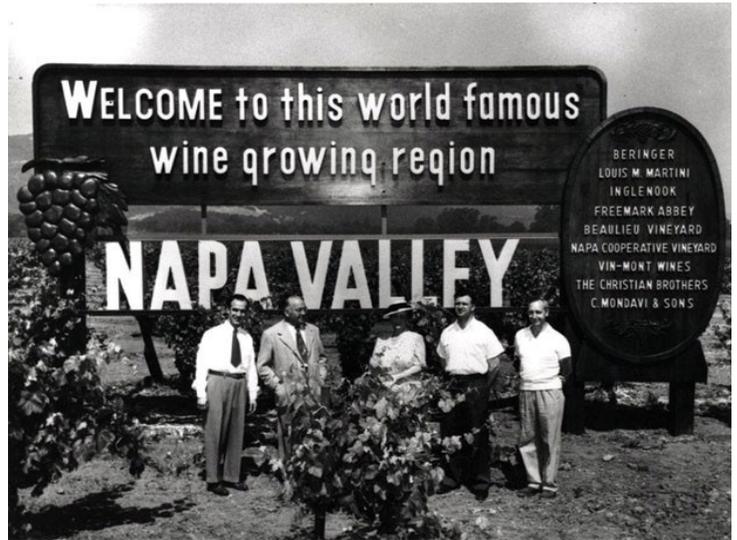




# CITY of NAPA CALIFORNIA



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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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**For the Year Ended  
June 30, 2013**



**CITY OF NAPA, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

*Prepared by:*

*Finance Department, City of Napa*  
*February, 2014*

**CITY OF NAPA, CALIFORNIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2013**

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# **SECTION 1:**

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# **INTRODUCTORY SECTION**



February 20, 2014

To the Honorable Mayor, Members of the City Council and Citizens of the City of Napa:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Napa for the year ended June 30, 2013. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management is responsible for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City of Napa's financial statements have been audited by Maze and Associates, Certified Public Accountants, a public accounting firm fully licensed and qualified to perform audits of State and local governments within the State of California. Maze and Associates has issued an unqualified opinion on the City of Napa's financial statements for the fiscal year ended June 30, 2013. The independent auditor's report is presented as the first component of the financial section of the audit.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

The City of Napa was founded in 1847 and incorporated in 1872. The City is located in the northern part of California, about 50 miles north of San Francisco and is the largest city in Napa County. California State Highway 29 runs through Napa, connecting it to Vallejo and the East Bay Area to the south and the Napa Wine Country to the north. California State Highway 12 runs to the south of the City, connecting it to Fairfield and Interstate 80 to the east and Sonoma and US-101 to the west. The Napa River traverses the City on its journey to the San Pablo Bay. The City of Napa currently occupies 18.1 square miles, 17.8 square miles of which is land and 0.3 square miles of which (1.69%) is water. The City serves a population of approximately 78,000 residents and receives property taxes levied on real and personal property located within its boundaries.

The City of Napa operates under the Council-Manager form of government. Policy-making and legislative authority are vested in a City Council consisting of a Mayor and four Council members all elected at large. All four Council members are elected to four-year overlapping terms. The Mayor, who sits on the Council, is elected directly by the people and serves a term of four years. The City Council is responsible for, among other duties, passing ordinances,

adopting the budget, appointing committees and hiring the City Manager, City Attorney and City Clerk. The City Manager serves as the administrative head of the City of Napa government and is responsible for carrying out the policies and ordinances of the City Council and all management functions of the City, including the budget, delivery of services, hiring all department directors and implementation of capital projects.

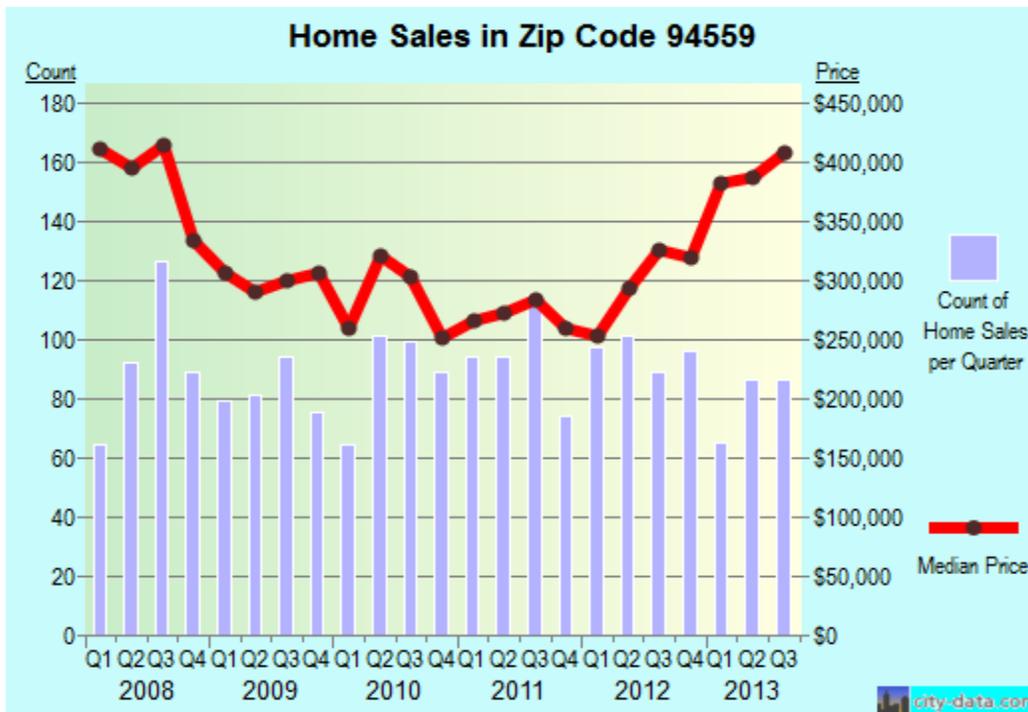
The City of Napa provides a wide range of municipal services including police and fire protection; recreational activities; community and economic development; street improvement and maintenance services; parks maintenance; water; materials diversion; general administrative and support services.

The biennial budget serves as the foundation of the City of Napa’s financial planning and control. All departments of the City are required to submit requests for appropriations to the City Manager by April 1. The City Manager uses these requests as the starting point for developing a proposed 2-year budget. The City Manager then presents the proposed budget to the City Council for review prior to June 30. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City’s fiscal year. Throughout each fiscal year (typically during its quarterly financial reports), the City Council reviews the budget and makes adjustments as needed.

The budget is prepared by fund and department. Department managers may make transfers of appropriations within a department, with the exception of personnel. The level of budgetary control, the level at which expenditures cannot legally exceed the appropriated amount, is established at the fund level. Expenditures above the appropriated amount, at the fund level, require special approval by the City Council.

**Local Economy**

Overall, the City has continued a steady recovery from the economic recession affecting the entire country. The City has continued to realize growth in its property taxes as the housing market has continued to strengthen. Median and average sale prices continued to rise in 2013 more than at any time since 2008, and have almost reached full recovery.



The City's tourism industry has experienced strong recovery. Transit Occupancy Tax (TOT), increased by approximately \$2.5 million or 22.0%. TOT is expected to increase by an additional \$1 million in the current fiscal year as the local tourism industry continues to strengthen.

Retail sales also continued to stabilize during fiscal year 2013 as sales taxes increased by approximately \$1.2 million or 9.6% over last year. Sales taxes are expected to increase by an additional \$500,000 in the current fiscal year.

The unemployment rate in the City of Napa has continued to drop (from 8.1% in July 2012 to 6.0% in July 2013) with continued signs of Napa's recovery, and a positive outlook for the future.

### **Long-Term Financial Planning**

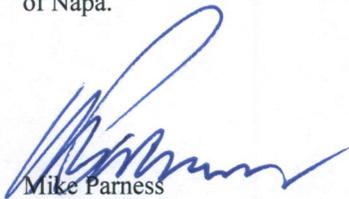
The City Council has adopted a goal to achieve fiscal stability to enable on-going revenues to meet or exceed on-going expenditures as well as to restore General Fund reserves. In fiscal year 2013, the total fund balance in the General Fund decreased by \$0.8 million (3.8%), as a result of a revision to the fiscal policy which transferred undesignated General Fund reserves to Capital Improvement and Facilities reserves to fund on-going and future infrastructure projects.

The City foresees a continued steady economic recovery. The sales tax report ending September, 2013, shows the highest revenue received in a single-quarter since 2007. Restaurants and food sales continue to lead all categories, followed by department stores, service stations, and slow but steady gains in building materials and auto sales.

The City's tourism sector should continue to be strong, rising steadily since 2010, seeing double-digit increases in revenue from Transient Occupancy Tax. There are 2,418 lodging rooms in the City, with over 850 more approved or in the entitlement process. New and expanding retail markets will be completed in 2014, including the repositioning and renovation of Downtown's Shops at Napa Center.

### **Acknowledgements**

The preparation of this report would not have been possible without the hard work and dedication of the entire Finance Department staff, as well as many other departments' personnel who made substantial contributions to the completion of this report. We would also like to express our appreciation to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the financial management of the City of Napa.



Mike Parness  
City Manager

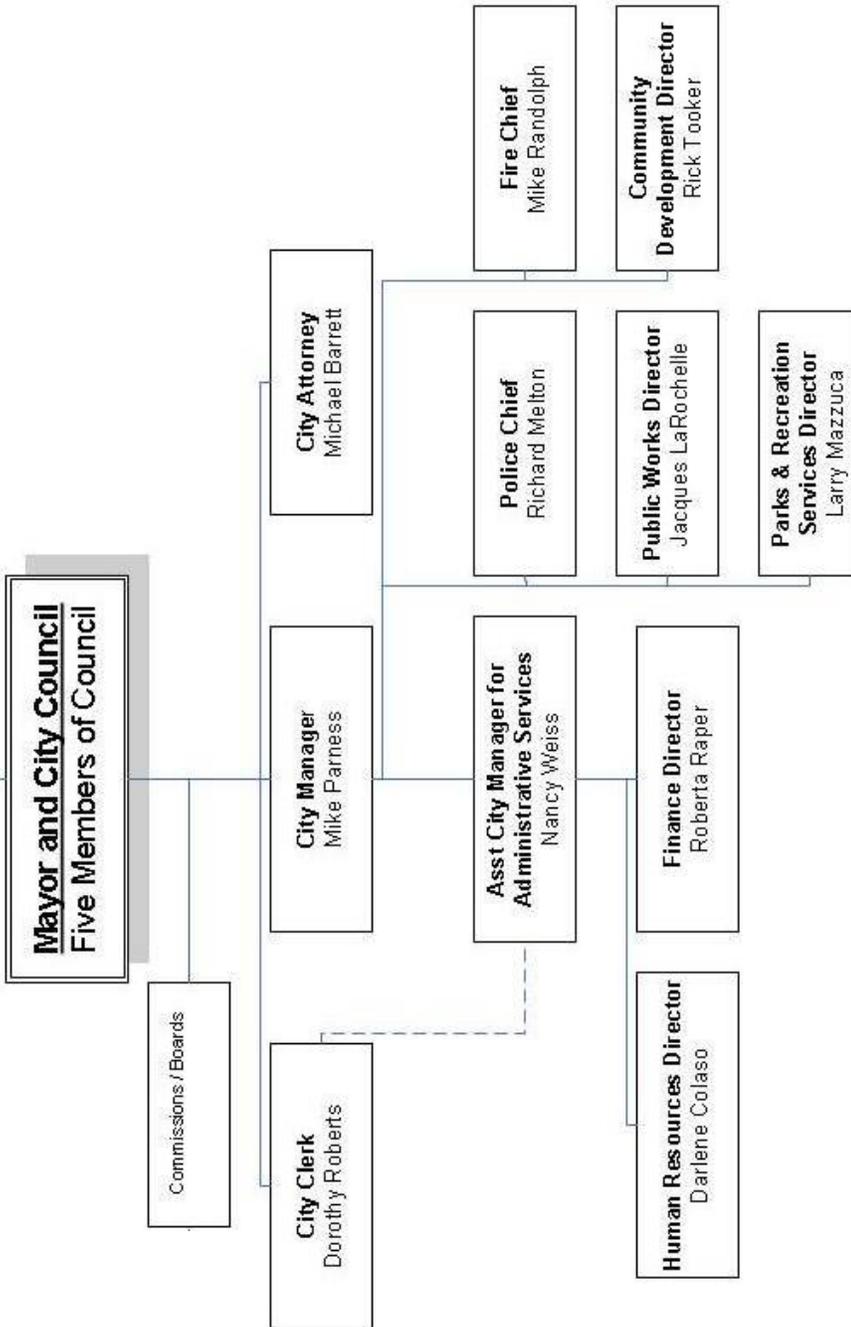


Roberta Raper  
Finance Director

**CITY OF NAPA**

**ORGANIZATIONAL CHART**

**CITIZENS OF NAPA, CALIFORNIA**





# CITY of NAPA

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT June 30, 2013

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### *Mission Statement*

*“Preserve and promote the unique quality of life that is Napa”*

### **CITY COUNCIL**

Jill Techel, Mayor  
Peter Mott, Vice-Mayor  
Juliana Inman, Council Member  
Alfredo Pedroza, Council Member  
Scott Sedgley, Council Member

### **CITY STAFF**

Mike Parness, City Manager  
Nancy Weiss, Assistant City Manager  
Michael Barrett, City Attorney  
Roberta Raper, Finance Director  
Dorothy Roberts, City Clerk  
Darlene Colaso, Human Resources Director  
Richard Melton, Police Chief  
Mike Randolph, Fire Chief  
Rick Tooker, Community Development Director  
Jacques LaRochelle, Public Works Director  
Larry Mazzuca, Parks and Recreation Services Director

# **SECTION 2:**

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# **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council  
City of Napa, California

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Napa as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 City'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 City'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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, that had required certain format and nomenclature changes to the financial statements:

*Statement 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* See Note 1K to the financial statements for relevant disclosures.

*Statement 65 – Financial Reporting of Debt Refunding Items Previously Reported as Assets and Liabilities as Deferred Inflows of Resources and Deferred Outflow of Resources.* The City elected to early implement this pronouncement.

The emphasis of these matters does not constitute a modification to our opinions.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

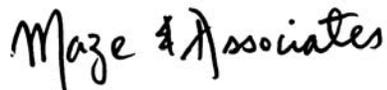
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental 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 Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California  
February 10, 2014

## CITY OF NAPA

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) UNAUDITED

#### INTRODUCTION

This narrative is presented to provide readers of this *Comprehensive Annual Financial Report* with an overview and analysis of the financial activities of the City of Napa for the fiscal year ended June 30, 2013.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This report is presented in the following sections:

- 1) This introductory commentary, *Management's Discussion and Analysis*
- 2) Financial Statements, including:
  - a. Government-wide financial statements
  - b. Fund financial statements
  - c. Notes to the Financial Statements
- 3) Supplemental Information
  - a. Non-major governmental funds
  - b. Internal service funds
  - c. Agency funds

#### **The Financial Statements**

The *Financial Statements* are comprised of the *Government-wide Financial Statements* and the *Fund Financial Statements*. These two sets of financial statements provide two different views of the City's financial activities and financial position.

The *Government-wide Financial Statements* provide a long-term view of the City's activities as a whole. *The Statement of Net Position* provides information about financial position, including capital assets and long-term liabilities on the full accrual basis, similar to that used by commercial enterprises. *The Statement of Activities* provides information about the City's revenues and expenses, also on the full accrual basis, with the emphasis on measuring the net revenues or expenses of City programs. Information is presented both in total and separately for governmental activities, which are generally tax and grant supported and business-type activities which are typically supported by user fees.

The *Fund Financial Statements* report the City's operations in more detail than the government-wide statements. The focus is on the individual funds that are used to report the status of restricted or otherwise segregated resources and to demonstrate compliance with finance-related legal requirements and are divided into 3 categories:

- Governmental funds account for most of the City's basic services and focus primarily on short-term activities by measuring current revenues and expenditures and excluding capital assets and long-term obligations.
- Proprietary funds are those funds where the City charges a user fee in order to recover costs and report the same functions presented as business-type activities in the Government-wide Financial Statements. The City maintains four proprietary funds, all of which are reported as enterprise fund type. The City uses

enterprise funds to account for Water, Materials Diversion, Golf Course and Housing activities. The Water Fund, Materials Diversion Fund, and Housing Fund are major funds and the Golf Course Fund is a non-major fund.

- Fiduciary funds are used to report assets held in a trust or agency capacity for others. The City currently has two funds held in an agency capacity: (1) the Payroll fund to hold employee payroll deductions withheld and monies collected from retirees for their share of health insurance premiums and (2) the Napa Valley Corporate Park Assessment District. The City also holds trust funds for the Successor Agency to the Napa Community Redevelopment Agency. These fiduciary funds cannot be used to support the City's programs and therefore are not reflected in the government-wide financial statements.

### **FINANCIAL HIGHLIGHTS**

The City provides services to the citizens of Napa by leveraging property, sales, and other taxes with user fees and federal, state, and local grants to finance its operations. The City's sales and transient occupancy tax revenues increased in fiscal 2013 as tourism activity continued to rebound.

Assets for the governmental activities increased by \$0.2 million as a net result of increase in cash and investments offset by a decrease in receivables. Business-type activities assets also increased (\$17.3 million) most significantly from an increase in the City's pro-rata valuation of the North Bay Aqueduct capital investment providing for delivery of State Water Project water. Both cash and investments, and receivables also showed increases over fiscal 2012.

Total liabilities for the City increased by \$15.3 million, which was the result of a \$1.7 million increase in governmental activities, and \$13.6 million increase in business-type activities. As noted above, the most significant impact related to the increased long-term obligation supporting the North Bay Aqueduct capital lease.

The governmental activities total net position decreased by \$1.5 million, while business-type activities total net position increased by \$3.7 million. The increase of assets for business type activities was related to the completion of significant capital projects (e.g. Water Main Replacement). Governmental activities unrestricted balance decreased by \$5.4 million during the year, while reflecting an increase in restricted balances of \$3.8. Business-type activities unrestricted balance available for capital projects and housing increased by \$2.5 million, while the restricted decreased by \$0.3 million.

Total revenues for the City increased by \$6.3 million, \$3.6 million related to governmental activities (most notably property, sales and other taxes) and \$2.6 million in business-type activities (most notably in charges for services).

Expenditures for the governmental activities increased by \$7.7 million, most notably in service departments (e.g. public safety, public works, community development) while expenditures for the business-type activities decreased by \$1.4 million (most notably in housing).

### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The total net assets of the City as of June 30, 2012 and 2013 are summarized in Table 1 below and are followed by a discussion of the balances by category.

## Government-wide Net Assets

Table 1

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
<b>Assets:</b>						
Cash and investments	\$ 68,328,581	\$ 73,546,446	\$ 34,513,753	\$ 36,911,409	\$ 102,842,334	\$ 110,457,855
Receivables, other						
current assets	31,402,799	26,334,298	18,599,916	19,843,456	50,002,715	46,177,754
Capital assets	356,475,133	356,504,583	135,954,457	149,626,141	492,429,590	506,130,724
Total assets	456,206,513	456,385,327	189,068,126	206,381,006	645,274,639	662,766,333
<b>Liabilities:</b>						
Long-term debt	164,239	98,442	76,500,112	88,708,169	76,664,351	88,806,611
Other liabilities	19,432,968	21,201,247	6,123,157	7,501,165	25,556,125	28,702,412
Total liabilities	19,597,207	21,299,689	82,623,269	96,209,334	102,220,476	117,509,023
<b>Net position:</b>						
Net investment in						
capital assets	356,310,894	356,406,141	62,372,154	63,898,358	418,683,048	420,304,499
Restricted	34,398,052	38,204,949	1,077,381	799,393	35,475,433	39,004,342
Unrestricted	45,900,360	40,474,548	42,995,322	45,473,921	88,895,682	85,948,469
Total net position	\$ 436,609,306	\$ 435,085,638	\$ 106,444,857	\$ 110,171,672	\$ 543,054,163	\$ 545,257,310

**Cash and investments** - The City's cash and investment portfolio increased by \$7.7 million to \$110.5 million during the year due primarily to increased cash and investments in Governmental activities (\$5.2 million). The increase was related to economic recovery from the nationwide recession. Additionally, Business-type activities realized an increase of \$2.4 million. This increase is the combination of \$0.9 million increase in water funds, \$1.2 million increase in Materials Diversion (Solid Waste), and \$0.3 million in Housing. The cash balance comprises \$57.8 million held by the Trustees; of which \$37.1 million is held for governmental programs or designated for other budgetary commitments and \$20.7 million held for enterprise operations. Additionally, funds held in the Local Agency Investment Fund totaled \$44.6 million and the Cash in Banks or on hand totaled \$8.1 million.

**Receivables and other current assets** - The City's other current assets decreased by \$3.8 million to \$46.2 million, comprised of a decrease in Governmental Activities of \$5.1 million as a significant number of outstanding receivables relating to capital projects were received in the fiscal year. The remaining increase in Business-type Activities of \$1.2 million is related to the Water billing receivable caused by the timing of bi-monthly billing as it relates to the end of the fiscal year.

**Capital assets** - The Governmental activities capital assets remained relatively stable in fiscal 2013 (with a small \$0.03 million increase during the year), with the value of the new additions/improvement remaining constant with the annual depreciation. Business-type activities realized an increase of \$13.6 million due to a large prior period adjustment to the value of the North Bay Aqueduct and peripheral infrastructure resulting from various amendments to the original contract, which adjusted the value of our pro-rated share of the water delivery system.

**Long-term debt** - The long-term debt of \$88.8 million includes the City's two major revenue bonds issued for water, and solid waste, as well as other various smaller notes and leases. The increase of \$15.3 million from the prior year is related to the large prior period adjustment to the ongoing obligation of the North Bay Aqueduct resulting from various amendments to the original contract (as also noted in the Capital assets section above). This increase was partially offset by the reduction of long-term debt in both governmental activities and business activities through the timely payment on outstanding issues.

**Other Liabilities** - The City's other liabilities increased by \$3.1 million. \$1.7 million is related to current payables in Governmental activities for ongoing activities. Business-type activities also recorded an increase in current payables of \$1.4 million. The majority of the increase is related to timing issues for accounts payable and other accrued liabilities.

**Net position** - The City's total net position increased by \$2.2 million during the fiscal year, to \$545.3 million. The Governmental Activities net position balance of \$435.1 million includes \$356.4 million invested in capital assets net of related debt, \$38.2 million restricted funds available for capital projects and other programs, and a remaining balance of \$40.5 million available for future needs. The City's Business-type Activities reported a net position

balance of \$110.2 million, which includes \$63.9 million invested in capital assets net of related debt, \$0.8 million in restricted funds, and \$45.5 million available for capital projects.

### Government-wide Activities

The changes in the City's government-wide net assets as of June 30, 2013 result from its activities during the fiscal year. The City's government-wide activities for the current and prior fiscal years are summarized in Table 2 below.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 11,203,182	\$ 14,849,203	\$ 49,441,445	\$ 52,335,003	\$ 60,644,627	\$ 67,184,206
Operating grants and contributions	4,505,456	2,448,356	11,354,156	11,500,562	15,859,612	13,948,918
Capital grants and contributions	3,662,978	2,115,560	352,060	462,020	4,015,038	2,577,580
General revenues:						
Property, sales, and other taxes	50,722,395	55,535,501			50,722,395	55,535,501
Other	4,100,734	2,898,783	536,877	10,858	4,637,611	2,909,641
<b>Total revenues</b>	<b>74,194,745</b>	<b>77,847,403</b>	<b>61,684,538</b>	<b>64,308,443</b>	<b>135,879,283</b>	<b>142,155,846</b>
<b>Expenses:</b>						
Governmental						
General government	19,663,751	19,452,461			19,663,751	19,452,461
Public safety	32,266,109	34,946,035			32,266,109	34,946,035
Public works	18,200,918	22,913,692			18,200,918	22,913,692
Park and recreation	6,733,914	6,764,517			6,733,914	6,764,517
Community						
Development	491,587	3,417,781			491,587	3,417,781
Redevelopment	580,418				580,418	
Interest on long term debt	937,221				937,221	
Business-type activities:						
Water			21,627,236	21,172,960	21,627,236	21,172,960
Garbage			20,505,184	21,276,560	20,505,184	21,276,560
Golf course			1,783,483	1,459,452	1,783,483	1,459,452
Housing			14,681,226	13,291,161	14,681,226	13,291,161
<b>Total expenses</b>	<b>78,873,917</b>	<b>87,494,486</b>	<b>58,597,129</b>	<b>57,200,133</b>	<b>137,471,046</b>	<b>144,694,619</b>
Excess before transfers	(4,679,172)	(9,647,083)	3,087,409	7,108,310	(1,591,763)	(2,538,773)
Extraordinary Items	16,049,702	3,995,367		746,553	16,049,702	4,741,920
Transfers	4,177,826	4,128,048	(4,177,826)	(4,128,048)		
<b>Changes in net position</b>	<b>\$ 15,548,356</b>	<b>\$ (1,523,668)</b>	<b>\$ (1,090,417)</b>	<b>\$ 3,726,815</b>	<b>\$ 14,457,939</b>	<b>\$ 2,203,147</b>

The City's net position increased by \$2.2 million during the year, as measured on the accrual basis of accounting. Governmental revenues increased 4.9% (\$3.7 million) as the net impact of increases in general revenues offset by decreases in operating and capital grants. Governmental expenses increased 11% from the prior fiscal year by \$8.6 million to \$87.5 million. Approximately \$3 million is made up of entity-wide expenditures related mostly to capital assets. Additionally, at the department level, Public Works, Community Development and Public Safety showed increases due to ongoing activities and reduced vacancies. The increase in Community Development, is further explained through presentation revisions. Redevelopment is no longer a department, so is now included in the

Community Development figure. The business-type revenues increased by \$2.6 million to \$64.3 million, with water revenues increasing caused by a relatively dry winter and spring, while expenses decreased by \$1.4 million to \$57.2 million. The reduction was the net effect of increased solid waste expenditures offset by reductions in the water division (interest expense and other fiscal charges), golf (conversion to lease agreement effective May 15, 2013), and housing (due to the housing fund sequestration). After transfers, the change in business-type net position amounted to an increase of \$3.7 million.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

In addition to the accrual-basis government-wide statements described above, the City also maintains financial records at the fund level for budgetary control. Individual funds are generally established to track the resources and operating results for specific, restricted programs. The results for governmental funds below differ from the results reported above in the government-wide statements since the focus here is on current, available resources. The following are financial highlights from the City's most significant funds:

### **Governmental Funds**

**General Fund** - The City's General Fund realized \$66.4 million of revenues, an increase of \$3.3 million from the previous year. This increase is attributed to the recovery from the national recession, as additional revenues were reflected in the Taxes, Intergovernmental and Charges for Services revenue categories. Of the \$3.3 million increase, \$2.0 million was an increase in Charges for Services, \$1.7 million was an increase in taxes (property, sales, transient occupancy taxes), and \$0.9 million increase in intergovernmental. The other revenue categories (Licenses, permits and fees; Interest on investments and miscellaneous revenues) combined for a decrease of \$1.3 million.

General Fund expenditures amounted to \$61.4 million, which was a decrease of \$2.5 million from the prior year. General Government (including Community development, which is separately classified in CAFR) saw the largest decrease in expenditures amounting to \$3.3 million due, in part, to labor concessions and increased allocation of resources to capital projects (increase of \$0.2 million). Public Safety, Public Works and Parks and Recreation combined for a net increase of \$0.7 million.

Over the course of the year, City Council revised the City budget with two categories of adjustments:

1. Midyear revenue and appropriation adjustments to ensure a positive operating position for the City.
2. Changes made to appropriations (revenue and expenditure) approved after the original budget is adopted.

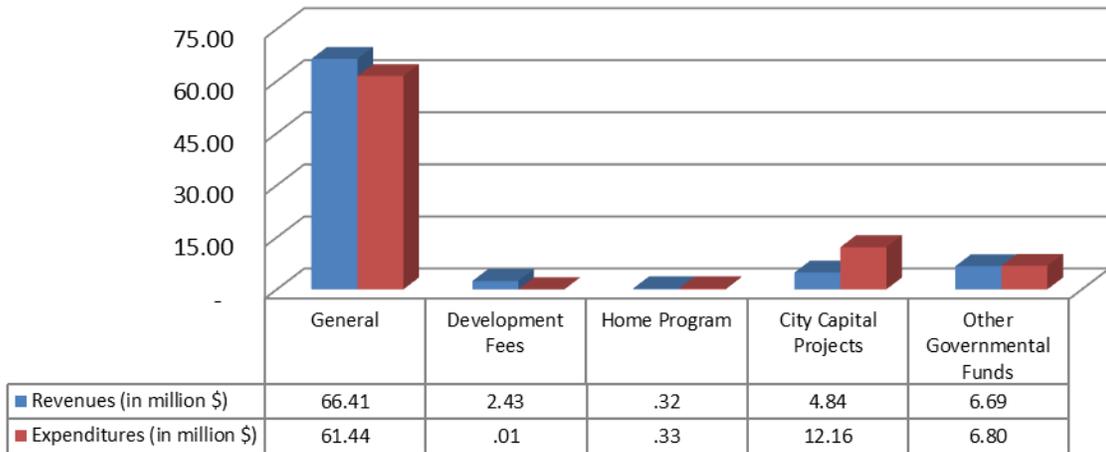
After taking into account these adjustments, actual revenues were \$0.2 million higher than budgeted. Expenditures were \$4.0 million lower than final budget. This was the combined result of position vacancies and delayed expenditures for materials and services.

**Development Fees Fund** - The sources of revenue for this fund are the various development impact fees collected from developers which are used for the installation or expansion of related infrastructure and affordable housing. Fiscal 2013 revenues were \$2.4 million, a decrease of less than \$0.1 million from the prior year. Also, the fund contributed \$2.7 million to the City's Capital Projects Fund through transfers for development related capital projects, with additional work scheduled for fiscal 2014.

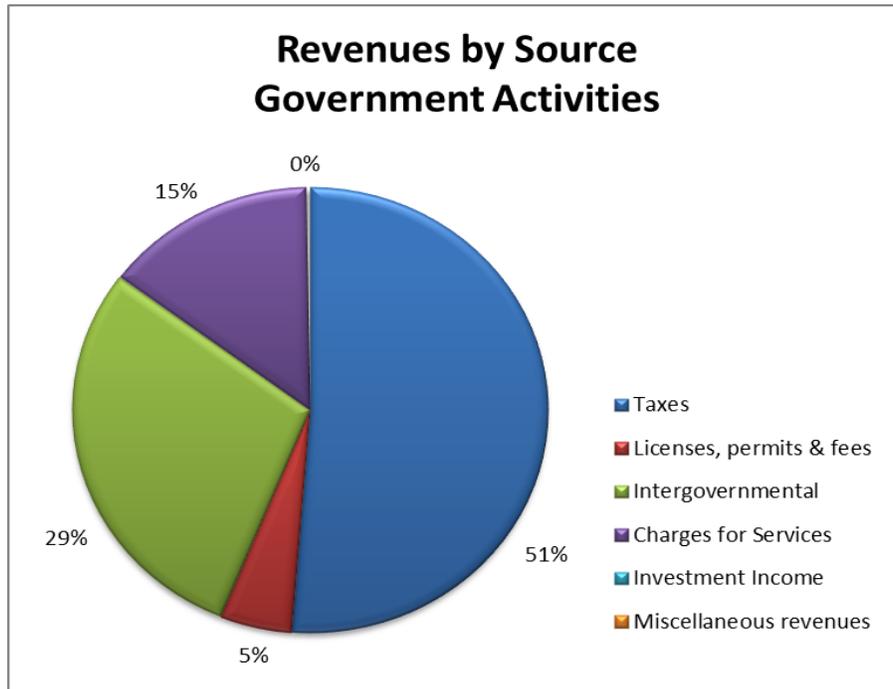
**Home Program Fund** - This fund accounts for Federal grants received under the HOME Investment Partnership Program that is administered by the State of California and program income received from the repayment of previous loans. These funds are used to provide down payment assistance to low-income first-time homebuyers.

**City Capital Projects Fund** - The City's capital program saw an increase in expenditures of nearly 63% due to the cyclical construction activity of capital projects. In total, \$12.2 million in capital outlay was expended during fiscal 2013. All resources in this fund are designated for specific capital improvement programs.

## Expenses & Program Revenues Government Activities



## Revenues by Source Government Activities



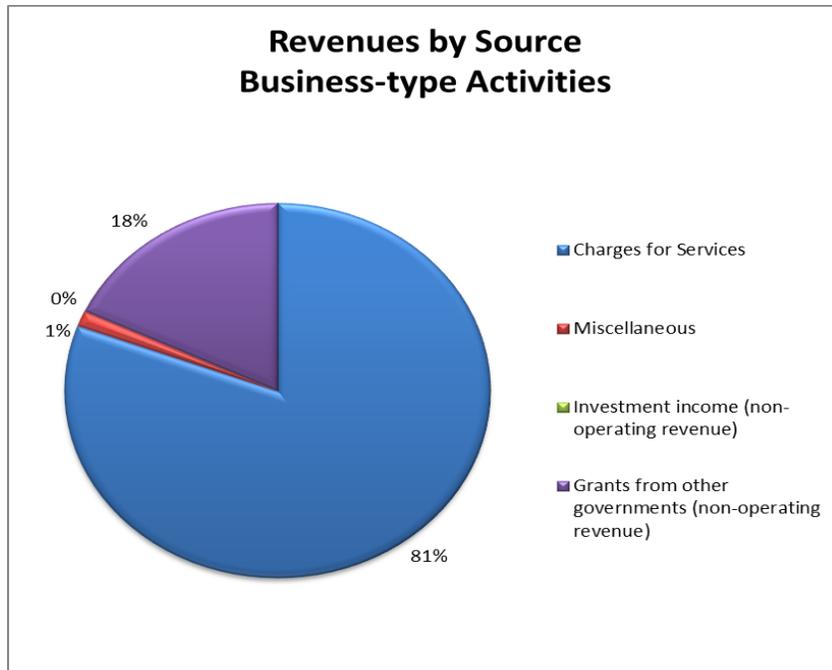
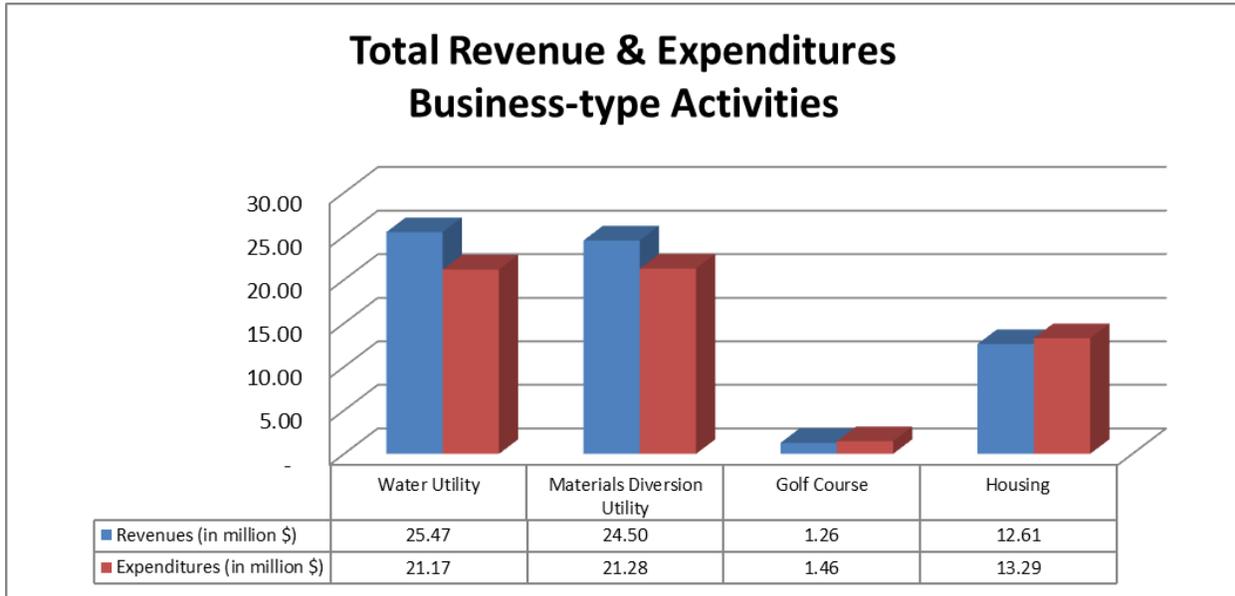
### Enterprise Funds

**Water Utility Fund** – This fund is a fully self-supported enterprise providing water service to the City and adjacent areas. Charges for water and connection fees have consistently been set appropriately to cover both operating and planned maintenance, replacement and expansion costs. The fund issued bonds in 2007 to expand Jamieson Canyon Treatment Facility. Construction began in 2008, and was completed in fiscal 2011. Fund equity includes reserves for capital replacement and water supply reserve (\$0.4 and \$0.8 million respectively) as well as an emergency reserve for the water utility (\$1.0 million).

**Materials Diversion Fund** - The materials diversion fund is also a fully self-supported enterprise which provides for local solid waste operations and operation of the materials diversion facility. Of the fund's \$21.3 million in operating expenses, \$2.4 million was for tipping fees. Fund equity includes reserves for rate stabilization (\$1.1 million) and capital replacement (\$2.0 million).

**Golf Course Fund** - The City's Golf Course is located at Kennedy Park. The operating agreement with CourseCo. Inc. for the golf course operations was converted to a lease agreement in fiscal 2013 (May 15, 2013). The Golf Course fund (lease agreement) is now presented as a Special Revenue fund.

**Housing (Enterprise) Fund** – The Housing Authority funds saw a decrease in ending net position of \$0.8 million due to the suspension of the 20% Low/Moderate Income Housing contribution from the Redevelopment Agency upon its dissolution effective February 1, 2012 and the effects of the Federal Government sequestration.



## CAPITAL ASSETS

As of June 30, 2013, the City had invested \$506 million in capital assets, net of accumulated depreciation; an increase of 2.8% from the prior year. The most significant adjustment is a \$15.3 million increase in business-type activities (transmission and distribution systems) from an adjustment in the valuation of the asset of the North Bay Aqueduct (part of the State Water Project). Another item of note is the reduction of \$3.3 in governmental activities land, is the result of the transfer of land from the City back to the Successor Agency. Overall the City realized a gain of \$13.7 million in capital assets when comparing fiscal 2012 with fiscal 2013. A summary of the City's capital assets net of depreciation at June 30, 2012 and 2013 is presented in Table 3.

**Table 3**  
**Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
Capital assets not subject to depreciation:						
Land	\$ 24,772,661	\$ 21,488,821	\$ 5,506,614	\$ 5,283,681	\$ 30,279,275	\$ 26,772,502
Construction in progress	92,319,817	104,477,422	51,925,179	47,710,336	144,244,996	152,187,758
Other capital assets:						
Building and improvements	11,322,202	9,999,519	19,402,832	18,750,459	30,725,034	28,749,978
Equipment	419,787	462,934	2,776,176	2,387,602	3,195,963	2,850,536
Vehicles and rentals	7,101,589	7,463,232			7,101,589	7,463,232
Infrastructure:						
Transmission and distribution systems			56,343,656	75,494,063	56,343,656	75,494,063
Bridges	18,684,797	18,310,575			18,684,797	18,310,575
Roads	185,648,614	177,812,188			185,648,614	177,812,188
Curb/gutter/sidewalks	4,735,288	5,362,265			4,735,288	5,362,265
Traffic signals	3,503,864	3,397,325			3,503,864	3,397,325
Stormwater	3,961,714	3,855,828			3,961,714	3,855,828
Park improvements	2,714,315	2,498,400			2,714,315	2,498,400
Underground utilities	56,910	55,291			56,910	55,291
Street Lights	1,233,575	1,198,383			1,233,575	1,198,383
Water Rights		122,400				122,400
Total Capital Assets	\$ 356,475,133	\$ 356,504,583	\$ 135,954,457	\$ 149,626,141	\$ 492,429,590	\$ 506,130,724

## DEBT ADMINISTRATION

The City uses a variety of indebtedness to finance various capital acquisitions and improvements. At June 30, 2013, the City's long-term debt outstanding was \$88.8 million. Business-type activities capital lease obligations increased by a total of \$14.2 million due mainly to the prior year adjustment on the value and obligation of the North Bay Aqueduct (NBA) lease. All other long term debt reflected decreases due to annual payments. The City did not issue any new debt in fiscal 2013.

The following table provides a schedule of the City's long-term debt obligations at June 30, 2012 and 2013.

**Table 4**  
**Long Term Debt**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
Water revenue bonds	\$ -	\$ -	\$ 46,276,260	\$ 45,089,683	46,276,260	45,089,683
Garbage revenue bonds			3,980,668	3,552,784	3,980,668	3,552,784
Notes payable			6,154,140	5,760,699	6,154,140	5,760,699
Capital lease obligations	164,239	98,442	20,089,044	34,305,003	20,253,283	34,403,445
Total Long Term Debt	\$ 164,239	\$ 98,442	\$ 76,500,112	\$ 88,708,169	\$ 76,664,351	\$ 88,806,611

## **ECONOMIC OUTLOOK AND MAJOR INITIATIVES**

The City of Napa was founded in 1847. For the past 30 to 40 years, the City of Napa has been in transition. The City that was once known for its tanneries, prune processing and State hospital is now more known for its hospitality, fine food, and luxury hotels. While yesterday's jobs came largely in heavy industrial pursuits at Kaiser Steel, Basalt Rock, Napa Pipe and Mare Island Shipyard, today's workforce is mostly white collar and the economy is increasingly based on tourism. The City of Napa has a population of 77,881 and accounts for 54 percent of the population and jobs within Napa County. The per capita income within the City of Napa is \$54,807. During the 2012-13 fiscal year, the City continued to experience economic recovery from the national financial downturn. The City experienced continued growth in Property and Sales tax revenues, with a more significant rebound of almost 22% in Transient Occupancy revenue.

Recent projections show the City has fully recovered from the downturn, and should experience steady increases in the City's major sources of revenue over the next several years. We must, however, continue to be cautious as the fiscal uncertainty at the National level continues to be cause for concern and world financial markets are unsteady. The City of Napa embarked upon a "strategic recovery" of services and will continuing to explore alternatives for cost and operational efficiencies. Numerous cost saving measures have been implemented including employee concessions to help offset the impact of continued increases in healthcare and retirement costs for the City's workforce. The Napa Community Redevelopment Agency, along with all of the Redevelopment Agencies across the state, was dissolved in FY 2011-12; however, the Housing Authority continues to invest in the community. The economic outlook for the City of Napa is positive and will be closely monitored to ensure that the City retains its position of fiscal stability.

## **CONTACTING THE CITY**

These *Basic Financial Statements* are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the Finance Department at 955 School Street, Napa, California. The mailing address is Post Office Box 660, Napa, California, 94559-0660.

**CITY OF NAPA**

**STATEMENT OF NET POSITION AND  
STATEMENT OF ACTIVITIES**

CITY OF NAPA  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 3)	\$ 73,546,446	\$ 32,960,848	\$ 106,507,294
Restricted cash and investments (Note 3)		3,950,561	3,950,561
Receivables			
Accounts	9,240,353	8,126,778	17,367,131
Federal, state and other governments	4,094,458	1,044,857	5,139,315
Interest receivable	179,460	168,965	348,425
Loans receivable (Note 5)	12,082,556	10,502,856	22,585,412
Assessments receivable	20,494		20,494
Land held for redevelopment (Note 6)	125,691		125,691
Other assets	591,286		591,286
Capital assets (Note 7)			
Nondepreciable	125,966,243	52,994,017	178,960,260
Depreciable	230,538,340	96,632,124	327,170,464
<b>Total Assets</b>	<b>456,385,327</b>	<b>206,381,006</b>	<b>662,766,333</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	5,679,998	5,981,930	11,661,928
Interest payable		482,512	482,512
Deposits payable			
Due within one year	5,134,612	472,451	5,607,063
Due in more than one year		152,761	152,761
Unearned revenue	997,260	1,250	998,510
Net OPEB obligation, due in more than one year (Note 13)	1,407,216		1,407,216
Compensated absences (Note 11)			
Due within one year	33,229	119,378	152,607
Due in more than one year	2,428,921	290,883	2,719,804
Claims payable (Note 14)			
Due within one year	1,748,500		1,748,500
Due in more than one year	3,771,500		3,771,500
Long-term debt (Note 9)			
Due within one year	59,000	3,089,354	3,148,354
Due in more than one year	39,442	85,618,815	85,658,257
<b>Total Liabilities</b>	<b>21,299,678</b>	<b>96,209,334</b>	<b>117,509,012</b>
<b>NET POSITION (Note 11)</b>			
Net investment in capital assets	356,406,141	63,898,358	420,304,499
Restricted for:			
Capital projects	32,527,192		32,527,192
Housing grant programs	5,677,757	799,393	6,477,150
Unrestricted	40,474,548	45,473,921	85,948,469
<b>Total Net Position</b>	<b>\$ 435,085,638</b>	<b>\$ 110,171,672</b>	<b>\$ 545,257,310</b>

See accompanying notes to financial statements

CITY OF NAPA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>							
General government	\$ 19,452,461	\$ 3,230,395		\$ 85,758	\$ (16,136,308)		\$ (16,136,308)
Public safety	34,946,035	4,721,839	\$ 699,137		(29,525,059)		(29,525,059)
Public works	22,913,692	2,352,453	99,051	1,976,581	(18,485,608)		(18,485,608)
Parks and recreation	6,764,517	1,965,926	285,727	53,222	(4,459,641)		(4,459,641)
Community development	3,417,781	2,578,590	1,364,441		525,250		525,250
Total Governmental Activities	87,494,486	14,849,203	2,448,356	2,115,560	(68,081,367)		(68,081,367)
<b>Business-type Activities:</b>							
Water Utility	21,172,960	25,454,220		462,020		\$ 4,743,280	4,743,280
Garbage	21,276,560	24,461,038	43,162			3,227,640	3,227,640
Golf Course	1,459,452	1,259,595				(199,857)	(199,857)
Housing	13,291,161	1,160,150	11,457,400			(673,611)	(673,611)
Total Business-type Activities	57,200,133	52,335,003	11,500,562	462,020		7,097,452	7,097,452
<b>Total</b>	<b>\$ 144,694,619</b>	<b>\$ 67,184,206</b>	<b>\$ 13,948,918</b>	<b>\$ 2,577,580</b>	<b>(68,081,367)</b>	<b>7,097,452</b>	<b>(60,983,915)</b>
<b>General revenues:</b>							
Taxes							
Property					25,418,700		25,418,700
Franchises					1,818,340		1,818,340
Sales taxes					14,266,681		14,266,681
Transient occupancy					14,031,781		14,031,781
Motor vehicle license fees					40,390		40,390
Business license					2,765,632		2,765,632
Investment earnings					92,760	10,858	103,618
<b>EXTRAORDINARY ITEMS</b>							
Assets / Liabilities transferred from Golf Enterprise Fund to Governmental Activities (Note 8A)					(1,682,489)	1,682,489	
Capital Assets transferred from Golf Enterprise Fund to Entity Wide (Note 8B)					935,936	(935,936)	
Assets transferred to/liabilities assumed by Successor Agency (Note 17)					4,741,920		4,741,920
Transfers (Note 4A)					4,128,048	(4,128,048)	
Total general revenues and transfers					66,557,699	(3,370,637)	63,187,062
Change in Net Position					(1,523,668)	3,726,815	2,203,147
Net Position-Beginning					436,609,306	106,444,857	543,054,163
Net Position-Ending					\$435,085,638	\$ 110,171,672	\$545,257,310

See accompanying notes to financial statements

## **FUND FINANCIAL STATEMENTS**

In the Fund Financial Statements, only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City for fiscal 2013. Individual non-major funds may be found in the Supplemental Section.

### **GENERAL FUND**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.

### **DEVELOPMENT FEES SPECIAL REVENUE FUND**

The Development Fees Special Revenue Fund accounts for development fees levied by the City on new construction. City ordinance restricts these revenues for use in construction, major maintenance, and debt service for park, street, drainage, and public safety facilities.

### **HOME PROGRAM SPECIAL REVENUE FUND**

The City has been awarded grants under the State of California Federal Home Investment Partnership Program (HOME) for administration of the following activities: ownership rehabilitation, rental rehabilitation augmenting the Community Development Block Grant Rehabilitation Program, a silent second down payment assistance program; and a rental assistance program. This fund accounts for these activities.

### **CITY CAPITAL PROJECTS FUND**

The City Capital Projects Fund accounts for the City's current construction projects, including streets, park and recreation facilities, and other major city projects. The primary sources of funds include city-levied development fees, the state gas tax, and federal and state grants.

CITY OF NAPA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Development Fees	Home Program	City Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments (Note 3)	\$17,487,570	\$19,359,614	\$ 945	\$10,071,183	\$17,033,280	\$63,952,592
Receivables, net:						
Accounts	5,473,783	1,875	26,217	1,956,458	1,001,799	8,460,132
Federal, state and other governments	248,652		112,159	3,333,060	400,587	4,094,458
Interest receivable	50,494	55,024	3		46,672	152,193
Loans receivable (Note 5)	1,400,000		6,918,950		3,763,606	12,082,556
Assessments receivable	13,581				6,913	20,494
Due from other funds (Note 4)	869,595					869,595
Prepaid items	26,294					26,294
Advances to other funds (Note 4)	482,850	183,600		675,000		1,341,450
Land held for redevelopment (Note 6)					125,691	125,691
<b>Total Assets</b>	<b>\$26,052,819</b>	<b>\$19,600,113</b>	<b>\$ 7,058,274</b>	<b>\$16,035,701</b>	<b>\$22,378,548</b>	<b>\$91,125,455</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 3,471,774	\$ 3,508	\$ 2,366	\$ 703,714	\$ 625,713	\$ 4,807,075
Vacation and sick leave accrual (Note 11)	19,657					19,657
Deposits payable	769,870	154,699		467,387	3,742,656	5,134,612
Due to other funds (Note 4)					234,021	234,021
Advances from other funds (Note 4)					1,341,450	1,341,450
<b>Total Liabilities</b>	<b>4,261,301</b>	<b>158,207</b>	<b>2,366</b>	<b>1,171,101</b>	<b>5,943,840</b>	<b>11,536,815</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - taxes	38,328					38,328
Unavailable revenue - charges for service	1,919,131		6,918,950		4,444,996	13,283,077
Unavailable revenue - operating grants and contributions	181,882					181,882
Unavailable revenue - capital grants and contributions				2,598,175		2,598,175
<b>Total Deferred Inflows</b>	<b>2,139,341</b>		<b>6,918,950</b>	<b>2,598,175</b>	<b>4,444,996</b>	<b>16,101,462</b>
<b>FUND BALANCES (Note 11)</b>						
Nonspendable	482,850			675,000	125,691	1,283,541
Restricted	20,478	12,572,291	136,958	1,976,337	7,284,620	21,990,684
Committed				2,361,981	626,247	2,988,228
Assigned	15,400,862	6,869,615		7,253,107	5,721,114	35,244,698
Unassigned	3,747,987				(1,767,960)	1,980,027
<b>Total Fund Balances</b>	<b>19,652,177</b>	<b>19,441,906</b>	<b>136,958</b>	<b>12,266,425</b>	<b>11,989,712</b>	<b>63,487,181</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$26,052,819</b>	<b>\$19,600,113</b>	<b>\$ 7,058,274</b>	<b>\$16,035,701</b>	<b>\$22,378,548</b>	<b>\$91,125,458</b>

See accompanying notes to financial statements

CITY OF NAPA  
 Reconciliation of the  
 GOVERNMENTAL FUNDS -- BALANCE SHEET  
 with the  
 STATEMENT OF NET POSITION  
 JUNE 30, 2013

Fund balances, as reported on the Governmental Funds Balance Sheet	\$ 63,487,181
<p>Amounts reported for Governmental Activities on the Statement of Net Position          are different from those reported on the Governmental Funds Balance sheet because of the following:</p>	
<p>Capital assets:</p>	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	348,799,215
<p>Non-current revenues:</p>	
Revenues which are unavailable on the Governmental Fund Balance Sheets because they are not currently available are taken into revenue on the Statement of Activities.	
Affordable housing loans	15,104,202
<p>Internal Service Fund net position:</p>	
Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain centralized activities, such as insurance, stores, and vehicle maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included as Governmental Activities on the Statement of Net Position.	10,094,565
<p>Long-term liabilities and related accounts:</p>	
The liabilities below are not due and payable in the current period and therefore are not reported on the Governmental Funds Balance Sheet:	
Compensated absences	<u>(2,399,525)</u>
Net position of Governmental Activities, as reported on the Statement of Net Position	<u><u>\$435,085,638</u></u>

See accompanying notes to financial statements

CITY OF NAPA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013

	General	Development Fees	Home Program	City Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 40,743,342	\$	\$	\$	\$ 525,478	\$ 41,268,820
Licenses, permits and fees	3,945,047					3,945,047
Intergovernmental	15,493,098		112,686	4,735,144	3,053,041	23,393,969
Charges for services	6,166,181	2,407,408	53,970		3,083,758	11,711,317
Investment income	66,163	17,757	1,187		7,652	92,759
Loan repayment			155,160			155,160
Miscellaneous revenues				105,917	18,527	124,444
<b>Total Revenues</b>	<b>66,413,831</b>	<b>2,425,165</b>	<b>323,003</b>	<b>4,841,061</b>	<b>6,688,456</b>	<b>80,691,516</b>
<b>EXPENDITURES</b>						
Current:						
General government	10,757,439				1,933,658	12,691,097
Public safety	34,328,546				617,489	34,946,035
Public works	6,499,986	13,314			743,535	7,256,835
Parks and recreation	6,495,055				269,462	6,764,517
Community development	3,090,402		327,379			3,417,781
Capital outlay	265,651			12,157,604	3,233,602	15,656,857
<b>Total Expenditures</b>	<b>61,437,079</b>	<b>13,314</b>	<b>327,379</b>	<b>12,157,604</b>	<b>6,797,746</b>	<b>80,733,122</b>
Excess (Deficiency) of Revenues over (under) Expenditures	4,976,752	2,411,851	(4,376)	(7,316,543)	(109,290)	(41,606)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (Note 4A)	4,125,453	150,000		13,241,059	4,693,819	22,210,331
Transfers out (Note 4A)	(9,877,904)	(2,694,729)	(497)	(563,855)	(4,136,863)	(17,273,848)
Proceeds from sale of capital assets	4,000					4,000
<b>Total Other Financing Sources (Uses)</b>	<b>(5,748,451)</b>	<b>(2,544,729)</b>	<b>(497)</b>	<b>12,677,204</b>	<b>556,956</b>	<b>4,940,483</b>
<b>EXTRAORDINARY ITEMS (Note 8)</b>						
Assets transferred to/liabilities assumed by Golf Fund					(1,682,489)	(1,682,489)
<b>Net Change in Fund Balances</b>	<b>(771,699)</b>	<b>(132,878)</b>	<b>(4,873)</b>	<b>5,360,661</b>	<b>(1,234,823)</b>	<b>3,216,388</b>
<b>Beginning Fund Balances</b>	<b>20,423,876</b>	<b>19,574,786</b>	<b>141,830</b>	<b>6,905,766</b>	<b>13,224,535</b>	<b>60,270,793</b>
<b>Ending Fund Balances</b>	<b>\$ 19,652,177</b>	<b>\$ 19,441,906</b>	<b>\$ 136,958</b>	<b>\$ 12,266,425</b>	<b>\$ 11,989,712</b>	<b>\$ 63,487,181</b>

See accompanying notes to financial statements

CITY OF NAPA  
 Reconciliation of the  
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 with the  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances, as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance \$ 3,216,388

Amounts reported for Governmental Activities on the Statement of Activities are different from those reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance because of the following:

Capital asset transactions:

Governmental Funds report capital outlays as expenditures. However, on the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capitalized expenditures are added back to fund balance	16,775,603	
Capital contributions are added back to fund balance	1,660,353	
Net retirements are deducted from fund balance	(6,881,997)	
Depreciation expense is deducted from fund balance (Depreciation expense is net of internal service fund depreciation of \$1,031,136 which has already been allocated to service funds)	(9,864,157)	
		1,689,801

Accrual of non-current revenues:

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change)"

Unavailable revenue	(4,561,401)	
Vacation and sick leave payable	(94,096)	
		(4,655,497)

Internal service fund activities:

Internal Service Funds are used by management to allocate the costs of certain centralized activities, such as self-insurance, central stores, and vehicle maintenance, to individual funds and programs.

Because these funds serve mostly governmental activities, their net revenue (expense) is reported with governmental activities on the Statement of Activities. (1,774,360)

Change in Net Assets of Governmental Activities, as reported on the Statement of Activities	\$ (1,523,668)
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See accompanying notes to financial statements

CITY OF NAPA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning Fund Balance			\$ 20,423,876	
Revenues:				
Taxes	\$ 34,294,798	\$ 39,575,632	40,743,342	\$ 1,167,710
Licenses, permits and fees	3,800,000	3,950,000	3,945,047	(4,953)
Intergovernmental revenues	13,062,395	15,204,566	15,493,098	288,532
Charges for services	4,576,207	7,087,546	6,166,181	(921,365)
Interest on investments	150,000	150,000	66,163	(83,837)
Miscellaneous revenues	208,060	211,153		(211,153)
Total Revenues	<u>56,091,460</u>	<u>66,178,897</u>	<u>66,413,831</u>	<u>234,934</u>
Expenditures:				
Current:				
General government	11,488,204	12,798,689	10,757,439	2,041,250
Public safety	34,827,292	34,935,694	34,328,546	607,148
Public works	6,739,168	7,600,819	6,499,986	1,100,833
Parks and recreation	6,649,408	6,481,718	6,495,055	(13,337)
Community development	2,981,440	3,169,856	3,090,402	79,454
Capital outlay	70,100	411,685	265,651	146,034
Total Expenditures	<u>62,755,612</u>	<u>65,398,460</u>	<u>61,437,079</u>	<u>3,961,381</u>
Other Financing Sources (Uses):				
Sale of Capital Assets			4,000	4,000
Transfers in	4,128,354	4,264,276	4,125,453	(138,823)
Transfers (out)	(819,827)	(2,754,657)	(9,877,904)	(7,123,247)
Total Other Financing Sources (Uses)	<u>3,308,527</u>	<u>1,509,619</u>	<u>(5,748,451)</u>	<u>(7,262,070)</u>
Net Change in Fund Balances	<u>\$ (3,355,624)</u>	<u>\$ 2,290,055</u>	<u>(771,699)</u>	<u>\$ (3,065,754)</u>
Ending Fund Balance			<u>\$ 19,652,177</u>	

See accompanying notes to financial statements

CITY OF NAPA  
DEVELOPMENT FEES FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning Fund Balance			\$ 19,574,786	
Revenues:				
Charges for services	\$ 757,160	\$ 832,160	2,407,408	\$ 1,575,248
Investment income	255,073	255,073	17,757	(237,316)
Total Revenues	<u>1,012,233</u>	<u>1,087,233</u>	<u>2,425,165</u>	<u>1,337,932</u>
Expenditures:				
Current:				
Public Works	390,000	930,779	13,314	917,465
Total Expenditures	<u>390,000</u>	<u>930,779</u>	<u>13,314</u>	<u>917,465</u>
Other Financing Sources (Uses):				
Transfers in	400,000	150,000	150,000	
Transfers (out)	<u>(1,410,000)</u>	<u>(10,381,474)</u>	<u>(2,694,729)</u>	<u>7,686,745</u>
Total Other Financing Sources (Uses)	<u>(1,010,000)</u>	<u>(10,231,474)</u>	<u>(2,544,729)</u>	<u>7,686,745</u>
Net Change in Fund Balances	<u>\$ (387,767)</u>	<u>\$ (10,075,020)</u>	<u>(132,878)</u>	<u>\$ 8,107,212</u>
Ending Fund Balance			<u>\$ 19,441,906</u>	

See accompanying notes to financial statements

CITY OF NAPA  
HOME PROGRAM SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Fund Balance			\$ 141,830	
Revenues:				
Intergovernmental revenues	\$ 436,000	\$ 700,000	112,686	\$ (587,314)
Investment income			1,187	1,187
Charges for services	<u>116,217</u>	<u>51,017</u>	<u>209,130</u>	<u>158,113</u>
Total Revenues	<u>552,217</u>	<u>751,017</u>	<u>323,003</u>	<u>(428,014)</u>
Expenditures:				
Current:				
Community development	<u>546,728</u>	<u>754,068</u>	<u>327,379</u>	<u>426,689</u>
Total Expenditures	<u>546,728</u>	<u>754,068</u>	<u>327,379</u>	<u>426,689</u>
Other Financing Sources (Uses):				
Transfers (out)	<u>(4,788)</u>	<u>(497)</u>	<u>(497)</u>	
Total Other Financing Sources (Uses)	<u>(4,788)</u>	<u>(497)</u>	<u>(497)</u>	
Net Change in Fund Balances	<u>\$ 701</u>	<u>\$ (3,548)</u>	<u>(4,873)</u>	<u>\$ (854,703)</u>
Ending Fund Balance			<u>\$ 136,958</u>	

See accompanying notes to financial statements

## **MAJOR PROPRIETARY FUNDS**

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

### **WATER UTILITY FUND**

The Water Utility Fund supports the operation, maintenance and improvement of the municipal water system serving the City and adjacent areas. The City provides an uninterrupted supply of high-quality and low-cost water to the community for consumption and fire protection.

### **MATERIALS DIVERSION UTILITY FUND**

The Materials Diversion Utility Fund is responsible for the collection, processing, public education and long-term planning related to solid waste materials generated in the City of Napa.

### **GOLF COURSE FUND**

The Golf Course Fund supported the management and maintenance of the City-owned, 18-hole golf Course at Kennedy Park in south Napa. The management and maintenance agreement was renegotiated to a lease agreement effective May 15, 2013. The Golf Course Fund was closed effective May 15, 2013, and is shown as a Special Revenue Fund as of June 30, 2013.

### **HOUSING FUND**

The Housing Fund accounts for activities of the Housing Authority which provides and administers affordable housing programs and services to qualified residents. The Housing Authority administers Federal funds including Section 8 Housing Vouchers county wide; Mainstream Vouchers county-wide; Mod Rehab project based rental assistance; Continuum of Care Funds; the 20% Housing Set-Aside from the Redevelopment Agency; the Local Housing Fund; the Operating Reserve Fund and the Management of Housing Authority owned properties.

CITY OF NAPA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Utility	Materials Diversion Utility	Golf Course	Housing	Totals	
<b>ASSETS</b>						
Current Assets:						
Cash and investments (Note 3)	\$ 15,102,140	\$ 11,849,645		\$ 6,009,063	\$ 32,960,848	\$ 9,593,855
Receivables, net:						
Accounts	5,030,646	3,081,702		14,430	8,126,778	780,221
Federal, state and other governments	998,724	33,067		13,066	1,044,857	
Interest receivable	39,989	109,585		19,391	168,965	27,267
Prepaid items						100,000
Inventory (Note 1G)						464,992
<b>Total Current Assets</b>	<b>21,171,499</b>	<b>15,073,999</b>		<b>6,055,950</b>	<b>42,301,448</b>	<b>10,966,335</b>
Noncurrent Assets:						
Restricted cash and investments (Note 3)	469,388	2,510,997		970,176	3,950,561	
Loans receivable (Note 5)	1,007,315			9,495,541	10,502,856	
Capital assets (Note 7)						
Nondepreciable	46,756,786	4,460,820		1,776,411	52,994,017	112,694
Depreciable, net	90,026,195	5,151,420		1,454,509	96,632,124	7,592,672
<b>Total Noncurrent Assets</b>	<b>138,259,684</b>	<b>12,123,237</b>		<b>13,696,637</b>	<b>164,079,558</b>	<b>7,705,366</b>
<b>TOTAL ASSETS</b>	<b>159,431,183</b>	<b>27,197,236</b>		<b>19,752,587</b>	<b>206,381,006</b>	<b>18,671,701</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable and accrued liabilities	3,110,548	2,763,360		108,022	5,981,930	872,935
Compensated absences (Note 11)	88,205	4,669		26,504	119,378	13,572
Claims payable (Note 14)						1,748,500
Accrued interest	394,850	87,662			482,512	
Deposits payable	296,213	157,719		18,519	472,451	
Unearned revenue		1,250			1,250	
Due to other funds (Note 4)						635,574
Long-term debt (Note 9)						
Revenue bonds	1,185,000	475,000			1,660,000	
Notes payable	361,626			44,202	405,828	
Capital lease obligations	1,023,526				1,023,526	59,000
<b>Total Current Liabilities</b>	<b>6,459,968</b>	<b>3,489,660</b>		<b>197,247</b>	<b>10,146,875</b>	<b>3,329,581</b>
Long-term Liabilities:						
Compensated absences (Note 11)	232,259	36,182		22,442	290,883	29,397
Deposits payable				152,761	152,761	
Claims payable (Note 14)						3,771,500
Net OPEB Obligation (Note 13)						1,407,216
Long-term debt (Note 9)						
Revenue bonds, net of unamortized issuance costs and discounts	43,904,683	3,077,784			46,982,467	
Notes payable	4,504,132			850,739	5,354,871	
Capital lease obligations	33,281,477				33,281,477	39,442
<b>Total Long-term Liabilities</b>	<b>81,922,551</b>	<b>3,113,966</b>		<b>1,025,942</b>	<b>86,062,459</b>	<b>5,247,555</b>
<b>TOTAL LIABILITIES</b>	<b>88,382,519</b>	<b>6,603,626</b>		<b>1,223,189</b>	<b>96,209,334</b>	<b>8,577,136</b>
<b>NET POSITION (NOTE 11)</b>						
Net investment in capital assets	52,991,926	8,570,453		2,335,979	63,898,358	7,606,924
Restricted				799,393	799,393	
Unrestricted	18,056,738	12,023,157		15,394,026	45,473,921	2,487,641
<b>Total net position (deficit)</b>	<b>\$ 71,048,664</b>	<b>\$ 20,593,610</b>	<b>\$</b>	<b>\$ 18,529,398</b>	<b>\$ 110,171,672</b>	<b>\$ 10,094,565</b>

See accompanying notes to financial statements

CITY OF NAPA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Utility	Materials Diversion Utility	Golf Course	Housing	Totals	
<b>OPERATING REVENUES</b>						
Charges for services	\$ 24,666,618	\$ 24,392,036	\$ 1,259,595	\$ 1,160,150	\$ 51,478,399	\$ 8,867,138
Miscellaneous	787,602	69,002			856,604	
Total Operating Revenues	<u>25,454,220</u>	<u>24,461,038</u>	<u>1,259,595</u>	<u>1,160,150</u>	<u>52,335,003</u>	<u>8,867,138</u>
<b>OPERATING EXPENSES</b>						
Cost of goods sold			119,914		119,914	479,553
Housing assistance				10,586,214	10,586,214	
General administrative				1,472,677	1,472,677	
Employee services and benefits	5,644,838	680,337		1,071,129	7,396,304	956,467
Materials and services	8,792,654	20,083,158	1,199,585	91,425	30,166,822	6,495,162
Insurance premiums				1,415	1,415	987,558
Depreciation	2,909,846	276,106	139,953	68,301	3,394,206	1,031,136
Total Operating Expenses	<u>17,347,338</u>	<u>21,039,601</u>	<u>1,459,452</u>	<u>13,291,161</u>	<u>53,137,552</u>	<u>9,949,876</u>
Operating Income (Loss)	<u>8,106,882</u>	<u>3,421,437</u>	<u>(199,857)</u>	<u>(12,131,011)</u>	<u>(802,549)</u>	<u>(1,082,738)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	17,524	(669)	2,931	(8,928)	10,858	(1,966)
Grants from other governments		43,162		11,457,400	11,500,562	
Interest expense and fiscal charges	(3,825,622)	(236,959)			(4,062,581)	
Total Nonoperating Revenues (Expenses)	<u>(3,808,098)</u>	<u>(194,466)</u>	<u>2,931</u>	<u>11,448,472</u>	<u>7,448,839</u>	<u>(1,966)</u>
Income (Loss) Before Transfers	4,298,784	3,226,971	(196,926)	(682,539)	6,646,290	(1,084,704)
Connection fees and capital grants	462,020				462,020	
Sale of Capital Assets						118,780
Transfers in (Note 4A)			125,000		125,000	96,263
Transfers out (Note 4A)	(1,900,566)	(2,227,891)		(124,591)	(4,253,048)	(904,699)
<b>EXTRAORDINARY ITEMS</b>						
Assets / Liabilities transferred from Golf Enterprise Fund to Non Major Fund (Note 8A)			1,682,489		1,682,489	
Capital assets transferred from Golf Enterprise Fund to Governmental Activities (Note 8B)			(935,936)		(935,936)	
Change in Net Position	2,860,238	999,080	674,627	(807,130)	3,726,815	(1,774,360)
Beginning Net Position	<u>68,188,426</u>	<u>19,594,530</u>	<u>(674,627)</u>	<u>19,336,528</u>	<u>106,444,857</u>	<u>11,868,925</u>
Ending Net Position	<u>\$ 71,048,664</u>	<u>\$ 20,593,610</u>	<u>\$</u>	<u>\$ 18,529,398</u>	<u>\$ 110,171,672</u>	<u>\$ 10,094,565</u>

See accompanying notes to financial statements

CITY OF NAPA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Utility	Materials Diversion Utility	Golf Course	Housing	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 24,674,517	\$ 24,066,442	\$ 1,184,342	\$ 1,262,093	\$ 51,187,394	\$ 9,848,688
Payments to suppliers	(7,942,873)	(18,956,863)	(1,332,773)	(12,105,399)	(40,337,908)	(6,482,409)
Loan collections				866,930	866,930	
Payments to or on behalf of employees	(5,683,415)	(669,388)		(1,075,642)	(7,428,445)	(1,028,533)
Cash Flows from Operating Activities	<u>11,048,229</u>	<u>4,440,191</u>	<u>(148,431)</u>	<u>(11,052,018)</u>	<u>4,287,971</u>	<u>2,337,745</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating grants received		43,162		11,452,328	11,495,490	
Interfund payments			(879,628)		(879,628)	
Interfund receipts	153,984				153,984	(89,467)
Extraordinary Item (Note 8A, net)			746,553			
Transfers in			125,000		125,000	96,263
Transfers (out)	(1,900,566)	(2,227,891)		(124,591)	(4,253,048)	(904,699)
Cash Flows from Noncapital Financing Activities	<u>(1,746,582)</u>	<u>(2,184,729)</u>	<u>(754,628)</u>	<u>11,327,737</u>	<u>6,641,798</u>	<u>(897,903)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Connection fees and capital grants	462,020				462,020	
Acquisition of capital assets	(17,811,734)	(190,093)	935,936		(17,065,891)	(1,377,632)
Sale of capital assets						118,780
Principal payments on capital debt	12,751,662	(427,884)	(73,911)	(41,810)	12,208,057	(65,797)
Interest paid on capital debt	(3,837,181)	(246,446)			(4,083,627)	
Cash Flows from Capital and Related Financing Activities	<u>(8,435,233)</u>	<u>(864,423)</u>	<u>862,025</u>	<u>(41,810)</u>	<u>(8,479,441)</u>	<u>(1,324,649)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received (paid)	16,303	(63,166)	2,929	(8,739)	(52,673)	(1,616)
Cash Flows from Investing Activities	<u>16,303</u>	<u>(63,166)</u>	<u>2,929</u>	<u>(8,739)</u>	<u>(52,673)</u>	<u>(1,616)</u>
Net Cash Flows	882,717	1,327,873	(38,105)	225,170	2,397,655	113,577
Cash and cash equivalents at beginning of period	<u>14,688,811</u>	<u>13,032,769</u>	<u>38,105</u>	<u>6,754,069</u>	<u>34,513,754</u>	<u>9,480,278</u>
Cash and cash equivalents at end of period	<u>\$ 15,571,528</u>	<u>\$ 14,360,642</u>	<u>\$</u>	<u>\$ 6,979,239</u>	<u>\$ 36,911,409</u>	<u>\$ 9,593,855</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>						
Operating income (loss)	\$8,106,882	\$3,421,437	(\$199,857)	(\$12,131,011)	(\$802,549)	(\$1,082,738)
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation	2,909,846	276,106	139,953	68,301	3,394,206	1,031,136
Change in assets and liabilities:						
Receivables, net	(434,650)	(283,956)	171	909,821	191,386	981,550
Prepaid items & inventory			105,871		105,871	
Other assets						8,130
Accounts payable and other accrued expenses	849,781	1,126,295	(119,145)	46,332	1,903,263	140,176
Claims payable						344,000
Net OPEB Obligation						909,741
Deposits payable	(345,053)	(111,890)	(75,424)	59,052	(473,315)	
Deferred revenue		1,250			1,250	
Vacation and sick leave payable	(38,577)	10,949		(4,513)	(32,141)	5,751
Cash Flows from Operating Activities	<u>\$ 11,048,229</u>	<u>\$ 4,440,191</u>	<u>\$ (148,431)</u>	<u>\$ (11,052,018)</u>	<u>\$ 4,287,971</u>	<u>\$ 2,337,745</u>

See accompanying notes to financial statements

<b>FIDUCIARY FUNDS</b>
------------------------

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**Agency Funds**

**Payroll Fund**

To account for the collection and payment of all payroll deductions made from the City employees and for monies collected from retirees to reimburse the City for their share of their health insurance premiums.

**Napa Valley Corporate Park Assessment District Fund**

To account for the collections and disbursements of the Napa Valley Corporate Park Assessment District's special assessments and bond payments.

**Private Purpose Trust Fund**

**Successor Agency to the Napa Community Redevelopment Agency**

To account for the activities of the Successor Agency to the Napa Community Redevelopment Agency.

CITY OF NAPA  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	<u>Successor Agency Trust Funds [1]</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and investments (Note 3)		\$ 86,148
Restricted cash and investments (Note 3)	\$ 8,458,259	
Accounts receivable	3,333	3,952
Interest receivable	31,319	245
Loan receivable		57,729
Unamortized bond costs	363,200	
Capital Assets (Note 17)		
Land	3,542,254	
Depreciable	7,332,129	
Less: Accumulated depreciation	<u>(6,198,480)</u>	
Total Assets	<u>\$ 13,532,014</u>	<u>\$ 148,074</u>
<b>LIABILITIES</b>		
Accounts payable		\$ 61,681
Accrued interest payable	\$ 245,884	
Unearned revenue	657,797	
Long-term debt (Note 17)		
Due within one year	1,915,000	
Due in more than one year	13,575,000	
Notes payable - Due to water fund	754,815	
Due to bondholders		<u>86,393</u>
Total Liabilities	<u>17,148,496</u>	<u>\$ 61,681</u>
<b>NET POSITION</b>		
Held in Trust for Private Purpose	<u>\$ (3,616,482)</u>	

[1] Successor Agency Trust Fund was established as a result of the dissolution of the Redevelopment Agency February 1, 2012

See accompanying notes to financial statements

CITY OF NAPA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013

	Successor Agency <u>Trust Funds [1]</u>
ADDITIONS:	
Intergovernmental revenue	\$ 6,183,520
Investment earnings	<u>48,832</u>
Total Additions	<u>6,232,352</u>
DEDUCTIONS:	
Community development	255,428
Depreciation	107,099
Debt service:	
Interest and fiscal charges	<u>718,064</u>
Total Deductions	<u>1,080,591</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,151,761</u>
EXTRAORDINARY ITEMS (Note 17)	
Assets transferred to/liabilities assumed by Successor Agency	4,741,920
NET CHANGE IN NET POSITION	9,893,681
NET POSITION, BEGINNING	<u>(13,510,163)</u>
NET POSITION, ENDING	<u>\$ (3,616,482)</u>

See accompanying notes to financial statements

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

<b>NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>
--

**A. Reporting Entity**

The City of Napa, California (the City) was incorporated on March 23, 1872, under the laws of the State of California. The City's Charter was filed on October 27, 1914. The City operates under a council-manager form of government. As required by generally accepted accounting principles, these financial statements present the City of Napa and its component units. The following component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with that of the City.

***The Housing Authority of the City of Napa (the Housing Authority)*** was established on May 8, 1942. On July 7, 1969, the City Council declared itself to be the Board of Commissioners of the Housing Authority in accordance with Section 34920 of the Health and Safety Code of the State of California.

***The Parking Authority of the City of Napa (the Parking Authority)*** was established pursuant to the Streets and Highways Code of the State of California. The City Council established the Parking Authority on April 27, 1970 and designated itself as the governing body. The primary purpose of the Authority is to acquire, maintain and operate off-street parking facilities within the City. The Parking Authority reports no financial transactions during the year ended June 30, 2013.

***The City of Napa Public Facilities Financing Authority (the Financing Authority)*** was established in April, 1985 as a tax exempt corporation with the power to purchase, lease, assign, encumber or otherwise dispose of any real or personal property. The primary purpose of the Financing Authority is to render financial assistance to the City by financing the purchase or construction of public facilities. The City Council is the governing body of the Financing Authority. The Financing Authority reports no financial transactions during the year ended June 30, 2013.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation**

These *Financial Statements* are prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

The City's financial position and results of operations are presented from two perspectives in the following two sets of financial statements:

**Government-wide Statements** include the *Statement of Net Position* and the *Statement of Activities*, and report the financial activities of the overall City using an economic resources measurement focus and the full 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. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each function of the City. Direct expenses are those that are specifically associated with a program or function. Certain indirect costs are included in program expenses reported for individual functions and activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) operating grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) capital fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

The City may pay for its programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund 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.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*C. Major Funds*

GASB Statement 34 defines major funds and requires that the City's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds, which have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.

The **Development Fees Special Revenue Fund** accounts for development fees levied by the City on new construction. City ordinance restricts these revenues for use in construction, major maintenance, and debt service for park, street, drainage, and public safety facilities.

**Home Program Special Revenue Fund** - The City has been awarded grants under the State of California Federal Home Investment Partnership Program (HOME) for administration of the following activities: ownership rehabilitation, rental rehabilitation augmenting the Community Development Block Grant Rehabilitation Program, a silent second down payment assistance program; and a rental assistance program. This fund accounts for these activities.

The **City Capital Projects Fund** accounts for the City's current construction projects, including streets, park and recreation facilities, and other major city projects. The primary sources of funds include city-levied development fees, the state gas tax, and federal and state grants.

The City reports all its enterprise funds as major funds in the accompanying financial statements:

The **Water Utility Fund** accounts for the operations and management of the City's water system.

The **Material Diversion Utility Fund** accounts for administration of the City's garbage franchise, including tipping fees, a rate stabilization fund, and other specialized services. The fund does not report the financial position or activities of the City's franchise operator.

The **Golf Course Fund** accounts for the operations and management of the City's Kennedy Park golf course. Course operations were managed by a contractor through May 15, 2013 at which time the management and maintenance agreement was renegotiated as a lease agreement. The Golf Course Fund was closed effective May 15, 2013 and is shown as a Special Revenue Fund as of June 30, 2013.

The **Housing Fund** accounts for the operations of the Housing Authority.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City also reports the following fund types:

**Internal Service Funds** – These funds account for GASB 45 post-employment benefits expense and liabilities, workers’ compensation and general liability coverage, management information system maintenance and replacement, equipment maintenance and replacement, and central stores inventory; all of which are provided to other departments on a cost-reimbursement basis.

The City also reports the following fiduciary fund types:

**Trust Funds** – This fund accounts for assets held by the City in trust for The Successor Agency to the Napa Community Redevelopment Agency Private Purpose Trust Fund which accounts for the collections and disbursements of the Successor Agency to the Napa Community Redevelopment Agency’s approved payments (ROPS) and reimbursements.

**Agency Funds** – These funds account for assets held by the City as an agent of an assessment district in the City and the employees’ flexible spending account. These Funds are custodial in nature and do not involve measurement of the results of operations.

**D. Basis of Accounting**

**Governmental Funds** are used to report the majority of the City’s programs. These funds are reported in the *Fund Financial Statements* on the modified accrual basis of accounting, with a focus on current financial resources. This basis differs from the accrual basis of accounting used to report the government-wide financial statements and the business-type fund financial statements.

Revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. The sixty day limit may be extended for certain revenues. Revenues susceptible to accrual include taxes, intergovernmental revenues, charges for services and interest revenue. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

In the *Fund Financial Statements*, deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Business-type Funds** of the City are reported on the accrual basis of accounting in the Fund Financial Statements.

***E. Cash and Investments***

The City maintains a cash and investment pool, which includes unrestricted cash balances and authorized investments for all funds. Investments are carried at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participant's equity withdrawn is based on the book value of the participant's percentage participation at the date of such withdrawal. In the event that a certain fund overdraws its share of pooled cash, a short-term inter-fund loan transaction is recorded to offset the overdraft.

For purposes of the statement of cash flows, cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments.

Cash and investments restricted by various long-term debt bond covenants are reported as restricted assets in the debt service or enterprise funds.

***F. Tax Revenue***

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of the full market value of the property (at the time of purchase) and can increase the assessed property valuation by no more than 2% per year. Napa County levies property taxes limited to \$1 per \$100 of assessed valuation for county, cities, schools and special districts' operating expenditures. This property tax levy is distributed to the different governmental agencies under the State-mandated alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies with historical tax delinquency rates less than 3%, including cities, receive from the County 100% of their respective shares of the amount of ad valorem taxes levied, without regard to the actual collection of taxes levied. This method was placed in effect by the City and Napa County in the 1993 – 1994 tax year and remains in effect until the County Board of Supervisors orders its discontinuance.

City property tax revenues are recognized when levied to the extent that the measurable and available criteria have been met. Property taxes become an enforceable lien on property as of March 1; taxes are levied on July 1; taxes are payable in two installments on November 1 and February 1; taxes become delinquent on December 10 and April 10. The County bills and collects the property taxes and remits them to the City.

***G. Inventories***

Inventory in the proprietary funds is stated at the lower of its weighted average cost or market value. Inventory in the Internal Service Funds consists of spare parts and supplies.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*H. Capital Assets*

Capital assets, which include land, buildings, improvements, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported on the government-wide *Statement of Net Position*. Capital assets used in enterprise and internal service funds are also reported on those *Fund Financial Statements*. Since the governmental funds report only current, available resources on their *Fund Financial Statements*, capital outlay in those funds is reported as expenditure and not as an asset on the balance sheet.

Capital assets are recorded at cost. Donated assets are recorded at their estimated fair value at the date of donation. Fixed assets acquired under capital leases are recorded at the net present value of the future minimum lease payments.

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested debt funds, if any, over the same period.

Depreciation on recorded capital assets is expensed on the straight line method over the following estimated useful lives:

Asset Classification	Years
Buildings and improvements	15 – 60
Vehicles and equipment	3 – 7
Roads	20 – 40
Bridges	75
Curbs/gutters/sidewalks	30 – 50
Traffic signals	40
Park improvements	20 – 30
Transmission and distribution systems	20 – 60
Street lights	30 - 40
Underground utilities	30 - 40
Stormwater	30 - 40

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***I. Compensated Absences***

City employees may accumulate earned but unused vacation (up to a certain amount) and sick pay benefits. In the proprietary funds, vacation and vested sick leave pay is accrued when incurred and reported as a fund liability. In the governmental funds, leave pay for terminated employees is reported as expenditure and a current fund liability. The full value of non-current accrued leave liabilities, for all funds, is reported on the government-wide Statement of Net Position.

	Governmental Activities	Business-type Activities	Total
Beginning balance	\$ 2,359,467	\$ 442,402	\$ 2,801,869
Additions	175,784		175,784
Payments	(73,101)	(32,141)	(105,242)
Ending balance	2,462,150	410,261	2,872,411
Current portion	\$ 33,229	\$ 119,378	\$ 152,607

***J. Use of Estimates***

The accompanying basic financial statements have been prepared on the modified accrual basis of accounting in accordance with generally accepted accounting principles. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

***K. Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 2 – BUDGETARY INFORMATION**

The City biennially adopts an annual budget for the general fund. Project (versus annual) budgets (which can span a number of years) are adopted for most other governmental funds. Debt service fund budgets are adopted when the authorization of the debt issuance is authorized. All annual appropriations lapse at fiscal year-end, unless special approval is granted by the Finance Director and City Manager for carry over to the subsequent year.

Budgets are also adopted and controlled for the proprietary funds. Budget comparisons for these funds are not legally mandated and thus are not presented in these financial statements.

At approximately February of every other year, all City departments submit requests for appropriations to the City Manager so that a budget may be prepared. In May, the proposed budget is presented to the City Council for review. The Council holds public hearings and a final budget is prepared and adopted on or before June 30.

The budget is prepared at the fund, function and department levels. The City's department heads may make transfers of appropriations within a department. The City Manager is authorized to make transfers between the departments. All other adjustments or changes require City Council approval. The legal level of budgetary control is the department level. Budget amounts shown in these financial statements include all supplemental appropriations made during the year. Supplemental appropriations during the year ended June 30, 2013, were not significant relative to the budget as a whole.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 3 – CASH AND INVESTMENTS**

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested in an effort to enhance interest earnings while minimizing exposure to risk. The pooled interest earned is allocated to the funds based on cash and investment balances in these funds at the end of each accounting period.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units.

City portfolio value fluctuates in an inverse relationship to any change in interest rates. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen. In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's practice is to buy and hold investments until their maturity dates.

**A. Deposits**

The California Government Code requires California banks and savings and loans to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on quarterly weighted average cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Cash and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Cash and investments available for operations	\$	106,507,294
Restricted cash and investments		3,950,561
City cash and investments		110,457,855
Cash and investments available for operations in		
Fiduciary Funds (Separate Statement)		86,148
Restricted cash and investments in		
Fiduciary Funds (Separate Statement)		8,458,259
Total cash and investments	\$	119,002,262

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

***B. Investments Authorized by the California Government Code and Investment Policy***

The table below identifies the investment types authorized under the provisions of the City's investment policy, and in accordance with the California Government Code. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
Repurchase Agreements	30 Days	N/A	20%	20%
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	\$50,000,000	N/A
U.S. Treasury Bonds, Notes and Bills	5 Years	N/A	None	None
U.S. Government Agency and U.S. Government-Sponsored Enterprise Obligations	5 Years	N/A	None	None
Bankers' Acceptances	180 Days	A-1, P-1	30%	Lesser of \$2,000,000 or 5%
Commercial Paper	270 Days	A	25%	5%
Negotiable Certificates of Deposit	2 Years	A	30%	\$1,000,000
Time Certificates of Deposit – Banks or Savings and Loans	2 Years	N/A	None	\$500,000
Medium-Term Corporate Notes	5 Years	A	30%	5%
Money Market Mutual Funds	N/A	AAA	20%	10%

***C. Investments Authorized by Debt Agreements***

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee and the City.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
United States Treasury Bill, Bonds, Notes	5 years	N/A
United States Government Agency Obligations	5 years	N/A
Federal Securities	5 years	N/A
Bankers' Acceptances	30 days to 1 year	A-1
Commercial Paper	270 days to 1 year	A-1
Certificates of Deposit	30 days to 5 years	None to A
Repurchase Agreements	None to 30 days	A-1
Local Agency Investment Fund	n/a	Not rated
Money Market Funds	n/a	AA-m
Investment Agreements	None	None to AA
State and Municipal Bonds, Notes	None	Two Highest Categories
Prefunded Municipal Obligations	None	None to AAA
State Obligations	None	A
State Obligations - Direct Short-Term	None	A-1
State Obligations - Special Revenue Bonds	None	AA

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

***D. Disclosures Relating to Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments as of June 30, 2013, by maturity:

Type of Investments	Less Than One Year	One to Three Years	Three to Five Years	Total
Local Agency Investment Fund	\$ 44,584,111			\$ 44,584,111
Certificate of Deposit	500,210	\$ 2,995,860		3,496,070
U.S. Treasury Notes		7,802,921	\$ 5,526,412	13,329,333
Corporate Notes	832,754	7,570,016	3,526,527	11,929,297
Money Market Funds (U.S. Securities)	1,514,475			1,514,475
Federal Agency Securities	2,566,649	23,854,717	9,589,498	36,010,864
Total Investments	\$ 49,998,199	\$ 42,223,514	\$ 18,642,437	110,864,150
<i>Cash in banks and on hand</i>				8,138,112
Total Cash and Investments				\$ 119,002,262

***E. Disclosures Relating to Credit Risk***

Credit Risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as June 30, 2013, for each investment type.

Investment Type	AAA/AAAm	AA+/AA/AA-	A+/A/A-/A1/A1+	Total
<i>Held by Trustees:</i>				
Certificates of Deposit		\$ 995,170	\$ 2,500,900	\$ 3,496,070
U.S. Securities		13,329,333		13,329,333
Corporate Notes	\$ 495,806	7,315,878	4,117,613	11,929,297
Money Market Funds	1,514,475			1,514,475
Federal Agency Securities		36,010,864		36,010,864
Total	\$ 2,010,281	\$ 57,651,245	\$ 6,618,513	66,280,039
<i>Not Rated:</i>				
Local Agency Investment Fund				44,584,111
<i>Cash in banks and on hand</i>				8,138,112
Total Cash and Investments				\$ 119,002,262

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

<b>NOTE 3 – CASH AND INVESTMENTS (Continued)</b>
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**F. Investments in Local Agency Investment Funds**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2013, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes - are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables. At June 30, 2013 these investments matured in an average of 278 days.

**G. Concentration of Credit Risk**

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment fund that represent 5% or more of total investments in Entity-wide, individual major funds, non-major funds in the aggregate, or fiduciary fund type investments are as follows at June 30, 2013:

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	Federal Agency Securities	\$ 18,233,594
Federal Home Loan Mortgage Corporation	Federal Agency Securities	7,701,452
Federal Home Loan Bank	Federal Agency Securities	3,504,250

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 4 – INTERFUND TRANSACTIONS**

**A. Transfers**

Transfers report the contribution of resources from one fund to another. The following is a summary of transfers for the year ended June 30, 2013:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
<b>General Fund</b>	Water Utility Fund	\$ 1,668,178 [A]
	Materials Diversion Utility Fund	527,891 [A]
	Housing Fund	124,591 [A]
	Non-Major Governmental Funds	485,742 [A]
	Internal Service Funds	754,699 [A]
	Home Program	497 [A]
	City Capital Projects Fund	563,855 [A]
<b>Development Fees Fund</b>	Internal Service Funds	150,000 [A]
<b>City Capital Projects Fund</b>	General Fund	9,055,242 [C]
	Development Fees Fund	2,694,727 [C]
	Non-Major Governmental Funds	1,381,917 [C]
	Water Utility Fund	109,173 [C]
<b>Golf Fund</b>	General Fund	125,000 [B]
<b>Non-major Governmental Funds</b>	General Fund	631,814 [B]
	Non-Major Governmental Funds	2,262,005 [B]
	Materials Diversion Utility Fund	1,700,000 [C]
	Water Utility Fund	100,000 [C]
<b>Internal Service Funds</b>	General Fund	65,848 [B]
	Non-Major Governmental Funds	7,200 [B]
	Water Utility Fund	23,215 [B]
Total Interfund Transfers		\$ 22,431,594

[A] To Fund Citywide Overhead

[B] To Fund Operations

[C] To Fund Capital Projects

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 4 – INTERFUND TRANSACTIONS (Continued)**

***B. Interfund Balances***

Interfund balances are loans between funds to provide either short-term cash flow or funding for longer-term projects. The following is a summary of interfund balances as of June 30, 2013:

Lending Fund:	Borrowing Fund:	Amount
Due to/from other funds:		
General Fund	Central Stores	\$ 498,759
General Fund	Post Employment Benefits	136,815
General Fund	Golf Course Fund	234,021
		\$ 869,595
Advances to/from other funds:		
General Fund	Special Revenue Fund	\$ 482,850 [A]
Development Fees Fund	Special Revenue Fund	183,600 [B]
City Capital Projects Fund	Special Revenue Fund	675,000 [A]
		\$ 1,341,450

[A] To fund capital improvements at the City's golf course.

[B] Quadrant Development Fee advance used to fund Golf Course water irrigation surcharge.

***C. Internal Balances***

Internal balances are presented only in the City-wide financial statements. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 5 – LOANS RECEIVABLE**

The City has extended long-term loans to support affordable housing and economic development. All loans are secured by real estate. Since some of these loans are secured by trust deeds which are subordinated to other debt on the associated projects or are only repayable from residual cash receipts on the projects, collectability of some of the outstanding balances may not be realized. As a result, a portion of the outstanding balances of the loans has been offset by a valuation allowance. These long-term loans receivable consisted of the following at June 30, 2013:

	<u>Term</u> <u>(Years)</u>	<u>Rate</u> <u>%</u>	<u>Outstanding</u> <u>Balance at</u> <u>June 30, 2013</u>
General Fund			
Napa Valley Opera House	15	4%	\$ 1,400,000
Home Program:			
First time homebuyers down payment assistance	20-30	3%	6,168,625
The Reserve at Napa	30	3%	874,000
Whistlestop	30	3%	939,632
CDBG Housing Rehabilitation Program	20	3-10%	1,713,406
20% Low- and Moderate Income Housing:			
Mayacamas Village Associates	30	4%	485,767
Napa Park Apartments	30	3%	254,805
Parkwood Project	40	0%	77,934
Silverado Creek Apartments	45	3.5%	3,082,983
Pecan Court Project	40	4%	735,067
Schoolhouse Project	40	0%	591,166
First time homebuyers down payment assistance	20-30	3%	668,200
Jefferson Street Senior Housing (NVCH)	40-41/60	0-3.5%	300,000
Napa Garden Court	55	4%	1,540,000
Rohlffs Concordia Manor	55	1%	785,000
Rohlffs Manor III	55	3%	250,000
Local Housing Fund:			
- Pioneer Village	various	7%	115,710
- Charter Oaks	25	3.5%	186,981
RDA Supplemental - Bain, Thomas	0	0%	125,100
Housing and Inclusionary Fund :			
- Magnolia Park	55	3.5%	300,000
- Jefferson Street Housing (NVCH) - City	60	0%	514,430
- Napa Garden Court Associates	5	3%	230,000
- County of Napa	55	0%	500,000
Cal Home Grant	5	3%	746,581
Laurel Manor			
Whistle Stop Town homes	35	3.5%	44,000
Magnolia Park	55	3.5%	221,125
Water Loan			
Successor Agency to the Redevelopment Agency Private Purpose Trust Fund	9	various	754,815
American Canyon	7	4%	<u>250,000</u>
Totals, before interest and valuation allowance			23,855,326
Accrued Interest			2,552,329
Allowance for uncollectible loans			<u>(3,822,243)</u>
Loans Receivable, net			<u>\$ 22,585,412</u>

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 6 – LAND HELD FOR REDEVELOPMENT**

As of June 30, 2013, the balance of land being held for future development amounted to \$125,691. The City has not entered into any development agreement as of June 30, 2013.

**NOTE 7 – CAPITAL ASSETS**

**A. Additions and Retirements**

Governmental-type capital assets activities for the year ended June 30, 2013, was as follows:

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers to Successor Agency Activities</u>	<u>Transfers from Golf Enterprise Fund</u>	<u>Adjustments</u>	<u>Balance at June 30, 2013</u>
<i>Governmental Activities</i>							
Capital assets not being depreciated:							
Land	\$ 24,772,661	\$	\$	\$ (3,506,773)	\$ 222,933	\$	\$ 21,488,821
Construction in progress	92,319,817	12,157,605					104,477,422
Total capital assets not being depreciated	<u>117,092,478</u>	<u>12,157,605</u>		<u>(3,506,773)</u>	<u>222,933</u>		<u>125,966,243</u>
Capital assets being depreciated:							
Building and improvements	27,456,300			(7,249,491)	3,504,976		23,711,785
Equipment	6,272,704				649,237		6,921,941
Vehicles and rentals	15,647,558	1,385,106	(808,879)				16,223,785
Bridges	28,066,680						28,066,680
Roads	401,926,849	2,467,025					404,393,875
Curb/gutter/sidewalks	5,555,599	765,868					6,321,467
Traffic Signals	4,261,512						4,261,512
Stormwater	4,480,236						4,480,236
Park Improvements	4,508,858						4,508,858
Underground Utilities	64,761						64,761
Street Lights	1,407,671						1,407,671
Water Rights					306,000		306,000
Total capital assets being depreciated	<u>499,648,728</u>	<u>4,618,000</u>	<u>(808,879)</u>	<u>(7,249,491)</u>	<u>4,460,213</u>		<u>500,668,571</u>
Less accumulated depreciation for:							
Building and improvements	(16,134,098)	(520,743)		6,014,345	(3,071,770)		(13,712,266)
Equipment	(5,852,917)	(110,425)			(495,665)		(6,459,007)
Vehicles and rentals	(8,545,969)	(1,015,989)	801,409				(8,760,550)
Bridges	(9,381,883)	(374,222)					(9,756,105)
Roads	(216,278,235)	(10,303,455)					(226,581,690)
Curb/gutter/sidewalks	(820,311)	(138,891)					(959,202)
Traffic Signals	(757,648)	(106,539)					(864,187)
Stormwater	(518,522)	(106,163)				277	(624,408)
Park Improvements	(1,794,543)	(215,915)					(2,010,458)
Underground Utilities	(7,851)	(1,619)					(9,470)
Street Lights	(174,096)	(35,192)					(209,288)
Water Rights		(3,825)			(179,775)		(183,600)
Total accumulated depreciation	<u>(260,266,073)</u>	<u>(12,932,978)</u>	<u>801,409</u>	<u>6,014,345</u>	<u>(3,747,210)</u>	<u>277</u>	<u>(270,130,230)</u>
Net capital assets being depreciated	<u>239,382,655</u>	<u>(8,314,979)</u>	<u>(7,470)</u>	<u>(1,235,146)</u>	<u>713,003</u>	<u>277</u>	<u>230,538,340</u>
Governmental activities capital assets, net	<u>\$ 356,475,133</u>	<u>\$ 3,842,626</u>	<u>\$ (7,470)</u>	<u>\$ (4,741,919)</u>	<u>\$ 935,936</u>	<u>\$ 277</u>	<u>\$ 356,504,583</u>

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 7 – CAPITAL ASSETS (Continued)**

Business-type capital assets activities for the year ended June 30, 2013, was as follows:

	Balance at 6/30/2012	Additions	Transfers	Transfer to Governmental activities from Golf Enterprise Fund	Adjustment to Water NBA Capital Component	Balance at 6/30/2013
<i>Business-type Activities</i>						
Capital assets not being depreciated:						
Land and improvements	\$ 5,506,614			\$ (222,933)		\$ 5,283,681
Construction in progress	51,925,179	\$ 2,740,812	\$ (6,758,028)	(197,627)		47,710,336
Total capital assets not being depreciated	57,431,793	2,740,812	(6,758,028)	(420,560)		52,994,017
Capital assets being depreciated:						
Building and improvements	41,675,845		575,561	(3,307,349)		38,944,057
Equipment	5,488,699			(649,237)		4,839,462
Transmission and distribution	104,493,698		6,182,467	(306,000)	\$ 15,261,014	125,631,179
Total capital assets being depreciated	151,658,242		6,758,028	(4,262,586)	15,261,014	169,414,698
Less accumulated depreciation for:						
Building and improvements	(22,273,013)	(992,352)		3,071,770		(20,193,595)
Equipment	(2,712,523)	(235,002)		495,665		(2,451,863)
Transmission and distribution	(48,150,042)	(2,166,849)		179,775		(50,137,116)
Total accumulated depreciation	(73,135,578)	(3,394,203)		3,747,210		(72,782,574)
Net capital assets being depreciated	78,522,664	(3,394,203)	6,758,028	(515,376)	15,261,014	96,632,124
Business-type activities capital assets, net	<u>\$ 135,954,457</u>	<u>\$ (653,391)</u>	<u>\$</u>	<u>\$ (935,936)</u>	<u>\$ 15,261,014</u>	<u>\$ 149,626,141</u>

**B. Depreciation Allocation**

Depreciation expense is charged to functions and programs on the government-wide *Statement of Activities* based on their usage of the related assets. The amounts allocated to each function or program is as follows:

<u>Governmental activities</u>		<u>Business-type activities</u>	
General government	\$ 248,489	Water utility	\$ 2,909,843
Public safety	222,964	Garbage	276,106
Public works	11,307,555	Golf course	139,953
Parks and recreation	122,834	Housing	68,301
Internal service funds	<u>1,031,136</u>		
Total	<u>\$ 12,932,978</u>	Total	<u>\$ 3,394,203</u>

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 8 – SERVICE CONCESSION ARRANGEMENT**

**A. Golf Course Service Concession Arrangement**

The City entered into a Lease (Service Concession Arrangement) with Napa Golf Course, LLC for the city owned 18-hole golf course, driving range, club house, parking areas and related facilities effective May 15, 2013. The objective of the lease agreement is to enhance and maximize the public use of the Golf Course, expand the food and beverage facility, and provide an affordable, safe and attractive golf facility for the public.

A summary of the Golf Course Enterprise fund's assets distributed to and liabilities assumed by the Golf Course Special Revenue fund is presented below:

	Golf Enterprise Fund (prior to transfer)	Transfers to Non Major Fund (Golf)	Transfers to Governmental Activities
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 1,892	\$ (1,892)	\$ -
Accounts receivable	90,254	(90,254)	
Total Assets	92,146	(92,146)	-
Noncurrent assets:			
Capital Assets			
Non depreciable capital assets	222,933		(222,933)
Depreciable capital assets, net	713,003		(713,003)
Total non current assets	935,936		(935,936)
Total Assets	1,028,082	(92,146)	(935,936)
<b>LIABILITIES</b>			
Current liabilities:			
Accounts Payable and accrued liabilities	158,176	(158,176)	
Total current liabilities	158,176	(158,176)	-
Noncurrent liabilities:			
Capital Leases noncurrent	40,987	(40,987)	
Advance due to General Fund	716,872	(716,872)	
Advance due to Park Acquisition	183,600	(183,600)	
Advance due to CIP Fund	675,000	(675,000)	
Total noncurrent liabilities	1,616,459	(1,616,459)	-
Total Liabilities	1,774,635	(1,774,635)	-
NET POSITION	\$ (746,553)	\$ 1,682,489	\$ (935,936)

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 8 – SERVICE CONCESSION ARRANGEMENT (Continued)**

**B. Capital Assets**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

A summary of the Golf Course Enterprise fund's capital assets distributed to Governmental activities is presented below:

	Transfer from Golf Enterprise Fund (May 15, 2013)	Additions	June 30, 2013
Government Activities			
Capital assets not being depreciated:			
Land/Construction work in progress	\$ 222,933		\$ 222,933
Total capital assets not being depreciated	<u>222,933</u>		<u>222,933</u>
Capital assets being depreciated:			
Building and improvements	3,504,976		3,504,976
Equipment	649,237		649,237
Water Rights	<u>306,000</u>		<u>306,000</u>
Total capital assets being depreciated	<u>4,460,213</u>		<u>4,460,213</u>
Less accumulated depreciation for:			
Building and improvements	(3,071,770)	\$ (11,087)	(3,082,857)
Equipment	(495,665)		(495,665)
Water Rights	<u>(179,775)</u>	<u>(3,825)</u>	<u>(183,600)</u>
Total accumulated depreciation	<u>(3,747,210)</u>	<u>(14,912)</u>	<u>(3,762,122)</u>
Net capital assets being depreciated	<u>713,003</u>	<u>(14,912)</u>	<u>698,091</u>
Net, Capital Assets	<u>\$ 935,936</u>	<u>\$ (14,912)</u>	<u>\$ 921,024</u>

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 9 – LONG-TERM DEBT**

**A. Current Year Transactions and Balances**

The following table summarizes the changes in the City's long-term debt during the year ended June 30, 2013:

	Original Issue Amount	Balance 6/30/2012	Additions	Retirements	Adjustments	Balance 6/30/2013	Current Portion
<b>Governmental Activity Debt:</b>							
Fleet Capital Fund Capital Lease, 3.5%, 2/1/15	\$ 328,846	\$ 164,239		\$ (65,797)		\$ 98,442	\$ 59,000
<b>Total Governmental Activities Debt</b>		<u>\$ 164,239</u>	<u>\$</u>	<u>\$ (65,797)</u>	<u>\$</u>	<u>\$ 98,442</u>	<u>\$ 59,000</u>
<b>Business-type Activity Debt:</b>							
<b>Revenue Bonds</b>							
2004 Solid Waste Revenue Bonds, 1.59-5.63%, due 8/1/2019	\$ 7,035,000	\$ 4,235,000		\$ (450,000)		\$ 3,785,000	\$ 475,000
Less unamortized discount		(254,332)		22,116		(232,216)	
2007 Water Revenue Bonds 4-5%, due 5/1/2035	47,350,000	45,205,000		(1,140,000)		44,065,000	1,185,000
Plus Unamortized Premium on Bond		1,731,524		(75,284)		1,656,240	
Less Unamortized Bond Issuance Cost		(660,264)		28,707		(631,557)	
<b>Total revenue bonds</b>		<u>50,256,928</u>		<u>(1,614,461)</u>		<u>48,642,467</u>	<u>1,660,000</u>
Water Fund Note Payable - Alston Park Tank 2.6%, due 4/1/2023	3,080,000	1,842,948		(154,869)		1,688,079	158,824
Seminary Street, 5.5%, due 7/31/2027	1,244,000	936,751		(41,809)		894,942	44,202
Umpqua Bank Notes Payable - Solar Panel 4.37%, due 7/01/2025	1,400,000	1,061,152		(61,521)		999,631	64,408
State of CA-Dept of Water Resources Notes Payable Imola Avenue reservoir tank 2.4%, due 9/30/2026	2,976,131	2,313,289		(135,242)		2,178,047	138,394
Water Fund NBA Capital Lease, 4.7% due 6/30/2035	29,014,737	20,015,133		(971,144)	15,261,014	34,305,003	1,023,526
Kennedy Park Golf Course Capital Lease, 4.34% due 6/30/2015	236,363	73,911		(73,911)			
<b>Total Business-type Activity Debt</b>		<u>\$ 76,500,112</u>	<u>\$</u>	<u>\$ (3,052,957)</u>	<u>\$ 15,261,014</u>	<u>\$ 88,708,169</u>	<u>\$ 3,089,354</u>

**B. Fleet Capital Lease**

The City entered into a lease agreement in fiscal year 2009-10 for an asphalt paver. The lease agreement qualifies as capital leases for accounting purposes, and, therefore has been recorded at the present value of future minimum lease payments as of the inception date. The leased asset has a capitalized cost of \$241,150.

**C. Water Fund Obligations**

In April 2007, the City issued **Series 2007 Water Revenue Bonds** for the principal amount of \$47,350,000. The proceeds of the sale of the bond will be used to provide funding to finance improvements to the City's water system. In addition the bond proceeds will go toward funding a reserve account for the bonds as well as paying the costs of issuance. Bonds bear interest payable bi-annually on May 1 and November 1 of each year commencing on November 1, 2007 until maturity in May 2035. Debt service is secured by a pledge of net revenues of the City's Water System.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 9 – LONG-TERM DEBT (Continued)**

The pledge of future Water System Revenues ends upon repayment of the \$72.6 million in remaining debt service which is scheduled to occur in 2035. For fiscal year 2013, Water Fund Operating Revenues amounted to \$25.5 million and operating costs (including operating expenses, but not interest, depreciation or amortizations) amounted to \$17.3 million. Net Revenues available for debt service amounted to \$6.2 million which represented coverage of 1.9 over the \$3.3 million in debt service.

The City was approved for a **State Loan** of \$3.08 million at favorable interest rate of 2.6%, to be repaid in semi-annual payments over 20 years. The note proceeds were applied towards building and installing a 4 million gallon tank and a pump station. The construction of the tank was completed in May 2002 and loan repayments began in April 2003.

**Umpqua Bank Notes Payable** – In August 2005, the Water Enterprise Fund borrowed \$1,400,000 from Umpqua bank for purchase and installation of solar energy system for the City. The note carries an interest rate of 4.37% and payable semi annually through July 1, 2025.

**State of California-Department of Water Resources Notes Payable** – In May 2005, the State California- Department of Water Resources agreed to partially finance the construction of water reservoir tank at Imola Avenue. Under the agreement, the City borrowed \$2,976,131 for the project in April 2006. The interest rate is 2.4% and installments are payable semi annually through September 2026.

**Water Fund Capital Lease** – The City has a water supply contract with the Water District that is linked to a master contract between the Water District and the State of California. Under these contracts, the State of California built the North Bay Aqueduct and peripheral infrastructure and allocated the costs to the benefiting municipalities. The contract calls for an annual payment that includes capital and operating components as well as a charge for water. The contract is non-cancelable and expires in the year 2035. Under the terms of the contract, the City is liable for the capital components regardless of whether or not it receives water. For this reason, the City is treating this contract as a capital lease. The leased infrastructure has been capitalized together with the capital lease obligation. The implicit interest rate under the contract is approximately 4.7%. The infrastructure is being amortized over its useful life of 50 years. At June 30, 2013, the balance of the leased asset (representing use of the infrastructure and water rights) and related capital lease obligation was \$12,766,475 and \$19,406,198 respectively. Annual amortization of the asset is \$637,634. The contract bears an implicit interest rate at approximately 4.7%, payable through 2035.

**ADJUSTMENT – NBA Capital Lease**

During 2013 the City reevaluated the accounting treatment previously given to its capital contribution portion of the contract with the Napa County Flood Control and Water Conservation District (NCFCWD) in light of additional information obtained during the year. As a result of this analysis, the City has adjusted the principal portion of its obligation under the contract together with the related asset. To effect this change, adjustments were recorded as of June 30, 2013 to increase assets by \$15,261,014, and to record corresponding debt in the amount of \$15,261,014.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 9 – LONG-TERM DEBT (Continued)**

This adjustment is the result of a number of amendments to the water supply contract between NCFCD and the State of California, which increased the value of the asset and the capital lease obligation or the City's pro-rata share of the contract.

***D. Solid Waste Revenue Bonds***

In January, 2004, the City issued its 2004 Solid Waste Revenue Bonds, Series 2004, in the original principal amount of \$7,035,000. The proceeds of the sale of the bonds will be used to finance the City's acquisition of the remaining ownership interest in a material recovery facility and other improvements that are a part of City's solid waste, collection and recycling system. The amount will also be used to fund a reserve account for the Bonds and pay certain costs incurred in connection with issuing the Bonds. Bonds were issued with a par of \$7,035,000 and carried interest rates from 1.59% to 5.63% through maturity in 2019. Debt service is secured with a pledge of franchise operator revenues.

The pledge of future Solid Waste System Revenues ends upon repayment of the \$5 million in remaining debt service on the bonds which is scheduled to occur in 2020. As disclosed in the originating offering documents, projected net revenues are expected to provide coverage over debt service of 1.3 over the life of the bonds. For fiscal year 2013, Solid Waste System Revenues including operating revenues and non-operating interest earnings amounted to \$24.5 million and operating costs include operating expenses, but not interest, depreciation or amortizations and amounted to \$21.1 million. Net Revenues available for debt service amounted to \$3.4 million which represented coverage of 4.9 over the \$0.7 million in debt service.

***E. Housing Authority Note Payable***

***Seminary Street*** – In September 1998, the City of Napa Housing Authority borrowed \$714,000 from a local bank to finance the acquisition of a commercial office building to house the Authority and another tenant. During the year ended June 30, 2003, additional bank credit was extended to finance major renovations to the building. The loan was converted to permanent financing with a monthly amortization schedule through 2027.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 9 – LONG-TERM DEBT (Continued)**

*F. Debt Service Requirements*

The City's annual debt service requirements through maturity are as follows:

Fiscal year ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 59,000	\$ 2,618	\$ 3,089,354	\$ 4,039,574
2015	39,442	393	3,236,673	3,915,661
2016			3,378,430	3,785,551
2017			3,525,370	3,630,194
2018			3,643,884	3,463,130
2019-2022			14,519,738	11,814,280
2023-2026			14,992,064	9,634,582
2027-2030			16,321,650	6,867,583
2031-2035			25,208,542	3,803,665
<b>Total</b>	<b>\$ 98,442</b>	<b>\$ 3,011</b>	<b>87,915,704</b>	<b>\$ 50,954,219</b>
Net of unamortized premiums; discounts and bond issuance costs			792,465	
Net long-term debt			<b>\$ 88,708,169</b>	

**NOTE 10 – SPECIAL ASSESSMENT DEBT**

Napa Valley Corporate Park Reassessment District No. 1997-1 bonds were issued in 1997 and refinanced in 2001. This bond issue did not constitute or create an indebtedness of the City or a debt or pledge of its general credit for taxing power. Accordingly, it is not recorded in the accompanying financial statements. Principal outstanding at June 30, 2013, was \$0.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 10 – SPECIAL ASSESSMENT DEBT (Continued)**

**A Mortgage Revenue Bonds**

The City has issued the following mortgage revenue bonds to provide funds for the construction and permanent financing of multi-family housing projects. Twenty percent of units developed will be held and made available for occupancy by persons of low income. The bonds are secured by the land and housing projects. The bonds do not constitute or create a debt or pledge of the general credit or taxing power of the City and, accordingly, they are not recorded in the accompanying financial statements.

Year of Issue	Project	Original Principal	Maturity Date	Principal at June 30, 2013
City of Napa				
1992	Creekside Park A	\$ 2,890,000	July 1, 2024	\$ 1,765,000
1994	Creekside Park II A - Refunding	4,780,000	July 1, 2025	3,305,000
1995	Napa Park A, A-T, and A-IQ	7,100,884	June 20, 2035	4,715,884
	subtotal	14,770,884		9,785,884
Housing Authority				
1999	Silverado Creek A	4,863,000	June 1, 2031	3,860,000
2001	Vintage at Napa	7,500,000	June 15, 2034	5,945,000
2001	The Reserve at Napa	6,000,000	August 1, 2031	4,883,721
2001	Charter Oaks Apartments	4,215,000	August 1, 2018	3,459,280
2004	Magnolia Park Series 2004A	4,500,000	December 1, 2035	4,500,000
	subtotal	27,078,000		22,648,001
	Total	\$ 41,848,884		\$ 32,433,885

**NOTE 11 – NET POSITION AND FUND BALANCES**

**A. Net Position**

Net position is the excess of all the City's assets and deferred outflows over all its liabilities and deferred inflow, regardless of fund. Net position is divided into three captions on the Statement of Net Position. These captions apply only to net position, which is determined at the Government-wide level and proprietary funds and are described below:

**Net Investment in Capital Assets**, describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

**Restricted** describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include bond proceeds received for use on capital projects, debt service requirements, and special revenue programs subject to limitations defined regulations and laws underlying such programs.

**Unrestricted** describes the portion of net assets which is not restricted as to use.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

<b>NOTE 11 – NET ASSETS AND FUND BALANCES (Continued)</b>
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***B. Fund Balance***

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. If the expenditures incurred are *NOT* for the purpose for which the funds were originally committed or assigned, unassigned fund balance shall be reduced first, followed by assigned, and then committed. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendable* represents balances set aside to indicate items that do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

*Assigned* fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. The Finance Director is designed the authority to "assign" amounts to be used for specific purposes. This category includes encumbrances, Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 11 – NET ASSETS AND FUND BALANCES (Continued)**

Detailed classifications of the City's Fund Balances, as of June 30, 2013, are below:

	General	Development Fees	Home Program	City Capital Projects	Other Governmental Funds	Total
<b>Nonspendables:</b>						
Advance to Golf Fund	\$ 482,850			\$ 675,000		\$ 1,157,850
Land Held for Redevelopment					\$ 125,691	125,691
<b>Total Nonspendable Fund Balances</b>	<b>482,850</b>			<b>675,000</b>	<b>125,691</b>	<b>1,283,541</b>
<b>Restricted for:</b>						
PEG Reserve	14,721					14,721
Designated Projects and Programs		\$ 12,572,291	\$ 136,958	1,706,164	6,983,723	21,399,136
Tourism Improvement District					284,982	284,982
SB1186 Reserve	5,757					5,757
Federal Urban Aide				270,173		270,173
Public Safety Programs					15,915	15,915
<b>Total Restricted Fund Balances</b>	<b>20,478</b>	<b>12,572,291</b>	<b>136,958</b>	<b>1,976,337</b>	<b>7,284,620</b>	<b>21,990,684</b>
<b>Committed to:</b>						
Red Light Camera					626,247	626,247
Building Reserve				2,150,075		2,150,075
Corp Yard Expansion				30,636		30,636
Low Flow Channel				181,270		181,270
<b>Total Committed Fund Balances</b>				<b>2,361,981</b>	<b>626,247</b>	<b>2,988,228</b>
<b>Assigned to:</b>						
Outstanding Contractual Obligations	4,331,531	5,500		3,944,045	302,652	8,583,728
Emergency Reserve	7,969,331					7,969,331
Capital Projects	3,100,000	6,864,115		3,309,062	4,862,276	18,135,453
Sidewalk Program					208,209	208,209
Street Resurfacing Program					347,977	347,977
<b>Total Assigned Fund Balances</b>	<b>15,400,862</b>	<b>6,869,615</b>		<b>7,253,107</b>	<b>5,721,114</b>	<b>35,244,698</b>
<b>Unassigned:</b>						
General fund	3,747,987				(1,767,960)	1,980,027
<b>Total Unassigned Fund Balances</b>	<b>3,747,987</b>				<b>(1,767,960)</b>	<b>1,980,027</b>
<b>Total Fund Balances</b>	<b>\$ 19,652,177</b>	<b>\$ 19,441,906</b>	<b>\$ 136,958</b>	<b>\$ 12,266,425</b>	<b>\$ 11,989,712</b>	<b>\$ 63,487,181</b>

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

<b>NOTE 11 – NET ASSETS AND FUND BALANCES (Continued)</b>
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**C. Encumbrances**

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Unexpended appropriations lapse at year-end and must be reappropriated in the following year unless carried forward in accordance with the City’s policy. Encumbrances outstanding in governmental funds as of June 30, 2013, were as listed below:

*Governmental Funds*

General	\$ 4,331,531
Development Fees	5,500
City Capital Projects	3,944,045
Other Governmental Funds	<u>302,652</u>
Total	<u>\$ 8,583,728</u>

**D. Deficit Net Position and Fund Balance**

As of June 30, 2013, the Golf Course Special Revenue Fund and Post Employment Benefit Internal Service Fund had fund deficits amounting to \$1,689,861 and \$769,809 respectively. The deficits will be eliminated with future revenue.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

<b>NOTE 12 – EMPLOYEE RETIREMENT SYSTEM</b>
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**A. *Plan Description***

The City of Napa's defined benefit pension plan, the City of Napa Retirement System, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. It is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employee's Retirement Law. The City of Napa selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local resolutions. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from CalPERS Executive Office at 400 P Street, Sacramento, CA 95814.

**B. *Funding Policy***

Active plan members in the City of Napa Retirement System are required to contribute 8% for miscellaneous employees or 9% for public safety employees of their annual covered salary. The City of Napa is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2013 was 21.203% for miscellaneous employees and 32.215% for public safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

**C. *Annual Pension Cost***

For the year ended June 30, 2013, the City's annual pension cost was \$9,102,919. The required contribution for that year was determined as part of the June 30, 2012, actuarial valuation using the entry age normal cost method for miscellaneous employees and entry age normal cost method for safety employees with the contributions determined as a percent of pay, as amended in November, 2002 for a change in the safety plan benefit formula. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20%, and (c) 2.75% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over an open period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 12 – EMPLOYEE RETIREMENT SYSTEM (Continued)**

***D. Trend Information***

The following is a summary of the City's annual pension cost and contribution status for the past three fiscal years:

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
Miscellaneous	6/30/2011	\$ 3,425,936	100%
	6/30/2012	4,447,894	100%
	6/30/2013	4,489,614	100%
Public Safety	6/30/2011	\$ 3,782,385	100%
	6/30/2012	4,648,570	100%
	6/30/2013	4,613,305	100%

***E. Funding Status***

The following is a summary of the Plan's funding status from the three most recent annual actuarial valuations. Note that the funding status has changed significantly over these periods due to investment losses and changes to both the miscellaneous and safety plan benefit formulas.

	Valuation Date June 30	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
Miscellaneous	2010	\$ 161,303,665	\$ 123,167,524	\$ 38,136,141	76%	\$ 21,776,039	175%
	2011	174,240,264	128,986,441	45,253,823	74%	21,586,618	210%
	2012	180,264,072	134,090,466	46,173,606	74%	21,191,940	218%
Public Safety	2010	160,144,064	124,678,041	35,466,023	78%	15,203,723	233%
	2011	169,719,728	130,470,096	39,249,632	77%	14,373,497	273%
	2012	177,428,559	135,852,507	41,576,052	77%	13,922,105	299%

***F. Defined Contribution Plans***

The City also provides defined contribution retirement benefits through IRS section 401(a) and 457 plans. The plans are administered by the International City Management Association Retirement Corporation and Nationwide Retirement Solutions. Plan provisions and contribution requirements are established and may be amended by City Council through negotiation with employee associations. The City contributes from \$50 to \$300 per month to its non-safety and management employees, depending upon employee group. In addition, the City contributes \$1,000 to \$1,250 for City executives. During the year ended June 30, 2013, the City fully funded its required contributions of \$287,298 to these plans.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 12 – EMPLOYEE RETIREMENT SYSTEM (Continued)**

**G. Public Employees’ Pension Reform Act (PEPRA)**

Assembly Bill (AB) 340 pension reform created the Public Employees’ Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member under PEPRA.

The Table below provides information on the benefit formula, final compensation period and the employer and member contribution rates effective January 1, 2013 for any safety and miscellaneous employees that meet the definition of a new member under PEPRA.

<b>Benefit Formula</b>	<b>Safety 2.7% at Age 57</b>	<b>Miscellaneous 2% at Age 62</b>
Final Compensation Period	3 Year Highest Compensation	3 Year Highest Compensation
Employer Contribution Rate as a percentage of payroll	32.215% of Reportable Compensation	21.203% of Reportable Compensation
Member Contribution Rate as a percentage of payroll	11.25% of Reportable Compensation	6.25% of Reportable Compensation

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – POST-EMPLOYMENT BENEFITS**

During fiscal year 2008, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits (OPEB). A summary of the eligibility requirements and benefits are shown below by bargaining unit:

UNIT	AMP & Exempt AMP	NCEA & Exempt NCEA	NPOA	NCEA	NPOA MID	NCFO	Exempt-Exces	Elected
■ Medical Plan	City Plan	City Plan	PEMHCA	City Plan	PEMHCA	City Plan	City Plan	City Plan
<b>Tier 1 - Choice of Sick Leave Conversion to Retiree Single Party Health reimbursement or Supplemental Benefit</b>								
■ Eligibility/DOH	<7/1/1982	<7/1/1983	combined age + years of service as of 7-1-12 >=60	<8/1/1982 and opt out of HRA	Hired between 7/1/84 & 7/1/87;NPOA-Mid member <7/1/07			
active ee eligible	1	5	14	1	2	N/A	N/A	N/A
Maximum hours	no cap	no cap	180 months	no cap	n/a	N/A	N/A	N/A
Banked Credit			not enrolled in PEMHCA, convert hrs to credit at single party Kaiser rate, credit banked for future use					
■ Eligibility/DOH				opt out of HRA				
active ee eligible				12				
Maximum hours				180 months				
■ Sick Leave Conversion	•One time irrevocable choice at retirement				N/A	N/A	N/A	N/A
for reimbursement	•Convert 8 hours unused sick leave to one month single party medical premium							
	•No surviving spouse benefit for City Plan, if in PEMHCA then PEMHCA min for surviving spouse							
	•Sick leave accrual - 96 hour/year							
	•Caps for medical premiums are indicated below. (Note: premiums include Medicare Part B premium)							
■ Age & years of service	50 & 10	50 & 15	50 & 5	N/A	50 & 10	50 & 10	50 & 10	N/A
■ Supplemental Benefit	•\$274/month •EE lifetime •S/L conversion to CalPERS •No increase after retirement	•\$244/month •EE lifetime •S/L conversion to CalPERS •No increase after retirement	•S/L conversion to CalPERS	N/A	•Kaiser single •EE lifetime •S/L conversion to CalPERS	•\$246/month •EE lifetime •S/L conversion to CalPERS •No increase after retirement	•\$347/month •EE lifetime •S/L conversion to CalPERS •No increase after retirement	N/A
<b>Tier 2 - Supplemental Benefit</b>								
■ Age & years of service	50 & 10	50 & 15	N/A	N/A	50 & 10	50 & 10	50 & 10	50 & 8
■ Supplemental Benefit	•\$274/month •EE lifetime •No increase after retirement	•\$244/month •EE lifetime •No increase after retirement	N/A	N/A	•\$237/month •EE lifetime •No increase after retirement	•\$246/month •EE lifetime •No increase after retirement	•\$347/month •EE lifetime •No increase after retirement	•\$347/month •EE lifetime •No increase after retirement
						•SL balance converted to HRA @50% of hourly rate •Vacation bal deposited into HRA		
	•S/L conversion to CalPERS	•S/L conversion to CalPERS			•S/L conversion to CalPERS		•S/L conversion to CalPERS	
■ Cap (Tier 1)	• Single retiree Kaiser premium	• Single retiree Kaiser premium	Actual premium	Actual premium	• Single retiree Kaiser premium	Actual premium	• Single retiree Kaiser premium	• Single retiree Kaiser premium
■ Life Insurance (DOH<7/1/84)	• \$2,500 • Up to age 70	• \$2,500 • Up to age 70	None	• \$2,500 • Up to age 70	None	• \$2,500 • Up to age 70	None	None
■ Dental & Vision	None	None	None	None	None	None	None	None
■ Portable	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – POST-EMPLOYMENT BENEFITS (Continued)**

*Funding Policy and Actuarial Assumptions*

The City's policy is to fund these benefits on a pre-funded basis. The annual required contribution (ARC) was determined as part of a June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.25% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 3.00% of general inflation increase, and (d) a healthcare trend of declining annual increases ranging from 8.50% in 2014 to 5.00% for years starting 2015. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability amounted to \$10,686,000 as of June 30, 2011, and is being amortized as a level percentage of projected payrolls using a 30-year amortization period.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – POST-EMPLOYMENT BENEFITS (Continued)**

Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. The City has calculated and recorded a net OPEB obligation, representing the difference between the ARC, amortization and contributions, as presented below:

	Retiree Health Benefit Internal Service Fund Government Activities
Annual required contribution (ARC) and Annual OPEB Cost (6/30/2013)	\$ 1,119,000
Amortization on the Net OPEB Liability	(31,000)
Interest on the Net OPEB Liability	36,000
Annual OPEB Cost	1,124,000
Contributions made:	
City portion of current year premiums paid	(749,827)
Reimbursement from CERBT Trust current year	749,827
Reimbursement from CERBT Trust prior year	835,535
Contribution to CERBT Trust	(1,049,794)
Total Contributions	(214,259)
Increase in net OPEB obligation	909,741
Net OPEB Obligation at June 30, 2012	497,475
Net OPEB Obligation at June 30, 2013	\$ 1,407,216

The City's annual required contributions and actual contributions for the years ended June 30, 2013, and the preceding two years were set forth below (in thousands):

Fiscal Year	Annual OPEB Cost	Annual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2011	\$ 1,107,000	\$ 1,306,510	118%	\$ 1,037,556
6/30/2012	1,097,000	1,637,081	149%	497,475
6/30/2013	1,124,000	214,259	19%	1,407,216

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 13 – POST-EMPLOYMENT BENEFITS (Continued)**

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial studies is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A-B)/C]
6/30/2006		18,061,000	(18,061,000)	0.00%	31,019,000	-58.23%
6/30/2008		15,297,000	(15,297,000)	0.00%	34,149,000	-44.79%
12/31/2009		10,922,000	(10,922,000)	0.00%	34,927,000	-31.27%
6/30/2011	\$ 2,231,000	12,917,000	(10,686,000)	17.27%	32,613,000	-32.77%

**NOTE 14 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City has established a limited risk management program for these types of risks. Premiums are paid into the internal service fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program.

Under this program the City is completely self-insured for unemployment insurance and is self-insured for workers' compensation and general liability insurance claims up to \$300,000 per occurrence and \$150,000 per occurrence, respectively. Claims in excess of these amounts are insured through CSAC Excess Insurance Authority up to the statutory limit and \$25,000,000, respectively. This coverage represents an increase from that of the prior year. There were no settlements that exceeded coverage for each of the past three fiscal years. In addition the City has also put in place an insurance policy covering them from earthquake and limited flood disasters in the amount of \$40,000,000 per occurrence, with a deductible of 15%.

The City has retained an independent actuary to perform an analysis of the City's potential liability for the City's self-insured portions of the general liability and workers' compensation programs. The amount recorded as a liability is the specific reserves for individual known claims or lawsuits not covered under the general liability or the workers' compensation insurance program and estimates for incurred but not reported claims. The actuarial analysis uses a rate of 5% for general liability and workers' compensation to discount future investment earnings. Claims liability has been recorded at an 80% confidence level.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 14 – RISK MANAGEMENT (Continued)**

Below is a reconciliation of changes in the aggregate liabilities for claims for the fiscal years ending June 30, 2012 and 2013:

	<u>2013</u>	<u>2012</u>
Claims liability - beginning	\$ 5,176,000	\$ 5,209,000
Changes in estimates for claims in prior years	2,077,323	996,371
Payments on claims	<u>(1,733,323)</u>	<u>(1,029,371)</u>
Claims liability - ending	<u>\$ 5,520,000</u>	<u>\$ 5,176,000</u>
Current portion	<u>\$ 1,748,500</u>	<u>\$ 1,641,750</u>

**NOTE 15 – JOINT POWERS AGREEMENT**

On March 16, 1993, the City of Vallejo and the County of Napa formed the South Napa Waste Management Authority (the “Authority”), a separate legal entity, for the purpose of collectively managing the waste disposal needs of the communities they represent. The City of Napa resolved to join the Authority on March 18, 1993. In August, 1993, the City of Napa officially became a member of the Authority. The Authority has purchased the American Canyon Landfill site and accepted responsibility for its closure. State and federal laws and regulations require the Authority to place a final cover on this landfill site and to perform certain maintenance and monitoring functions at the site for 30 years after closure.

The City has no ongoing financial interest in the Authority. Closure and related costs will be paid through tipping fees assessed by the Authority at its Waste Transfer Facility. This Transfer Facility serves the waste disposal needs of the communities represented by the Authority. The tipping fees are paid by the citizens of these communities through rate assessments for waste pickup and disposal.

Financial information related to the Authority can be obtained from the South Napa Waste Management Authority located in Napa, California.

**NOTE 16 – CONTINGENT LIABILITIES**

The City is involved in several claims and lawsuits. In the opinion of the City’s management, it is unlikely that these claims and lawsuits will have a material adverse effect on the accompanying financial statements.

The City has received federal and state grants for specific purposes that are subject to reviews by the grantor agencies. Such reviews could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although City management expects such amounts, if any, to be immaterial.

The City has a number of material construction contracts that are in process or are set to go into production. The total of these contracts as of June 30, 2013, is \$3,357,487.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 16 – CONTINGENT LIABILITIES – (Continued)**

*Hazardous Materials Investigation:* Toxic substances were discovered on a Successor Agency-owned parking garage property during construction of a new hotel. The Successor Agency has been working with the Regional Water Quality Control Board to define the extent of the problem and develop a monitoring program, while concurrently pursuing a settlement agreement with the polluters of the property. The Successor Agency does not expect its portion of investigation costs, legal costs, and costs associated with any necessary cleanup to be material in relation to the financial statements.

**NOTE 17 – SUCCESSOR AGENCY ACTIVITIES**

Effective January 31, 2012 the Napa Community Redevelopment Agency was dissolved. Certain assets of the Napa Community Redevelopment Agency were distributed to the Successor Agency.

The activities of the Successor Agency are reported in the Successor Agency Private Purpose Trust Fund as the activities are under control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Napa Community Redevelopment Agency.

**A. *Cash and Investments***

The Successor Agency pools cash from all sources and all funds with the City so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. The details of the City's investment pool can be found in the Note 3 above.

Restricted cash and investments may be used only for capital projects by the Successor Agency.

**B. *Capital Assets***

The Successor Agency assumed the capital assets of the Redevelopment Agency as of February 2013.

Capital Assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows.

Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years
Licensed Vehicles	7 years
Infrastructure	20-50 years

The Successor Agency has recorded all its public domain (infrastructure) capital assets, which include landscape, storm, street, and traffic systems.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

<b>NOTE 17 – SUCCESSOR AGENCY ACTIVITIES (Continued)</b>
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*(a) Capital Asset Additions, Retirements, and Balances*

	Balance at June 30, 2012	Additions	Transfers from City	Balance at June 30, 2013
Capital assets not being depreciated:				
Land	\$ 35,480		\$ 3,506,773	\$ 3,542,253
Total capital assets not being depreciated	35,480		3,506,773	3,542,253
Capital assets being depreciated:				
Building and improvements	75,400		7,249,491	7,324,891
Furniture and Equipment	7,238			7,238
Total capital assets being depreciated	82,638		7,249,491	7,332,129
Less accumulated depreciation for:				
Building and improvements	(75,400)	\$ (106,496)	(6,014,345)	(6,196,241)
Furniture and Equipment	(1,636)	(603)		(2,239)
Total accumulated depreciation	(77,036)	(107,099)	(6,014,345)	(6,198,480)
Net capital assets being depreciated	5,602	(107,099)	1,235,146	1,133,649
Net, Capital Assets	\$ 41,082	\$ (107,099)	\$ 4,741,919	\$ 4,675,902

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 17 – SUCCESSOR AGENCY ACTIVITIES (Continued)**

**C. Long-Term Debt**

The Successor Agency assumed the long-term debt of the Redevelopment Agency as of February 2012.

**(a) Current Year Transactions and Balances**

The Successor Agency’s debt issues and transactions are summarized below and discussed in detail thereafter.

	Original Issue Amount	Balance 6/30/2012	Retirements	Balance 6/30/2013	Current Portion
<b>Trust Fund:</b>					
<b>Successor Agency (Redevelopment) Tax Allocation Bonds</b>					
2003A Parkway Plaza Redevelopment Project, 2.3-4.8%, due 9/1/2019	\$ 22,715,000	\$ 14,620,000	\$ (1,525,000)	\$ 13,095,000	\$ 1,625,000
2003B Parkway Plaza Redevelopment Project, 3.1-5.8%, due 9/1/2019	2,475,000	1,455,000	(145,000)	1,310,000	155,000
2003B Refunding Parkway Plaza Redevelopment Project, 3.1-5.8%, due 9/1/2019	2,050,000	1,215,000	(130,000)	1,085,000	135,000
Total	\$ 27,240,000	\$ 17,290,000	\$ (1,800,000)	\$ 15,490,000	\$ 1,915,000

**(b) Redevelopment Tax Allocation Bonds**

In August, 2003, the Agency issued \$27 million in tax allocation bonds including: Series A Bonds were issued to provide \$12 million for redevelopment projects, \$2 million for a debt reserve fund and \$9 million to refund then outstanding 1993 Bonds. The 1993 Bonds were subsequently redeemed in full. Series B and C Bonds were issued to provide \$2.1 million for affordable housing projects and \$1.8 million for the refunding of the Housing Authority’s 1999 revenue bonds. Upon dissolution of the Agency, the Successor Agency assumed this debt, which will be paid from distributions from the Redevelopment Property Tax Trust Fund.

With the dissolution of the Napa Community Redevelopment Agency discussed above, Tax Increment is no longer distributed and instead the Successor Agency receives payments from the County’s Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. In addition, under the provisions of the laws dissolving the Napa Community Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

<b>NOTE 17 – SUCCESSOR AGENCY ACTIVITIES (Continued)</b>
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At June 30, 2013, future debt service requirement for the Redevelopment Tax Allocation Bonds were as follows:

Fiscal year ending June 30	Principal	Interest	Total
2014	\$ 1,915,000	\$ 696,518	\$ 2,611,518
2015	2,010,000	606,933	2,616,933
2016	2,100,000	507,883	2,607,883
2017	2,200,000	404,255	2,604,255
2018	2,310,000	295,533	2,605,533
2019-2021	4,955,000	243,362	5,198,362
Total	\$ 15,490,000	\$ 2,754,484	\$ 18,244,484

***D. State Asset Transfer Review***

The activities of the former Napa Community Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller’s Office will be conducting a review of the propriety of asset transfers between the former Napa Community Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011. The City does not expect either review to find disallowable activities.

A \$4.7 million transfer between the Successor Agency and the City was completed on October 12, 2012 after the City Council approved Resolution 2012-134 to formally transfer all assets back to the Successor Agency in compliance with AB1484, Section 34167.5. The City originally accepted transfer of these assets on March 15, 2011. On June 27, 2012 the dissolution act was amended which retroactively invalidated all asset transfers between a city and a redevelopment agency occurring after January 1, 2011.

***E. State Approval of Enforceable Obligations***

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
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All funds not defined as major funds for the Fund Financial Statements are consolidated in one column entitled "Other Governmental Funds". These non-major funds are identified and included in this supplemental section and includes all the City's Special Revenue Funds and several distinct Capital Project Funds.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Assessment Districts**

**Tourism Improvement District (TID)**

**Community Development Block Grant**

**Traffic**

**Parking**

**CAL Home Grant**

**Public Safety Programs**

**Parks & Recreation Trust Programs**

**Housing Inclusionary Program**

**Golf Fund**

The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

**Street Resurfacing Program**

**Sidewalk Program**

CITY OF NAPA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2013

SPECIAL REVENUE FUNDS

	Assessment Districts	Tourism Improvement District	Community Development Block Grant	Traffic	Parking	CAL Home Grant	Public Safety Programs
<b>ASSETS</b>							
Cash and investments	\$4,501,912	\$ 153,202	\$ 571,196	\$ 410,959	\$4,595,063	\$ 73,782	\$ 16,176
Receivables:							
Accounts receivable	11,939	96,683		122,855	6,318		
Federal, state and other governments			150,587			250,000	
Interest receivable	12,806	434	1,674	1,149	13,057	208	47
Loans receivable			1,572,948			620,718	
Assessments receivable							
Land held for redevelopment				125,691			
Total Assets	<u>\$4,526,657</u>	<u>\$ 250,319</u>	<u>\$2,296,405</u>	<u>\$ 660,654</u>	<u>\$4,614,438</u>	<u>\$ 944,708</u>	<u>\$ 16,223</u>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ 56,280	\$ 38,686	\$ 114,329	\$ 20,229	\$ 55,038		
Deposits payable	54,705		18,027		3,659,924		
Due to other funds							
Advances from other funds							
Total Liabilities	<u>110,985</u>	<u>38,686</u>	<u>132,356</u>	<u>20,229</u>	<u>3,714,962</u>		
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - charges for service			1,572,948			\$ 620,718	
Total Deferred Inflows			<u>1,572,948</u>			<u>620,718</u>	
<b>Fund balances (Deficit):</b>							
Nonspendable				125,691			
Restricted	2,749,454	211,633	244,923	(3,031,846)	701,572	323,990	\$ 16,223
Committed				626,247			
Assigned	1,666,218		346,178	2,920,333	197,904		
Unassigned							
Total Fund Balances (Deficit)	<u>4,415,672</u>	<u>211,633</u>	<u>591,101</u>	<u>640,425</u>	<u>899,476</u>	<u>323,990</u>	<u>16,223</u>
Total Liabilities and Fund Balances	<u>\$4,526,657</u>	<u>\$ 250,319</u>	<u>\$2,296,405</u>	<u>\$ 660,654</u>	<u>\$4,614,438</u>	<u>\$ 944,708</u>	<u>\$ 16,223</u>

CITY OF NAPA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2013

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL PROJECT FUNDS</u>		Total Nonmajor Governmental
	<u>Parks &amp; Recreation Trust Programs</u>	<u>Housing Inclusionary Program</u>	<u>Golf Fund</u>	<u>Street Resurfacing</u>	<u>Sidewalk Program</u>	
<b>ASSETS</b>						
Cash and investments	\$ 8,722	\$ 5,074,081	(\$41,783)	\$ 1,504,049	\$ 165,921	\$ 17,033,280
Receivables:						
Accounts receivable			764,004			1,001,799
Federal, state and other governments						400,587
Interest receivable	24	14,422	2,851			46,672
Loans receivable		1,569,940				3,763,606
Assessments receivable		6,640	273			6,913
Land held for redevelopment						125,691
<b>Total Assets</b>	<b>\$ 8,746</b>	<b>\$ 6,665,083</b>	<b>\$ 725,345</b>	<b>\$ 1,504,049</b>	<b>\$ 165,921</b>	<b>\$ 22,378,548</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities		\$ 1,847	\$ 154,985	\$ 148,508	\$ 35,811	\$ 625,713
Deposits payable			10,000			3,742,656
Due to other funds			234,021			234,021
Advances from other funds			1,341,450			1,341,450
<b>Total Liabilities</b>		<b>1,847</b>	<b>1,740,456</b>	<b>148,508</b>	<b>35,811</b>	<b>5,943,840</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - charges for service		1,576,580	674,750			4,444,996
<b>Total Deferred Inflows</b>		<b>1,576,580</b>	<b>674,750</b>			<b>4,444,996</b>
<b>Fund balances (Deficit):</b>						
<b>Nonspendable</b>						125,691
<b>Restricted</b>	\$ 8,746	5,052,361		1,007,564		7,284,620
<b>Committed</b>						626,247
<b>Assigned</b>		34,295		347,977	208,209	5,721,114
<b>Unassigned</b>			(1,689,861)		(78,099)	(1,767,960)
<b>Total Fund Balances (Deficit)</b>	<b>8,746</b>	<b>5,086,656</b>	<b>(1,689,861)</b>	<b>1,355,541</b>	<b>130,110</b>	<b>11,989,712</b>
<b>Total Liabilities, Deferred Inflows of</b>	<b>\$ 8,746</b>	<b>\$ 6,665,083</b>	<b>\$ 725,345</b>	<b>\$ 1,504,049</b>	<b>\$ 165,921</b>	<b>\$ 22,378,548</b>

CITY OF NAPA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013

SPECIAL REVENUE FUNDS							
	Assessment Districts	Tourism Improvement District	Community Development Block Grant	Traffic	Parking	CAL Home Grant	Public Safety Programs
<b>REVENUES</b>							
Taxes		\$ 525,478					
Intergovernmental			\$ 703,150	\$ 1,824,800		\$ 500,000	
Charges for services	\$1,469,705	158	226,493	641,856	\$ 495,138	55,944	
Investment income	412	(565)		9,055	2,006	3,455	\$ 4
Miscellaneous revenues							304
<b>Total Revenues</b>	<u>1,470,117</u>	<u>525,071</u>	<u>929,643</u>	<u>2,475,711</u>	<u>497,144</u>	<u>559,399</u>	<u>308</u>
<b>EXPENDITURES</b>							
Current:							
General government		598,421	904,596			319,821	
Public works	743,535						
Public safety				313,367	304,122		
Parks and recreation					260,520		
Capital outlay							
<b>Total Expenditures</b>	<u>743,535</u>	<u>598,421</u>	<u>904,596</u>	<u>313,367</u>	<u>564,642</u>	<u>319,821</u>	
Excess (Deficiency) of Revenues over (under) Expenditures	<u>726,582</u>	<u>(73,350)</u>	<u>25,047</u>	<u>2,162,344</u>	<u>(67,498)</u>	<u>239,578</u>	<u>308</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	84,730				131,814		
Transfers (out)	(461,913)		(276,585)	(3,106,558)	(289,390)		
<b>Total Other Financing Sources (Uses)</b>	<u>(377,183)</u>		<u>(276,585)</u>	<u>(3,106,558)</u>	<u>(157,576)</u>		
<b>EXTRAORDINARY ITEMS (Note 8)</b>							
Assets transferred to/liabilities assumed by Golf Fund							
<b>Net Change in Fund Balances</b>	349,399	(73,350)	(251,538)	(944,214)	(225,074)	239,578	308
<b>Beginning Fund Balances (Deficit)</b>	4,066,273	284,983	842,639	1,584,639	1,124,550	84,412	15,915
<b>Ending Fund Balances (Deficit)</b>	<u>\$4,415,672</u>	<u>\$ 211,633</u>	<u>\$ 591,101</u>	<u>\$ 640,425</u>	<u>\$ 899,476</u>	<u>\$ 323,990</u>	<u>\$ 16,223</u>

CITY OF NAPA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL PROJECT FUNDS</u>		Total Nonmajor Governmental
	Parks & Recreation Trust Programs	Housing Inclusionary Program	Golf Fund	Street Resurfacing	Sidewalk Program	
<b>REVENUES</b>						
Taxes						\$ 525,478
Intergovernmental				\$ 25,091		3,053,041
Charges for services		\$ 194,464				3,083,758
Investment income	\$ (12)	1,192	\$ (7,895)			7,652
Miscellaneous revenues	17,700		523			18,527
<b>Total Revenues</b>	<u>17,688</u>	<u>195,656</u>	<u>(7,372)</u>	<u>25,091</u>		<u>6,688,456</u>
<b>EXPENDITURES</b>						
Current:						
General government		110,820				1,933,658
Public works						743,535
Public safety						617,489
Parks and recreation	8,942					269,462
Capital outlay				2,467,604	\$ 765,998	3,233,602
<b>Total Expenditures</b>	<u>8,942</u>	<u>110,820</u>		<u>2,467,604</u>	<u>765,998</u>	<u>6,797,746</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>8,746</u>	<u>84,836</u>	<u>(7,372)</u>	<u>(2,442,513)</u>	<u>(765,998)</u>	<u>(109,290)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in				3,581,167	896,108	4,693,819
Transfers (out)		(2,417)				(4,136,863)
<b>Total Other Financing Sources (Uses)</b>		<u>(2,417)</u>		<u>3,581,167</u>	<u>896,108</u>	<u>556,956</u>
<b>EXTRAORDINARY ITEMS (Note 8)</b>						
Assets transferred to/liabilities assumed by Golf Fund			(1,682,489)			(1,682,489)
<b>Net Change in Fund Balances</b>	8,746	82,419	(1,689,861)	1,138,654	130,110	(1,234,823)
<b>Beginning Fund Balances (Deficit)</b>		5,004,237		216,887		13,224,535
<b>Ending Fund Balances (Deficit)</b>	<u>\$ 8,746</u>	<u>\$ 5,086,656</u>	<u>\$ (1,689,861)</u>	<u>\$ 1,355,541</u>	<u>\$ 130,110</u>	<u>\$ 11,989,712</u>

CITY OF NAPA  
ASSESSMENT DISTRICTS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Fund Balance			\$ 4,066,273	
Revenues:				
Charges for services	\$ 971,866	\$ 972,052	1,469,705	\$ 497,653
Interest on investments	48,372	47,981	412	(47,569)
Total Revenues	1,020,238	1,020,033	1,470,117	450,084
Expenditures:				
Current:				
Public works	374,674	360,871	743,535	(382,664)
Total Expenditures	374,674	360,871	743,535	(382,664)
Other Financing Sources (Uses):				
Transfers in			84,730	84,730
Transfers (out)	(498,256)	(1,331,814)	(461,913)	869,901
Total Other Financing Sources (Uses)	(498,256)	(1,331,814)	(377,183)	954,631
Net Change in Fund Balances	\$ 147,308	\$ (672,652)	349,399	\$ 1,022,051
Ending Fund Balance			\$ 4,415,672	

See accompanying notes to financial statements

CITY OF NAPA  
 TOURISM IMPROVEMENT DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Fund Balance			\$ 284,983	
Revenues:				
Taxes:	\$ 350,000	\$ 425,000	525,478	\$ 100,478
Charges for services			158	158
Interest on investments			(565)	(565)
Total Revenues	350,000	425,000	525,071	100,071
Expenditures:				
Current:				
General government	350,000	390,779	598,421	(207,642)
Total Expenditures	350,000	390,779	598,421	(207,642)
Net Change in Fund Balances	\$	\$ 34,221	(73,350)	\$ (107,571)
Ending Fund Balance			\$ 211,633	

CITY OF NAPA  
COMMUNITY DEVELOPMENT BLOCK GRANT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Fund Balance			\$ 842,639	
Revenues:				
Intergovernmental revenues	\$ 827,314	\$ 1,017,058	703,150	\$ (313,908)
Charges for services	33,500	33,500	226,493	192,993
Total Revenues	860,814	1,050,558	929,643	(120,915)
Expenditures:				
Current:				
General government	332,828	508,688	904,596	(395,908)
Total Expenditures	332,828	508,688	904,596	(395,908)
Other Financing Sources (Uses):				
Transfers (out)	(7,463)	(558,909)	(276,585)	282,324
Total Other Financing Sources (Uses)	(7,463)	(558,909)	(276,585)	282,324
Net Change in Fund Balances	\$ 520,523	\$ (17,039)	(251,538)	\$ (234,499)
Ending Fund Balance			\$ 591,101	

See accompanying notes to financial statements

CITY OF NAPA  
TRAFFIC FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Fund Balance			\$ 1,584,639	
Revenues:				
Intergovernmental revenues	\$ 2,063,907	\$ 2,063,907	1,824,800	\$ (239,107)
Charges for services	495,000	519,744	641,856	122,112
Interest on investments	49,115	14,765	9,055	(5,710)
Miscellaneous revenues	21,846	14,000		(14,000)
Total Revenues	<u>2,629,868</u>	<u>2,612,416</u>	<u>2,475,711</u>	<u>(136,705)</u>
Expenditures:				
Current:				
Public safety	462,975	416,469	313,367	103,102
Total Expenditures	<u>462,975</u>	<u>416,469</u>	<u>313,367</u>	<u>103,102</u>
Other Financing Sources (Uses):				
Transfers (out)	<u>(2,256,275)</u>	<u>(4,395,354)</u>	<u>(3,106,558)</u>	<u>1,288,796</u>
Total Other Financing Sources (Uses)	<u>(2,256,275)</u>	<u>(4,395,354)</u>	<u>(3,106,558)</u>	<u>1,288,796</u>
Net Change in Fund Balances	<u>\$ (89,382)</u>	<u>\$ (2,199,407)</u>	<u>(944,214)</u>	<u>\$ 1,255,193</u>
Ending Fund Balance			<u>\$ 640,425</u>	

See accompanying notes to financial statements

CITY OF NAPA  
PARKING FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Fund Balance			\$ 1,124,550	
Revenues:				
Charges for services	\$ 453,000	\$ 453,000	495,138	\$ 42,138
Interest on investments	52,350	52,350	2,006	(50,344)
Total Revenues	505,350	505,350	497,144	(8,206)
Expenditures:				
Current:				
Public safety	313,801	309,691	304,122	5,569
Parks and recreation	192,356	192,944	260,520	(67,576)
Total Expenditures	506,157	502,635	564,642	(62,007)
Other Financing Sources (Uses):				
Transfers in	162,682	131,814	131,814	
Transfers (out)	(184,660)	(354,683)	(289,390)	65,293
Total Other Financing Sources (Uses)	(21,978)	(222,869)	(157,576)	65,293
Net Change in Fund Balances	\$ (22,785)	\$ (220,154)	(225,074)	\$ (4,920)
Ending Fund Balance			\$ 899,476	

See accompanying notes to financial statements

CITY OF NAPA  
CAL HOME GRANT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Fund Balance			\$ 84,412	
Revenues:				
Intergovernmental revenues		\$ 360,000	500,000	\$ 140,000
Charges for services			55,944	55,944
Interest on investments			3,455	3,455
Miscellaneous revenues	\$ 208,060	211,153		(211,153)
Total Revenues	<u>208,060</u>	<u>571,153</u>	<u>559,399</u>	<u>(11,754)</u>
Expenditures:				
Current:				
General government		360,000	319,821	40,179
Total Expenditures		<u>360,000</u>	<u>319,821</u>	<u>40,179</u>
Net Change in Fund Balances	<u>\$ 208,060</u>	<u>\$ 211,153</u>	<u>239,578</u>	<u>\$ 28,425</u>
Ending Fund Balance			<u>\$ 323,990</u>	

See accompanying notes to financial statements

CITY OF NAPA  
PUBLIC SAFETY PROGRAMS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Fund Balance			\$ 15,915	
Revenues:				
Interest on investments			4	\$ 4
Miscellaneous revenues	\$ 1,000	\$ 1,000	304	(696)
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>308</u>	<u>(692)</u>
Expenditures:				
Current:				
Public safety	5,000	9,372		9,372
Total Expenditures	<u>5,000</u>	<u>9,372</u>		<u>9,372</u>
Net Change in Fund Balances	<u>\$ (4,000)</u>	<u>\$ (8,372)</u>	<u>308</u>	<u>\$ 8,680</u>
Ending Fund Balance			<u>\$ 16,223</u>	

See accompanying notes to financial statements

CITY OF NAPA  
 PARKS & RECREATION TRUST PROGRAMS  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Fund Balance			\$	
Revenues:				
Interest on investments			(12)	\$ (12)
Miscellaneous revenues			17,700	17,700
Total Revenues			17,688	17,688
Expenditures:				
Current:				
Parks and recreation			8,942	(8,942)
Total Expenditures			8,942	(8,942)
Net Change in Fund Balances	\$	\$	8,746	\$ 8,746
Ending Fund Balance			\$ 8,746	

See accompanying notes to financial statements

CITY OF NAPA  
HOUSING INCLUSIONARY PROGRAM  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Fund Balance			\$ 5,004,237	
Revenues:				
Charges for services	\$ 230,000	\$ 230,000	194,464	\$ (35,536)
Interest on investments	27,606	27,694	1,192	(26,502)
Total Revenues	257,606	257,694	195,656	(62,038)
Expenditures:				
Current:				
General government	2,204,994	3,580,679	110,820	3,469,859
Total Expenditures	2,204,994	3,580,679	110,820	3,469,859
Other Financing Sources (Uses):				
Transfers in				
Transfers (out)	(2,152)	(2,417)	(2,417)	
Total Other Financing Sources (Uses)	(2,152)	(2,417)	(2,417)	
Net Change in Fund Balances	\$ (1,949,540)	\$ (3,325,402)	82,419	\$ 3,407,821
Ending Fund Balance			\$ 5,086,656	

See accompanying notes to financial statements

CITY OF NAPA  
GOLF FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Fund Balance				
Revenues:				
Interest on investments			\$ (7,895)	\$ (7,895)
Miscellaneous revenues			523	523
Total Revenues			(7,372)	(7,372)
Expenditures:				
Capital outlay				
Total Expenditures				
EXTRAORDINARY ITEMS				
Transfer from Golf Enterprise Funds			(1,682,489)	
Net Change in Fund Balances	\$	\$	(1,689,861)	\$ (7,372)
Ending Fund Balance			\$ (1,689,861)	

See accompanying notes to financial statements

CITY OF NAPA  
STREET RESURFACING PROGRAM  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Fund Balance			\$ 216,887	
Revenues:				
Intergovernmental revenues			25,091	\$ 25,091
Total Revenues			25,091	25,091
Expenditures:				
Capital outlay	\$ 3,637,275	\$ 3,581,167	2,467,604	1,113,563
Total Expenditures	3,637,275	3,581,167	2,467,604	1,113,563
Other Financing Sources (Uses):				
Transfers in	3,637,275	3,581,167	3,581,167	
Total Other Financing Sources (Uses)	3,637,275	3,581,167	3,581,167	
Net Change in Fund Balances	\$	\$	1,138,654	\$ 1,138,654
Ending Fund Balance			\$ 1,355,541	

See accompanying notes to financial statements

CITY OF NAPA  
 SIDEWALK REPLACEMENT PROGRAM  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Fund Balance				
Revenues:				
Total Revenues				
Expenditures:				
Current:				
Capital Outlay		\$ 1,013,258	\$ 765,998	\$ 247,260
Total Expenditures		1,013,258	765,998	247,260
Other Financing Sources (Uses):				
Transfers in		896,108	896,108	
Transfers (out)				
Total Other Financing Sources (Uses)		896,108	896,108	
Net Change in Fund Balances	\$	\$ (117,150)	130,110	\$ 247,260
Ending Fund Balance			\$ 130,110	

See accompanying notes to financial statements

## INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues and expenses of each internal service fund are eliminated by netting them against the operations of the City departments that generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position. However, internal service funds are still presented separately in the Fund Financial Statements.

### **Risk Management Fund**

The Risk Management fund is an internal service fund established to account for resources and uses related to the City's self-insurance program. The City's self-insurance retention amounts are \$150,000 for general liability claims, \$300,000 for Workers' Compensation claims and 100% of Unemployment Claims. The risk management function is funded by charges to the various City departments.

### **Central Stores Fund**

The Central Stores facility was established to manage inventory for the City's Water, Streets, Electrical, Parks, Building and Facilities Maintenance Divisions, as well as emergency (disaster preparedness) and general office operations. Materials used frequently by City departments or required for emergency repair are ordered and centrally stocked in the warehouse facility located at the Corporation Yard. Consolidation of various departments' usage allows effective cost control and effective quantity control. Staff works together to reduce inventory through effective techniques such as just-in-time delivery, vendor-managed inventory and establishment of correct minimum and maximum stock quantities. Central Stores also handles in-bound and out-bound freight as needed.

### **Fleet Fund**

The Fleet Management Fund provides full-service, lifetime management of the vehicles and equipment used by all City operations. This begins with specification development and replacement scheduling, transitioning to in-service preparation, then performing regular repairs and scheduled maintenance and inspections. Also included in Fleet services are regulatory compliance, fuel data capture, decommissioning, and ultimately the disposal of said assets. The Fleet Management Division also administers the two City motor pools.

### **Information Technology Replacement Fund**

The Information Technology (IT) Replacement Fund provides for the replacement of IT and telephone infrastructure throughout General Fund departments as necessary to maintain staff productivity.

### **Post-Employment Benefit Fund**

The Post-Employment Benefits Fund is established to collect contributions from the General Fund and proprietary funds to cover the cost of retiree benefits for current and past employees. Expenditures from this fund includes payments for current retirees' benefits earned in prior years and contributions to an irrevocable trust to provide resources from which future retiree benefits will be paid.

CITY OF NAPA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2013

	Risk Management	Central Stores	Fleet	Information Technology Replacement	Post Employment Benefit	Total
<b>ASSETS</b>						
Current Assets:						
Cash and investments	\$ 6,521,887		\$ 3,035,515	\$ 35,101	\$ 1,352	\$ 9,593,855
Accounts receivable	24,715		5,679		749,827	780,221
Interest receivable	18,537		8,630	100		27,267
Prepaid items	100,000					100,000
Inventory		\$ 464,992				464,992
<b>Total Current Assets</b>	<b>6,665,139</b>	<b>464,992</b>	<b>3,049,824</b>	<b>35,201</b>	<b>751,179</b>	<b>10,966,335</b>
Capital Assets:						
Nondepreciable			112,694			112,694
Depreciable, net		47,128	7,545,544			7,592,672
<b>Total Assets</b>	<b>6,665,139</b>	<b>512,120</b>	<b>10,708,062</b>	<b>35,201</b>	<b>751,179</b>	<b>18,671,701</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable and accrued liabilities	422,857	7,003	465,535	583	(23,043)	872,935
Compensated absences			13,572			13,572
Claims payable	1,748,500					1,748,500
Capital lease			59,000			59,000
Due to other funds		498,759			136,815	635,574
<b>Total Current Liabilities</b>	<b>2,171,357</b>	<b>505,762</b>	<b>538,107</b>	<b>583</b>	<b>113,772</b>	<b>3,329,581</b>
Long-Term Obligations:						
Net OPEB Obligation					1,407,216	1,407,216
Compensated absences		6,318	23,079			29,397
Capital lease			39,442			39,442
Claims payable	3,771,500					3,771,500
<b>Total Liabilities</b>	<b>5,942,857</b>	<b>512,080</b>	<b>600,628</b>	<b>583</b>	<b>1,520,988</b>	<b>8,577,136</b>
<b>NET POSITION</b>						
Net investment in capital assets		47,128	7,559,796			7,606,924
Unrestricted	722,282	(47,088)	2,547,638	34,618	(769,809)	2,487,641
<b>Total Net Position</b>	<b>\$ 722,282</b>	<b>\$ 40</b>	<b>\$ 10,107,434</b>	<b>\$ 34,618</b>	<b>\$ (769,809)</b>	<b>\$ 10,094,565</b>

CITY OF NAPA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013

	Risk Management	Central Stores	Fleet	Information Technology Replacement	Post Employment Benefit	Total
<b>OPERATING REVENUES</b>						
Charges for services	\$ 3,369,000	\$ 720,431	\$ 3,599,650	\$ 164,199	\$ 1,013,858	\$ 8,867,138
Total Operating Revenues	<u>3,369,000</u>	<u>720,431</u>	<u>3,599,650</u>	<u>164,199</u>	<u>1,013,858</u>	<u>8,867,138</u>
<b>OPERATING EXPENSES</b>						
Cost of goods sold		479,553				479,553
Employee services and benefits	74,513	106,431	775,523			956,467
Materials and services	2,927,538	15,332	1,474,548	162,283	1,915,461	6,495,162
Insurance premiums and claims	987,558					987,558
Depreciation		4,487	1,026,649			1,031,136
Total Operating Expenses	<u>3,989,609</u>	<u>605,803</u>	<u>3,276,720</u>	<u>162,283</u>	<u>1,915,461</u>	<u>9,949,876</u>
Operating Income (Loss)	<u>(620,609)</u>	<u>114,628</u>	<u>322,930</u>	<u>1,916</u>	<u>(901,603)</u>	<u>(1,082,738)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	<u>(2,061)</u>	<u>52</u>	<u>(2,807)</u>	<u>87</u>	<u>2,763</u>	<u>(1,966)</u>
Total Nonoperating Revenues (Expenses)	<u>(2,061)</u>	<u>52</u>	<u>(2,807)</u>	<u>87</u>	<u>2,763</u>	<u>(1,966)</u>
Income (loss) before transfers	<u>(622,670)</u>	<u>114,680</u>	<u>320,123</u>	<u>2,003</u>	<u>(898,840)</u>	<u>(1,084,704)</u>
<b>TRANSFERS</b>						
Transfers in			96,263			96,263
Transfers (out)	<u>(582,094)</u>	<u>(93,333)</u>	<u>(229,272)</u>			<u>(904,699)</u>
<b>OTHER FINANCING SOURCES</b>						
Sale of Capital Assets			<u>118,780</u>			<u>118,780</u>
Change in Net Position	(1,204,764)	21,347	305,894	2,003	(898,840)	(1,774,360)
Beginning Net Position (Deficits)	<u>1,927,046</u>	<u>(21,307)</u>	<u>9,801,540</u>	<u>32,615</u>	<u>129,031</u>	<u>11,868,925</u>
Ending Net Position (Deficits)	<u>\$ 722,282</u>	<u>\$ 40</u>	<u>\$ 10,107,434</u>	<u>\$ 34,618</u>	<u>\$ (769,809)</u>	<u>\$ 10,094,565</u>

CITY OF NAPA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013

	Risk Management	Central Stores	Fleet	Information Technology Replacement	OPEB	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 4,246,746	\$ 720,431	\$ 3,617,746	\$ 164,199	\$ 1,099,566	\$ 9,848,688
Payments to suppliers	(2,541,221)	(521,978)	(1,335,369)	(162,033)	(1,921,808)	(6,482,409)
Payments to / or on behalf of employees	(1,062,071)	(104,616)	(771,587)		909,741	(1,028,533)
<b>Cash Flows from Operating Activities</b>	<b>643,454</b>	<b>93,836</b>	<b>1,510,790</b>	<b>2,166</b>	<b>87,499</b>	<b>2,337,745</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in			96,263			96,263
Transfers out	(582,094)	(93,333)	(229,272)			(904,699)
Interfund receipts (payments)		(556)			(88,911)	(89,467)
<b>Cash Flows from Noncapital Financing Activities</b>	<b>(582,094)</b>	<b>(93,889)</b>	<b>(133,009)</b>		<b>(88,911)</b>	<b>(897,903)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Sale of capital assets			118,780			118,780
Principal payments on capital debt			(65,797)			(65,797)
Acquisition of capital assets			(1,377,632)			(1,377,632)
<b>Cash Flows from Capital and Related Financing Activities</b>			<b>(1,324,649)</b>			<b>(1,324,649)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest	(1,578)	53	(2,940)	85	2,764	(1,616)
<b>Cash Flows from Investing Activities</b>	<b>(1,578)</b>	<b>53</b>	<b>(2,940)</b>	<b>85</b>	<b>2,764</b>	<b>(1,616)</b>
<b>Net Cash Flows</b>	<b>59,782</b>		<b>50,192</b>	<b>2,251</b>	<b>1,352</b>	<b>113,577</b>
Cash and cash equivalents at beginning of period	6,462,105		2,985,323	32,850		9,480,278
Cash and cash equivalents at end of period	<u>\$ 6,521,887</u>	<u>\$</u>	<u>\$ 3,035,515</u>	<u>\$ 35,101</u>	<u>\$ 1,352</u>	<u>\$ 9,593,855</u>
<b>Reconciliation of operating income (loss) to net cash flows</b>						
from operating activities:						
Operating income (loss)	(620,609)	114,628	322,930	1,916	(901,603)	(1,082,738)
Adjustments to reconcile operating income to net cash flows						
from operating activities:						
Depreciation		4,487	1,026,649			1,031,136
Change in assets and liabilities:						
Receivables, net	877,746		18,096		85,708	981,550
Other assets	37,246	(29,116)				8,130
Accounts payable and other accrued expenses	5,071	2,023	139,179	250	(6,347)	140,176
Net OPEB Obligation					909,741	909,741
Claims payable	344,000					344,000
Vacation and sick leave payable		1,815	3,936			5,751
<b>Cash Flows from Operating Activities</b>	<b>\$ 643,454</b>	<b>\$ 93,836</b>	<b>\$ 1,510,790</b>	<b>\$ 2,166</b>	<b>\$ 87,499</b>	<b>\$ 2,337,745</b>

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

<b>AGENCY FUNDS</b>
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These funds are used to account for assets held by the city as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**Private Purpose Trust Fund**

**Successor Agency to the Napa Redevelopment Agency**

To account for the activities of the Successor Agency to the Napa Community Redevelopment Agency.

**Agency Funds**

**Payroll Fund**

To account for the collection and payment of all payroll deductions made from the City employees and for monies collected from retirees to reimburse the City for their share of their health insurance premiums.

**Napa Valley Corporate Park Assessment District Fund**

To account for the collections and disbursements of the Napa Valley Corporate Park Assessment District's special assessments and bond payments.

CITY OF NAPA  
 SUCCESSOR AGENCY TO  
 NAPA COMMUNITY REDEVELOPMENT AGENCY  
 PRIVATE PURPOSE TRUST FUND  
 SCHEDULE OF NET POSITION  
 JUNE 30, 2013

	Successor Agency to the Napa Community Redevelopment Agency Private Purpose Trust Fund
	<u>Trust Fund</u>
<b>ASSETS</b>	
Restricted cash and investments (Note 3)	\$ 8,458,259
Receivables:	
Accounts	3,333
Interest	31,319
Capital assets (Note 7)	
Bond Issuance Cost	363,200
Land	3,542,254
Depreciable	7,332,129
Less: Accumulated Depreciation	<u>(6,198,480)</u>
Total Assets	<u>13,532,014</u>
<b>LIABILITIES</b>	
Accrued interest payable	245,884
Unearned revenue	657,797
Long Term Debt (Note 17)	
Due within one year	1,915,000
Due in more than one year	<u>13,575,000</u>
Total Liabilities	<u>16,393,681</u>
<b>NET POSITION</b>	
Held in Trust for private purpose	<u>\$ (3,616,482)</u>

See accompanying notes to financial statements

CITY OF NAPA  
 SUCCESSOR AGENCY TO  
 NAPA COMMUNITY REDEVELOPMENT AGENCY  
 PRIVATE PURPOSE TRUST FUND  
 STATEMENT OF CHANGES IN NET POSITION  
 JUNE 30, 2013

	Successor Agency to the Napa Community Redevelopment Agency Private Purpose Trust Fund
ADDITIONS:	
Intergovernmental Revenue	\$ 6,183,520
Investment earnings	48,832
Total Additions	6,232,352
DEDUCTIONS:	
Community development	255,428
Depreciation	107,099
Debt service:	
Interest and fiscal charges	718,064
Total Deductions	1,080,591
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,151,761
EXTRAORDINARY ITEMS	
Assets transferred to /liabilities assumed by Successor Agen	4,741,920
NET CHANGE IN NET POSITION	9,893,681
NET POSITION (DEFICIT), BEGINNING	(13,510,163)
NET POSITION (DEFICIT), ENDING	\$ (3,616,482)

See accompanying notes to financial statements

CITY OF NAPA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>PAYROLL</b>				
Assets				
Cash and investments	\$ 682,179		\$ (682,179)	
Accounts receivable	134	\$ 4,787	(969)	\$ 3,952
Loan receivable	96,000	88,536	(126,807)	57,729
Total Assets	<u>\$ 778,313</u>	<u>\$ 93,323</u>	<u>\$ (809,955)</u>	<u>\$ 61,681</u>
Liabilities				
Accounts payable	<u>\$ 778,313</u>	<u>\$ 93,323</u>	<u>\$ (809,955)</u>	<u>\$ 61,681</u>
<b>NAPA VALLEY CORPORATE    PARK ASSESSMENT DISTRICT</b>				
Assets				
Cash and investments	\$ 81,736	\$ 5,266	\$ (854)	\$ 86,148
Interest receivable	241	245	(241)	245
Total Assets	<u>\$ 81,977</u>	<u>\$ 5,511</u>	<u>\$ (1,095)</u>	<u>\$ 86,393</u>
Liabilities				
Due to bondholders	<u>\$ 81,977</u>	<u>\$ 5,511</u>	<u>\$ (1,095)</u>	<u>\$ 86,393</u>
<b>TOTAL AGENCY FUNDS</b>				
Assets				
Cash and investments	\$ 763,915	\$ 5,266	\$ (683,033)	\$ 86,148
Accounts receivable	134	4,787	(969)	3,952
Interest receivable	241	245	(241)	245
Loan receivable	96,000	88,536	(126,807)	57,729
Total Assets	<u>\$ 860,290</u>	<u>\$ 98,834</u>	<u>\$ (811,050)</u>	<u>\$ 148,074</u>
Liabilities				
Accounts payable	778,313	93,323	(809,955)	61,681
Due to bondholders	81,977	5,511	(1,095)	86,393
Total Liabilities	<u>\$ 860,290</u>	<u>\$ 98,834</u>	<u>\$ (811,050)</u>	<u>\$ 148,074</u>

# **SECTION 3:**

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# **STATISTICAL SECTION**

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

<b>STATISTICAL SECTION</b>
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This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

**Financial Trends Information**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**Revenue Capacity Information**

These schedules contain trend information to help the reader understand the City's most significant local revenue source, property taxes.

**Debt Capacity Information**

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

# City of Napa

## Net Position by Component Last Ten Fiscal Years

(Accrual basis accounting, in thousands)

	2004	2005	2006	2007	2008
Governmental Activities					
Invested in capital assets, net of related debt	\$ 51,543	\$ 58,932	\$ 70,998	\$ 334,182	\$ 337,798
Restricted	27,511	35,223	43,799	50,670	52,663
Unrestricted	20,536	13,721	4,463	2,715	
<b>Total governmental activities net position</b>	<b>\$ 99,590</b>	<b>\$ 107,876</b>	<b>\$ 119,260</b>	<b>\$ 387,568</b>	<b>\$ 390,461</b>
Business-type Activities					
Invested in capital assets, net of related debt	\$ 42,923	\$ 46,127	\$ 48,654	\$ 57,118	\$ 61,909
Restricted					
Unrestricted	26,788	25,180	26,596	24,915	39,155
<b>Total business-type activities net position</b>	<b>\$ 69,711</b>	<b>\$ 71,307</b>	<b>\$ 75,250</b>	<b>\$ 82,033</b>	<b>\$ 101,064</b>
Primary Government					
Invested in capital assets, net of related debt	\$ 94,466	\$ 105,059	\$ 119,652	\$ 391,300	\$ 399,707
Restricted	27,511	35,223	43,799	50,670	52,663
Unrestricted	47,324	38,901	31,059	27,630	39,155
<b>Total primary government activities net position</b>	<b>\$ 169,301</b>	<b>\$ 179,183</b>	<b>\$ 194,510</b>	<b>\$ 469,601</b>	<b>\$ 491,525</b>

Source: City of Napa - Audited Financials

# City of Napa

## Net Position by Component Last Ten Fiscal Years

(Accrual basis accounting, in thousands)

	2009	2010	2011	2012	2013
Governmental Activities					
Invested in capital assets, net of related debt	\$ 348,410	\$ 332,285	\$ 338,198	\$ 356,311	\$ 356,406
Restricted	39,645	38,113	33,576	34,398	38,205
Unrestricted		37,658	49,287	47,907	40,475
<b>Total governmental activities net position</b>	<b>\$ 388,055</b>	<b>\$ 408,056</b>	<b>\$ 421,061</b>	<b>\$ 438,616</b>	<b>\$ 435,086</b>
Business-type Activities					
Invested in capital assets, net of related debt	\$ 67,094	\$ 70,797	\$ 60,887	\$ 62,435	\$ 63,898
Restricted	9,523	1,187		1,077	799
Unrestricted	26,294	29,400	46,648	42,933	45,474
<b>Total business-type activities net position</b>	<b>\$ 102,910</b>	<b>\$ 101,384</b>	<b>\$ 107,535</b>	<b>\$ 106,445</b>	<b>\$ 110,172</b>
Primary Government					
Invested in capital assets, net of related debt	\$ 415,504	\$ 403,082	\$ 399,085	\$ 418,746	\$ 420,304
Restricted	49,168	39,299	33,576	35,475	39,004
Unrestricted	26,294	67,059	95,935	90,840	85,948
<b>Total primary government activities net position</b>	<b>\$ 490,965</b>	<b>\$ 509,440</b>	<b>\$ 528,596</b>	<b>\$ 545,061</b>	<b>\$ 545,257</b>

Source: City of Napa - Audited Financials

# City of Napa

## Changes in Net Position Last Ten Fiscal Years

(Accrual basis accounting, in thousands)

	2004	2005	2006	2007	2008
Expenses					
Governmental activities					
General Government	\$ 10,129	\$ 13,403	\$ 14,224	\$ 15,527	\$ 18,376
Public Safety	22,794	26,841	26,880	32,219	27,477
Public Works		10,837	9,313	4,597	18,605
Parks & Recreation	5,466	6,099	5,983	6,185	5,197
Community Development					
Redevelopment	12,169	15,740	15,696	13,207	1,841
Interest on long term debt	1,051	1,152	1,335	1,123	1,124
<b>Total Governmental activities expenses</b>	<b>\$ 51,609</b>	<b>\$ 74,072</b>	<b>\$ 73,432</b>	<b>\$ 72,857</b>	<b>\$ 72,621</b>
Business-type activities					
Water	\$ 15,447	\$ 15,849	\$ 14,779	\$ 15,722	\$ 18,563
Materials Diversion	3,948	4,218	12,823	16,701	18,173
Golf	1,863	1,595	1,562	1,656	1,760
Housing	839	490	400	411	11,230
<b>Total business-type activities expenses</b>	<b>22,097</b>	<b>22,152</b>	<b>29,563</b>	<b>34,490</b>	<b>49,725</b>
<b>Total Primary government expenses</b>	<b>\$ 73,706</b>	<b>\$ 96,224</b>	<b>\$ 102,995</b>	<b>\$ 107,346</b>	<b>\$ 122,346</b>

Source: City of Napa Audited Financial Statements

# City of Napa

## Changes in Net Position Last Ten Fiscal Years

(Accrual basis accounting, in thousands)

	2004	2005	2006	2007	2008
Program Revenues					
Governmental activities					
Charges for Services					
General Government	\$ 2,513	\$ 7,567	\$ 5,139	\$ 5,246	\$ 4,700
Public Safety	1,770	1,952	2,120	2,815	2,561
Public Works	2,202	1,932	1,480	3,052	3,027
Parks & Recreation	1,154	2,380	2,695	2,803	1,917
Community Development Redevelopment					
Operating grants and contributions	14,364	13,345	14,550	14,465	5,931
Capital grants and contributions	14,491	11,354	9,674	7,249	17,857
<b>Total governmental activities program revenues</b>	<b>\$ 36,494</b>	<b>\$ 38,531</b>	<b>\$ 35,658</b>	<b>\$ 35,629</b>	<b>\$ 35,992</b>
Business type activities					
Charges for Services					
Water	\$ 16,860	\$ 15,645	\$ 16,571	\$ 19,659	\$ 21,111
Materials Diversion	3,818	4,453	13,474	18,971	21,290
Golf	1,684	1,519	1,364	1,755	1,757
Housing	259	285	150	156	520
Operating grants and contributions	447	382	774	491	10,644
Capital grants and contributions	6,075	693	2,209	1,018	1,015
<b>Total business-type activities program revenues</b>	<b>29,142</b>	<b>22,977</b>	<b>34,542</b>	<b>42,050</b>	<b>56,337</b>
<b>Total Primary government revenues</b>	<b>\$ 65,636</b>	<b>\$ 61,508</b>	<b>\$ 70,200</b>	<b>\$ 77,680</b>	<b>\$ 92,329</b>
Net (expense)/revenue					
Governmental activities	\$ (15,115)	\$ (35,542)	\$ (37,773)	\$ (37,227)	\$ (36,629)
Business-type activities	7,045	825	4,979	7,560	6,612
<b>Total Primary government net expense</b>	<b>\$ (8,070)</b>	<b>\$ (34,717)</b>	<b>\$ (32,794)</b>	<b>\$ (29,667)</b>	<b>\$ (30,017)</b>

Source: City of Napa-Audited Financial Statements

# City of Napa

## Changes in Net Position Last Ten Fiscal Years

(Accrual basis accounting, in thousands)

	2004	2005	2006	2007	2008
General Revenues and other changes in net position					
Governmental activities					
Taxes					
Property taxes	\$ 11,622	\$ 12,985	\$ 15,003	\$ 15,852	\$ 23,317
Property tax increment	2,955	3,070	3,167	3,487	4,538
Franchise taxes	1,799	1,935	1,439	1,377	1,423
Sales taxes	10,783	8,097	8,837	12,914	9,648
Transient Occupancy	5,198	5,697	6,249	7,779	8,725
Motor vehicle license fees	3,407	7,374	7,201	5,936	3,406
Business license	2,210	2,351	2,650	3,038	3,145
Investment earnings	618	1,632	1,672	3,266	4,436
Miscellaneous	383	726	1,269	918	2,590
Transfers	166	(40)	1,671	2,443	1,353
<b>Total governmental activities</b>	<b>\$ 39,141</b>	<b>\$ 43,828</b>	<b>\$ 49,157</b>	<b>\$ 57,010</b>	<b>\$ 62,581</b>
Business -type activities					
Investment earnings	189	731	570	1,666	4,136
Miscellaneous	10		65		
Transfers	(166)	40	(1,671)	(2,443)	(1,353)
<b>Total business-type activities</b>	<b>33</b>	<b>771</b>	<b>(1,036)</b>	<b>(777)</b>	<b>2,782</b>
<b>Total primary government</b>	<b>\$ 75,668</b>	<b>\$ 83,130</b>	<b>\$ 83,780</b>	<b>\$ 91,862</b>	<b>\$ 101,356</b>
<i>Special Items (Transfer to Successor Agency Trust)</i>					
<i>Extraordinary Items - Governmental activities</i>					
<i>Extraordinary Items - Business-type activities</i>					
Change in Net Position					
Governmental activities	\$ 24,026	\$ 8,286	\$ 11,384	\$ 19,783	\$ 25,952
Business-type activities	7,078	1,596	3,943	6,783	9,394
<b>Total primary government</b>	<b>\$ 31,104</b>	<b>\$ 9,882</b>	<b>\$ 15,327</b>	<b>\$ 26,566</b>	<b>\$ 35,347</b>

Source: City of Napa-Audited Financial Statements

# City of Napa

## Changes in Net Position Last Ten Fiscal Years

(Accrual basis accounting, in thousands)

	2009	2010	2011	2012	2013
Expenses					
Governmental activities					
General Government	\$ 22,803	\$ 20,261	\$ 16,605	\$ 19,664	\$ 19,452
Public Safety	34,179	34,152	29,081	32,266	34,946
Public Works	16,496	20,185	20,431	18,201	22,914
Parks & Recreation	4,903	8,569	7,241	6,734	6,765
Community Development		238	1,119	492	3,418
Redevelopment	1,171	1,418	1,363	580	-
Interest on long term debt	1,056	1,058	986	937	-
<b>Total Governmental activities expenses</b>	<b>\$ 80,607</b>	<b>\$ 85,880</b>	<b>\$ 76,826</b>	<b>\$ 78,874</b>	<b>\$ 87,494</b>
Business-type activities					
Water	\$ 19,976	\$ 21,423	\$ 19,494	\$ 21,627	\$ 21,173
Materials Diversion	18,851	19,776	19,747	20,505	21,277
Golf	1,746	1,768	1,778	1,783	1,459
Housing	10,602	11,187	11,368	13,626	13,291
<b>Total business-type activities expenses</b>	<b>51,175</b>	<b>54,154</b>	<b>52,387</b>	<b>57,542</b>	<b>57,200</b>
<b>Total Primary government expenses</b>	<b>\$ 131,782</b>	<b>\$ 140,034</b>	<b>\$ 129,213</b>	<b>\$ 136,416</b>	<b>\$ 144,695</b>

Source: City of Napa Audited Financial Statements

# City of Napa

## Changes in Net Position Last Ten Fiscal Years

(Accrual basis accounting, in thousands)

	2009	2010	2011	2012	2013
Program Revenues					
Governmental activities					
Charges for Services					
General Government	\$ 4,658	\$ 2,106	\$ 2,975	\$ 1,876	\$ 3,230
Public Safety	2,919	3,784	4,076	2,953	4,722
Public Works	410	2,503	1,953	418	2,352
Parks & Recreation	1,216	1,481	1,470	1,257	1,966
Community Development					2,579
Redevelopment		179	20	1	-
Operating grants and contributions	5,246	4,827	4,776	5,152	2,448
Capital grants and contributions	9,535	13,006	9,322	5,785	2,116
<b>Total governmental activities program revenues</b>	<b>\$ 23,985</b>	<b>\$ 27,885</b>	<b>\$ 24,593</b>	<b>\$ 17,444</b>	<b>\$ 19,413</b>
Business type activities					
Charges for Services					
Water	\$ 19,721	\$ 19,386	\$ 19,422	\$ 22,166	\$ 25,454
Materials Diversion	20,848	21,726	23,285	24,609	24,461
Golf	1,673	1,495	1,394	1,580	1,260
Housing	540	1,322	5,167	1,163	1,160
Operating grants and contributions	10,086	10,376	11,611	10,221	11,501
Capital grants and contributions	71	334	322	352	462
<b>Total business-type activities program revenues</b>	<b>52,939</b>	<b>54,639</b>	<b>61,201</b>	<b>60,092</b>	<b>64,298</b>
<b>Total Primary government revenues</b>	<b>\$ 76,923</b>	<b>\$ 82,524</b>	<b>\$ 85,794</b>	<b>\$ 77,536</b>	<b>\$ 83,711</b>
Net (expense)/revenue					
Governmental activities	\$ (56,623)	\$ (57,995)	\$ (52,233)	\$ (61,430)	\$ (68,081)
Business-type activities	1,764	485	8,814	2,551	7,097
<b>Total Primary government net expense</b>	<b>\$ (54,859)</b>	<b>\$ (57,510)</b>	<b>\$ (43,419)</b>	<b>\$ (58,880)</b>	<b>\$ (60,984)</b>

Source: City of Napa-Audited Financial Statements

# City of Napa

## Changes in Net Position Last Ten Fiscal Years

(Accrual basis accounting, in thousands)

	2009	2010	2011	2012	2013
General Revenues and other changes in net position					
Governmental activities					
Taxes					
Property taxes	\$ 23,059	\$ 23,326	\$ 27,452	\$ 25,399	\$ 25,419
Property tax increment	4,975	6,278	6,235	3,057	-
Franchise taxes	1,561	1,610	1,685	1,748	1,818
Sales taxes	8,637	11,559	12,192	13,019	14,267
Transient Occupancy	8,175	8,256	9,872	11,817	14,032
Motor vehicle license fees	3,533	221	358	39	40
Business license	2,938	2,508	2,572	2,661	2,766
Investment earnings	3,030	1,369	1,368	849	93
Miscellaneous	2,331				-
Transfers	2,694	2,729	3,504	4,178	4,128
<b>Total governmental activities</b>	<b>\$ 60,933</b>	<b>\$ 57,857</b>	<b>\$ 65,238</b>	<b>\$ 62,767</b>	<b>\$ 62,562</b>
Business -type activities					
Investment earnings	2,777	717	841	537	11
Miscellaneous					
Transfers	(2,694)	(2,729)	(3,504)	(4,178)	(4,128)
<b>Total business-type activities</b>	<b>83</b>	<b>(2,012)</b>	<b>(2,663)</b>	<b>(3,641)</b>	<b>(4,117)</b>
<b>Total primary government</b>	<b>\$ 85,000</b>	<b>\$ 83,731</b>	<b>\$ 62,575</b>	<b>\$ 59,126</b>	<b>\$ 58,445</b>
Special Items (Transfer to Successor Agency Trust)				\$ 16,327	
Extraordinary Items - Governmental activities					\$ 3,995
Extraordinary Items - Business-type activities					747
Change in Net Position					
Governmental activities	\$ 4,310	\$ (138)	\$ 13,005	\$ 17,664	\$ (1,524)
Business-type activities	1,847	(1,527)	6,152	(1,090)	3,727
<b>Total primary government</b>	<b>\$ 6,156</b>	<b>\$ (1,664)</b>	<b>\$ 19,157</b>	<b>\$ 16,574</b>	<b>\$ 2,203</b>

Source: City of Napa-Audited Financial Statements

# City of Napa

## Changes in Fund Balances, Government Funds Last Ten Fiscal Years

(Modified accrual basis accounting, in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes	\$ 21,693	\$ 25,070	\$ 27,332	\$ 30,067	\$ 40,035	\$ 39,635	\$ 39,471	\$ 43,717	\$ 42,483	\$ 41,269
Licenses and permits	11,284	8,633	8,223	12,083	10,483	6,318	3,477	3,618	4,084	3,945
Intergovernmental	38,712	38,934	37,854	38,111	22,141	18,544	29,404	24,550	21,551	23,394
Charges for services	5,675	6,253	4,673	5,043	6,003	5,671	8,937	9,297	9,226	11,711
Investment earnings	648	1,809	1,784	3,029	4,110	2,739	1,155	1,003	726	93
Loan repayments	1,184	1,486	596	907	715	269	-	-	-	155
Miscellaneous	602	76	516	911	1,709	672	172	466	777	124
<b>Total Revenues</b>	<b>79,797</b>	<b>82,261</b>	<b>80,979</b>	<b>90,151</b>	<b>85,196</b>	<b>73,847</b>	<b>82,616</b>	<b>82,652</b>	<b>78,846</b>	<b>80,692</b>
<b>Expenditures</b>										
General government	10,513	13,456	14,094	15,364	18,595	23,178	17,610	16,588	16,538	12,691
Public safety	23,690	25,888	27,238	28,618	30,557	33,202	34,781	33,268	34,009	34,946
Public Works	5,120	5,478	8,458	6,094	6,494	6,840	8,871	6,752	6,773	7,257
Parks & Recreation	5,569	5,757	5,790	5,828	5,000	4,526	8,101	6,813	6,580	6,765
Community Development							238	392	3,849	3,418
Housing	11,242	12,637	12,109	12,152	1,574	1,088	-	-	-	-
Redevelopment	2,073	2,182	4,694	1,447	996	473	935	974	-	-
County Fees and pass-through				-		67	211	116	124	-
Capital Outlay	17,731	14,578	12,355	14,846	11,029	20,795	17,395	15,663	10,793	15,657
Debt Service										
Principal	3,070	735	865	1,020	1,210	1,240	1,535	3,365	1,730	-
Interest and fiscal charges	977	1,157	1,105	1,081	1,088	1,019	1,025	1,216	801	-
<b>Total Expenditures</b>	<b>79,985</b>	<b>81,866</b>	<b>86,709</b>	<b>86,451</b>	<b>76,542</b>	<b>92,429</b>	<b>90,704</b>	<b>85,147</b>	<b>81,197</b>	<b>80,733</b>
Excess of revenues over/(under) expenditures	<b>(188)</b>	<b>395</b>	<b>(5,730)</b>	<b>3,700</b>	<b>8,654</b>	<b>(18,583)</b>	<b>(8,088)</b>	<b>(2,495)</b>	<b>(2,351)</b>	<b>(42)</b>
<b>Other financing sources (uses)</b>										
Transfer in	25,211	10,934	8,290	14,382	16,904	18,748	15,385	30,927	11,822	22,210
Transfer out	(25,045)	(10,974)	(6,419)	(11,738)	(18,059)	(17,064)	(12,607)	(27,185)	(7,280)	(17,274)
Debt Proceeds	27,278									
Payments to refunded bond escrow agent	(7,806)									
Sale of capital assets							221			4
<b>Total Other Financing Sources</b>	<b>19,638</b>	<b>(40)</b>	<b>1,871</b>	<b>2,643</b>	<b>(1,154)</b>	<b>1,683</b>	<b>2,999</b>	<b>3,743</b>	<b>4,542</b>	<b>4,940</b>
<i>Change in Accounting Method</i>			407							
<i>Special Items (Transfer to Successor Agency Trust)</i>								(1,199)		
<b>Net Change in fund balances</b>	<b>\$ 19,450</b>	<b>\$ 355</b>	<b>\$ (3,452)</b>	<b>\$ 6,344</b>	<b>\$ 7,499</b>	<b>\$ (16,899)</b>	<b>\$ (5,089)</b>	<b>\$ 1,248</b>	<b>\$ 991</b>	<b>\$ 4,899</b>

Source: City of Napa -Audited Financial Statements

# City of Napa

## Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Years

(in millions)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Value</u>	<u>Net Increase / (Decrease) Amount</u>	<u>Net Increase %</u>
2004	\$ 5,566	\$ 188	\$ 5,754	\$ 488	8%
2005	6,077	194	6,271	517	8%
2006	6,823	203	7,027	756	11%
2007	7,607	215	7,822	796	10%
2008	8,369	242	8,611	789	9%
2009	8,702	251	8,954	343	4%
2010	8,455	256	8,711	(242)	-3%
2011	8,382	259	8,641	(70)	-1%
2012	8,414	251	8,665	23	0%
2013	8,509	254	8,763	98	1%

Source: Napa County Auditor Controller's Office

# City of Napa

## Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>County</u>	<u>City</u>	<u>Education</u>	<u>Lake Park Maintenance District</u>	<u>River Park Maintenance District</u>	<u>Total</u>
2003/04	1.0000%	0.0150%	0.0746%	0.1125%	0.1688%	1.3709%
2004/05	1.0000%	0.0150%	0.0662%	0.1125%	0.1688%	1.3625%
2005/06	1.0000%	0.0150%	0.0703%	0.1125%	0.1688%	1.3666%
2006/07	1.0000%	0.0150%	0.0590%	0.1125%	0.1688%	1.3553%
2007/08	1.0000%	0.0150%	0.0875%	0.1125%	0.1688%	1.3838%
2008/09	1.0000%	0.0150%	0.0807%	0.1125%	0.1688%	1.3770%
2009/10	1.0000%	0.0150%	0.0986%	0.1125%	0.1688%	1.3949%
2010/11	1.0000%	0.0150%	0.0779%	0.1125%	0.1688%	1.3742%
2011/12	1.0000%	0.0150%	0.0973%	0.1125%	0.1688%	1.3936%
2012/13	1.0000%	0.0150%	0.0900%	0.1125%	0.1688%	1.3863%

Source: Napa County Auditor Controller's Office

# City of Napa

## Top Principal Taxpayers Current Year and Nine Years Ago

		2013			2004		
		<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
<u>Taxpayer</u>	<u>Type of Business</u>						
Kaiser Foundation Hospitals	Hospital	\$ 183,241,953	1	2.09%	\$ 15,005,320	10	0.26%
Dey Laboratories LP	Chemical Products	\$ 91,424,407	2	1.04%	\$ 87,018,110	1	1.51%
Inland American Lodging Napa	Hotels	\$ 78,649,800	3	0.90%	\$ -	-	-
Meritage Resort LLC	Hotels	\$ 64,955,696	4	0.74%	\$ -	-	-
Hawthorn Village LP	Apartments	\$ 52,759,031	5	0.60%	\$ -	-	-
Shell Owners Association West	Timeshares	\$ 42,807,440	6	0.49%	\$ -	-	-
HT Napa LLC	Hotels	\$ 47,593,350	7	0.54%	\$ -	-	-
Chelsea Financing Partnership LP	Real Estate	\$ 43,484,424	8	0.50%	\$ 30,594,750	3	0.53%
First Napa Acquisition LLC	Apartments	\$ 37,280,480	9	0.43%	\$ -	-	-
LBA Realty Fund II WBP II	Real Estate	\$ 31,321,286	10	0.36%	\$ -	-	-
Sunstone Napa LLC					\$ 33,518,443	2	0.58%
AGS Ventures Inc					\$ 24,774,093	4	0.43%
Panamsat International Systems Inc					\$ 24,337,688	5	0.42%
Panamsat International Systems Inc					\$ 24,313,310	6	0.42%
Bayrock Napa LP					\$ 19,051,073	7	0.33%
Napa Town Center Partners LLC et al					\$ 17,317,390	8	0.30%
Felcor/CSS Holdings LP					\$ 16,798,017	9	0.29%

Source: Napa County Auditor Controller's Office

# City of Napa

## Property Tax Levies and Collections Last Ten Fiscal Years

<u>Fiscal Year ended</u> <u>June 30</u>	<u>Total Tax Levy for</u> <u>Fiscal Year<sup>2</sup></u>	<u>Collected within the Fiscal Year</u> <u>of the Levy</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>
2004	\$ -	\$ -	100%
2005	-	-	100%
2006	-	-	100%
2007	-	-	100%
2008	-	-	100%
2009	-	-	100%
2010	-	-	100%
2011	-	-	100%
2012	<sup>1</sup> -	-	100%
2013	15,207,190	15,207,190	100%

Source: Napa County Auditor Controller's Office

<sup>1</sup> Information prior to fiscal year 2013 is not readily available.

<sup>2</sup> Levy does not include ERAF or RDA pass through.

# City of Napa

## Ratios of Outstanding Debt by Type Last Ten Fiscal Years

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Governmental Activities</u>			<u>Total</u>
	<u>General</u> <u>Obligation Bonds</u>	<u>Redevelopment</u> <u>Bonds<sup>1</sup></u>	<u>Capital Leases</u>	<u>Governmental</u> <u>Activities</u>
2004	\$ -	\$ 27,240,000	\$ -	\$ 27,240,000
2005	-	26,505,000	-	26,505,000
2006	-	25,640,000	-	25,640,000
2007	-	24,620,000	-	24,620,000
2008	-	23,410,000	121,664	23,531,664
2009	-	22,170,000	157,688	22,327,688
2010	-	20,635,000	432,534	21,067,534
2011	-	19,020,000	329,190	19,349,190
2012	-	-	240,944	240,944
2013	-	-	106,236	106,236

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Business Type Activities</u>				<u>Total Business</u>
	<u>Water Revenue</u> <u>Bonds</u>	<u>Solid Waste</u> <u>Revenue Bonds</u>	<u>Loans &amp; Notes</u> <u>Payable</u>	<u>Capital Leases</u>	<u>Type Activities</u>
2004	\$ -	\$ -	\$ -	\$ 23,996,877	\$ 23,996,877
2005	-	6,880,000	2,807,184	23,575,602	33,262,786
2006	-	6,545,000	3,859,374	23,134,472	33,538,846
2007	-	6,200,000	7,964,758	22,672,551	36,837,309
2008	47,350,000	5,840,000	7,611,029	22,188,860	82,989,889
2009	47,350,000	5,465,000	7,263,293	21,682,373	81,760,666
2010	47,350,000	5,075,000	6,904,816	21,152,015	80,481,831
2011	46,300,000	4,665,000	6,535,107	20,596,661	78,096,768
2012	45,205,000	4,235,000	6,154,139	20,015,133	75,609,272
2013	44,065,000	3,785,000	5,760,697	19,406,198	73,016,895

<sup>1</sup> Redevelopment Bonds were previously classified as governmental. With the dissolution of Redevelopment in fiscal year 2012 they are now presented under a separate fiduciary fund.

# City of Napa

## Direct and Overlapping Debt As of June 30, 2013

City Assessed Valuation	\$ 8,762,995,441		
	<b>June 30, 2013</b>	<b>Applicable<sup>1</sup></b>	<b>of Overlapping</b>
<u>Direct and Overlapping Tax and Assessment Debt</u>			
Napa Joint Community College District	\$ 109,143,005	31.047%	\$ 33,885,629
Napa Valley Unified School District	271,235,000	46.587%	126,360,249
California Statewide Development Authority 1915 Act Bonds	2,341,990	100.000%	2,341,990
<b>Total Direct and Overlapping Tax and Assessment Debt</b>			<b>\$ 162,587,868</b>
<u>Overlapping General Fund Obligation Debt</u>			
Napa County Certificates of Participation	\$ 23,805,000	31.324%	\$ 7,456,678
Napa County Board of Education Certificates of Participation	3,060,000	31.324%	958,514
<b>Total Overlapping General Fund Obligation Debt</b>			<b>\$ 8,415,193</b>
<u>Overlapping Tax Increment Debt (Successor Agency)</u>			
Successor Agency to the Napa City Redevelopment Authority	\$ 15,490,000	100.000%	\$ 15,490,000
<i>Total Direct Debt</i>			\$ -
<i>Total Overlapping Debt</i>			\$ 186,493,061
<b>Total Direct and Overlapping Debt <sup>2</sup></b>			<b>\$ 186,493,061</b>

Source: California Municipal Statistics, Inc

<sup>1</sup> Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that if within the boundaries of the city divided by the district's total taxable assessed value.

<sup>2</sup> Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations.

# City of Napa

## Legal Debt Margin Information Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed valuation	\$ 6,270,683,257	\$ 7,026,578,770	\$ 7,822,180,558	\$ 8,610,881,711	\$ 8,953,549,785	\$ 8,711,134,526	\$ 8,641,413,264	\$ 8,664,660,774	\$ 8,762,995,441	\$ 9,218,760,715
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,567,670,814	1,756,644,693	1,955,545,140	2,152,720,428	2,238,387,446	2,177,783,632	2,160,353,316	2,166,165,194	2,190,748,860	2,304,690,179
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	\$ 235,150,622	\$ 263,496,704	\$ 293,331,771	\$ 322,908,064	\$ 335,758,117	\$ 326,667,545	\$ 324,052,997	\$ 324,924,779	\$ 328,612,329	\$ 345,703,527
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 235,150,622	\$ 263,496,704	\$ 293,331,771	\$ 322,908,064	\$ 335,758,117	\$ 326,667,545	\$ 324,052,997	\$ 324,924,779	\$ 328,612,329	\$ 345,703,527
Total debt applicable to the limit as percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

# City of Napa

## Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Debt Service								Solid Waste Revenue Bonds Debt Service						Tax Allocation Bonds Debt Service				
	Gross Water		Less	Net Available	Principal	Interest	Notes Payable	City System Coverage	Gross Solid Waste		Less	Net Available	Principal	Interest	City System Coverage	Tax Increment /	Principal	Interest	Coverage
	Revenues	Expenses	Revenues	Revenues					Expenses	Revenues	ROPS <sup>1</sup>								
2004	\$ 17,984,542	\$ 11,078,583	\$ 6,905,959	\$ 1,075,000	\$ 313,480	\$ -	4.97				\$ -				0.00		\$ -	\$ 629,846	0.00
2005	16,931,926	11,465,448	5,466,478	1,110,000	278,006	192,096	3.46	13,394,902	11,395,743	1,999,159	\$ 155,000	\$ 368,128	3.82			735,000	1,126,693	0.00	
2006	18,117,923	10,241,233	7,876,690	1,160,000	240,266	192,096	4.95	13,482,083	12,191,639	1,290,444	335,000	342,926	1.90			865,000	1,101,468	0.00	
2007	19,659,303	10,649,138	9,010,165	1,225,000	199,666	302,392	5.22	18,970,522	16,080,291	2,890,231	345,000	329,972	4.28			1,020,000	1,073,918	0.00	
2008	21,111,182	12,610,256	8,500,926	1,270,000	2,487,730	382,464	2.05	21,290,455	17,546,499	3,743,956	360,000	316,542	5.53			1,210,000	1,043,786	0.00	
2009	19,721,108	13,972,193	5,748,915	1,320,000	2,352,124	391,537	1.41	20,848,145	18,227,150	2,620,995	375,000	302,540	3.87			1,240,000	1,011,308	0.00	
2010	19,385,902	15,789,037	3,596,865	1,365,000	2,300,644	391,537	0.89	15,567,913	14,105,116	1,462,797	390,000	285,529	2.17	\$ 6,278,469	1,535,000	966,434	2.51		
2011	19,422,077	14,022,037	5,400,040	1,050,000	2,246,044	391,537	1.46	15,986,299	13,015,485	2,970,813	410,000	265,289	4.40	6,234,788	1,615,000	908,808	2.47		
2012	22,160,235	15,389,343	6,770,892	1,095,000	2,204,044	391,537	1.83	16,538,005	14,061,154	2,476,851	430,000	244,037	3.67	3,056,683	1,730,000	844,535	1.19		
2013	25,454,220	15,452,198	10,002,022	1,140,000	2,160,244	391,537	2.71	24,461,038	20,763,495	3,697,543	450,000	221,773	5.50	3,233,781	1,800,000	774,034	1.26		

<sup>1</sup> Tax increment information prior to fiscal year 2010 is not readily available.

# City of Napa

## Demographic Statistics Last Ten Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2004	74,701	3,220,659	43,114	19,765	4.8%
2005	74,499	3,428,593	46,022	19,654	4.4%
2006	74,620	3,630,860	48,658	19,908	3.9%
2007	74,688	3,777,047	50,571	20,087	4.0%
2008	75,186	3,831,479	50,960	20,108	5.1%
2009	76,090	3,696,376	48,579	20,370	8.6%
2010	76,856	3,756,337	48,875	20,520	9.7%
2011	76,915	3,947,662	51,325	20,582	9.1%
2012	77,513	4,248,255	54,807	20,593	7.8%
2013	77,881	-		20,725	6.2%

(1) California Department of Finance offers multiple statistics for City of Napa population. These numbers come from "E-4 Population and Housing Estimates for Cities, Counties and the State, 2001-2010." and "E-1 Current Population Estimates".

(2) Source: US Department of Commerce, Bureau of Economic Analysis. Per capita income represented is for Napa County. 2013 per capita income is not available.

(3) California Department of Education, Educational Demographics Unit (District and School Enrollment by by Grade)

(4) United States Department of Labor, Bureau of Labor Statistics. Unemployment rate presented is for Napa County. 2013 unemployment rate is an average of January 2013 through September 2013.

# City of Napa

## Principal Employers Current Year and Nine Years Ago

Employer	2013		2004 <sup>1</sup>	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
County of Napa	1,000 to 4,999	2.7% to 13.51%	1375	2.04%
Napa Valley Unified School District	1,000 to 4,999	2.7% to 13.51%	1650	2.45%
Queen of the Valley Medical Center	1,000 to 4,999	2.7% to 13.51%	1300	1.93%
Napa Valley College	500 to 999	1.35% to 2.7%	800	1.19%
City of Napa	250 to 499	.68% to 1.35%		
Marriott-Napa Valley	250 to 499	.68% to 1.35%		
Universal Services of America	250 to 499	.68% to 1.35%		
Walmart Supercenter	250 to 499	.68% to 1.35%		
Yolano Engineers Inc	250 to 499	.68% to 1.35%		
Kaiser Permanente	250 to 499	.68% to 1.35%		

Source: Napa-Lake Workforce Investment Board and United States Census Bureau

<sup>1</sup> Information prior to 2013 is not readily available.

# City of Napa

## Operating Indicators by Function/Program Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Police</b>										
Physical arrests	-	-	-	3,728	3,923	4,602	4,170	3,752	3,505	3,205
Parking violations	11,173	8,787	9,597	9,501	8,512	8,159	6,497	6,551	6,408	7,683
Traffic violations	-	-	-	5,687	6,007	6,099	4,715	3,054	3,332	3,078
<b>Fire</b>										
Number of calls answered	6,112	6,159	6,553	6,976	6,807	7,002	6,953	6,941	7,197	7,646
Inspections	1,027	632	634	560	1,555	1,296	1,496	1,425	1,425	1,464
<b>Highways and streets</b>										
Street resurfacing (miles)	-	-	-	-	-	-	9.15	8.25	8.95	8.97
Potholes repairs	-	-	-	-	-	-	-	-	-	-
<b>Solid Waste &amp; Recycling</b>										
Refuse collected (tons/day)	122	126	122	108	103	98	98	94	92	-
Recyclables collected (tons/day)	30	44	70	69	71	64	68	60.31	64	-
<b>Culture and recreation</b>										
Athletic field permits issued	59	46	26	25	21	29	37	30	25	10
Community Center admissions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Water</b>										
New connections	N/A	N/A	N/A	N/A	127	618	-	-	326	-
Water Main breaks	N/A	N/A	N/A	123	98	59	99	64	93	63
Average daily consumption (per thousand gallons)	15.62	14.02	13.39	14.98	15.33	14.94	13.14	13.35	13.79	14.27

Source: City of Napa

# City of Napa

## Capital Asset Statistics

### by Function Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles				22	21	21	20	22	24	27
Police Motorcycles				4	4	5	5	5	5	5
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire Apparatus				9	9	9	9	9	9	10
Highways and Streets										
Streets (miles)										
Streetlights										
Traffic signals										
Parks & Recreation										
Parks	48	48	48	49	49	50	50	51	52	53
Parks (acorage)	751.71	751.71	751.71	764.41	764.41	764.79	764.79	797.79	803.61	804.08
Swimming Pools	0	0	0	0	0	0	0	0	0	0
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Community Centers	3	3	3	3	3	3	3	3	3	3
Wastewater										
Sewers (miles)										
Storm Drain (miles)	148.99	149.99	150.27	151.09	152	152	152	152	152	152.05
Treatment Plants										
Water										
Water mains (miles)										
Maximum daily capacity (thousands of gallons)										
Reservoirs	2	2	2	2	2	2	2	2	2	2
Fire hydrants										
MDF:										
Facility	1	1	1	1	1	1	1	1	1	1
Golf Course:										
Napa Golf Course	1	1	1	1	1	1	1	1	1	1