

**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**

NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
JUNE 30, 2025

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying statement of net position of the Napa-Vallejo Waste Management Authority (the Authority) as of June 30, 2025; 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 the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Supplementary 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 accompanying Schedule of Operating Expenses by Activity is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 Operating Expenses by Activity is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2025, 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 solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
November 7, 2025

NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

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, 2025. Please read it in conjunction with the Authority's basic financial statements following this section.

THE FINANCIAL HIGHLIGHTS

- The Authority's fiscal year 2024-25 operating and maintenance expenses were \$21.8 million, an increase compared to \$20.8 million in fiscal year 2023-24. The increase can be attributed to annual operating contract adjustments for inflation as well as an increase in postclosure liability compared to the prior fiscal year.
- The Authority increased member rates from \$72 to \$73 per ton effective October 1, 2024, and increased non-member rates from \$76 to \$77 effective July 1, 2024. Member franchise haulers represent about 44%, and non-franchise haulers represent about 56%, of the waste received at the Authority's facility. Devlin Road Transfer Station's (DRTS) gate-rate is considerably less expensive than most other facilities in the area and outside the area. Many customers outside the area find it worth driving further to use DRTS for the lower gate rates. Increases were designed to keep pace with inflationary increases in operating costs while continuing with ongoing capital improvements and maintaining reasonable cash reserves. The non-member rate remained in effect throughout the fiscal year, and the member rate remained in effect for the remainder of the fiscal year. Under the terms of the Board of Directors rate resolution, rates charged at the transfer station increase by \$1.00 per year.
- The Devlin Road Transfer Station received 285,993 tons in fiscal year 2024-25 compared to 276,687 tons in fiscal year 2023-24. The increasing tonnage can be attributed to the continuing robust local economy and steady construction activity in the Authority's service area.
- Effective January 1, 2025, disposal costs increased from \$27.59 to \$28.07 per ton for disposal of municipal solid waste and from \$19.20 to \$19.66 per ton for alternative daily cover material.

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 present 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 \$45,518,058 at the close of the most recent fiscal year. Further detail is provided in the tables below:

Condensed Statements of Net Position
As of June 30, 2025 and 2024

	2025	2024	Variance
Assets			
Current assets	\$ 35,233,077	\$ 32,910,770	\$ 2,322,307
Noncurrent assets	<u>24,220,986</u>	<u>22,515,316</u>	<u>1,705,670</u>
Total Assets	<u>59,454,063</u>	<u>55,426,086</u>	<u>4,027,977</u>
Liabilities			
Current liabilities	1,981,522	2,011,309	(29,787)
Noncurrent liabilities	<u>11,954,483</u>	<u>10,473,167</u>	<u>1,481,316</u>
Total Liabilities	<u>13,936,005</u>	<u>12,484,476</u>	<u>1,451,529</u>
Net Position			
Net investment in capital assets	24,220,986	22,515,316	1,705,670
Unrestricted	<u>21,297,072</u>	<u>20,426,294</u>	<u>870,778</u>
Total Net Position	<u>\$ 45,518,058</u>	<u>\$ 42,941,610</u>	<u>\$ 2,576,448</u>

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

- The Authority's total assets as of June 30, 2025, amount to \$59.5 million, an increase of \$4 million from the prior year. The majority of the increase is due to revenues exceeding expenditures during the year, resulting in an increase of cash on hand.
- The Authority's total liabilities as of June 30, 2025, are \$13.9 million, an increase of \$1.5 million from the prior year. The majority of the increase is due to an increase in postclosure maintenance costs at the end of the fiscal year.
- The Authority's total net position as of June 30, 2025, is \$45.5 million, an increase of \$2.6 million from the prior year. The increase of total net position is primarily due to an increase in capital and operating reserves.

Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024

	2025	2024	Variance
Operating Revenues			
Landfill/transfer station revenues	\$ 23,475,059	\$ 22,088,238	\$ 1,386,821
Recycling revenues	-	62,510	(62,510)
Miscellaneous	5,571	3,472	2,099
Postclosure cost recovery	-	40,455	(40,455)
Total Operating Revenues	<u>23,480,630</u>	<u>22,194,675</u>	<u>1,285,955</u>
Operating Expenses			
Salaries and benefits	298,384	285,142	13,242
Services and supplies	20,891,175	19,904,303	986,872
Depreciation	608,456	608,662	(206)
Total Operating Expenses	<u>21,798,015</u>	<u>20,798,107</u>	<u>999,908</u>
Operating Income	1,682,615	1,396,568	286,047
Nonoperating Revenues			
Interest income	893,833	670,087	223,746
Gain on Sale of Capital Asset	-	1,630,333	(1,630,333)
Total Nonoperating Revenues	<u>893,833</u>	<u>2,300,420</u>	<u>(1,406,587)</u>
Change in Net Position	2,576,448	3,696,988	(1,120,540)
Net Position - Beginning of Year	<u>42,941,610</u>	<u>39,244,622</u>	<u>3,696,988</u>
Net Position - End of Year	<u>\$ 45,518,058</u>	<u>\$ 42,941,610</u>	<u>\$ 2,576,448</u>

Operating revenues increased primarily due to the annual rate increase approved by the Authority's Board of Directors. On the other hand, there was a decrease in nonoperating revenue due to the gain on the sale of land in the prior year, and no such transactions were recorded in the current year. Operating expenses saw increased cost due to increased monthly charges from Potrero Hills Landfill and Northern Recycling for services provided.

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 planning and preliminary design for a Construction and Demolition Debris processing facility.

DEBT ADMINISTRATION

At June 30, 2025, the remaining long-term debt outstanding was \$12 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 2025-26 budget based on the following economic factors:

- The normal \$1.00 per ton per year increase to the tipping fees,
- Minor inflationary cost increases, and
- Estimated incoming tonnage to be a 5% increase over last fiscal year's tonnage with hopeful and guarded economic improvements which could lead to a higher increase.

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, 2025

	<u>2025</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 34,054,050
Accounts receivables	<u>1,179,027</u>
Total Current Assets	<u>35,233,077</u>
Noncurrent Assets:	
Land	12,718,768
Construction in progress	2,382,949
Structures and improvements, net of accumulated depreciation	4,048,247
Equipment, net of accumulated depreciation	89,647
Infrastructure, net of accumulated depreciation	<u>4,981,375</u>
Total Noncurrent Assets	<u>24,220,986</u>
Total Assets	<u>59,454,063</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	1,964,028
Accrued salaries and benefits	<u>17,494</u>
Total Current Liabilities	<u>1,981,522</u>
Noncurrent Liabilities:	
Estimated liability for postclosure costs	<u>11,954,483</u>
Total Noncurrent Liabilities	<u>11,954,483</u>
Total Liabilities	<u>13,936,005</u>
NET POSITION	
Net investment in capital assets	24,220,986
Unrestricted	<u>21,297,072</u>
Total Net Position	<u>\$ 45,518,058</u>

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, 2025**

	<u>2025</u>
OPERATING REVENUES	
Landfill/transfer station revenues	\$ 23,475,059
Miscellaneous	<u>5,571</u>
Total Operating Revenues	<u>23,480,630</u>
OPERATING EXPENSES	
Administration	525,142
American Canyon Sanitary Landfill operations	1,007,301
American Canyon Sanitary Landfill change in postclosure liability	1,481,316
Devlin Road Transfer Station operations	9,877,319
Disposal	7,467,267
Household hazardous waste	831,214
Depreciation	<u>608,456</u>
Total Operating Expenses	<u>21,798,015</u>
Operating Income	<u>1,682,615</u>
NONOPERATING REVENUES	
Interest income	<u>893,833</u>
Total Nonoperating Revenues	<u>893,833</u>
Change in Net Position	2,576,448
Net Position - Beginning of Year	<u>42,941,610</u>
Net Position - End of Year	<u>\$ 45,518,058</u>

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, 2025**

	<u>2025</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 23,546,747
Payments to employees	(297,561)
Payments to suppliers	<u>(19,440,469)</u>
Net Cash Provided by Operating Activities	<u>3,808,717</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(2,314,126)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(2,314,126)</u>
Cash Flows from Investing Activities:	
Interest income	<u>893,833</u>
Net Cash Provided by Investing Activities	<u>893,833</u>
Net Increase in Cash and Cash Equivalents	2,388,424
Cash and Cash Equivalents - Beginning of Year	<u>31,665,626</u>
Cash and Cash Equivalents - End of Year	<u>\$ 34,054,050</u>
 Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	\$ 1,682,615
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	608,456
Estimated liability for postclosure	1,481,316
Decrease in assets:	
Accounts receivable	66,117
Increase (Decrease) in liabilities:	
Accounts payable	(30,609)
Accrued salaries and benefits	<u>822</u>
Net Cash Provided by Operating Activities	<u>\$ 3,808,717</u>

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

NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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 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 day 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 GAAP 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.

H. Landfill Closure and Postclosure Care Costs

The Authority recognizes accrued closure and postclosure care costs based on the consumption of the permitted airspace within the American Canyon Sanitary Landfill. As the landfill's airspace is utilized, corresponding expenses for closure and postclosure care are proportionately recorded, ensuring that the total closure and postclosure care costs are fully expensed by the time the landfill reaches its permitted capacity. Additionally, for any inactive sections of the landfill or any previous landfill sites managed by the Authority that have been mandated for closure under state and federal guidelines, the Authority recognizes and records an expense for their closure and postclosure care.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. New Accounting Pronouncements Implemented

GASB Statement No. 101 – Compensated Absences. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. This statement updates the recognition and measurement guidance for compensated absences and refines related disclosure requirements. This standard did not impact the financial statements or disclosures of the Authority as they do not have this type of transactions.

GASB Statement No. 102 – Certain Risk Disclosures. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged. This statement enhances transparency by requiring governments to disclose information about risks that could significantly impact their ability to provide services and meet obligations. The Authority implemented this standard during the fiscal year but did not have any risk disclosures to report.

J. Future Accounting Pronouncements

GASB Statement No. 103 – Financial Reporting Model Improvements. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. This statement improves financial reporting by enhancing the effectiveness of the financial reporting model through updated recognition and measurement requirements, as well as clarified display and disclosure requirements. The Authority has not fully judged the impact of implementation of this standard on the financial statements.

GASB Statement No. 104 – Disclosure of Certain Capital Assets. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. This statement requires separate disclosure of certain types of capital assets including lease assets, intangible right-to-use assets, subscription-based information technology (IT) assets, and other intangible assets, as well as establishing new requirements for capital assets held for sale. The Authority has not fully judged the impact of implementation of this standard on the financial statements.

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, 2025, the Authority had cash and cash equivalents equaling \$34,054,050. 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.

Required disclosures for the Authority's deposit and investment risks at June 30, 2025, 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, 2025, 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, 2025, was as follows:

	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025
Capital assets, not being depreciated:				
Land	\$ 12,718,767	\$ 1	\$ -	\$ 12,718,768
Construction in progress	159,989	2,222,960	-	2,382,949
Total capital assets, not being depreciated	<u>12,878,756</u>	<u>2,222,961</u>	<u>-</u>	<u>15,101,717</u>
Capital assets, being depreciated:				
Structures and improvements	12,431,461	-	-	12,431,461
Infrastructure	6,927,770	-	-	6,927,770
Equipment	135,352	91,165	-	226,517
Total capital assets, being depreciated	<u>19,494,583</u>	<u>91,165</u>	<u>-</u>	<u>19,585,748</u>
Less accumulated depreciation for:				
Structures and improvements	(8,066,929)	(316,285)	-	(8,383,214)
Infrastructure	(1,674,724)	(271,671)	-	(1,946,395)
Equipment	(116,370)	(20,500)	-	(136,870)
Total accumulated depreciation	<u>(9,858,023)</u>	<u>(608,456)</u>	<u>-</u>	<u>(10,466,479)</u>
Total capital assets, being depreciated, net	<u>9,636,560</u>	<u>(517,291)</u>	<u>-</u>	<u>9,119,269</u>
Total capital assets, net	<u>\$ 22,515,316</u>	<u>\$ 1,705,670</u>	<u>\$ -</u>	<u>\$ 24,220,986</u>

Depreciation for the fiscal year ended June 30, 2025, was \$608,456.

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 \$11,954,483 reported as landfill postclosure care liability at June 30, 2025, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill.

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

The estimated cost of postclosure is based on what it would cost to perform all postclosure care as of June 30, 2025. The 11 remaining years of postclosure costs are estimated at \$11,954,483.

In June 2006, the Authority received final closure approval from the State.

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

In 2007, the Authority completed the first year of its required 30-year postclosure care period. On June 25, 2021, the California Department of Resources, Recycling, and Recovery (CalRecycle) approved a reduction in the postclosure maintenance multiplier to a 15-year multiplier. The remaining estimated postclosure costs are \$11,954,483 and will be paid over a 15-year postclosure care period. The Authority expects that future inflation costs will be paid from interest earnings. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future users.

Estimated costs for postclosure	\$ 11,954,483
Multiply by percentage of capacity used	<u>100%</u>
Estimated liability at June 30, 2025	<u>\$ 11,954,483</u>

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 the 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, 2025, the Authority paid the County, a related party, \$159,835 for rent, legal, information technology, accounting, auditing, central collections, and administrative services.

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 7, 2025, which is the date the basic financial statements were available to be issued. No material subsequent events were noted.

OTHER SUPPLEMENTARY INFORMATION

NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
SCHEDULE OF OPERATING EXPENSES BY ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	<u>Administration</u>	<u>American Canyon Sanitary Landfill</u>	<u>Devlin Road Transfer Station</u>
Expenses			
Salaries and benefits	\$ 202,163	\$ 96,220	\$ -
Administration services	5,101	15,236	15,669
Central collection services	-	-	51,102
Accounting/auditing services	27,820	-	-
Information technology services	16,655	-	-
Engineer services	-	23,624	-
Legal services	36,694	-	-
Medical/laboratory services (testing)	-	15,230	-
Security services	-	652	-
Sewer treatment services	-	5,845	-
Other professional services	6,000	661,494	9,602,032
Maintenance - equipment	-	76,198	-
Maintenance - infrastructure/land	-	29,050	11,257
Insurance - premiums	218,777	-	-
Communications/telephone	-	1,908	-
Publications/legal notices	5,755	-	-
Bank charges	1,071	-	-
Permits/license fees	-	24,813	197,259
Office supplies	21	-	-
Memberships/certifications	285	-	-
Rents and leases - building	4,800	-	-
Rents and leases - equipment	-	7,839	-
Utilities - electric	-	27,704	-
Utilities - water	-	3,279	-
Maintenance supplies	-	18,209	-
Depreciation	606,937	1,519	-
Change in postclosure liability	-	1,481,316	-
Total Expenses	<u>\$ 1,132,079</u>	<u>\$ 2,490,136</u>	<u>\$ 9,877,319</u>

NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
SCHEDULE OF OPERATING EXPENSES BY ACTIVITY (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	<u>Disposal</u>	<u>Household Hazardous Waste</u>	<u>Total</u>
Expenses			
Salaries and benefits	\$ -	\$ -	\$ 298,383
Administration services	- -	- -	36,006
Central collection services	- -	- -	51,102
Accounting/auditing services	- -	- -	27,820
Information technology services	- -	- -	16,655
Engineer services	- -	- -	23,624
Legal services	- -	- -	36,694
Medical/laboratory services (testing)	- -	- -	15,230
Security services	- -	- -	652
Sewer treatment services	- -	- -	5,845
Other professional services	7,467,267	822,912	18,559,705
Maintenance - equipment	- -	- -	76,198
Maintenance - infrastructure/land	- -	- -	40,307
Insurance - premiums	- -	- -	218,777
Communications/telephone	- -	169	2,077
Publications/legal notices	- -	- -	5,755
Bank charges	- -	- -	1,071
Permits/license fees	- -	1,017	223,089
Office supplies	- -	- -	21
Memberships/certifications	- -	2,000	2,285
Rents and leases - building	- -	- -	4,800
Rents and leases - equipment	- -	- -	7,839
Utilities - electric	- -	5,116	32,820
Utilities - water	- -	- -	3,279
Maintenance supplies	- -	- -	18,209
Depreciation	- -	- -	608,456
Change in postclosure liability	- -	- -	1,481,316
Total Expenses	<u>\$ 7,467,267</u>	<u>\$ 831,214</u>	<u>\$ 21,798,015</u>

OTHER REPORT

**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, 2025, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 7, 2025.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
November 7, 2025