



Board of Directors
San Luis Obispo Integrated Waste Management Authority
San Luis Obispo, California

We have audited the financial statements of San Luis Obispo Integrated Waste Management Authority as of and for the year ended June 30, 2021, and have issued our report thereon dated October 14, 2021. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Luis Obispo Integrated Waste Management Authority are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021.

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

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement 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.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the 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 auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2021.

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 entity's financial statements or a determination of the type of auditors' 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.

Significant issues discussed with management prior to engagement

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

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Board of Directors
San Luis Obispo Integrated Waste Management Authority
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This communication is intended solely for the information and use of the Board of Directors and management of San Luis Obispo Integrated Waste Management Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
October 14, 2021

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT
AUTHORITY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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INDEPENDENT AUDITORS' REPORT

Board of Directors
San Luis Obispo County
Integrated Waste Management Authority
San Luis Obispo, California

Report on the Financial Statements

We have audited the accompanying statement of net position of San Luis Obispo County Integrated Waste Management Authority (the Authority) as of June 30, 2021, and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 of material misstatement.

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

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

Board of Directors
San Luis Obispo County
Integrated Waste Management Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.


Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Roseville, California
October 14, 2021

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

The following Management's Discussion and Analysis (MD&A) of San Luis Obispo County Integrated Waste Management Authority financial performance provides an introduction to the financial statements for the year ended June 30, 2021. The information contained in the MD&A should be considered in conjunction with the information contained in the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The Authority's revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and, with the exception of land, are depreciated over their useful lives. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

Following this discussion and analysis are the basic financial statements of the Authority.

The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's financial status.

The statement of net position presents information on all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position.

$$\text{Net Position} = (\text{Assets} + \text{Deferred Outflows of Resources}) - (\text{Liabilities} + \text{Deferred Inflows of Resources})$$

The statement of revenues, expenses, and changes in net position presents information showing the change in the Authority's net position during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.

The statement of cash flows relates to the flows of cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation of the statement of cash flows is provided at the bottom of the statement to assist in understanding the difference between cash flows from operating activities and operating income.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL HIGHLIGHTS

- The Authority started the FY 2021-2022 with \$2.9M in reserves, which was a decrease of \$203K from the prior year.
- There was an expected budget shortfall for the FY 2020-2021 of \$600K due to planned replacement purchases of forklifts, and maintenance and repair of Household Hazardous Waste

See accompanying Notes to Financial Statements.

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

(HHW) facilities, the hiring of a consultant to prepare the countywide CalRecycle Five Year Plan, advertising costs, and the inclusion of Technical Assistance Grants.

- When the COVID-19 pandemic resulted in the closure of businesses at a local, state, and national level, Authority staff anticipated a recession and significant revenue shortfalls and decided to forego any non-essential expenses including any capital asset spending. These actions reduced expenses.
- Operating revenue was \$2M for FY 2020-2021, as projected.
- The main source of revenue for this Authority is a \$3.00 per ton surcharge on waste disposed of at the landfills in San Luis Obispo County (MOA 1994) and a Solid Waste Management Fee (Resolution No. 07-03(c), 2007) of 2% of the gross revenue collected from commercial hauling, a \$.30 per month per residential account for residential customers with accounts charged less than \$50 per month, and 2% for residential accounts charged more than \$50 per month. This Authority anticipates revenues and reserves will meet expenses until SB 1383 becomes effective January 1, 2022, but will continue to closely monitor revenues and expenses.
- This Authority coordinates and reports to CalRecycle on 45 programs within the boundaries of San Luis Obispo County. These programs can be categorized into three expense categories: (1.) diversion programs/hazardous waste collection and material management, (2.) public outreach and education, and (3.) administrative costs.

FINANCIAL POSITION

Analysis of the Authority as a whole – Financial Statements

	IWMA's Net Position		Variance	Change
	2021	2020		
Assets:				
Current and Other Assets	\$ 3,277,300	\$ 3,607,456	(9.15)%	\$ (330,156)
Capital Assets	746,424	925,659	(19.36)	(179,235)
Total Assets	4,023,724	4,533,115	(11.24)	(509,391)
Liabilities:				
Current Liabilities	276,081	306,744	(10.00)	(30,663)
Long-Term Liabilities	21,613	16,364	32.08	5,249
Total Liabilities	297,694	323,108	(7.87)	(25,414)
Net Position:				
Net Investment in Capital Assets	746,424	925,659	(19.36)	(179,235)
Unrestricted	2,979,606	3,284,348	(9.28)	(304,742)
Total Net Position	\$ 3,726,030	\$ 4,210,007	(11.50)	\$ (483,977)

Assets – The Authorities assets for fiscal year 2020/21 decreased by 11.24% or \$509,391. The decrease in total assets was primary due to four (4) oil collection truck lease agreements ending and one (1) 2015 ISUZU NPR HD 18-foot box Compressed Natural Gas (CNG) vehicle lease agreement ending. All five vehicles were sold and removed from the asset list resulting in a decrease of approximately \$325,000.

See accompanying Notes to Financial Statements.

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Capital Assets – The Authority's investment in capital assets as of June 30, 2021 amounted to \$746,424 (net of accumulated depreciation and related debt). This investment in capital assets includes land, and equipment. The \$179,235 decrease was the result of the sale of the five (5) vehicles as stated above.

Liabilities - The Authority's liabilities for fiscal year 2020/21 decreased by 7.87% or \$25,414. The decrease was due to a reduction in accruals.

Net Position -The Authority's total net position for fiscal year 2020/21 decreased by 11.5% or \$483,977. The unrestricted net position of the Authority on June 30, 2021, amounted to \$2,979,606. The reduction in assets mentioned above was the main contributing factor to the decrease in total net position.

	<u>2021</u>	<u>2020</u>	<u>Variance</u>	<u>Change</u>
Revenues:				
Operating	\$ 2,042,522	\$ 1,959,636	4.23 %	\$ 82,886
Nonoperating	79,970	228,074	(64.94)	(148,104)
Total Revenues	<u>2,122,492</u>	<u>2,187,710</u>	(2.98)	(65,218)
Expenses:				
Operating Expenses	<u>2,606,469</u>	<u>2,394,178</u>	8.87	212,291
Total Expenses	<u>2,606,469</u>	<u>2,394,178</u>	8.87	212,291
Change in Net Position	(483,977)	(206,468)	134.41	(277,509)
Net Position - Beginning	<u>4,210,007</u>	<u>4,416,475</u>	(4.67)	(206,468)
Net Position - Ending	<u>\$ 3,726,030</u>	<u>\$ 4,210,007</u>	(11.50)	<u>\$ (483,977)</u>

Revenues – The Authority's revenues for fiscal year 2020/21 decreased by 2.98% or \$65,218. The decrease was related to a reduction in non-operating CalRecycle grant funding availability.

Expenses – The Authority's expenses for fiscal year 2020/21 increased by 8.87% or \$212,291. Operating expenses increased due to the addition of three (3) full-time positions in anticipation of staffing needs for state mandated SB 1383, the funding payment of three (3) Technical Assistance Grants, and an increase in legal fees.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- This Authority is planning for all current programs to continue at the same funding levels and that programs such as the school education programs could resume in-person presentations.
- State mandated SB 1383 programs must be in place and running by January 01, 2022. This Authority hired three (3) internal full-time staff in FY 20/21. To accommodate the additional staff, the Board authorized renting additional office space.
- HF&H Consultants were engaged to give this Authority cost projections/ranges for SB 1383 (1.) Initial set up and (2.) Yearly maintenance. This Authority is following a conservative funding approach given limited reserves and several market unknowns.

See accompanying Notes to Financial Statements.

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

- The full impact of COVID-19 on the economy is still undetermined. The Authority has been monitoring revenues and expenses closely and at this point, has not seen significant revenue disruption. Accordingly, this budget assumes service levels, costs, and fees will remain steady.
- The fee structure is going to change as of January 1, 2022. In total, these fees are projected to generate the additional revenue needed to implement and maintain the state mandated SB 1383.
- CalRecycle has decreased their standard Used Oil and City-County grants by as much as 40% for FY 21/22 and has warned agencies that these awards will continue to decline over the next few years.
- The budget assumes no significant changes to this Authority's JPA or the scope and make-up of the Board.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to SLO CO IWMA Accounting. This entire report is available online at <https://www.iwma.com/about/government-transparency/>.

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 2,916,504
Tipping Fees Receivable	248,377
Grants Receivable	28,504
Prepays	83,915
Total Current Assets	3,277,300

NONCURRENT ASSETS

Capital Assets:	
Depreciable, net	746,424
Total Assets	4,023,724

LIABILITIES

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	248,867
Current Portion of Compensated Absences Payable	27,214
Total Current Liabilities	276,081

LONG-TERM LIABILITIES

Compensated Absences Payable, Net of Current Portion	21,613
Total Liabilities	297,694

NET POSITION

Net Investment in Capital Assets	746,424
Unrestricted	2,979,606
Total Net Position	\$ 3,726,030

See accompanying Notes to Financial Statements.

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021**

OPERATING REVENUES	
Tipping Fees and Solid Waste Management Fees	\$ 1,947,675
Hazardous Waste and Oil Fees	72,078
Other Income	22,769
Total Operating Revenues	<u>2,042,522</u>
OPERATING EXPENSES	
Advertising	81,112
Copying and Printing	4,965
Depreciation Expense	71,483
Equipment and Supplies	86,491
Hazardous Waste Disposal	581,128
Insurance	26,282
Legal Counsel	117,702
Memberships	10,734
Miscellaneous	11,904
Office Expense	42,764
Postage	600
Professional Services	614,882
Public Outreach and Education	256,929
Rent, Utilities, and Office Maintenance	15,630
Salaries, Wages, and Benefits	670,696
Seminars and Training	2,950
Telephone	7,780
Travel and Mileage	2,437
Total Operating Expenses	<u>2,606,469</u>
OPERATING LOSS	(563,947)
NONOPERATING REVENUES AND EXPENSES	
Grants	133,536
Loss on Sale of Capital Asset	(85,548)
Interest	31,982
Total Nonoperating Revenues and Expenses	<u>79,970</u>
INCREASE (DECREASE) IN NET POSITION	(483,977)
Net Position - Beginning of Year	<u>4,210,007</u>
NET POSITION - END OF YEAR	<u><u>\$ 3,726,030</u></u>

See accompanying Notes to Financial Statements.

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 2,022,149
Cash Payments to Suppliers for Goods and Services	(1,944,110)
Cash Payments to Employees for Services	(662,778)
Net Cash Used by Operating Activities	<u>(584,739)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Grants Received	<u>126,798</u>
Net Cash Provided by Noncapital Financing Activities	126,798
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of Capital Assets	<u>22,204</u>
Net Cash Used by Capital and Related Financing Activities	22,204
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Cash and Cash Equivalents	<u>31,982</u>
Net Cash Provided by Investing Activities	31,982
NET INCREASE IN CASH AND CASH EQUIVALENTS	(403,755)
Cash and Cash Equivalents - Beginning of Year	<u>3,320,259</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,916,504</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (563,947)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	71,483
Changes in Assets and Liabilities:	
Tipping Fees Receivables	(20,340)
Prepays	(46,521)
Accounts Payable and Accrued Liabilities	(33,332)
Compensated Absences Payable	7,918
Net Cash Used by Operating Activities	<u><u>\$ (584,739)</u></u>

See accompanying Notes to Financial Statements.

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 1 NATURE OF OPERATIONS

The San Luis Obispo County Integrated Waste Management Authority (the Authority) was established by a voluntary joint powers agreement (the JPA) on May 10, 1994 under California Government Code Section 6500. The Authority is the continuation of a state-mandated Solid Waste Program established by the County of San Luis Obispo and cities located within San Luis Obispo County. Prior to the Integrated Waste Management Authority, the Solid Waste Program operated under a 1990 Memorandum of Agreement under the San Luis Obispo Area Coordinating Council's joint powers agreement.

Under Section 5, Powers of the JPA, the Authority has the power to acquire, construct, finance, refinance, operate, regulate and maintain a Solid Waste Landfill, transfer station, a MRF, composting, HHW, or Joint Facilities and Sole Use Facilities subject, however, to the conditions and restrictions contained in the Agreement. The Authority shall also have the power to plan, study and recommend proper solid waste management consistent with the Act and, to the extent permitted by the Act and this Agreement, implement the programs specified in the state approved and locally adopted SRREs, the HHWE, the NDFE and the County wide Regional Siting Element for all or any portion of the area included within the Authority's Boundary.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

For financial reporting purposes, the Authority is considered a special-purpose government engaged only in business-type activities. The principal operating revenues of the Authority are landfill tipping fees, franchise and permitted hauler solid waste management fees, and other related income. Grant revenues and interest income are considered nonoperating revenues. When both restricted and unrestricted revenues are available for an expense, the Authority's policy is to use restricted grant revenues first, and then unrestricted fees as they are needed.

Basis of Accounting

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

The Authority considers all demand deposits in bank and investment in San Luis Obispo County's pooled investment fund to be cash and cash equivalents.

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Tipping Fees, Solid Waste Management Fees, and Grants Receivable

The Authority's tipping fees receivable is comprised of waste tipping fees collected by the Cold Canyon, Chicago Grade, and Paso Robles landfills on behalf of the Authority, and solid waste management fees collected by waste management companies permitted in the county, but not yet remitted to the Authority as of year-end. Grants receivable represent reimbursable grant expenses that have not yet been received by year-end. No allowance for doubtful accounts has been recorded since management believes amounts are fully collectible.

Capital Assets

Property and equipment exceeding a capitalization threshold of \$5,000 are recorded at cost. Depreciation is provided for on a straight-line basis over the estimated useful lives of the assets ranging from 5 to 40 years.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

At June 30, 2021, cash and cash equivalents consisted of the following:

Deposits:	
Cash in Bank	\$ 59,107
Investment in External Investment Pool:	
Cash in Country Treasury Unreserved	1,357,397
Emergency Reserve	500,000
DTSC HHW Closure Reserve	1,000,000
Total Investment in External Investment Pool	<u>2,857,397</u>
 Total	 <u>\$ 2,916,504</u>

The Authority maintains the majority of its operating cash with the San Luis Obispo County Treasurer's office in a pooled investment fund. Funds are pooled with other agencies throughout San Luis Obispo County. Investments are made in accordance with California Government Code. The carrying value of pooled funds approximates fair value as required by Governmental Accounting Standards Board (GASB) Statement No. 31. Interest earned is deposited quarterly into participating funds. Investment gains and losses, if any, are proportionately shared by all funds in the pool. San Luis Obispo County's report discloses the required information in accordance with GASB Statements No. 3 and 40. External investment pools are not required to provide custodial credit risk disclosures.

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Custodial Credit Risk - Deposits

The Authority maintains a portion of its operating cash with a bank to facilitate payroll processing and credit card payments. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk in addition to the California Government Code collateral requirements. Cash balances held in the bank are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2021, all deposits held by financial institutions are fully insured or collateralized with securities, held by the pledging financial institutions' trust departments in the Authority's name.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Cash in County Treasury is available upon demand.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. San Luis Obispo County Treasury pooled investment fund is unrated.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. All of the Authority's investments are in the San Luis Obispo County Treasury.

NOTE 4 CAPITAL ASSETS

At June 30, 2021, capital assets comprised the following:

	Balance July 1, 2020	Additions	Reductions/ Adjustments	Balance June 30, 2021
Building and Leasehold				
Structures and Improvements	\$ 953,457	\$ -	\$ -	\$ 953,457
Equipment	450,058	-	(210,192)	239,866
Total	1,403,515	-	(210,192)	1,193,323
Less: Accumulated Depreciation	(477,856)	(71,483)	102,440	(446,899)
Property and Equipment, Net	<u>\$ 925,659</u>	<u>\$ (71,483)</u>	<u>\$ (107,752)</u>	<u>\$ 746,424</u>

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 5 LONG-TERM LIABILITIES – COMPENSATED ABSENCES

At June 30, 2021, long-term liabilities comprised the following:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Compensated Absences	\$ 40,909	\$ 49,806	\$ (41,888)	\$ 48,827	\$ 27,214

NOTE 6 LANDFILL TIPPING & SOLID WASTE MANAGEMENT FEE REVENUE

The operations of the Authority are primarily funded through the collection of a \$3 per ton waste tipping fee at the Cold Canyon, Chicago Grade, and Paso Robles landfills located within San Luis Obispo County and collection of solid waste management fees from companies that provide collection of solid waste, recyclables or green waste within San Luis Obispo County. Solid waste management fees are calculated as 2% of gross revenue collected by those companies except for residential accounts that are charged less than \$50 per month for which the fees are \$0.30 per month per residential customer. Revenues earned by location and type during the year were as follows:

	2021
Cold Canyon Landfill	\$ 513,795
Chicago Grade Landfill	277,042
Paso Robles Landfill	125,977
Solid Waste Management Fees	1,030,861
Total	<u>\$ 1,947,675</u>

NOTE 7 EMPLOYEE RETIREMENT PLANS

The Authority contributes to the San Luis Obispo County IWMA Defined Contribution Plan, a defined contribution pension plan in accordance with Internal Revenue Code Section 401(a), for its current full-time employees. The Authority has no further Pension obligation after employee has left service. The pension plan is administered by Nationwide Retirement Solutions, a Public Employees Benefit Services Corporation. Benefit terms, including contribution requirements, for the pension plan are established and may be amended by the IWMA Board of Directors. For each employee in the pension plan, the Authority is required to contribute 19.53% of base salary, exclusive of overtime pay, to an individual employee account. The Authority also contributes into Social Security at 6%. Commencing with date of hire, employees are immediately vested in Authority contributions and earnings on Authority contributions. The Authority's contributions are made each pay period. For the year ended June 30, 2021, the Authority's pension expense was \$49,763, and the Authority had no pension contributions payable.

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

The Authority sponsors a 457(b) retirement plan for its employees that allow the employees to contribute a portion of their salary to their retirement. The Authority may contribute a matching contribution which is determined on an annual basis. The Authority made contributions to the retirement plan in the amount of \$63,542 for the year ended June 30, 2021.

The Authority also contributes to a post employment health plan for its employees. For each employee in the plan, the Authority is required to contribute 2% of base salary. The Authority made contributions to the health plan in the amount of \$4,993 for the year ended June 30, 2021.

NOTE 8 RISK MANAGEMENT

Insurance Coverage

The Authority purchases commercial insurance for property and liability. Property insurance is provided under a public entity property insurance program, special property insurance program. Coverage limits are \$1,000,000 per occurrence with additional per occurrence or aggregate sublimits for specific perils. The policy carries a basic deductible of \$1,000 per occurrence with additional deductibles for specific perils. Liability insurance is provided under a general liability insurance program with \$5,000,000 coverage limits per occurrence and annual aggregate with no self-insured retention with additional sublimits and deductibles for specific coverage. Pollution liability insurance coverage limits are \$2,000,000 for each condition and in aggregate with \$10,000 self-insured retention.

The Authority is a member of the Special District Risk Management Authority's (SDRMA) Workers' Compensation Program. SDRMA is a Joint Powers Insurance Authority created to provide for pooled joint protection programs among the members and to provide for the purchase of excess or reinsurance. The Authority pays an annual contribution for participation in the SDRMA workers' compensation pool with \$0- deductible for claims. SDRMA has the right to charge assessments to the participating members; however, the Authority cannot estimate the possible range of additional assessments, if any. The SDRMA pool provides \$750,000 self-insured retention. Losses from \$750,000 to \$1,500,000 per occurrence are covered by Brit Insurance. Losses from \$1,500,000 to statutory limits are pooled with California State Association of Counties (CSAC) Excess Insurance Authority. Losses from \$5,000,000 to \$50,000,000 per occurrence are covered with reinsurance. Losses over \$50,000,000 per occurrence are also covered with reinsurance up to statutory liability under California Workers' Compensation law.

None of the above programs had settlements that exceeded pooled or insurance coverage during the past three fiscal years. There have been no significant reductions in pooled or insurance coverage from the prior year.

Litigation

From time to time, in the normal course of operations, the Authority may become involved in litigation for which the Authority may, or may not have, additional insurance coverage, depending upon the individual circumstances of the claim.

**SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 9 SUBSEQUENT EVENTS

Subsequent to year-end, the Board of Supervisors from the County of San Luis Obispo decided to end their membership with the seven cities and the eleven CSD's with solid waste powers. This action means the Authority will be made up of seven cities and eleven special districts that make up approximately 80% of the population of San Luis Obispo County, however the Authority is forecasting a loss of 10% revenue based on landfill tonnage and number of accounts. This decision will take effect tentatively November 15, 2021. The Authority has discussed adjusting their landfill and hauler rates to compensate for the loss of revenue.



**INDEPENDENT AUDITORS' 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***

Board of Directors
San Luis Obispo County
Integrated Waste Management Authority
San Luis Obispo, 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 financial statements of the San Luis Obispo County Integrated Waste Management Authority (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

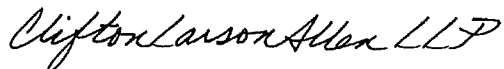
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

**CliftonLarsonAllen LLP**

Roseville, California
October 14, 2021

