

SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2025



**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
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JUNE 30, 2025**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the San Luis Obispo County Integrated Waste Management Authority (the "IWMA"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the IWMA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the IWMA, as of June 30, 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the IWMA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 IWMA's ability to continue as a going concern for twelve 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

Our 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 our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 IWMA'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the IWMA's ability to continue as a going concern for a reasonable period of time.

We are 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 we 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 - 7 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 09, 2026, on our consideration of the IWMA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the IWMA'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 IWMA's internal control over financial reporting and compliance.

Harshmal & Company LLP

San Diego, California
March 09, 2026

**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

The Management's Discussion and Analysis provides an overview and analysis of the San Luis Obispo County Integrated Waste Management Authority's (the "IWMA") financial activities for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the IWMA's financial statements and the accompanying notes.

Fiscal Highlights

The IWMA's net position as of June 30, 2025, was \$9,080,643, an increase of \$571,260 from the prior year. Total revenues decrease by \$2,103,981, and total operating expenses increased by \$781,412.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the IWMA's basic financial statements. The IWMA's basic financial statements are comprised of two components: 1) basic financial statements and 2) notes to basic financial statements.

The IWMA accounts for its financial activity utilizing enterprise fund accounting to ensure and demonstrate compliance with finance-related legal requirements. An enterprise fund is a proprietary fund type used to report activities for which a fee is charged to external customers for goods or services provided. The focus of an enterprise fund is the determination of operating income, changes in net position (or cost recovery), and cash flows.

All activities are presented in the following three basic financial statements:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows

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

Financial Analysis

Net Position - Changes in net position may indicate whether the financial position of the IWMA is improving or deteriorating. The IWMA's net position, as of June 30, 2025, was \$9,080,643, an increase of \$571,260 in comparison with the prior year. Total assets increased by \$413,196 compared to the prior fiscal year due to addition in capital assets. Table 1.0 summarizes the statement of net position.

Table 1.0 FINANCIAL POSITION

Analysis of the IWMA as a Whole - Financial Statements

**Condensed Statements of Net Position
As of June 30,**

	<u>2025</u>	<u>2024, Restated</u>	<u>Changes</u>	<u>Percentage Change</u>
Assets:				
Current assets	\$ 7,866,293	\$ 8,336,236	\$ (469,943)	(5.64)%
Capital assets, net	<u>1,396,356</u>	<u>541,544</u>	<u>854,812</u>	<u>157.85%</u>
Total assets	<u>9,262,649</u>	<u>8,877,780</u>	<u>384,869</u>	<u>4.34%</u>
Liabilities:				
Current liabilities	173,093	348,596	(175,503)	(50.35)%
Noncurrent liabilities	<u>8,913</u>	<u>19,801</u>	<u>(10,888)</u>	<u>(54.99)%</u>
Total liabilities	<u>182,006</u>	<u>368,397</u>	<u>(186,391)</u>	<u>(50.60)%</u>
Net Position:				
Net investment in capital assets	1,396,356	541,544	854,812	157.85%
Unrestricted net position	<u>7,684,287</u>	<u>7,967,839</u>	<u>(283,552)</u>	<u>(3.56)%</u>
Total net position	<u>\$ 9,080,643</u>	<u>\$ 8,509,383</u>	<u>\$ 571,260</u>	<u>6.71%</u>

Revenues and Expenses - Total revenues for FY 24/25 were \$4,116,531, a decrease of \$2,103,981 compared to the prior year. Operating revenues decreased by \$879,881, primarily due to a planned rate decrease for the Solid Waste Management Fee. Nonoperating revenues decreased by \$1,224,100, due to a decrease in one time state grant revenue received the prior fiscal year for SB 1383 Local Assistance Grant. The IWMA's operating expenses were \$3,545,271, an increase of \$781,412 compared to the prior year, primarily due to operating at full staffing and fully implementing programs to comply with SB 1383. Operating expenses were comprised of contract services, administration, and professional services. Table 1.1 summarizes the changes in net position at the current and prior fiscal year end.

Table 1.1 CHANGES IN NET POSITION

**Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30,**

	<u>2025</u>	<u>2024 Restated</u>	<u>Changes</u>	<u>Percentage Change</u>
Revenues:				
Operating revenue	\$ 3,677,365	\$ 4,557,246	\$ (879,881)	(19.31)%
Nonoperating revenue	<u>439,166</u>	<u>1,663,266</u>	<u>(1,224,100)</u>	<u>(73.60)%</u>
Total revenues	<u>4,116,531</u>	<u>6,220,512</u>	<u>(2,103,981)</u>	<u>(33.82)%</u>
Expenses:				
Operating expenses	3,545,271	2,763,859	781,412	28.27%
Nonoperating expenses	<u>-</u>	<u>73</u>	<u>(73)</u>	<u>(100.00)%</u>
Total expenses	<u>3,545,271</u>	<u>2,763,932</u>	<u>781,339</u>	<u>28.27%</u>
Changes in net position	571,260	3,456,580	(2,885,320)	(83.47)%
Net position, beginning of year	<u>8,481,056</u>	<u>5,052,803</u>	<u>3,428,253</u>	<u>67.85%</u>
<i>Restatement</i>	<u>28,327</u>	<u>-</u>	<u>28,327</u>	<u>100.00%</u>
Net position, beginning of year, <i>restated</i>	<u>8,509,383</u>	<u>5,052,803</u>	<u>3,456,580</u>	<u>68.41%</u>
Net position, end of year	<u>\$ 9,080,643</u>	<u>\$ 8,509,383</u>	<u>\$ 571,260</u>	<u>6.71%</u>

Economic Outlook and Budget Development

The following items were taken into consideration while developing the next fiscal year budget:

- The IWMA is planning to continue implementing outreach programs to comply with SB 1383, at similar funding levels as previous fiscal year. Sustainable funding will need to replace the Local Assistance Grant that helped launch these programs.
- School education programs will continue scheduling in-person classroom presentations and offering virtual programs as an option.
- State Mandated SB 1383 which became enforceable as of January 1, 2024, and AB 341, and AB 1826 continue to be the prime focus. The IWMA continues to provide education and outreach to residents and businesses in San Luis Obispo County. This is an essential function of compliance efforts with CalRecycle for our member jurisdictions.
- The Solid Waste Management Fee has been further reduced from 3.0% to between 0.25% and 2.06%, depending upon customer type, through resolution 2025-06-01 to stabilize revenue to expenses. The IWMA Board approved a 5 year plan to begin increasing this rate, until the fund balance has reached a stable level and revenues fully cover expenses.
- The IWMA continues to look to operational efficiencies to reduce spending and duplication of efforts.
- The IWMA continues to explore grant funding from CalRecycle to assist with infrastructure needs and SB 1383 program gaps.

Request For Information

This financial report is designed to provide a general overview of the IWMA's finances for all those with an interest in the IWMA's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to Coby Skye at cskye@iwma.com

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BASIC FINANCIAL STATEMENTS

**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2025**

ASSETS

Current assets:

Cash and cash equivalents	\$ 7,428,939
Accounts receivable	373,407
Prepaid expenses	<u>63,947</u>
Total current assets	<u>7,866,293</u>

Noncurrent assets:

Capital assets, net	<u>1,396,356</u>
Total noncurrent assets	<u>1,396,356</u>
Total assets	<u>9,262,649</u>

LIABILITIES AND NET POSITION

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	156,247
Other liabilities	6,706
Compensated absence - current portion	<u>10,140</u>
Total current liabilities	<u>173,093</u>

Noncurrent liabilities:

Compensated absence - noncurrent portion	<u>8,913</u>
Total noncurrent liabilities	<u>8,913</u>
Total liabilities	<u>182,006</u>

NET POSITION

Net investment in capital assets	1,396,356
Unrestricted	<u>7,684,287</u>
Total net position	<u>9,080,643</u>
Total liabilities and net position	<u>\$ 9,262,649</u>

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

**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

OPERATING REVENUES

Tipping fees and solid waste management fees	\$ 3,576,620
Hazardous waste fees	53,339
Other income	<u>47,406</u>
Total operating revenues	<u>3,677,365</u>

OPERATING EXPENSES

Advertising	135
Computer software and hardware	91,288
Contracted services	609,834
Copy and printing	2,374
Depreciation expense	53,640
Equipment and supplies	40,128
Hazardous waste disposal	602,589
Insurance property and liability	45,487
Legal counsel	156,981
Memberships	22,232
Office expenses	163,069
Postage	2,118
Miscellaneous	2,173
Public outreach and education	523,687
Rent, utilities, and office maintenance	56,847
Salaries, wages, and benefits	1,135,707
Services and supplies	13,121
Travel and mileage	7,377
Trainings and seminar registration	10,104
Telephone and internet	<u>6,380</u>
Total operating expenses	<u>3,545,271</u>
Net operating income	<u>132,094</u>

NONOPERATING REVENUES

Interest income	273,280
Grant income	<u>165,886</u>
Total nonoperating revenues	<u>439,166</u>

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

SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

Change in net position	<u>571,260</u>
Net position, beginning of year	8,481,056
<i>Error Correction</i>	<u>28,327</u>
Net position, beginning of year, <i>restated</i>	<u>8,509,383</u>
Net position, end of year	<u><u>\$ 9,080,643</u></u>

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

**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

Cash flows from operating activities:	
Cash received from customers	\$ 3,812,333
Cash payments to employees for services	(1,163,924)
Cash payments to suppliers for goods and services	(2,514,098)
Other operating cash receipts and disbursements, net	<u>(12,883)</u>
Net cash provided by operating activities	<u>121,428</u>
Cash flows from non capital financing activities:	
Operating grants received	<u>165,886</u>
Net cash provided by non capital financing activities	<u>165,886</u>
Cash flows from investing activities:	
Interest income	273,280
Acquisitions of capital assets	<u>(908,452)</u>
Net cash used in investing activities	<u>(635,172)</u>
Change in cash and cash equivalents	(347,858)
Cash and cash equivalents - beginning of year	<u>7,776,797</u>
Cash and cash equivalents - end of year	<u><u>\$ 7,428,939</u></u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES

Net Operating income/(loss)	\$ 132,094
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:	
Depreciation	53,640
Change in assets and liabilities	
Accounts receivable	134,968
Prepaid expenses	(12,883)
Accounts payable and accrued liabilities	(164,880)
Compensated absences	(28,217)
Other liabilities	<u>6,706</u>
Net cash provided by operating activities	<u><u>\$ 121,428</u></u>

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

**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 - NATURE OF SERVICES

The San Luis Obispo County Integrated Waste Management Authority (the "IWMA") was formed on May 10th 1994 by a joint exercise of power agreement between the County of San Luis Obispo and the Cities of Arroyo Grande, Atascadero, El Pasao de Robles, Grover Beach, Morro Bay, Pismo Beach, and San Luis Obispo to assist the cities and the County with the implementation of programs necessary to satisfy the requirements of the Assembly Bill (AB) 939, the Integrated waste Management Act of 1989.

The IWMA is governed by a nine-member board of directors, with one member from each of the Cities, one member from the County of San Luis Obispo and one member from the Special Districts with solid waste IWMA.

The IWMA education, diversion, and planning activities include a regional composting program, household hazardous waste collections, and county wide efforts towards waste reduction and recycling. The IWMA's activities are funded through a \$3.00 per ton Landfill tipping fee surcharge, a solid waste management fee of between 0.25% and 2.06% on the gross revenue on permitted charges for waste collection services, payments for household hazardous waste services, and grants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Basis of Accounting

The accompanying financial statement of the IWMA are prepared on the accrual basis method of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units.

All activities of the IWMA are accounted for within a single enterprise fund. Enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Cash and Cash Equivalents

The IWMA considers all cash held in the County Treasury to be cash and cash equivalents for purposes of the statement of cash flows.

D. Tipping Fees, Solid Waste Management Fees, and Grant Receivable

The IWMA's collects a \$3.00 a ton Landfill Tipping Fee Surcharge collected by the Cold Canyon, Chicago Grade, and Paso Robles landfills. Any waste that is exported outside of the County is assessed the same Landfill Tipping Fee surcharge on the franchise hauler that exports the waste. A Solid Waste Management Fee charge of between 0.25% and 2.06% of the gross revenue collected by any waste management companies permitted by Environmental Health to haul solid waste in the County. Grant receivables represent reimbursable grant expenses that have not yet been received by year-end. No allowance for doubtful accounts has been recorded since management believes amounts are fully collectible.

E. Capital Assets

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

F. Estimates

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

G. Net Position

In the Financial Statements, net position is classified in the following categories:

- Net investment in capital assets - Net position, as presented in the statement of net position, represents the difference between assets and liabilities. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets, net of related debt, excludes unspent debt proceeds.
- Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

H. Recently Adopted Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 101 - *Compensated Absences*. The IWMA adopted the provisions of GASB Statement No. 101, Compensated Absences, effective for the fiscal year ended June 30, 2025. This Statement updates the criteria for recognizing and measuring the compensated absences liability. The most significant change is the shift to a “more likely than not” recognition threshold for unused leave and the requirement to include associated salary-related payments in the liability measurement.

GASB Statement No. 102 - *Certain Risk Disclosures*. The IWMA adopted the provisions of GASB Statement No. 102, Certain Risk Disclosures, effective for the fiscal year ended June 30, 2025. This Statement establishes new disclosure requirements for certain concentrations and constraints that, when combined with a potential event, expose a government to the risk of a substantial negative impact. Management has evaluated the IWMA’s concentrations and constraints and determined that, as of June 30, 2025, the criteria for a required disclosure under this Statement were not met.

I. Future Accounting Pronouncements

GASB Statement No. 103 - *Financial Reporting Model Improvements*. GASB has issued Statement No. 103, Financial Reporting Model Improvements, effective for the year ending June 30, 2026. This Statement’s objective is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assisting a government’s accountability. Additionally, the statements also address certain application issues.

GASB Statement No. 104 - *Disclosure of Certain Capital Assets*. GASB has issued Statement No. 104, New Capital Asset Disclosures, effective for the year ending June 30, 2026, which requires capital assets held for sale, intangible assets, lease assets, and subscription assets to be broken out separately in note disclosure.

GASB Statement No. 105 - *Subsequent Events*. GASB has issued Statement No. 105, Subsequent Events, which establishes accounting and financial reporting standards for events that occur after the financial statement date but before the statements are issued. This Statement requires governments to evaluate subsequent events to determine whether they should be recognized in the financial statements or disclosed in the notes. GASB Statement No. 105 is effective for fiscal years beginning after June 15, 2026.

**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 - CASH AND CASH EQUIVALENTS

As of June 30, 2025 cash and cash equivalents consisted of the following:

Deposits:	
Cash in Bank	\$ 87,818
Investment in External Investment Pool:	
Cash in County Treasury Unreserved	<u>7,341,121</u>
Total cash and cash equivalents	<u>\$ 7,428,939</u>

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

Custodial Credit Risk - Deposits

The IWMA maintains a portion of its operating cash with a bank to facilitate payroll processing and credit card payments. Custodial credit risk is the risk that, in the event of a bank failure, the IWMA's deposits may not be returned to it. The IWMA does not have a formal deposit policy for custodial credit risk in addition to the California Government Code collateral requirements. Cash balances held in the bank are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). As of June 30, 2025, all deposits held by financial institutions are fully insured or collateralized with securities, held by the pledging financial institutions' trust departments in the IWMA's name.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 4 - CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2025 is as follows:

	<u>Balance as of July 1, 2024</u>	<u>Restatement</u>	<u>Additions</u>	<u>Balance as of June 30, 2025</u>
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ 360,949	\$ 360,949
Total capital assets, not being depreciated	<u>-</u>	<u>-</u>	<u>360,949</u>	<u>360,949</u>
Capital assets, being depreciated:				
Building	949,406	-	541,424	1,490,830
Equipment	<u>266,394</u>	<u>-</u>	<u>6,079</u>	<u>272,473</u>
Total capital assets, being depreciated	1,215,800	-	547,503	1,763,303
Less: accumulated depreciation	<u>(702,583)</u>	<u>28,327</u>	<u>(53,640)</u>	<u>(727,896)</u>
Total capital assets, being depreciated, net	<u>513,217</u>	<u>28,327</u>	<u>493,863</u>	<u>1,035,407</u>
Capital assets, net	<u>\$ 513,217</u>	<u>\$ 28,327</u>	<u>\$ 854,812</u>	<u>\$ 1,396,356</u>

Depreciation expenses for the year ended June 30, 2025 was \$53,640.

NOTE 5 - COMPENSATED ABSENCES

The compensated absence activity for the year ended June 30, 2025, is as follows:

	<u>Balance as of July 01, 2024</u>	<u>Additions/ Deletions</u>	<u>Balance as of June 30, 2025</u>	<u>Current Portion</u>
Compensated Absences	<u>\$ 47,270</u>	<u>\$ (28,217)</u>	<u>\$ 19,053</u>	<u>\$ 10,140</u>

NOTE 6 - LANDFILL TIPPING AND SOLID WASTE MANAGEMENT FEE REVENUE

The operations of the IWMA are primarily funded through five sources:

- Conditionally Exempt Small Quantity Generated (CESQG) hazardous waste from businesses
- Grants received from the California Department of Resources Recycling and Recovery (CalRecycle) under the Beverage Container Recycling Payment Program.
- Solid Waste Management Fee
- Landfill Tipping Fee Surcharge
- Retail Take Back Fee

**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 6 - LANDFILL TIPPING AND SOLID WASTE MANAGEMENT FEE REVENUE (CONT'D)

CESQG payments are from businesses that generate small volumes of hazardous waste as defined by California Dept of Toxic Substance Control. The IWMA offers this service to the businesses located in San Luis Obispo County. Grants received from the California Department of Resources Recycling and Recovery (CalRecycle) are intended to support local recycling initiatives and litter cleanup activities related to beverage containers, including aluminum, glass, plastic, and bi-metal containers. The Solid Waste Management Fee is defined as between 0.25% and 2.06% of the gross revenue collected by permitted and franchise haulers in San Luis Obispo County. The landfill tipping fee surcharge is collected is \$3 per ton of buried waste collected at the Cold Canyon, Chicago Grade, and Paso Robles landfills located within the County and any waste that is generated from the County and buried at disposal sites outside of the County.

Landfill Tipping Fee Surcharges earned by location and type during the year were as follows:

Cold Canyon Landfill	\$ 543,188
Chicago Grade Landfill	79,092
Paso Robles Landfill	129,745
Buckeye Processing & MRF	21,564
Solid Waste Management Fees	<u>2,803,031</u>
Total	<u>\$ 3,576,620</u>

NOTE 7 - EMPLOYEE RETIREMENT PLANS

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

The IWMA sponsors a 457(b)-retirement plan for its employees that allows the employees to contribute a portion of their salary to their retirement. The IWMA contributes a matching contribution up to the maximum established by the Internal Revenue Service (IRS).

The IWMA also contributes to a post-employment health plan for its employees. For each employee in the plan, the IWMA is committed to contributing 2% of the base salary.

For the year ended June 30, 2025, the IWMA's retirement expense was \$207,878.

**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 - RISK MANAGEMENT

Insurance Coverage

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

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

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

Litigation

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

NOTE 9 - SUBSEQUENT EVENTS

The management of the IWMA has reviewed the results of operations for the period of time from its year end June 30, 2025 through March 09, 2026, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 - ERROR CORRECTION

During the fiscal year ended June 30, 2025, the IWMA discovered an error in capital asset accumulated depreciation account in the prior year. The correction of this error resulted in the following restatement:

	<u>Net Position</u>
Beginning balance, as previously reported as of June 30, 2024	\$ 8,481,056
Error corrections:	
Accumulated depreciation correction	<u>28,327</u>
Beginning balance as restated, July 1, 2024	<u><u>\$ 8,509,383</u></u>

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Luis Obispo County Integrated Waste Management Authority (the "IWMA"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the IWMA's basic financial statements, and have issued our report thereon dated March 09, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the IWMA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IWMA's internal control. Accordingly, we do not express an opinion on the effectiveness of the IWMA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IWMA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The IWMA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the IWMA's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The IWMA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Harshmal & Company LLP

San Diego, California
March 09, 2026

**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2025**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
• Noncompliance material to financial statements noted?	No

SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2025

SECTION II - FINANCIAL STATEMENT FINDINGS

2025-001 - Lack of Year-End Accruals for Vendor Invoices (Material Weakness) - Repeated and modified

Condition

During our audit procedures, we identified six vendor invoices related to contracted services, legal, and special department expenses for fiscal year 2024-25 that were not accrued as of year-end. The total amount of these invoices is material to the financial statements, resulting in an understatement of both accounts payable and expenses as of year-end.

Criteria

Accounting Principles Generally Accepted in the United States of America (GAAP) require that expenses be recognized in the fiscal year during which the related liabilities are incurred, regardless of when payment is made.

Cause of condition

Existing internal controls did not include an adequate process to ensure that all vendor invoices for services provided before year-end were properly identified and accrued.

Potential effect of condition

Failure to accrue these expenses resulted in a material misstatement of the IWMA financial statements prior to audit adjustments, specifically an understatement of accounts payable and fiscal year 2024-25 expenses.

Recommendation

We recommend that IWMA strengthen its year-end closing procedures to ensure that all liabilities incurred are appropriately accrued. This may include implementing a comprehensive year-end closing checklist, establishing cut-off procedures, and reconciling vendor invoices to service delivery dates to identify expenses applicable to the reporting period.

Management's response

The IWMA has adopted new protocols to track anticipated invoices year-round, which will ensure that invoices are paid in a timely manner. This protocol will also help identify pending invoices at year-end close, and if needed the IWMA will submit journal entries promptly to ensure all vendor invoices are accrued in the correct Fiscal Year.

**SAN LUIS OBISPO COUNTY
INTEGRATED WASTE MANAGEMENT AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

SECTION I - STATUS OF PRIOR YEAR AUDIT FINDINGS

<u>Prior Year Audit Findings</u>	<u>Status</u>
2024-001 - Lack of Year-End Accruals for Vendor Invoices	Repeated and Modified
2024-002 - Inadequate Internal Controls over Payroll During Employee Leave	Resolved