

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

***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, 2012, 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.

***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, 2012:

Reporting Unit	Issuer	Investment Type	Amount
<b>Entity - Wide:</b>	Federal National Mortgage Association	Federal Agency Securities	\$10,523,425
	Federal Home Loan Mortgage Corporation	Federal Agency Securities	6,825,419
	Federal Home Loan Bank	Federal Agency Securities	8,735,793
<b>Fiduciary Funds: Successor Agency to the Napa Community Redevelopment Agency</b>	Federal Farm Credit Bank	Federal Agency Securities	1,016,874
	Federal National Mortgage Association	Federal Agency Securities	722,157
	Federal Home Loan Mortgage Corporation	Federal Agency Securities	657,800
	Federal Home Loan Bank	Federal Agency Securities	554,631

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**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, 2012:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
<b>General Fund</b>	Home Program Fund	\$4,716 [A]
	Non-Major Governmental Funds	792,231 [A]
	Water Utility Fund	1,784,654 [A]
	Materials Diversion Utility Fund	773,967 [A]
	Housing Fund	119,205 [A]
	Internal Service Funds	511,625 [A]
<b>Development Fees Fund</b>	Non-Major Governmental Funds	160 [A]
<b>City Capital Projects Fund</b>	General Fund	540,645 [C]
	Development Fees Fund	661,298 [C]
	Non-Major Governmental Funds	1,832,180 [C]
<b>Golf Fund</b>	General Fund	100,000 [B]
<b>Non-major Governmental Funds</b>	General Fund	162,682 [B]
	City Capital Projects Fund	103,000 [B]
	Non-Major Governmental Funds	2,935,466 [B]
	Water Utility Fund	100,000 [C]
	Materials Diversion Utility Fund	1,500,000 [C]
<b>Internal Service Funds</b>	General Fund	98,462 [B]
	City Capital Projects Fund	49,303 [B]
Total Interfund Transfers		<u>\$12,069,594</u>

- [A] To Fund Citywide Overhead  
[B] To Fund Operations  
[C] To Fund Capital Projects

**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, 2012:

Asset		Liability	
From Fund:	To Fund:	Amount	
Due to/from other funds:			
General Fund	Golf Course Fund	\$284,731	
	Development Fee Fund	278	
	Home Program Fund	657	
	Internal Service Funds	725,042	
City Capital Projects Fund	Development Fee Fund	<u>44,862</u>	
		<u>\$1,055,570</u>	
Advances to/from other funds:			
General Fund	Golf Course Fund	\$482,850 [A]	
Development Fees Fund	Golf Course Fund	183,600 [B]	
City Capital Projects Fund	Golf Course Fund	<u>675,000 [A]</u>	
		<u>\$1,341,450</u>	

- [A] To fund capital improvements at the City's golf course and payable from operating surplus.  
[B] Quadrant Development Fee advance used to fund Golf Course water irrigation surcharge.

**CITY OF NAPA**  
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**NOTE 4 – INTERFUND TRANSACTIONS (Continued)**

**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.

**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 be 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, 2012:

	Term (Years)	Rate %	Outstanding Balance at June 30, 2012
General Fund			
Napa Valley Opera House	15	4%	\$1,500,000
Home Program:			
First time homebuyers down payment assistance	20-30	3%	6,298,220
The Reserve at Napa	30	3%	874,000
Whistlestop	30	3%	939,632
CDBG Housing Rehabilitation Program	20	3-10%	1,358,538
20% Low- and Moderate Income Housing:			
Mayacamas Village Associates	30	4%	485,767
Napa Park Apartments	30	3%	254,805
Parkwood Project	40	0%	80,942
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%	806,200
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
Supplemental - Bain, Thomas	0	0%	125,100
Local Housing Fund:			
Pioneer Village	various	7%	99,420
Pueblo Orchard	10	3.5%	46,000
Charter Oaks	25	3.5%	237,500
Housing and Inclusionary Fund :			
Magnolia Park	55	3.5%	300,000
Jefferson Street Housing (NVCH) - City	60	0%	514,431
Napa Garden Court Associates	5	3%	230,000
County of Napa	55	0%	500,000
Cal Home Grant	5	3%	492,525
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	4%	811,299
American Canyon	7	4%	350,000
Totals, before interest and valuation allowance			23,853,720
Accrued Interest			2,336,576
Valuation allowance			(2,983,699)
Net			<u>\$23,206,597</u>

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**NOTE 6 – LAND HELD FOR REDEVELOPMENT**

As of June 30, 2012, the balance of land being held for future development amounted to \$125,691. However, the City had not entered into any development agreement as of June 30, 2012.

**NOTE 7 – CAPITAL ASSETS**

**A. Additions and Retirements**

Governmental-type capital assets activity for the year ended June 30, 2012, was as follows:

	Balance at June 30, 2011	Additions	Retirements	Transfers to Successor Agency	Transfers and Adjustments	Balance at June 30, 2012
<b>Governmental Activities</b>						
Capital assets not being depreciated:						
Land	\$24,503,141			(\$35,480)	\$305,000	\$24,772,661
Construction in progress	86,118,810	\$7,540,517	(\$133,776)		(1,205,734)	92,319,817
Total capital assets not being depreciated	110,621,951	7,540,517	(133,776)	(35,480)	(900,734)	117,092,478
Capital assets being depreciated:						
Building and improvements	27,365,600			(75,400)	166,100	27,456,300
Equipment	6,184,779	109,430		(7,238)	(14,267)	6,272,704
Vehicles	13,706,095	1,485,367	(399,504)		855,600	15,647,558
Bridges	28,066,680					28,066,680
Roads	398,751,569	3,175,280				401,926,849
Curb/gutter/sidewalks	5,371,565				184,034	5,555,599
Traffic signals	4,261,512					4,261,512
Stormwater	4,428,822	51,414				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
Total capital assets being depreciated	494,117,912	4,821,491	(399,504)	(82,638)	1,191,467	499,648,728
Less accumulated depreciation for:						
Building and improvements	(15,597,728)	(611,770)		75,400		(16,134,098)
Equipment	(5,639,137)	(214,986)		1,206		(5,852,917)
Vehicles and rentals	(7,982,050)	(962,267)	398,348			(8,545,969)
Bridges	(9,007,661)	(374,222)				(9,381,883)
Roads	(206,023,013)	(10,255,222)				(216,278,235)
Curb/gutter/sidewalks	(681,420)	(138,891)				(820,311)
Traffic signals	(651,109)	(106,539)				(757,648)
Stormwater	(412,359)	(106,163)				(518,522)
Park improvements	(1,578,627)	(215,916)				(1,794,543)
Underground utilities	(6,232)	(1,619)				(7,851)
Street lights	(138,904)	(35,192)				(174,096)
Total accumulated depreciation	(247,718,240)	(13,022,787)	398,348	76,606		(260,266,073)
Net capital assets being depreciated	246,399,672	(8,201,296)	(1,156)	(6,032)	1,191,467	239,382,655
Governmental activities capital assets, net	\$357,021,623	(660,779)	(\$134,932)	(\$41,512)	\$290,733	\$356,475,133

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

Business-type capital assets activity for the year ended June 30, 2012, was as follows:

	Balance at June 30, 2011	Additions	Retirements	Transfers and Adjustments	Balance at June 30, 2012
<b><i>Business-type Activities</i></b>					
Capital assets not being depreciated:					
Land and improvements	\$5,506,614				\$5,506,614
Construction in progress	46,544,833	\$5,380,346			51,925,179
Total capital assets not being depreciated	52,051,447	5,380,346			57,431,793
Capital assets being depreciated:					
Building and improvements	41,675,845				41,675,845
Equipment	5,609,091	141,420	(\$261,812)		5,488,699
Transmission and distribution	100,562,808			\$3,930,890	104,493,698
Total capital assets being depreciated	147,847,744	141,420	(261,812)	3,930,890	151,658,242
Less accumulated depreciation for:					
Building and improvements	(21,223,443)	(1,049,570)			(22,273,013)
Equipment	(2,678,031)	(265,827)	231,335		(2,712,523)
Transmission and distribution	(42,046,303)	(2,172,849)		(3,930,890)	(48,150,042)
Total accumulated depreciation	(65,947,777)	(3,488,246)	231,335	(3,930,890)	(73,135,578)
Net capital assets being depreciated	81,899,967	(3,346,826)	(30,477)		78,522,664
Business-type activities capital assets, net	\$133,951,414	\$2,033,520	(\$30,477)		\$135,954,457

***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:

Governmental activities		Business-type activities	
General government	\$307,344	Water utility	\$2,980,929
Public safety	271,992	Materials Diversion Utility	279,802
Public works	11,243,649	Golf course	159,214
Parks and recreation	135,304	Housing	68,301
Redevelopment	85,740		
Internal Service Funds	978,758	Total	\$3,488,246
Total	\$13,022,787		

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8 – OPERATING LEASES**

The operators of the golf course entered into various leasing agreements with vendors for its golf carts, restaurant appliances and office equipment that expire at dates through December of 2016. On May 18, 2012, a lease with John Deere was signed for \$21,550, commencing June of 2012 and ending June of 2017 with a minimum monthly payment of \$388. The operator is currently leasing its telephone equipment on a month-to-month basis. Total equipment lease expense was \$58,809 for the year ended June 30, 2012.

The future minimum lease payments are as follows:

<b>Total Lease Payments</b>	
Year Ending June 30	Payments
2013	\$50,352
2014	12,165
2015	3,715
2016	1,680
2017	840
Total	<u>\$68,752</u>

**CITY OF NAPA**  
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**NOTE 9 – LONG-TERM DEBT**

**A. Current Year Transactions and Balances**

The following table summarizes the changes in the City's long-term debt and other non-current liabilities during the year ended June 30, 2012:

	Original Issue Amount	Balance June 30, 2011	Additions	Retirements	Transfer to Successor Agency	Balance June 30, 2012	Current Portion
<b>Governmental Activity Debt:</b>							
<b>Redevelopment Tax Allocation Bonds</b>							
2003A Parkway Plaza Redevelopment Project, 2.3-4.8%, due 9/1/2019	\$22,715,000	\$16,080,000		(\$1,460,000)	(\$14,620,000)		
2003B Parkway Plaza Redevelopment Project, 3.1-5.8%, due 9/1/2019	2,475,000	1,600,000		(145,000)	(1,455,000)		
2003B Refunding Parkway Plaza Redevelopment Project, 3.1-5.8%, due 9/1/2019	2,050,000	1,340,000		(125,000)	(1,215,000)		
Total Redevelopment Tax Allocation Bonds		19,020,000		(1,730,000)			
Fleet Capital Fund Capital Lease, 3.5%, 2/1/15	328,846	218,874	\$4,003	(58,638)		\$164,239	\$61,902
<b>Total Governmental Activities Debt</b>		<b>\$19,238,874</b>	<b>\$4,003</b>	<b>(\$1,788,638)</b>	<b>(\$17,290,000)</b>	<b>\$164,239</b>	<b>\$61,902</b>
<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	\$4,665,000		(\$430,000)		\$4,235,000	\$450,000
Less unamortized discount		(276,448)		22,116		(254,332)	
2007 Water Revenue Bonds 4-5%, due 5/1/2035	47,350,000	46,300,000		(1,095,000)		45,205,000	1,140,000
Plus unamortized premium (issuance cost)		1,117,837		(46,577)		1,071,260	
Total revenue bonds		51,806,389		(1,549,461)		50,256,928	1,590,000
Water Fund Note Payable - Alston Park Tank 2.6%, due 4/1/2023	3,080,000	1,993,672		(150,724)		1,842,948	154,869
Seminary Street, 5.5%, due 7/31/2027	1,244,000	976,158		(39,407)		936,751	41,810
Umpqua Bank Notes Payable - Solar Panel 4.37%, due 7/01/2025	1,400,000	1,120,161		(59,009)		1,061,152	61,520
State of CA-Dept of Water Resources Notes Payable Imola Avenue reservoir tank 2.4%, due 9/30/2026	2,976,131	2,445,117		(131,828)		2,313,289	135,243
Water Fund Capital Lease, 4.7% due 6/30/2035	29,014,737	20,596,661		(581,528)		20,015,133	608,935
Kennedy Park Golf Course Capital Lease, 4.34% due 6/30/2015		103,447	\$21,550	(51,086)		73,911	29,741
<b>Total Business-type Activity Debt</b>		<b>\$79,041,605</b>	<b>\$21,550</b>	<b>(\$2,563,043)</b>		<b>\$76,500,112</b>	<b>\$2,622,118</b>

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 9 – LONG-TERM DEBT (Continued)**

***B. Redevelopment Tax Allocation Bonds***

The Redevelopment Tax Allocation Bonds were issued in August 2003 by the Napa Community Redevelopment Agency to provide funds for public improvements within, or of benefit to, the Parkway Plaza Redevelopment Project. The remaining obligation of the bonds were transferred to the Successor Agency to the Napa Community Redevelopment Agency Private Purpose Trust fund effective February 1, 2012, per State Legislation AB1x26 as discussed in Note 17.

***C. 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.

***D. 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.

The pledge of future Water System Revenues ends upon repayment of the \$75.9 million in remaining debt service which is scheduled to occur in 2035. For fiscal year 2012, Water Fund Operating Revenues amounted to \$22.2 million and operating costs (including operating expenses, but not interest, depreciation or amortizations) amounted to \$12 million. Net Revenues available for debt service amounted to \$10.3 million which represented coverage of 3.2 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.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 9 – LONG-TERM DEBT (Continued)**

**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, 2012, the balance of the leased asset (representing use of the infrastructure and water rights) and related capital lease obligation were \$13,346,770 and \$20,015,133 respectively. Annual amortization of the asset is \$608,935. The contract bears an implicit interest rate at approximately 4.7%, payable through 2035.

***E. 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 \$6 million in remaining debt service on the bonds which is scheduled to occur in fiscal 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 2012, Solid Waste System Revenues including operating revenues and non-operating interest earnings amounted to \$24.8 million and operating costs include operating expenses, but not interest, depreciation or amortizations and amounted to \$19.7 million. Net Revenues available for debt service amounted to \$5.1 million which represented coverage of 7.6 over the \$0.7 million in debt service.

***F. 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.

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

**G. Kennedy Park Golf Course Capital Lease**

The operators of the golf course operations have entered into lease agreements for golf carts and some maintenance equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore have been recorded at the present value of the future minimum lease payments as of the inception date. Leased assets have a capitalized cost of \$257,913 and a net book value of \$123,732.

**H. 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
2013	\$61,902	\$4,781	\$2,622,118	\$3,514,596
2014	63,521	2,618	2,731,406	3,404,185
2015	38,816	393	2,835,186	3,276,886
2016			2,941,647	3,182,195
2017			3,063,087	3,070,877
2018-2022			15,555,068	13,122,776
2023-2027			15,757,106	9,426,213
2028-2032			17,676,729	5,645,578
2033-2035			12,500,837	1,177,667
<b>Total</b>	<b>\$164,239</b>	<b>\$7,792</b>	<b>75,683,184</b>	<b>\$45,820,974</b>
Less unamortized premium (discount/issuance cost)			<b>816,928</b>	
Net long-term debt			<b>\$76,500,112</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. This debt issue was paid off as of June 30, 2012.

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**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, 2012
City of Napa				
1992	Creekside Park A	\$2,890,000	July 1, 2024	\$1,865,000
1994	Creekside Park II A - Refunding	4,780,000	July 1, 2025	3,470,000
1995	Napa Park A, A-T, and A-IQ	7,100,884	June 20, 2035	4,845,884
	subtotal	14,770,884		10,180,884
Housing Authority				
1999	Silverado Creek A	4,863,000	June 1, 2031	3,975,000
2001	Vintage at Napa	7,500,000	June 15, 2034	6,085,000
2001	The Reserve at Napa	6,000,000	August 1, 2031	5,013,294
2001	Charter Oaks Apartments	4,215,000	August 1, 2018	3,548,043
2004	Magnolia Park Series 2004A	4,500,000	December 1, 2035	4,500,000
	subtotal	27,078,000		23,121,337
	Total	\$41,848,884		\$33,302,221

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

**A. Net Assets**

Net assets are the excess of all the City's assets over all its liabilities, regardless of fund. Net assets are divided into three categories, which are determined at the Governmental Activities and Business-type Activities, and are described below:

**Invested in Capital Assets, net of related debt** describes the portion of net assets 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

<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 designated 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 Fiscal Year Ended June 30, 2012**

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

Detailed classifications of the City's Fund Balances, as of June 30, 2012, are below:

	<u>General</u>	<u>Development Fees</u>	<u>Home Program</u>	<u>City Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Nonspendables:</b>						
Prepaid Expenses	\$26,294					\$26,294
Advance Due from Golf Fund	482,850	\$183,600		\$675,000		1,341,450
Loans Receivable	1,500,000					1,500,000
Land Held for Redevelopment					\$125,691	125,691
<b>Total Nonspendable Fund Balances</b>	<u>2,009,144</u>	<u>183,600</u>		<u>675,000</u>	<u>125,691</u>	<u>2,993,435</u>
<b>Restricted for:</b>						
Grants					927,051	927,051
PEG Reserve	19,690					19,690
Designated Projects and Programs		19,112,467	\$141,830			19,254,297
Tourism Improvement District		278,719				278,719
Federal Urban Aide				270,173		270,173
Gas Tax/ Prop 1B					1,159,478	1,159,478
Public Safety Programs					15,915	15,915
<b>Total Restricted Fund Balances</b>	<u>19,690</u>	<u>19,391,186</u>	<u>141,830</u>	<u>270,173</u>	<u>2,102,444</u>	<u>21,925,323</u>
<b>Committed to:</b>						
Red Light Camera					584,453	584,453
Building Reserve				3,253,430		3,253,430
Corp Yard Expansion				30,636		30,636
Low Flow Channel				181,270		181,270
Lone Oak Drainage				9,154		9,154
Street Resurfacing Program					216,887	216,887
Low Income Housing					5,190,823	5,190,823
Assessment Districts					5,004,237	5,004,237
Capital Projects				2,354,873		2,354,873
Various Rentals				131,230		131,230
<b>Total Committed Fund Balances</b>				<u>5,960,593</u>	<u>10,996,400</u>	<u>16,956,993</u>
<b>Assigned to:</b>						
Outstanding Contractual Obligations	1,560,987					1,560,987
Emergency Reserve	7,486,672					7,486,672
<b>Total Assigned Fund Balances</b>	<u>9,047,659</u>					<u>9,047,659</u>
<b>Unassigned:</b>						
General fund	9,347,383					9,347,383
<b>Total Unassigned Fund Balances</b>	<u>9,347,383</u>					<u>9,347,383</u>
<b>Total Fund Balances</b>	<u>\$20,423,876</u>	<u>\$19,574,786</u>	<u>\$141,830</u>	<u>\$6,905,766</u>	<u>\$13,224,535</u>	<u>\$60,270,793</u>

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

**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, 2012, were as listed below:

Governmental Funds	
General	\$1,560,987
Development Fees	12,000
HOME Program	1,303
City Capital Projects	1,103,355
Other Governmental Funds	<u>288,621</u>
Total	<u><u>\$2,966,266</u></u>

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

As of June 30, 2012, the Golf Course Enterprise Fund and Central Stores Internal Service Fund had fund deficits amounting to \$674,627 and \$21,307, respectively. The deficits will be eliminated with future revenue.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

<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, 2012 was 20.939% for miscellaneous employees and 31.675% 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, 2012, the City's annual pension cost was \$9,096,464. The required contribution for that year was determined as part of the June 30, 2010, 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) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.55% to 14.45% for miscellaneous members (from 3.55% to 13.15% for safety members), and (c) 3.25% 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 Fiscal Year Ended June 30, 2012**

**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	6/30/2010	\$3,802,023	100%
	6/30/2011	3,425,936	100%
	6/30/2012	4,447,894	100%
Public Safety	6/30/2010	\$4,278,883	100%
	6/30/2011	3,782,385	100%
	6/30/2012	4,648,570	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	2009	\$153,662,781	\$117,056,361	\$36,606,420	76%	\$21,714,083	169%
	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%
Public Safety	2009	152,758,690	118,719,972	34,038,718	78%	15,376,152	221%
	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%

***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, 2012, the City fully funded its required contributions of \$295,545 to these plans.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**NOTE 13 – POST-EMPLOYMENT HEALTH 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	NPOA MID	NCFA	NCFO	Exempt-Exces	Elected
■ Medical Plan	City Plan	City Plan	PEMHCA	PEMHCA	City Plan	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				Hired between 7/1/84 & 7/1/87; NPOA-Mid member <7/1/07				
Active eligible	<7/1/1982	<7/1/1983			<8/1/1982	opt out of HRA	<7/1/1982	N/A
Maximum hours	1	5	all members	2	1	1	0	N/A
	no cap	no cap	180 months	n/a	no cap	180 months	n/a	N/A
■ Eligibility/DOH					opt out of HRA			
Active eligible			all members		12			
Maximum hours			180 months		180 months			
Banked Credit			Not enrolled in PEMHCA, convert hrs to credit at single party Kaiser rate, credit banked for future use					
■ Sick Leave conversion for reimbursement	<ul style="list-style-type: none"> <li>•One time irrevocable choice at retirement</li> <li>•Convert 8 hours unused sick leave to one month single party medical premium except NPOA Mid</li> <li>•No surviving spouse benefit for City Plan, if in PEMHCA min for surviving spouse</li> <li>•Sick leave accrual - 96 hour/year</li> <li>•Caps for medical premiums are indicated below. (Note: premiums include Medicare Part B premium)</li> </ul>							N/A
■ Age & years of service	50 & 10	50 & 15	50 & 5	50 & 10	N/A	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	•\$237/month •EE lifetime •S/L conversion to CalPERS •EE lifetime	N/A	N/A •EE lifetime •S/L conversion to CalPERS •No increase after retirement	N/A •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	50 & 10	N/A	50 & 10	50 & 10	50 & 8
■ Supplemental Benefit	•\$274/month •EE lifetime •No increase after retirement •S/L conversion to CalPERS	•\$244/month •EE lifetime •No increase after retirement •S/L conversion to CalPERS	N/A	•\$237/month •EE lifetime •No increase after retirement •S/L conversion to CalPERS	N/A	•\$246/month •EE lifetime •No increase after retirement •S/L balance converted to HRA @ 50% of hourly rate •Vacation balance deposited into HRA	•\$347/month •EE lifetime •No increase after retirement •S/L conversion to CalPERS	•\$347/month •EE lifetime •No increase after retirement
■ Cap (Tier 1)	• Single single Kaiser premium	• Single single Kaiser premium	Actual Premium	• Single single Kaiser premium	Actual Premium	Actual Premium	• Single single Kaiser premium	• Single single Kaiser premium
■ Life Insurance (DOH<7/1/84)	• \$2,500 • Up to age 70	• \$2,500 • Up to age 70	None	None	• \$2,500 • Up to age 70	• \$2,500 • Up to age 70	• \$2,500 • Up to age 70	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 Fiscal Year Ended June 30, 2012**

**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 December 31, 2009, actuarial valuation using the entry age normal actuarial cost method, and updated June 30, 2011. 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 7.80% to 8.50% in 2012 to 4.50% for years starting 2017. 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 payroll using a 30-year amortization period.

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. During the fiscal year ended June 30, 2012, the City contributed \$835,535 to current year premiums and pre-funded \$801,546 to CERBT Trust. As a result, the City has calculated and recorded the Net OPEB Obligation, representing the difference between the ARC, amortization and contributions, as presented below:

	Retiree Health Benefits Internal Service Fund - <u>Governmental Activities</u>
Actuarial required contribution (ARC) and Annual OPEB cost (6/30/2012)	\$1,084,000
Amortization on the Net OPEB Liability	(67,000)
Interest on the Net OPEB Liability	<u>80,000</u>
Annual OPEB Cost	1,097,000
Contributions made:	
City portion of current year premiums paid	(835,535)
Contribution to CERBT Trust	<u>(801,546)</u>
Total Contributions	(1,637,081)
Contributions, in excess of Pension Cost	(540,081)
Net OPEB Obligation at June 30, 2011	<u>1,037,556</u>
Net OPEB Obligation at June 30, 2012	<u><u>\$497,475</u></u>

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

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

The City's annual required contributions and actual contributions for the years ended June 30, 2012, and the proceeding two years were set forth below (in thousands):

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2010	\$1,558,000	\$2,293,681	147%	\$1,237,066
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

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]
6/30/2008	\$0	\$15,297,000	(\$15,297,000)	0.00%	\$34,149,000	-44.79%
12/31/2009	0	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%

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**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 \$15,000,000, 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.

Below is a reconciliation of changes in the aggregate liabilities for claims for the fiscal years ending June 30, 2011 and 2012:

	<u>2012</u>	<u>2011</u>
Claims liability - beginning	\$5,209,000	\$4,639,950
Changes in estimates for claims in prior years	996,371	1,488,960
Payments on claims	<u>(1,029,371)</u>	<u>(919,910)</u>
Claims liability - ending	<u>\$5,176,000</u>	<u>\$5,209,000</u>
Current portion	<u>\$1,641,750</u>	<u>\$1,617,000</u>

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

**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, 2012, is \$2,317,006.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

<b>NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES</b>
---

**A. *Redevelopment Dissolution***

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except action required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

In addition, ABx1 26 and AB1484 direct the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between the agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller's Office has scheduled, but not yet completed its asset transfer review.

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

The City elected to become the Successor Agency and on February 1, 2012 the the Napa Community Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members.

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 summary of the the Napa Community Redevelopment Agency's assets distributed to and liabilities assumed by the Successor Agency and Housing Successor, reported as an Extraordinary Item is presented below:

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

<b>NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)</b>
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	<u>Governmental Funds (Prior to transfer)</u>	<u>Governmental Activities (Prior to transfer)</u>	<u>Transfer to Successor Agency</u>	<u>Ending Balance January 31, 2012</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$1,103,683		(\$1,103,683)	
Total current assets	1,103,683		(1,103,683)	
Noncurrent assets:				
Restricted cash and investments	3,252,225		(3,252,225)	
Receivables				
Accounts	3,069		(3,069)	
Capital assets:				
Land		\$35,480	(35,480)	
Depreciable capital assets, net		6,032	(6,032)	
Total noncurrent assets	3,255,294	41,512	(3,296,806)	
Total Assets	4,358,977	41,512	(4,400,489)	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	18,704		(18,704)	
Accrued interest	350,257		(350,257)	
Long-term debt - current portion		1,800,000	(1,800,000)	
Payable to Housing Authority	17,856		(17,856)	
Advance from the City's Water Fund - current portion	100,547		(100,547)	
Due to City	1,983,652		(1,983,652)	
Total current liabilities	2,471,016	1,800,000	(4,271,016)	
Noncurrent liabilities:				
Advance from the City's Water Fund	689,177		(689,177)	
Long-term debt - due in more than one year		15,490,000	(15,490,000)	
Total noncurrent liabilities	689,177	15,490,000	(16,179,177)	
Total Liabilities	3,160,193	17,290,000	(20,450,193)	
NET ASSETS	\$1,198,784	(\$17,248,488)	\$16,049,704	

Cash and investments of the Successor Agency as of June 30, 2012 are discussed in Note 3 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2012.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

<b>NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)</b>
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**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. The Agency has assigned a useful life of 35 and 40 years for its buildings and improvements, and infrastructure, respectively.

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.

	Transfer from Redevelopment Agency February 1, 2012	Additions	Balance June 30, 2012
Governmental Activities			
Capital assets not being depreciated:			
Land	\$35,480		\$35,480
Capital assets being depreciated:			
Building and improvements	75,400		75,400
Equipment	7,238		7,238
Total capital assets being depreciated	82,638		82,638
Less accumulated depreciation for:			
Building and improvements	(75,400)		(75,400)
Equipment	(1,206)	(\$430)	(1,636)
Total accumulated depreciation	(76,606)	(430)	(77,036)
Net capital assets being depreciated	6,032	(430)	5,602
Governmental activities capital assets, net	\$41,512	(\$430)	\$41,082

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

<b>NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)</b>
---

**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	Transfer from Redevelopment Agency as of February 1, 2012	Balance June 30, 2012	Current Portion
<b>Redevelopment Tax Allocation Bonds</b>				
2003A Parkway Plaza Redevelopment Project, 2.3-4.8%, due 9/1/2019	\$22,715,000	\$14,620,000	\$14,620,000	\$1,525,000
2003B Parkway Plaza Redevelopment Project, 3.1-5.8%, due 9/1/2019	2,475,000	1,455,000	1,455,000	145,000
2003B Refunding Parkway Plaza Redevelopment Project, 3.1-5.8%, due 9/1/2019	2,050,000	1,215,000	1,215,000	130,000
Total	\$27,240,000	\$17,290,000	\$17,290,000	\$1,800,000

**(b) Redevelopment Tax Allocation Bonds**

In August, 2003, the Agency issued \$27 million in tax allocation bonds as follows:

**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. These bonds were secured by the Agency's 20% low & moderate set-aside of tax increment revenues. Upon dissolution of the Agency, the Successor Agency assumed this debt, which will be paid from distribution's from the County's Redevelopment Property Tax Trust Fund (RPTTF).

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. Using both property taxes received by the Napa Community Redevelopment Agency prior to the dissolution and by the Successor Agency after the dissolution total collections were \$5,645,144 which represented coverage of 2.19 of the \$2,574,535 of debt service.

**CITY OF NAPA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2012**

<b>NOTE 17 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)</b>
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At June 30, 2012, future debt service requirement for the Redevelopment Tax Allocation Bonds were as follows:

Fiscal year ending June 30	Principal	Interest	Total
2013	\$1,800,000	\$774,034	\$2,574,034
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
2018-2022	7,265,000	538,896	\$7,803,896
Total	\$17,290,000	\$3,528,519	\$20,818,519

**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 and the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**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>NOTE 18 – PRIVATE PURPOSE TRUST FUND CONTINGENT LIABILITIES</b>
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*Hazardous Materials Investigation:* Toxic substances were discovered on an Agency-owned parking garage property during construction of a new hotel. The 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 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.

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<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.

**Parkway Plaza Low-and-Mod Income Housing**

**Soscol Gateway Low-and-Mod Income Housing**

**Assessment Districts**

**Community Facilities**

**Community Development Block Grant**

**Traffic**

**Parking**

**Cal Home Grant**

**Public Safety Programs**

**Housing Inclusionary Program**

The Debt Service Funds are used to account for the servicing of long-term debt not being financed by business-type funds.

**City Debt Service**

**Parkway Plaza Debt Service**

**Soscol Gateway Debt Service**

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 Projects**

**Parkway Plaza Capital Projects**

**Soscol Gateway Capital Projects**

CITY OF NAPA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2012

SPECIAL REVENUE FUNDS

	<u>Redevelopment Low- and-Mod</u>					
	<u>Parkway Plaza</u>	<u>Soscol Gateway</u>	<u>Assessment Districts</u>	<u>Community Facilities</u>	<u>Community Development Block Grant</u>	<u>Traffic</u>
<b>ASSETS</b>						
Cash and investments			\$3,835,449	\$229,883	\$774,032	\$1,464,509
Receivables:						
Accounts			326,727	86,256		39,626
Federal, state and other governments					114,410	
Interest receivable			11,285	677	2,278	4,308
Loans receivable					1,222,738	
Land held for redevelopment						125,691
<b>Total Assets</b>			<u>\$4,173,461</u>	<u>\$316,816</u>	<u>\$2,113,458</u>	<u>\$1,634,134</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities			\$5,228	\$31,833	\$43,482	\$49,495
Vacation and sick leave accrual						
Deposits payable			97,710		5,141	
Deferred revenue			4,250		1,222,196	
<b>Total Liabilities</b>			<u>107,188</u>	<u>31,833</u>	<u>1,270,819</u>	<u>49,495</u>
<b>Fund balances (Deficit):</b>						
Nonspendable						125,691
Restricted				284,983	842,639	874,495
Committed			4,066,273			584,453
<b>Total Fund Balances (Deficit)</b>			<u>4,066,273</u>	<u>284,983</u>	<u>842,639</u>	<u>1,584,639</u>
<b>Total Liabilities and Fund Balances</b>			<u>\$4,173,461</u>	<u>\$316,816</u>	<u>\$2,113,458</u>	<u>\$1,634,134</u>

DEBT SERVICE FUND

Parking	CAL Home Grant	Public Safety Programs	Housing Inclusionary Program	City Debt Service	Redevelopment	
					Parkway Plaza	Soscol Gateway
\$4,853,823	\$84,164	\$15,868	\$4,991,356			
9,041			27,775			
14,285	248	47	14,690			
	408,263		1,554,280			
<u>\$4,877,149</u>	<u>\$492,675</u>	<u>\$15,915</u>	<u>\$6,588,101</u>			
\$87,160			\$1,809			
5,619						
3,659,820	\$408,263		1,582,055			
<u>3,752,599</u>	<u>408,263</u>		<u>1,583,864</u>			
1,124,550	84,412	\$15,915	5,004,237			
<u>1,124,550</u>	<u>84,412</u>	<u>15,915</u>	<u>5,004,237</u>			
<u>\$4,877,149</u>	<u>\$492,675</u>	<u>\$15,915</u>	<u>\$6,588,101</u>			

(Continued)

CITY OF NAPA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2012

	CAPITAL PROJECT FUNDS			Total Nonmajor Governmental
	Redevelopment			
	Street Resurfacing	Parkway Plaza	Soscol Gateway	
<b>ASSETS</b>				
Cash and investments	\$437,720			\$16,686,804
Receivables:				
Accounts				489,425
Federal, state and other governments	115,619			230,029
Interest receivable				47,818
Loans receivable				3,185,281
Land held for redevelopment				125,691
	\$553,339			\$20,765,048
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$332,699			\$551,706
Vacation and sick leave accrual				5,619
Deposits payable	3,753			3,766,424
Deferred revenue				3,216,764
	336,452			7,540,513
<b>Fund balances (Deficit):</b>				
Nonspendable				125,691
Restricted				2,102,444
Committed	216,887			10,996,400
	216,887			13,224,535
<b>Total Liabilities and Fund Balances</b>	<b>\$553,339</b>			<b>\$20,765,048</b>

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CITY OF NAPA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS					
	Redevelopment Low-and-Mod					
	Parkway Plaza	Soscol Gateway	Assessment Districts	Community Facilities	Community Development Block Grant	Traffic
<b>REVENUES</b>						
Taxes				\$462,211		
Intergovernmental					\$621,017	\$2,150,355
Charges for services			\$927,845	19,392	70,541	334,153
Investment income	\$8,972	\$2,057	37,638	5,694		770
Miscellaneous revenues						9,036
<b>Total Revenues</b>	<u>8,972</u>	<u>2,057</u>	<u>965,483</u>	<u>487,297</u>	<u>691,558</u>	<u>2,494,314</u>
<b>EXPENDITURES</b>						
Current:						
General government			124,201	481,033	646,803	
Public works			107,257			
Public safety						327,464
Parks and recreation			18,883			
Redevelopment						
County Fees and pass-through						
Capital outlay						
Debt service:						
Principal repayment	270,000					
Interest and fiscal charges	142,363					
<b>Total Expenditures</b>	<u>412,363</u>		<u>250,341</u>	<u>481,033</u>	<u>646,803</u>	<u>327,464</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>(403,391)</u>	<u>2,057</u>	<u>715,142</u>	<u>6,264</u>	<u>44,755</u>	<u>2,166,850</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						103,000
Transfers (out)			(1,259,987)		(139,492)	(2,141,144)
<b>Total Other Financing Sources (Uses)</b>			<u>(1,259,987)</u>		<u>(139,492)</u>	<u>(2,038,144)</u>
<b>NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM</b>	<u>(403,391)</u>	<u>2,057</u>	<u>(544,845)</u>	<u>6,264</u>	<u>(94,737)</u>	<u>128,706</u>
<b>EXTRAORDINARY ITEMS</b>						
Assets transferred to/liabilities assumed by Successor Agency	(30,287)	(291,589)				
<b>Net Change in Fund Balances</b>	<u>(433,678)</u>	<u>(289,532)</u>	<u>(544,845)</u>	<u>6,264</u>	<u>(94,737)</u>	<u>128,706</u>
<b>Beginning Fund Balances (Deficit)</b>	<u>433,678</u>	<u>289,532</u>	<u>4,611,118</u>	<u>278,719</u>	<u>937,376</u>	<u>1,455,933</u>
<b>Ending Fund Balances (Deficit)</b>			<u>\$4,066,273</u>	<u>\$284,983</u>	<u>\$842,639</u>	<u>\$1,584,639</u>

DEBT SERVICE FUNDS

Parking	CAL Home Grant	Public Safety Programs	Housing Inclusionary Program	City Debt Service	Redevelopment	
					Parkway Plaza	Soscol Gateway
					\$2,746,935	\$309,749
\$447,052	\$150,000		\$533,648			
113,102	2,000	\$447	73,367		51,508	5,638
	1,927					
<u>560,154</u>	<u>153,927</u>	<u>447</u>	<u>607,015</u>		<u>2,798,443</u>	<u>315,387</u>
	176,594		104,148		582,641	
292,381		628				123,842
150,925						
13,637						
					1,460,000	
					648,699	12,586
<u>456,943</u>	<u>176,594</u>	<u>628</u>	<u>104,148</u>		<u>2,691,340</u>	<u>136,428</u>
103,211	(22,667)	(181)	502,867		107,103	178,959
162,682					1,426,299	
(184,500)			(2,117)			(147,910)
(21,818)			(2,117)		1,426,299	(147,910)
81,393	(22,667)	(181)	500,750		1,533,402	31,049
					163,239	(458,977)
81,393	(22,667)	(181)	500,750		1,696,641	(427,928)
1,043,157	107,079	16,096	4,503,487		(1,696,641)	427,928
<u>\$1,124,550</u>	<u>\$84,412</u>	<u>\$15,915</u>	<u>\$5,004,237</u>			

(Continued)

CITY OF NAPA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012

	CAPITAL PROJECT FUNDS			Total Nonmajor Governmental
	Street Resurfacing	Redevelopment		
		Parkway Plaza	Soscol Gateway	
REVENUES				
Taxes				\$3,518,895
Intergovernmental	\$174,651			3,096,023
Charges for services	41,500	\$1,106		2,377,237
Investment income	(2,450)	(33,995)	\$3,802	268,477
Miscellaneous revenues				9,036
<b>Total Revenues</b>	<b>213,701</b>	<b>(32,889)</b>	<b>3,802</b>	<b>9,269,668</b>
EXPENDITURES				
Current:				
General government				2,115,420
Public works				107,257
Public safety				620,473
Parks and recreation				169,808
Redevelopment		233,860	136,978	370,838
County Fees and pass-through				123,842
Capital outlay	3,212,893	58,546		3,285,076
Debt service:				
Principal repayment				1,730,000
Interest and fiscal charges				803,648
<b>Total Expenditures</b>	<b>3,212,893</b>	<b>292,406</b>	<b>136,978</b>	<b>9,326,362</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(2,999,192)	(325,295)	(133,176)	(56,694)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,961,257		147,910	4,801,148
Transfers (out)		(1,654,308)	(30,579)	(5,560,037)
<b>Total Other Financing Sources (Uses)</b>	<b>2,961,257</b>	<b>(1,654,308)</b>	<b>117,331</b>	<b>(758,889)</b>
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	(37,935)	(1,979,603)	(15,845)	(815,583)
EXTRAORDINARY ITEMS				
Assets transferred to/liabilities assumed by Successor Agency		(556,307)	(24,861)	(1,198,782)
<b>Net Change in Fund Balances</b>	<b>(37,935)</b>	<b>(2,535,910)</b>	<b>(40,706)</b>	<b>(2,014,365)</b>
Beginning Fund Balances (Deficit)	254,822	2,535,910	40,706	15,238,900
<b>Ending Fund Balances (Deficit)</b>	<b>\$216,887</b>	<b>\$13,224,535</b>	<b>\$13,224,535</b>	<b>\$13,224,535</b>

## 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 Assets. 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.

### **IT Replacement Fund**

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

### **Post-Employment Benefits 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 ASSETS  
JUNE 30, 2012

	Risk Management	Central Stores	Fleet	IT Replacement	Post Employment Benefits	Total
<b>ASSETS</b>						
Current Assets:						
Cash and investments	\$6,462,105		\$2,985,323	\$32,850		\$9,480,278
Accounts receivable			23,775		\$852,232	876,007
Federal, state and other governments	905,760					905,760
Interest receivable	19,020		8,496	97		27,613
Prepaid items	137,247					137,247
Inventory		\$435,876				435,876
<b>Total Current Assets</b>	<b>7,524,132</b>	<b>435,876</b>	<b>3,017,594</b>	<b>32,947</b>	<b>852,232</b>	<b>11,862,781</b>
Capital Assets:						
Nondepreciable			112,694			112,694
Depreciable, net		51,615	7,194,561			7,246,176
<b>Total Assets</b>	<b>7,524,132</b>	<b>487,491</b>	<b>10,324,849</b>	<b>32,947</b>	<b>852,232</b>	<b>19,221,651</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable and accrued liabilities	421,086	4,979	326,355	332		752,752
Compensated absences			12,209			12,209
Claims payable	1,641,750					1,641,750
Capital lease			61,902			61,902
Due to other funds		499,316			225,726	725,042
<b>Total Current Liabilities</b>	<b>2,062,836</b>	<b>504,295</b>	<b>400,466</b>	<b>332</b>	<b>225,726</b>	<b>3,193,655</b>
Long-Term Obligations:						
Net OPEB Obligation					497,475	497,475
Compensated absences		4,503	20,506			25,009
Capital lease			102,337			102,337
Claims payable	3,534,250					3,534,250
<b>Total Liabilities</b>	<b>5,597,086</b>	<b>508,798</b>	<b>523,309</b>	<b>332</b>	<b>723,201</b>	<b>7,352,726</b>
<b>NET ASSETS (DEFICITS)</b>						
Invested in capital assets, net of related debt		51,615	7,143,016			7,194,631
Unrestricted	1,927,046	(72,922)	2,658,524	32,615	129,031	4,674,294
<b>Total Net Assets (Deficits)</b>	<b>\$1,927,046</b>	<b>(\$21,307)</b>	<b>\$9,801,540</b>	<b>\$32,615</b>	<b>\$129,031</b>	<b>\$11,868,925</b>

CITY OF NAPA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Risk Management</u>	<u>Central Stores</u>	<u>Fleet</u>	<u>Information Technology</u>	<u>Post Employment Benefits</u>	<u>Total</u>
<b>OPERATING REVENUES</b>						
Charges for services	<u>\$4,211,959</u>	<u>\$632,011</u>	<u>\$3,560,033</u>	<u>\$178,930</u>	<u>\$1,655,000</u>	<u>\$10,237,933</u>
Total Operating Revenues	<u>4,211,959</u>	<u>632,011</u>	<u>3,560,033</u>	<u>178,930</u>	<u>1,655,000</u>	<u>10,237,933</u>
<b>OPERATING EXPENSES</b>						
Cost of goods sold		528,124				528,124
Employee services and benefits	63,019	106,210	761,781		1,160,706	2,091,716
Materials and services	2,377,542	13,478	1,455,570	142,032		3,988,622
Insurance premiums and claims	923,035					923,035
Depreciation		4,487	974,271			978,758
Total Operating Expenses	<u>3,363,596</u>	<u>652,299</u>	<u>3,191,622</u>	<u>142,032</u>	<u>1,160,706</u>	<u>8,510,255</u>
Operating Income (Loss)	<u>848,363</u>	<u>(20,288)</u>	<u>368,411</u>	<u>36,898</u>	<u>494,294</u>	<u>1,727,678</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	<u>103,526</u>	<u>(13,142)</u>	<u>36,291</u>	<u>(83)</u>	<u>1,857</u>	<u>128,449</u>
Total Nonoperating Revenues (Expenses)	<u>103,526</u>	<u>(13,142)</u>	<u>36,291</u>	<u>(83)</u>	<u>1,857</u>	<u>128,449</u>
Income (loss) before transfers	<u>951,889</u>	<u>(33,430)</u>	<u>404,702</u>	<u>36,815</u>	<u>496,151</u>	<u>1,856,127</u>
<b>TRANSFERS</b>						
Transfers in			147,765			147,765
Transfers (out)	<u>(318,801)</u>		<u>(192,824)</u>			<u>(511,625)</u>
Change in Net Assets	633,088	(33,430)	359,643	36,815	496,151	1,492,267
Beginning Net Assets (Deficits)	<u>1,293,958</u>	<u>12,123</u>	<u>9,441,897</u>	<u>(4,200)</u>	<u>(367,120)</u>	<u>10,376,658</u>
Ending Net Assets (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>

CITY OF NAPA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012

	Risk Management	Central Stores	Fleet	Information Technology	Post Employment Benefits	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$4,238,955	\$632,011	\$3,527,849	\$178,930	\$822,093	\$9,399,838
Payments to suppliers	(2,198,675)	(560,128)	(1,249,830)	(141,752)		(4,150,385)
Payments to employees	(986,054)	(104,773)	(761,201)		(1,700,787)	(3,552,815)
<b>Cash Flows from Operating Activities</b>	<u>1,054,226</u>	<u>(32,890)</u>	<u>1,516,818</u>	<u>37,178</u>	<u>(878,694)</u>	<u>1,696,638</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in			147,765			147,765
Transfers out	(318,801)		(192,824)			(511,625)
Interfund receipts (payments)		46,032		(4,148)	225,726	267,610
<b>Cash Flows from Noncapital Financing Activities</b>	<u>(318,801)</u>	<u>46,032</u>	<u>(45,059)</u>	<u>(4,148)</u>	<u>225,726</u>	<u>(96,250)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of capital assets			(1,524,579)			(1,524,579)
<b>Cash Flows from Capital and Related Financing Activities</b>			<u>(1,524,579)</u>			<u>(1,524,579)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest	106,508	(13,142)	39,550	(180)	4,347	137,083
<b>Cash Flows from Investing Activities</b>	<u>106,508</u>	<u>(13,142)</u>	<u>39,550</u>	<u>(180)</u>	<u>4,347</u>	<u>137,083</u>
<b>Net Cash Flows</b>	841,933		(13,270)	32,850	(648,621)	212,892
Cash and cash equivalents at beginning of period	5,620,172		2,998,593		648,621	9,267,386
Cash and cash equivalents at end of period	<u>\$6,462,105</u>		<u>\$2,985,323</u>	<u>\$32,850</u>		<u>\$9,480,278</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>						
Operating income (loss)	\$848,363	(\$20,288)	\$368,411	\$36,898	\$494,294	\$1,727,678
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>						
Depreciation		4,487	974,271			978,758
<b>Change in assets and liabilities:</b>						
Receivables, net	26,996		(7,470)		(832,907)	(813,381)
Other assets	3,179	580				3,759
Accounts payable and other accrued expenses	208,688	(19,106)	205,740	280		395,602
Net OPEB Obligation					(540,081)	(540,081)
Deferred revenue			(24,714)			(24,714)
Claims payable	(33,000)					(33,000)
Vacation and sick leave payable		1,437	580			2,017
<b>Cash Flows from Operating Activities</b>	<u>\$1,054,226</u>	<u>(\$32,890)</u>	<u>\$1,516,818</u>	<u>\$37,178</u>	<u>(\$878,694)</u>	<u>\$1,696,638</u>

<b>FIDUCIARY 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  
PRIVATE PURPOSE TRUST FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Successor Agency to the  Redevelopment Agency  Private-Purpose  Trust Fund</u>
<b>ASSETS</b>	
Restricted cash and investments held by fiscal agents	\$5,414,597
Receivables, net:	
Interest	20,657
Bond costs	363,200
Capital assets:	
Land	35,480
Depreciable	82,638
Less: Accumulated depreciation	<u>(77,036)</u>
 Total Assets	 <u>5,839,536</u>
<b>LIABILITIES</b>	
Accounts payable	41,360
Accrued interest payable	258,013
Unearned revenue	949,027
Loan payable to the City	811,299
Long-term debt	
Due within one year	1,800,000
Due in more than one year	<u>15,490,000</u>
 Total Liabilities	 <u>19,349,699</u>
<b>NET ASSETS</b>	
Held in Trust for private purpose	<u><u>(\$13,510,163)</u></u>



CITY OF NAPA  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>PAYROLL</u>				
Assets				
Cash and investments	\$682,179	\$142,546	(\$682,179)	\$142,546
Accounts receivable	134	1,322	(134)	1,322
Loan receivable	96,000	88,536		184,536
Total Assets	<u>\$778,313</u>	<u>\$232,404</u>	<u>(\$682,313)</u>	<u>\$328,404</u>
Liabilities				
Accounts payable	<u>\$778,313</u>	<u>\$232,404</u>	<u>(\$682,313)</u>	<u>\$328,404</u>
<u>NAPA VALLEY CORPORATE PARK ASSESSMENT DISTRICT</u>				
Assets				
Cash and investments	\$366,333		(\$284,597)	\$81,736
Restricted cash and investments	214,505		(214,505)	
Interest receivable	1,434	\$241	(1,434)	241
Total Assets	<u>\$582,272</u>	<u>\$241</u>	<u>(\$500,536)</u>	<u>\$81,977</u>
Liabilities				
Due to bondholders	<u>\$582,272</u>	<u>\$241</u>	<u>(\$500,536)</u>	<u>\$81,977</u>
<u>TOTAL AGENCY FUNDS</u>				
Assets				
Cash and investments	\$1,048,512	\$142,546	(\$966,776)	\$224,282
Restricted cash and investments	214,505		(214,505)	
Accounts receivable	134	1,322	(134)	1,322
Interest receivable	1,434	241	(1,434)	241
Loan receivable	96,000	88,536		184,536
Total Assets	<u>\$1,360,585</u>	<u>\$232,645</u>	<u>(\$1,182,849)</u>	<u>\$410,381</u>
Liabilities				
Accounts payable	\$778,313	\$232,404	(\$682,313)	\$328,404
Due to bondholders	582,272	241	(500,536)	81,977
Total Liabilities	<u>\$1,360,585</u>	<u>\$232,645</u>	<u>(\$1,182,849)</u>	<u>\$410,381</u>