

CITY OF NAPA, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014



CITY OF NAPA, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Prepared by:

Finance Department, City of Napa
December, 2014

**CITY OF NAPA, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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SECTION 1

INTRODUCTORY SECTION



January 31, 2015

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 fiscal year ended June 30, 2014. 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 Vavrinek, Trine, Day & Co. (VTD), LLP, Certified Public Accountants, a public accounting firm fully licensed and qualified to perform audits of State and local governments within the State of California. VTD has issued an unmodified opinion on the City of Napa's financial statements for the fiscal year ended June 30, 2014. 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 79,000 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 related budgets, which require City Manager approval. The level of budgetary control, the level at which expenditures cannot legally exceed the appropriated amount, is established at the department level. Expenditures above the appropriated amount require special approval by the City Council.

Local Economy

Over the past few years the City of Napa has realized a strong recovery in its major revenue sources; property, sales and transient occupancy taxes. The City's tourism industry has rebounded to pre-recession levels with Transient Occupancy Tax (TOT) increasing by approximately \$1.8 million or almost 13% between fiscal 2013 and fiscal 2014. There are over 2,400 lodging rooms in the City, with over 200 more approved or in the entitlement process.

Retail sales increased approximately \$0.9 million or 6.3% over fiscal 2013 with the latest sales tax report ending September, 2014, showing 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.

Another sign of fiscal recovery is the rise in employment. The unemployment rate in the City of Napa dropped from 6.0% in July 2013 to 5.4% in July 2014.


In fiscal 2014, the total fund balances in the General Fund increased by \$5.0 million (25%) from \$19.7 million to \$24.7 million. Consistent with Council direction \$3.3 million will be transferred to the Capital Projects Reserve, and the remainder will be transferred to the General Fund Emergency Reserve to fund emergency response activities from the August 24, 2014 earthquake.

Long-Term Financial Planning

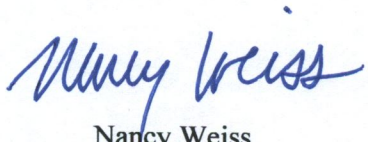
The City updates a Long Term Financial Plan (LTFP) on an annual basis to provide a forward look at the City's General Fund operating revenues and expenditures. Its purpose is to identify financial trends, shortfalls, opportunities and issues so the City can proactively address them. It does so by projecting the future fiscal results of continuing the City's current service levels and policies. The LTFP lays the foundation for the budget, aiding both the City Manager and City Council in establishing priorities and allocating resources appropriately.

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.



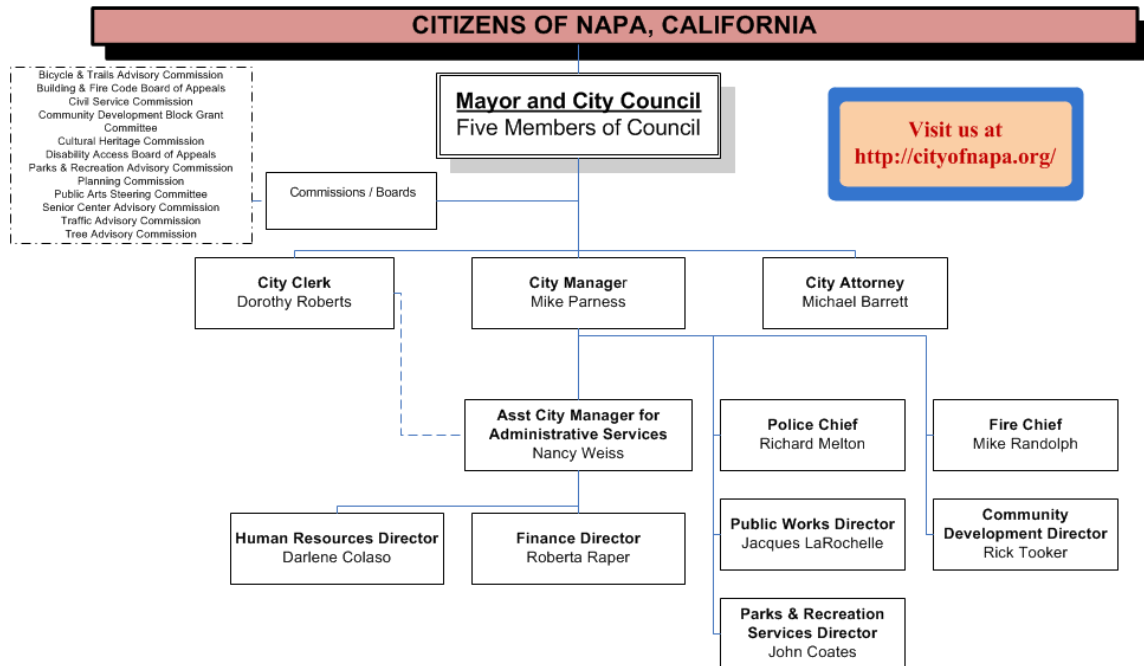
Mike Parness
City Manager



Nancy Weiss
Assistant City Manager,
Administrative Services

CITY OF NAPA

ORGANIZATIONAL CHART





CITY of NAPA

COMPREHENSIVE ANNUAL FINANCIAL REPORT June 30, 2014

Mission Statement

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

CITY COUNCIL

Jill Techel, Mayor
Juliana Inman, Vice-Mayor
Peter Mott, 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
Rich Melton, Police Chief
Mike Randolph, Fire Chief
Rick Tooker, Community Development Director
Jacques LaRochelle, Public Works Director
John Coates, Parks and Recreation Services Director



SECTION 2

FINANCIAL SECTION



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

Report on the 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 City of Napa, California (City), as of and for the year ended June 30, 2014 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of 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 of Napa, California, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Development Fee Special Revenue Fund and the Home Program Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter***Prior Period Adjustments***

As described in Note 19 to the financial statements, the City restated the July 1, 2013 beginning net position of the governmental activities, business-type activities, the Water Utility enterprise fund and the Successor Agency Trust Funds fiduciary fund, to correct errors in accounting and financial reporting related to a service concession arrangement, a long term purchase commitment, and bond issuance costs. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual non-major fund financial statements and schedules are 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 January 31, 2015, 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.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
January 31, 2015

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, 2014.

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 perspectives 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 City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*:

- *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. The City maintains several individual governmental funds organized according to their type (special revenue and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Development Fees Fund, Home Program, and City Capital Projects, which

are considered to be major funds. Data from the remaining non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements beginning on page 81.

- *Proprietary funds* are generally used to account for services for which the City charges customers – either outside customers, or internal departments or programs of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:
 - *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the water utility, materials diversion (solid waste & recycling) and housing activities. All of the proprietary funds are major funds.
 - *Internal service funds* are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for fleet services, central stores inventory, information technology equipment maintenance and replacement, post-employment benefits for current and past employees, and insurance programs on a cost-reimbursement basis. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statement. Individual fund data for the internal service funds is provided in the form of combining statements beginning on page 98.
- *Fiduciary funds* are used to report assets held in a trust or agency capacity for others. The City currently has two fiduciary funds; the Payroll fund to hold employee payroll deductions withheld and monies collected from retirees for their share of health insurance premiums, held in an agency capacity, and the Private Purpose Trust Fund used to account for resources held for the benefit of winding down the activities of the former Redevelopment Agency. These fiduciary funds cannot be used to support the City's programs and therefore is 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 2014 as tourism activity continued to strengthen.

The governmental activities total assets increased by \$14.1 million (to \$470.5 million), while business-type activities total assets decreased by \$29.4 million (to \$177.0 million). The increase in the government activities funds was due to increased cash and investment from a strengthening economy, and the transfer of all of the public domain (infrastructure) capital assets (e.g. landscape, storm, street, and traffic systems) from the Successor Agency to the City of Napa pursuant to the Long Range Property Management Plan approval from State of California Department of Finance on March 20, 2014. The reduction of assets for business type activities was related to the adjustment of the City's participation in the State Water Project – North Bay Aqueduct (NBA) from a capital lease to an operating expense.

Overall, the City reduced liabilities in fiscal 2014 by \$43.7 million (from \$117.5 million to \$73.8 million). Governmental activities realized a decrease of \$4.5 million, with the most notable impact resulting from the recognition of \$3.7 million in deposits to provide replacement parking from a recent flood event. Business-type activities saw a decrease of \$39.2 million, reducing both long term liabilities (most notably the adjustment related to the State Water Project NBA). Additionally, the City paid off of the 2004 Solid Waste bonds in business-type activities in fiscal 2014.

Overall, the City's net position increased by \$22.6 million, with \$18.6 million of the increase in governmental activities net position, and the remaining \$4.0 million in business-type activities net position.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The total net position of the City as of June 30, 2013 and 2014 are summarized in Table 1 below and are followed by a discussion of the balances by category.

Table 1
Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Assets:						
Cash and investments	\$ 73,546,446	\$ 80,106,053	\$ 36,911,409	\$ 36,483,713	\$ 110,457,855	\$ 116,589,766
Receivables and other assets	26,334,298	24,546,117	19,843,456	18,256,323	46,177,754	42,802,440
Capital assets	356,504,583	365,825,882	155,407,292	122,232,012	511,911,875	488,057,894
Assets	456,385,327	470,478,052	212,162,157	176,972,048	668,547,484	647,450,100
Liabilities:						
Long-term liabilities	7,647,079	6,442,053	86,062,459	49,199,458	93,709,538	55,641,511
Other liabilities	13,652,599	10,327,957	10,146,875	7,787,048	23,799,474	18,115,005
Liabilities	21,299,678	16,770,010	96,209,334	56,986,506	117,509,012	73,756,516
Deferred Inflows of Resources						
Unavailable revenue	673,209	673,196	-	-	673,209	673,196
Deferred Inflows	673,209	673,196	-	-	673,209	673,196
Net position:						
Net investment in capital assets	355,732,943	365,825,882	69,679,509	72,262,131	425,412,452	438,088,013
Restricted	38,204,949	37,699,419	799,393	534,084	39,004,342	38,233,503
Unrestricted	40,474,548	49,509,545	45,473,921	47,189,327	85,948,469	96,698,872
Total net position	\$ 434,412,440	\$ 453,034,846	\$ 115,952,823	\$ 119,985,542	\$ 550,365,263	\$ 573,020,388

Cash and investments - The City's cash and investment portfolio increased by \$6.1 million to \$116.6 million during the year due to increased cash and investments in Governmental activities from strong sales and transient occupancy tax receipts. The slight reduction in Business type activities cash is a net impact of increased cash from strong water sales and solid waste collection receipts, offset by the reduction of restricted cash used to the pay off of the 2004 Solid Waste Revenue Bonds in June, 2014. The cash balance comprises \$71.6 million held in investments; of which \$35.1 million is held for governmental programs or designated for other budgetary commitments and \$36.5 million held for enterprise operations. Additionally, funds held in the Local Agency Investment Fund (LAIF) totaled \$46.2 million and the cash in banks or on hand totaled \$5.8 million.

Receivables and other assets - The City's receivables and other assets decreased by \$3.4 million to \$42.8 million. Governmental Activities comprised \$1.8 million of the decrease as a significant amount of unearned revenue from development projects was received in fiscal 2014. The decrease in Business-type Activities of \$1.6 million is related to reduced Accounts receivables in the Water Fund (\$1.0 million), Solid Waste Enterprise Fund (\$0.3 million), and a reduction in Housing loans receivable (\$0.3 million) due to loan payoffs received in fiscal 2014.

Capital assets - The City's capital assets decreased by \$18.1 million during the year to \$488.1 million. The decrease is primarily due to the adjustment of the NBA Capital Lease to an operating expense, which removed \$28 million from business-type activities capital assets, offset by the completion of a number of large construction projects (e.g. Saratoga Road Extension; Streetlight Upgrade / LED Conversion, Downtown Streetscape, and 4th Street Boat Dock projects).

Long-term liabilities - The long-term liabilities of \$55.6 million includes the City's revenue bonds issued for water, as well as other various smaller notes and leases. The adjustment of the NBA Capital Lease to an operating expense removed \$28 million from business type activities liabilities. Additionally, the 2004 Solid Waste Revenue Bonds were paid off in June 2014, which further reduced the business-type activities debt by approximately \$3 million. Finally, we continue the reduction of long-term debt in both governmental activities and business-type activities through the absence of new debt issues in the current year and timely payment on outstanding issues.

Other Liabilities - The City's other liabilities decreased by \$5.7 million to total \$18.1 million. \$3.7 million of this impact resulted from a recognition of the reimbursement provided by the Napa County Flood Control District for parking spaces lost from a prior flood event. The City's business-type activities other liabilities accounted for \$2.3 million of the decrease, due to a decrease in accounts payable and accrued liabilities in the Water and Solid Waste Enterprise funds.

Net position - The City's total net position increased by \$22.7 million during the fiscal year to \$573.0 million. The Governmental Activities net position balance of \$453.0 million includes \$365.8 million of net investment in capital assets, \$37.7 million restricted funds available for capital projects and other programs, and a remaining balance of \$49.5 million available for future needs. The City's Business-type Activities reported a net position balance of \$120 million, which includes \$72.3 million of net investment in capital assets, \$0.5 million in restricted housing programs, and \$47.2 million available for future needs including capital projects.

Government-wide Activities

The changes in the City's government-wide net position as of June 30, 2014 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, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Revenues:						
Program revenues:						
Charges for services	\$ 17,655,225	\$ 23,791,121	\$ 52,335,003	\$ 53,742,909	\$ 69,990,228	\$ 77,534,030
Operating grants and contributions	2,448,356	2,329,284	11,500,562	10,542,922	13,948,918	12,872,206
Capital grants and contributions	2,115,560	12,765,052	462,020	728,950	2,577,580	13,494,002
General revenues:						
Property, sales, and other taxes	55,535,501	59,609,220			55,535,501	59,609,220
Other	92,761	530,723	10,858	364,248	103,619	894,971
Total revenues	77,847,403	99,025,401	64,308,443	65,379,029	142,155,846	164,404,430
Expenses:						
Governmental activities:						
General government	19,452,461	10,614,404			19,452,461	10,614,404
Public safety	34,946,035	36,763,956			34,946,035	36,763,956
Public works	22,913,692	27,222,869			22,913,692	27,222,869
Park and recreation	6,764,517	7,269,371			6,764,517	7,269,371
Community Development	3,417,781	6,246,380			3,417,781	6,246,380
Business-type activities:						
Water			21,172,960	23,800,760	21,172,960	23,800,760
Garbage			21,276,560	21,077,686	21,276,560	21,077,686
Golf course			1,459,452		1,459,452	
Housing			13,291,161	12,168,969	13,291,161	12,168,969
Total expenses	87,494,486	88,116,980	57,200,133	57,047,415	144,694,619	145,164,395
Excess before extraordinary items and transfers	(9,647,083)	10,908,421	7,108,310	8,331,614	(2,538,773)	19,240,035
Extraordinary Items	3,995,367	3,415,090	746,553		4,741,920	3,415,090
Transfers	4,128,048	4,298,895	(4,128,048)	(4,298,895)		
Changes in net position	(1,523,668)	18,622,406	3,726,815	4,032,719	2,203,147	22,655,125
Net Position - Beginning as restated (Note 19)	435,936,108	\$ 434,412,440	112,226,008	115,952,823	548,162,116	550,365,263
Net Position - Ending	\$ 434,412,440	\$ 453,034,846	\$ 115,952,823	\$ 119,985,542	\$ 550,365,263	\$ 573,020,388

The City's net position increased by \$22.7 million during the year, as measured on the accrual basis of accounting. Overall, revenues increased 15.6% (\$22.2 million). Charges for Services increased \$7.5 million, with \$6.1 of the increase coming in the Governmental activities as evidence of an improving economy in the Napa Valley. \$1.4 million of the increase was in Business-type activities with the significant factor being increased water sales due to the ongoing drought. Operating grants and contributions decreased by \$1.0 million overall, while Capital grants and contributions increased significantly from \$2.6 to \$13.5 million. In addition to the \$3.7 million parking reimbursement already discussed, \$2.2 million was received from local developers and agencies for specific capital projects, and a \$1.4 million grant was received to upgrade the City's streetlights to LED. In General revenues,

increased property tax (\$1.4 million) sales tax (\$0.9 million) and transient occupancy tax (\$1.8 million) combined for the increase of \$4.1 million overall.

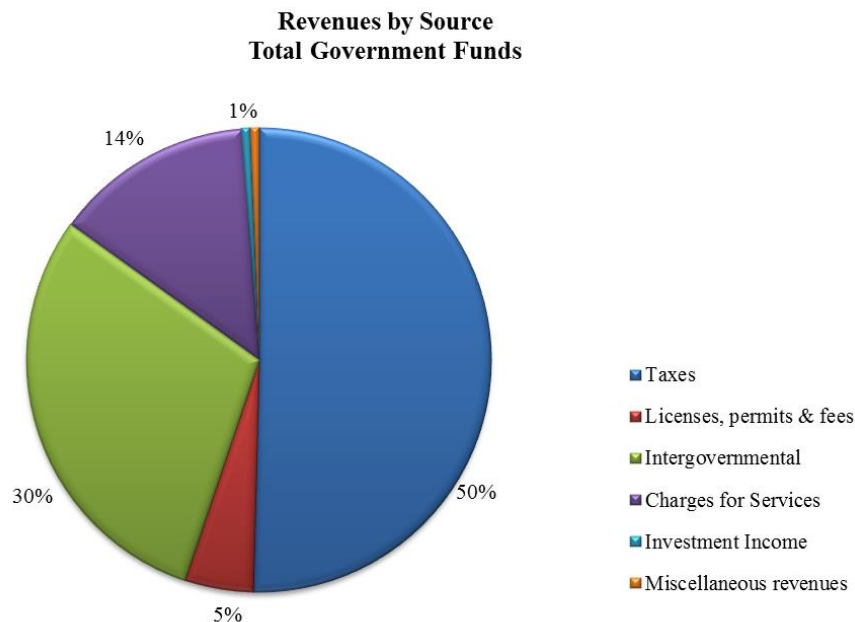
City expenses increased by \$0.5 million overall, however Governmental activities expenses increased from the prior fiscal year by \$0.6 million (less than 1 percent) due to inflation. The adjustment between governmental activities was not a change in expenses as much as a reassigning of the Special Revenue funded programs (e.g. CDBG, HOME program, Assessment Districts, Development Impact Fees, etc.) in the appropriate department (Public Works, Parks and Recreation, and Community Development) to more accurately reflect the oversight responsibility. The business-type activities expenses decreased by \$0.2 million to \$57.0 million. This is the net impact of increased expenses in Water offset by the elimination of the Golf course Enterprise fund on May 15, 2013 upon the execution of the Service Concession Arrangement. The net position of the City increased \$22.6 million, \$18.6 million in Governmental activities and \$ net position amounted to an increase of \$4.0 million. Please note the adjustment of the beginning net position of the Governmental Activities - Golf (\$673,196) and Business-type activities – Water (\$5,781,151). See Note 19 for further discussion of these adjustments.

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 the general fund and 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:

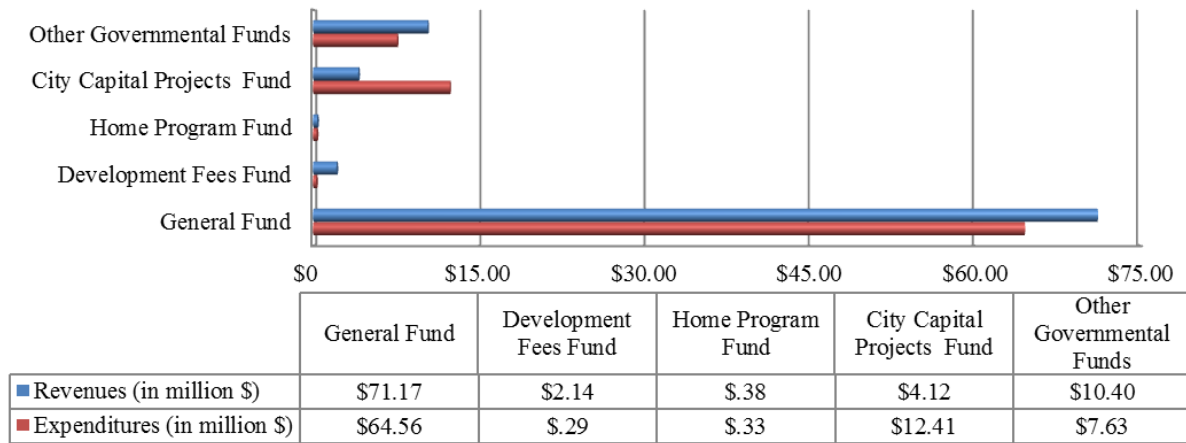
Governmental Funds

General Fund - The City's General Fund had budgeted revenues of \$69.8 million, and realized \$71.2 million (102% of budget), an increase of \$4.8 million (approximately 7%) from the previous year. This increase is attributed to continued recovery from the national recession, as additional revenues were received, most notably in property tax, sales tax and transient occupancy tax categories.



General Fund expenditures were budgeted at \$68.2 million (excluding transfers) and realized at \$64.6 million (95% of budget). Fiscal 2014 expenditures increased over the prior year by \$3.1 million (approximately 5 percent). General Government had a small increase of 2.2% due to inflation. Public safety increased by 5% due to fewer officer vacancies when compared to fiscal 2013, while the remaining departmental increases; Public Works by 8%, Parks and Recreation by 7%, and Community Development by 6%, reflect a significant effort in fiscal 2014 to conduct studies (e.g. parking master plan, etc.) that had been delayed due to the recession.

**Total Revenues & Expenditures
Government Funds
(in millions)**



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 2014 revenues were \$2.1 million, approximately 15% over the budget. Due to the unpredictable nature of development fees, fiscal 2014 revenues reflected a decrease of \$0.3 million from the prior year due to reduced new development activity over the prior year. This does not reflect a decrease in development activity, but rather the timing of the projects, as many projects started in fiscal 2013 are still in the pipeline. Development Fees fund expenditures, budgeted at \$0.4 million, came in behind projections at \$0.3 million. The delayed expenditures will occur in a future fiscal year as the various projects move through to completion. The internal transfer out to capital projects was also under budget, (\$8.3 million budget, \$3.1 million actual) due to delayed expenditures of ongoing capital improvement projects.

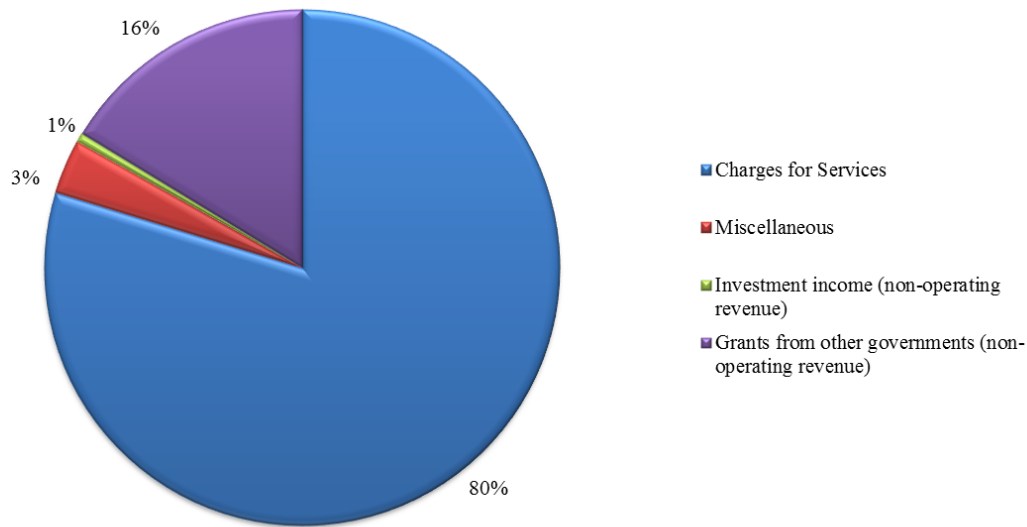
HOME Fund – This fund accounts for Federal grants received under the HOME Investment Partnership Program that is administered by the State of California and program income received from the repayment of previous loans. These funds are used to provide down payment assistance to low-income first-time homebuyers.

City Capital Projects Fund - The City's capital program saw a decline in expenditures of nearly 15% due to the cyclical construction activity of capital projects. In total, \$12.4 million in capital outlay was expended during the current year. In addition to the revenues received (capital grants), transfers of \$8.5 million from the various special revenue funds and general fund provided funding for the capital activity. All resources in this fund are restricted or committed for specific capital improvement programs.

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 the Jamieson Canyon Treatment Facility. Construction began in 2008, and was completed in fiscal 2011. Net position (unrestricted) includes reserves for capital replacement and water supply (\$0.4 million each) as well as an emergency reserve for the water utility (\$1.0 million). Unrestricted net position of the fund increased by \$3 million over fiscal 2013 due to increased water sales resulting from the drought.

**Revenues by Source
Enterprise Funds**



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 \$20.9 million in operating expenses, \$2.5 million was for tipping fees. Net position (unrestricted) includes reserves for rate stabilization (\$1.2 million) and capital maintenance and replacement of \$2.5 million. Total net position of this fund increased \$1.0 million over fiscal 2013 due to revenues outpacing expenses.

Housing (Enterprise) Fund – The Housing Authority administers Federal funds including Section 8 Housing Vouchers, Mainstream Vouchers, and Continuum of Care funds within Napa. The Housing fund saw a decrease in ending net position of \$0.6 million due to the decision by HUD to have Housing Authorities spend down available program reserves.

**Total Revenue & Expenses
Enterprise Funds
(in millions)**



CAPITAL ASSETS

As of June 30, 2014, the City had invested \$488 million in capital assets, net of accumulated depreciation; a decrease of 3.6% from the prior year. The \$9.0 million increase in governmental activities capital assets is the net result of an increase due to the Successor Agency transfer of all of its public domain (infrastructure) capital assets, (which included landscape, storm drain, street improvements and traffic systems) to the City of Napa pursuant to the Long Range Property Management Plan approval received from the California Department of Finance on March 20, 2014. Additionally, construction in progress increased in fiscal 2014, from ongoing improvements of the City's infrastructure. Business-type activities realized a shift from construction in progress to building and improvements resulting from the accounting close-out of the of the Jamieson Canyon Water Treatment Plan project. A \$28 million reduction in capital assets for transmission is related to the adjustment of the NBA capital lease to operating expenses. The remaining net impact is the result of continuing work on over 50 construction projects; offset by \$19.2 million in depreciation of the City's other capital assets. A summary of the City's capital assets net of depreciation at June 30, 2013 and 2014 is presented in Table 3. Additional information on Capital Assets can be found in Note 7.

Table 3
Capital Assets, net of accumulated depreciation

	Governmental Activities		Business-type Activities		Total	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Capital assets not subject to depreciation:						
Land	\$ 21,488,821	\$ 25,121,713	\$ 5,283,681	\$ 5,283,681	\$ 26,772,502	\$ 30,405,394
Construction in progress	104,477,422	116,890,669	47,710,336	8,411,384	152,187,758	125,302,053
Other capital assets:						
Building and improvements	9,999,519	10,514,837	18,750,459	60,618,861	28,749,978	71,133,699
Equipment	462,934	519,863	2,387,602	2,308,157	2,850,536	2,828,019
Vehicles and rentals	7,463,232	6,878,145			7,463,232	6,878,145
Infrastructure:						
Transmission and distribution systems			75,494,063	45,609,929	75,494,063	45,609,929
Bridges	18,310,575	17,936,353			18,310,575	17,936,353
Roads	177,812,188	170,374,174			177,812,188	170,374,174
Curb/gutter/sidewalks	5,362,265	6,967,339			5,362,265	6,967,339
Traffic signals	3,397,325	3,290,786			3,397,325	3,290,786
Stormwater	3,855,828	3,738,855			3,855,828	3,738,855
Park improvements	2,498,400	2,282,485			2,498,400	2,282,485
Underground utilities	55,291	53,672			55,291	53,672
Street Lights	1,198,383	1,165,191			1,198,383	1,165,191
Water Rights	122,400	91,800			122,400	91,800
Total Capital Assets, net	<u>\$ 356,504,583</u>	<u>\$ 365,825,882</u>	<u>\$ 149,626,141</u>	<u>\$ 122,232,012</u>	<u>\$ 506,130,724</u>	<u>\$ 488,057,894</u>

DEBT ADMINISTRATION

The City uses a variety of indebtedness to finance various capital acquisitions and improvements. At June 30, 2014, the City's long-term debt outstanding was \$50.5 million. Although the City did not issue any new debt in fiscal 2014, the Solid waste revenue bonds were paid off in June 2014, reducing the City's overall long term debt by over 5% and the adjustment to the NBA capital lease further decreased the City's capital lease obligations by over \$34 million.

The following table provides a schedule of the City's long-term debt obligations at June 30, 2013 and 2014.

Table 4
Long Term Debt

	Governmental Activities		Business-type Activities		Total	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Water revenue bonds			\$ 45,089,683	\$ 44,460,957	\$ 45,089,683	\$ 44,460,957
Solid Waste revenue bonds			3,552,784		3,552,784	
Notes payable			5,760,699	6,043,008	5,760,699	6,043,008
Capital lease obligations	\$ 98,442	\$ 44,112	34,305,003		34,403,445	44,112
Total Long Term Debt	\$ 98,442	\$ 44,112	\$ 88,708,169	\$ 50,503,965	\$ 88,806,611	\$ 50,548,077

Additional information on Long Term Debt can be found in Note 8.

ECONOMIC OUTLOOK

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 79,068 and accounts for 54 percent of the population and jobs within Napa County. The median household income within the City of Napa is \$70,443 (U.S. Census Bureau). During fiscal 2014, the City experienced continued growth in all of its top three revenue sources: property tax, sales tax, and transient occupancy taxes.

Although Napa's top three revenue sources (property tax, sales tax, transient occupancy tax) have fully recovered from the economic downturn, we must continue to be cautious as both national and global markets continue to be erratic. In fiscal 2014, the City of Napa embarked upon a "strategic recovery" of services and will continue 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. Additionally, the City will be undergoing a risk based analysis on reserve levels in fiscal 2015 to ensure any future economic downturns will have limited impact to City services. 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.



BASIC FINANCIAL STATEMENTS

CITY OF NAPA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$ 80,106,053	\$ 35,753,588	\$ 115,859,641
Restricted cash and investments (Note 3)		730,125	730,125
Receivables			
Accounts	7,418,759	7,583,425	15,002,184
Federal, state and other governments	3,175,127	432,496	3,607,623
Interest receivable	114,309	56,384	170,693
Service Concession Arrangement	673,196		673,196
Loans receivable (Note 5)	12,606,117	10,057,338	22,663,455
Other receivable	6,640		6,640
Land held for redevelopment (Note 6)	125,691		125,691
Prepaid items	152,407	126,680	279,087
Inventory	273,871		273,871
Capital assets (Note 7)			
Nondepreciable	142,012,382	13,695,064	155,707,446
Depreciable, net	223,813,500	108,536,948	332,350,448
Total Assets	470,478,052	176,972,048	647,450,100
LIABILITIES			
Accounts payable and accrued liabilities	5,576,167	5,117,882	10,694,049
Interest payable		383,098	383,098
Deposits payable			
Due within one year	1,241,874	462,073	1,703,947
Due in more than one year		77,743	77,743
Unearned revenue	379,241	12,744	391,985
Net OPEB obligation, due in more than one year (Note 12)	1,245,029		1,245,029
Compensated absences (Note 1)			
Due within one year	23,094	118,626	141,720
Due in more than one year	2,519,693	310,375	2,830,068
Claims payable (Note 13)			
Due within one year	1,818,440		1,818,440
Due in more than one year	3,922,360		3,922,360
Long-term debt (Note 8)			
Due within one year	44,112	1,692,625	1,736,737
Due in more than one year		48,811,340	48,811,340
Total Liabilities	16,770,010	56,986,506	73,756,516
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - Service Concession Arrangement	673,196		673,196
Total Deferred Inflow of Resources	673,196		673,196
NET POSITION (Note 10)			
Net investment in capital assets	365,825,882	72,262,131	438,088,013
Restricted for:			
Capital projects	32,403,335		32,403,335
Housing grant programs	5,296,084	534,084	5,830,168
Unrestricted	49,509,545	47,189,327	96,698,872
Total Net Position	\$ 453,034,846	\$ 119,985,542	\$ 573,020,388

See accompanying notes to financial statements

CITY OF NAPA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 10,614,404	\$ 10,156,375	\$ 743,501		\$ 285,472		\$ 285,472
Public safety	36,763,956	4,487,000	1,042,839		(31,234,117)		(31,234,117)
Public works	27,222,869	4,558,205	158,306	\$ 8,221,562	(14,284,796)		(14,284,796)
Parks and recreation	7,269,371	1,659,125	384,638		(5,225,608)		(5,225,608)
Community development	6,246,380	2,930,416		4,543,490	1,227,527		1,227,527
Total Governmental Activities	88,116,980	23,791,121	2,329,284	12,765,052	(49,231,522)		(49,231,522)
Business-type Activities:							
Water Utility	23,800,760	28,510,172		728,950		\$ 5,438,362	5,438,362
Materials Diversion	21,077,686	24,117,179	53,752			3,093,245	3,093,245
Housing	12,168,969	1,115,558	10,489,170			(564,241)	(564,241)
Total Business-type Activities	57,047,415	53,742,909	10,542,922	728,950		7,967,366	7,967,366
Total	\$ 145,164,395	\$ 77,534,030	\$ 12,872,206	\$ 13,494,002	(49,231,522)	7,967,366	(41,264,156)
General revenues:							
Taxes							
Property					26,785,079		26,785,079
Franchises					1,871,173		1,871,173
Sales taxes					15,150,039		15,150,039
Transient occupancy					15,802,929		15,802,929
Investment earnings					530,723	364,248	894,971
Extraordinary items (Note 17)							
Funding for Public Projects Funding Agreement transferred to City by Successor Agency					(1,220,333)		(1,220,333)
Assets / Liabilities transferred to City by Successor Agency					4,635,423		4,635,423
Transfers					4,298,895	(4,298,895)	
Total general revenues, extraordinary items, and transfers					67,853,928	(3,934,647)	63,919,281
Change in Net Position					18,622,406	4,032,719	22,655,125
Net Position-Beginning, as restated (Note 19)					434,412,440	115,952,823	550,365,263
Net Position-Ending					\$ 453,034,846	\$ 119,985,542	\$ 573,020,388

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 2014. 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. The general fund is always a major fund.

DEVELOPMENT FEES SPECIAL REVENUE FUND

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

HOME PROGRAM

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.

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, 2014

	General	Development Fees	Home Program	City Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments (Note 3)	\$ 20,996,809	\$ 18,229,538	\$ 185,346	\$ 10,899,300	\$ 17,987,229	\$ 68,298,222
Receivables, net:						
Accounts	7,164,828	6,720		34,887	187,537	7,393,972
Federal, state and other governments	332,026			2,013,355	81,922	2,427,303
Interest receivable	38,606	30,324	309		26,726	95,965
Other receivable					6,640	6,640
Loans receivable (Note 5)	1,300,000		6,904,145		4,401,972	12,606,117
Due from other funds (Note 4)	1,173,798					1,173,798
Prepaid items	51,899					51,899
Inventory	1,710					1,710
Advances from other funds (Note 4)		183,600		675,000		858,600
Land held for redevelopment					125,691	125,691
Total Assets	\$ 31,059,676	\$ 18,450,182	\$ 7,089,800	\$ 13,622,542	\$ 22,817,717	\$ 93,039,917
LIABILITIES						
Accounts payable and accrued liabilities	\$ 3,652,647		\$ 1,427	\$ 887,721	\$ 577,389	\$ 5,119,184
Vacation and sick leave accrual (Note 1)	3,580					3,580
Deposits payable	998,726	\$ 178,528			64,620	1,241,874
Unearned Revenue	378,241				1,000	379,241
Due to other funds (Note 4)					850,247	850,247
Advances to other funds (Note 4)					858,600	858,600
Total Liabilities	5,033,194	178,528	1,427	887,721	2,351,856	8,452,726
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - taxes	38,328					38,328
Unavailable revenue - loans	1,300,000		6,904,145		4,408,612	12,612,757
Unavailable revenue - capital grants				103,878		103,878
Total Deferred Inflows of Resources	1,338,328		6,904,145	103,878	4,408,612	12,754,963
FUND BALANCES (Note 10)						
Nonspendable	53,599					53,599
Restricted	12,653	18,271,654	184,228	270,173	6,431,310	25,170,018
Committed	500,000			12,360,770	9,766,605	22,627,375
Assigned	15,417,743				1,580,553	16,998,296
Unassigned	8,704,159				(1,721,264)	6,982,895
Total Fund Balances	24,688,154	18,271,654	184,228	12,630,943	16,057,204	71,832,183
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 31,059,676	\$ 18,450,182	\$ 7,089,800	\$ 13,622,542	\$ 22,817,672	\$ 93,039,872

See accompanying notes to financial statements

CITY OF NAPA
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
to the
GOVERNMENT WIDE STATEMENT OF NET POSITION
JUNE 30, 2014

Fund balances, as reported on the Governmental Funds Balance Sheet		\$ 71,832,183
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:		
Capital assets:		
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.		358,720,944
Non-current revenues:		
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.		
Tax Liens	\$ 38,328	
Charges for Services	12,612,756	
Golf Service Concession Agreement	673,196	
Grants & Contributions	<u>103,879</u>	
		13,428,159
Internal Service Fund net position:		
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.		12,229,695
Long-term liabilities:		
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		(2,502,939)
Deferred Inflows of resources:		
Deferred Inflow - Golf Service Concession Arrangement		<u>(673,196)</u>
Net position of Governmental Activities, as reported on the Statement of Net Position		<u><u>\$453,034,846</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, 2014

	General	Development Fees	Home Program	City Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 43,826,122				\$ 633,059	\$ 44,459,181
Licenses, permits and fees	4,197,520					4,197,520
Intergovernmental	16,846,264		\$ 93,361	\$ 2,296,764	7,031,477	26,267,866
Charges for services	5,650,643	\$ 1,958,352	288,569	1,757,152	2,583,596	12,238,312
Investment income	221,315	178,129	619		130,661	530,724
Miscellaneous revenues	430,053			61,173	22,835	514,061
Total Revenues	71,171,917	2,136,481	382,549	4,115,089	10,401,628	88,207,664
EXPENDITURES						
Current:						
General government						
City Council	278,864					278,864
City Clerk	623,055					623,055
City Manager	1,212,876					1,212,876
Finance	4,697,274					4,697,274
City Attorney	876,206					876,206
Human Resources	1,070,607					1,070,607
General Services	2,233,839					2,233,839
Public safety						
Police	22,249,076				661,987	22,911,063
Fire	13,755,414					13,755,414
Public works	7,020,200	9,093			223,062	7,252,355
Parks and recreation	6,934,564				334,805	7,269,369
Community Development	3,363,792	4,744	331,884		2,545,603	6,246,023
Capital outlay	247,740			12,410,068	3,811,033	16,468,841
Debt service:						
Principal		277,827			50,000	327,827
Interest and fiscal charges					4,500	4,500
Total Expenditures	64,563,506	291,664	331,884	12,410,068	7,630,990	85,228,112
Excess (Deficiency) of Revenues over (under) Expenditures	6,608,411	1,844,817	50,665	(8,294,979)	2,770,638	2,979,552
OTHER FINANCING SOURCES (USES)						
Transfers in (Note 4)	4,432,404	45,944		8,458,866	4,431,408	17,368,622
Transfers out (Note 4)	(6,004,838)	(3,061,011)	(3,396)	(1,019,702)	(3,134,554)	(13,223,501)
Total Other Financing Sources (Uses)	(1,572,434)	(3,015,067)	(3,396)	7,439,164	1,296,854	4,145,121
EXTRAORDINARY ITEMS (Note 17)						
Assets / Liabilities transferred to City by by Successor Agency				1,220,333		1,220,333
Net Change in Fund Balances	5,035,977	(1,170,250)	47,269	364,518	4,067,492	8,345,006
Beginning Fund Balances	19,652,177	19,441,906	136,958	12,266,425	11,989,712	63,487,178
Ending Fund Balances	\$ 24,688,154	\$ 18,271,654	\$ 184,228	\$ 12,630,943	\$ 16,057,204	\$ 71,832,183

See accompanying notes to financial statements

CITY OF NAPA
Reconciliation of the
GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
to the
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balances, as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 8,345,006
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 net position	17,449,432	
Depreciation expense is deducted from net position (Depreciation expense is net of internal service fund depreciation of \$1,178,103 which has already been allocated to service funds)	(12,163,127)	
Transfer of Asset from the Successor Agency to the City	<u>4,635,423</u>	9,921,728
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	(1,676,044)	
Vacation and sick leave payable	<u>(103,414)</u>	(1,779,458)
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.		
	<u>2,135,130</u>	
Change in Net Position of Governmental Activities, as reported on the Statement of Activities		<u><u>\$ 18,622,406</u></u>

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
Beginning Fund Balance			\$ 19,652,177	
Revenues:				
Taxes	\$41,027,092	\$42,253,746	43,826,122	\$ 1,572,376
Licenses, permits and fees	3,986,000	4,041,000	4,197,520	156,520
Intergovernmental	15,376,017	17,257,585	16,846,264	(411,321)
Charges for services	4,985,324	5,664,665	5,650,643	(14,022)
Investment income	170,000	170,000	221,315	51,315
Miscellaneous revenues	1,000	402,258	430,053	27,795
Total Revenues	<u>65,545,433</u>	<u>69,789,254</u>	<u>71,171,917</u>	<u>1,382,663</u>
Expenditures:				
Current:				
General government				
City Council	322,773	322,773	278,864	43,909
City Clerk	753,236	755,256	623,055	132,201
City Manager	1,177,835	1,334,017	1,212,876	121,142
Finance	5,099,691	4,930,026	4,697,274	232,752
City Attorney	1,037,403	1,052,184	876,206	175,978
Human Resources	1,101,665	1,096,163	1,070,607	25,555
General Services	3,513,296	2,042,216	2,233,839	(191,623)
Public safety				
Police	22,221,644	23,195,385	22,249,076	946,309
Fire	13,223,264	13,553,369	13,755,414	(202,046)
Public works	7,490,254	7,776,159	7,020,200	755,960
Parks and recreation	7,006,911	7,347,696	6,934,564	413,132
Community Development	3,513,296	4,378,631	3,363,792	1,014,839
Capital outlay	87,100	390,434	247,740	142,694
Total Expenditures	<u>66,548,368</u>	<u>68,174,308</u>	<u>64,563,506</u>	<u>3,610,802</u>
Other Financing Sources (Uses):				
Transfers in	3,308,112	4,432,404	4,432,404	
Transfers (out)	(1,793,584)	(5,172,576)	(6,004,838)	(832,261)
Total Other Financing Sources (Uses)	<u>1,514,528</u>	<u>(740,172)</u>	<u>(1,572,434)</u>	<u>(832,261)</u>
Net Change in Fund Balances	<u>\$ 511,593</u>	<u>\$ 874,773</u>	<u>5,035,977</u>	<u>\$ 4,161,204</u>
Ending Fund Balance			<u>\$ 24,688,154</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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
Beginning Fund Balance			\$ 19,441,906	
Revenues:				
Charges for services	\$ 232,803	\$ 1,621,868	1,958,352	\$ 336,484
Investment income	238,885	238,885	178,129	(60,756)
Total Revenues	471,688	1,860,753	2,136,481	275,728
Expenditures:				
Current:				
Public Works			9,093	(9,093)
Parks and recreation	30,000	30,000		30,000
Community Development	10,000	100,000	4,744	95,256
Debt service				
Principal		277,827	277,827	
Total Expenditures	40,000	407,827	291,664	116,163
Other Financing Sources (Uses):				
Transfers in			45,944	45,944
Transfers (out)	(1,875,439)	(8,267,640)	(3,061,011)	5,206,629
Total Other Financing Sources (Uses)	(1,875,439)	(8,267,640)	(3,015,067)	5,252,573
Net Change in Fund Balances	\$ (1,443,751)	\$ (6,814,714)	(1,170,250)	\$ 5,412,138
Ending Fund Balance			\$ 18,271,654	

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
Beginning Fund Balance			\$ 136,958	
Revenues:				
Intergovernmental	\$ 381,500	\$ 381,500	93,361	\$ (288,139)
Charges for services	35,000	35,000	288,569	253,569
Investment income	1,000	1,000	619	(381)
Total Revenues	417,500	417,500	382,549	(34,951)
Expenditures:				
Current:				
Community Development	414,104	414,254	331,884	82,370
Total Expenditures	414,104	414,254	331,884	82,370
Other Financing Sources (Uses):				
Transfers (out)	(3,396)	(3,396)	(3,396)	
Total Other Financing Sources (Uses)	(3,396)	(3,396)	(3,396)	
Net Change in Fund Balances	\$ (0)	\$ (150)	47,269	\$ (117,321)
Ending Fund Balance			\$ 184,228	

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.

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 Combining Statement for the Internal Service Funds can be found on page 98.

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.

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; Continuum of Care Funds; 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, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Materials Diversion Utility	Housing	Totals	
ASSETS					
Current Assets:					
Cash and investments (Note 3)	\$ 19,268,365	\$ 10,830,477	\$ 5,654,746	\$ 35,753,588	\$ 11,807,831
Receivables, net:					
Accounts	4,710,898	2,847,215	25,312	7,583,425	24,787
Federal, state and other governments	345,958	31,469	55,069	432,496	747,824
Interest receivable	30,237	18,073	8,074	56,384	18,344
Prepaid items	126,680			126,680	100,508
Inventory (Note 1)					272,161
Total Current Assets	24,482,138	13,727,234	5,743,201	43,952,573	12,971,455
Noncurrent Assets:					
Restricted cash and investments (Note 3)	469,441	64,643	196,041	730,125	
Loans receivable (Note 5)	886,563		9,170,775	10,057,338	
Capital assets (Note 7)					
Nondepreciable	6,304,721	4,014,660	3,375,683	13,695,064	112,694
Depreciable, net	101,147,277	6,003,464	1,386,207	108,536,948	6,992,243
Total Noncurrent Assets	108,808,002	10,082,767	14,128,706	133,019,475	7,104,937
TOTAL ASSETS	133,290,140	23,810,001	19,871,907	176,972,048	20,076,392
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	2,868,688	1,967,511	281,683	5,117,882	456,937
Compensated absences (Note 1)	89,241	7,573	21,812	118,626	19,514
Claims payable (Note 13)					1,818,440
Accrued interest	381,928		1,170	383,098	
Deposits payable	220,713	220,864	20,496	462,073	
Unearned revenue			12,744	12,744	
Due to other funds (Note 4)					323,551
Long-term debt (Note 8)					
Revenue bonds	1,245,000			1,245,000	
Notes payable	372,009		75,616	447,625	
Capital lease obligations					44,112
Total Current Liabilities	5,177,579	2,195,948	413,521	7,787,048	2,662,554
Long-term Liabilities:					
Compensated absences (Note 1)	254,613	35,258	20,504	310,375	16,754
Deposits payable			77,743	77,743	
Claims payable (Note 13)					3,922,360
Net OPEB Obligation (Note 12)					1,245,029
Long-term debt net of current portion (Note 8)					
Revenue bonds, net of unamortized premiums	43,215,957			43,215,957	
Notes payable	4,132,121		1,463,262	5,595,383	
Total Long-term Liabilities	47,602,691	35,258	1,561,509	49,199,458	5,184,143
TOTAL LIABILITIES	52,780,270	2,231,206	1,975,030	56,986,506	7,846,697
NET POSITION (NOTE 10)					
Net investment in capital assets	58,956,352	10,082,767	3,223,012	72,262,131	7,104,937
Restricted	469,441	64,643		534,084	
Unrestricted	21,084,077	11,431,385	14,673,865	47,189,327	5,124,758
Total net position (deficit)	\$ 80,509,870	\$ 21,578,795	\$ 17,896,877	\$ 119,985,542	\$ 12,229,695

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, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Materials Diversion Utility	Housing	Totals	
OPERATING REVENUES					
Charges for services	\$ 26,544,959	\$ 23,871,604	\$ 1,115,558	\$ 51,532,121	\$ 10,063,183
Miscellaneous	1,965,213	245,575		2,210,788	
Total Operating Revenues	28,510,172	24,117,179	1,115,558	53,742,909	10,063,183
OPERATING EXPENSES					
Cost of goods sold					610,296
Housing assistance			10,261,938	10,261,938	
General administrative			671,300	671,300	
Employee services and benefits	5,970,154	723,533	1,109,442	7,803,129	1,100,968
Materials and services	10,924,335	19,654,567		30,578,902	2,383,527
Insurance premiums			2,111	2,111	2,948,865
Depreciation and Amortization	4,661,220	508,317	68,301	5,237,838	1,178,103
Total Operating Expenses	21,555,709	20,886,417	12,113,092	54,555,218	8,221,759
Operating Income (Loss)	6,954,463	3,230,762	(10,997,534)	(812,309)	1,841,424
NON-OPERATING REVENUES (EXPENSES)					
Investment income	143,208	176,195	44,845	364,248	72,503
Grants from other governments		53,752	10,489,170	10,542,922	
Interest expense and fiscal charges	(2,245,051)	(191,269)	(55,877)	(2,492,197)	
Total Nonoperating Revenues (Expenses)	(2,101,843)	38,678	10,478,138	8,414,973	72,503
Income (Loss) Before Capital Contributions, Sale of Capital Assets and Transfers	4,852,620	3,269,440	(519,396)	7,602,664	1,913,927
Connection fees and capital grants	728,950			728,950	
Gain from sales of capital assets					67,430
Transfers in (Note 4)					965,134
Transfers (out) (Note 4)	(1,901,515)	(2,284,255)	(113,125)	(4,298,895)	(811,361)
Change in Net Position	3,680,055	985,185	(632,521)	4,032,719	2,135,130
Beginning Net Position, as restated (Note 19)	76,829,815	20,593,610	18,529,398	115,952,823	10,094,565
Ending Net Position	\$ 80,509,870	\$ 21,578,795	\$ 17,896,877	\$ 119,985,542	\$ 12,229,695

See accompanying notes to financial statements

CITY OF NAPA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Materials Diversion Utility	Housing	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 29,407,186	\$ 24,415,159	\$ 1,056,866	\$ 54,879,211	\$ 10,070,793
Payments to suppliers	(11,802,160)	(20,450,416)	(10,761,688)	(43,014,264)	(2,996,700)
Loan collections			324,766	324,766	
Payments to or on behalf of employees	(5,946,764)	(721,553)	(1,109,438)	(7,777,755)	(4,218,721)
Net cash provided (used) by Operating Activities	11,658,262	3,243,190	(10,489,494)	4,411,958	2,855,372
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating grants received		53,752	10,447,167	10,500,919	
Interfund receipt (payment)	120,752			120,752	(312,023)
Transfers in					965,134
Transfers (out)	(1,901,515)	(2,284,255)	(113,125)	(4,298,895)	(811,361)
Net cash provided (used) by Noncapital Financing Activities	(1,780,763)	(2,230,503)	10,334,042	6,322,776	(158,250)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Connection fees and capital grants	728,950			728,950	
Acquisition of capital assets	(2,883,162)	(914,201)	(920,296)	(4,717,659)	(577,674)
Proceeds from sales of capital assets					67,430
Principal payments on capital debt	(1,464,918)	(3,552,784)	(41,668)	(5,059,370)	(54,330)
Interest paid on capital debt	(2,245,051)	(278,931)	(55,877)	(2,579,859)	
Net cash provided (used) by Capital and Related Financing Activities	(5,864,181)	(4,745,916)	(1,017,841)	(11,627,938)	(564,574)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received (paid)	152,960	267,707	44,841	465,508	81,429
Net cash provided (used) by Investing Activities	152,960	267,707	44,841	465,508	81,429
Net Increase (Decrease) in cash and cash equivalents	4,166,278	(3,465,522)	(1,128,452)	(427,696)	2,213,977
Cash and cash equivalents at beginning of period	15,571,528	14,360,642	6,979,239	36,911,409	9,593,855
Cash and cash equivalents at end of period	\$ 19,737,806	\$ 10,895,120	\$ 5,850,787	\$ 36,483,713	\$ 11,807,832
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$6,954,463	\$3,230,762	(\$10,997,531)	(\$812,306)	\$1,841,424
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	4,164,857	508,317	68,301	4,741,475	1,178,103
Capital Outlay					
Change in assets and liabilities:					
Receivables, net	972,514	236,085	325,202	1,533,801	7,610
Prepaid items & inventory	(126,680)			(126,680)	192,323
Accounts payable and other accrued expenses	(254,782)	(795,849)	180,291	(870,340)	(416,000)
Claims payable					220,800
Deposits payable	(75,500)	63,145	(73,041)	(85,396)	
Unearned revenue		(1,250)	13,914	12,664	
Vacation and sick leave payable	23,390	1,980	(6,630)	18,740	(6,701)
Cash Flows from Operating Activities	\$ 11,658,262	\$ 3,243,190	\$ (10,489,494)	\$ 4,411,958	\$ 2,855,372

See accompanying notes to financial statements

FIDUCIARY FUNDS

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.

The Combining Statement for the Fiduciary Funds can be found on page 96.

AGENCY FUND**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.

This fund was closed in FY 2013-14 and all remaining monies were returned to the property owners.

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, established as a result of the dissolution of the Redevelopment Agency February 1, 2012.

CITY OF NAPA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	Successor Agency Trust Funds	Agency Funds
ASSETS		
Cash and investments (Note 3)		\$ 14,613
Restricted cash and investments (Note 3)	\$ 6,961,005	
Accounts receivable	3,751	6,976
Interest receivable	6,043	
Loan receivable		4,061
Capital Assets (Note 16)		
Land	35,480	
Depreciable	82,638	
Less: Accumulated depreciation	(78,242)	
	<u>7,010,675</u>	<u>\$ 25,650</u>
LIABILITIES		
Accounts payable	6,345	\$ 25,650
Accrued interest payable	218,460	
Long-term debt (Note 16)		
Due within one year	2,010,000	
Due in more than one year	11,565,000	
Notes payable - Due to water fund	735,063	
	<u>14,534,868</u>	<u>\$ 25,650</u>
NET POSITION (DEFICIT)		
Held in Trust	<u>\$ (7,524,193)</u>	

See accompanying notes to financial statements

CITY OF NAPA
STATEMENT OF CHANGES IN FIDUCIARY FUNDS NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Successor Agency Trust Funds
	<u> </u>
ADDITIONS:	
Intergovernmental revenue	\$ 3,569,153
Charges for services	42,500
Investment income (loss)	<u>(30,908)</u>
Total Additions	<u>3,580,745</u>
DEDUCTIONS:	
Community development	610,326
Depreciation	603
Debt service:	
Interest and fiscal charges	<u>658,571</u>
Total Deductions	<u>1,269,500</u>
EXCESS (DEFICIENCY) OF ADDITIONS OVER DEDUCTIONS	<u>2,311,245</u>
EXTRAORDINARY ITEMS (Note 17)	
Assets transferred to/liabilities assumed by Successor Agency	(5,855,756)
CHANGE IN NET POSITION	(3,544,511)
BEGINNING NET POSITION (DEFICIT), AS RESTATED (NOTE 19)	<u>(3,979,682)</u>
ENDING NET POSITION (DEFICIT)	<u><u>\$ (7,524,193)</u></u>

See accompanying notes to financial statements

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
--

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 reported no financial transactions during the year ended June 30, 2014.

The City of Napa Public Facilities Financing Authority (the Financing Authority) was established in April, 1985 as a tax exempt public benefit 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 reported no financial transactions during the year ended June 30, 2014.

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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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 Fiscal Year Ended June 30, 2014

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

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

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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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 Fund – 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*, unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned 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 unearned 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 Fiscal Year Ended June 30, 2014

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

Proprietary 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 Fiscal Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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H. Prepaid Expenses / Items

Payments made to vendors for services that will benefit period beyond June 30, are recorded as prepaid items, and in governmental fund financial statements are offset equally by nonspendable fund balance, which indicates that they are not in spendable form.

I. 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 Fiscal Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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J. 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	\$ 2,462,150	\$ 410,261	\$ 2,872,411
Additions	120,226	30,209.00	150,435
Payments	<u>(39,589)</u>	<u>(11,469)</u>	<u>(51,058)</u>
Ending balance	<u>\$ 2,542,787</u>	<u>\$ 429,001</u>	<u>\$ 2,971,788</u>
Current portion	<u>\$ 23,094</u>	<u>\$ 118,626</u>	<u>\$ 141,720</u>

K. 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.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will, when applicable, 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, when applicable, 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.

M. Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the City's financial reporting process. Future new standards which may impact the City include the following:

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 68 – In June 2012 GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is not effective until the fiscal year ending June 30, 2015. The City has not determined the effect of this Statement.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to improve accounting and financial reporting by State and local governments for government combinations and disposals of government operations. The Statement provides authoritative guidance on a variety of government combinations including mergers, acquisitions, and transfers of operations. This Statement is not effective until the fiscal year ending June 30, 2015. The City has not determined the effect of this Statement.

GASB Statement No. 71 – In November 2013, GASB issued Statement No 71, *Pension Transition For Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue related to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement should be applied simultaneously with the provisions of Statement no. 69. The City has not determined the effect of this Statement.

NOTE 2 – BUDGETARY INFORMATION

The City biennially adopts an annual budget. 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, 2014, were not significant relative to the budget as a whole.

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 2 – BUDGETARY INFORMATION (Continued)

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

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 monthly 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 from cash and investments with fiscal agents is credited directly to the related fund.

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 3 – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Cash and investments - Governmental and Business-type activities	\$ 115,859,641
Restricted cash and investments	<u>730,125</u>
Total City cash and investments	116,589,766
Cash and investments available for operations in	
Fiduciary Funds	14,613
Restricted cash and investments in	
Fiduciary Funds	<u>6,961,005</u>
Total cash and investments	<u><u>\$ 123,565,384</u></u>

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
State of California / Local Agency Revenue Bonds	5 Years	N/A	5%	N/A
Other U.S. States Treasury Notes and Revenue Bonds	5 Years	N/A	5%	N/A
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%
California Asset Management Program	N/A	N/A	less than 10% of CAMP Pool	N/A

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.

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 3 – CASH AND INVESTMENTS (Continued)

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 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	A-1+
Repurchase Agreements	None to 30 days	A-1
Local Agency Investment Fund	n/a	Not rated
Money Market Funds	n/a	AAA-m
Investment Agreements	None	None to AA
Prefunded Municipal Obligations	None	None to AAA

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 change 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, 2014, by maturity:

Type of Investments	Less Than One Year	One to Three Years	Three to Five Years	Total
Local Agency Investment Fund	\$ 46,179,006			\$ 46,179,006
Certificate of Deposit		\$ 3,500,755		3,500,755
U.S. Treasury Notes		9,504,461	\$ 7,138,199	16,642,660
Corporate Notes	1,444,388	10,288,008	5,000,421	16,732,818
Money Market Funds (U.S. Securities)	300,623			300,623
Federal Agency Securities	1,076,604	25,927,545	7,437,226	34,441,374
Total Investments	\$ 49,000,622	\$ 49,220,768	\$ 19,575,846	117,797,236
<i>Cash in banks and on hand</i>				<u>5,768,148</u>
Total Cash and Investments				<u>\$ 123,565,384</u>

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 actual rating as June 30, 2014, for each investment type.

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investment Type	AAA/AAAm	AA+/AA/AA-	A+/A-/A1/A1+	Total
Certificates of Deposit		\$ 1,000,330	\$ 2,500,425	\$ 3,500,755
U.S. Securities	\$ 16,642,660			16,642,660
Corporate Notes	499,269	9,257,763	6,975,786	16,732,818
Money Market Funds	300,623			300,623
Federal Agency Securities	33,967,990	473,384		34,441,374
Total	<u>\$ 51,410,542</u>	<u>\$ 10,731,477</u>	<u>\$ 9,476,212</u>	<u>71,618,230</u>
<i>Not Rated:</i>				
Local Agency Investment Fund				46,179,006
Cash in banks and on hand				<u>5,768,148</u>
Total Cash and Investments				<u>\$ 123,565,384</u>

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, 2014, 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.

I. 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 entity investments are as follows at June 30, 2014:

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	Federal Agency Securities	\$ 18,004,085
Federal Home Loan Mortgage Corporation	Federal Agency Securities	7,432,620
Federal Home Loan Bank	Federal Agency Securities	8,067,513

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 4 – INTERFUND TRANSACTIONS
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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, 2014:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Water Utility Fund	\$ 1,703,515 [A]
	Materials Diversion Utility Fund	470,498 [A]
	Housing Fund	113,125 [A]
	Non-Major Governmental Funds	310,488 [A]
	Development Fees Fund	319 [A]
	Internal Service Funds	811,361 [A]
	Home Program	3,396 [A]
	City Capital Projects Fund	1,019,702 [A]
Development Fees Fund	General Fund	45,944 [A]
City Capital Projects Fund	General Fund	4,023,140 [C]
	Development Fees Fund	3,060,691 [C]
	Non-Major Governmental Funds	1,289,035 [C]
	Water Utility Fund	86,000 [C]
Non-major Governmental Funds	General Fund	1,065,754 [B]
	Non-Major Governmental Funds	1,485,031 [B]
	Materials Diversion Utility Fund	1,780,623 [C]
	Water Utility Fund	100,000 [C]
Internal Service Funds	General Fund	870,000 [B]
	Materials Diversion Utility Fund	33,134 [B]
	Non-Major Governmental Funds	50,000 [B]
	Water Utility Fund	12,000 [B]
Total Interfund Transfers		\$ 18,333,756

[A] To Fund Citywide Overhead

[B] To Fund Operations

[C] To Fund Capital Projects

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 4 – INTERFUND TRANSACTIONS (Continued)
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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, 2014:

Lending Fund:	Borrowing Fund:	Amount
Due to/from other funds:		
General Fund	Central Stores Fund	\$ 323,551
General Fund	Golf Course Fund	850,247
		\$ 1,173,798
Advances to/from other funds:		
Development Fees Fund	Golf Course Fund	183,600 [A]
City Capital Projects Fund	Golf Course Fund	675,000 [B]
		\$ 858,600

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

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

C. Internal Balances

Internal balances are presented only in the Government-wide 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 Fiscal Year Ended June 30, 2014

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, 2014:

	Term (Years)	Rate %	Outstanding Balance at June 30, 2014
General Fund			
Napa Valley Opera House	15	4%	\$ 1,300,000
Home Program:			
First time homebuyers down payment assistance	20-30	3%	6,118,334
The Reserve at Napa	30	3%	874,000
Whistlestop	30	3%	939,632
CDBG Housing Rehabilitation Program	20	2-10%	2,236,499
20% Low- and Moderate Income Housing:			
Mayacamas Village Associates	30	4%	485,767
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%	608,200
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%	754,076
Rohlffs Manor III	55	3%	250,000
Local Housing Fund:			
- Pioneer Village	various	7%	96,000
- Charter Oaks	25	3.5%	51,091
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%	514,431
- Napa Garden Court Associates	5	3%	230,000
- County of Napa	55	0%	500,000
Cal Home Grant	5	3%	1,100,884
Laurel Manor			
Whistle Stop Town homes	35	3.5%	44,000
Magnolia Park	55	3.5%	221,125
Water Loan			
Sucessor Agency to the Redevelopment Agency	9	Applicable	735,063
Private Purpose Trust Fund		LAIF rate	
American Canyon	7	4%	150,000
Totals, before interest and valuation allowance			23,961,352
Accured Interest			2,704,648
Valuation allowance			(4,002,545)
Net			<u>\$ 22,663,455</u>

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 6 – LAND HELD FOR REDEVELOPMENT

As of June 30, 2014, 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, 2014.

NOTE 7 – CAPITAL ASSETS

A. Additions and Retirements

Governmental activities capital assets activity for the year ended June 30, 2014, was as follows:

	<u>Balance at</u> <u>June 30, 2013**</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers from</u> <u>Successor</u> <u>Agency</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>Balance at</u> <u>June 30, 2014</u>
Governmental Activities							
Capital assets not being depreciated:							
Land	\$ 21,488,821	\$ 126,119		\$ 3,506,773			\$ 25,121,713
Construction in progress	104,477,422	13,065,429			\$ (652,182)		116,890,669
Total capital assets not being depreciated	125,966,243	13,191,548		3,506,773	(652,182)		142,012,382
Capital assets being depreciated:							
Building and improvements	23,711,785			7,249,491	92,856		31,054,132
Equipment	6,921,941	112,995	(30,885)				7,004,051
Vehicles and rentals	16,223,785	596,469	(655,627)				16,164,627
Bridges	28,066,680						28,066,680
Roads	404,393,875	2,927,120					407,320,995
Curb/gutter/sidewalks	6,321,467	1,217,770			559,326		8,098,563
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	500,668,571	4,854,353	(686,512)	7,249,491	652,182		512,738,086
Less accumulated depreciation for:							
Building and improvements	(13,712,266)	(706,188)		(6,120,841)			(20,539,295)
Equipment	(6,459,007)	(56,065)	30,885				(6,484,187)
Vehicles and rentals	(8,760,550)	(1,162,763)	636,831				(9,286,482)
Bridges	(9,756,105)	(374,222)					(10,130,327)
Roads	(226,581,690)	(10,365,130)					(236,946,820)
Curb/gutter/sidewalks	(959,202)	(172,022)					(1,131,224)
Traffic Signals	(864,187)	(106,539)					(970,726)
Stormwater	(624,408)	(112,841)				(4,132)	(741,381)
Park Improvements	(2,010,458)	(215,915)					(2,226,373)
Underground Utilities	(9,470)	(1,619)					(11,089)
Street Lights	(209,288)	(35,192)				2,000	(242,480)
Water Rights	(183,600)	(30,600)					(214,200)
Total accumulated depreciation	(270,130,231)	(13,339,097)	667,716	(6,120,841)		(2,132)	(288,924,585)
Net capital assets being depreciated	230,538,340	(8,484,743)	(18,796)	1,128,650	652,182	(2,132)	223,813,501
Governmental activities capital assets, net	\$ 356,504,583	\$ 4,706,805	\$ (18,796)	\$ 4,635,423	\$ -	\$ (2,132)	\$ 365,825,882

** Beginning balance as restated (Note 19)

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 7 – CAPITAL ASSETS (Continued)

Business-type activities capital assets activity for the year ended June 30, 2014, was as follows:

	Balance 6/30/2013**	Transfers	Additions	Retirements	Balance at 6/30/2014
<i>Business-type Activities</i>					
Capital assets not being depreciated:					
Land and improvements	\$ 5,283,681				\$ 5,283,681
Construction in progress	47,710,336	\$ (44,782,385)	\$ 5,483,432		8,411,383
Total capital assets not being depreciated	52,994,017	(44,782,385)	5,483,432		13,695,064
Capital assets being depreciated:					
Building and improvements	38,944,057	44,782,385	86,096		83,812,538
Equipment	4,839,462		116,035	\$ (32,250)	4,923,247
Transmission and distribution	91,800,738				91,800,738
Total capital assets being depreciated	135,584,257	44,782,385	202,131	(32,250)	180,536,523
Less accumulated depreciation for:					
Building and improvements	(20,193,595)		(3,000,080)		(23,193,675)
Equipment	(2,451,863)		(195,476)	32,250	(2,615,089)
Transmission and distribution	(44,334,164)		(1,856,645)		(46,190,809)
Total accumulated depreciation	(66,979,622)		(5,052,202)	32,250	(71,999,574)
Net capital assets being depreciated	68,604,635	44,782,385	(4,850,071)		108,536,949
Business-type activities capital assets, net	\$ 121,598,652	\$	\$ 633,362	\$	\$ 122,232,014

** Beginning balance as restated (Note 19)

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	\$ 11,805,392	Water utility	\$ 4,707,800
Public safety	218,706	Materials Diversion	276,101
Public works	15,233	Housing	68,301
Parks and recreation	121,662		
Internal service funds	1,178,103		
Total	\$ 13,339,097	Total	\$ 5,052,202

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 8 – 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, 2014:

	Original Issue Amount	Balance 6/30/2013**	Additions	Retirements	Balance 6/30/2014	Current Portion
Governmental Activity Debt:						
Fleet Capital Fund Capital Lease, 3.5%, 2/1/15	\$ 328,846	\$ 98,442		\$ (54,330)	\$ 44,112	\$ 44,112
Total Governmental Activities Debt		<u>\$ 98,442</u>		<u>\$ (54,330)</u>	<u>\$ 44,112</u>	<u>\$ 44,112</u>
Business-type Activity Debt:						
Revenue Bonds						
2004 Solid Waste Revenue Bonds, 1.59-5.63%, due 8/1/2019	\$ 7,035,000	\$ 3,785,000		\$ (3,785,000)		
Less unamortized discount		(232,216)		232,216		
2007 Water Revenue Bonds 4-5%, due 5/1/2035	47,350,000	44,065,000		(1,185,000)	\$ 42,880,000	\$ 1,245,000
Plus Unamortized Premium on Bond		1,656,240		(75,283)	1,580,957	
Total revenue bonds		<u>49,274,024</u>		<u>(4,813,067)</u>	<u>44,460,957</u>	<u>1,245,000</u>
Water Fund Note Payable - Alston Park Tank 2.6%, due 4/1/2023	3,080,000	1,688,079		(158,824)	1,529,255	162,980
Seminary Street, 5.5%, due 7/31/2027	1,244,000	894,942		(44,202)	850,740	46,731
Umpqua Bank Notes Payable - Solar Panel 4.37%, due 7/01/2025	1,400,000	999,631		(64,408)	935,223	67,294
State of CA-Dept of Water Resources Notes Payable Imola Avenue reservoir tank 2.4%, due 9/30/2026	2,976,131	2,178,047		(138,394)	2,039,653	141,735
CDBG Laurel Manor Rehab Loan, 2.04% due 1/01/2034	700,000		\$ 700,000	(11,863)	688,136	28,885
Total Business-type Activity Debt		<u>\$ 55,034,723</u>	<u>\$ 700,000</u>	<u>\$ (5,230,757)</u>	<u>\$ 50,503,965</u>	<u>\$ 1,692,625</u>

** Beginning balance as restated (Note 19)

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 8 – LONG-TERM DEBT (Continued)
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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 monthly lease payments as of the inception date. The leased asset has a capitalized cost of \$241,150 and accumulated depreciation of \$66,740.

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 were 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 \$43.2 million in remaining debt service which is scheduled to occur in 2035. For fiscal year 2014, Water Fund Operating Revenues amounted to \$28.5 million and operating expenses (including operating expenses, but not depreciation and amortization) amounted to \$16.9 million. Net Revenues available for debt service amounted to \$11.6 million which represented coverage of 3.05 over the \$3.8 million in debt service.

The City received a **State Loan** of \$3.08 million at an 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 a 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 the 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
For the Fiscal Year Ended June 30, 2014

NOTE 8 – LONG-TERM DEBT (Continued)

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 were 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 was 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 Solid Waste Revenue Bond, Series 2004 was called on June 30, 2014, and all the outstanding principal and interest was paid at that time.

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 for a net increase of \$530,000. The loan was converted to permanent financing with a monthly amortization schedule through 2027.

Laurel Manor Rehabilitation Loan – In November 2012, the City of Napa Housing Authority borrowed \$700,000, payable over 20 years, from the City of Napa to help finance \$2.7 million in improvements to the Laurel Manor senior housing complex.

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
2015	\$ 44,112	\$ 316	\$ 1,692,625	\$ 2,242,942
2016			1,756,315	2,179,451
2017			1,836,098	2,099,918
2018			1,916,025	2,016,990
2019			2,001,539	1,930,227
2020-2023			8,801,756	6,830,737
2024-2027			9,336,098	5,290,596
2028-2031			9,780,308	3,586,556
2032-2035			11,802,248	1,500,192
Total	<u>\$ 44,112</u>	<u>\$ 316</u>	48,923,012	<u>\$ 27,677,609</u>
Net of unamortized premiums			<u>1,580,957</u>	
Net long-term debt			<u>\$ 50,503,969</u>	

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 9 – DEBT WITH NO CITY COMMITMENT

A. Mortgage Revenue Bonds

The Housing Authority 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, 2014
Housing Authority				
1999	Silverado Creek A	\$ 3,125,000	June 1, 2031	\$ 2,402,240
2001	Vintage at Napa	7,500,000	June 15, 2034	5,795,000
2001	The Reserve at Napa	6,000,000	August 1, 2031	4,963,715
2001	Charter Oaks Apartments	4,215,000	August 1, 2018	3,369,777
2004	Magnolia Park Series 2004A	4,500,000	December 1, 2035	1,135,204
	Total	\$ 25,340,000		\$ 17,665,936

NOTE 10 – 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 position 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 position which is not restricted as to use.

B. Fund Balance

Governmental fund balances represent the net position of each fund. Net position generally represents a fund's cash and receivables, less its liabilities and deferred inflows of resources.

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

The City's fund balances are classified 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.

Committed fund balances have constraints imposed by formal action (i.e. resolution) of the City Council which may be altered only by the same formal action of the City Council.

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 by the Council adopted Fiscal Policy to "assign" amounts to be used for specific purposes.

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, 2014

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2014, follow:

	General	Development Fees	Home Program	City Capital Projects	Other Governmental Funds	Total
Nonspendables:						
Prepaid Items	\$ 51,889					51,889
Inventory	1,710					1,710
Total Nonspendable Fund Balances	53,599					53,599
Restricted for:						
Grants			\$ 184,228		\$ 284,919	\$ 469,147
Land held for redevelopment					125,691	125,691
PEG Reserve	3,341					3,341
Tourism Improvement District					186,745	186,745
SB1186 Reserve	9,312					9,312
Red Light Camera					858,433	858,433
Designated Projects and Programs		\$ 18,271,654				18,271,654
Federal Urban Aide				\$ 270,173		270,173
Assessment Districts					4,658,333	4,658,333
Gas Tax					317,189	317,189
Subtotal	12,653	18,271,654	184,228	270,173	6,431,310	25,170,018
Total Restricted Fund Balances	12,653	18,271,654	184,228	270,173	6,431,310	25,170,018
Committed to:						
Housing Grant Match	500,000					500,000
Parking					4,512,285	4,512,285
Capital Projects				12,148,864		12,148,864
Corp Yard Expansion				30,636		30,636
Low Flow Channel				181,270		181,270
Low Income Housing					5,254,320	5,254,320
Total Committed Fund Balances	500,000			12,360,770	9,766,605	22,627,375
Assigned to:						
Encumbrances for Contracts	2,978,502				1,393,674	4,372,176
Earthquake / Flood Events	8,406,791					8,406,791
Public Safety Overstaffing	200,000					200,000
FY2014-15 Closure Days	149,702					149,702
Non Recurring Capital Projects	3,199,897					3,199,897
Advance due from Golf Fund	482,850					482,850
Street Resurfacing Program					151,479	151,479
Sidewalk Replacement Program					35,401	35,401
Total Assigned Fund Balances	15,417,743				1,580,553	16,998,296
Unassigned:						
General fund	8,704,159					8,704,159
Other governmental fund deficit residuals					(1,721,264)	(1,721,264)
Total Unassigned Fund Balances	8,704,159				(1,721,264)	6,982,895
Total Fund Balances	\$ 24,688,154	\$ 18,271,654	\$ 184,228	\$ 12,630,943	\$ 16,057,204	\$ 71,832,183

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 10 – NET POSITION 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 encumber 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, 2014, were as listed below:

Governmental Funds

General	\$ 2,978,502
Other Governmental Funds	<u>1,393,674</u>
Total	<u><u>\$ 4,372,176</u></u>

D. *Deficit Net Position and Fund Balance*

As of June 30, 2014, the Golf Course Special Revenue Fund and Central Stores Internal Service Fund had fund/net position deficits amounting to \$1,721,264 and \$19,274 respectively. The deficits will be eliminated with future revenue.

E. *Excess of Expenditures over Appropriations*

1. Expenditures exceeded appropriations by \$191,623 in the General Services Department of the General Fund due to a planned expenditure from fund balance for a previously authorized (carry forward) expense.
2. Expenditures exceeded appropriations by \$202,046 in the Fire Department of the General Fund due to an over stated vacancy factor being deducted from the labor appropriation.
3. Expenditures exceeded appropriations by \$9,093 in the Public Works Department of the Development Fund due to support provided by the Public Works staff in support of Development Fund activities.
4. Expenditures exceeded appropriations by \$15,465 in the Public Works Department of the Assessment Districts Fund due to support provided by the Public Works staff in support of Assessment District activities.
5. Expenditures exceeded appropriations by \$200,348 in the Community Development Department of the Assessment District fund due to increased pass-through payments from the downtown parking assessment on business license receipts. These expenditures were offset in total by increased Charges for Services revenue.
6. Expenditures exceeded appropriations by \$500 in Interest and fiscal charges in the Traffic Fund due from interest on an outstanding loan.
7. Expenditures exceeded appropriations by 42,868 in the Parks and Recreation Department of the Golf Fund due to payments made under the terms of the Service Concession Arrangement.

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM

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, 2014 was 23.122% for miscellaneous employees and 34.278% 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, 2014, the City's annual pension cost was \$9,974,127. The required contribution for that year was determined as part of the June 30, 2011, 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) 3.0% overall payroll growth. Both (a) and (b) include an inflation component of 2.75%.

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, 2014

NOTE 11 – 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	6/30/2012	\$ 4,447,894	100%
	6/30/2013	4,489,614	100%
	6/30/2014	4,893,533	100%
Public Safety	6/30/2012	4,648,570	100%
	6/30/2013	4,613,305	100%
	6/30/2014	5,080,594	100%

E. Funding Status

The following is a summary of the Plan's funding status from the most recent annual actuarial valuations.

	Valuation Date June 30	Entry Age Normal Accrued Liability	Market Value of Assets (MVA)	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
Miscellaneous	2013	\$ 187,710,702	\$ 123,296,638	\$ 64,414,064	66%	\$ 20,992,340	307%
Public Safety	2013	183,849,624	125,528,407	58,321,217	68%	14,229,485	410%

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, 2014, the City fully funded its required contributions of \$288,249 to these plans.

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 11 – 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.

Benefit Formula	Safety 2.7% at Age 57	Miscellaneous 2% at Age 62
Final Compensation Period	3 year highest compensation	3 year highest compensation
Employer Contribution Rate as a percentage of payroll	34.278% of reportable compensation	23.122% 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 Fiscal Year Ended June 30, 2014

NOTE 12 – OTHER 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	NCFA	NPOA MID	NCFO	Exempt-Exces	Elected
■ Medical Plan	City Plan	City Plan	PEMHCA	City Plan	PEMHCA	City Plan	City Plan	City Plan
Tier 1 - Choice of Sick Leave Conversion to Retiree Single Party Health reimbursement or Supplemental Benefit except NPOA MID Life time single party medical								
■ Eligibility/DOH	<7/1/1982	<7/1/1983	Combined age + years of service as of 7-1-12 >=61	<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	2	9	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
Retiree Medical Trust	N/A	N/A	Yes	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	Not enrolled in PEMHCA, convert hrs to credit at single party Kaiser rate, credit banked for future use	N/A	N/A	N/A	N/A	N/A
Banked Credit								
■ Sick Leave Conversion for reimbursement	•One time irrevocable choice at retirement •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 •Sick leave accrual - 96 hour/year •Caps for medical premiums are indicated below. (Note: premiums include Medicare Part B premium)				N/A	N/A	N/A	N/A
Tier 2 - Choice of Sick Leave Conversion to Retiree Single Party Health reimbursement or Supplemental Benefit								
■ Eligibility/DOH	N/A	N/A	N/A	opt out of HRA	Hired >=7-1-84 and member of Management Unit as of 6-30-11			
active ee eligible				6	2	N/A	N/A	N/A
Maximum hours				180 months	180 months			
■ Sick Leave Conversion for reimbursement				•One time irrevocable choice at retirement •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 •Sick leave accrual - 96 hour/year •Caps for medical premiums are indicated below.				
Tier 3 - Choice of Sick Leave Conversion to Retiree Single Party Health reimbursement and Retiree Medical Trust								
■ Eligibility/DOH	N/A	N/A	N/A	N/A	Member of NPOA as of 6-30-12 and promoted from NPOA into the Management unit on or after 6-1-13			
active ee eligible					1	N/A	N/A	N/A
Maximum hours					180 months			
Retiree Medical Trust					Yes			
■ Sick Leave Conversion for reimbursement					Same as Sick Leave Conversion for reimbursement in Tier 2.			
Tier 4 - Supplemental Benefit								
■ Age & years of service	50 & 10	50 & 15	50	50	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			•\$237/month •EE lifetime •No increase after retirement	•\$246/month •EE lifetime •No increase after retirement •SL balance converted to HRA @50% of hourly rate •Vacation bal deposited into HRA	•\$347/month •EE lifetime •No increase after retirement	•\$347/month •EE lifetime •No increase after retirement
	•S/L conversion to CalPERS	•S/L conversion to CalPERS	•S/L conversion to CalPERS	•SL balance converted to HRA @50% of hourly rate	•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	N/A	N/A	N/A
■Cap (Tiers 2 & 3)	N/A	N/A	N/A	Actual premium	Actual premium	N/A	N/A	N/A
■Life Insurance (DOH<7/1/84)	• \$2,500 • Up to age 70	• \$2,500 • Up to age 70	N/A	• \$2,500 • Up to age 70	N/A	• \$2,500 • Up to age 70	N/A	N/A
active ee eligible	2	3		1	N/A	0		
■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, 2014

NOTE 12 – OTHER 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 and June 30, 2013. 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, (d) a 28 year fixed (closed) period for June 30, 2011 UAAL (24 years remaining on June 30, 2015), and (e) a healthcare trend of declining annual increases ranging from 7.50% in 2014 through 2015 to 5.00% for years starting 2016. 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 \$9,943,000 as of June 30, 2013, 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 Fiscal Year Ended June 30, 2014

NOTE 12 – OTHER 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. During the fiscal year ended June 30, 2014, the City contributed \$748,578 to current year premiums and pre-funded \$1,021,089 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 Benefit Internal Service Fund <u>Government Activities</u>
Annual required contribution (ARC)	\$ 930,000
Amortization on the Net OPEB Liability	(128,000)
Interest on the Net OPEB Liability	<u>101,000</u>
Annual OPEB Cost	<u>903,000</u>
Contributions made:	
City portion of current year premiums paid	(748,578)
Reimbursement from CERBT Trust current year	704,480
Contribution to CERBT Trust	<u>(1,021,089)</u>
Total Contributions	<u>(1,065,187)</u>
Increase (decrease) in Net OPEB Obligation	(162,187)
Net OPEB Obligation at June 30, 2012	<u>1,407,216</u>
Net OPEB Obligation at June 30, 2013	<u>\$ 1,245,029</u>

The City's annual required contributions and actual contributions for the years ended June 30, 2014, 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
6/30/2012	\$ 1,097,000	\$ 1,637,081	149%	\$ 497,475
6/30/2013	1,124,000	1,065,187	95%	1,407,216
6/30/2014	903,000	930,000	103%	1,245,029

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 12 – 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]
6/30/2013	\$ 2,918,000	\$ 12,861,000	\$ (9,943,000)	22.69%	\$ 34,801,000	-28.57%

NOTE 13 – 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 Fiscal Year Ended June 30, 2014

NOTE 13 – RISK MANAGEMENT (Continued)

Below is a reconciliation of changes in the aggregate liabilities for claims for the fiscal years beginning and ending June 30, 2013 and 2014:

	2014	2013
Claims liability - beginning	\$ 5,520,000	\$ 5,176,000
Changes in estimates for claims in prior years	1,268,559	2,077,323
Payments on claims	<u>(1,047,759)</u>	<u>(1,733,323)</u>
Claims liability - ending	<u>\$ 5,740,800</u>	<u>\$ 5,520,000</u>
Current portion	<u>\$ 1,818,440</u>	<u>\$ 1,748,500</u>

NOTE 14 – 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 15 – 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, 2014, is \$3,786,460.

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 15 – CONTINGENT LIABILITIES – (Continued)

Hazardous Materials Investigation: Toxic substances were discovered on a City-owned parking garage property during construction of a new hotel. The City 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 City 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.

The City has a water supply contract with the Napa County Flood Control and Water Conservation District (NCFCWCD) that is linked to a master contract between the NCFCWCD and the State of California Department of Water Resources (DWR). 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 that varies widely each year based on the amount of consumption which is a function of climate, availability of other water supplies and pumping. The contract is non-cancelable and expires in the year 2035.

The components of the payments are as follows:

1. *Capital Cost Component* contains the conservation and transportation capital cost components for the use of the infrastructure and water rights and related debt obligation.
2. *Conservation and transportation minimum Operation, Maintenance, Power & Replacement (OMP&R) components.* Additionally, there is an obligation to pay an OMP&R component is based on the water entitlement, which is not dependent on the quantity of water actually delivered.
3. *Transportation variable OMP&R component* is dependent upon the quantities of water actually delivered to the City.
4. *Delta Water Charge* is split into two components; (a) a capital piece for the initial conservation facilities, and (b) a minimum OMP&R component.
 - a. The capital cost component of the Delta Water Charge became applicable in 2013, and is paid in two semi-annual installments due January 1 and July 1 of each year. These payments are used to fund the initial conservation facilities and are partially offset by a rate management credit provided to agencies (including NCFCWCD) who have executed the Monterey Amendment which focuses on water shortage issues.
 - b. The minimum OMP&R component of the Delta Water Charge is paid monthly in 12 equal installments.

The total estimated obligation of the City of Napa over the next five years and thereafter, are presented in the table below:

Calendar Year	Estimated Total Payment
2015	\$ 6,130,361
2016	5,986,761
2017	5,725,530
2018	5,827,894
2019	5,833,138
2020-2024	29,088,884
2025-2029	28,830,461
2030-2034	26,962,922
2035	5,258,513
	\$ 119,644,465

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

The Successor Agency to the Napa Community Redevelopment Agency was established as a result of the dissolution of the Redevelopment Agency February 1, 2012.

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 Note 3 – Cash and Investments.

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

The Successor Agency's cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of debt instruments or agreements.

B. Capital Assets

The Successor Agency transferred all its public domain (infrastructure) capital assets, which include landscape, storm, street, and traffic systems to the City of Napa pursuant to the Long Range Property Management Plan approval from Department of Finance on March 20, 2014.

(a) Capital Asset Additions, Retirements, and Balances

	Balance at June 30, 2013	Additions	Transfers to City	Balance at June 30, 2014
Capital assets not being depreciated:				
Land	\$ 3,577,733		\$ (3,542,253)	\$ 35,480
Total capital assets not being depreciated	3,577,733		(3,542,253)	35,480
Capital assets being depreciated:				
Building and improvements	7,400,291		(7,324,891)	75,400
Furniture and Equipment	7,238			7,238
Total capital assets being depreciated	7,407,529		(7,324,891)	82,638
Less accumulated depreciation for:				
Building and improvements	(6,271,641)		6,196,241	(75,400)
Furniture and Equipment	(2,239)	\$ (603)		(2,842)
Total accumulated depreciation	(6,273,880)	(603)	6,196,241	(78,242)
Net capital assets being depreciated	1,133,649	(603)	(1,128,650)	4,396
Net, Capital Assets, Private Purpose Trust Fund	\$ 4,711,382	\$ (603)	\$ (4,670,903)	\$ 39,876

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND 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 6/30/2013	Retirements	Balance 6/30/2014	Current Portion
Trust Fund:					
Successor Agency (Redevelopment) Tax Allocation Bonds					
2003A Parkway Plaza Redevelopment Project, 2.3-4.8%, due 9/1/2019	\$ 22,715,000	\$ 13,095,000	\$ (1,625,000)	\$ 11,470,000	\$ 1,700,000
2003B Parkway Plaza Redevelopment Project, 3.1-5.8%, due 9/1/2019	2,475,000	1,310,000	(155,000)	1,155,000	170,000
2003B Refunding Parkway Plaza Redevelopment Project, 3.1-5.8%, due 9/1/2019	<u>2,050,000</u>	<u>1,085,000</u>	<u>(135,000)</u>	<u>950,000</u>	<u>140,000</u>
Total Tax Allocation Bonds	<u>\$ 27,240,000</u>	<u>\$ 15,490,000</u>	<u>\$ (1,915,000)</u>	<u>\$ 13,575,000</u>	<u>\$ 2,010,000</u>
Notes & Loans					
Water Fund for Drainage Improvements Project, LAIF Interest %, due 2024	\$ 735,063	\$ 735,063	\$ -	\$ 735,063	\$ -
Total Notes & Loans	<u>\$ 735,063</u>	<u>\$ 735,063</u>	<u>\$ -</u>	<u>\$ 735,063</u>	<u>\$ -</u>

(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. These bonds were secured by the Agency's 20% low & moderate housing set-aside of tax increment revenues. 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 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 Fiscal Year Ended June 30, 2014

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

At June 30, 2014, future debt service requirement for the Redevelopment Tax Allocation Bonds were as follows:

Fiscal year ending June 30	Principal	Interest	Total
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	2,415,000	181,640	2,596,640
2020-2021	2,540,000	61,723	2,601,723
Total	<u>\$ 13,575,000</u>	<u>\$ 2,057,967</u>	<u>\$ 15,632,967</u>

D. 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.

NOTE 17 – EXTRAORDINARY ITEMS

A. Public Projects Funding Agreement

On September 17, 2013, the Successor Agency appropriated the remaining \$3,387,000 in proceeds from the 2003 Parkway Plaza Tax Allocation Bonds for priority capital projects approved by the Oversight Board of the Successor Agency to the former Napa Community Redevelopment Agency. The transfer of \$1,220,333 was completed in fiscal 2014 per the approved ROPS.

	Transfer from Successor Agency Private Purpose Trust (September, 2013)	Additions	June 30, 2014
Government Activities			
Public Projects Funding Agreement	\$ 1,220,333		\$ 1,220,333
Total Public Projects Funding Agreement	<u>\$ 1,220,333</u>		<u>\$ 1,220,333</u>

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 17 – EXTRAORDINARY ITEMS (Continued)

B. Capital Asset Transfer

On March 20, 2014, the Successor Agency transferred all of its public domain (infrastructure) capital assets, which included landscape, storm drain, street improvements and traffic systems to the City of Napa pursuant to the Long Range Property Management Plan approved from the Department of Finance.

Trust Fund:

Successor Agency (Redevelopment) Tax Allocation Bonds	Balance at June 30, 2013	Transfer to Governmental Activities from Successor Agency Trust	Balance at June 30, 2014
Capital assets not being depreciated:			
Land	\$ 3,546,650	\$ (3,511,170)	\$ 35,480
Total capital assets not being depreciated	3,546,650	(3,511,170)	35,480
Capital assets being depreciated:			
Building and improvements	7,324,890	(7,242,252)	82,638
Total capital assets being depreciated	7,324,890	(7,242,252)	82,638
Less accumulated depreciation for:			
Building and improvements	(6,196,241)	6,117,999	(78,242)
Total accumulated depreciation	(6,196,241)	6,117,999	(78,242)
Net capital assets being depreciated	1,128,649	(1,124,253)	4,396
Net, Capital Assets, Trust Fund	\$ 4,675,299	\$ (4,635,423)	\$ 39,876

NOTE 18 – SUBSEQUENT EVENTS

South Napa Earthquake: On August 24, 2014 at 3:20 a.m. an earthquake measuring 6.0 on the moment magnitude scale occurred in Napa Valley. The epicenter was located approximately 6 miles southwest of Napa, with a depth of approximately 5.8 miles, and caused severe damage in the City. Governor Jerry Brown declared a State of Emergency under section 8625 of the California Government Code on August 24th, 2014. On September 11, 2014 President Obama issued a Federal Disaster Declaration for Napa County, and authorized public assistance and hazard mitigation funds to the affected areas.

The estimated damage to the City of Napa owned buildings and infrastructure totaled approximately \$25 million. FEMA anticipates covering approximately 75% of the cost of the repairs, and the California Office of Emergency Services will be covering an additional 19.75% (75% of the remaining 25%), leaving the City of Napa with an estimated obligation of 6.25% or a projected \$1.6 million.

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 18 – SUBSEQUENT EVENTS ITEMS (Continued)

The City of Napa Fiscal Policy, as adopted by the City Council, established an emergency reserve equal to 12% of the General Fund Operating Expenditure budget. In FY 2014-15 the General Fund emergency reserve totaled \$8.4 million, which will be appropriated by the City Council to offset the City's damage obligation, as well as offset any negative impacts to major General Fund revenues caused by damage from the earthquake.

Successor Agency Action to Issue Tax Allocation Refunding Bonds to Refinance Outstanding Redevelopment Agency Bonds: In 2003, the Community Redevelopment Agency (RDA) issued the 2003 Parkway Plaza Tax Allocation Bonds, Series A, B and C. The Series A bonds, issued in the amount of \$22.715 million, refinanced older bonds and generated \$12 million in funds. These bonds were secured by the tax increment of the former RDA and have an outstanding balance of \$11.47 million as of June 30, 2014. The Series B and C bonds were secured by the 20% housing set-aside tax increment. Series B taxable bonds were issued in the amount of \$2.475 million to refund older housing bonds, and the remaining balance is \$1.155 million. Series C, issued in the amount of \$2.05 million, provided funding for affordable housing projects. The outstanding balance is \$0.95 million. The bonds all have a final maturity of September 1, 2019.

AB1484 (Health and Safety Code 34177.5) allows for a Successor Agency to issue bonds provided certain factors are met. Requirements include no additional interest cost and no additional principal other than the refunding amount needed to defease the refinanced bonds, pay for issuance costs, and meet required debt reserves. The City of Napa obtained an analysis of bond refinancing options to determine whether the potential debt service savings are sufficient to undertake a refinancing, and presented the analysis to the oversight board on June 4, 2014, to receive direction on whether to pursue a refinancing. Based on the savings advantage and timing considerations, the Oversight Board directed staff to move forward with refinancing the tax exempt Series A and C outstanding bonds using a public offering format. The taxable series B bonds are not being refinanced due to the immaterial projected savings and the additional complexity of refinancing taxable bonds.

The Oversight Board approved the financing documents on August 6, 2014, which was immediately followed by submittal of documents to the California Department of Finance for approval. Approval was granted on October 6, 2014. The bonds closed in January, 2015.

NOTE 19 – PRIOR PERIOD ADJUSTMENT

An adjustment was made to reflect the change in presentation of the Service Concession Arrangement Deferred Inflow (in a prior year) from the Golf Fund balance sheet to the Government-wide Statement of Net Position. The result was a \$673,196 decrease to beginning net position.

In the business-type activities, the Water Fund had a restatement of net position at July 1, 2013 that resulted in an increase of \$5,781,151. This adjustment was made to reflect the change in presentation of the North Bay Aqueduct capital lease (Asset and Debt adjustments) of \$6,277,514, and an adjustment to the Water Revenue Bond Cost of Issuance (in a prior year) of \$496,363.

CITY OF NAPA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 19 – PRIOR PERIOD ADJUSTMENT (Continued)

The Private Purpose Trust Fund, a fiduciary fund, (Successor Agency to the Napa Community Redevelopment Agency) had a restatement of net position at July 1, 2013 that resulted in a decrease of \$363,200. This adjustment was made to reflect the change in presentation of the Redevelopment Bond Cost of Issuance (in a prior year) of \$363,200.

The July 1, 2013 restatements of net positions, at both the fund level and the government-wide level are presented as follows:

	Proprietary Funds - Water	
Fund balance / Net position at July 1, 2013, as previously stated	\$	71,048,664
- Prior period adjustment		5,781,151
Fund balance / Net position at July 1, 2013, as restated	\$	76,829,815

	Government-Wide Level	
	Governmental Activities	Business-type Activities
Fund balance / Net position at July 1, 2013, as previously stated	\$ 435,085,636	\$ 110,171,672
- Prior period adjustment	(673,196)	5,781,151
Fund balance / Net position at July 1, 2013, as restated	\$ 434,412,440	\$ 115,952,823

	Private Purpose Trust Fund	
Fund balance / Net position at July 1, 2013, as previously stated	\$	(3,616,482)
- Prior period adjustment		(363,200)
Fund balance / Net position at July 1, 2013, as restated	\$	(3,979,682)

NOTE 20 – PUBLIC-PRIVATE SERVICE CONCESSION ARRANGEMENT – CITY GOLF COURSE

At the end of the year ended June 30, 2013, the City entered into an agreement with Napa Golf Course, LLC under which the company will operate and collect user fees from the Napa Municipal Golf Course for the next ten (10) years. The company will pay the City of Napa installment payments over the course of the arrangement; the present value of these installment payments is estimated to be \$673,750. The company will also pay the City a percentage of the revenues it earns from the operation of the golf course (percentage rent based on tiers set forth in the agreement). The company is required to operate and maintain the golf course in accordance with the Agreement. The City plans to use the proceeds from the installment payments to offset the deficit net position of the golf course fund, with any additional revenues to be used to fund golf course improvements. The City reports the golf course and related equipment as a capital asset with a carrying amount of \$935,936 at June 30, 2014, and reports a receivable and deferred inflow of resources in the amount of \$673,750 at June 30, 2014, pursuant to the service concession arrangement.



REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NAPA
SCHEDULE OF FUNDING PROGRESS FOR
EMPLOYEES RETIREMENT PLAN
FOR THE YEAR ENDED JUNE 30, 2014

Public Employees Retirement System Schedule of Funding Progress

The tables below show a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll for the City's retirement and OPEB plans as of the valuation dates:

	Valuation Date June 30	Entry Age Normal Accrued Liability	Market Value of Assets (MVA)	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
Miscellaneous	2011	\$ 174,240,264	\$ 114,755,041	\$ 59,485,223	66%	\$ 21,586,618	276%
	2012	180,264,072	111,842,609	68,421,463	62%	21,191,940	323%
	2013	187,710,702	123,296,638	64,414,064	66%	20,992,340	307%
Public Safety	2011	169,719,728	116,578,237	53,141,491	69%	14,373,497	370%
	2012	177,428,559	113,628,223	63,800,336	64%	13,922,105	458%
	2013	183,849,624	125,528,407	58,321,217	68%	14,229,485	410%
Total	2011	343,959,992	231,333,278	112,626,714	67%	35,960,115	313%
	2012	357,692,631	225,470,832	132,221,799	63%	35,114,045	377%
	2013	371,560,326	248,825,045	122,735,281	67%	35,221,825	348%

Asset Valuation Method

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets. This direct rate smoothing method is equivalent to a method using a 5-year asset smoothing period with no actuarial value of asset corridor and a 25 year amortization period for gains and losses. The change in asset value will also be amortized over 30 years with a 5-year ramp-up/ramp-down.

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

CITY OF NAPA
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST EMPLOYMENT BENEFITS (OPEB)
FOR THE YEAR ENDED JUNE 30, 2014

Retiree Health Plan Schedule of Funding Progress

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]
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%
6/30/2013	2,918,000	12,861,000	(9,943,000)	22.69%	34,801,000	-28.57%

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
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- Note 1: This information is intended to help users assess the City's Public Safety and Miscellaneous Retirement Plans and the City's OPEB plan status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other employers.
- Note 2: The information presented relates to the City's Public Safety and Miscellaneous Retirement Plans and the City OPEB plan only.



OTHER SUPPLEMENTARY INFORMATION

CITY OF NAPA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
Beginning Fund Balance			<u>\$ 12,266,425</u>	
Revenues:				
Intergovernmental	\$ 2,312,702	\$ 2,214,523	2,296,764	\$ 82,241
Charges for services		1,795,606	1,757,152	(38,454)
Miscellaneous revenues		<u>40,497</u>	<u>61,173</u>	<u>20,676</u>
Total Revenues	<u>2,312,702</u>	<u>4,050,626</u>	<u>4,115,089</u>	<u>64,463</u>
Expenditures:				
Current:				
Capital outlay	<u>10,571,209</u>	<u>27,813,103</u>	<u>12,410,068</u>	<u>15,403,035</u>
Total Expenditures	<u>10,571,209</u>	<u>27,813,103</u>	<u>12,410,068</u>	<u>15,403,035</u>
Other Financing Sources (Uses):				
Transfers in	36,805,889	13,790,857	8,458,866	5,331,991
Transfers (out)		<u>(1,019,702)</u>	<u>(1,019,702)</u>	
Total Other Financing Sources (Uses)	<u>36,805,889</u>	<u>12,771,155</u>	<u>7,439,164</u>	<u>5,331,991</u>
Extraordinary Items:				
Assets transferred from Successor Agency		<u>25,000</u>	<u>1,220,333</u>	<u>(1,195,333)</u>
Total Extraordinary Items		<u>25,000</u>	<u>1,220,333</u>	<u>(1,195,333)</u>
Net Change in Fund Balances	<u>\$ 28,547,382</u>	<u>\$ (10,966,322)</u>	<u>364,518</u>	<u>\$ (11,201,914)</u>
Ending Fund Balance			<u><u>\$ 12,630,943</u></u>	

See accompanying notes to financial statements

NON-MAJOR GOVERNMENTAL FUNDS

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

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

Sidewalk Program

CITY OF NAPA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	SPECIAL REVENUE FUNDS						
	Assessment Districts	Tourism Improvement District	Community Development Block Grant	Traffic	Parking	CAL Home Grant	Public Safety Programs
ASSETS							
Cash and investments	\$4,687,045	\$ 293,721	\$ 11,751	\$1,084,464	\$4,546,795	\$ 203,541	\$ 26,123
Receivables:							
Accounts receivable	67,297			110,247	9,993		
Federal, state and other governments			81,922				
Interest receivable	7,861	281	20	1,808	7,581	338	45
Other receivable							
Loans receivable			2,014,024			917,272	
Land held for redevelopment				125,691			
Total Assets	<u>\$4,762,203</u>	<u>\$ 294,002</u>	<u>\$ 2,107,717</u>	<u>\$1,322,210</u>	<u>\$4,564,369</u>	<u>\$1,121,151</u>	<u>\$ 26,168</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 49,250	\$ 107,257	\$ 51,929	\$ 20,897	\$ 52,084		
Deposits payable	54,620						
Due to other funds							
Unearned Revenue							
Advances from other funds							
Total Liabilities	<u>103,870</u>	<u>107,257</u>	<u>51,929</u>	<u>20,897</u>	<u>52,084</u>		
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - Housing loans			2,014,024			\$ 917,272	
Total Deferred Inflows			<u>2,014,024</u>			<u>917,272</u>	
Fund balances (Deficit):							
Restricted	4,658,333	186,745	41,764	1,301,313		203,879	\$ 26,168
Committed					4,512,285		
Assigned							
Unassigned							
Total Fund Balances (Deficit)	<u>4,658,333</u>	<u>186,745</u>	<u>41,764</u>	<u>1,301,313</u>	<u>4,512,285</u>	<u>203,879</u>	<u>26,168</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$4,762,203</u>	<u>\$ 294,002</u>	<u>\$ 2,107,717</u>	<u>\$1,322,210</u>	<u>\$4,564,369</u>	<u>\$1,121,151</u>	<u>\$ 26,168</u>

CITY OF NAPA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS		
	Parks & Recreation Trust Programs	Housing Inclusionary Program	Golf Fund	Street Resurfacing	Sidewalk Program	Total Nonmajor Governmental Funds
ASSETS						
Cash and investments	\$ 21,325	\$ 5,248,299		\$ 1,554,482	\$ 309,683	\$ 17,987,229
Receivables:						
Accounts receivable						187,537
Federal, state and other governments						81,922
Interest receivable	36	8,756				26,726
Other receivable		6,640				6,640
Loans receivable		1,470,676				4,401,972
Land held for redevelopment						125,691
Total Assets	\$ 21,361	\$ 6,734,371	\$ -	\$ 1,554,482	\$ 309,683	\$ 22,817,717
LIABILITIES						
Accounts payable and accrued liabilities	\$ 8,253	\$ 2,735	\$ 1,417	\$ 237,677	\$ 45,935	\$ 577,434
Deposits payable			10,000			64,620
Due to other funds			850,247			850,247
Unearned Revenue			1,000			1,000
Advances from other funds			858,600			858,600
Total Liabilities	8,253	2,735	1,721,264	237,677	45,935	2,351,901
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - Housing loans		1,477,316				4,408,612
Total Deferred Inflows		1,477,316				4,408,612
Fund balances (Deficit):						
Restricted	13,108					6,431,310
Committed		5,254,320				9,766,605
Assigned				1,316,805	263,748	1,580,553
Unassigned			(1,721,264)			(1,721,264)
Total Fund Balances (Deficit)	13,108	5,254,320	(1,721,264)	1,316,805	263,748	16,057,204
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$ 21,361	\$ 6,734,371	\$ -	\$ 1,554,482	\$ 309,683	\$ 22,817,717

CITY OF NAPA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS						
	Assessment Districts	Tourism Improvement District	Community Development Block Grant	Traffic	Parking	CAL Home Grant	Public Safety Programs
REVENUES							
Taxes		\$ 633,059					
Intergovernmental			\$ 540,128	\$ 2,331,777	\$ 3,660,000	\$ 250,000	\$ 10,000
Charges for services	\$ 1,208,642		72,014	442,641	518,279	2,000	
Investment income	42,580	651		4,475	37,458	1,227	120
Miscellaneous revenues			4,645				5,610
Total Revenues	1,251,222	633,710	616,787	2,778,893	4,215,737	253,227	15,730
EXPENDITURES							
Current:							
Public safety							
Police				360,024	296,178		5,785
Public works	223,062						
Parks and recreation	124,424				159,212		
Community Development	336,933	650,063	1,079,915			373,338	
Capital outlay							
Debt service:							
Principal repayment				50,000			
Interest and fiscal charges				4,500			
Total Expenditures	684,419	650,063	1,079,915	414,524	455,390	373,338	5,785
Excess (Deficiency) of Revenues over (under) Expenditures	566,803	(16,353)	(463,128)	2,364,369	3,760,347	(120,111)	9,945
OTHER FINANCING SOURCES (USES)							
Transfers in				349,000	70,000		
Transfers (out)	(324,142)	(8,535)	(86,209)	(2,052,481)	(217,538)		
Total Other Financing Sources (Uses)	(324,142)	(8,535)	(86,209)	(1,703,481)	(147,538)		
Net Change in Fund Balances	242,661	(24,888)	(549,337)	660,888	3,612,809	(120,111)	9,945
Beginning Fund Balances (Deficit)	4,415,672	211,633	591,101	640,425	899,476	323,990	16,223
Ending Fund Balances (Deficit)	\$ 4,658,333	\$ 186,745	\$ 41,764	\$ 1,301,313	\$ 4,512,285	\$ 203,879	\$ 26,168

CITY OF NAPA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS		
	Parks & Recreation Trust Programs	Housing Inclusionary Program	Golf Fund	Street Resurfacing	Sidewalk Program	Total Nonmajor Governmental Funds
REVENUES						
Taxes						\$ 633,059
Intergovernmental				\$ 239,572		7,031,477
Charges for services		\$ 328,591	\$ 8,474	2,955		2,583,596
Investment income	\$ 163	41,076	2,911			130,661
Miscellaneous revenues	12,500		80			22,835
Total Revenues	12,663	369,667	11,465	242,527		10,401,628
EXPENDITURES						
Current:						
Public safety						
Police						661,987
Public works						223,062
Parks and recreation	8,301		42,868			334,805
Community Development		105,354				2,545,603
Capital outlay				2,586,614	\$ 1,224,419	3,811,033
Debt service:						
Principal repayment						50,000
Interest and fiscal charges						4,500
Total Expenditures	8,301	105,354	42,868	2,586,614	1,224,419	7,630,990
Excess (Deficiency) of Revenues over (under) Expenditures	4,362	264,313	(31,403)	(2,344,087)	(1,224,419)	2,770,638
OTHER FINANCING SOURCES (USES)						
Transfers in				2,654,351	1,358,057	4,431,408
Transfers (out)		(96,649)		(349,000)		(3,134,554)
Total Other Financing Sources (Uses)		(96,649)		2,305,351	1,358,057	1,296,854
Net Change in Fund Balances	4,362	167,664	(31,403)	(38,736)	133,638	4,067,492
Beginning Fund Balances (Deficit)	8,746	5,086,656	(1,689,861)	1,355,541	130,110	11,989,712
Ending Fund Balances (Deficit)	\$ 13,108	\$ 5,254,320	\$ (1,721,264)	\$ 1,316,805	\$ 263,748	\$ 16,057,204

CITY OF NAPA
ASSESSMENT DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
Beginning Fund Balance			\$ 4,415,672	
Revenues:				
Charges for services	\$ 959,890	\$ 963,890	1,208,642	\$ 244,752
Investment income	53,460	53,460	42,580	(10,880)
Total Revenues	1,013,350	1,017,350	1,251,222	233,872
Expenditures:				
Current:				
Public works	179,262	207,598	223,062	(15,465)
Parks and recreation	159,766	159,766	124,424	35,343
Community Development	132,585	136,585	336,933	(200,348)
Capital outlay	166,116	58,350		58,350
Total Expenditures	345,378	562,299	684,419	(122,121)
Other Financing Sources (Uses):				
Transfers in				
Transfers (out)	(412,860)	(1,227,699)	(324,142)	903,557
Total Other Financing Sources (Uses)	(412,860)	(1,227,699)	(324,142)	903,557
Net Change in Fund Balances	\$ 255,112	\$ (772,648)	242,661	\$ 1,015,308
Ending Fund Balance			\$ 4,658,333	

CITY OF NAPA
TOURISM IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
Beginning Fund Balance			\$ 211,633	
Revenues:				
Taxes	\$ 522,720	\$ 542,720	633,059	\$ 90,339
Investment income	1,000	1,000	651	(349)
Total Revenues	<u>523,720</u>	<u>543,720</u>	<u>633,710</u>	<u>520,043</u>
Expenditures:				
Current:				
Community Development	<u>506,465</u>	<u>708,465</u>	<u>650,063</u>	<u>58,402</u>
Total Expenditures	<u>506,465</u>	<u>708,465</u>	<u>650,063</u>	<u>58,402</u>
Other Financing Sources (Uses):				
Transfers (out)	<u>(8,535)</u>	<u>(8,535)</u>	<u>(8,535)</u>	
Total Other Financing Sources (Uses)	<u>(8,535)</u>	<u>(8,535)</u>	<u>(8,535)</u>	
Net Change in Fund Balances	<u>\$ 8,720</u>	<u>\$ (173,280)</u>	<u>(24,888)</u>	<u>\$ 578,445</u>
Ending Fund Balance			<u>\$ 186,745</u>	

CITY OF NAPA
COMMUNITY DEVELOPMENT BLOCK GRANT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
Beginning Fund Balance			\$ 591,101	
Revenues:				
Intergovernmental	\$ 616,483	\$ 1,047,002	540,128	\$ (506,874)
Charges for services	63,316	63,316	72,014	8,698
Miscellaneous revenues			4,645	4,645
Total Revenues	679,799	1,110,318	616,787	(493,531)
Expenditures:				
Current:				
Community Development	603,402	1,183,713	1,079,915	103,798
Total Expenditures	603,402	1,183,713	1,079,915	103,798
Other Financing Sources (Uses):				
Transfers (out)	(203,703)	(283,870)	(86,209)	197,661
Total Other Financing Sources (Uses)	(203,703)	(283,870)	(86,209)	197,661
Net Change in Fund Balances	\$ (127,306)	\$ (357,265)	(549,337)	\$ (192,072)
Ending Fund Balance			\$ 41,764	

CITY OF NAPA
TRAFFIC FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>	
Beginning Fund Balance			<u>\$ 640,425</u>	
Revenues:				
Intergovernmental	\$ 2,216,684	\$ 2,216,684	2,331,777	\$ 115,093
Charges for services	369,744	369,744	442,641	72,897
Investment income	30,000	30,000	4,475	(25,525)
Miscellaneous revenues	14,000	14,000		(14,000)
Total Revenues	<u>2,630,428</u>	<u>2,630,428</u>	<u>2,778,893</u>	<u>148,465</u>
Expenditures:				
Current:				
Police	375,744	478,851	360,024	118,827
Debt Service				
Principal repayment	50,000	50,000	50,000	
Interest and fiscal charges	4,000	4,000	4,500	(500)
Total Expenditures	<u>4,000</u>	<u>4,000</u>	<u>414,524</u>	<u>118,327</u>
Other Financing Sources (Uses):				
Transfers in			349,000	
Transfers (out)	(1,972,431)	(2,617,849)	(2,052,481)	565,368
Total Other Financing Sources (Uses)	<u>(1,972,431)</u>	<u>(2,268,849)</u>	<u>(1,703,481)</u>	<u>565,368</u>
Net Change in Fund Balances	<u>\$ 653,997</u>	<u>\$ 357,579</u>	<u>660,888</u>	<u>\$ 832,160</u>
Ending Fund Balance			<u>\$ 1,301,313</u>	

CITY OF NAPA
PARKING FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final Budget		
Beginning Fund Balance			\$ 899,476	
Revenues:				
Intergovernmental			3,660,000	
Charges for services	\$ 478,000	\$ 478,000	518,279	\$ 40,279
Investment income	73,200	73,200	37,458	(35,742)
Total Revenues	551,200	551,200	4,215,737	4,537
Expenditures:				
Current:				
Police	325,933	326,434	296,178	30,256
Parks and recreation	213,703	213,703	159,212	54,491
Total Expenditures	539,636	540,137	455,390	84,747
Other Financing Sources (Uses):				
Transfers in	162,682	162,682	70,000	(92,682.00)
Transfers (out)	(67,516)	(217,538)	(217,538)	
Total Other Financing Sources (Uses)	95,166	(54,856)	(147,538)	(92,682)
Net Change in Fund Balances	\$ 106,730	\$ (43,793)	3,612,809	\$ (3,398)
Ending Fund Balance			\$ 4,512,285	

CITY OF NAPA
 CAL HOME GRANT
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
Beginning Fund Balance			\$ 323,990	
Revenues:				
Intergovernmental	\$ 640,000	\$ 640,000	250,000	\$ (390,000)
Charges for services			2,000	2,000
Investment income	500	500	1,227	727
Total Revenues	640,500	640,500	253,227	(387,273)
Expenditures:				
Current:				
Community Development	640,000	640,000	373,338	266,662
Total Expenditures	640,000	640,000	373,338	266,662
Net Change in Fund Balances	\$ 500	\$ 500	(120,111)	\$ (120,611)
Ending Fund Balance			\$ 203,879	

CITY OF NAPA
PUBLIC SAFETY PROGRAMS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
Beginning Fund Balance			\$ 16,223	
Revenues:				
Intergovernmental			10,000	\$ 10,000
Investment income	\$ 250	\$ 250	120	(130)
Miscellaneous revenues	1,000	2,500	5,610	3,110
Total Revenues	1,250	2,750	15,730	2,980
Expenditures:				
Current:				
Police	5,000	6,500	5,785	715
Total Expenditures	5,000	6,500	5,785	715
Net Change in Fund Balances	\$ (3,750)	\$ (3,750)	9,945	\$ 3,695
Ending Fund Balance			\$ 26,168	

CITY OF NAPA
 PARKS & RECREATION TRUST PROGRAMS
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final Budget		
Beginning Fund Balance			\$ 8,746	
Revenues:				
Investment income			163	\$ 163
Miscellaneous revenues			12,500	12,500
Total Revenues			12,663	12,663
Expenditures:				
Current:				
Parks and recreation	\$ 8,942	\$ 8,942	8,301	641
Total Expenditures	8,942	8,942	8,301	641
Net Change in Fund Balances	<u>\$ (8,942)</u>	<u>\$ (8,942)</u>	<u>4,362</u>	<u>\$ 13,304</u>
Ending Fund Balance			<u>\$ 13,108</u>	

CITY OF NAPA
HOUSING INCLUSIONARY PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final Budget		
Beginning Fund Balance			\$ 5,086,656	
Revenues:				
Charges for services			328,591	\$ 328,591
Investment income	\$ 28,545	\$ 28,545	41,076	12,531
Total Revenues	28,545	28,545	369,667	341,122
Expenditures:				
Current:				
Community Development	3,557,289	4,187,693	105,354	4,082,339
Total Expenditures	3,557,289	4,187,693	105,354	4,082,339
Other Financing Sources (Uses):				
Transfers in				
Transfers (out)	(2,059)	(96,649)	(96,649)	
Total Other Financing Sources (Uses)	(2,059)	(96,649)	(96,649)	
Net Change in Fund Balances	\$ (3,530,803)	\$ (4,255,797)	167,664	\$ 4,423,461
Ending Fund Balance			\$ 5,254,320	

CITY OF NAPA
GOLF FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>
Beginning Fund Balance			<u>\$ (1,689,861)</u>
Revenues:			
Charges for services			8,474 \$ 8,474
Investment income			2,911 2,911
Miscellaneous revenues			80 80
Total Revenues			<u>11,465 2,991</u>
Expenditures:			
Parks and recreation			42,868 (42,868)
Total Expenditures			<u>42,868 (42,868)</u>
Net Change in Fund Balances	<u>\$</u>	<u>\$</u>	<u>(31,403) \$ (39,877)</u>
Ending Fund Balance			<u>\$ (1,721,264)</u>

CITY OF NAPA
STREET RESURFACING PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final Budget		
Beginning Fund Balance			\$ 1,355,541	
Revenues:				
Intergovernmental		\$ 239,572	239,572	
Charges for Services		2,955	2,955	
Total Revenues			242,527	
Expenditures:				
Capital outlay	\$ 2,654,350	3,888,173	2,586,614	\$ 1,301,559
Total Expenditures	2,654,350	3,888,173	2,586,614	1,301,559
Other Financing Sources (Uses):				
Transfers in	2,654,351	2,654,351	2,654,351	
Transfers (out)		(349,000)	(349,000)	
Total Other Financing Sources (Uses)	2,654,351	2,305,351	2,305,351	
Net Change in Fund Balances	\$ 1	\$ (1,582,822)	(38,736)	\$ 1,301,559
Ending Fund Balance			\$ 1,316,805	

CITY OF NAPA
 SIDEWALK REPLACEMENT PROGRAM
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
Beginning Fund Balance			\$ 130,110	
Revenues:				
Total Revenues				
Expenditures:				
Current:				
Capital outlay	\$ 1,422,911	\$ 1,488,167	1,224,419	\$ 263,748
Total Expenditures	1,422,911	1,488,167	1,224,419	263,748
Other Financing Sources (Uses):				
Transfers in	1,422,911	1,358,057	1,358,057	
Total Other Financing Sources (Uses)	1,358,057	1,358,057	1,358,057	
Net Change in Fund Balances	\$ (64,854)	\$ (130,110)	133,638	\$ 263,748
Ending Fund Balance			\$ 263,748	

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. 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, 2014

	Risk Management	Central Stores	Fleet	Information Technology Replacement	Post Employment Benefit	Total
ASSETS						
Current Assets:						
Cash and investments	\$ 7,666,703		\$ 3,344,779	\$ 11,356	\$ 784,993	\$ 11,807,831
Accounts receivable	12,617		12,170			24,787
Federal, state and other governments	12,044		31,300		704,480	747,824
Interest receivable	12,803		5,481	60		18,344
Prepaid items	100,508					100,508
Inventory		\$ 272,161				272,161
Total Current Assets	7,804,675	272,161	3,393,730	11,416	1,489,473	12,971,455
Capital Assets:						
Nondepreciable			112,694			112,694
Depreciable, net		42,641	6,949,602			6,992,243
Total Assets	7,804,675	314,802	10,456,026	11,416	1,489,473	20,076,392
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued liabilities	322,305	3,885	153,912	137	(23,302)	456,937
Compensated absences	4,823	6,640	8,051			19,514
Claims payable	1,818,440					1,818,440
Capital lease			44,112			44,112
Due to other funds		323,551				323,551
Total Current Liabilities	2,145,568	334,076	206,075	137	(23,302)	2,662,554
Long-Term Obligations:						
Net OPEB Obligation					1,245,029	1,245,029
Compensated absences	1,768		14,986			16,754
Claims payable	3,922,360					3,922,360
Total Liabilities	6,069,696	334,076	221,061	137	1,221,727	7,846,697
NET POSITION						
Net investment in capital assets		42,641	7,062,296			7,104,937
Unrestricted	1,734,979	(61,915)	3,172,669	11,279	267,746	5,124,758
Total Net Position (Deficit)	\$ 1,734,979	\$ (19,274)	\$ 10,234,965	\$ 11,279	\$ 267,746	\$ 12,229,695

CITY OF NAPA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Risk Management</u>	<u>Central Stores</u>	<u>Fleet</u>	<u>Information Technology Replacement</u>	<u>Post Employment Benefit</u>	<u>Total</u>
OPERATING REVENUES						
Charges for services	\$ 4,436,162	\$ 886,877	\$ 3,525,973	\$ 167,200	\$ 1,046,971	\$ 10,063,183
Total Operating Revenues	<u>4,436,162</u>	<u>886,877</u>	<u>3,525,973</u>	<u>167,200</u>	<u>1,046,971</u>	<u>10,063,183</u>
OPERATING EXPENSES						
Cost of goods sold		610,296				610,296
Employee services and benefits	177,076	108,125	815,767			1,100,968
Materials and services	755,287	9,038	1,428,543	190,659		2,383,527
Insurance premiums and claims	2,069,168				879,697	2,948,865
Depreciation		4,487	1,173,616			1,178,103
Total Operating Expenses	<u>3,001,531</u>	<u>731,946</u>	<u>3,417,926</u>	<u>190,659</u>	<u>879,697</u>	<u>8,221,759</u>
Operating Income (Loss)	<u>1,434,631</u>	<u>154,931</u>	<u>108,047</u>	<u>(23,459)</u>	<u>167,274</u>	<u>1,841,424</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	<u>53,114</u>	<u>(5,313)</u>	<u>24,301</u>	<u>120</u>	<u>281</u>	<u>72,503</u>
Total Nonoperating Revenues (Expenses)	<u>53,114</u>	<u>(5,313)</u>	<u>24,301</u>	<u>120</u>	<u>281</u>	<u>72,503</u>
Income (loss) before transfers	<u>1,487,745</u>	<u>149,618</u>	<u>132,348</u>	<u>(23,339)</u>	<u>167,555</u>	<u>1,913,927</u>
TRANSFERS						
Transfers in			95,134		870,000	965,134
Transfers (out)	<u>(475,048)</u>	<u>(168,932)</u>	<u>(167,381)</u>			<u>(811,361)</u>
OTHER FINANCING SOURCES						
Sale of Capital Assets			67,430			67,430
Change in Net Position	1,012,697	(19,314)	127,531	(23,339)	1,037,555	2,135,130
Beginning 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>
Ending Net Position (Deficits)	<u>\$ 1,734,979</u>	<u>\$ (19,274)</u>	<u>\$ 10,234,965</u>	<u>\$ 11,279</u>	<u>\$ 267,746</u>	<u>\$ 12,229,695</u>

CITY OF NAPA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Risk Management	Central Stores	Fleet	Information Technology Replacement	OPEB	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 4,436,216	\$ 886,877	\$ 3,488,182	\$ 167,200	\$ 1,092,318	\$ 10,070,793
Payments to suppliers	(635,547)	(429,621)	(1,740,166)	(191,106)	(260)	(2,996,700)
Payments to / or on behalf of employees	(2,239,653)	(107,803)	(829,381)		(1,041,884)	(4,218,721)
Net cash provided (used) by Operating Activities	<u>1,561,016</u>	<u>349,453</u>	<u>918,635</u>	<u>(23,906)</u>	<u>50,174</u>	<u>2,855,372</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in			95,134		870,000	965,134
Transfers out	(475,048)	(168,932)	(167,381)			(811,361)
Interfund receipts (payments)		(175,208)			(136,815)	(312,023)
Net cash provided (used) by Noncapital Financing Activities	<u>(475,048)</u>	<u>(344,140)</u>	<u>(72,247)</u>		<u>733,185</u>	<u>(158,250)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Sale of capital assets			67,430			67,430
Principal payments on capital debt			(54,330)			(54,330)
Acquisition of capital assets			(577,674)			(577,674)
Net cash provided (used) by Capital and Related Financing Activities			<u>(564,574)</u>			<u>(564,574)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	58,848	(5,312)	27,450	161	282	81,429
Net cash provided (used) by Investing Activities	<u>58,848</u>	<u>(5,312)</u>	<u>27,450</u>	<u>161</u>	<u>282</u>	<u>81,429</u>
Net Cash Increase (Decrease) in cash and cash equivalents	1,144,816		309,264	(23,745)	783,641	2,213,977
Cash and cash equivalents at beginning of period	<u>6,521,887</u>		<u>3,035,515</u>	<u>35,101</u>	<u>1,352</u>	<u>9,593,855</u>
Cash and cash equivalents at end of period	<u>\$ 7,666,703</u>	<u>\$ -</u>	<u>\$ 3,344,779</u>	<u>\$ 11,356</u>	<u>\$ 784,993</u>	<u>\$ 11,807,832</u>
Reconciliation of operating income (loss) to net cash flow:						
from operating activities:						
Operating income (loss)	1,434,631	154,931	108,047	(23,459)	167,274	1,841,424
Adjustments to reconcile operating income to net cash flow:						
from operating activities:						
Depreciation		4,487	1,173,616			1,178,103
Change in assets and liabilities:						
Receivables, net	54		(37,791)		45,347	7,610
Other assets	(508)	192,831				192,323
Accounts payable and other accrued expenses	(100,552)	(3,118)	(311,623)	(447)	(260)	(416,000)
Net OPEB Obligation					(162,187.0)	(162,187.0)
Claims payable	220,800					220,800
Vacation and sick leave payable	6,591	322	(13,614)			(6,701)
Net cash provided (used) by Operating Activities	<u>\$ 1,561,016</u>	<u>\$ 349,453</u>	<u>\$ 918,635</u>	<u>\$ (23,906)</u>	<u>\$ 50,174</u>	<u>\$ 2,855,372</u>

AGENCY FUNDS

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.

This fund was closed in FY 2013-14 and all remaining monies were returned to the property owners.

CITY OF NAPA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>PAYROLL</u>				
Assets				
Cash and investments		\$ 31,134,709	\$ (31,120,096)	\$ 14,613
Accounts receivable	\$ 3,952	12,926	(9,902)	6,976
Loan receivable	57,729	2,642	(56,310)	4,061
Total Assets	<u>\$ 61,681</u>	<u>\$ 31,150,277</u>	<u>\$ (31,186,308)</u>	<u>\$ 25,650</u>
Liabilities				
Accounts payable	<u>\$ 61,681</u>	<u>\$ 31,150,277</u>	<u>\$ (31,186,308)</u>	<u>\$ 25,650</u>
<u>NAPA VALLEY CORPORATE PARK ASSESSMENT DISTRICT</u>				
Assets				
Cash and investments	\$ 86,148		\$ (86,148)	
Interest receivable	245		(245)	
Total Assets	<u>\$ 86,393</u>	<u></u>	<u>\$ (86,393)</u>	<u></u>
Liabilities				
Due to bondholders	<u>\$ 86,393</u>	<u></u>	<u>\$ (86,393)</u>	<u></u>
<u>TOTAL AGENCY FUNDS</u>				
Assets				
Cash and investments	\$ 86,148	\$ 31,134,709	\$ (31,206,244)	\$ 14,613
Accounts receivable	3,952	12,926	(9,902)	6,976
Interest receivable	245		(245)	
Loan receivable	57,729	2,642	(56,310)	4,061
Total Assets	<u>\$ 148,074</u>	<u>\$ 31,150,277</u>	<u>\$ (31,272,701)</u>	<u>\$ 25,650</u>
Liabilities				
Accounts payable	61,681	31,150,277	(31,186,308)	25,650
Due to bondholders	86,393		(86,393)	
Total Liabilities	<u>\$ 148,074</u>	<u>\$ 31,150,277</u>	<u>\$ (31,272,701)</u>	<u>\$ 25,650</u>



SECTION 3

STATISTICAL SECTION

STATISTICAL SECTION

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.

Contents:

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 - Financial Trends Information
Net Position by Component
Last Ten Fiscal Years
(Accrual basis accounting, in thousands)

	2005	2006	2007	2008	2009
Governmental Activities					
Net investment in capital assets	\$ 58,932	\$ 70,998	\$ 334,182	\$ 337,798	\$ 348,410
Restricted	35,223	43,799	50,670	52,663	39,645
Unrestricted	13,721	4,463	2,715		
Total governmental activities net position	\$ 107,876	\$ 119,260	\$ 387,568	\$ 390,461	\$ 388,055
Business-type Activities					
Net investment in capital assets	\$ 46,127	\$ 48,654	\$ 57,118	\$ 61,909	\$ 67,094
Restricted					9,523
Unrestricted	25,180	26,596	24,915	39,155	26,294
Total business-type activities net position	\$ 71,307	\$ 75,250	\$ 82,033	\$ 101,064	\$ 102,910
Primary Government					
Net investment in capital assets	\$ 105,059	\$ 119,652	\$ 391,300	\$ 399,707	\$ 415,504
Restricted	35,223	43,799	50,670	52,663	49,168
Unrestricted	38,901	31,059	27,630	39,155	26,294
Total primary government activities net position	\$ 179,183	\$ 194,510	\$ 469,601	\$ 491,525	\$ 490,965

Source: City of Napa - Audited Financials

City of Napa - Financial Trends Information
Net Position by Component
Last Ten Fiscal Years
(Accrual basis accounting, in thousands)

	2010	2011	2012	2013	2014
Governmental Activities					
Net investment in capital assets	\$ 332,285	\$ 338,198	\$ 356,311	\$ 356,406	\$ 365,826
Restricted	38,113	33,576	34,398	38,205	37,699
Unrestricted	37,658	49,287	47,907	40,475	49,510
Total governmental activities net position	\$ 408,056	\$ 421,061	\$ 438,616	\$ 435,086	\$ 453,035
Business-type Activities					
Net investment in capital assets	\$ 70,797	\$ 60,887	\$ 62,435	\$ 63,898	\$ 72,262
Restricted	1,187		1,077	799	534
Unrestricted	29,400	46,648	42,933	45,474	47,189
Total business-type activities net position	\$ 101,384	\$ 107,535	\$ 106,445	\$ 110,172	\$ 119,986
Primary Government					
Net investment in capital assets	\$ 403,082	\$ 399,085	\$ 418,746	\$ 420,304	\$ 438,088
Restricted	39,299	33,576	35,475	39,004	38,234
Unrestricted	67,059	95,935	90,840	85,948	96,699
Total primary government activities net position	\$ 509,440	\$ 528,596	\$ 545,061	\$ 545,257	\$ 573,020

Source: City of Napa - Audited Financials

City of Napa - Financial Trends Information
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis accounting, in thousands)

	2005	2006	2007	2008	2009
Expenses					
Governmental activities					
General Government	\$ 13,403	\$ 14,224	\$ 15,527	\$ 18,376	\$ 22,803
Public Safety	26,841	26,880	32,219	27,477	34,179
Public Works	10,837	9,313	4,597	18,605	16,496
Parks & Recreation	6,099	5,983	6,185	5,197	4,903
Community Development					
Redevelopment	15,740	15,696	13,207	1,841	1,171
Interest on long term debt	1,152	1,335	1,123	1,124	1,056
Total Governmental activities expenses	\$ 74,072	\$ 73,432	\$ 72,857	\$ 72,621	\$ 80,607
Business-type activities					
Water	\$ 15,849	\$ 14,779	\$ 15,722	\$ 18,563	\$ 19,976
Materials Diversion	4,218	12,823	16,701	18,173	18,851
Golf	1,595	1,562	1,656	1,760	1,746
Housing	490	400	411	11,230	10,602
Total business-type activities expenses	22,152	29,563	34,490	49,725	51,175
Total Primary government expenses	\$ 96,224	\$ 102,995	\$ 107,346	\$ 122,346	\$ 131,782

Source: City of Napa Audited Financial Statements

City of Napa - Financial Trends Information
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis accounting, in thousands)

	2005	2006	2007	2008	2009
Program Revenues					
Governmental activities					
Charges for Services					
General Government	\$ 7,567	\$ 5,139	\$ 5,246	\$ 4,700	\$ 4,658
Public Safety	1,952	2,120	2,815	2,561	2,919
Public Works	1,932	1,480	3,052	3,027	410
Parks & Recreation	2,380	2,695	2,803	1,917	1,216
Community Development					
Redevelopment					
Operating grants and contributions	13,345	14,550	14,465	5,931	5,246
Capital grants and contributions	11,354	9,674	7,249	17,857	9,535
Total governmental activities program revenues	\$ 38,531	\$ 35,658	\$ 35,629	\$ 35,992	\$ 23,985
Business type activities					
Charges for Services					
Water	\$ 15,645	\$ 16,571	\$ 19,659	\$ 21,111	\$ 19,721
Materials Diversion	4,453	13,474	18,971	21,290	20,848
Golf	1,519	1,364	1,755	1,757	1,673
Housing	285	150	156	520	540
Operating grants and contributions	382	774	491	10,644	10,086
Capital grants and contributions	693	2,209	1,018	1,015	71
Total business-type activities program revenues	22,977	34,542	42,050	56,337	52,939
Total Primary government revenues	\$ 61,508	\$ 70,200	\$ 77,680	\$ 92,329	\$ 76,923
Net (expense)/revenue					
Governmental activities	\$ (35,542)	\$ (37,773)	\$ (37,227)	\$ (36,629)	\$ (56,623)
Business-type activities	825	4,979	7,560	6,612	1,764
Total Primary government net expense	\$ (34,717)	\$ (32,794)	\$ (29,667)	\$ (30,017)	\$ (54,859)

Source: City of Napa-Audited Financial Statements

City of Napa - Financial Trends Information

Changes in Net Position

Last Ten Fiscal Years

(Accrual basis accounting, in thousands)

	2005	2006	2007	2008	2009
General Revenues and other changes in net position					
Governmental activities					
Taxes					
Property taxes	\$ 12,985	\$ 15,003	\$ 15,852	\$ 23,317	\$ 23,059
Property tax increment	3,070	3,167	3,487	4,538	4,975
Franchise taxes	1,935	1,439	1,377	1,423	1,561
Sales taxes	8,097	8,837	12,914	9,648	8,637
Transient Occupancy	5,697	6,249	7,779	8,725	8,175
Motor vehicle license fees	7,374	7,201	5,936	3,406	3,533
Business license	2,351	2,650	3,038	3,145	2,938
Investment earnings	1,632	1,672	3,266	4,436	3,030
Miscellaneous	726	1,269	918	2,590	2,331
Transfers	(40)	1,671	2,443	1,353	2,694
Total governmental activities	\$ 43,828	\$ 49,157	\$ 57,010	\$ 62,581	\$ 60,933
Business -type activities					
Investment earnings	731	570	1,666	4,136	2,777
Miscellaneous		65			
Transfers	40	(1,671)	(2,443)	(1,353)	(2,694)
Total business-type activities	771	(1,036)	(777)	2,782	83
Total primary government	\$ 83,130	\$ 83,780	\$ 91,862	\$ 101,356	\$ 85,000
<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	\$ 8,286	\$ 11,384	\$ 19,783	\$ 25,952	\$ 4,310
Business-type activities	1,596	3,943	6,783	9,394	1,847
Total primary government	\$ 9,882	\$ 15,327	\$ 26,566	\$ 35,347	\$ 6,156

Source: City of Napa-Audited Financial Statements

City of Napa - Financial Trends Information
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis accounting, in thousands)

	2010	2011	2012	2013	2014
Expenses					
Governmental activities					
General Government	\$ 20,261	\$ 16,605	\$ 19,664	\$ 19,452	\$ 10,614
Public Safety	34,152	29,081	32,266	34,946	36,764
Public Works	20,185	20,431	18,201	22,914	27,223
Parks & Recreation	8,569	7,241	6,734	6,765	7,269
Community Development	238	1,119	492	3,418	6,246
Redevelopment	1,418	1,363	580		
Interest on long term debt	1,058	986	937		
Total Governmental activities expenses	\$ 85,880	\$ 76,826	\$ 78,874	\$ 87,494	\$ 88,117
Business-type activities					
Water	\$ 21,423	\$ 19,494	\$ 21,627	\$ 21,173	\$ 23,801
Materials Diversion	19,776	19,747	20,505	21,277	21,078
Golf	1,768	1,778	1,783	1,459	
Housing	11,187	11,368	13,626	13,291	12,169
Total business-type activities expenses	54,154	52,387	57,542	57,200	57,047
Total Primary government expenses	\$ 140,034	\$ 129,213	\$ 136,416	\$ 144,695	\$ 145,164

Source: City of Napa Audited Financial Statements

City of Napa - Financial Trends Information
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis accounting, in thousands)

	2010	2011	2012	2013	2014
Program Revenues					
Governmental activities					
Charges for Services					
General Government	\$ 2,106	\$ 2,975	\$ 1,876	\$ 3,230	\$ 10,156
Public Safety	3,784	4,076	2,953	4,722	4,487
Public Works	2,503	1,953	418	2,352	4,558
Parks & Recreation	1,481	1,470	1,257	1,966	1,659
Community Development				2,579	2,930
Redevelopment	179	20	1		
Operating grants and contributions	4,827	4,776	5,152	2,448	2,329
Capital grants and contributions	13,006	9,322	5,785	2,116	12,765
Total governmental activities program revenues	\$ 27,885	\$ 24,593	\$ 17,444	\$ 19,413	\$ 38,885
Business type activities					
Charges for Services					
Water	\$ 19,386	\$ 19,422	\$ 22,166	\$ 25,454	\$ 28,510
Materials Diversion	21,726	23,285	24,609	24,461	24,117
Golf	1,495	1,394	1,580	1,260	
Housing	1,322	5,167	1,163	1,160	1,116
Operating grants and contributions	10,376	11,611	10,221	11,501	10,543
Capital grants and contributions	334	322	352	462	729
Total business-type activities program revenues	54,639	61,201	60,092	64,298	65,015
Total Primary government revenues	\$ 82,524	\$ 85,794	\$ 77,536	\$ 83,711	\$ 103,900
Net (expense)/revenue					
Governmental activities	\$ (57,995)	\$ (52,233)	\$ (61,430)	\$ (68,081)	\$ (49,232)
Business-type activities	485	8,814	2,551	7,097	7,967
Total Primary government net expense	\$ (57,510)	\$ (43,419)	\$ (58,880)	\$ (60,984)	\$ (41,264)

Source: City of Napa-Audited Financial Statements

City of Napa - Financial Trends Information
Changes in Net Position
Last Ten Fiscal Years

(Accrual basis accounting, in thousands)

	2010	2011	2012	2013	2014
General Revenues and other changes in net position					
Governmental activities					
Taxes					
Property taxes	\$ 23,326	\$ 27,452	\$ 25,399	\$ 25,419	\$ 26,785
Property tax increment	6,278	6,235	3,057		
Franchise taxes	1,610	1,685	1,748	1,818	1,871
Sales taxes	11,559	12,192	13,019	14,267	15,150
Transient Occupancy	8,256	9,872	11,817	14,032	15,803
Motor vehicle license fees	221	358	39	40	**
Business license	2,508	2,572	2,661	2,766	**
Investment earnings	1,369	1,368	849	93	531
Miscellaneous					
Transfers	2,729	3,504	4,178	4,128	4,299
Total governmental activities	\$ 57,857	\$ 65,238	\$ 62,767	\$ 62,562	\$ 64,439
Business -type activities					
Investment earnings	717	841	537	11	364
Miscellaneous					
Transfers	(2,729)	(3,504)	(4,178)	(4,128)	(4,299)
Total business-type activities	(2,012)	(2,663)	(3,641)	(4,117)	(3,935)
Total primary government	\$ 83,731	\$ 62,575	\$ 59,126	\$ 58,445	\$ 60,504
<i>Special Items (Transfer to Successor Agency Trust)</i>			\$ 16,327		
<i>Extraordinary Items - Governmental activities</i>				\$ 3,995	\$ 3,415
<i>Extraordinary Items - Business-type activities</i>				747	
Change in Net Position					
Governmental activities	\$ (138)	\$ 13,005	\$ 17,664	\$ (1,524)	\$ 18,622
Business-type activities	(1,527)	6,152	(1,090)	3,727	4,033
Total primary government	\$ (1,664)	\$ 19,157	\$ 16,574	\$ 2,203	\$ 22,655

Source: City of Napa-Audited Financial Statements

** In fiscal 2014 Business License and Motor Vehicles Fees are included in General Government Charges for Services

City of Napa - Financial Trends Information
Changes in Fund Balances, Government Funds
Last Ten Fiscal Years

(Modified accrual basis accounting, in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 25,070	\$ 27,332	\$ 30,067	\$ 40,035	\$ 39,635	\$ 39,471	\$ 43,717	\$ 42,483	\$ 41,269	\$ 44,459
Licenses and permits	8,633	8,223	12,083	10,483	6,318	3,477	3,618	4,084	3,945	4,198
Intergovernmental	38,934	37,854	38,111	22,141	18,544	29,404	24,550	21,551	23,394	26,268
Charges for services	6,253	4,673	5,043	6,003	5,671	8,937	9,297	9,226	11,711	12,238
Investment earnings	1,809	1,784	3,029	4,110	2,739	1,155	1,003	726	93	531
Loan repayments	1,486	596	907	715	269	-	-	-	155	-
Miscellaneous	76	516	911	1,709	672	172	466	777	124	514
Total Revenues	82,261	80,979	90,151	85,196	73,847	82,616	82,652	78,846	80,692	88,208
Expenditures										
General government	13,456	14,094	15,364	18,595	23,178	17,610	16,588	16,538	12,691	-
City Council										279
City Clerk										623
City Manager										1,213
Finance										4,697
City Attorney										876
Human Resources										1,071
General Services										2,234
Public safety	25,888	27,238	28,618	30,557	33,202	34,781	33,268	34,009	34,946	-
Police										22,911
Fire										13,755
Public Works	5,478	8,458	6,094	6,494	6,840	8,871	6,752	6,773	7,257	7,252
Parks & Recreation	5,757	5,790	5,828	5,000	4,526	8,101	6,813	6,580	6,765	7,269
Community Development						238	392	3,849	3,418	6,246
Housing	12,637	12,109	12,152	1,574	1,088	-	-	-	-	-
Redevelopment	2,182	4,694	1,447	996	473	935	974	-	-	-
County Fees and pass-through			-		67	211	116	124	-	-
Capital Outlay	14,578	12,355	14,846	11,029	20,795	17,395	15,663	10,793	15,657	16,469
Debt Service										
Principal	735	865	1,020	1,210	1,240	1,535	3,365	1,730	-	328
Interest and fiscal charges	1,157	1,105	1,081	1,088	1,019	1,025	1,216	801	-	5
Total Expenditures	81,866	86,709	86,451	76,542	92,429	90,704	85,147	81,197	80,733	85,228
Excess of revenues over/(under) expenditures	395	(5,730)	3,700	8,654	(18,583)	(8,088)	(2,495)	(2,351)	(42)	2,980
Other financing sources (uses)										
Transfer in	10,934	8,290	14,382	16,904	18,748	15,385	30,927	11,822	22,210	17,369
Transfer out	(10,974)	(6,419)	(11,738)	(18,059)	(17,064)	(12,607)	(27,185)	(7,280)	(17,274)	(13,224)
Debt Proceeds										
Payments to refunded bond escrow agent										
Sale of capital assets						221			4	
Total other financing Sources (uses)										
Total Other Financing Sources	(40)	1,871	2,643	(1,154)	1,683	2,999	3,743	4,542	4,940	4,145
Change in Accounting Method		407								
Extraordinary Items (Transfer to/from Successor Agency Trust)								(1,199)		1,220
Net Change in fund balances	\$ 355	\$ (3,452)	\$ 6,344	\$ 7,499	\$ (16,899)	\$ (5,089)	\$ 1,248	\$ 991	\$ 4,899	\$ 8,345
Debt service as a percentage of non-capital expenditures	1%	1%	1%	2%	2%	2%	5%	3%	0%	0%

Source: City of Napa -Audited Financial Statements

City of Napa - Revenue Capacity
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>	<u>Direct Tax Rate</u>
2005	\$ 6,077	\$ 194	\$ 6,271	\$ 517	8%	0.015%
2006	6,823	203	7,027	756	11%	0.015%
2007	7,607	215	7,822	796	10%	0.015%
2008	8,369	242	8,611	789	9%	0.015%
2009	8,702	251	8,954	343	4%	0.015%
2010	8,455	256	8,711	(242)	-3%	0.015%
2011	8,382	259	8,641	(70)	-1%	0.015%
2012	8,414	251	8,665	23	0%	0.015%
2013	8,509	254	8,763	98	1%	0.015%
2014	8,970	248	9,219	456	5%	0.015%

Source: Napa County Auditor Controller's Office

**City of Napa - Revenue Capacity
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</u> <u>District</u>	<u>River Park Maintenance</u> <u>District</u>	<u>Total</u>
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%	0.0904%	0.1125%	0.1688%	1.3867%
2013/14	1.0000%	0.0150%	0.0986%	0.1125%	0.1688%	1.3949%

Source: Napa County Auditor Controller's Office

**City of Napa - Revenue Capacity
Principal Property Taxpayers
Current Year and Nine Years Ago**

		2014			2005		
				<u>Percentage of Total Assessed Valuation</u>			<u>Percentage of Total Assessed Valuation</u>
<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>Rank</u>		<u>Assessed Value</u>	<u>Rank</u>	
Kaiser Foundation Hospitals	Hospital	\$ 213,242,187	1	2.43%	\$ 23,729,972	9	0.41%
Dey Laboratories LP	Chemical Products	87,745,237	2	1.00%	87,018,110	1	1.51%
Meritage Resort LLC	Hotels	87,293,487	3	1.00%			
Inland American Lodging Napa	Hotels	77,913,690	4	0.89%			
Hawthorn Village LP	Apartments	53,738,294	5	0.61%			
Hyatt Equities LLC	Hotels	49,966,500	6	0.57%			
Chelsea Financing Partnership LP	Real Estate	44,354,112	7	0.51%	34,189,284	4	0.59%
Shell Owners Association West	Timeshares	42,317,670	8	0.48%			
Intelsat Corporation	Industrial	39,193,581	9	0.45%			
First Napa Acquisition LLC	Apartments	39,134,169	10	0.45%			
Panamsat International Systems Inc					50,167,100	2	0.87%
Peter A. and Vernice H. Gasser Foundation	Non-profit Civic Foundation				42,526,432	3	0.74%
Sunstone Napa LLC					33,518,433	5	0.58%
Bedford Property Investors Inc					31,686,550	6	0.55%
Stanley Ranch Vineyards LLC					28,720,138	7	0.50%
AGS Ventures Inc					24,836,739	8	0.43%
Bayrock Napa LP					19,051,073	10	0.33%

Source: Napa County Auditor Controller's Office

**City of Napa - Revenue Capacity
Property Tax Levies and Collections
Last Ten Fiscal Years**

**Collected within the Fiscal Year
of the Levy**

<u>Fiscal Year ended June</u> <u>30</u>	<u>Total Tax Levy for</u> <u>Fiscal Year</u> ²	<u>Collected within the Fiscal Year</u> <u>of the Levy</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>
2005	\$ -	\$ -	100%
2006	-	-	100%
2007	-	-	100%
2008	-	-	100%
2009	-	-	100%
2010	-	-	100%
2011	14,378,036	14,378,036	100%
2012	¹ 14,922,304	14,922,304	100%
2013	15,207,190	15,207,190	100%
2014	15,334,229	15,334,229	100%

Source: Napa County Auditor Controller's Office

¹ Information prior to fiscal year 2010 is not readily available.

² Levy does not include ERAF or RDA pass through.

City of Napa - Debt Capacity
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Governmental Activities				
<u>Fiscal Year</u> <u>Ended June</u> <u>30</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Redevelopment</u> <u>Bonds</u> ¹	<u>Capital</u> <u>Leases</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u>
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
2014	-	-	44,112	44,112

¹ 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 - Debt Capacity
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

<u>Business Type Activities</u>							
<u>Fiscal Year</u> <u>Ended June</u> <u>30</u>	<u>Water</u> <u>Revenue</u> <u>Bonds</u>	<u>Solid Waste</u> <u>Revenue Bonds</u>	<u>Loans & Notes</u> <u>Payable</u>	<u>Total</u> <u>Business Type</u> <u>Activities</u>	<u>Total Primary</u> <u>Government</u>	<u>Percentage</u> <u>of Personal</u> <u>Income</u>	<u>Debt</u> <u>Per</u> <u>Capita</u>
2005	\$ -	\$ 6,880,000.00	\$ 2,807,184.35	\$ 9,687,184	\$ 36,192,184	1.06%	\$ 486
2006		6,545,000	3,859,374	10,404,374	36,044,374	0.99%	483
2007		6,200,000	7,964,758	14,164,758	38,784,758	1.03%	519
2008	47,350,000	5,840,000	7,611,029	60,801,029	84,332,693	2.20%	1,122
2009	47,350,000	5,465,000	7,263,293	60,078,293	82,405,981	2.23%	1,083
2010	47,350,000	5,075,000	6,904,816	59,329,816	80,397,350	2.14%	1,046
2011	46,300,000	4,665,000	6,535,107	57,500,107	76,849,297	1.95%	999
2012	45,205,000	4,235,000	6,154,139	55,594,139	55,835,083	1.31%	720
2013	44,065,000	3,785,000	5,760,697	53,610,697	53,716,933	1.22%	690
2014	42,880,000		7,623,965	50,503,965	50,548,077	1.14%	645

Source: California Municipal Statistics, Inc

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

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

**City of Napa - Debt Capacity
Legal Debt Margin Information
Last Ten Fiscal Years**

	2005	2006	2007	2008	2009
Assessed valuation	\$ 6,270,683,257	\$ 7,026,578,770	\$ 7,822,180,558	\$ 8,610,881,711	\$ 8,953,549,785
Conversion percentage	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
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 235,150,622	\$ 263,496,704	\$ 293,331,771	\$ 322,908,064	\$ 335,758,117
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
Total debt applicable to the limit as percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%
	2010	2011	2012	2013	2014
Assessed valuation	\$ 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%
Adjusted assessed valuation	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%
Debt limit	\$ 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	\$ 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%

City of Napa - Debt Capacity
Pledged Revenue Coverage
Last Ten Fiscal Years

Water								
<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Gross Water</u>			<u>Debt Service</u>			<u>City System</u>	
	<u>Revenues</u>	<u>Less Expenses</u>	<u>Net Available</u> <u>Revenues</u>	<u>Principal</u>	<u>Interest</u>	<u>Notes Payable</u>	<u>Coverage</u>	
2005	\$ 16,931,926	\$ 11,465,448	\$ 5,466,478	\$ 1,110,000	\$ 278,006	\$ 192,096		3.46
2006	18,117,923	10,241,233	7,876,690	1,160,000	240,266	192,096		4.95
2007	19,659,303	10,649,138	9,010,165	1,225,000	199,666	302,392		5.22
2008	21,111,182	12,610,256	8,500,926	1,270,000	2,487,730	382,464		2.05
2009	19,721,108	13,972,193	5,748,915	1,320,000	2,352,124	391,537		1.41
2010	19,385,902	15,789,037	3,596,865	1,365,000	2,300,644	391,537		0.89
2011	19,422,077	14,022,037	5,400,040	1,050,000	2,246,044	391,537		1.46
2012	22,160,235	15,389,343	6,770,892	1,095,000	2,204,044	391,537		1.83
2013	25,454,220	15,452,198	10,002,022	1,140,000	2,160,244	391,537		2.71
2014	28,510,172	14,339,154	14,171,018	1,541,062	5,313,787	391,537		1.96

Solid Waste Revenue Bonds								
<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Gross Solid Waste</u>			<u>Debt Service</u>			<u>City System</u>	
	<u>Revenues</u>	<u>Less Expenses</u>	<u>Net Available</u> <u>Revenues</u>	<u>Principal</u>	<u>Interest</u>	<u>Notes Payable</u>	<u>Coverage</u>	
2005	\$ 13,394,902	\$ 11,395,743	\$ 1,999,159	\$ 155,000	\$ 368,128			3.82
2006	13,482,083	12,191,639	1,290,444	335,000	342,926			1.90
2007	18,970,522	16,080,291	2,890,231	345,000	329,972			4.28
2008	21,290,455	17,546,499	3,743,956	360,000	316,542			5.53
2009	20,848,145	18,227,150	2,620,995	375,000	302,540			3.87
2010	15,567,913	14,105,116	1,462,797	390,000	285,529			2.17
2011	15,986,299	13,015,485	2,970,813	410,000	265,289			4.40
2012	16,538,005	14,061,154	2,476,851	430,000	244,037			3.67
2013	24,461,038	20,763,495	3,697,543	450,000	221,773			5.50
2014	24,117,179	20,464,194	3,652,985	3,552,784	278,931			0.95

City of Napa - Demographic and Economic Information
Demographic and Economic Information
Last Ten Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Personal Income</u> <u>(in thousands)</u>	<u>Per Capita</u> <u>Income</u>	<u>School</u> <u>Enrollment</u>	<u>Unemployment</u> <u>Rate</u>
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	3,937,587	51,194	20,582	9.1%
2012	77,513	4,271,199	55,103	20,593	7.8%
2013	77,881	4,410,713	56,634	20,725	6.3%
2014	78,358	4,437,727	56,634	20,868	5.4%

(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. 2014 per capita income is not yet available.

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

(4) United States Department of Labor, Bureau of Labor Statistics. Unemployment rate presented is for Napa County. 2014 unemployment rate is an average of January 2014 through August 2014.

City of Napa - Demographic and Economic Information
Principal Employers
Current Year and Nine Years Ago

Employer	2014		2005 ¹	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Napa Valley Unified School District	1,900	5.16%	2,000	2.97%
Queen of the Valley Medical Center	1,365	3.71%	1,400	2.08%
County of Napa	1,248	3.39%	1,289	1.91%
City of Napa	458	1.24%		
Target ²	292	0.79%		
Napa Valley College	290	0.79%	525	0.78%
Walmart Supercenter	275	0.75%		
Kohl's Department Store	200	0.54%		
Meritage Resort and Spa	190	0.52%		
Kaiser Permanente	180	0.49%		
Marriott-Napa Valley	165	0.45%		
Coldwell Banker Brokers of the Valley	159	0.43%		
Aldea Children & Family Services	150	0.41%		
Regulus Integrated Solutions	150	0.41%		
The Meadows of Napa Valley Assisted Living	150	0.41%		
Whole Foods	150	0.41%		

Source: Economic Development Division of the City of Napa and United States Census Bureau.

¹ Information prior to 2013 is not readily available.

² Includes two retail locations.

City of Napa - Demographic and Economic Information
Full Time Equivalent City Government Employees by Function / Program
Last Ten Fiscal Years

Function/Program	2005 ¹	2006 ¹	2007	2008	2009	2010	2011	2012	2013	2014
<i>Governmental Activities</i>										
General Government	57.00	57.00	49.45	58.62	59.27	62.88	57.62	57.35	54.88	56.43
Public Safety										
Police	129.00	122.00	131.89	134.76	137.85	132.79	126.28	125.18	128.53	130.03
Fire	70.00	66.00	68.12	70.74	70.56	70.93	65.36	65.57	65.60	67.84
Public Works	59.00	53.00	57.50	59.96	61.18	64.22	59.22	58.70	63.70	65.38
Parks and recreation	49.00	43.00	70.30	73.75	72.00	69.04	57.89	59.12	59.41	69.59
Community development and Housing	33.00	34.00	41.98	39.11	43.48	42.11	38.71	38.98	37.71	35.29
<i>Business type Activities</i>										
Water Utility	46.00	47.00	50.23	50.50	52.50	54.57	52.57	53.23	54.17	55.66
Materials Diversion	5.00	5.00	6.20	6.75	6.66	6.44	6.36	7.26	6.26	7.00
TOTAL	448.00	427.00	475.67	494.19	503.50	502.98	464.01	465.39	470.26	487.22

Source: Budget Document, City of Napa

¹ Excludes Part Time

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Physical arrests	-	-	3,728	3,923	4,602	4,170	3,752	3,505	3,205	3,440
Parking violations	8,787	9,597	9,501	8,512	8,159	6,497	6,551	6,408	7,683	8,683
Traffic violations	-	-	5,687	6,007	6,099	4,715	3,054	3,332	3,078	3,668
Fire										
Number of calls answered	6,159	6,553	6,976	6,807	7,002	6,953	6,941	7,197	7,646	7,897
Inspections	632	634	560	1,555	1,296	1,496	1,425	1,425	1,464	1,379
Highways and streets										
Street resurfacing (miles)	-	-	-	-	10	9.15	8.25	8.95	8.97	8.8
Potholes repairs	-	-	-	1,182	653	294	211	326	300	358
Solid Waste & Recycling										
Refuse collected (tons/day)	126	122	108	103	98	98	94	92	90	-
Recyclables collected (tons/day)	44	70	69	71	64	68	60	64	64	-
Culture and recreation										
Athletic field permits issued	46	26	25	21	29	37	30	25	10	17
Water										
New connections	-	-	-	127	618	-	-	326	-	-
Water Main breaks	-	-	123	98	59	99	64	93	63	-
Average daily consumption (per thousand gallons)	14.02	13.39	14.98	15.33	14.94	13.14	13.35	13.79	14.27	-

Source: City of Napa

¹ Information prior to 2014 is not readily available.

City of Napa - Operating Information
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles	-	-	22	21	21	20	22	24	27	27
Police Motorcycles	-	-	4	4	5	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	10
Highways and Streets										
Streets (miles)	-	-	-	-	-	-	-	-	234.4	237.3
Parks & Recreation										
Parks	48	48	49	49	50	50	51	52	53	53
Parks (acreage)	752	752	764	764	765	765	798	804	804	804
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										
Storm Drain (miles)	150	150	151	152	152	152	152	152	152	152
Water										
Reservoirs	2	2	2	2	2	2	2	2	2	2
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

Source: City of Napa

¹ Information prior to 2014 is not readily available.