

UPPER VALLEY WASTE MANAGEMENT AGENCY

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

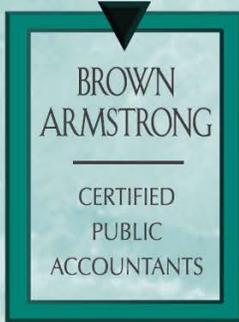
**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

**UPPER VALLEY WASTE MANAGEMENT AGENCY
JUNE 30, 2017**

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FINANCIAL SECTION



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members
of the Board of Directors
Upper Valley Waste Management Agency
Napa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and governmental fund of the Upper Valley Waste Management Agency (the Agency) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency'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 Agency'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 Agency'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 governmental activities and the general fund of the Agency, as of June 30, 2017, and the respective changes in its financial position thereof for the fiscal 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 and Budgetary Comparison Schedule, as listed in the table of contents, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2017, on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
November 2, 2017

**UPPER VALLEY WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

On September 29, 1992, the Upper Valley Waste Management Agency (the Agency) was formed by the County of Napa (the County), the City of St. Helena, the City of Calistoga, and the Town of Yountville (hereinafter referred to collectively as "Members") as a joint powers entity to provide economical coordination of regional waste management services to the Members, including but not limited to uniform rate review and rate recommendations, acting as the regional agency for purposes of implementing the provisions of the California Integrated Waste Management Act, and the rate setting franchisor for solid waste handling services within the Agency's service area. The Agency is a public entity legally separate and apart from any of the Members.

As management of the Agency, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2017. Please read it in conjunction with the Agency's Financial Statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Statement of Net Position and Governmental Fund Balance Sheet, and the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide information about the activities of the Agency. The financial statements also include various footnote disclosures, which further describe the Agency's activities.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position.

The Statement of Activities presents information showing how the Agency'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 the statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and government-wide statements.

The Agency adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information (RSI)

RSI is presented concerning the Agency's General Fund budgetary schedule. The Agency adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Agency presents its financial statements under the new reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments*. The Agency has provided comparative data for the years ended June 30, 2017 and 2016.

Condensed Statement of Net Position As of June 30,

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
Assets			
Current assets	\$ 89,292	\$ 142,938	\$ (53,646)
Total Assets	<u>89,292</u>	<u>142,938</u>	<u>(53,646)</u>
Liabilities			
Current liabilities	<u>29,933</u>	<u>26,907</u>	<u>3,026</u>
Total Liabilities	<u>29,933</u>	<u>26,907</u>	<u>3,026</u>
Net Position			
Unrestricted	<u>59,359</u>	<u>116,031</u>	<u>(56,672)</u>
Total Net Position	<u>\$ 59,359</u>	<u>\$ 116,031</u>	<u>\$ (56,672)</u>

Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceed liabilities by \$59,359 as of June 30, 2017. The most significant portion of the Agency's net position is cash surplus from a surcharge on the tipping fee at Clover Flat Landfill (CFL), the disposal franchisee. This fee was initially set in 1992 by the County, on the Agency's behalf, at \$1.75 per ton on waste disposed. When the Agency became the franchisor in 1995, it continued the surcharge at that rate. Effective January 1, 2004, the surcharge was raised to \$3.75 per ton on material received at the landfill. Effective July 1, 2012, the surcharge was raised to \$4.75.

Cash and investments are maintained in the County's cash and investment pool where interest earned on the Agency's balance is apportioned to the Agency.

Changes in Net Position

The Agency's net position decreased overall by approximately \$56,672 during the fiscal year ending June 30, 2017. The government-wide financial statement analysis presented represents an analysis of the Agency's governmental activities.

Condensed Statement of Activities For the Fiscal Year Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
Revenues			
Charges for services	\$ 168,451	\$ 169,583	\$ (1,132)
Intergovernmental	25,000	25,000	-
Interest	754	774	(20)
	<u>194,205</u>	<u>195,357</u>	<u>(1,152)</u>
Total Revenues			
	<u>194,205</u>	<u>195,357</u>	<u>(1,152)</u>
Expenses			
Administrative services	99,711	60,001	39,710
Advertising	11,147	15,657	(4,510)
Insurance	1,880	1,880	-
Printing and binding	9,070	1,668	7,402
Office supplies	-	13	(13)
Communication	497	609	(112)
Accounting and auditing services	26,852	15,097	11,755
Legal services	20,158	7,976	12,182
Recycling program costs	25,454	39,077	(13,623)
Household hazardous waste disposal	55,918	49,371	6,547
Business travel	190	16	174
Training and conference expenses	-	43	(43)
	<u>250,877</u>	<u>191,408</u>	<u>59,469</u>
Total Expenses			
	<u>250,877</u>	<u>191,408</u>	<u>59,469</u>
Change in Net Position	(56,672)	3,949	(60,621)
Net Position - Beginning of Year	<u>116,031</u>	<u>112,082</u>	<u>3,949</u>
Net Position - End of Year	<u>\$ 59,359</u>	<u>\$ 116,031</u>	<u>\$ (56,672)</u>

FUND FINANCIAL ANALYSIS

As noted earlier, fund accounting is used by the Agency to ensure and demonstrate compliance with finance-related legal requirements.

For the fiscal year ending June 30, 2017, the Agency reported an ending fund balance of \$59,359, a decrease of \$56,672 from the prior year. This decrease in fund balance was caused primarily by increasing administrative expenses.

In October 2000, the Agency Board of Directors (the Board) set a goal to achieve minimum fund balance at \$35,000. This goal has been met and the Agency intends to control costs as needed to maintain this fund balance.

Total revenues decreased from \$195,357 to \$194,205 for the fiscal year ending June 30, 2017. This decrease was primarily due to decreased waste disposed of at the landfill, resulting in decreased revenue from the landfill surcharge, through this small change from year to year is not considered material.

Total expenses increased from \$191,408 to \$250,877 from the prior fiscal year. This increase is primarily attributed to an increase in administrative, accounting, and legal expenses resulting from various Board requests incurred in the current year.

BUDGETARY HIGHLIGHTS

Total revenues were just under final budget by \$1,395, and total expenses were under budget by \$453. Revenues were slightly below expectations as a result of less waste disposal, while the expenditures were essentially in accordance with the budget approved by the Board.

Economic Factors and Next Year's Budget

The Agency is committed to maintaining the minimum reserve and controlling discretionary expenditures while providing services that benefit the ratepayers. The Agency is committed to reduce the amount of waste currently being land-filled and instead keep valuable materials and resources within the economic cycle.

The following economic factors were considered in preparing the Agency's financial plan for fiscal year 2017-2018:

- Continued revenue (at the same level as 2016-2017) from the landfill surcharge.
- Continued annual receipt of Department of Conservation (DOC) funds.
- Plan to conduct two household hazardous waste collection events, funded by the \$1.00 per ton increase in the landfill surcharge authorized by the Board.

DEBT ADMINISTRATION

For the fiscal year ending June 30, 2017, the Agency did not have any long-term obligations outstanding.

CAPITAL ASSETS

For the fiscal year ending June 30, 2017, the Agency did not have any capital assets.

CONTACTING THE AGENCY

The financial statements are designed to provide a general overview of the Upper Valley Waste Management Agency finances for all those interested. The County of Napa provides certain management and administrative functions, including all financial management and accounting. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Upper Valley Waste Management Agency, 1195 Third Street, Suite 101, Napa, California 94559.

BASIC FINANCIAL STATEMENTS

**UPPER VALLEY WASTE MANAGEMENT AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>2017</u>
ASSETS	
Cash and investments	\$ 59,957
Accounts receivable	<u>29,335</u>
Total Assets	<u>89,292</u>
LIABILITIES	
Accounts payable	<u>29,933</u>
Total Liabilities	<u>29,933</u>
NET POSITION	
Unrestricted	<u>59,359</u>
Total Net Position	<u><u>\$ 59,359</u></u>

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

**UPPER VALLEY WASTE MANAGEMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	2017
EXPENSES	
Administration services	\$ 99,711
Advertising	11,147
Insurance	1,880
Printing and binding	9,070
Communication	497
Accounting and auditing services	26,852
Legal services and notices	20,158
Recycling program costs	25,454
Household hazardous waste disposal	55,918
Business travel	190
	250,877
Total Expenses	
PROGRAM REVENUES	
Charges for services	168,451
Intergovernmental	25,000
	193,451
Total Program Revenues	
Net Program Loss	(57,426)
GENERAL REVENUES	
Interest income	754
	754
Total General Revenues	
Change in Net Position	(56,672)
Net Position - Beginning of Year	116,031
Net Position - End of Year	\$ 59,359

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

**UPPER VALLEY WASTE MANAGEMENT AGENCY
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2017**

	<u>2017</u>
ASSETS	
Cash and investments	\$ 59,957
Accounts receivable	<u>29,335</u>
Total Assets	<u><u>\$ 89,292</u></u>
LIABILITIES	
Accounts payable	<u>\$ 29,933</u>
Total Liabilities	<u>29,933</u>
FUND BALANCE	
Unassigned	<u>59,359</u>
Total Fund Balance	<u><u>59,359</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 89,292</u></u>

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

**UPPER VALLEY WASTE MANAGEMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	2017
REVENUES	
Charges for services	\$ 168,451
Interest	754
Intergovernmental	25,000
Total Revenues	194,205
EXPENDITURES	
Administration services	99,711
Advertising	11,147
Insurance	1,880
Communication	497
Printing and binding	9,070
Accounting and auditing services	26,852
Legal services and notices	20,158
Recycling program costs	25,454
Household hazardous waste disposal	55,918
Business travel	190
Total Expenditures	250,877
Net Change in Fund Balance	(56,672)
Fund Balance - Beginning of Year	116,031
Fund Balance - End of Year	\$ 59,359

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

**UPPER VALLEY WASTE MANAGEMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Upper Valley Waste Management Agency (Agency) was established on September 29, 1992, to provide economical coordination of regional waste management services. The Agency consists of four members: the County of Napa (County), the Cities of Calistoga and St. Helena, and the Town of Yountville. Each member appoints a representative(s) to the governing board of the Agency. The County appoints two representatives and each city and town appoints one representative.

The Agency includes all activities (operations of its administrative staff and Agency officers) considered to be a part of the Agency. The Agency 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 Agency is financially accountable for other entities. The Agency has determined that no other outside entity meets the above criteria, and therefore, no other entity has been included as a component unit in the financial statements. In addition, the Agency is not aware of any entity that would be financially accountable for the Agency that would result in the Agency being considered a component unit of that entity.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the primary government (the Agency). These statements include the financial activities of the overall Agency.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

When both restricted and unrestricted net position are available, restricted resources are used for non-restricted purposes only after the unrestricted resources are depleted.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This method recognizes revenues in the accounting period in which they become measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues available if they are collected within sixty days of the end of the current fiscal period. Significant revenues that have been treated as “susceptible” to accrual under the modified accrual basis of accounting include taxes, charges, interest, and intergovernmental revenues. Expenses are recognized in the accounting period in which the related fund liability is incurred.

Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) value in exchange, include sales taxes, grants, entitlements, and donations. On a modified accrual basis of accounting, revenues from sales taxes are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation and Accounting (Continued)

Fund Financial Statements (Continued)

The Agency reports the following major governmental fund:

- The General Fund is the Agency's primary operating fund. It accounts for all financial resources of the general government.

C. Accounts Receivable

The Agency believes its accounts receivable to be fully collectible and, accordingly, no allowance is necessary.

D. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash at June 30, 2017, consisted of the following:

Cash in County Treasury	<u>\$ 59,957</u>
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The Agency maintains all of its cash and investments with the County Treasurer in an investment pool. On a quarterly basis the County 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. Napa County's financial statements may be obtained by contacting the County Auditor-Controller's Office at 1195 Third Street, Room B-10, Napa, California 94559. The County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the Agency's deposit and investment risks at June 30, 2017, 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 Agency follows the County's deposit and investment policy.

NOTE 3 – NET POSITION/FUND BALANCE

Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted. The Agency has unrestricted funds only. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Unrestricted net position consists of all other net position not included in the above categories.

NOTE 3 – NET POSITION/FUND BALANCE (Continued)

Fund Balance

Governmental funds report fund balance in classifications based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – amounts that are not in spendable form or are required to be maintained intact.
- *Restricted fund balance* – amount constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance* – amounts constrained to specific purposes by the Agency itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Agency takes the same highest level of action to remove or change the constraint.
- *Assigned fund balance* – amounts the Agency intends to use for a specific purpose. Intent can be expressed by the Agency's board or by an official or body to which the Agency's board delegates the authority.
- *Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

NOTE 4 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2017, the Agency paid the County, a related party, \$23,352 for accounting and audit services, \$19,590 for legal services, and \$99,655 for administration and Local Enforcement Agency services.

NOTE 5 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Insurance to cover risk of loss for the Agency is secured through commercial carriers.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 2, 2017, which is the date the basic financial statements were available to be issued. No events have occurred that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**UPPER VALLEY WASTE MANAGEMENT AGENCY
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 170,000	\$ 170,000	\$ 168,451	\$ (1,549)
Interest	600	600	754	154
Intergovernmental	25,000	25,000	25,000	-
Total Revenues	<u>195,600</u>	<u>195,600</u>	<u>194,205</u>	<u>(1,395)</u>
EXPENDITURES				
Administration services	75,000	90,000	99,655	(9,655)
Advertising	15,000	15,000	11,147	3,853
Insurance	1,880	1,880	1,880	-
Printing and binding	1,500	1,500	9,070	(7,570)
Publications and legal notices	2,000	2,000	568	1,432
Communication	500	500	497	3
Postage	50	50	13	37
Accounting and auditing services	16,000	16,000	26,852	(10,852)
Memberships	50	50	-	50
Small tools	300	300	-	300
Legal services	9,000	9,000	19,590	(10,590)
Consulting charges	35,000	35,000	-	35,000
Recycling program costs	25,000	25,000	25,454	(454)
Household hazardous waste disposal	54,000	54,000	55,918	(1,918)
Business travel	500	500	190	310
Training and conference expenses	500	500	43	457
Office supplies	50	50	-	50
Total Expenditures	<u>236,330</u>	<u>251,330</u>	<u>250,877</u>	<u>453</u>
Net Change in Fund Balance	<u>\$ (40,730)</u>	<u>\$ (55,730)</u>	(56,672)	<u>\$ (942)</u>
Fund Balance - Beginning			<u>116,031</u>	
Fund Balance - End			<u>\$ 59,359</u>	

**UPPER VALLEY WASTE MANAGEMENT AGENCY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

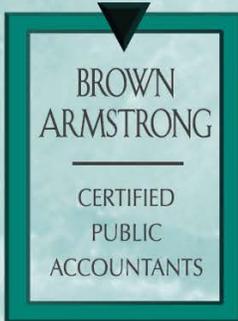
NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

The Upper Valley Waste Management Agency (the Agency) operates under the general laws of the State of California and annually adopts a budget to be effective July 1 of the ensuing fiscal year. Formal budgetary integration is employed as a management control device during the year for all governmental fund types. The level of control (level at which expenditures may not exceed budget) is the fund level. Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.

Budget information is presented for the Agency's only fund. The Agency makes adjustments to its original budget during the year. This enables the effectiveness of the Agency in meeting budget objectives to be evaluated and the adequacy of the budget itself to be judged. The only exceptions to this are the appropriations of unanticipated revenues and the revision of appropriations to reflect major economic up or down turns materially affecting estimated revenues. Expenditures in excess of budgeted amounts are approved individually by the Board of Directors. Annual appropriated budgets are adopted for the Agency. It is this final revised budget that is presented in these financial statements.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

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 Honorable Members
of the Board of Directors
Upper Valley Waste Management Agency
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 governmental activities and the governmental fund of the Upper Valley Waste Management Agency (the Agency), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, 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 Agency'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 Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
November 2, 2017