TEHAMA COUNTY/CITY OF RED BLUFF LANDFILL MANAGEMENT AGENCY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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Donald R. Reynolds
Certified Public Accountant

INDEPENDENT AUDITORS' REPORT

Honorable Chairman and Members
of the Board of Directors
Tehama County/City of Red Bluff
Landfill Management Agency
Red Bluff, California

Report On the Financial Statements

I have audited the accompanying consolidated financial statements of Tehama County/City of Red Bluff Landfill Management Agency (TCRBLMA), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and changes in Net Position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the TCRBLMA's preparation and fair presentation of the consolidated 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 TCRBLMA's internal control. Accordingly, I 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 consolidated financial statements.

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tehama County/City of Red Bluff Landfill Management Agency as of June 30, 2013, and the changes in their Net Position and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 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. 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.

Donald R Regusko

Redding, California
January 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Tehama County/Red Bluff Landfill Management Agency annual financial report presents a discussion and analysis of the Agency's financial performance during the year ended June 30, 2013. Please read it in conjunction with the Agency's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

Total net assets at June 30, 2013 equaled $783,746 vs. $815,424 at the same time the previous year. This is a decrease of 3.88%.

Unrestricted net assets at June 30, 2013 equaled $408,511 vs. $435,592 at the same time the previous year. This is a decrease of 6.22%.

Operating loss at June 30, 2013 equaled $(51,451) vs. $(30,173) at the same time the previous year. Changes in Net Assets equaled (31,678) vs. 1,939 at the same time the previous year.

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. All assets and liabilities associated with the operation of the Agency are included in the Statement of Net Assets.

The Statement of Net Assets presents the financial position of the Agency on a full accrual historical 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 changes between June 30, 2013 and 2012:

	2013	2012	% Change
Current Assets	481,824	504,064	(4.41) %
Restricted Assets	66,678	66,636	0.06 %
Nondepreciable Capital Assets	279,207	279,207	0.00 %
Capital Assets	29,350	33,989	(13.65) %
Other Assets	99,424	132,564	(25.00) %
Total Assets	$956,483	$1,016,460	(5.90) %
Current Liabilities	73,313	68,472	7.07 %
Long-Term Debt	99,424	132,564	(25.00) %
Total Liabilities	$172,737	$201,036	(14.08) %
Net assets invested in capital	308,557	313,196	(1.48) %
Restricted Net Assets	66,678	66,636	0.06 %
Unrestricted Net Assets	408,511	435,592	(6.22) %
Total Net Assets	$783,746	$815,424	(3.88) %

From fiscal years ended 2012 to 2013, current assets decreased 4.4%, current liabilities increased by 7.1%, and long term debt decreased 25.0%. Net assets invested in capital decreased by 1.5%, and unrestricted net assets decreased by 6.2%, resulting in a decrease of total net assets of 3.88%.

Net assets invested in capital and unrestricted net assets decreased 1.5% and 6.2%, respectively due to depreciable capital and one-time expenses associated with the Landfill and Material Recovery Facility Operations negotiations. The one-time expenses associated with negotiating the Landfill and MRF Operations Agreement (Agreement) totaling $53,695.31 will be reimbursed by Waste Connections in the beginning of calendar year 2014. If this revenue were included the Agency would have a slight operating income of $2,244.

Changes in Net Assets

The following table summarizes the changes in net assets:

	2013	2012	% Change	
Operating Revenue	$265,844	$301,909	(11.95)	%
Operating Expenses				
Personnel and other admin expenses	274,028	290,198	(5.57)	%
Landfill Operations	1,725	1,428	20.80	%
Other Operating Expenses	41,542	40,456	2.68	%
Total Operating Expenses	$317,295	$332,082	(4.45)	%
Operating Income (Loss)	(51,451)	(30,173)	70.52	%
Net Non-Operating Revenues	19,773	32,112	(38.42)	%
Change in Net Assets	(31,678)	1,939	(1733.73)	%
Total Net Assets, beginning of year,	815,424	813,485	0.24	%
Total Net Assets, end of year	$783,746	$815,424	(3.88)	%

Changes to net assets decreased slightly due to decreases in operating revenue and interest income being offset by decreases in administration costs. Operating revenue decreased due to one–time construction and demolition projects and waste received from the Fish Passage Improvement Project in fiscal year end 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following table summarizes the changes in net capital assets between 2013 and 2012:

	2013	2012	% Change	
Equipment	14,724	7,771	89.47	%
Vehicle	39,501	39,501	0.00	%
Building	33,053	33,053	0.00	%
Total	87,278	80,325	8.66	%
Less accumulated depreciation	57,928	46,336	25.02	%
Capital Assets, Net	29,350	33,989	(13.65)	%

Net capital assets decreased and accumulated depreciation increased 13.65% and 25.02%, respectively due to the depreciation of capital assets, primarily the Agency's 2010 Toyota Prius and a landfill gas meter that was not previously depreciated.

Debt Administration

Long term debt includes debt from a California Department of Resources, Recycling, and Recovery (CalRecycle) loan retained by the Agency as a courtesy for the Tehama County Sanitary Landfill Agency. More detailed information about the Agency's long-term debt is presented in Note 4.

ECONOMIC FACTORS AND 2013/2014 BUDGET

When assessing future revenue growth, the Agency looks at two primary factors (estimated increases in tonnage and consumer price index changes), and one secondary factor (special handling charges). Future growth to expenditures is more 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). Additionally, a JPA known as the Tehama County Sanitary Landfill Agency can provide revenue or assume expenditures on programs within its By-Laws and contractual agreements. As a result of the Landfill and Material Recovery Facility Agreement with Waste Connections Inc. that takes effect March 1, 2014, the Agency operational structure will change significantly. Many of these factors are discussed below.

Revenue

Increases to Tonnage – Tehama County and the incorporated cities are experiencing slight increases in development and population, the two major factors in predicting future changes in incoming tonnage. Incoming tonnage (and revenue) are currently in a state of flux due to the California Green Building Code requiring waste be diverted from new construction projects and the slow economic recovery. In forecasting growth to incoming tonnage (and resulting revenue), there is a potential for increases or decreases depending on the economy, which directly affects per capita consumption and disposal. Currently the Agency expects tonnage to remain flat for FY 2013/14, with a potential for minute increases or decreases in the following 2 years.

Beginning March 1, 2014 the Agency will receive a flat fee of $38,000 per month (JPA fee) to cover all of the Agency's current operating costs as well as costs currently incurred by the Tehama County Sanitary Landfill Agency for Assembly Bill 939 implementation, household hazardous waste facility management costs, and methane gas loan 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.

Increases to Consumer Price Index (CPI) – The existing contract between the Agency and Waste Connections allows for annual rate increases on incoming tonnage based on 80% of the annual change in CPI (Urban West). Since the Agency receives a percentage of revenues, the Agency effectively receives this percentage increase to revenues as well. For FY 2013/14, the increase of 0.6% was very slight due to the CPI increase being offset by a decrease in the AB 939 fee. Beginning March 1, 2014 Agency fees received will not be affected by changes in the Consumer Price Index.

Special Handling Charges – Many bulky or hazardous items require a special charge for proper disposal or recycling. Examples of bulky items include sofas and mattresses (which require extra fees to support their recycling or burial), and examples of hazardous items include refrigerators (which must be certified as "freon-free" prior to recycling). The Agency receives 5% of special handling fees, which results in very little revenue from these fees. Beginning in July 2007, the Agency established a fee for uncovered loads of $5 per vehicle as a way to discourage citizens from loading their vehicles in a way to increase roadside litter. It is anticipated the fees will generate approximately $3,600 in revenue for FY 2013/14, which will help support, but not fully fund road clean up. In July 2009, the Agency agreed to waive the 5% it receives for mattresses and box springs to support the implementation of a mattress recycling program, which equates to $650 annually. As previously mentioned beginning March 1, 2014, the Agency will receive a flat fee of $38,000, as such it will no longer receive 5% of special handling fees.

Miscellaneous Revenue – The Agency can receive other revenue from a variety of sources, including donations, and contracted consulting. Most miscellaneous revenue from FY 2013/2014 will come from donations by residents for use of our free household hazardous waste program, charges to small businesses for use of the hhw program, reimbursements by Waste Connections for negotiations expenses, grazing lease payments, and Recycled Market Development Zone reimbursements.

Expenditures

Personnel – In developing annual budgets, the Agency first accounts for the estimated salaries, wages and benefits of Agency personnel. Currently, the Agency budgets for a part-time extra-help person and 2 full-time employees, a full-time Landfill Agency Manager, and a Recycling Coordinator (a Tehama County employee paid for by the Agency). This staffing level accounts 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, health insurance costs, and wage increases due to collective bargaining on behalf of the unionized positions. The Landfill Agency Manager's salary and benefits are determined by a three-year contract agreement approved by the Tehama County/Red Bluff Landfill Management Agency. All other Agency needs are provided by contractors or sub-

Contractors' to Waste Connections 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. Since workers' compensation rates are based on a combination of claims history and staffing levels, future rates may change due to Agency staffing levels. Fiscal year 2013/14 workers' compensation rates will increase by a nominal amount. Since the Agency participates in a pooled workers' 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, and illegal dumping/litter cleanup. The costs of these programs are shared with the Tehama County Sanitary Landfill Agency. During the current fiscal year, these programs have been budgeted for $47,667 in expenditures. Beginning March 1, 2014 the Agency will assume all costs of Agency Special Programs.

In July 2012 the Paint Product Stewardship law took effect. The law requires paint manufacturers to develop and fund a take-back program for architectural paint. Household hazardous waste disposal costs will significantly decline in fiscal year 2013/14 as a result of the agreement between the Agency's HHW Facility contractor, EcoSolutions, and PaintCare. As a result of the cost savings, the Agency may be able to increase the operating hours of the facility.

Pass-through Expenditures – The Agency manages projects on behalf of the Tehama County Sanitary Landfill Agency, a similar agency that utilizes staffing from this Agency. Beginning in FY 2009/2010 due to a large amount of personnel time spent conducting public education and outreach on behalf of the Sanitary Landfill Agency (JPA I), JPA I increased its reimbursement from 20% to 25% for administrative costs incurred by the Agency. In addition to reimbursing personnel costs for certain projects, JPA I also reimburses this Agency for large expenses related to their requirements for closure and Post-closure maintenance. Thus, major expenses are typically reimbursed during the same reporting period. Beginning March 1, 2014 the Tehama County Sanitary Landfill Agency will no longer reimburse the Agency for these pass-through expenditures.

Regulatory Requirements – The Agency is required to meet or exceed various federal, state and local regulatory requirements. Many of these requirements are incorporated into the existing operational contract with Waste Connections. Beginning March 1, 2014, Waste Connections is responsible for all environmental regulatory requirements.

Beginning in the 2016/2017 timeframe some post-closure monitoring expenses for groundwater will be attributed to the Tehama County Sanitary Landfill Agency due to closure of the Phase I landfill.

Other Expenditures – The Agency utilizes funding during daily operations for office expenses, communications, travel, legal notices, professional services and other expenses. Professional services expenditures will decrease in FY 2013/14 due to the Landfill and Material Recovery Facility Operations Agreement being finalized.

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 that time. In the future, the Agency may want to reassess the viability of a landfill gas to electricity project and the viability of a project to use solar power to create electricity. At this time, the complete scope of the aforementioned projects have not been determined, however, they 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 will depend on an agreement with Waste Connections, as the sole user of power on the site.

In fiscal year 2009/10 the Agency purchased 184.65 acres of land to be used as a landfill buffer zone. In FY 2010/11, the Agency began leasing the newly purchased acreage for grazing purposes, which provides an additional revenue source to the Agency.

In fiscal year 2013/14 the Agency began the process of constructing a new Agency office and associated storage building(s) on property it owns west of the landfill entrance road. Costs associated with the construction and design of the project and environmental compliance are anticipated. There will also be additional costs associated with the Agency leasing temporary office space from the City of Red Bluff while the new office is being designed and constructed.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Agency's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Landfill Agency Manager, Tehama County/Red Bluff Landfill Management Agency, 19995 Plymire Rd, Red Bluff, CA 96080 or call 530-528-1103.

TEHAMA COUNTY/CITY OF RED BLUFF
LANDFILL MANAGEMENT AGENCY
STATEMENT OF NET POSITION
June 30, 2013

ASSETS		
Current assets:		
Cash and cash equivalents	$	410,800
Receivables		21,387
Expense reimbursements receivable		-
Prepaid expenses		16,497
Current portion of loan receivable		33,140
Total current assets		481,824
Noncurrent assets:		
Restricted cash and cash equivalents		66,678
Nondepreciable capital assets		279,207
Depreciable capital assets, net		29,350
Loans receivable, net of current maturities		99,424
Total noncurrent assets		474,659
Total assets	$	956,483
LIABILITIES		
Current liabilities:		
Accounts payable	$	23,183
Accrued compensated absences		16,990
Current maturities of long-term debt		33,140
Total current liabilities		73,313
Long-term debt, net of current maturities		99,424
Total liabilities		172,737
NET POSITION:		
Invested in capital assets, net of related debt		308,557
Restricted net poistion - expendable		66,678
Unrestricted net position		408,511
Total net position		783,746
Total liabilities and net position	$	956,483

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

TEHAMA COUNTY/CITY OF RED BLUFF
LANDFILL MANAGEMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2013

OPERATING REVENUES:	
Franchise fees	$ 265,844
Total operating revenues	265,844
OPERATING EXPENSES:	
Personnel and other administrative expenses, net	274,028
Landfill operations	1,725
Other operating expenses	41,542
Total operating expenses	317,295
OPERATING INCOME (LOSS)	(51,451)
NON-OPERATING REVENUES (EXPENSES):	
Other income	17,498
Interest	2,275
Total non-operating revenues (expenses)	19,773
CHANGE IN NET POSITION	(31,678)
NET POSITION, BEGINNING OF YEAR	815,424
NET POSITION, END OF YEAR	$ 783,746

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

TEHAMA COUNTY/CITY OF RED BLUFF
LANDFILL MANAGEMENT AGENCY
STATEMENTS OF CASH FLOWS
Year ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$	283,628
Cash received for reimbursable expenses		100,758
Cash paid to suppliers		(286,119)
Cash paid to County for personnel services		(100,758)
Net cash provided by operating activities		(2,491)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments on long-term debt		(33,140)
Net cash (used) by noncapital financing activities		(33,140)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on note receivable		33,140
Purchase of capital assets		(1,992)
Interest received		2,275
Net cash provided (used) by investing activities		33,423
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,208)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		479,686
CASH AND CASH EQUIVALENTS, END OF YEAR	$	477,478
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	$	410,800
Restricted cash and cash equivalents		66,678
Total cash and cash equivalents	$	477,478

(Continued on following page)

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

TEHAMA COUNTY/CITY OF RED BLUFF
LANDFILL MANAGEMENT AGENCY
STATEMENTS OF CASH FLOWS
Year ended June 30, 2013

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

Operating income (loss)	$	(51,451)
Other income (loss)		17,498
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation		6,631
(Increase) decrease in:		
Receivables		286
Expense reimbursements receivable		-
Prepaid expenses		19,704
Increase (decrease) in:		
Accounts payable		4,841
Accrued compensated absences		-
Net cash provided by operating activities	$	(2,491)

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/City of Red Bluff Landfill Management Agency:

Reporting Entity

Tehama County/City of Red Bluff Landfill Management Agency (Agency) is a joint powers agency formed by an agreement between the County of Tehama and the City of Red Bluff. The Agency 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.

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.

The Agency has elected to follow Governmental Accounting Standards Board (GASB)

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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.

Expense Reimbursements Receivable

Personnel and other administrative cost reimbursements due from the Tehama County/City of Red Bluff Landfill Management Agency but not yet collected are presented as a current asset on the balance sheet. See Note 5 for further information regarding the cost sharing agreement.

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are classified as restricted because their use is limited by applicable loan covenants.

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

Invested in capital assets, net of related debt — This represents the Agency's total

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (Continued)

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 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, 2013.

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.

(Continued on following page)

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

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 California banks and savings and loan associations to secure the District'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, 2013 is as follows:

	Balance June 30, 2012	Adjustments/ Additions	Deletions	Balance June 30, 2013
Non depreciable assets:				
Land	$ 279,207	$ -	$ -	$ 279,207
Total nondepreciable capital assets	$ 279 207	$ -	$ -	$ 279,207
Depreciable capital assets:				
Equipment	$ 7,771	$ 6,953	$ -	$ 14,724
Vehicle	39,501	-	-	39,501
Building	33,053	-	-	33,053
	80,325	6,953	-	87,278
Less accumulated depreciation	46,336	11,592	-	57,928
Net depreciable assets	$ 33,989	$ (4,639)	$ -	$ 29,350

NOTE 4 LOAN RECEIVABLE AND LONG-TERM DEBT

The Agency entered into agreements related to a Facility Compliance Loan Program with the California Integrated Waste Management Board (Board) for the purpose of obtaining funds to loan to the Sanitary Agency. The purpose of the loan to the Sanitary Agency is to provide funds necessary to construct and install a methane gas collection and disposal system at the landfill.

The loan from the Board, in the amount of $497,105, is non-interest bearing and is payable in annual installments of $33,140 over a period of fifteen years.

As part of the loan program with the Board, the Agency is required to establish a pledge of revenue account which can only be used for debt service payments. The Agency must maintain a balance in the account equal to two years' debt service. At June 30, 2013, $66,636 was held in a separate bank account in accordance with this requirement.

The loan to the Sanitary Agency, in the amount of $497,105, is also non-interest bearing and is payable in annual installments of $33,140 over a period of fifteen years.

The change in long-term debt was as follows:

Beginning balance	$ 165,704
Principal reduction	(33,140)
Ending balance	$ 132,564

The annual debt service requirements to amortize the long-term debt are as follows

June 30,	**Total**
2014	$ 33,140
2015	33,140
2016	33,140
2017	33,144
	132,564
Less current maturities	33,140
Long-term debt, net of current maturities	$ 99,424

(Continued on following page)

NOTE 5 PERSONNEL AND OTHER ADMINISTRATION EXPENSES

Under a contractual agreement with the Tehama County/City of Red Bluff Landfill Management Agency (Sanitary Agency), management has agreed to share administrative staff costs. Accordingly, the Sanitary Agency will reimburse 25% of these amounts. During the year ended June 30, 2013, the amounts reimbursed totaled $41,980.

The Sanitary Agency conducts various grant programs and reimburses the Agency for personnel time spent that is chargeable to these grants. These reimbursements totaled $31,031 for the year ended June 30, 2013 and were in addition to amounts reimbursed under the cost sharing agreement.

These amounts were netted against personnel and other administrative expenses on the Statement of Revenues, Expenses and Changes in Net Assets.

NOTE 6 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, 2013, 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, 2013, the Agency did not reduce insurance coverages from coverage levels in place as of June 30, 2013.

NOTE 7 SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 15, 2014 the first date the financial statements were made available for distribution.

NOTE 8 NEW PRONOUNCEMENTS

Governmental Accounting Standards Board Statement No. 61

The Agency adopted the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial

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NOTE 9 NEW PRONOUNCEMENTS (Continued)

Governmental Accounting Standards Board Statement No. 61 (Continued)

reporting entity and financial reporting entity display and disclosure requirements. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

Governmental Accounting Standards Board Statement No. 62

The Agency adopted the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-December 30, 1989 FASB and AICPA Pronouncements*. This Statement directly incorporates the applicable guidance from Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure, issued on or before December 30, 1989, into the state and local government accounting and financial reporting standards, with the provisions modified, as appropriate, to recognize the effects of the governmental environment and the needs of governmental financial statement users without affecting the substance of the applicable guidance.

Governmental Accounting Standards Board Statement No. 63

The Agency adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. It also identifies net position as the residual of all other elements presented in a statement of financial position, or the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. As implied above, this Statement changes the previous classification of net assets to net position, and consequently the statement of net assets to the statement of net position.

Restatement of Net Position

For the fiscal year ending June 30, 2013, GASB Statements No. 60 *Accounting and Financial Reporting for Service Concession Arrangements* and No. 62 *Codification of*

(Continued on following page)

NOTE 9 NEW PRONOUNCEMENTS (Continued)

Restatement of Net Position (Continued)

Accounting and Financial Reporting Guidance Contained in Pre-December 30, 1989 FASB and AICPA Pronouncements ("the Statements") were implemented. The Agency had no contracts that, considering the implementation of Statement No. 60, were previously reported at their gross value, that had to be discounted to their present value. The Agency had no identifiable intangible assets relating to the Agency's service concession arrangements that needed to be recorded. The implementation of Statement No. 62 resulted in the Agency's government-wide net position as of June 30, 2012, being restated as follows:

	Business-type Activities
Net assets at June 30, 2012, as previously reported	$ 815,424
GASB Statement No. 60 adjustment:	
Service concession arrangement	None
GASB Statement No. 62 adjustment:	
Capital lease additions	None
Net position at July 1, 2012, as restated	$ 815,424

Accounting Standards Issued But Not Yet Adopted

Governmental Accounting Standards Board Statement No. 65

Items Previously Reported as Assets/Liabilities. The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) inflows of resources (revenues). The provisions of this Statement are effective fiscal periods beginning after December 15, 2012. The Agency has not completed the process of evaluating the impact that may result from adopting GASB 65.

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/City of Red Bluff
Landfill Management Agency
Red Bluff, California

I have audited the financial statements of the business-type activities of Tehama County/City of Red Bluff Landfill Management Agency (a joint powers agency), as of and for the year ended June 30, 2013, which comprise the Agency's basic financial statements and have issued my report thereon dated January 15, 2014. 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.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness.

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. I consider the deficiency described in the accompanying schedule of findings to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tehama County/City of Red Bluff Landfill 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.

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

Redding, California
January 15, 2014

TEHAMA COUNTY/CITY OF RED BLUFF
LANDFILL MANAGEMENT AGENCY
SCHEDULE OF FINDINGS
JUNE 30, 2013

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 recommend the Agency consider the cost/benefit of internal controls separate from the external auditors, to assure the Agency's financial statements are in accordance with GAAP.