

**NAPA-VALLEJO WASTE  
MANAGEMENT AUTHORITY**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

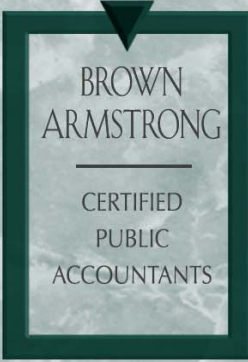
**JUNE 30, 2016**

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
JUNE 30, 2016**

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## **FINANCIAL SECTION**



# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Napa-Vallejo Waste Management Authority  
Napa, California

### Report on the Financial Statements

We have audited the accompanying statement of net position of the Napa-Vallejo Waste Management Authority (the Authority) as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, which collectively comprise of the Authority's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

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

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

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenses by Activity is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenses by Activity is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenses by Activity is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
November 8, 2016

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

This section of the Napa-Vallejo Waste Management Authority's (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the Authority's basic financial statements following this section.

**THE FINANCIAL HIGHLIGHTS**

- The Authority's fiscal year 2015-16 operating and maintenance expenses are \$10.8 million (not including closure and postclosure expenses and depreciation), an increase compared to \$10.3 million in fiscal year 2014-15, which is an increase of 5%. The increase can be attributed to minor annual operating contract adjustments for inflation as well as increased tonnage received at the site.
- The Authority increased member rates from \$64 to \$65 per ton effective October 1, 2015, and increased non-member rates from \$68 to \$69 on July 1, 2015. Member franchise haulers represent about 80% of the waste received at the Authority's facility. Increases were designed to keep pace with inflationary increases in operating costs while continuing with ongoing capital improvements and maintaining reasonable cash reserves. These rates remained in effect throughout the fiscal year. Under the terms of the Board of Directors rate resolution, rates charged at the transfer station increase by \$1.00 per year. The most recent increases were July 1, 2016, for non-members and October 1, 2016, for member franchise haulers.
- The Devlin Road Transfer Station received 205,742 tons in fiscal year 2015-16 compared to 199,647 tons in fiscal year 2014-15. The slight increase in tonnage can be attributed to the improving economy and robust construction activity in the Authority's service area.
- Effective January 1, 2016, disposal costs increased from \$22.69 to \$23.14 per ton for disposal of municipal solid waste and from \$14.42 to \$14.85 per ton for alternative daily cover material.
- The Authority is debt free and has instituted pay-as-you go budgeting for capital projects in order to reduce future reliance on debt financing.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) Government-wide financial statements, and 2) Notes to the basic financial statements. Fund financial statements are not included in the basic financial statements because all activities of the Authority are accounted for within a single enterprise fund. Enterprise funds are accounted for using the accrual basis of accounting in both the government-wide and fund financial statements.

Government-Wide Financial Statements are designed to provide readers with a broad overview of Authority finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all Authority assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the Authority that are principally supported by user fees and charges (*business-type activities*). There are no component units to be included in the Authority's basic financial statements.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

## FINANCIAL ANALYSIS OF THE AUTHORITY

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$12,261,158 at the close of the most recent fiscal year. Further detail is provided in the tables below:

### Condensed Statement of Net Position As of June 30,

	2016	2015	Variance
<b>Assets</b>			
Current assets	\$ 9,101,852	\$ 6,183,884	\$ 2,917,968
Noncurrent assets	16,885,845	15,442,048	1,443,797
<b>Total Assets</b>	<u>25,987,697</u>	<u>21,625,932</u>	<u>4,361,765</u>
<b>Liabilities</b>			
Current liabilities	1,858,339	1,040,342	817,997
Long-term liabilities	11,868,200	12,740,700	(872,500)
<b>Total Liabilities</b>	<u>13,726,539</u>	<u>13,781,042</u>	<u>(54,503)</u>
<b>Net Position</b>			
Net investment in capital assets	16,885,845	15,442,048	1,443,797
Unrestricted	(4,624,687)	(7,597,158)	2,972,471
<b>Total Net Position</b>	<u>\$ 12,261,158</u>	<u>\$ 7,844,890</u>	<u>\$ 4,416,268</u>

The significant changes in the Authority's Net Position are summarized as follows:

- The Authority's total assets as of June 30, 2016, amount to \$26.0 million, an increase of \$4.4 million from the prior year. The majority of the increase is due to an increase in cash due to increased rates and the intentional build-up of capital and operating reserves, as well as a \$693.1 thousand increase in construction in progress and infrastructure.
- The Authority's total liabilities as of June 30, 2016, are \$13.7 million, a decrease of approximately \$54.5 thousand from the prior year. The decrease in liabilities is due to the annual reduction in postclosure liability for the American Canyon Sanitary Landfill offset by an increase in accounts payable.
- The Authority's total net position as of June 30, 2016, is \$12.3 million, an increase of \$4.4 million from the prior year. The increase of total net position is primarily due to the reduction in the postclosure liability and the planned increase in capital and operating reserves.

**Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30,**

	2016	2015	Variance
<b>Operating Revenues</b>			
Landfill/transfer station revenues	\$ 14,586,132	\$ 13,845,404	\$ 740,728
Recycling revenues	33,750	20,827	12,923
Miscellaneous	524	3,180	(2,656)
<b>Total Operating Revenues</b>	<u>14,620,406</u>	<u>13,869,411</u>	<u>750,995</u>
<b>Operating Expenses</b>			
Salaries and benefits	209,977	212,137	(2,160)
Services and supplies	9,694,679	9,691,845	2,834
Depreciation	335,371	299,782	35,589
<b>Total Operating Expenses</b>	<u>10,240,027</u>	<u>10,203,764</u>	<u>36,263</u>
<b>Operating Income</b>	4,380,379	3,665,647	714,732
<b>Nonoperating Revenue</b>			
Interest Income	35,889	16,847	19,042
<b>Total Nonoperating Revenue</b>	<u>35,889</u>	<u>16,847</u>	<u>19,042</u>
<b>Change in Net Position</b>	4,416,268	3,682,494	733,774
<b>Net Position - Beginning of Year</b>	<u>7,844,890</u>	<u>4,162,396</u>	<u>3,682,494</u>
<b>Net Position - End of Year</b>	<u>\$ 12,261,158</u>	<u>\$ 7,844,890</u>	<u>\$ 4,416,268</u>

Operating revenues and expenses increased primarily due to increased tonnage.

**CAPITAL ASSETS**

The Authority has an ongoing capital improvement program and publishes a capital budget annually in conjunction with the Authority's budget process. The capital program is reviewed and updated on an annual basis. In addition, the Authority has a five year fiscal plan which includes anticipated capital improvements.

A Rehabilitation Master Plan for the Devlin Road Transfer Station was completed in 2012. The Authority has continued to work on major rehabilitation projects that were identified in the Rehabilitation Master Plan as well as additional projects identified since completion of that plan. Pavement Rehabilitation Phase I began construction on June 19, 2014, and was completed on September 9, 2015. The Pavement Rehabilitation Phase 2 project was started on March 29, 2016, and is expected to be completed by the end of calendar year 2016. Planning is underway for a Phase 3 project to begin construction in fiscal year 2016-17.

**DEBT ADMINISTRATION**

At June 30, 2016, the remaining long-term debt outstanding is \$11.9 million which is comprised of the estimated liability for closure and postclosure costs at the closed American Canyon Sanitary Landfill.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Authority Board of Directors adopted the fiscal year 2016-17 budget based on the following economic factors:

- A \$1.00 per ton per year increase to the tipping fees,
- Minor inflationary cost increases, and
- Continuing high tonnages due to the overall improved economic climate.

## **CONTACTING THE AUTHORITY**

This financial report is designed to provide the Board of Directors, our taxpayers, customers, investors, and creditors with a general overview of the Authority's accountability for the assets it receives and manages. Napa County provides certain management and administrative functions, including all financial management and accounting.

If you have any questions about this report or need additional financial information, please contact the Napa County Auditor-Controller's Office, located at 1195 Third Street, Suite B-10, Napa, California 94559.

## **BASIC FINANCIAL STATEMENTS**

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	2016
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 8,113,489
Account receivables	988,363
<b>Total Current Assets</b>	<b>9,101,852</b>
<b>Noncurrent Assets:</b>	
Land	7,141,911
Construction in progress	1,818,760
Structures and improvements, net of accumulated depreciation	6,861,824
Equipment, net of accumulated depreciation	1,457
Infrastructure, net of accumulated depreciation	1,061,893
<b>Total Noncurrent Assets</b>	<b>16,885,845</b>
<b>Total Assets</b>	<b>25,987,697</b>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	1,847,750
Accrued salaries and benefits	10,589
<b>Total Current Liabilities</b>	<b>1,858,339</b>
<b>Noncurrent Liabilities:</b>	
Estimated liability for postclosure	11,868,200
<b>Total Noncurrent Liabilities</b>	<b>11,868,200</b>
<b>Total Liabilities</b>	<b>13,726,539</b>
<b>NET POSITION</b>	
Net investment in capital assets	16,885,845
Unrestricted	(4,624,687)
<b>Total Net Position</b>	<b>\$ 12,261,158</b>

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

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	2016
<b>OPERATING REVENUES</b>	
Landfill/transfer station revenues	\$ 14,586,132
Recycling revenues	33,750
Miscellaneous	524
<b>Total Operating Revenues</b>	14,620,406
<b>OPERATING EXPENSES</b>	
Administration	369,655
American Canyon Sanitary Landfill	463,441
American Canyon Sanitary Landfill change in postclosure liability	(872,500)
Devlin Road Transfer Station	5,261,925
Disposal	4,416,104
Household hazardous waste	266,031
Depreciation	335,371
<b>Total Operating Expenses</b>	10,240,027
<b>Operating Income</b>	4,380,379
<b>NONOPERATING REVENUES</b>	
Interest income	35,889
<b>Total Nonoperating Revenues</b>	35,889
<b>Change in Net Position</b>	4,416,268
<b>Net Position - Beginning of Year</b>	7,844,890
<b>Net Position - End of Year</b>	\$ 12,261,158

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

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	2016
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers	\$ 14,939,525
Payments to employees	(212,644)
Payments to suppliers	(9,746,515)
<b>Net Cash Provided by Operating Activities</b>	<b>4,980,366</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Purchase of capital assets	(1,779,168)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(1,779,168)</b>
<b>Cash Flows from Investing Activities:</b>	
Interest income	35,889
<b>Net Cash Provided by Investing Activities</b>	<b>35,889</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>3,237,087</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>4,876,402</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 8,113,489</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income	\$ 4,380,379
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	335,371
(Increase) decrease in assets:	
Accounts receivable	319,119
Increase (decrease) in liabilities:	
Accounts payable	820,664
Accrued salaries and benefits	(2,667)
Estimated liability for postclosure	(872,500)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 4,980,366</b>

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

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Napa-Vallejo Waste Management Authority (Authority) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Authority includes all activities (operations of its administrative staff and Authority officers) considered to be a part of the Authority. The Authority reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 61, relating to the financial reporting entity, to determine whether the Authority is financially accountable for other entities. The Authority has determined that no other outside entity meets the above criteria and, therefore, no agency has been included as a component unit in the financial statements. In addition, the Authority is not aware of any entity that would be financially accountable for the Authority that would result in the Authority being considered a component unit of that entity.

A. Reporting Entity

The Authority, previously named the South Napa Waste Management Authority, was established on March 16, 1993, to provide economical coordination of solid waste management services and to efficiently and fairly assure against potential adverse effects of past solid waste management services within the communities it represents. The Authority consists of four members, the Cities of Napa, Vallejo and American Canyon, and the County of Napa (the County). Each of the cities and the County appoint one representative to the Board of Directors (Board).

B. Basis of Presentation and Accounting

The accompanying financial statements of the Authority are prepared on the accrual basis method of accounting in accordance with GAAP as applicable to governmental units.

All activities of the Authority 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 or 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.

C. Cash and Cash Equivalents

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

D. Receivables

Receivables consist of fees charged at the various sites. The Authority believes its receivables to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) consisting of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control. The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements. Depreciation begins on the first day of the fiscal year following the period the asset is placed in service and ends in the fiscal year that it is retired from service or is fully depreciated.

The estimated useful lives are as follows:

Infrastructure	20 to 50 years
Structures and improvements	20 to 50 years
Equipment	3 to 15 years

F. Net Position

Net position comprises the various net earnings from operating and nonoperating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other net position not included in the above categories.

When both restricted and unrestricted net positions are available, restricted resources are used only after the unrestricted resources are depleted.

G. Use of 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 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 INVESTMENTS**

The Authority maintains all of its cash and investments with the Napa County Treasurer in an investment pool. As of June 30, 2016, the Authority had cash and cash equivalents equaling \$8,113,489. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County's financial statements may be obtained by contacting the Napa County's Auditor-Controller's Office at 1195 Third Street, Room B-10, Napa, California. The Napa County Treasury Oversight Committee oversees the Treasurer's investments and policies.

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Required disclosures for the Authority's deposit and investment risks at June 30, 2016, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value. The Authority has no deposit or investment policy that addresses a specific type of risk.

**NOTE 3 – CAPITAL ASSETS**

The Authority's assets consist of property for the American Canyon Sanitary Landfill and property, plant, and equipment for the Devlin Road Transfer Station. The capital assets purchased are recorded at cost. The landfill and the quarry represent items that were acquired with the landfill and are valued at fair market value as of the date acquired. Capital assets activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 7,141,911	\$ -	\$ -	\$ 7,141,911
Construction in progress	1,123,156	1,779,168	(1,083,564)	1,818,760
Total capital assets, not being depreciated	<u>8,265,067</u>	<u>1,779,168</u>	<u>(1,083,564)</u>	<u>8,960,671</u>
Capital assets, being depreciated:				
Structures and improvements	12,431,462	-	-	12,431,462
Infrastructure	-	1,083,564	-	1,083,564
Equipment	14,563	-	-	14,563
Total capital assets, being depreciated	<u>12,446,025</u>	<u>1,083,564</u>	<u>-</u>	<u>13,529,589</u>
Less accumulated depreciation for:				
Structures and improvements	(5,258,850)	(310,788)	-	(5,569,638)
Infrastructure	-	(21,671)	-	(21,671)
Equipment	(10,194)	(2,912)	-	(13,106)
Total accumulated depreciation	<u>(5,269,044)</u>	<u>(335,371)</u>	<u>-</u>	<u>(5,604,415)</u>
Total capital assets, being depreciated, net	<u>7,176,981</u>	<u>748,193</u>	<u>-</u>	<u>7,925,174</u>
Total capital assets, net	<u>\$ 15,442,048</u>	<u>\$ 2,527,361</u>	<u>\$ (1,083,564)</u>	<u>\$ 16,885,845</u>

**NOTE 4 – ESTIMATED LIABILITY ON POSTCLOSURE OF THE LANDFILL**

State and federal laws and regulations require the Authority to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although postclosure care costs will be paid only after the final closure date, and since the Authority has completed closure construction, it reports a portion of postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date.



**NOTE 4 – ESTIMATED LIABILITY ON POSTCLOSURE OF THE LANDFILL** (Continued)

The \$11,868,200 reported as landfill postclosure care liability at June 30, 2016, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill.

Pursuant to GASB Statement No. 18, Section L10.106, on landfill closure and postclosure care costs regulations, a portion of the estimated total current cost of municipal solid waste landfill closure and postclosure care should be recognized as an expense and as a liability in each period that the municipal solid waste landfill accepts solid waste.

The estimated cost of postclosure is based on what it would cost to perform all postclosure care as of June 30, 2016. The 20 remaining years of postclosure costs are estimated at \$11,868,200.

In 2007, the Authority completed the first year of its required 30 year postclosure care period. On August 31, 2016, CalRecycle approved a reduction in the postclosure maintenance multiplier to a 20 year multiplier. The remaining estimated postclosure costs are \$11,868,200 and will be paid over a 20 year postclosure care period. The Authority expects that future inflation costs will be paid from interest earnings. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future users.

Estimated costs for postclosure	\$ 11,868,200
Multiply by percentage of capacity used	<u>100%</u>
Estimated liability at June 30, 2016	<u>\$ 11,868,200</u>

In June 2006, the Authority received final closure approval from the State. Therefore, the \$11,868,200 estimated liability represents only the remaining postclosure care liability.

**NOTE 5 – ECONOMIC DEPENDENCY**

The Authority has four major customers. Recology Vallejo, Napa County Recycling and Waste Services, Recology American Canyon, and Napa Recycling and Waste Services represent approximately 80 percent of the Authority's revenue. These companies have contracts with the individual Authority member cities and County for providing waste disposal services. The respective jurisdictions have contracted with the Authority to dispose of all waste generated within their jurisdiction.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

During the fiscal year ended June 30, 2016, the Authority paid Napa County, a related party, \$42,258 for rent, legal, information technology, accounting, auditing, and administrative services.

**NOTE 7 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; general liability; and earthquake. The Authority has secured commercial lines of coverage for these types of losses.

**NOTE 8 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 8, 2016, which is the date the basic financial statements were available to be issued. No events have occurred that would require disclosure.

**OTHER SUPPLEMENTARY INFORMATION**

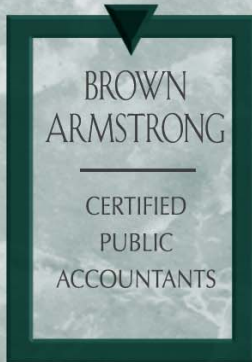
**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
SCHEDULE OF EXPENSES BY ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>Expenses</b>	<u>Administration</u>	<u>American Canyon Sanitary Landfill</u>	<u>Devlin Road Transfer Station</u>
Salaries and benefits	\$ 143,442	\$ 66,535	\$ -
Administration services	8,281	-	-
Central collection services	-	-	14,400
Accounting/auditing services	16,125	-	40,530
Information technology services	12,007	-	-
Legal services	40,788	-	-
Medical/laboratory services (testing)	-	218	-
Security services	-	530	-
Sewer treatment services	-	2,285	-
Other professional services	-	280,683	5,133,447
Maintenance - equipment	-	6,035	-
Maintenance - infrastructure/land	-	23,576	-
Insurance - premiums	139,243	-	-
Communications/telephone	-	1,479	-
Publications/legal notices	136	-	-
Bank charges	4,984	-	-
Training/conference expenses	1,409	-	-
Permits/license fees	-	13,191	73,548
Business travel/mileage	146	-	-
Office supplies	419	-	-
Memberships/certifications	275	-	-
Rents and leases - building	2,400	-	-
Rents and leases - equipment	-	14,084	-
Utilities - electric	-	24,803	-
Utilities - water	-	1,864	-
Fuel	-	1,484	-
Maintenance supplies	-	26,674	-
Depreciation	335,371	-	-
Change in post closure liability	-	(872,500)	-
<b>Total Expenses</b>	<u>\$ 705,026</u>	<u>\$ (409,059)</u>	<u>\$ 5,261,925</u>

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
SCHEDULE OF EXPENSES BY ACTIVITY (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>Expenses</b>	Disposal	Household Hazardous Waste	Total
Salaries and benefits	\$ -	\$ -	\$ 209,977
Administration services	-	-	8,281
Central collection services	-	-	14,400
Accounting/auditing services	-	-	56,655
Information technology services	-	-	12,007
Legal services	-	-	40,788
Medical/laboratory services (testing)	-	-	218
Security services	-	606	1,136
Sewer treatment services	-	-	2,285
Other professional services	4,416,104	251,095	10,081,329
Maintenance - equipment	-	-	6,035
Maintenance - infrastructure/land	-	7,497	31,073
Insurance - premiums	-	-	139,243
Communications/telephone	-	210	1,689
Publications/legal notices	-	-	136
Bank charges	-	-	4,984
Training/conference expenses	-	-	1,409
Permits/license fees	-	1,031	87,770
Business travel/mileage	-	-	146
Office supplies	-	-	419
Memberships/certifications	-	2,000	2,275
Rents and leases - building	-	-	2,400
Rents and leases - equipment	-	-	14,084
Utilities - electric	-	3,575	28,378
Utilities - water	-	-	1,864
Fuel	-	-	1,484
Maintenance supplies	-	17	26,691
Depreciation	-	-	335,371
Change in post closure liability	-	-	(872,500)
<b>Total Expenses</b>	<b>\$ 4,416,104</b>	<b>\$ 266,031</b>	<b>\$ 10,240,027</b>

## **OTHER REPORT**



# BROWN ARMSTRONG

*Certified Public Accountants*

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

To the Board of Directors  
Napa-Vallejo Waste Management Authority  
Napa, California

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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 Napa-Vallejo Waste Management Authority (the Authority) as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 8, 2016.

### **Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
November 8, 2016