# TEHAMA COUNTY SOLID WASTE MANAGEMENT AGENCY
# FINANCIAL STATEMENTS
# YEAR ENDED JUNE 30, 2023

## TABLE OF CONTENTS

**Donald R. Reynolds**
Certified Public Accountant

# INDEPENDENT AUDITORS' REPORT

Honorable Chairman and Members
of the Board of Directors
Tehama County Solid Waste Management Agency
Red Bluff, California

## Report on the Audit of the Financial Statements

### Opinions

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tehama County Solid Waste Management Agency (The JPA), a component unit of Tehama County, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the JPA's basic financial statements.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tehama County Solid Waste Management Agency, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the JPA and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the JPA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is



**P.O. Box 994508, California 96099-4508 * (530) 246-AUDIT (2834) * FAX (530) 244-0331**

not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, I:

> Exercise professional judgment and maintain professional skepticism throughout the audit;
>
> Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
>
> Obtain an understanding of internal control relevant to the audit 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 JPA's internal control. Accordingly, no such opinion is expressed;
>
> Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
>
> Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the JPA's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the JPA's basic financial statements. The organizational table and summary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary 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, I have also issued my report dated November15, 2023 on my consideration of the JPA's internal control over financial reporting and on my 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 my 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 Tehama County Solid Waste Management Agency'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 Tehama County Sanitary Landfill Management Ageency 's internal control over financial reporting and compliance.

Donald R. Reynolds, CPA
Redding, California
May 15, 2024

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Tehama County Solid Waste Management Agency (Agency) annual financial report represents a discussion and analysis of the Agency's financial performance during the year ended June 30, 2023. Please read it in conjunction with the Agency's financial statements and accompanying notes.

## FINANCIAL HIGHLIGHTS

Total net assets at June 30, 2023 equaled $7,626,343. This is a decrease of (9.29)% over FY 2021/2022.

Unrestricted net assets at June 30, 2022 equaled $271,525, as compared to $(205,708) at the fiscal year end June 30, 2023. Restricted assets at June 30, 2023 equaled $1,424,178, which did not change as compared to the previous period.

Operating Income (Loss) at June 30, 2023 equaled $(374,456) as compared to $(72,884) in FY 2021/2022. Changes in net assets at June 30, 2023 equaled $(237,866) as compared to $10,784 at the close of FY 2021/2022.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the financial statements and the notes to the financial statements.

The financial statements provide both long-term and short-term information about the Agency's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Assets.

The Statement of Net Assets presents the financial position of the Agency on a full accrual basis and provides information about the nature and amount of resources and obligations at year-end.

## FINANCIAL ANALYSIS OF THE AGENCY

***Net Assets***

The following table summarizes the net assets as of June 30, 2023:

| | 2021 | 2022 | 2023 | Percent Difference (22/23) |
|---|---|---|---|---|
| Current Assets | 3,110,732 | 3,888,753 | 4,594,864 | 18.16% |
| Restricted Assets | 1,424,078 | 1,424,078 | 1,424,078 | 0.00% |
| Non-Depreciable Capital Assets | 279,207 | 279,207 | 279,207 | 0.00% |
| Capital Assets | 6,825,929 | 6,432,449 | 6,128,766 | -4.72% |
| Other Assets | 0 | 0 | 0 | 000.00% |
| **Total Assets** | **11,639,946** | **12,024,487** | **12,426,915** | **3.35%** |
| | | | | |
| Current Liabilities | 3,767,486 | 4,053,170 | 4,873,911 | 20.25% |
| Long-Term Debt | 0 | 0 | 0 | 00.00% |
| **Total Liabilities** | **3,767,486** | **4,053,170** | **4,873,911** | **20.25%** |
| | | | | |
| Invested in Capital Assets, net of related debt | 7,105,136 | 6,711,656 | 6,407,973 | -4.52% |
| Restricted Net Assets | 1,424,078 | 1,424,078 | 1,424,078 | 0.00% |
| Unrestricted Net Assets | (675,789) | 271,525 | (205,708) | -175.76% |
| **Total Net Assets** | **7,853,425** | **8,407,259** | **7,626,343** | **-9.29%** |

In fiscal year ending June 30, 2023, Total Assets equaled $12,426,915 and Total Liabilities equaled $4,873,911. Capital Assets increased substantially during fiscal year ending June 30, 2020 due to an internal audit of Agency assets and the addition of assets not previously accounted for. Restricted assets consist of funds set aside for the closure and post closure activities of the Tehama County/Red Bluff Landfill.

Total Liabilities include Accrued Closure/Post Closure liabilities, accrued compensated absences and net pension liability. Accrued Closure/Post Closure liabilities increased by 13.31% as the cost estimate for closure and post closure maintenance increased substantially due to a higher than normal inflation rate. Accrued compensated absences increased by 8.48% over the previous period. Net pension liability increased by 196.17% as compared to the previous fiscal year. The Agency does not have any long-term debt.

Net assets invested in capital equaled $7,626,343, which includes both depreciable and non-depreciable capital assets. Unrestricted net assets equaled $(205,708) and represent the unrestricted net assets less net assets invested in capital and restricted net assets. Current assets equaled $4,594,864 and include cash and cash equivalents, receivables and prepaid expenses.

***Changes in Net Assets***

The following table summarizes the change in net assets during fiscal year ending June 30, 2023:

| | 2021 | 2022 | 2023 | Percent Difference (22/23) |
|---|---|---|---|---|
| **Operating Income** | **722,475** | **1,132,690** | **1,430,137** | **26.26%** |
| **Operating Expenses** | | | | |
| Personnel and Other Admin Expenses | 437,314 | 484,265 | 733,937 | 51.56% |
| Landfill Operations | 700,124 | 149,411 | 501,700 | 235.79% |
| Public Education Costs | 73,635 | 74,706 | 95,073 | 27.26% |
| Depreciation | 243,251 | 347,069 | 303,663 | -12.51% |
| Grant Expenses | 93,481 | 150,123 | 170,220 | 13.39% |
| **Total Operating Expenses** | **1,547,805** | **1,205,574** | **1,804,593** | **49.69%** |
| | | | | |
| Operating Income (Loss) | (825,330) | (72,884) | (374,456) | 413.77% |
| Net Non-Operating Revenues | 82,646 | 80,668 | 136,590 | 69.32% |
| **Net Income (Loss)** | **(742,684)** | **10,784** | **(237,866)** | **-2305.73%** |
| | | | | |
| Total Net Assets, beginning of year | 8,596,109 | 7,853,425 | 7,864,209 | 0.14% |
| Prior Period Adjustment | 0 | 0 | 0 | 00.00% |
| **Total Net Assets, end of year** | **7,853,425** | **7,864,209** | **7,626,343** | **-3.02%** |

Operating expenses include the CEQA study and soil sampling for the proposed composting facility, and a new household hazardous waste services provider. Personnel and other administrative expenses include net pension liability and implementation of the Total Compensation Study. Depreciation for the year totaled $303,663, which includes typical depreciation for buildings and equipment for fiscal year ending June 30, 2023.

Operating revenue includes hazardous waste fees, grant funding, interest revenue on retained earnings, and gate fees, which provide a set JPA fee for $68,000 per month for fiscal year ending June 30, 2023.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

***Capital Assets***

The following table summarizes the changes in net capital assets during fiscal year end June 30, 2023:

| | 2021 | 2022 | 2023 | Percent Difference (22/23) |
|---|---|---|---|---|
| **Non-Depreciable Assets** | **279,207** | **279,207** | **279,207** | **0.00%** |
| **Depreciable Capital Assets** | | | | |
| Equipment | $280,955 | $280,955 | $280,955 | 0.00% |
| Computers and Office Equipment | $9,238 | $9,238 | $9,238 | 0.00% |
| Facilities and Improvements | $7,779,608 | $7,779,608 | $7,779,608 | 0.00% |
| Methane Gas System | $497,105 | $497,105 | $497,105 | 0.00% |
| Vehicle | $126,367 | $126,367 | $126,367 | 0.00% |
| Building | $1,324,612 | $1,324,612 | $1,324,612 | 0.00% |
| **Total** | **$10,017,885** | **$10,017,885** | **$10,017,885** | **0.00%** |
| Accumulated Depreciation | $3,084,013 | $3,326,925 | $3,889,119 | 16.90% |
| **Capital Assets, Net** | **$7,213,079** | **$6,970,167** | **$6,407,973** | **-8.07%** |

Net Capital Assets decreased by an accumulated depreciation of $3,889,119 due to depreciation of vehicles, buildings and equipment purchased in previous years. Depreciation of the Agency's capital totaled $303,683 for the previous fiscal year.

***Debt Administration***

Long term debt historically included a debt from the California Department of Resources, Recycling, and Recovery (CalRecycle) loan originally retained by the Tehama County/Red Bluff Landfill Management Agency as a courtesy for the Tehama County Sanitary Landfill Agency. The loan was paid off during fiscal year 2015/16.

## ECONOMIC FACTORS AND 2022/2023 BUDGET

As a result of the Landfill and Material Recovery Facility Operations Agreement with Waste Connections (Agreement), beginning July 1, 2022, the Agency received a flat fee of $68,000 per month. The flat fee provides a consistent revenue source for the Agency.

Future growth to expenditures is fluid, relying on employment levels, regulatory requirements and desired funding levels for public services that elevate public health and safety (such as litter abatement and household hazardous waste services). Effective July 1, 2015, the Tehama County Sanitary Landfill Agency was dissolved. All assets and liabilities were absorbed by the Tehama County/Red Bluff Landfill Management Agency, which was subsequently renamed the Tehama County Solid Waste Management Agency. As a result of the consolidation, the Agency operational structure changed significantly. Many of these factors are discussed below.

***Revenue***

Increases to Tonnage – The Agency raised the flat fee (JPA fee) from $38,000 at the beginning of the Agreement between the Agency and Waste Connections to $68,000 per month to cover all of the Agency's current operating costs as well as costs previously incurred by the Tehama County Sanitary Landfill Agency, including Assembly Bill 939 implementation and household hazardous waste facility management costs. The Agency reserves the right to increase or reduce the JPA fee in the event the cost to operate the Agency is more or less than the fee received on an annual basis. As such, the JPA fee is independent of tonnage and will be reassessed each year. The Agency was able to use a combination of reserves and a transfer from the undesignated closure fund to fund the new office, and CEQA and related permitting activities to permit a composting facility. As such, the JPA fee was not increased in FY 2015/16 despite the new Agency office being constructed, nor was it increased in FY 2016/2017. The Agency increased the JPA fee in FY 2017/2018, FY 2018/2019, FY 2019/2020, and FY 2020/2021, but decreased it from $57,000 to $53,000 in FY 2021/2022. In FY 2017/2018, the Agency transferred $400,000 from its retained earnings reserves to the undesignated closure fund to repay the bulk of the office building loan. The remaining balance of $107,376 was repaid during the fiscal year ending June 30, 2019. As such, the debt is repaid in full.

Miscellaneous Revenue – The Agency can receive other revenue from a variety of sources, including donations and contracted consulting. Most miscellaneous revenue from FY 2022/2023 came from charges to small businesses for use of the household hazardous waste (HHW) program, grazing lease payments, PaintCare reuse payments, and certified used oil recycling center incentive fund payments.

***Expenditures***

Personnel – In developing annual budgets, the Agency first accounts for the estimated salaries, wages and benefits of Agency personnel. In FY 2022/2023, Agency salary and benefits costs continued to increase as a result of implementation of the Total Compensation Study. Personnel costs account for over 50% of the Agency's recurring expenditures. Expenditures related to personnel are subject to change based on factors that can be outside of Agency control, including retirement contribution rates and unfunded liabilities, health insurance costs, and wage increases due to collective bargaining on behalf of the unionized positions. The Agency Manager's salary and benefits are determined by a three-year contract agreement approved by the Agency. A new agreement was entered into in FY 2021/2022 that included an agreed-upon salary increase. All other Agency needs are provided by contractors or the County of Tehama.

Insurance – The Agency pays insurance for worker's compensation, special liability, and property. The last several years have seen minor increases in special liability, partly due to industry-wide increases, and partly due to past claims against the Agency. In FY 2019/2020, the Agency renewed its three-year pollution liability policy, which did not result in a substantial change in premium, despite the methane gas migration resulting from the landfill gas collection system being offline to accommodate the closure of Phase I. Since worker's compensation rates are based on a combination of claims history and staffing levels, future rates will likely increase as the Agency sustained one industrial injury at the end of FY 2017/2018. That being said, the Agency participates in a pooled worker's compensation program with Tehama County. Ultimately increases or decreases rely on the overall Tehama County insurance usage.

Agency Special Programs – In recent years, Agency surpluses have been used to expand programs county-wide that increase the health and safety of County residents. Examples of these programs include household hazardous waste collection events, medical waste sharps collection program, fluorescent light recycling program, alkaline battery recycling program, 4R Kids Exhibit outreach, Reuse of Available Products (REAP) Facility, community cleanup events, illegal dumping/litter cleanup and single use propane cylinder collection at recreational areas throughout the County. Beginning March 1, 2014, the Agency assumed all expenses for both household hazardous waste facilities and all special programs, which increases the Agency's operating expenses. In FY 2021/2022, the Agency began the CEQA study and soil testing for a proposed composting at the Tehama County/Red Bluff Landfill. The multi-year project is being funded through prior year surpluses and limited-term grant funding. Beginning July 1, 2015, the Agency assumed all expenses related to AB 939 program implementation. The expenses are offset by an increase in revenue through the monthly payment by Waste Connections to the Agency and grant funding the Agency receives from other governmental organizations or local community organizations.

Pass-through Expenditures – Beginning July 1, 2015, the Tehama County Solid Waste Management Agency assumed all roles and responsibilities of the Tehama County Sanitary Landfill Agency. This includes grant-funded personnel costs that are reimbursed on a periodic basis or at the end of the grant term.

Regulatory Requirements – Beginning March 1, 2014, Waste Connections is responsible for all environmental regulatory requirements. Beginning FY 2016/2017, the Agency began the Phase I final closure project, which continued through FY 2017/2018 and ended in FY 2018/2019. Costs for the closure are attributed to the Agency's closure trust fund. While completing a review of the Phase I Closure cost estimate in 2017, the California Department of Resources Recycling and Recovery advised that the post-closure maintenance period for the Phase I Landfill will not commence until the entire site is closed. The current operations agreement with Waste Connections stipulates that the Agency will maintain Phase I during the post-closure maintenance period, which will not begin for approximately 28 years. In FY 2018/2019, the Agency began discussions with Waste Connections to expand its duties to include maintenance of Phase I, with reimbursement for actual time and expense. A contract amendment for the additional services was finalized in FY 2019/2020.

Other Expenditures – The Agency utilizes funding during daily operations for office expenses, communications, travel, legal notices, professional services and other expenses.

During FY 2019/2020, an audit of the Agency's assets resulted in the addition of $7.7 million of capital assets, including onsite buildings such as the Materials Recovery Facility and an equipment maintenance building, and onsite land improvements, including stormwater ponds.

Other projects – In fiscal year 2008/09 the Agency assessed the viability of a site energy project to utilize landfill gas to create electricity. Bid documents were developed and one qualifying proposal was received. A landfill gas to electricity project was not financially viable for the Agency at the time. Reassessing the viability of a landfill gas to electricity project in the future is no longer recommended as California moves towards banning organics disposal in landfills and away from RNG to fuel vehicles. However, the Agency may consider the viability of a project to use solar power to create electricity. At this time, the complete scope of the aforementioned project has not been determined; however, it could take the form of royalty payments (revenue) from a private entity, or as a decrease in expense for ongoing costs such as electricity. The viability of a solar project may depend on an agreement with Waste Connections, as the major power user on the site, and future land use of Phase I.

In FY 2010/2011, the Agency began leasing acreage it owns south of the landfill for grazing purposes, providing an additional minor revenue source to the Agency.

In FY 2015/2016, the Agency constructed a new Agency office on property it owns west of the landfill entrance. The Agency used a majority of its reserves and a transfer from the closure fund to fund the new office. As a result, cash and cash equivalents decreased significantly and capital assets increased significantly during FY 2015/2016. Conservative spending during FY 2016/2017 and FY 2017/2018 resulted in an increase in retained earnings (reserves), allowing for the closure fund to be repaid in full during FY 2018/2019.

In FY 2020/2021, a Five-Year Permit Review for the Landfill's solid waste facility permit was completed. As part of the review, the landfill ancillary hours and total vehicle traffic were expanded. Additionally, the closure, post closure and corrective action cost estimates were updated. The new cost estimates are significantly higher than the previous cost estimate.

In FY 2020/2021, CalRecycle adopted solid waste management regulations that will require a reduction of organic waste disposal by 75% by 2025. These regulations (SB 1383) will result in a considerable increase in operating costs over the next fiscal years as the Agency works to develop required programs. In FY 2020/2021, the Agency added one additional full time equivalent position to the Agency's staffing level to implement the regulations. Additionally, during FY 2020/2021, the Agency contracted with a third-party engineering firm to complete a feasibility study to site an aerobic, windrow composting facility at the Tehama County/Red Bluff Landfill, and prepare a Report of Composting Site Information to provide for a Project Description should the Agency Board of Directors choose to move forward with permitting and CEQA. The facility would be capable of composting up to 24,000 tons of organic waste per year, and meet the current and future needs of Tehama County organic waste generators. In FY 2021/2022, the Agency Board of Directors directed staff to begin the CEQA review and permitting process for the facility.

### ***Contacting the Agency's Financial Management***

The financial report is designed to provide a general overview of the Agency's finances for those with interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Agency Manager, Tehama County Solid Waste Management Agency, 20000 Plymire Road, Red Bluff, CA 96080 or call 530-528-1103.

# TEHAMA COUNTY SOLID WASTE MANAGEMENT AGENCY
## STATEMENT OF NET POSITION
**June 30, 2023**

| | | |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ | 4,508,838 |
| Receivables | | - |
| Expense reimbursements receivable | | - |
| Restricted cash and cash equivalents | | 1,424,078 |
| Nondepreciable capital assets | | 279,207 |
| Depreciable capital assets, net | | 6,128,766 |
| Prepaid expenses | | 86,026 |
| **Total current assets** | $ | 12,426,915 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension Payments | $ | 84,496 |
| **LIABILITIES** | | |
| Accounts payable | $ | 85,823 |
| Accrued compensated absences | | 36,170 |
| Accrued closure and postclosure care costs | | 4,360,010 |
| Net pension liability-due in more than one year | | 391,908 |
| **Total liabilities** | $ | 4,873,911 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Unearned revenues | | - |
| GASB 68 Pension adjustment | | 11,157 |
| | $ | 11,157 |
| **NET POSITION:** | | |
| Invested in capital assets, net of related debt | | 6,407,973 |
| Restricted net position - expendable | | 1,424,078 |
| Unrestricted net position | | (205,708) |
| **Total net position** | $ | 7,626,343 |

The accompanying notes are an integral part
of these financial statements.

# TEHAMA COUNTY SOLID WASTE MANAGEMENT AGENCY
## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
**Year Ended June 30, 2023**

| | | |
|---|---|---|
| **OPERATING REVENUES:** | | |
| Gate fees | $ | 816,000 |
| Hazardous waste fees | | 13,186 |
| Specialty grants | | 597,093 |
| Other income | | 3,858 |
| Total operating revenues | | 1,430,137 |
| OPERATING EXPENSES: | | |
| Administrative costs | | 733,937 |
| Landfill operations | | 501,700 |
| Public education costs | | 95,073 |
| Grant expenses | | 170,220 |
| Depreciation | | 303,663 |
| **Total operating expenses** | | 1,804,593 |
| **OPERATING INCOME (LOSS)** | | (374,456) |
| **NON-OPERATING REVENUES (EXPENSES):** | | |
| Other income | | 31,986 |
| Interest | | 104,604 |
| **Total non-operating revenues (expenses)** | | 136,590 |
| **CHANGE IN NET POSITION** | | (237,866) |
| **NET POSITION, BEGINNING as previously stated** | | 7,864,209 |
| **Prior period adjustment** | | - |
| **NET POSITION, BEGINNING as restated** | | 7,864,209 |
| **NET POSITION, END OF YEAR** | $ | 7,626,343 |

The accompanying notes are an integral part of these financial statements.

# TEHAMA COUNTY SOLID WASTE MANAGEMENT AGENCY
## STATEMENTS OF CASH FLOWS
**Year ended June 30, 2023**

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Cash received from customers | $ | 1,861,584 |
| Cash received for reimbursable expenses | | - |
| Cash paid to suppliers | | (892,607) |
| Cash paid for landfill operations | | 10,574 |
| **Net cash provided by operating activities** | | 979,551 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | |
| Payments on long-term debt | | - |
| **Net cash (used) by noncapital financing activities** | | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Payments received on note receivable | | - |
| Purchase of capital assets | | - |
| Interest received | | 104,604 |
| **Net cash provided (used) by investing activities** | | 104,604 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | 1,084,155 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | | 4,893,291 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ | 5,977,446 |
| **COMPONENTS OF CASH AND CASH EQUIVALENTS:** | | |
| Cash and cash equivalents | $ | 4,508,838 |
| Restricted cash and cash equivalents | | 1,424,078 |
| **Total cash and cash equivalents** | $ | 5,932,916 |

(Continued on following page)

The accompanying notes are an integral part
of these financial statements.

## TEHAMA COUNTY SOLID WASTE MANAGEMENT AGENCY
### STATEMENTS OF CASH FLOWS
### Year ended June 30, 2023

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

| | | |
|---|---|---|
| Operating income (loss) | $ | (374,456) |
| Other income (loss) | | 31,986 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | | 303,663 |
| (Increase) decrease in: | | |
| Receivables | | 399,461 |
| Expense reimbursements receivable | | - |
| Prepaid expenses | | (65,947) |
| Increase (decrease) in: | | |
| Accounts payable | | 46,059 |
| Closure and post-closure costs | | 512,274 |
| Net pension liability | | 123,684 |
| Accrued compensated absences | | 2,827 |
| **Net cash provided by operating activities** | $ | 979,551 |

The accompanying notes are an integral part of these financial statements.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Tehama County Solid Waste Management Agency:

***Reporting Entity***

Tehama County Solid Waste Management Agency (Agency) is a joint powers agency formed by an agreement between the County of Tehama, the City of Corning, City of Tehama and the City of Red Bluff. The Agency was formed by merging the prior Tehama County Sanitary Landfill Agency and the Tehama County/Red Bluff Landfill Management Agency. It was formed to operate, and have management oversight over, the operation of the landfill owned by Tehama County and the City of Red Bluff and oversight over contractors, including compliance with the terms of any contract entered into between the Agency and any contractor. The Agency insures compliance with all laws imposed upon landfills, landfill operators and owners of landfills, and is responsible for the costs which will be incurred as a result of the closure of the landfill site.

Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budgets, and otherwise influence operations and account for fiscal matters is exercised by the Agency's Board of Directors. The Agency is a separate reporting entity for financial reporting purposes and the accompanying financial statements reflect the assets, liabilities, Net Position, revenues, and expenses of the Agency only.

As defined by GASB Statements No. 14 and 39, The Financial Reporting Entity, the Agency is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency' s financial statements to be misleading or incomplete.

In addition, based upon the above criteria, the Agency is not aware of any entity which would be financially accountable for the Agency which would result in the Agency being considered a component of the entity.

***Basis of Accounting***

The Agency's activities are accounted for as an enterprise fund (a business-type activity) and the accounting records are maintained on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

(Continued on following page)

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Basis of Accounting (Continued)***

The Agency has elected to follow Governmental Accounting Standards Board (GASB) pronouncements, and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement Number 20.

***Cash and Cash Equivalents***

For purposes of the Statement of Cash Flows, the Agency considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents.

***Investments***

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, amounts held in external investment pools are reported at fair value. The Agency uses the value of the pool shares held to approximate the fair value of the underlying cash and investments of the pool.

***Receivables***

Receivables represent revenues earned but not collected. Receivables are uncollateralized and are valued at cost. Any losses on uncollectible accounts receivable are recognized when such losses become known or indicated. All receivables are adjusted to net realizable value when they are determined to be delinquent based on historical experience.

No allowance for doubtful accounts is presented in the accompanying financial statements as management considers all accounts to be collectible.

***Prepaid Expenses***

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid assets.

***Restricted Cash and Cash Equivalents***

Certain resources set aside for loan repayment, closure costs and postclosure maintenance costs are classified as restricted because their use is limited by applicable loan covenants.
(Continued on following page)

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Capital Assets***

Capital assets are recorded at historical cost or estimated historical cost when historical cost is not available. Donated capital assets are recorded at market value on the date donated. Maintenance and normal repairs are expensed as incurred. Replacements or repairs which improve or extend the asset lives are capitalized.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

| | |
|---|---|
| Equipment | 5 years |
| Vehicle | 5 years |
| Building | 50 years |

***Compensated Absences***

Vested or accumulated sick leave, holiday pay, and vacation pay is recorded as an expense and liability as the benefits accrue to employees. In accordance with the provisions of Governmental Accounting Standards (GASB) Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

***Net Position***

Net position represent the difference between assets and liabilities. The Agency's net position are classified as follows:

Invested in capital assets, net of related debt — This represents the Agency's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position-expendable — Restricted expendable net position represent resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

Unrestricted net position — Unrestricted net position represent resources derived from franchise fees. These resources are used for transactions relating to the

(Continued on following page)

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Net Position (Continued)***

general operations of the Agency, and may be used at the discretion of the governing board to meet current expenses for any purpose.

.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Agency's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

***Operating Revenue and Expense***

The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from receiving commercial and residential waste in connection with the Agency's principal ongoing landfill operations. The principal operating revenues of the Agency are franchise fees. Operating expenses for the Agency include the cost of operating the landfill, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Agency has contracted with Waste Connections of California (Waste Connections) to operate the landfill including collecting the gate fees. Waste Connections pays the Agency a franchise fee of 12.36% of tipping fees received. Waste Connections also pays the Agency a fee of 5% of special charges. As of February 1, 2014, Waste Connections pays a flat fee of $38,000 per month to the Agency.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles 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.

## NOTE 2 CASH AND CASH EQUIVALENTS

As required by the Agency's joint powers agreement, the Tehama County Treasurer is designated as the depository of the Agency. The County Treasurer follows the practice of pooling cash and investments of all funds except for deposits required to be held

(Continued on following page)

**NOTE 2 CASH AND CASH EQUIVALENTS (Continued)**

separately based on contractual requirements or when necessary for operational purposes. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on the daily cash balances.

The County Treasury's Pooled Money Investment account's weighted average maturities was 2.36 years at June 30, 2023.

Copies of the County's audited financial statements can be obtained from the Tehama County Auditor-Controller's Office, 444 Oak Street, Red Bluff, California 96080.

The pooled treasury has regulatory oversight from the Tehama County Treasury Oversight Committee in accordance with California Government Code requirements.

In addition to the Tehama County Treasury's pooled cash and investments, the Treasurer maintains Agency deposits in one local financial institution.

All cash held by financial institutions is collateralized by securities that are held by the broker or dealer, or by its trust department or agent, but not in the Agency's name.

Risk Information — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. California Government Code Section 53601 limits the County's investments to maturities of five years or less.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally-recognized organizations. The Agency's investment in the county investment pool is unrated.

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. In accordance with the Agency's joint powers agreement, all funds are held in the county investment pool.

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g.,financial institution, broker-dealer) to a transaction, a government will not be able to recover the value of its cash and investments or collateral securities that are in the possession of another party. For deposits, the California Government Code requires

(Continued on following page)

## NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

California banks and savings and loan associations to secure the JPA's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an entity's total deposits. For investments, the Agency does not have a policy to address this risk.

## NOTE 3 CAPITAL ASSETS

A summary of changes in capital assets for the Year Ended June 30, 2023 is as follows:

| | Balance June 30, 2022 | Additions | Deletions | Adjustments | Balance June 30, 2023 |
|---|---|---|---|---|---|
| Non depreciable assets: | | | | | |
| Land | $ 279,207 | $ - | $ - | $ - | $ 279,207 |
| Total nondepreciable capital assets | $ 279,207 | $ - | $ - | $ - | $ 279,207 |
| Depreciable capital assets: | | | | | |
| Equipment | $ 280,955 | $ - | $ - | - | $ 280,955 |
| Facilities and Improvements | 7,779,608 | - | - | - | 7,779,608 |
| Computers and Office Equipment | 9,238 | - | - | - | 9,238 |
| Vehicles | 126,367 | - | - | - | 126,367 |
| Building | 1,324,612 | - | - | - | 1,324,612 |
| Sub-total depreciable assets | 9,520,780 | - | - | - | 9,520,780 |
| Methane Gas System | 497,105 | - | - | - | 497,105 |
| Sub-total depreciable assets | 10,017,885 | - | - | - | 10,017,885 |
| Less accumulated depreciation | 3,585,436 | 303,683 | - | - | 3,889,119 |
| Net depreciable assets | $ 6,432,449 | $ (303,683) | $ - | $ - | $ 6,128,766 |
| Net capital assets | $ 6,711,656 | $ (303,683) | $ - | $ - | $ 6,407,973 |

## NOTE 4 ACCRUED CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Agency to place a final cover on the

(Continued on following page)

## NOTE 4 ACCRUED CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

Tehama County landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the Agency reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of fiscal year end.

The Landfill has been developed in two distinct phases (Phase 1 and Phase 2). Accrued closure and postclosure care costs at June 30, 2023 consist of the following:

| | June 30, 2023 |
|---|---|
| Proportionate share of estimated closure and postclosure care costs based on cumulative usage at end of year: | |
| Phase 1 | $ 5,525,083 |
| Phase 2 | 2,750,374 |
| | 8,275,457 |
| Less cumulative closure and postclosure care costs incurred as of year end | 4,360,695 |
| Total accrued closure and postclosure care costs | $ 3,914,762 |

The information below reflects significant changes to total estimated capacity of Phase 1 and estimated closure and postclosure care costs for both Phase 1 and Phase 2. These changes are the result of the Agency's Five Year Review of the Solid Waste Facility Permit, which was finalized in 2014, and the contract bid for the closure of Phase 1.

The proportionate share of the estimated closure and postclosure care costs for Phase 1 is based on estimates of 100.00% usage of Phase 1 total capacity at June 30, 2023. The Agency has recognized the excess estimated cost of closure and postclosure care for Phase 1 of $236,667, as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care of Phase 1 in 2023. Actual costs may be higher because of inflation, changes in technology, or changes in regulations. The Agency expects to close Phase 1 of the Landfill during fiscal year ended June 30, 2023.

(Continued on following page)

## NOTE 4 ACCRUED CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

The proportionate share of the estimated closure and postclosure care costs for Phase 2 is based on estimates of 18.89% usage of Phase 2 total capacity at June 30, 2023. The Agency will recognize the remaining estimated cost of closure and postclosure care for Phase 2 of $9,549,407 as the remaining capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care of Phase 2 in 2023. Actual costs may be higher because of inflation, changes in technology, or changes in regulations.

During the year ending June 30, 2023 the landfill operator contracted with an engineering firm to determine the landfill capacity used during the year and the remaining capacity of the landfill based on an analysis of aerial views of the landfill. Based on this analysis, the remaining capacity of the landfill was estimated to be -0- cubic yards for Phase 1 and 2,027,238 cubic yards for Phase 2.

The Agency is required by state and federal laws and regulations to make annual contributions to a trust to finance closure care for Phase 1 and 2. The Agency is in compliance with these requirements at June 30, 2023, with cash and investments of $1,424,078 held for that purpose. These are reported as restricted cash and investments on the balance sheet. The Agency expects future inflation costs to be paid from interest earnings on these annual contributions, along with closure trust fund contributions of $1 per cubic yard of airspace consumed for Phase I and $3 per cubic yard of airspace consumed for Phase II. However, if interest earnings are inadequate or additional closure care requirements are determined (because of changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

The Agency is not required to accumulate funds to finance postclosure costs as the County of Tehama has adopted, by ordinance, an assurance to provide revenues for postclosure care costs if sufficient trust funds are not accumulated. However, the Agency believes interest earnings on funds accumulated to date and closure fees, may be sufficient to finance the unfunded portion of the postclosure care costs.

Due to variations in engineer's estimates from year to year based upon settlement and other factors, the remaining balances may fluctuate up or down from year to year. It is because of these factors that the State of California requires an annual engineering study to more closely estimate the remaining costs.

## NOTE 5 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2023, the Agency carried insurance through various commercial carriers to cover all risks of losses. The Agency has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years. During the year ended June 30, 2023, the Agency did not reduce insurance coverages from coverage levels in place as of June 30, 2023.

## NOTE 6 SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 15, 2024 the first date the financial statements were made available for distribution.

## NOTE 7 DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows or resources, represents a consumption of net position or fund balance that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency reports the following deferred outflows related to net pension liability in the Statement of Net Position:

| | |
|---|---|
| Net differences between projected and actual earnings on pension plan investments | $ 44,450 |
| Current payments | 18,744 |
| Changes in assumptions | 21,302 |
| Current period payments after valuation | - |
| Total deferred outflows of resources | $ 84,496 |

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, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Agency reports the following deferred inflows related to net pension in the Statement of Net Position:

(Continued on following page)

## NOTE 7 DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES (Continued)

| | |
|---|---|
| Net differences between projected and actual earnings on pension plan investments | $ - |
| Changes in assumptions | - |
| Differences between actual and expected earnings | 11,157 |
| Total deferred inflows of resources | $ 11,157 |

## NOTE 8 PENSION PLAN

**Plan Description -** The Agency contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan as a component of the County of Tehama.

PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and Agency ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street Sacramento, CA 95814.

**Funding Policy** — Active members in the Counties Miscellaneous Plan are required to contribute 7% of their covered salary. The County contributes 100% of the employee portion. The Agency is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the Ca1PERS Board of Administration. The average active employee contribution rate for the fiscal year ended June 30, 2014, the measurement date, was 6.736% and the employer's average contribution rate for the miscellaneous plan was 13.681% . The contribution requirements of plan members is established by State statute and the employer contribution is established and may be amended by PERS.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

| | |
|---|---|
| Hire Date | January 1, 2013 |
| Benefit Formula | 2.0% at 62; |
| Benefit Vesting Schedule | 5 years service |

(Continued on following page)

**NOTE 8 PENSION PLAN (Continued)**

| | |
|---|---|
| Benefit Payments | monthly for life |
| Retirement Age | 60 |
| Monthly Benefits, as a % of Eligible Compensation | 2.00% |
| Required Employee Contribution Rates | 7.00% |
| Required Employer Contribution Rates | 8.005% |

Employees hired July 1, 2012 and thereafter pay the full 7% employee contribution per adopted Mutual of Understanding if the employee is considered a "Classic" employee under PEPRA.

**Contributions —** Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by Ca1PERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023, the contributions recognized as part of the pension expense is as follows:

| | |
|---|---|
| Contributions — employer | $ 18,744 |
| Contributions — employee | $ - |

As of June 30, 2023, the County reported net pension liabilities for its proportionate shares of the net pension liability of the miscellaneous Plan as follows:

| | |
|---|---|
| Miscellaneous | $ 391,908 |

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

The County's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30,

(Continued on following page)

## NOTE 8 PENSION PLAN (Continued)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

2022 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2023 using standard update procedures. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the of the County's net pension liability for the Plan as of June 30, 2022 and 2023 was as follows:

| | |
|---|---|
| Proportion - June 30, 2022 | 0.37% |
| Proportion - June 30, 2023 | 0.42% |
| Change - Increase (Decrease) | 0.05% |

For the year ended June 30, 2023, the Agency recognized pension expense of $123,684 at June 30, 2023, the Agency reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pension from the following sources, as determined by the County as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 18,744 | $ - |
| Changes in assumptions | 21,302 | - |
| Adjustment due to differences in expected earnings | - | 11,157 |
| Net differences between projected and actual earnings on pension plan investments | 44,450 | - |
| Total | $ 84,496 | $ 11,157 |

There is no amount to be reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30 | |
|---|---|
| 2023 | $ 12,421 |
| 2024 | 10,939 |
| 2025 | 2,903 |
| 2026 | 28,332 |
| 2027 | - |
| Thereafter | - |

## NOTE 8 PENSION PLAN (Continued)

**Actuarial Assumptions** — The total pension liability in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Amortization Method | Level Percent of Payroll |
| Asset Valuation Method | Market Value |
| Actuarial Assumptions: | |
| Discount Rate | 7.5%, (net of administrative expenses) |
| Inflation | 2.75% |
| Payroll Growth | 3.00% |
| Projected Salary Increase | Varies by Entry Age and Service [1] |
| Investment Rate of Return | 7.150% [2] |
| Mortality | Derived using Ca1PERS' Membership [3] Data for all Funds |

[1] 3.30% to 14.20% depending on age, service, and type of employment
[2] Net of pension plan investment expenses, including inflation
[3] The mortality table used was developed based on Ca1PERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale **BB.** For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for fiscal years 1997-202211 including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at Ca1PERS' website under Forms and Publications.

**Discount rate** - The discount rate used to measure the total pension liability was 7.150 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, Ca1PERS stress tested plans that would most likely result in discount rate that would be different from the actuarially assumed discount rate.

Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.150 percent discount rate is adequate and the use of municipal bond rate calculation is not necessary. The long term expected discount rate of 7.150 percent is applied to all plans in the Public Employees Retirement Fund.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected rate of returns, net of inflation) are developed for each major asset class.

(Continued on following page)

## NOTE 8 PENSION PLAN (Continued)

| Asset Class | New Strategic Allocation | Real Return 1 Years 1-10 | Real Return 2 Years 11+ |
|---|---|---|---|
| Global Equity | 47% | 5.25% | 5.71% |
| Global Fixed Income | 19% | 0.99% | 2.43% |
| Inflation Sensitive | 6% | 0.45% | 3.36% |
| Private Equity | 12% | 6.83% | 6.95% |
| Real Estate | 11% | 4.50% | 5.13% |
| Infrastructure and Forest land | 3% | 4.50% | 5.09% |
| Liquidity | 2% | -0.55% | -1.05% |
| **Total** | 100% | | |

1 An expected inflation of 2.5% used for this period

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The geometric rates of return are net of administrative expenses.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| | (6.15%) | (7.15%) | (8.15%) |
| Net Pension Liability | $ 563,479 | $ 391,908 | $ 249,417 |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Ca1PERS financial reports.

**Payable to the Pension Plan**

At June 30, 2023, the County has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

(Continued on following page)

## NOTE 9 LEASES

For the year ended 6/30/2023, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below. Tehama County Solid Waste Management Agency has determine that neither lease is material and has not altered the presentation of these statements accordingly. Right-of-use assets and liability net to $235 at June 30, 2023.

Leases where Tehama County Solid Waste Management Agency is the lessor:

The Agencvy leases 148.98 acres in Tehama County, CA as grazing land to Monte Shultz, for the cattle grazing. The lease calls for payments of $15 per acre for each seacon for a total of $2,235 per season. The lease commenced on October 21, 2021 and continues ot September 30, 2024. Payments are due on or before November 10th and June 10th of each year. The lease agreement provides for cancellation by either party at any time subsequent to the first ten (10) years of the term of the lease agreement upon giving proper written notice six (6) months in advance of such cancellation.

Leases where Tehama County Solid Waste Management Agency is the lessee:

Pathway has a minor lease for a copy machine with payments of $90 per month. The lease term is five years from the date of installation, June 1, 2020. The lease has a maximum payment of $6,000 over the term of the lease. At the culmination of the lease the Agency may purchase hte machine for a payment of $1. The lease is treated as a financing type lease and the value of the asset has previously included in the fixed assets of the Agency.

**_Donald R. Reynolds_**
Certified Public Accountant

**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**



Honorable Chairman and Members
of the Board of Directors
Tehama County Solid Waste Management Agency
Red Bluff, California

I have audited the financial statements of the business-type activities of Tehama County Solid Waste Management Agency (a joint powers agency), as of and for the year ended June 30, 2023, which comprise the Agency's basic financial statements and have issued my report thereon dated May 15, 2024. I conducted my 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.

***<u>Internal Control Over Financial Reporting</u>***

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Agency's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Agency's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Agency's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of 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 that are less severe than a material weakness, yet important enough to be brought to the attention of those charged with governance.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**1438 Oregon Street, P.O. Box 994508 Redding, CA 96099-4508 (530) 246-2834 fax (530) 244-0331**

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Tehama County Solid Waste Management Agency's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

***Intended Purpose***

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results 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 report is not suitable for any other purpose.



Donald R. Reynolds, CPA
Redding, California
May 15, 2024

# TEHAMA COUNTY SOLID WASTE MANAGEMENT AGENCY
## SCHEDULE OF FINDINGS
## JUNE 30, 2023

**Condition or Specific Requirement:** One element of the Agency's internal control over financial reporting is its ability to prepare financial statements from its trial balance in accordance with Generally Accepted Accounting Principles (GAAP).

**Statement of Condition:** As part of my audit, I prepare adjusting entries necessary to prepare "full accrual" (GASB No. 34) entity-wide financial statements along with all required note disclosures.

**Cause of Condition:** The Agency does not have internal controls in place that extend to the determination that the financial statements are in accordance with GAAP.

**Effect of Condition:** Without internal controls that extend from the trial balance to the financial statements, the Agency is left to rely on the external auditors to identify material differences from GAAP reporting.

**Recommendation:** I previously recommended the Agency consider the cost/benefit of internal controls separate from the County auditor's, to assure the Agency's financial statements are in accordance with GAAP. Now that the merger of the two Joint Powers authorities has taken place and a more adequate structure is in place the County is making most of the accrual adjustments. The only remaining material adjustments is the closure and post-closure calculations.