible, for children.	Payment of premium for eligible dependents for life of spouse or, while eligible, for children.
Pre-Retirement Death Benefit	PERS minimum to surviving spouse only if that spouse receives continuation of PERS pension as form of annuity.	PERS minimum to surviving spouse only if that spouse receives continuation of PERS pension as form of annuity.
Disability Benefit	Same as Full Retirement Benefit shown above, at any age, as long as service requirement is met.	Same as Full Retirement Benefit shown above, at any age, as long as service requirement is met.

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NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Membership in the plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Active plan members	36
Inactive employees or beneficiaries currently receiving benefit payments	16
Inactive employees entitled to but not yet receiving benefit payments	-
Total	52

Funding Policy and Actuarial Assumptions

During the fiscal year ended June 30, 2017, the Agency early implemented GASB 75, "Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions". This Statement replaces the requirements of Statement No. 45 and establishes new accounting and financial reporting requirements for OPEB plans. As a result, the funding policy and actuarial assumptions presented include elements of both the historical approach and the revised approach under GASB 75.

Under GASB 45, the Agency's funding policy requires a minimum annual contribution equivalent to the annual required contribution (ARC). Under GASB 75, this changes to an actuarial determined contribution which is made up of additional components including deferred outflows of resources and deferred inflows of resources.

The ARC was determined as part of a June 30, 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7% investment rate of return, (b) 2.75% of general inflation increase, and (c) 4% healthcare trend. In addition, the fixed dollar benefit amounts are assumed to be held flat in the future and the premium related benefits are assumed to increase with the healthcare trend rate.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Agency and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the Agency and plan members at that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biennially as results are compared to past expectations and new estimates are made about the future. The Agency's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 22-year period for June 30, 2016 in its June 30, 2015 actuarial valuation.

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NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2015.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Large Cap	43%	7.80%
US Small Cap	23%	7.80%
Long-Term Corporate Bonds	12%	5.30%
Long-Term Government Bonds	6%	4.50%
Treasury Inflation Protected Securities (TIPS)	5%	7.80%
US Real Estate	8%	7.80%
All Commodities	3%	7.80%
 Total	 <u>100%</u>	
 Assumed Long-Term Rate of Inflation		 2.75%
Assumed Long-Term Investment Expenses		n/a
Expected Long-Term Net Rate of Return		7.00%
Discount Rate		7.00%

The Expected Long-Term Rate of Return is assumed by looking at rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. The average returns for any asset class doesn't necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using the strategy to achieve the expected return.

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NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

C. Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2016 (Valuation Date)	\$4,073,318	\$4,038,052	\$35,266
Changes Recognized for the Measurement Period:			
Service Cost	119,965	-	119,965
Interest on the total OPEB liability	284,652	-	284,652
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions from the employer	-	392,105	(392,105)
Net investment income	-	416,097	(416,097)
Administrative expenses	-	(3,522)	3,522
Benefit payments and refunds	(130,383)	(130,383)	-
Net Changes during July 1, 2016 to June 30, 2017	274,234	674,297	(400,063)
Balance at June 30, 2017 (Measurement Date)	<u>\$4,347,552</u>	<u>\$4,712,349</u>	<u>(\$364,797)</u>

D. Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate +1% (8.00%)
<u>\$199,462</u>	<u>(\$364,797)</u>	<u>(\$832,917)</u>

E. Sensitivity of the net OPEB liability to changes in the health care cost trend rates

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1%	Healthcare Cost Trend Rates	Discount Rate +1%
<u>(\$837,473)</u>	<u>(\$364,797)</u>	<u>\$186,441</u>

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report.

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NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

Components of OPEB Expense for fiscal year 2016-2017 were as follows:

Service Cost	\$119,965
Interest on Total OPEB Liability (TOL)	284,652
Employee contributions	-
Recognized Actuarial Gains/Losses	-
Recognized Assumption Changes	-
Actual Investment Income	(416,097)
Recognized Investment Gains/Losses	-
Contributions After Measurement Date	-
Liability Change Due to Benefit Changes	-
Administrative Expense	3,522
	OPEB Expense
	(\$7,958)

The Agency did not have any deferred inflows/outflows in the first year of implementation. Under GASB 74 and 75, OPEB expense includes service cost, interest cost, change in total OPEB liability due to plan changes; all adjusted for deferred inflows and outflows. Alameda County Waste Management Authority determined that it was not reasonable to rerun prior valuations under GASB 75, therefore, the Agency used the transition approach provided in GASB 75, Paragraph 244.

The table below provides a summary of the key results during this reporting period.

Summary of Results		
Description	Measurement Date June 30, 2017	Measurement Date June 30, 2016
Net OPEB Liability (Asset)	(\$364,797)	\$35,266
Deferred Inflows		
Deferred Outflows		
Impact on Net Position before deferred contributions	(364,797)	35,266
Additional Deferred Outflows - Contributions subsequent to measurement date		
Impact on Statement of Net Position	(364,797)	35,266
OPEB Expense (\$ Amount)	(7,958)	138,525
Covered Payroll (\$ Amount)	4,652,096	4,638,785

Actuarial data is comprised from a variety of complex inputs. It is therefore subject to change between measurement dates.

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
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NOTE 10 – RISK MANAGEMENT

The Agency carries commercial insurance coverage for its general liability, property damage, and workers' compensation insurance. The Agency also carries public officials and employee liability insurance, as well as employee dishonesty and forgery/alteration insurance, for those employees who have check signing authority, as well as those employees who handle funds in any manner.

The following types of loss risks are covered through commercial insurance policies as follows:

Type of Coverage (Deductible)	Coverage Limits
General Liability (\$1,000)	\$2,000,000
Property (\$1,000)	\$350,000,000
Boiler and Machinery (\$2,500)	\$25,000,000
Workers' Compensation (\$1,000)	Statutory Limit

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Agency's Federal and State grant programs are subject to the provisions of the Federal Single Audit Act as amended and applicable State requirements. In addition, these programs are still subject to further examinations by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Agency expects such amounts, if any, to be immaterial.

The Agency is subject to litigation arising in the normal course of business. In the opinion of the Agency attorney's there are no pending litigation which is likely to have a material adverse effect on the financial position of the Agency.

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
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REQUIRED SUPPLEMENTAL INFORMATION
For The Year Ended June 30, 2017**

**Schedule of the Plan's Proportionate Share of
the Net Pension Liability
and Related Ratios as of the Measurement Date
Last 10 Years***

	Miscellaneous <u>6/30/2016</u>	Miscellaneous <u>6/30/2015</u>	Miscellaneous <u>6/30/2014</u>
Plan's proportion of the Net Pension Liability (Asset)	0.151438%	0.067476%	0.056271%
Plan's proportion share of the Net Pension Liability (Asset)	\$5,260,783	\$4,631,507	\$3,501,440
Plan's Covered Payroll	4,652,096	4,638,785	4,477,977
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	113.08%	99.84%	78.19%

Notes to Schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of two years additional service credit.

Changes in assumptions - GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2016 measurement date were the same as those used for the June 30, 2015 measurement date.

*Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

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**Cost-Sharing Multiple Employer Defined Pension Plan - Miscellaneous Plans
As of June 30, 2017
Schedule of Contributions
Last 10 Years***

	Miscellaneous <u>Fiscal Year 2016-2017</u>	Miscellaneous <u>Fiscal Year 2015-2016</u>	Miscellaneous <u>Fiscal Year 2014-2015</u>
Actuarially determined contribution	\$600,645	\$599,151	\$638,765
Contributions in relation to the actuarially determined contributions	(600,645)	(1,199,151)	(638,765)
Contribution deficiency (excess)	<u>\$0</u>	<u>(\$600,000)</u>	<u>\$0</u>
Covered payroll	\$4,652,096	\$4,638,785	\$4,477,977
Contributions as a percentage of covered payroll	12.91%	25.85%	14.26%
Notes to Schedule			
Valuation date:	6/30/2014	6/30/2013	6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.00%
Investment rate of return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement age	Classic - 2.5% @ 55 or 2% @ 62
Mortality	Derived using CalPERS Membership Data for all Funds

*Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

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SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS

	2016-17
Last Ten Fiscal Years Other Post-Employment Benefits (OPEB)	
Measurement period	2016-17
Total OPEB liability	
Service cost	\$ 119,965
Interest	284,652
Differences between expected and actual experience	-
Assumption changes	-
Benefit payments, including refunds of employee contributions	(130,383)
Net change in total OPEB liability	274,234
Total OPEB liability - beginning	4,073,318
Total OPEB liability - ending (a)	\$ 4,347,552
OPEB fiduciary net position	
Contributions - employer	\$ 392,105
Net investment income	416,097
Benefit payments, including refunds of employee contributions	(130,383)
Administrative expense	(3,522)
Net change in plan fiduciary net position	674,297
Plan fiduciary net position - beginning	4,038,052
Plan fiduciary net position - ending (b)	\$ 4,712,349
Plan net OPEB liability (asset) - ending (a) - (b)	\$ (364,797)
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	108.39%
Covered payroll	\$ 4,652,096
Plan net OPEB liability (asset) as a percentage of covered payroll	-7.84%

Historical information is required only for the measurement periods for which GASB 75 is applicable.

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
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SCHEDULE OF CONTRIBUTIONS

**Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)**

	2016-17
Actuarially determined contribution	\$ 142,105
Contributions in relation to the actuarially determined contribution	(392,105)
Contribution deficiency (excess)	\$ (250,000)
Covered payroll	\$ 4,652,096
Contributions as a percentage of covered payroll	3.05%

GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level Percent Amount, Open 22 year amortization period
Amortization in Years	30 Years
Asset Valuation Method	Investment gains and losses spread over 5-year period
Discount Rate	7.00%
Contribution Policy	The Agency contributes the full ADC
General Inflation	2.75% per year
Mortality, Retirement, Disability, Termination	Same as June 30, 2015 actuarial valuation
Mortality Improvement	Mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS
Expected Long-Term Rate of Return on Investments	4.00% per year
Salary Increases	2.75% per year
Medical Trend	4.00% per year
Healthcare participation for future retirees	100% < 65 Non-Medicare 100% 65 + Medicare
Cap Increases	In 2017, caps are \$707 for 1-party, \$1,349 for 2-party, and \$1,727 for family.

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
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SUPPLEMENTARY SCHEDULE OF NET POSITION - WASTE MANAGEMENT
JUNE 30, 2017 AND 2016

	Solid Waste	Mitigation Fees	Benchmark Fees	Household Hazardous Waste	Total	
					2017	2016
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$6,515,722	\$10,939,913	-	\$12,515,991	\$29,971,626	\$28,443,640
Accounts receivable	830,780	268,107	\$285,456	504,598	1,888,941	1,530,650
Interest receivable	28,207	4,835	-	24,366	57,408	12,984
Prepaid expenses	18,826	-	-	-	18,826	-
Grants receivable	1,207,712	-	-	-	1,207,712	4,281,613
Total current assets	8,601,247	11,212,855	285,456	13,044,955	33,144,513	34,268,887
NON-CURRENT ASSETS:						
Capital assets, net of accumulated depreciation	311,485	13,929,329	-	-	14,240,814	14,304,952
Net OPEB asset	364,797	-	-	-	364,797	-
Due from other funds	260,045	1,536	-	-	261,581	485,033
Total Noncurrent Assets	936,327	13,930,865	-	-	14,867,192	14,789,985
TOTAL ASSETS	9,537,574	25,143,720	285,456	13,044,955	48,011,705	49,058,872
DEFERRED OUTFLOWS OF RESOURCES						
Related to pension	2,618,901	-	-	-	2,618,901	2,128,589
Total deferred outflows of resources	2,618,901	-	-	-	2,618,901	2,128,589
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	1,395,227	198,134	40,829	2,702,971	4,337,161	6,966,831
Accrued expenses	319,385	-	-	-	319,385	289,621
Accrued vacation	276,559	-	-	-	276,559	63,114
Due to other funds	-	398,627	45,432	8,407	452,466	413,553
Total current liabilities	1,991,171	596,761	86,261	2,711,378	5,385,571	7,733,119
LONG-TERM LIABILITIES						
Accrued vacation	69,942	-	-	-	69,942	269,343
Net OPEB liability	-	-	-	-	-	35,266
Net pension liability	5,260,783	-	-	-	5,260,783	4,631,507
Total long-term liabilities	5,330,725	-	-	-	5,330,725	4,936,116
TOTAL LIABILITIES	7,321,896	596,761	86,261	2,711,378	10,716,296	12,669,235
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	168,533	-	-	-	168,533	84,037
Related to pension	722,285	-	-	-	722,285	654,281
Total deferred inflows of resources	890,818	-	-	-	890,818	738,318
NET POSITION						
Net investment in capital assets	311,485	13,929,329	-	-	14,240,814	14,304,952
Unrestricted	3,632,276	10,617,630	199,195	10,333,577	24,782,678	23,474,956
TOTAL NET POSITION	\$3,943,761	\$24,546,959	\$199,195	\$10,333,577	\$39,023,492	\$37,779,908

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - WASTE MANAGEMENT
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	Solid Waste	Mitigation Fees	Benchmark Fees	Household Hazardous Waste	Total	
					2017	2016
OPERATING REVENUES						
Fees	\$5,532,919	\$423,592	-	-	\$5,956,511	\$6,234,106
Household hazardous fees	-	-	-	\$7,496,640	7,496,640	7,627,800
Benchmark fees	-	-	\$927,963	-	927,963	940,161
Other	305,348	580,632	-	-	885,980	911,655
Total operating revenues	5,838,267	1,004,224	927,963	7,496,640	15,267,094	15,713,722
OPERATING EXPENSES						
Salaries and benefits	3,074,608	1,448,842	213,890	126,191	4,863,531	4,448,626
Program expenses	5,893,296	2,024,421	553,586	4,687,410	13,158,713	9,329,795
Legal and accounting	93,243	37,680	113	2,608	133,644	244,541
Board expenses	42,000	-	-	-	42,000	39,750
Depreciation	26,216	135,590	-	-	161,806	159,002
Total operating expenses	9,129,363	3,646,533	767,589	4,816,209	18,359,694	14,221,714
OPERATING INCOME (LOSS)	(3,291,096)	(2,642,309)	160,374	2,680,431	(3,092,600)	1,492,008
NONOPERATING REVENUES						
Grants	4,168,343	-	-	-	4,168,343	235,455
Interest income	86,992	13,417	-	67,432	167,841	119,292
Total nonoperating revenues	4,255,335	13,417	-	67,432	4,336,184	354,747
NET INCOME (LOSS) BEFORE TRANSFERS	964,239	(2,628,892)	160,374	2,747,863	1,243,584	1,846,755
Transfers in (out)	22,856	(22,856)	-	-	-	-
NET INCOME (LOSS) AFTER TRANSFERS	987,095	(2,651,748)	160,374	2,747,863	1,243,584	1,846,755
NET POSITION, BEGINNING OF YEAR	2,956,666	27,198,707	38,821	7,585,714	37,779,908	38,185,362
Prior Period Adjustment	-	-	-	-	-	(2,252,209)
NET POSITION, END OF YEAR	\$3,943,761	\$24,546,959	\$199,195	\$10,333,577	\$39,023,492	\$37,779,908

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
SUPPLEMENTARY SCHEDULE OF NET POSITION - RECYCLING BOARD
JUNE 30, 2017 AND 2016

	Municipality Allocation	Revolving Loan Fund	Pre-March 1995	Discretionary	Grants to Non-Profits	Source Reduction	Market Development	Recycled Product Price	Total	
									2017	2016
ASSETS										
CURRENT ASSETS:										
Cash and cash equivalents	\$861,162	\$29,012	\$694,981	\$4,035,241	\$2,305,327	\$1,361,653	\$2,358,324	\$157,993	\$11,803,693	\$9,843,964
Accounts receivable	401,673	3,801	-	120,501	80,335	80,335	80,335	40,167	807,147	721,213
Interest receivable	1,699	2,611	-	20,647	-	-	-	-	24,957	1
Loans receivable - current	-	41,212	-	-	-	-	-	-	41,212	212,341
Due from other funds	-	34,861	-	-	-	-	-	-	34,861	42,611
Total current assets	1,264,534	111,497	694,981	4,176,389	2,385,662	1,441,988	2,438,659	198,160	12,711,870	10,820,130
NON-CURRENT ASSETS:										
Loans receivable - non current	-	112,865	-	-	-	-	-	-	112,865	369,754
TOTAL ASSETS	1,264,534	224,362	694,981	4,176,389	2,385,662	1,441,988	2,438,659	198,160	12,824,735	11,189,884
LIABILITIES										
CURRENT LIABILITIES:										
Accounts payable	-	50	-	23,311	97,426	27,121	24,716	135,752	308,376	161,067
Due to other funds	-	-	-	46,949	16,366	44,999	68,679	2,429	179,422	-
Due to other governments	1,262,974	-	-	-	-	-	-	-	1,262,974	1,046,688
Total current liabilities	1,262,974	50	-	70,260	113,792	72,120	93,395	138,181	1,750,772	1,207,755
TOTAL LIABILITIES	1,262,974	50	-	70,260	113,792	72,120	93,395	138,181	1,750,772	1,207,755
NET POSITION										
Unrestricted	1,560	224,312	694,981	4,106,129	2,271,870	1,369,868	2,345,264	59,979	11,073,963	9,982,129
TOTAL NET POSITION	\$1,560	\$224,312	\$694,981	\$4,106,129	\$2,271,870	\$1,369,868	\$2,345,264	\$59,979	\$11,073,963	\$9,982,129

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
- RECYCLING BOARD
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	Municipality Allocation	Revolving Loan Fund	Pre-March 1995	Discretionary	Grants to Non-Profits	Source Reduction	Market Development	Recycled Product Price	Total
OPERATING REVENUES									
Fees	\$4,793,312	-	-	\$1,437,995	\$958,662	\$958,662	\$958,662	\$479,330	\$9,586,623
Other	-	\$763	-	-	-	-	-	-	763
Total operating revenues	4,793,312	763	-	1,437,995	958,662	958,662	958,662	479,330	9,587,386
OPERATING EXPENSES									
Salaries and benefits	-	27,637	-	570,881	149,530	356,814	493,415	20,587	1,618,864
Program expenses	4,803,372	93,873	-	448,159	573,794	298,422	303,291	423,662	6,944,573
Legal and accounting	-	1,378	-	10,603	2,315	-	-	-	14,296
Board expenses	-	-	-	11,850	-	-	-	-	11,850
Total operating expenses	4,803,372	122,888	-	1,041,493	725,639	655,236	796,706	444,249	8,589,583
OPERATING INCOME (LOSS)	(10,060)	(122,125)	-	396,502	233,023	303,426	161,956	35,081	997,803
NONOPERATING REVENUES									
Interest income	10,108	21,293	-	62,630	-	-	-	-	94,031
Total nonoperating revenues	10,108	21,293	-	62,630	-	-	-	-	94,031
NET INCOME (LOSS) BEFORE TRANSFERS	48	(100,832)	-	459,132	233,023	303,426	161,956	35,081	1,091,834
Transfers in (out)	-	(1,700,000)	-	-	-	-	1,700,000	-	-
NET INCOME (LOSS) AFTER TRANSFERS	48	(1,800,832)	-	459,132	233,023	303,426	1,861,956	35,081	1,091,834
NET POSITION, BEGINNING OF YEAR	1,512	2,025,144	\$694,981	3,646,997	2,038,847	1,066,442	483,308	24,898	9,982,129
NET POSITION, END OF YEAR	\$1,560	\$224,312	\$694,981	\$4,106,129	\$2,271,870	\$1,369,868	\$2,345,264	\$59,979	\$9,982,129

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
SUPPLEMENTARY SCHEDULE OF NET POSITION - ENERGY COUNCIL
JUNE 30, 2017 AND 2016

ASSETS	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents	\$2,199	-
Interest receivable	227	-
Due from other funds	335,446	-
Grants receivable	432,021	\$549,411
TOTAL ASSETS	769,893	549,411
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	528,225	232,496
Due to other funds	-	114,091
Unearned revenue	121,779	80,443
TOTAL LIABILITIES	650,004	427,030
NET POSITION		
Unrestricted	119,889	122,381
TOTAL NET POSITION	\$119,889	\$122,381

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
ENERGY COUNCIL
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING EXPENSES		
Salaries and benefits	\$598,974	\$581,543
Program expenses	6,069,603	8,500,806
Legal and accounting	390	607
Total operating expenses	6,668,967	9,082,956
NON-OPERATING REVENUES		
Grants	6,613,389	9,151,514
Other revenue	50,000	45,000
Interest income	3,086	4,346
Total non-operating revenues	6,666,475	9,200,860
NET INCOME (LOSS)	(2,492)	117,904
NET POSITION, BEGINNING OF YEAR	122,381	4,477
NET POSITION, END OF YEAR	\$119,889	\$122,381

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**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
Alameda County Waste Management Authority,
Alameda County Source Reduction and Recycling Board and Energy Council
Oakland, California

We have audited, in accordance with the 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, the basic financial statements of the Alameda County Waste Management Authority, Alameda County Source Reduction and Recycling Board and Energy Council (Agency), as of and for the year ended June 30, 2017 and have issued our report thereon dated January 26, 2018. Our report included an emphasis paragraph regarding the implementation of a new accounting principle.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in 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 a reasonable possibility that a material misstatement of the Agency'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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from 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 that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated January 26, 2018 which is an integral part of our audit and should be read in conjunction with this report.

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

Maze + Associates

Pleasant Hill, California
January 26, 2018

**ALAMEDA COUNTY WASTE
MANAGEMENT AUTHORITY,
ALAMEDA COUNTY RESOURCE REDUCTION
AND RECYCLING BOARD
AND ENERGY COUNCIL**

**MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

FOR THE YEAR ENDED JUNE 30, 2017

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**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY RESOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For The Year Ended June 30, 2017

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MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors of
Alameda County Waste Management Authority,
Alameda County Source Reduction and Recycling Board
and Energy Council
Oakland, California

In planning and performing audit of the basic financial statements of the Alameda County Waste Management Authority, Alameda County Source Reduction and Recycling Board and Energy Council (Agency) as of and for the year ended June 30, 2017 in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in 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 a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Maze + Associates' in a cursive, slightly slanted script.

Pleasant Hill, California
January 26, 2018

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REQUIRED COMMUNICATIONS

To the Board of Directors of
Alameda County Waste Management Authority,
Alameda County Source Reduction and Recycling Board
and Energy Council
Oakland, California

We have audited the basic financial statements of the Alameda County Waste Management Authority, Alameda County Source Reduction and Recycling Board and Energy Council (Agency) for the year ended June 30, 2017. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards*.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

Statement No. 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*

Statement No. 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.*

These pronouncements became effective, but did not have a material effect on the financial statements, except Statement No. 75 which required a restatement of beginning net position as discussed in Note 1H and 1I to the financial statements.

Unusual Transactions, Controversial, or Emerging Areas

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

Accounting Estimates

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

Estimate of Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 4 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 8 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the Agency. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Asset: Management's estimate of the net OPEB Asset is disclosed in Note 9 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the Agency. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Directors.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in a management representation letter January 26, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information which accompany the financial statements, but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Mazze + Associates

Pleasant Hill, California
January 26, 2018

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