

Committee Members

Dave Sadoff, *Chair*
Castro Valley Sanitary District
Jennifer West, *Vice Chair*
City of Emeryville
Lena Tam, City of Alameda
Keith Carson, Alameda County
Peter Maass, City of Albany
Don Biddle, City of Dublin
Luis Freitas, City of Newark
Dan Kalb, City of Oakland
Laython Landis, Oro Loma Sanitary District
Tim Rood, City of Piedmont
Pauline Cutter, City of San Leandro
Lorin Ellis, City of Union City

AGENDA

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY MEETING OF THE PROGRAMS AND ADMINISTRATION COMMITTEE

**Thursday, April 10, 2014
9:00 A.M.**

**StopWaste Offices
1537 Webster Street
Oakland Ca 94612
510-891-6500**

1. Convene Meeting

2. Public Comments

An opportunity is provided for any member of the public wishing to speak on any matter within the jurisdiction of the Programs & Administration Committee, but not listed on the agenda. Each speaker is limited to three minutes.

3. Approval of the Draft Minutes of February 13, 2014 (Gary Wolff) Action

4. Annual Audit for Fiscal Year 2012/13 (Gary Wolff, Pat Cabrera & Gina Peters) Action
Review and forward audit report to the Waste Management Authority,
Recycling Board and Energy Council for review and filing.

5. Closed Session: Government Code Section: 54957.6(a)
Conference with Labor Negotiator
Agency Negotiator: Gary Wolff
Employee Organization: Unrepresented employees (all Agency employees;
position titles available upon request)
(confidential materials mailed separately)

6. Member Comments

7. Adjournment

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DRAFT
**ALAMEDA COUNTY WASTE
MANAGEMENT AUTHORITY MEETING
OF THE
PROGRAMS AND ADMINISTRATION COMMITTEE**
MINUTES

**Thursday, February 13, 2014
9:00 A.M.
StopWaste Offices
1537 Webster Street
Oakland CA 94612
510-891-6500**

Members Present:

Keith Carson, Alameda County (left 9:35 a.m.)
Lena Tam, City of Alameda (left 10:00 a.m.)
Peter Maass, City of Albany
Dave Sadoff, Castro Valley Sanitary District
Don Biddle, City of Dublin
Jennifer West, City of Emeryville
Robert Marshall, City of Newark (arrived 9:10 a.m.)
Garrett Keating, City of Piedmont
Pauline Cutter, City of San Leandro
Lorrin Ellis, City of Union City (left 10:15 a.m.)

Members Absent:

Dan Kalb, City of Oakland
Laython Landis, Oro Loma Sanitary District

Staff Present:

Gary Wolff, Executive Director
Pat Cabrera, Administrative Services Director
Wendy Sommer, Principal Program Manager
Arliss Dunn, Clerk of the Board

1. Convene Meeting

Dave Sadoff, Chair, called the meeting to order at 9:05 a.m.

2. Public Comments

There were none.

3. Approval of the Draft Minutes of December 12, 2013 (Gary Wolff)

Action

Mr. Ellis made the motion to approve the draft minutes of December 12, 2013 with the correction noted below. Ms. West seconded and the motion was carried 8-0 (Kalb, Landis, Marshall, and Tam absent).

Correction: Approval of draft minutes should state November 14, 2013.

**4. Proposed Changes to the Human Resources Manual
(Gary Wolff & Pat Cabrera)**

Action

Staff recommends that the P&A Committee review the revised Attachment A and recommend to the Authority Board to adopt and incorporate it into the Agency's Human Resources Manual. No other changes to the HR manual are being requested.

DRAFT

Mr. Wolff provided context for the staff report. A year ago, the agency implemented a performance based salary increase system instead of an automatic salary step system. The system went into effect October 1, 2013. Based on debriefing and feedback from staff, this item is before the Board with changes to the system based on staff discussions. The Board last year directed an iterative process and we are following that directive.

Mr. Cabrera provided an overview of the staff report. The report is available here:

<http://www.stopwaste.org/docs/02-13-14-pa-hrmanual.pdf>

Ms. Cabrera indicated that in addition to the changes to the HR manual, a trainer was brought in to provide a fresh perspective on providing feedback. There was very positive feedback from staff.

Ms. Cutter asked for clarification regarding the allocation of salary increases within the 1/3 and 2/3 sections of the employment pools. Ms. Cabrera stated this is a safeguard that ensures that higher paid employees do not receive a higher increase than the lower paid employees. Ms. West inquired if cost of living adjustments are included in the performance based compensation system. Ms. Cabrera affirmed that the proposed salary ranges are adjusted for cost of living two of three years (and a salary survey is performed every third year), but that the ranges do not actually adjust unless approved by the Board, and employees do not automatically receive any amount. Underperforming employees are not eligible for salary adjustments.

Ms. West stated that she is pleased to see that staff is making improvements to the system but does not favor the performance based system as a method for motivation, and looks forward to hearing feedback from staff. Mr. Ellis inquired if the notes and badges in the successfactors system is a part of peer recognition. Ms. Cabrera affirmed and stated it has no effect on the employee's evaluation and it is not frequently utilized. Mr. Wolff added the organization is undergoing a cultural change where feedback is encouraged although not required, but is a method for fostering teamwork. Mr. Ellis stated that he is supportive of the peer recognition system and the iterative evaluation process and complemented the organization on moving towards alignment with the private sector.

Mr. Sadoff inquired if the indexed 95th percentile ceiling is consistent with similar agencies. Mr. Wolff indicated the last compensation study conducted was based on comparables to similar agencies. Mr. Sadoff stated in the next compensation study he would like to include other agencies that utilize the 95th percentile as the highest ceiling. Ms. Cabrera affirmed and stated that this information will be included when we begin discussions on the next compensation study. Mr. Sadoff inquired if the proposals included in the staff report are enacted will the budget line item remain the same. Mr. Wolff affirmed that the changes have no impact on the budget.

Mr. Biddle made the motion to approve the staff recommendation. Mr. Carson seconded and the motion carried 10-0 (Kalb and Landis absent).

5. Regionalizing Bay Friendly Landscaping (Gary Wolff & Wendy Sommer) Action

Staff recommends that the Recycling Board direct staff to prepare budget proposals for each of the next three years that implement this general approach to Regionalizing Bay Friendly work, and that both Committees recommend to the Waste Management Authority Board that it also endorse this approach at its meeting on February 26th. The budget proposals included in the overall agency budget proposal in each of the next three fiscal years..

Mr. Wolff provided context for the staff report. Four years ago when developing the strategic plan staff made a 4 year commitment to funding the programmatic work of the Bay Friendly and Green Building programs under the agency's multiple benefits approach. The Green Building program has since morphed very successfully into the Energy Council and is paying its own way with millions of dollars of funding outside of solid waste related fees. The Bay Friendly program outcome is less clear.

Ms. Sommer provided an overview of the staff report. The report is available here:

<http://www.stopwaste.org/docs/02-13-14-pa-bayfriendly.pdf>

DRAFT

Ms. Sommer acknowledged Teresa Eade for her commitment and as creator of the Bay Friendly program. Mr. Biddle inquired about the stability of the Bay Friendly Coalition organization and sources of funding. Ms. Sommer stated that the Coalition is moving towards stability. Ms. Maass inquired if the other groups around the state that are talking about creating the proposed Sustainable Landscape Council would also provide seed money. Ms. Sommer stated that it is envisioned that the groups will pay a licensing fee to the Sustainable Landscape Council for using the standards. Mr. Wolff added for the next 3 years StopWaste will be the largest contributor of core funding -- but at a much lower level than in the past -- with the intention that the Council and Coalition will be able to tap into larger funding pools. The Coalition has done well in previous Proposition 84 grant applications, and another round of such funding will occur in 2014.

Ms. Cutter inquired about the governance structure of the Landscape Council. Ms. Sommer stated the founding 4 members are scheduled to each have 3 votes, there's an Executive Committee that provides recommendations to the full Board and is scheduled to meet quarterly, and other members can join and will each have 1 vote. StopWaste will not be a member of the Landscape Council. Ms. Cutter stated that she is concerned that StopWaste will be the major supporter but not provide direction. Ms. Sommer stated that as a major seed funder we possess clout because we are not obligated to provide year 2 or 3 funding if the Council goes in directions we do not support. Ms. Cutter added hopefully there is some measurable goal by year 3. Ms. Sommer affirmed. Mr. Keating concurred with Ms. Cutter and inquired if the other groups are based in Alameda County as the sustainable concept can vary regionally and possibly dilute the standard set by StopWaste. Ms. Sommer stated all of the groups are not based in Alameda County but she is confident that the 7 principles will be adhered to as the Sustainable Landscape Council holds the standards and the members will customize according to their local areas. Mr. Keating asked if there is an authoritative angle to the Council. Ms. Sommer stated that it is envisioned that part of the SLC is a Public Agency Council which will include members from local governments and water agencies that can help push forth the adoption of bay friendly ordinances and policies but is not regulatory.

Ms. Eade stated that she is pleased that the Committee shares her concerns with respect to the quality and integrity of the guidelines and standards, but noted also that they must continue to grow to be relevant in the industry. Ms. Eade stated that she is seeing dramatic growth and synergy among cities and the private sector due to the bay friendly program, and expects the guidelines to continue to grow because of the statewide influence.

Ms. West stated that she is concerned about the quick and dramatic reduction in funding and inquired about the other funding sources. Mr. Wolff indicated that the reduction in funding is centered on the regional effort of the bay friendly program and not the technical assistance provided to member agencies to continue to carry out bay friendly programs and practices in County. StopWaste will continue to seek funding through Prop 84 and energy nexus funding through the Energy Council that can flow to the Coalition apart from the core funding.

Ms. Cutter inquired if the proposal has received buy-in from the member agencies. Mr. Wolff stated the TAC is not involved in this area but the Water Suppliers Council (water suppliers in Alameda County) is the relevant advisory body, and they are supportive of this effort. Ms. Sommer stated the other groups involved consider this an opportunity to gain more sponsorships from manufacturers and not tied to local government. Mr. Maass inquired if there has been outreach to nurseries and landscape companies. Ms. Sommer affirmed and added they support this effort as well. Mr. Maass asked if there is precedent for this proposal. Ms. Sommer affirmed and added it is also related to an effort being driven by the California Urban Water Conservation Council as the new norm in sustainable landscaping.

Ms. Cutter made the motion to approve the staff recommendation. Mr. Biddle seconded and the motion carried 8-0 (Carson, Kalb, Landis, and Tam absent).

6. Measuring Waste Diversion (Gary Wolff & Mark Spencer)

Information

Mr. Wolff provided an overview of the staff report. The report is available here:

<http://www.stopwaste.org/docs/02-13-14-pa-diversion.pdf>

DRAFT

Mr. Biddle inquired about the agency's method of ensuring we receive accurate data. Mr. Wolff stated that not all landfills have a willingness to share information so the agency no longer relies exclusively on data submitted to the state. Mr. Wolff has had conversations with CalRecycle and they have stated their willingness to work with us in solving the issue of receiving bad data. Last year, StopWaste brought forth the idea of our own Reporting ordinance requiring landfills in-county to report and be auditable in certain ways, and any landfills out-of-county would have to voluntarily follow those rules or haulers in-county will not be able to haul to them. The development of the ordinance has been delayed due to our focus on the HHW effort.

Ms. Cutter provided information on comments from San Leandro residents regarding the benchmark report. The design of the report was well received. However, residents would have preferred more information on where to properly recycle items. There was also confusion between the simultaneous roll-out of the benchmark report and the HHW mailing with residents questioning the cost of the report relative to the annual HHW fee. Ms. Cutter suggested providing the Race to Recycle video to public access television and local government channels. Ms. Cutter added that she is planning to explain the difference in the benchmark and HHW campaigns in her upcoming newsletter. Mr. Wolff stated that the benchmark hotline has received approximately 800 calls. Mr. Wolff reminded the Committee that the total cost for the benchmark report was \$0.57; \$0.30 for printing, \$0.17 for postage, and \$0.10 for graphic design and text.

Mr. Keating inquired if historically the diversion rate was tied to funds to member agencies. Mr. Wolff stated no. The Mitigation Funding was based on prior year tonnages to landfill. The measure D funding is per capita. Mr. Keating inquired about the future of the Waste Characterization Study. Mr. Wolff stated the benchmarking work is the future of the WCS as it allows us to adjust what we are doing each year to focus on specific issues of concern and importance, and providing more useful information.

7. Member Comments

Ms. Cutter inquired about how to properly dispose of waste at a crab feed. Mr. Wolff stated that StopWaste Intern Tommy Fenster is available to provide onsite demonstration of how to properly sort recyclables.

8. Adjournment

The meeting adjourned at 10:30 a.m.



April 2, 2014

TO: Programs and Administration Committee

FROM: Gary Wolff, Executive Director

BY: Pat Cabrera, Administrative Services Director
Gina Peters, Chief Finance Officer

SUBJECT: Annual Audit for Fiscal Year 2012/13

BACKGROUND

This year's audit was performed by Maze & Associates, CPAs (the Agency's new audit firm). The firm was selected following a request for proposal conducted in the Spring of 2013. The auditors have completed the attached audit of the Agency's financial records for fiscal year 2012/13. The annual report was submitted to the State Controller's Office - Department of Local Government Fiscal Affairs by the required deadline. In addition, the auditors performed a Single Audit of the Agency's financials. A Single Audit, also known as U. S. Office of Management and Budget Circular A-133, is a more in-depth examination of an entity that expends \$500,000 or more of federal funds or grants in a year. The Agency's federal expenses in FY 2013 were \$2.1 million.

There are no audit exceptions related to the Agency's financial statements for fiscal year 2012/13. However, the auditors identified three findings in regards to the Single Audit as noted in the memorandum of internal control section below.

The report includes a Management's Discussion and Analysis (MD&A) (pages 5-9) and should be read in conjunction with the audited financial statements. The audit report also includes a total Agency (WMA and Recycling Board) Statement of Net Position (page 11); total Statement of Revenues, Expenses and Changes in Net Position (page 12); and total Statement of Cash Flows (page 13). On pages 27-32 the report shows the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position by fund and by Board.

REVENUE & EXPENSES

Total revenues not including the Revolving Loan Fund (RLF) for FY 12/13 were \$21,374,356, a 5% increase over mid-year estimates. The increase is attributable to higher tonnage revenues than were budgeted. This has been reported to the Boards previously, and is mostly a result of unemployment falling more rapidly than was projected when tonnage revenue was estimated for FY12/13. Total budgeted operating expenses not including Revolving Loan Fund (RLF) were \$20,744,138 and actual expenditures per the audited financial statements were \$19,407,367 a difference of 6%.

REVOLVING LOAN

The Agency collected \$115,567 repayments from outstanding loans, bringing the balance of loans receivable from \$493,150 to \$377,583. No loans were issued in FY 12/13.

NET POSITION

The Agency functions as an Enterprise Fund and, as such, the difference between assets and liabilities is known as “Total Net Position”.

The Authority’s Net Position as of June 30, 2013 was \$36.8 million consisting of \$13.6 million reserved for specific purposes by the Board; \$6.3 million for outstanding contracts; \$14.8 million in capital assets; and approximately \$2.1 million was unreserved and available for spending (this is the figure we used for the beginning available resources for the fiscal year 2013/14 mid-year budget adjustments). The Net Position comprised of 48% cash, 40% invested in capital assets, and 12% other assets, which includes Net pension/Net OPEB assets.

The Recycling Board’s Net Position (excluding revolving loans) as of June 30, 2013 was \$5.8 million consisting of \$0.7 million reserves; \$2.3 million for outstanding contracts; and \$2.8 million was unreserved and undesignated (this is the figure we used for the beginning available resources for the fiscal year 2013/14 mid-year budget). The Net Position comprised of 129% cash offset by 29% other liabilities.

The RLF Net Position as of June 30, 2013 was \$2.2 million consisting of \$0.4 million in loan receivables and \$1.8 million designated for issuing loans and other related expenses. The net assets comprised of 83% cash and 17% net receivables.

Energy Council’s Net Position as of June 30, 2013 was zero. Energy Council’s assets (investments in resources) equaled its liabilities (obligations), hence the zero balance.

MEMORANDUM OF INTERNAL CONTROL, (ALSO KNOWN AS A MANAGEMENT LETTER)

No internal control deficiencies were identified during the audit in regards to the Agency’s financial statements. However, three findings were noted in reference to the Single Audit. Two of the findings related to the timely submission of prior year’s Single Audit report to the Pass-Through Agency (ABAG) and to the Division of Single Audits (a division of the State Controller’s Office). The third finding referred to the time lag (ten months, instead of six months) between submissions of invoices to the Grantor (California Department of Transportation) for reimbursement. Staff agrees with these findings and will ensure that all future required reporting is conducted within the allotted time frame.

RECOMMENDATION

Review and forward audit report to the Waste Management Authority, Recycling Board and Energy Council for review and filing.

Attachment: Audit Report for FY12/13

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

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
For The Year Ended June 30, 2013**

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ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY
BOARD OF DIRECTORS
JUNE 2013

Alameda County	Keith Carson, Board of Supervisors
City of Alameda	Lena Tam, Councilmember
City of Albany	Joanne Wile , Councilmember
City of Berkeley	Gordon Wozniak , Councilmember
Castro Valley Sanitary District	Dave Sadoff, Board Member
City of Dublin	Don Biddle, 1st Vice President
City of Emeryville	Jennifer West , 2nd Vice President
City of Fremont	Anu Natarajan, President
City of Hayward	Barbara Halliday, Councilmember
City of Livermore	Laureen Turner, Councilmember
City of Newark	Luis Freitas, Councilmember
City of Oakland	Dan Kalb, Councilmember
City of Piedmont	Garrett Keating, Councilmember
City of Pleasanton	Jerry Pentin, Councilmember
Oro Loma Sanitary District	Laython Landis, Board Member
City of San Leandro	Pauline Cutter, Councilmember
City of Union City	Lorin Ellis, Councilmember

ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
BOARD OF DIRECTORS
JUNE 2013

Environmental Educator	Nathan Ivy, President
City of Dublin	Don Biddle
City of Berkeley	Gordon Wozniak
Source Reduction and Recycling	Jason Mahon
Solid Waste Industry	Rebecca Jewell, 2nd Vice President
City of Fremont	Anu Natarajan, 1st Vice President
Environmental Organization	Daniel O'Donnell
Recycling Materials Processing Industry	Treva Reid
City of Livermore	Laureen Turner
City of Albany	Joanne Wile
Recycling Programs	Chris Kirschenheuter

ENERGY COUNCIL
BOARD OF DIRECTORS
JUNE 2013

Alameda County	Keith Carson
City of Alameda	Lena Tam, President
City of Albany	Joanne Wile
City of Berkeley	Gordon Wozniak
City of Emeryville	Jennifer West
City of Fremont	Anu Natarajan
City of Hayward	Barbara Halliday
City of Newark	Luis Freitas
City of Oakland	Dan Kalb
City of Piedmont	Garrett Keating
City of San Leandro	Pauline Cutter
City of Union City	Lorrin Ellis

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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 year ended June 30, 2013, 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial position of the Agency as of June 30, 2013, and the change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the Governmental Accounting Standards Board Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which became effective during the year ended June 30, 2013 and required changes in statement titles and certain nomenclature to the financial statements.

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 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 November 15, 2013 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
November 15, 2013

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**ALAMEDA COUNTY WASTE MANGEMENT AUTHORITY, ALAMEDA COUNTY
SOURCE REDUCTION AND RECYLING BOARD AND ENERGY COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The following analysis, prepared by Agency staff, is a brief discussion of the Agency's (Alameda County Waste Management Authority; Alameda County Source Reduction and Recycling Board; and Energy Council) financial activities for the year ended June 30, 2013. Please read it in conjunction with the financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- As of June 30, 2013, the Agency assets exceeded its liabilities by \$44,811,011 (reported as net position). The Authority's net position represents 82% and the Recycling Board's 18%.
- Cash and short-term investments balance at June 30, 2013 totaled \$26,844,170 of which 65% represents Authority cash and 35% Recycling Board cash.
- Tonnage fees from the landfills amounted to \$17,132,104 or 96% of operating revenues. Authority's tonnage fees totaled \$8,431,137 and Recycling Board fees totaled \$8,700,967.
- The Agency external grant revenues totaled \$3,421,956. Energy Council's portion was \$158,636.
- The Agency earned \$70,197 in interest on its investments. Of the interest earned, Authority's portion was \$46,145 and Recycling Board was \$24,052.
- Operating expenses totaled \$19,466,855. Authority's portion was \$11,243,793 or 58%; the Recycling Board's portion, which includes \$4,353,195 distribution to the municipalities, was \$8,064,426 or 41% and \$158,636 or 1% for the newly formed Energy Council.
- Additions to capital assets, primarily furniture and equipment totaled \$50,567.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Agency (dba StopWaste) is comprised of three separate Boards, Alameda County Waste Management Authority Board, Alameda County Source Reduction and Recycling Board and the newly created Energy Council. In spring of 2013, the Energy Council was formed 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 Agency 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 Agency's financials report includes the three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

The Statement of Net Position presents information on all of the Agency's assets and deferred outflow of resources, liabilities and deferred inflow of resources with the difference between them reported as net position. The statement provides information about the nature and the amounts of investments in resources (assets) and obligations (liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. There are two sections to the Statement of Net Position: Net Investment in Capital Assets and Unrestricted.

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 Agency'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.

Statement of Net Position

A comparison of the Agency's Statement of Net Position for fiscal year ended June 30, 2013 and 2012 is as follows:

Table 1
Summary Statement of Net Position at June 30, 2013 and 2012

	2013	2012	Increase (Decrease) Amount	Increase (Decrease) Percentage
Current and other assets	\$33,815,461	\$31,710,374	\$2,105,087	6.6%
Capital assets (net of depreciation)	14,775,951	14,889,305	(113,354)	(0.8%)
Total assets	48,591,412	46,599,679	1,991,733	4.3%
Current and other liabilities	3,780,401	3,729,076	51,325	1.4%
Total liabilities	3,780,401	3,729,076	51,325	1.4%
Net position:				
Net investment capital assets	14,775,951	14,889,305	(113,354)	(0.8%)
Unrestricted	30,035,060	27,981,298	2,053,762	7.3%
Total net positions	\$44,811,011	\$42,870,603	\$1,940,408	4.5%

Net position may serve over time as a useful indicator of the Agency's financial position. At the close of the fiscal year, June 30, 2013, the Agency's assets exceeded liabilities by \$45 million.

The largest portion of the Agency's net position, \$30 million (67%) is unrestricted and represents resources that may be used to meet any of the Agency's ongoing obligations. The Board has designated \$14.3 million (48%) of the \$30 million for specific purposes.

The Agency's investment in capital assets (land, buildings, furniture and equipment) amounted to \$15 million (33%).

The Agency's has no external restrictions on how any portion of the net position may be used.

Statement of Revenues, Expenses and Changes in Net Position

The following table provides a summary of the Agency's operations for the fiscal years ended June 2013 and 2012.

Table 2
Summary Statement of Revenues, Expenses and Changes in Net Position
for the years ending June 30, 2013 and 2012

	2013	2012	Increase (Decrease) Amount	Increase (Decrease) Percentage
Operating revenue	\$17,915,110	\$18,153,562	(\$238,452)	(1.3%)
Non-operating revenue	3,492,153	3,676,362	(184,209)	(5.0%)
Total Revenues	<u>21,407,263</u>	<u>21,829,924</u>	<u>(422,661)</u>	<u>(1.9%)</u>
Operating expenses	19,302,934	20,479,797	(1,176,863)	(5.7%)
Depreciation	163,921	156,335	7,586	4.9%
Total expenses	<u>19,466,855</u>	<u>20,636,132</u>	<u>(1,169,277)</u>	<u>(5.7%)</u>
Net position:				
Change in net position	1,940,408	1,193,792	746,616	62.5%
Beginning net position	<u>42,870,603</u>	<u>41,676,811</u>	<u>1,193,792</u>	<u>2.9%</u>
Ending net position	<u>\$44,811,011</u>	<u>\$42,870,603</u>	<u>\$1,940,408</u>	<u>4.5%</u>

The Statements of Revenues, Expenses, and Changes in Net Position show the results of operations during the course of the year. Operating revenues consist of tonnage fees from the landfills (80%), grant funding (federal, state and private) (16%) and other revenues (4%) from a variety of sources (wind/property, used oil campaign, household hazardous waste and bay roc junk mail campaign. Compared to 2012 operating revenues decreased by \$238,452 or 1.3% in fiscal year 2013 as follows: tonnage revenues by \$73,000, wind/property related revenues \$94,000 and other revenues \$71,000.

Non-operating revenue, comprised of grant and interest income, decreased in 2013 compared to 2012 by \$184,209 or 5%. Grant revenues were less by \$154,000 and interest income was lower by \$30,000 as a result of less than favorable interest rates.

Total operating expenses for fiscal year 2013 decreased by \$1.2 million or 6% over 2012, primarily due to the discontinuation of the \$1.1 million Waste Import Mitigation Fee paid to member agencies in prior years for specified waste reduction purposes.

Capital Assets

At June 30, 2013, the Agency has invested \$15 million in capital assets, net of depreciation. The investment in capital assets includes land, buildings, furnishings and equipment. Assets totaling \$51,000 were added to furniture and equipment.

Details of the capital assets, net of accumulated depreciation, as of June 30, 2013 and 2012 are as follows:

	2013	2012	Increase (Decrease) Amount	Increase (Decrease) Percentage
Land (Altamont and Webster Street)	\$9,230,922	\$9,230,922	\$0	0.0%
Building (Webster Street and Education Center)	6,278,660	6,278,660	0	0.0%
Furniture and equipment	259,652	209,085	50,567	24.2%
Total capital assets	15,769,234	15,718,667	50,567	0.3%
Less: accumulated depreciation	(993,283)	(829,362)	(163,921)	(19.8%)
Ending capital assets, net	\$14,775,951	\$14,889,305	(\$113,354)	(0.8%)

Additional information on the Agency's capital assets can be found in note 4 of the notes to financial statement.

Request for information

The Agency's financial statements are designed to provide a general overview of the Agency's finances and to show the Agency's accountability of the resources it receives and expends. If you have questions about this report, or need additional information, contact the Chief Finance Officer at Alameda County Waste Management Authority, Recycling Board and Energy Council (dba StopWaste), 1537 Webster Street, Oakland CA 94612.

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ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

Current Assets	
Cash and cash equivalents (Note 2)	\$26,844,170
Accounts receivable	2,655,270
Interest receivable	16,837
Grants receivable	882,307
Loans receivable - non current (Note 3)	377,583
Net pension asset (Note 8A)	841,608
Net OPEB asset (Note 8B)	<u>2,197,686</u>
Total Current Assets	<u>33,815,461</u>
Noncurrent Assets	
Capital Assets - net of accumulated depreciation (Note 4)	<u>14,775,951</u>
Total noncurrent assets	<u>14,775,951</u>
Total Assets	<u>\$48,591,412</u>

LIABILITIES

Current Liabilities	
Accounts payable	2,297,526
Accrued expenses	82,610
Accrued vacation (Note 6)	245,111
Due to other governmental agencies (Note 5)	1,087,162
Unearned revenue	<u>1,216</u>
Total current liabilities	<u>3,713,625</u>
Noncurrent liabilities	
Accrued vacation (Note 6)	<u>66,776</u>
Total Liabilities	<u>3,780,401</u>

NET POSITION (Note 7)

Restricted for:	
Net investment in capital assets	14,775,951
Unrestricted	<u>30,035,060</u>
Total Net Position	<u>\$44,811,011</u>

See accompanying notes to financial statements

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY AND
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES	
Disposal and waste import mitigation Fees	\$17,132,104
Other	<u>783,006</u>
Total Operating Revenues	<u>17,915,110</u>
OPERATING EXPENSES	
Salaries and benefits	6,276,252
Program expenses	12,677,861
Legal and accounting	242,261
Board expenses	53,800
Depreciation	163,921
Administrative and other	<u>52,760</u>
Total Operating Expenses	<u>19,466,855</u>
OPERATING (LOSS)	<u>(1,551,745)</u>
NON-OPERATING REVENUE	
Grants	3,421,956
Interest income	<u>70,197</u>
Total Non-Operating Revenue	<u>3,492,153</u>
CHANGE IN NET POSITION	1,940,408
Net position, beginning of year	<u>42,870,603</u>
Net position, end of year	<u><u>\$44,811,011</u></u>

See accompanying notes to financial statements

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY AND
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$18,070,529
Cash payments to suppliers	(12,719,567)
Cash payments to employees for wages and benefits	(6,283,729)
Net cash provided by (used for) operating activities	(932,767)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants	2,539,649
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of capital assets	(50,567)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	82,602
Net change in cash and cash equivalents	1,638,917
Cash and cash equivalents at beginning of year	25,205,253
Cash and cash equivalents at end of year	\$26,844,170
Reconciliation of operating (loss) to net cash provided by (used for)	
Operating activities:	
Operating (loss)	(\$1,551,745)
Adjustments to reconcile operating (loss) to	
Depreciation	163,921
(Increase) decrease in accounts receivable	(47,061)
(Increase) decrease in loans receivable	115,567
(Increase) decrease in prepaid expenses	86,913
(Increase) decrease in net pension asset and OPEB asset	248,313
Increase (decrease) in accounts payable	44,151
Increase (decrease) in accrued expenses	(6,195)
Increase (decrease) in amounts due to other governments	19,630
Increase (decrease) in unearned revenue	1,216
Increase (decrease) in accrued vacation	(7,477)
Net cash provided by (used for) operating activities	(\$932,767)

See accompanying notes to financial statements

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**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

NOTE 1 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES

A. *Description of the Authority 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 deduction, 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, thirteen members serve on the Board. Funding for projects comes from external grants and sources.

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.

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
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NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

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. *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.

F. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial 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. The Agency did not have any items that qualify for reporting in this category.

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
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NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

NOTE 1 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial 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. Accordingly, the item, unavailable revenue, are deferred and recognized as an inflow of resources in the period that the amounts become available.

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, 2013 consist of the following:

Cash on hand and in banks	\$88,236
Investment pools	<u>26,755,934</u>
Total cash and cash equivalents	<u>\$26,844,170</u>

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
Local Agency Investment Fund (LAIF)	N/A	None	None

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.

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
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NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

NOTE 2 - CASH AND INVESTMENTS (Continued)

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:

Authorized Investment Type	Remaining Maturity (in Months) 12 Months or less
Alameda County Investment Pool	\$13,512,374
Local Agency Investment Fund (LAIF)	13,243,560
	<u>\$26,755,934</u>

The Agency is considered to be a voluntary participant in 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.

The Agency is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2013, these investments matured in an average of 278 days.

C. 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 pools are not rated.

D. 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, 2013 there were no investments in any one issuer (other than external investment pools) that represent 5% or more of the total Agency investments.

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
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NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

NOTE 2 - CASH AND INVESTMENTS (Continued)

E. 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 lends out monies to businesses in order to improve their recycling and waste management programs. The Revolving Loan Fund is 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 are available to existing and start up 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. The fund is administered by the Safe-BidCo. on behalf of the Alameda County Source Reduction and Recycling Board. Loans are available from \$10,000 to \$250,000 with interest rates as low as 5%. Loan terms do not exceed 5 years. As of June 30, 2013, outstanding loans totaled \$377,583.

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
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NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

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:

Building and improvements	25 to 50 years
Vehicles, furniture, and equipment	5 to 10 years

The Agency's capital assets at June 30, 2013 consist of:

	Balance June 30, 2012	Additions	Balance June 30, 2013
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	209,085	\$50,567	259,652
Total	6,487,745	50,567	6,538,312
Less accumulated depreciation for:			
Building	(709,129)	(132,059)	(841,188)
Furniture and equipment	(120,233)	(31,862)	(152,095)
Total	(829,362)	(163,921)	(993,283)
Total capital assets being depreciated, net	5,658,383	(113,354)	5,545,029
Total capital assets, net	\$14,889,305	(\$113,354)	\$14,775,951

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
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NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

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, 2013, \$1,087,162 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, 2013 is as follows:

	Balance June 30, 2012	Additions	Reductions	Ending June 30, 2013	Due within One Year
Accrued vacation	\$319,364	\$237,634	\$245,111	\$311,887	\$245,111

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.

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
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NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

NOTE 8 - PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS

A. CALPERS Miscellaneous Employees Plan

Plan Description - All qualified permanent and probationary Agency employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple-employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Agency's employees participate in the Miscellaneous Employee Plan. Benefit provisions under the Plan are established by State statute. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CALPERS; the Agency must contribute these amounts. The Plan's provisions and benefits in effect at June 30, 2013, are summarized as follows:

Hire Date	Prior to 1/1/13	After 1/1/13
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefit factors, as a % of annual salary	2.5%	2%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	13.914%	6.25%

Active plan members in the Agency's defined benefit pension plan are required to contribute 8% of their annual covered salary of which the Agency pays 7%. The Agency is required to contribute the actuarially determined remaining amount necessary to fund the benefits for its members.

Annual Pension Cost - CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the Agency's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the Agency must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The Agency uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS for the last three fiscal years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$429,107	100%	-
June 30, 2012	524,142	100%	-
June 30, 2013	696,738	100%	-

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
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NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

NOTE 8 - PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Status - CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.5% is assumed, including inflation at 2.5%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty-one years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

The Plan's actuarial value (which differs from market value) and funding progress within the most recently available past three years is set forth below at their actuarial valuation date of June 30:

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
6/30/2010	\$1,972,910,641	\$1,603,482,152	\$369,428,489	81.3%	\$352,637,380	104.8%
6/30/2011	2,135,350,204	1,724,200,585	411,149,619	80.8%	350,121,750	117.4%
6/30/2012	2,254,622,362	1,837,489,422	417,132,940	81.5%	339,228,272	123.0%

Net Pension Asset - As required by State law, effective July 1, 2005, the Agency's Miscellaneous Employee Plan was terminated, and the employees in the Plan were required by CALPERS to join a new State-wide pool. One of the conditions of entry to this pool was that the Agency true-up any unfunded liability in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The Agency satisfied its Plan's unfunded liability by making a lump sum contribution of \$1,028,633 in July 2011. This resulted in a net pension asset. The net pension asset will be amortized over a 10-year period amortization for the year ended June 30, 2013 totaled \$93,512 and is recorded in statement of revenues, expenses and changes in net position. Net pension asset as of June 30, 2013 is \$841,608.

B. *Post Employment Health Care Benefits*

Description

The Agency sponsors and administers a single-employer defined benefit health care plan for its employees. The plan includes medical, dental, and vision plan coverage to long-services retirees and/or their dependents.

The Agency provides post-retirement health care benefits to eligible retirees. Prior to January 1, 2007, employee groups, eligible employees retiring at or after age 50 with 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.

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 8 - PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS (Continued)

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.

The Plan provisions and benefits in effect at June 30, 2013 are summarized as follows:

Full Retirement Benefit	
Eligibility Age	50
Service Required	5 years
Benefit Amount	Payment of any PERS premium for retiree and eligible dependents.
Benefits End	Paid for life
PERS Minimum Benefit	
Eligibility Age	50
Service Required	5 years in PERS
Benefit Amount	\$108 in 2011, \$112 in 2012, 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.
Pre-Retirement Death Benefit	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.

Note: Employees hired after December, 2006 have lower benefits. The employer limits are \$542 for 1-party premiums, \$1,030 for 2-party and \$1,326 for family coverage in 2011. These limits were \$566, \$1,074, and \$1,382, respectively for 2012. Retirees with 10 to 19 years of PERS service receive pro-rated employer contributions; those with under 10 years receive only the Minimum benefit.

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AND ENERGY COUNCIL
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

NOTE 8 - PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy and Actuarial Assumptions

The Agency has elected to fully fund the annual required contribution (ARC) which is determined by an actuary. The contribution requirements of the Agency are established and may be amended by the Board of Directors.

The current year ARC was determined as part of a July 1, 2011 actuarial valuation using the projected unit credit 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) 7.50% investment rate of return, (b) 3.25% payroll growth rate, (c) 3% general inflation rate, and (d) health care cost trend rates assumed to increase 5% per year for medical benefits.

Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. For the fiscal year ended June 30, 2013, the Agency annual cost for the healthcare plan was \$154,800. The Agency's OPEB asset amortization and the net OPEB asset for the year ended June 30, 2013 were as follows:

Annual Required Contribution (ARC)	\$299,400
Adjustment to ARC due to amortization of excess contribution in prior year	(144,600)
Annual OPEB Cost	154,800
(Decrease) in Net OPEB Assets	(154,800)
Net OPEB Assets at June 30, 2012	2,352,486
Net OPEB Assets at June 30, 2013	\$2,197,686

The Plan's annual required contributions and actual contributions for the last three years ended June 30 are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	% of OPEB Cost Contributed	Net OPEB Asset
6/30/2011	\$228,000	\$228,000	100%	\$0
6/30/2012	290,000	2,642,486	911%	2,352,486
6/30/2013	154,800	(A)	100%	2,197,686

(A) Contribution was fully funded in prior year

The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial study is presented below:

Actuarial Valuation Date	Actuarial Valuation of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A-B)/C]
7/1/2011	\$546,600	\$2,911,800	(\$2,365,200)	19%	\$3,189,700	(74.2%)

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

NOTE 9 – 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 10 – COMMITMENTS AND CONTINGENCIES

The Agency's federal and State grant programs have been audited by its auditors in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, 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,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
SUPPLEMENTARY SCHEDULE OF NET POSITION - WASTE MANAGEMENT
JUNE 30, 2013

	Solid Waste	Mitigation Fees	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$4,309,985	\$13,196,879	\$17,506,864
Accounts receivable	855,781	518,070	1,373,851
Interest receivable	3,845	6,536	10,381
Grants receivable	723,671		723,671
Net pension asset	841,608		841,608
Net OPEB asset	2,197,686		2,197,686
Due from other funds	2,689,638	4,154	2,693,792
Total current assets	11,622,214	13,725,639	25,347,853
NON-CURRENT ASSETS:			
Capital assets, net of accumulated depreciation	305,707	14,470,244	14,775,951
Total Noncurrent Assets	305,707	14,470,244	14,775,951
TOTAL ASSETS	11,927,921	28,195,883	40,123,804
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	1,336,182	354,653	1,690,835
Accrued expenses	82,610		82,610
Accrued vacation	245,111		245,111
Due to other funds	98,092	1,137,455	1,235,547
Total current liabilities	1,761,995	1,492,108	3,254,103
LONG-TERM LIABILITIES			
Accrued vacation	66,776		66,776
Total long-term liabilities	66,776		66,776
TOTAL LIABILITIES	1,828,771	1,492,108	3,320,879
NET POSITION			
Net investment in capital assets	305,707	14,470,244	14,775,951
Unrestricted	9,793,443	12,233,531	22,026,974
TOTAL NET POSITION	\$10,099,150	\$26,703,775	\$36,802,925

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
SUPPLEMENTARY SCHEDULE OF NET POSITION - RECYCLING BOARD
JUNE 30, 2013

	Municipality Allocation	Revolving Low Fund	Pre-March 1995	Administration	Discretionary	Grants to Non-Profits	Source Reduction	Market Development	Recycled Product Price	Total
ASSETS										
CURRENT ASSETS:										
Cash and cash equivalents	\$455,708	\$1,819,096	\$564,906	\$933,030	\$973,563	\$1,727,007	\$1,140,704	\$1,258,748	\$464,544	\$9,337,306
Accounts receivable	635,140	11,084		38,108	152,433	127,084	127,028	127,028	63,514	1,281,419
Interest receivable	473	1,300			4,683					6,456
Loans receivable		377,583								377,583
Due from other funds		10,113		12,875	574,418	836		418	209	598,869
TOTAL ASSETS	1,091,321	2,219,176	564,906	984,013	1,703,097	1,834,927	1,267,732	1,386,194	528,267	11,601,633
LIABILITIES										
CURRENT LIABILITIES:										
Accounts payable		1,724		21,091	80,838	50,390	43,193	81,538	302,082	580,876
Due to other funds		17,871		619,506	396,338	120,032	308,589	445,430	17,743	1,925,509
Due to other governments	1,087,162									1,087,162
Total current liabilities	1,087,162	19,595		640,597	477,176	170,422	351,782	526,988	319,825	3,593,547
TOTAL LIABILITIES	1,087,162	19,595		640,597	477,176	170,422	351,782	526,988	319,825	3,593,547
NET POSITION										
Uncertified	4,159	2,199,581	564,906	343,416	1,227,921	1,684,505	915,950	859,206	208,442	8,008,086
TOTAL NET POSITION (DEFICITS)	\$4,159	\$2,199,581	\$564,906	\$343,416	\$1,227,921	\$1,684,505	\$915,950	\$859,206	\$208,442	\$8,008,086

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
SUPPLEMENTARY SCHEDULE OF NET POSITION - ENERGY COUNCIL
JUNE 30, 2013

ASSETS

CURRENT ASSETS:

Grants receivable	<u>\$158,636</u>
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TOTAL ASSETS	<u>158,636</u>
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LIABILITIES

CURRENT LIABILITIES:

Accounts payable	25,815
Due to other funds	131,605
Unearned revenue	<u>1,216</u>

TOTAL LIABILITIES	<u>158,636</u>
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NET POSITION

Unrestricted	<u>0</u>
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TOTAL NET POSITION	<u><u>0</u></u>
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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 YEAR ENDING JUNE 30, 2013

	Solid Waste	Mitigation Fees	Total
OPERATING REVENUES			
Fees	\$5,922,493	\$2,508,644	\$8,431,137
Other	278,305	477,365	755,670
Total operating revenues	6,200,798	2,986,009	9,186,807
OPERATING EXPENSES			
Salaries and benefits	3,620,037	1,129,422	4,749,459
Program expenses	4,343,899	1,674,504	6,018,403
Legal and accounting	176,602	40,398	217,000
Board expenses	42,250		42,250
Depreciation	23,569	140,352	163,921
Administrative and other	52,760		52,760
Total operating expenses	8,259,117	2,984,676	11,243,793
OPERATING INCOME (LOSS)	(2,058,319)	1,333	(2,056,986)
NONOPERATING REVENUES			
Grants	3,263,320		3,263,320
Interest income	15,063	31,082	46,145
Total nonoperating revenues	3,278,383	31,082	3,309,465
NET INCOME	1,220,064	32,415	1,252,479
NET POSITION, BEGINNING OF YEAR	8,879,086	26,671,360	35,550,446
NET POSITION, END OF YEAR	\$10,099,150	\$26,703,775	\$36,802,925

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 YEAR ENDING JUNE 30, 2013

	Municipality Allocation	Revolving Loan Fund	Pre-March 1995	Administration	Discretionary	Grants to Non-Profits	Source Reduction	Market Development	Recorded Product Price	Total
OPERATING REVENUES										
Fees	\$4,350,485			\$261,032	\$1,044,316	\$870,095	\$870,096	\$870,096	\$435,047	\$8,700,967
Other		\$27,336								27,336
Total operating revenues	4,350,485	27,336		261,032	1,044,316	870,095	870,096	870,096	435,047	8,728,303
OPERATING EXPENSES										
Salaries and benefits		26,612		46,244	464,803	113,859	337,051	461,307	18,153	1,468,029
Program expenses	4,353,195	31,078		25,811	478,505	484,425	326,477	551,301	338,594	6,555,586
Legal and accounting		1,798		22,389	636		102	336		25,261
Board expenses				11,550						11,550
Total operating expenses	4,353,195	59,488		105,994	943,944	598,284	663,630	1,013,144	356,747	8,064,426
OPERATING INCOME (LOSS)	(2,710)	(32,152)		155,038	100,372	301,811	206,466	(143,048)	78,300	663,877
NONOPERATING REVENUES (EXPENSES)										
Interest income	1,853	5,571			16,628					24,052
Total nonoperating revenues	1,853	5,571			16,628					24,052
NET INCOME (LOSS) BEFORE TRANSFERS	(857)	(26,581)		155,038	116,800	301,811	206,466	(143,048)	78,300	687,929
Transfers In					573,917					573,917
Transfers (Out)				(573,917)						(573,917)
Total transfers in (out)				(573,917)	573,917					
NET INCOME (LOSS) AFTER TRANSFERS	(857)	(26,581)		(418,879)	690,717	301,811	206,466	(143,048)	78,300	687,929
NET POSITION (DEFICITS), BEGINNING OF YEAR	5,016	2,226,162		\$564,906	537,204	1,382,694	799,484	1,002,254	130,142	7,320,157
NET POSITION (DEFICITS), END OF YEAR	\$4,159	\$2,199,581		\$343,416	\$1,217,921	\$1,684,505	\$915,950	\$859,206	\$208,442	\$8,008,086

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 YEAR ENDING JUNE 30, 2013

OPERATING EXPENSES	
Salaries and benefits	\$58,764
Program expenses	<u>99,872</u>
Total operating expenses	<u>158,636</u>
NON-OPERATING REVENUES	
Grants	<u>158,636</u>
Total non-operating revenues	<u>158,636</u>
NET INCOME	<u>0</u>
NET POSITION, BEGINNING OF YEAR	<u>0</u>
NET POSITION, END OF YEAR	<u><u>0</u></u>

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013**

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X Yes No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>81.128</u>	<u>ARRA - Energy Efficiency and Conservation Block Grant Program</u>
<u>20.205</u>	<u>Highway Planning and Construction -- Federal Aid Highway Program</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated November 15, 2013, which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

Finding SA2013-01 – Timely remittance of Single Audit Report to Grantor

CFDA Number 81.128

CFDA Title - ARRA Energy Efficiency and Conservation Block Grant Program

Federal Agency: Department of Energy

Pass-Through Entity: Association of Bay Area Governments (ABAG)

Criteria: Pursuant to Section 16.4 of the Retrofit California Sub-Awardee Agreement between the Association of Bay Area Governments (ABAG) and the Agency effectively dated June 1, 2010, if an audit of the Sub-Awardee is conducted specifically regarding this Sub-Awardee agreement, the Sub-Awardee shall file a copy of such audit report with ABAG within thirty days of the Sub-Awardee's receipt of the report.

Condition: The Agency's Single Audit Report for the fiscal year ended June 30, 2012 was issued on February 1, 2013 and approved by the Board of Directors on February 14, 2013. However, per review of supporting documentation, it appears that the Agency did not remit a copy of the Single Audit report to the Grantor, ABAG, until May 22, 2013 which passed the thirty-day guideline.

Effect: The Agency did not submit a copy of the Single Audit Report within the thirty-day timeframe as noted in the Sub-Awardee Grant Agreement.

Cause: The Agency submitted the report by regular mail and did not keep record of the submission date.

Recommendation: We recommend that the Agency remit all Sub-Awardee grant agreements timely to ensure they are in compliance with grant requirements. We also recommend the Agency remit reports in a timely manner in order to comply with grantor requirements.

View of Responsible Officials and Planned Corrective Actions

- **Name of contact person:** *Gina Peters, Chief Finance Officer*
- **Corrective Plan of Action:**

Report will be submitted to Sub-Awardee timely and a record of submission date maintained for verification.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – (Continued)

Finding SA2013-02 – Timely Remittance of Invoices to Grantor

CFDA Number: 20.205

CFDA Title: Highway Planning and Construction – Federal Aid Highway Program

Federal Agency: Department of Transportation

Pass-Through Entity: California Department of Transportation

Criteria: Pursuant to Section 2 of the “Special Covenants or Remarks” in the Program Supplement 04-6481-N001-ISTEA agreement between the Agency and the California Department of Transportation (Caltrans) dated October 24, 2011, the Agency shall submit invoices at least once every six months after the funds are encumbered.

Condition: During our audit, we noted that the Agency submitted two invoices to Caltrans for eligible expenditures incurred during fiscal year 2013, first on December 21, 2012 and second on October 15, 2013.

Effect: Per review of these invoices, it appears that the Agency did not remit an invoice to Caltrans at least once every six months as required in the Program Supplement Agreement.

Cause: The Agency received verbal instruction from Caltrans that remittance of invoices could be done at any time and that they were not required to remit invoices every six months.

Recommendation: We recommend the Agency remit reports in a timely manner in order to comply with grantor requirements. Furthermore, we recommend that all correspondence or guidelines received from the grantor be obtained in writing by the grantee to ensure proper compliance.

View of Responsible Officials and Planned Corrective Actions

- **Name of contact person:** *Mark Spencer, Senior Program Manager*
- **Corrective action plan:**

The Agency will submit invoices as per the agreement.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – (Continued)

Finding SA2013-03 – Submission of Prior Year Single Audit Report to State Controller

CFDA Number: 20.205

CFDA Title: Highway Planning and Construction – Federal Aid Highway Program

Federal Agency: Department of Transportation

Pass-Through Entity: California Department of Transportation

Criteria: The Single Audit Act, as amended by the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires that entities that expend \$500,000 or more in federal awards conduct a single audit and if any state pass-through funds are received, the State Controller's Office requires a complete single audit reporting package to be submitted for review.

Condition: The Agency did not specifically remit their report to the Division of Single Audits as required by the State.

Effect: The Pass-Through Agency was not provided a copy of the Single Audit report.

Cause: The Agency issues their Single Audit Report along with their financial statements. For fiscal year 2012, the Agency remitted their issued financial statement audit report to the State Controller.

Recommendation: We recommend that the Agency remit the required reporting package to the proper division of the State Controller's office. The Agency should also follow up with the State to ensure they have met the reporting requirements.

View of Responsible Officials and Planned Corrective Actions

- **Name of contact person:** *Gina Peters, Chief Finance Officer*
- **Corrective action plan:**

The Agency will submit the Single Audit to the Division of Single Audit and will maintain a record of submission.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
Prepared by Management

Financial Statement Prior Year Findings

There were no prior year Financial Statement Findings reported.

Federal Award Prior Year Findings and Questioned Costs

There were no prior year Federal Award Findings and Questioned Costs reported.

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Environmental Protection Agency Direct Programs Climate Showcase Communities Grant Program	66.041		<u>\$132,069</u>
Subtotal Department of Environmental Protection Agency Direct Programs			<u>132,069</u>
U.S. Department of Transportation Pass-Through Programs From: California Department of Transportation Highway Planning and Construction	20.205	CML-6481(001)	<u>482,748</u>
Subtotal Department of Transportation Pass-Through Programs			<u>482,748</u>
Department of Energy Pass-Through Programs From: Association of Bay Area Governments ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0003562	<u>1,468,342</u>
Subtotal Department of Energy Pass-Through Programs			<u>1,468,342</u>
			<u>\$2,083,159</u>
Total Expenditures of Federal Awards			

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2013JUNE 30, 2013**

NOTE 1 - REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the Alameda County Waste Management Authority, Alameda County Source Reduction and Recycling Board and Energy Council (Agency), as disclosed in the notes to the Basic Financial Statements

NOTE 2 - BASIS OF ACCOUNTING

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3 - DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the Agency by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Agency. The Schedule includes both of these types of federal award programs when they occur.

NOTE 4 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the Agency provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
20.205	Highway Planning and Construction – Federal Aid Highway Program	\$158,174

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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, 2013, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2013. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 or other matters that are required to be reported under *Government Auditing Standards*.

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
November 15, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited The Alameda County Waste Management Authority, Alameda County Source Reduction and Recycling Board and Energy Council's (Agency's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2013. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items SA2013-01, SA2013-02, and SA2013-03. Our opinion on each major federal program is not modified with respect to these matters.

Agency's Response to Findings

The Agency's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the Agency as of and for the year ended June 30, 2013, and have issued our report thereon dated November 15, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Maze & Associates

Pleasant Hill, California
January 14, 2014

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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, 2013, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2013. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 or other matters that are required to be reported under *Government Auditing Standards*.

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
November 15, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited The Alameda County Waste Management Authority, Alameda County Source Reduction and Recycling Board and Energy Council's (Agency's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2013. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – (Continued)

Finding SA2013-03 – Submission of Prior Year Single Audit Report to State Controller

CFDA Number: 20.205

CFDA Title: Highway Planning and Construction – Federal Aid Highway Program

Federal Agency: Department of Transportation

Pass-Through Entity: California Department of Transportation

Criteria: The Single Audit Act, as amended by the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires that entities that expend \$500,000 or more in federal awards conduct a single audit and if any state pass-through funds are received, the State Controller's Office requires a complete single audit reporting package to be submitted for review.

Condition: The Agency did not specifically remit their report to the Division of Single Audits as required by the State.

Effect: The Pass-Through Agency was not provided a copy of the Single Audit report.

Cause: The Agency issues their Single Audit Report along with their financial statements. For fiscal year 2012, the Agency remitted their issued financial statement audit report to the State Controller.

Recommendation: We recommend that the Agency remit the required reporting package to the proper division of the State Controller's office. The Agency should also follow up with the State to ensure they have met the reporting requirements.

View of Responsible Officials and Planned Corrective Actions

- **Name of contact person:** *Gina Peters, Chief Finance Officer*
- **Corrective action plan:**

The Agency will submit the Single Audit to the Division of Single Audit and will maintain a record of submission.

Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items SA2013-01, SA2013-02, and SA2013-03. Our opinion on each major federal program is not modified with respect to these matters.

Agency's Response to Findings

The Agency's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the Agency as of and for the year ended June 30, 2013, and have issued our report thereon dated November 15, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Maze & Associates

Pleasant Hill, California
January 14, 2014

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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, 2013**

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

For The Year Ended June 30, 2013

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MEMORANDUM ON INTERNAL CONTROL

To the Board of Director 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, 2013, and have issued our report thereon dated November 15, 2013. In planning and performing our audit of the basic financial statements of the Agency, 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 our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. 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. 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.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe to be of potential benefit to the Agency.

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 generally accepted 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, stylized script.

Pleasant Hill, California
November 15, 2013

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

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ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY RESOURCE REDCUTION AND RECYCLING BOARD
AND ENERGY COUNCIL
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We have cited them here to keep you abreast of developments:

EFFECTIVE FISCAL 2014:

GASB Statement 65 – Items Previously Reported as Assets and Liabilities

This Statement establishes accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources, and certain items that were previously reported as assets and liabilities recognizes as outflows of resources or inflows of resources.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

Statement No. 63 established the financial statement presentation for deferred inflows and deferred outflows, and Statement No. 65 makes other changes and defines certain transactions subject to this new presentation.

GASB Statement 66 – Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement removes the GASB Statement No. 10 provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY RESOURCE REDCUTION AND RECYCLING BOARD
AND ENERGY COUNCIL
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 67 – *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*

This statement is applicable when a Trust arrangement is established to hold the employer contributions prior to payment to the retirees (i.e. funding changes to prefunding rather than the current pay-as-you-go funding).

This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

GASB 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY RESOURCE REDCUTION AND RECYCLING BOARD
AND ENERGY COUNCIL
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees (Continued)

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

The provisions of this Statement are effective for reporting periods **beginning after June 15, 2013**. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively.

EFFECTIVE FISCAL 2015:

GASB 68 - Accounting and Financial Reporting for Pensions (an amendment of GASB 27)

This Statement will have material impact on the Agency's financial statements. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a single or agent employer that does not have a special funding situation is required to recognize a liability equal to the net pension liability. The net pension liability is required to be measured as of a date no earlier than the end of the employer's prior fiscal year (the measurement date), consistently applied from period to period.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.

The following are the major impacts:

- This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (**net pension liability**) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (**total pension liability**), less the amount of the pension plan's **fiduciary net position**.

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

SCHEDULE OF OTHER MATTERS

GASB 68 - Accounting and Financial Reporting for Pensions (an amendment of GASB 27)
(Continued)

- Actuarial valuations of the total pension liability are required to be performed at least every two years, with more frequent valuations encouraged. If a valuation is not performed as of the measurement date, the total pension liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation (performed as of a date no more than 30 months and 1 day prior to the employer's most recent year-end).
- The actuarial present value of projected benefit payments is required to be attributed to periods of employee service using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each employee individually, from the period when the employee first accrues pensions through the period when the employee retires.

GASB 69 - Government Combinations and Disposals of Government Operations

This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

REQUIRED COMMUNICATIONS



November 15, 2013

To the Board of Director 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, 2013. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133.

Significant Audit Findings

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. The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 60 - *Accounting and Financial Reporting for Service Concession Arrangements*

GASB 61 - *The Financial Reporting Entity - Omnibus - An Amendment of GASB Statement No. 14 and No. 34 - Component Unit Focus*

GASB 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

The following pronouncement became effective, and required a format change in the Statement of Net Position and certain nomenclature revisions in the footnotes accompanying the financial statements.

GASB 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. *Concepts Statement No. 4, Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

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.

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 estimate(s) affecting the Agency's financial statements were:

- *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. 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.
- *Accrued vacation:* are estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.
- *Estimated Fair Value of Investments:* As of June 30, 2013, the Agency held approximately \$27 million of cash and investments, as measured by fair value. Fair value is essentially market pricing in effect as of June 30, 2013. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2013.

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/certain 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.

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 dated November 15, 2013.

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 Information Accompanying the Financial Statements

With respect to the supplementary information accompanying the financial statements, 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.

With respect to the required supplementary information accompanying the financial statements, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not express an opinion nor 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.

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.

Very truly yours,

Mage & Associates

November 15, 2013