



**UPPER VALLEY WASTE
MANAGEMENT AGENCY**

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2013**

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UPPER VALLEY WASTE MANAGEMENT AGENCY

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FINANCIAL SECTION

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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 Upper Valley Waste Management Agency (Agency), as of and for the year ended June 30, 2013, and the related notes to the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 the 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Upper Valley Waste Management Agency, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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 information, as listed in the table of contents, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013 on our consideration of the Upper Valley Waste Management 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 Upper Valley Waste Management Agency's internal control over financial reporting and compliance.



Roseville, California
September 27, 2013

UPPER VALLEY WASTE MANAGEMENT AGENCY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

On September 29, 1992, the Upper Valley Waste Management Agency (Agency) was formed by the County of Napa, 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, 2013. 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 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 and governmental fund balance sheet* 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 and governmental fund revenues, expenditures and changes in fund balance* 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 fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget.

UPPER VALLEY WASTE MANAGEMENT AGENCY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

Notes to the 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

This Agency presents its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 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, 2013 and June 30, 2012.

Condensed Statement of Net Position As of June 30,

| | <u>2013</u> | <u>2012</u> | <u>Variance</u> |
|---------------------------|-------------------|-------------------|-------------------|
| Current assets | <u>\$ 100,583</u> | <u>\$ 104,708</u> | <u>\$ (4,125)</u> |
| Total Assets | <u>100,583</u> | <u>104,708</u> | <u>(4,125)</u> |
| Current liabilities | <u>12,674</u> | <u>27,960</u> | <u>15,286</u> |
| Total Liabilities | <u>12,674</u> | <u>27,960</u> | <u>15,286</u> |
| Unrestricted | <u>87,909</u> | <u>76,748</u> | <u>11,161</u> |
| Total Net Position | <u>\$ 87,909</u> | <u>\$ 76,748</u> | <u>\$ 11,161</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 \$87,909 as of June 30, 2013. 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 of Napa, on the Agency's behalf, at \$1.75 per ton on waste disposed. When the Agency became the franchisor in 1995, they 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 increased overall by approximately \$11,161 during the fiscal year ending June 30, 2013, a result of steady revenue and control of day to day expenses. The government-wide financial statement analysis presented represents an analysis of the Agency's governmental activities.

UPPER VALLEY WASTE MANAGEMENT AGENCY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

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

| | <u>2013</u> | <u>2012</u> | <u>Variance</u> |
|--|------------------|------------------|------------------|
| Revenues: | | | |
| Charges for services | \$ 156,882 | \$ 132,301 | \$ 24,581 |
| Intergovernmental | 25,000 | 25,000 | -- |
| Interest | 236 | 643 | (407) |
| Total Revenues | <u>182,118</u> | <u>157,944</u> | <u>24,174</u> |
| Expenses: | | | |
| Administrative charges | 61,159 | 72,078 | 10,919 |
| Advertising | 9,542 | -- | (9,542) |
| Insurance | 6,668 | 6,094 | (574) |
| Printing and binding | 2,813 | -- | (2,813) |
| Communication | 294 | 407 | 113 |
| Postage | 24 | -- | (24) |
| Accounting and auditing services | 14,193 | 16,677 | 2,484 |
| Small tools | 215 | -- | (215) |
| Legal services | 4,042 | 7,144 | 3,102 |
| Household hazardous waste disposal | 55,079 | 20,979 | (34,100) |
| Business travel | 343 | -- | (343) |
| Recycling program costs | 16,585 | 29,183 | 12,598 |
| Total Expenses | <u>170,957</u> | <u>152,562</u> | <u>(18,395)</u> |
| Change in Net Position | 11,161 | 5,382 | 5,779 |
| Net Position - Beginning of Fiscal Year | <u>76,748</u> | <u>71,366</u> | <u>5,382</u> |
| Net Position - End of Fiscal Year | <u>\$ 87,909</u> | <u>\$ 76,748</u> | <u>\$ 11,161</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, 2013, the Agency reported an ending fund balance of \$87,909, an increase of \$11,161, from the prior year. This increase in fund balance was caused primarily by carefully managing expenses against expected income from the landfill surcharge.

In October 2000, the Agency 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 increased from \$157,944 to \$182,118 for the fiscal year ending June 30, 2013. This increase was primarily due to the Board's action to increase the landfill surcharge from \$3.75 per ton to \$4.75 per ton.

Total expenditures increased from \$152,562 to \$170,957 from the prior fiscal year. This increase was due to the conduct of a household hazardous waste event, the first time in several years such an event was conducted.

UPPER VALLEY WASTE MANAGEMENT AGENCY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

BUDGETARY HIGHLIGHTS

Total revenues were under final budget by \$3,507, and total expenditures were under budget by \$14,668. The revenue variance is the result of slightly lower landfill volumes than expected, resulting in lower landfill surcharges. The expenditure variance is due to careful management of overall expenses as compared to available revenue.

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 2013-2014:

- Continued revenue (at the same level as 2012-2013) 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, 2013, the Agency did not have any long-term obligations outstanding.

CAPITAL ASSETS

For the fiscal year ending June 30, 2013, the Agency did not have any capital assets.

CONTACTING THE AGENCY

This audit report is 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.

UPPER VALLEY WASTE MANAGEMENT AGENCY

Statement of Net Position
June 30, 2013

ASSETS

Current Assets:

| | | |
|----------------------|----|---------------|
| Cash and investments | \$ | 90,563 |
| Accounts receivable | | <u>10,020</u> |

| | | |
|--------------|--|----------------|
| Total Assets | | <u>100,583</u> |
|--------------|--|----------------|

LIABILITIES

Current Liabilities:

| | | |
|------------------|--|---------------|
| Accounts payable | | <u>12,674</u> |
|------------------|--|---------------|

| | | |
|-------------------|--|---------------|
| Total Liabilities | | <u>12,674</u> |
|-------------------|--|---------------|

NET POSITION

| | | |
|--------------|--|---------------|
| Unrestricted | | <u>87,909</u> |
|--------------|--|---------------|

| | | |
|--------------------|----|----------------------|
| Total Net Position | \$ | <u><u>87,909</u></u> |
|--------------------|----|----------------------|

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

UPPER VALLEY WASTE MANAGEMENT AGENCY

Statement of Activities
For the Fiscal Year Ended June 30, 2013

EXPENSES

| | | |
|------------------------------------|----|---------|
| Administration | \$ | 61,159 |
| Advertising | | 9,542 |
| Insurance | | 6,668 |
| Printing and binding | | 2,813 |
| Communication | | 294 |
| Postage | | 24 |
| Accounting and auditing services | | 14,193 |
| Small tools | | 215 |
| Legal services | | 4,042 |
| Recycling program costs | | 16,585 |
| Household hazardous waste disposal | | 55,079 |
| Business travel | | 343 |
| | | <hr/> |
| Net Program Expense | | 170,957 |

PROGRAM REVENUES

| | | |
|------------------------|--|---------|
| Charges for services | | 156,882 |
| Intergovernmental | | 25,000 |
| | | <hr/> |
| Total Program Revenues | | 181,882 |
| | | <hr/> |
| Net Program Revenue | | 10,925 |

GENERAL REVENUES (EXPENSES)

| | | |
|----------------------------------|----|--------|
| Interest income | | 236 |
| | | <hr/> |
| Change in Net Position | | 11,161 |
| Net Position - Beginning of Year | | 76,748 |
| | | <hr/> |
| Net Position - End of Year | \$ | 87,909 |

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

UPPER VALLEY WASTE MANAGEMENT AGENCY

Balance Sheet
Governmental Funds
June 30, 2013

ASSETS

| | | |
|----------------------|----|-----------------------|
| Cash and investments | \$ | 90,563 |
| Accounts receivable | | <u>10,020</u> |
| Total Assets | \$ | <u><u>100,583</u></u> |

LIABILITIES

| | | |
|-------------------|----|---------------|
| Accounts payable | \$ | <u>12,674</u> |
| Total Liabilities | | <u>12,674</u> |

FUND BALANCE

| | | |
|------------------------------------|----|-----------------------|
| Unassigned | | <u>87,909</u> |
| Total Fund Balance | | <u>87,909</u> |
| Total Liabilities and Fund Balance | \$ | <u><u>100,583</u></u> |

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

UPPER VALLEY WASTE MANAGEMENT AGENCY

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2013

REVENUES

| | | |
|----------------------|----|----------------|
| Charges for services | \$ | 156,882 |
| Interest | | 236 |
| Intergovernmental | | 25,000 |
| Total Revenues | | <u>182,118</u> |

EXPENDITURES

| | | |
|------------------------------------|----|----------------------|
| Administration | | 61,159 |
| Advertising | | 9,542 |
| Insurance | | 6,668 |
| Printing and binding | | 2,813 |
| Communication | | 294 |
| Postage | | 24 |
| Accounting and auditing services | | 14,193 |
| Small tools | | 215 |
| Legal services | | 4,042 |
| Recycling program costs | | 16,585 |
| Household hazardous waste disposal | | 55,079 |
| Business travel | | 343 |
| Total Expenditures | | <u>170,957</u> |
| Net Change in Fund Balance | | 11,161 |
| Fund Balance - Beginning of Year | | <u>76,748</u> |
| Fund Balance - End of Year | \$ | <u><u>87,909</u></u> |

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

UPPER VALLEY WASTE MANAGEMENT AGENCY

Notes to the Financial Statements
June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Upper Valley Waste Management Agency (Agency) was established 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. 14, 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 Statements

The statement of net position and statement of activities display information about the primary government (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 method 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. Expenditures 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, 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.

UPPER VALLEY WASTE MANAGEMENT AGENCY

Notes to the Financial Statements
June 30, 2013

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 generally accepted accounting principles 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, 2013, consisted of the following:

| | |
|-------------------------|------------------|
| Cash in County Treasury | <u>\$ 90,563</u> |
|-------------------------|------------------|

The Agency maintains all of its cash and investments with the Napa County Treasurer in an investment pool. 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. Napa County's financial statements may be obtained by contacting the Napa County Auditor-Controller's Office at 1195 Third Street, Room B-10, Napa, California 94559. The Napa County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the Agency's deposit and investment risks at June 30, 2013, 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.

UPPER VALLEY WASTE MANAGEMENT AGENCY

Notes to the Financial Statements
June 30, 2013

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: 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 consist of all other net position not included in the above categories.

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, 2013, the Agency paid Napa County, a related party, \$10,843 for accounting and audit services, \$4,042 for legal services, and \$61,159 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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UPPER VALLEY WASTE MANAGEMENT AGENCY

Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|------------------|----------------|------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ -- |
| Interest | 525 | 525 | 236 | (289) |
| Charges for Services | 160,000 | 160,000 | 156,882 | (3,118) |
| Miscellaneous | 100 | 100 | -- | (100) |
| Total Revenues | <u>185,625</u> | <u>185,625</u> | <u>182,118</u> | <u>(3,507)</u> |
| EXPENDITURES | | | | |
| Administration services | 70,000 | 70,000 | 61,159 | 8,841 |
| Accounting and auditing services | 15,000 | 15,000 | 14,193 | 807 |
| Legal services | 7,500 | 7,500 | 4,042 | 3,458 |
| Hazardous waste disposal services | 50,000 | 50,000 | 55,079 | (5,079) |
| Insurance | 6,100 | 6,100 | 6,668 | (568) |
| Communication | 225 | 225 | 294 | (69) |
| Advertising | -- | -- | 9,542 | (9,542) |
| Printing and binding | -- | -- | 2,813 | (2,813) |
| Publications and legal notices | 1,000 | 1,000 | -- | 1,000 |
| Training and conference expenses | 500 | 500 | -- | 500 |
| Business travel and mileage | 200 | 200 | 343 | (143) |
| Office supplies | 100 | 100 | -- | 100 |
| Postage | -- | -- | 24 | (24) |
| Small tools | -- | -- | 215 | (215) |
| Recycling program costs | 35,000 | 35,000 | 16,585 | 18,415 |
| Total Expenditures | <u>185,625</u> | <u>185,625</u> | <u>170,957</u> | <u>14,668</u> |
| Net Change in Fund Balance | <u>\$ --</u> | <u>\$ --</u> | 11,161 | <u>\$ 11,161</u> |
| Fund Balance - Beginning of the Year | | | <u>76,748</u> | |
| Fund Balance - End of the Year | | | <u>\$ 87,909</u> | |

UPPER VALLEY WASTE MANAGEMENT AGENCY

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2013

BUDGET AND BUDGETARY ACCOUNTING

The Agency prepares and legally adopts a final budget on or before August 30th of each fiscal year. The Agency operation, commencing July 1st, is governed by the proposed budget, adopted by the Board of Directors in June of the prior year.

After the budget is approved, the appropriations can be added to, subtracted from or changed only by Agency resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Agency.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments are satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent years and included in the subsequent years' budgets. Unencumbered appropriations lapse at year-end.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level.

The budget is adopted on a basis consistent with generally accepted accounting principles.

OTHER REPORT

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

To the Honorable Members of the
Board of Directors
Upper Valley Waste Management Agency
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 Upper Valley Waste Management Agency, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upper Valley Waste Management 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 Upper Valley Waste Management Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Valley Waste Management 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Upper Valley Waste Management 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*.

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
September 27, 2013