

**NAPA-VALLEJO WASTE  
MANAGEMENT AUTHORITY**

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

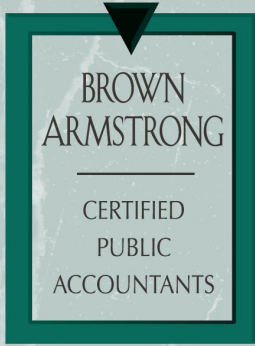
**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019**

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
JUNE 30, 2019**

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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 Basic Financial Statements

We have audited the accompanying statement of net position of the Napa-Vallejo Waste Management Authority (the Authority) as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the fiscal 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 Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2019, and the changes in its financial position and its cash flows 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 Information on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 October 30, 2019, 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  
October 30, 2019

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

This section of the Napa-Vallejo Waste Management Authority's (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the Authority's basic financial statements following this section.

**THE FINANCIAL HIGHLIGHTS**

- The Authority's fiscal year 2018-19 operating and maintenance expenses are \$13.7 million, a slight increase compared to \$12.9 million in fiscal year 2017-18. The increase can be attributed to annual operating contract adjustments for inflation and annual tipping fee increases which offset slightly decreased tonnage received at the Devlin Road Transfer Station.
- The Authority increased member rates from \$67 to \$68 per ton effective October 1, 2018, and increased non-member rates from \$71 to \$72 on July 1, 2018. 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. Under the terms of the Board of Directors rate resolution, rates charged at the transfer station increase by \$1.00 per ton per year.
- The Devlin Road Transfer Station received 240,057 tons in fiscal year 2018-19 compared to 242,952 tons in fiscal year 2017-18. The relatively stable incoming tonnage can be attributed to the continuing robust local economy and steady construction activity in the Authority's service area.
- Effective January 1, 2019, disposal costs increased from \$24.08 to \$24.74 per ton for disposal of municipal solid waste and from \$15.76 to \$16.45 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 \$25,630,412 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,

	2019	2018	Variance
<b>Assets</b>			
Current assets	\$ 13,540,002	\$ 9,155,943	\$ 4,384,059
Noncurrent assets	24,012,199	24,230,755	(218,556)
<b>Total Assets</b>	<u>37,552,201</u>	<u>33,386,698</u>	<u>4,165,503</u>
<b>Liabilities</b>			
Current liabilities	1,259,856	1,110,639	149,217
Long-term liabilities	10,661,933	10,998,000	(336,067)
<b>Total Liabilities</b>	<u>11,921,789</u>	<u>12,108,639</u>	<u>(186,850)</u>
<b>Net Position</b>			
Net investment in capital assets	24,012,199	24,230,755	(218,556)
Unrestricted	1,618,213	(2,952,696)	4,570,909
<b>Total Net Position</b>	<u>\$ 25,630,412</u>	<u>\$ 21,278,059</u>	<u>\$ 4,352,353</u>

The significant changes in the Authority's net position are summarized as follows:

- The Authority's total assets as of June 30, 2019, amount to \$37.6 million, an increase of \$4.2 million from the prior year. The majority of the increase is due to an increase in cash due to increased rates and lower than anticipated capital outlay.
- The Authority's total liabilities as of June 30, 2019, are \$11.9 million, a decrease of approximately \$0.2 million from the prior year. The decrease in liabilities is due to fewer construction projects in the current year and the annual reduction in postclosure liability for the American Canyon Sanitary Landfill.
- The Authority's total net position as of June 30, 2019, is \$25.6 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 increase in capital and operating reserves.

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

	2019	2018	Variance
<b>Operating Revenues</b>			
Landfill/transfer station revenues	\$ 17,854,874	\$ 17,795,966	\$ 58,908
Recycling revenues	-	21,925	(21,925)
Miscellaneous	31,104	-	31,104
<b>Total Operating Revenues</b>	<u>17,885,978</u>	<u>17,817,891</u>	<u>68,087</u>
<b>Operating Expenses</b>			
Salaries and benefits	223,652	219,628	4,024
Services and supplies	12,985,815	12,206,414	779,401
Depreciation	514,172	424,713	89,459
<b>Total Operating Expenses</b>	<u>13,723,639</u>	<u>12,850,755</u>	<u>872,884</u>
<b>Operating Income</b>	4,162,339	4,967,136	(804,797)
<b>Nonoperating Revenue</b>			
Interest Income	190,014	76,077	113,937
<b>Total Nonoperating Revenue</b>	<u>190,014</u>	<u>76,077</u>	<u>113,937</u>
<b>Change in Net Position</b>	4,352,353	5,043,213	(690,860)
<b>Net Position - Beginning of Year</b>	<u>21,278,059</u>	<u>16,234,846</u>	<u>5,043,213</u>
<b>Net Position - End of Year</b>	<u>\$ 25,630,412</u>	<u>\$ 21,278,059</u>	<u>\$ 4,352,353</u>

Operating revenues and expenses increased primarily due to increased tonnage.

#### **CAPITAL ASSETS**

The Authority has an ongoing capital improvement program and publishes a five year capital plan annually in conjunction with the Authority's budget process.

Capital projects initiated or continuing during the fiscal year included a standby generator addition at the American Canyon Landfill and planning and preliminary design for a Construction and Demolition Debris processing facility.

#### **DEBT ADMINISTRATION**

At June 30, 2019, the remaining long-term debt outstanding was \$10.7 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's Board of Directors adopted the fiscal year 2019-20 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 rate payers, 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 under contract with the Authority, including investment management, accounting, legal, information technology, and payroll. Additional County resources are available on an as needed basis.

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, 2019**

	2019
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 11,910,997
Account receivables	1,629,005
<b>Total Current Assets</b>	<b>13,540,002</b>
<b>Noncurrent Assets:</b>	
Land	12,798,285
Construction in progress	110,259
Structures and improvements, net of accumulated depreciation	5,929,464
Infrastructure, net of accumulated depreciation	5,174,191
<b>Total Noncurrent Assets</b>	<b>24,012,199</b>
<b>Total Assets</b>	<b>37,552,201</b>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	1,253,141
Accrued salaries and benefits	6,715
<b>Total Current Liabilities</b>	<b>1,259,856</b>
<b>Noncurrent Liabilities:</b>	
Estimated liability for postclosure	10,661,933
<b>Total Noncurrent Liabilities</b>	<b>10,661,933</b>
<b>Total Liabilities</b>	<b>11,921,789</b>
<b>NET POSITION</b>	
Net investment in capital assets	24,012,199
Unrestricted	1,618,213
<b>Total Net Position</b>	<b>\$ 25,630,412</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, 2019**

	2019
<b>OPERATING REVENUES</b>	
Landfill/transfer station revenues	\$ 17,854,874
Miscellaneous	31,104
	<b>17,885,978</b>
<b>OPERATING EXPENSES</b>	
Administration	371,969
American Canyon Sanitary Landfill	485,528
American Canyon Sanitary Landfill change in postclosure liability	(336,067)
Devlin Road Transfer Station	6,746,601
Disposal	5,577,775
Household hazardous waste	363,661
Depreciation	514,172
	<b>13,723,639</b>
<b>Total Operating Expenses</b>	<b>13,723,639</b>
<b>Operating Income</b>	<b>4,162,339</b>
<b>NONOPERATING REVENUES</b>	
Interest income	190,014
	<b>190,014</b>
<b>Total Nonoperating Revenues</b>	<b>190,014</b>
<b>Change in Net Position</b>	<b>4,352,353</b>
<b>Net Position - Beginning of Year</b>	<b>21,278,059</b>
<b>Net Position - End of Year</b>	<b>\$ 25,630,412</b>

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, 2019**

	2019
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers	\$ 17,814,406
Payments to employees	(225,461)
Payments to suppliers	(13,170,856)
	<b>4,418,089</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Purchase of capital assets	(295,616)
	<b>(295,616)</b>
<b>Cash Flows from Investing Activities:</b>	
Interest income	190,014
	<b>190,014</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>4,312,487</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>7,598,510</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 11,910,997</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income	\$ 4,162,339
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	514,172
(Increase) Decrease in assets:	
Accounts receivable	(71,572)
(Decrease) in liabilities:	
Accounts payable	151,027
Accrued salaries and benefits	(1,810)
Estimated liability for postclosure	(336,067)
	<b>\$ 4,418,089</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, 2019**

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

The financial statements of the Napa-Vallejo Waste Management Authority (the 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 (the 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 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, 2019, the Authority had cash and cash equivalents equaling \$11,910,997. 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, 2019, 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. At June 30, 2019, the Authority had 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 fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 12,798,285	\$ -	\$ -	\$ 12,798,285
Construction in progress	758,421	295,616	(943,778)	110,259
Total capital assets, not being depreciated	<u>13,556,706</u>	<u>295,616</u>	<u>(943,778)</u>	<u>12,908,544</u>
Capital assets, being depreciated:				
Structures and improvements	12,431,462	-	-	12,431,462
Infrastructure	4,612,739	-	943,778	5,556,517
Equipment	14,563	-	-	14,563
Total capital assets, being depreciated	<u>17,058,764</u>	<u>-</u>	<u>943,778</u>	<u>18,002,542</u>
Less accumulated depreciation for:				
Structures and improvements	(6,191,211)	(310,787)	-	(6,501,998)
Infrastructure	(178,941)	(203,385)	-	(382,326)
Equipment	(14,563)	-	-	(14,563)
Total accumulated depreciation	<u>(6,384,715)</u>	<u>(514,172)</u>	<u>-</u>	<u>(6,898,887)</u>
Total capital assets, being depreciated, net	<u>10,674,049</u>	<u>(514,172)</u>	<u>943,778</u>	<u>11,103,655</u>
Total capital assets, net	<u>\$ 24,230,755</u>	<u>\$ (218,556)</u>	<u>\$ -</u>	<u>\$ 24,012,199</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.

The \$10,661,933 reported as landfill postclosure care liability at June 30, 2019, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill.



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

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, 2019. The 17 remaining years of postclosure costs are estimated at \$10,661,933.

In 2007, the Authority completed the first year of its required 30 year postclosure care period. On August 31, 2016, the California Department of Resources, Recycling, and Recovery (CalRecycle) approved a reduction in the postclosure maintenance multiplier to a 20-year multiplier. The remaining estimated postclosure costs are \$10,998,000 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	\$ 10,661,933
Multiply by percentage of capacity used	<u>100%</u>
Estimated liability at June 30, 2019	<u>\$ 10,661,933</u>

In June 2006, the Authority received final closure approval from the State. Therefore, the \$10,661,933 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. These customers 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, 2019, the Authority paid Napa County, a related party, \$133,715 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 October 30, 2019, which is the date the basic financial statements were available to be issued. No events have occurred that would require disclosure.

**OTHER SUPPLEMENTARY INFORMATION**

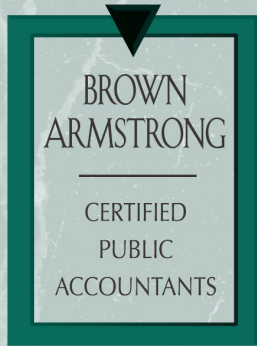
**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
SCHEDULE OF EXPENSES BY ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>Expenses</b>	<u>Administration</u>	<u>American Canyon Sanitary Landfill</u>	<u>Devlin Road Transfer Station</u>
Salaries and benefits	\$ 150,672	\$ 72,979	\$ -
Administration services	11,295	-	-
Central collection services	-	-	14,400
Accounting/auditing services	15,595	-	52,318
Information technology services	10,334	-	-
Engineer services	-	672	-
Legal services	35,000	-	-
Medical/laboratory services (testing)	-	17,336	-
Security services	-	1,813	-
Sewer treatment services	-	5,938	-
Other professional services	6,000	265,910	6,593,042
Maintenance - equipment	-	15,371	-
Maintenance - infrastructure/land	-	21,611	-
Insurance - premiums	136,187	-	-
Communications/telephone	-	1,279	-
Publications/legal notices	427	-	-
Bank charges	1,563	-	-
Permits/license fees	-	18,973	86,841
Business travel/mileage	431	-	-
Office supplies	623	-	-
Memberships/certifications	242	-	-
Rents and leases - building	3,600	-	-
Rents and leases - equipment	-	23,541	-
Utilities - electric	-	5,835	-
Utilities - water	-	1,532	-
Fuel	-	2,360	-
Maintenance supplies	-	30,378	-
Depreciation	514,172	-	-
Change in postclosure liability	-	(336,067)	-
<b>Total Expenses</b>	<u>\$ 886,141</u>	<u>\$ 149,461</u>	<u>\$ 6,746,601</u>

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
SCHEDULE OF EXPENSES BY ACTIVITY (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>Expenses</b>	Disposal	Household Hazardous Waste	Total
Salaries and benefits	\$ -	\$ -	\$ 223,651
Administration services	-	-	11,295
Central collection services	-	-	14,400
Accounting/auditing services	-	-	67,913
Information technology services	-	-	10,334
Engineer services	-	-	672
Legal services	-	-	35,000
Medical/laboratory services (testing)	-	-	17,336
Security services	-	943	2,756
Sewer treatment services	-	-	5,938
Other professional services	5,577,775	347,799	12,790,526
Maintenance - equipment	-	-	15,371
Maintenance - infrastructure/land	-	-	21,611
Insurance - premiums	-	-	136,187
Communications/telephone	-	128	1,407
Publications/legal notices	-	-	427
Bank charges	-	-	1,563
Permits/license fees	-	647	106,461
Business travel/mileage	-	-	431
Office supplies	-	-	623
Memberships/certifications	-	2,000	2,242
Rents and leases - building	-	-	3,600
Rents and leases - equipment	-	-	23,541
Utilities - electric	-	4,115	9,950
Utilities - water	-	-	1,532
Fuel	-	-	2,360
Maintenance supplies	-	8,029	38,407
Depreciation	-	-	514,172
Change in postclosure liability	-	-	(336,067)
<b>Total Expenses</b>	<b>\$ 5,577,775</b>	<b>\$ 363,661</b>	<b>\$ 13,723,639</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

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 fiscal year ended June 30, 2019, 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 October 30, 2019.

### **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.

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## 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  
October 30, 2019