

**UPPER VALLEY WASTE  
MANAGEMENT AGENCY**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2005**

UPPER VALLEY WASTE MANAGEMENT AGENCY

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## **FINANCIAL SECTION**

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# Bartig, Basler & Ray

A Professional Corporation

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Certified Public Accountants and Management Consultants

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Brad W. Constantine  
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Roseanne M. Lopez  
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Curtis A. Orgill  
M. Elba Zuniga

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Upper Valley Waste Management Agency (Agency), as of and for the fiscal year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 1, 2005, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Upper Valley Waste Management Agency  
Napa, California

The Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BARTIG, BASLER & RAY, CPAs, INC.

*Bartig, Basler & Ray, CPAs, Inc.*

September 1, 2005  
Roseville, California

# UPPER VALLEY WASTE MANAGEMENT AGENCY

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2005

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, 2005. 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 Assets 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 assets 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 assets*.

The *statement of activities and governmental fund revenues, expenditures and changes in fund balance* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets 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.

# UPPER VALLEY WASTE MANAGEMENT AGENCY

Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2005

## **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.

## **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 is the second year that the Agency has presented 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.

# UPPER VALLEY WASTE MANAGEMENT AGENCY

Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2005

## Upper Valley Waste Management Agency Net Assets June 30, 2005

	<u>2005</u>	<u>2004</u>
<b>Assets:</b>		
Current assets	\$ 57,766	\$ 40,623
Total assets	<u>57,766</u>	<u>40,623</u>
<b>Liabilities:</b>		
Current liabilities	<u>30,257</u>	<u>10,347</u>
Total liabilities	<u>30,257</u>	<u>10,347</u>
<b>Net assets:</b>		
Unrestricted	<u>27,509</u>	<u>30,276</u>
Total net assets	<u>\$ 27,509</u>	<u>\$ 30,276</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceed liabilities by \$27,509 as of June 30, 2005. The most significant portion of the Agency's net assets is 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. Additional net assets for the year ending June 30, 2005 include an annual grant of \$25,000 from the State of California Department of Conservation primarily used to provide activities to encourage bottle and can recycling and \$2,005 in interest revenue.

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.

The Agency's net assets decreased overall by approximately \$2,767 during the fiscal year ending June 30, 2005. This decrease in net assets is explained in the financial analysis of the Agency governmental fund below and is primarily a result of an increase in program expenditures in spite of an increase in total revenues.

### **Governmental Activities**

The government-wide financial statement analysis presented on the following page represents an analysis of the Agency's governmental activities.



## UPPER VALLEY WASTE MANAGEMENT AGENCY

Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2005

### Upper Valley Waste Management Agency Changes in Net Assets June 30, 2005

	<u>2005</u>	<u>2004</u>	Variance Favorable (Unfavorable)	<u>Percentage</u>
<b>Revenues:</b>				
Program revenues:				
Landfill surcharge	\$ 157,281	\$ 155,282	\$ 1,999	1%
Intergovernmental	25,000	25,000	--	0%
Total program revenues	<u>182,281</u>	<u>180,282</u>	<u>1,999</u>	<u>1%</u>
General revenues:				
Interest	2,005	13	1,992	15323%
Other	433	--	433	100%
Total general revenues	<u>2,438</u>	<u>13</u>	<u>2,425</u>	<u>18654%</u>
 Total revenues	 <u>184,719</u>	 <u>180,295</u>	 <u>4,424</u>	 <u>2%</u>
<b>Expenses:</b>				
Hazardous waste collection	65,716	22,848	(42,868)	(188%)
Consulting charges	11,796	31,063	19,267	62%
Administrative charges	85,164	56,678	(28,486)	(50%)
Publications legal/notices	2,068	809	(1,259)	(156%)
Insurance	6,450	5,972	(478)	(8%)
Other costs	16,292	32,665	16,373	50%
Total expenses	<u>187,486</u>	<u>150,035</u>	<u>(37,451)</u>	<u>(25%)</u>
 Changes in net assets	 (2,767)	 30,260	 <u>\$ (33,027)</u>	 <u>(109%)</u>
Net assets - beginning	<u>30,276</u>	<u>16</u>		
Net assets - ending	<u>\$ 27,509</u>	<u>\$ 30,276</u>		

#### **Financial Analysis of the Agency's Governmental Fund**

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, 2005, the Agency reported an ending fund balance of \$27,509, a decrease of \$2,767, (or 9%) from the prior year. This decrease in fund balance was caused by an increase in expenditures of \$37,451 for the fiscal year ending June 30, 2005 in spite of an increase in all revenues of \$4,424. The increase in expenditures was primarily due to the resumption of multiple household hazardous waste collection events and to increases in administrative charges due to the on-going rate review.

## UPPER VALLEY WASTE MANAGEMENT AGENCY

### Management's Discussion and Analysis (continued) For the Fiscal Year Ended June 30, 2005

For the fiscal year ending June 30, 2005, the fund balance is \$27,509. In October 2000, the Agency Board set a goal to achieve minimum fund balance at \$35,000. A slight reduction occurred of \$2,767 due to the increase in expenses primarily due to the unpredictability of the household hazardous waste collection events' expenses.

Total revenues increased from \$180,295 to \$184,719 for the fiscal year ending June 30, 2005. This increase was due to the increase in the tonnage received at the landfill as well as interest revenue and miscellaneous reimbursements.

Total expenditures increased from \$150,035 to \$187,486 from the prior fiscal year. This increase was due to a resumption of hazardous waste collection events and an increase in administrative expenses due to the on-going rate review. Other expenditure controls were exercised by management to maintain the fund balance to as close as possible to the \$35,000 fund balance minimum set by the Agency Board of Directors while providing necessary services. Hazardous waste collection expenditures were \$42,868 higher due to the resumption of multiple collection events and the continuation of the annual electronic waste collection event. Administrative charges were \$28,486 higher in fiscal year ending June 30, 2005 due to increased staff work in resolving the rates for CFL and UVDS. This is partially offset by not incurring the expense of hiring outside consultants to assist in that review.

#### **Fund Budgetary Highlight**

Total revenues were under final budget by \$41,531, or (22.5%), and total expenditures were under budget by \$9,289 or 5.0%. Total revenues were under budget due to the use of projections for annual tonnages used to estimate the Agency's largest funding source, the landfill tipping fee surcharge. Total expenditures were under budget because only one hazardous waste collection event was held, in June 2005, and these are historically one of the largest discretionary expenses of the Agency.

# UPPER VALLEY WASTE MANAGEMENT AGENCY

Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2005

## **Capital Assets and Debt Administration**

### **Capital Assets**

For the fiscal year ending June 30, 2005, the Agency did not have any capital assets.

### **Debt Administration**

For the fiscal year ending June 30, 2005, the Agency did not have any long-term obligations outstanding.

## **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 landfilled 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 2005-2006:

- Discontinuance of the community grant program.
- Continuation of multiple hazardous waste collection events.
- Electronic waste recycling and collection.
- School recycling programs.

## **Requests for Information**

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 Assets and  
Governmental Fund Balance Sheet  
June 30, 2005

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<u>ASSETS</u>			
Cash and investments	\$ 40,554	\$ --	\$ 40,554
Accounts receivable	<u>17,212</u>	<u>--</u>	<u>17,212</u>
Total Assets	<u>\$ 57,766</u>	<u>\$ --</u>	<u>\$ 57,766</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 30,257	\$ --	\$ 30,257
Total Liabilities	<u>30,257</u>	<u>--</u>	<u>30,257</u>
<u>FUND BALANCE / NET ASSETS</u>			
Fund Balance:			
Reserved for encumbrances	30,000	(30,000)	--
Unreserved:			
Undesignated	<u>(2,491)</u>	<u>2,491</u>	<u>--</u>
Total Fund Balance	<u>27,509</u>	<u>(27,509)</u>	<u>--</u>
Total Liabilities and Fund Balance	<u>\$ 57,766</u>		
Net Assets:			
Unrestricted		<u>27,509</u>	<u>27,509</u>
Total Net Assets		<u>27,509</u>	<u>27,509</u>
Total Liabilities and Fund Balance / Net Assets		<u>\$ --</u>	<u>\$ 57,766</u>

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

**UPPER VALLEY WASTE MANAGEMENT AGENCY**

Statement of Activities and  
Governmental Fund Revenues, Expenditures, and  
Changes in Fund Balance  
For the Year Ended June 30, 2005

	<u>General</u> <u>Fund</u>	<u>Adjustments</u>	<u>Statement</u> <u>of Activities</u>
<b><u>REVENUES</u></b>			
Landfill surcharge	\$ 157,281	\$ --	\$ 157,281
Intergovernmental	25,000	--	25,000
Interest	2,005	--	2,005
Miscellaneous	433	--	433
	<hr/>		<hr/>
Total Revenues	184,719	--	184,719
	<hr/>		<hr/>
<b><u>EXPENDITURES/EXPENSES</u></b>			
Household waste collection	65,716	--	65,716
Consulting charges	11,796	--	11,796
Administrative charges	85,164	--	85,164
Publications legal/notices	2,068	--	2,068
Insurance	6,450	--	6,450
Other costs	16,292	--	16,292
	<hr/>		<hr/>
Total Expenditures/Expenses	187,486	--	187,486
	<hr/>		<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,767)	2,767	--
Change in Net Assets	--	(2,767)	(2,767)
<b><u>FUND BALANCE / NET ASSETS</u></b>			
Beginning of Fiscal Year	30,276	--	30,276
	<hr/>		<hr/>
End of Fiscal Year	\$ 27,509	\$ --	\$ 27,509
	<hr/>		<hr/>

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

# UPPER VALLEY WASTE MANAGEMENT AGENCY

Notes to the Financial Statements  
For the Year Ended June 30, 2005

## 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 agency 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**

In this report, the government-wide statements and the fund statements for the Agency are presented on the same page with the adjustments column showing the differences.

#### *Government-Wide Statements*

The statement of net assets 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 assets are available, restricted resources are used for non-restricted purposes only after the unrestricted resources are depleted.

# UPPER VALLEY WASTE MANAGEMENT AGENCY

Notes to the Financial Statements  
For the Year Ended June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

## B. **Basis of Presentation and Accounting** (continued)

### *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.

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. **Net Assets/Fund Balances**

### **Net Assets**

The government-wide activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted. The Agency has only unrestricted funds.

- *Unrestricted Net Assets* – This category represents net assets of the Agency, not restricted for any project or other purpose.

UPPER VALLEY WASTE MANAGEMENT AGENCY

Notes to the Financial Statements  
For the Year Ended June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

D. **Net Assets/Fund Balances** (continued)

**Fund Balances**

Reservations of Fund Balances are used to indicate that a portion of fund balance is not available for expenditures or is legally segregated for a specific future use.

Specific reservations of the fund balance accounts are summarized below:

Reserved for Encumbrances was created to reflect outstanding contractual obligations for which goods and services have not been received.

E. **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, 2005 consisted of the following:

	<u>2005</u>
Cash in County Treasury	<u>\$ 40,554</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. The County of Napa’s financial statements may be obtained by contacting the County of Napa’s Auditor-Controller’s office at 1195 Third Street, Room B-10, Napa, CA 94559. The Napa County Treasury Oversight Committee oversees the Treasurer’s investments and policies.

Government Accounting Standards Board Statement No. 40, effective for fiscal years ending June 30, 2005, requires additional disclosures about a government’s deposits and investments risks that include credit risk, custodial risk, concentration risk and interest rate risk. The Agency has no deposit or investment policy that addresses a specific type of risk.



## UPPER VALLEY WASTE MANAGEMENT AGENCY

Notes to the Financial Statements  
For the Year Ended June 30, 2005

Note 2: **Cash and Investments** (continued)

Required disclosures for the Agency's deposit and investment risks at June 30, 2005, were as follows:

Credit risk	Not rated
Custodial risk	N/A
Concentration of credit risk	N/A
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.

Note 3: **Related Party Transactions**

During the year ended June 30, 2005, the Agency paid the County of Napa, a related party, \$81,055 for administrative, legal and accounting services.

Note 4: **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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**UPPER VALLEY WASTE MANAGEMENT AGENCY**

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>REVENUES</u></b>				
Landfill surcharge	\$ 200,000	\$ 200,000	\$ 157,281	\$ (42,719)
Intergovernmental	25,000	25,000	25,000	--
Interest	250	250	2,005	1,755
Other	1,000	1,000	433	(567)
Total Revenues	<u>226,250</u>	<u>226,250</u>	<u>184,719</u>	<u>(41,531)</u>
<b><u>EXPENDITURES</u></b>				
Household waste collection	60,000	85,000	65,716	19,284
Consulting charges	7,500	7,500	11,796	(4,296)
Administrative charges	75,500	75,500	85,164	(9,664)
Publications legal/notices	2,000	2,000	2,068	(68)
Insurance	6,000	6,000	6,450	(450)
Other costs	20,775	20,775	16,292	4,483
Total Expenditures	<u>171,775</u>	<u>196,775</u>	<u>187,486</u>	<u>9,289</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	54,475	29,475	(2,767)	(32,242)
<b><u>FUND BALANCE</u></b>				
Beginning of Fiscal Year	<u>30,276</u>	<u>30,276</u>	<u>30,276</u>	<u>--</u>
End of Fiscal Year	<u>\$ 84,751</u>	<u>\$ 59,751</u>	<u>\$ 27,509</u>	<u>\$ (32,242)</u>

## UPPER VALLEY WASTE MANAGEMENT AGENCY

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2005

### **BUDGET AND BUDGETARY ACCOUNTING**

The Agency prepares and legally adopts a final budget on or before August 30<sup>th</sup> of each fiscal year. The Agency operation, commencing July 1<sup>st</sup>, 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 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 the financial statements of Upper Valley Waste Management Agency as of and for the year ended June 30, 2005, and have issued our report thereon dated September 1, 2005. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Upper Valley Waste Management Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upper Valley Waste Management Agency's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

Upper Valley Waste Management Agency  
Napa, California

This report is intended for the information of the Board of Directors, management of the Agency and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

BARTIG, BASLER & RAY, CPAs, INC.

*Bartig, Basler + Ray, CPAs, Inc.*

September 1, 2005  
Roseville, California