

# Flood Protection and Watershed Improvement Projects in Napa County



A Tradition of Stewardship  
A Commitment to Service

## A report from the Financial Oversight Committee

For the Fiscal Year Ended 6/30/2013

Published February 2014

This report provides an overview of financial activities conducted by Napa County and the Cities and Town within the County under the structure of Measure A for Flood Protection and Watershed Improvement Projects.

More information is available at  
[www.countyofnapa.org/MeasureAFinancialOversightCommittee](http://www.countyofnapa.org/MeasureAFinancialOversightCommittee)

Residents of Napa County,

Fifteen years ago, in March 1998, Measure A for Flood Protection was approved by two-thirds of Napa County voters. The half-cent sales tax provides the local share for flood protection efforts and other watershed improvement projects for all the municipalities and unincorporated Napa County.

The 1998 ballot measure also created a Financial Oversight Committee (FOC) to monitor collection and distribution of the tax and ensure that costs paid are authorized and consistent with the ordinance. As part of its function, the FOC produces this publication each year to provide information on Flood Protection sales tax revenue and expenditures, budget changes, and other items of interest to the public. The FOC reviews and approves an annual audit, which is also included here. All of the information in this publication, along with the complete text of Measure A for Flood Protection, is available on the website at:  
[www.countyofnapa.org/MeasureAFinancialOversightCommittee](http://www.countyofnapa.org/MeasureAFinancialOversightCommittee)

Facts about the FOC:

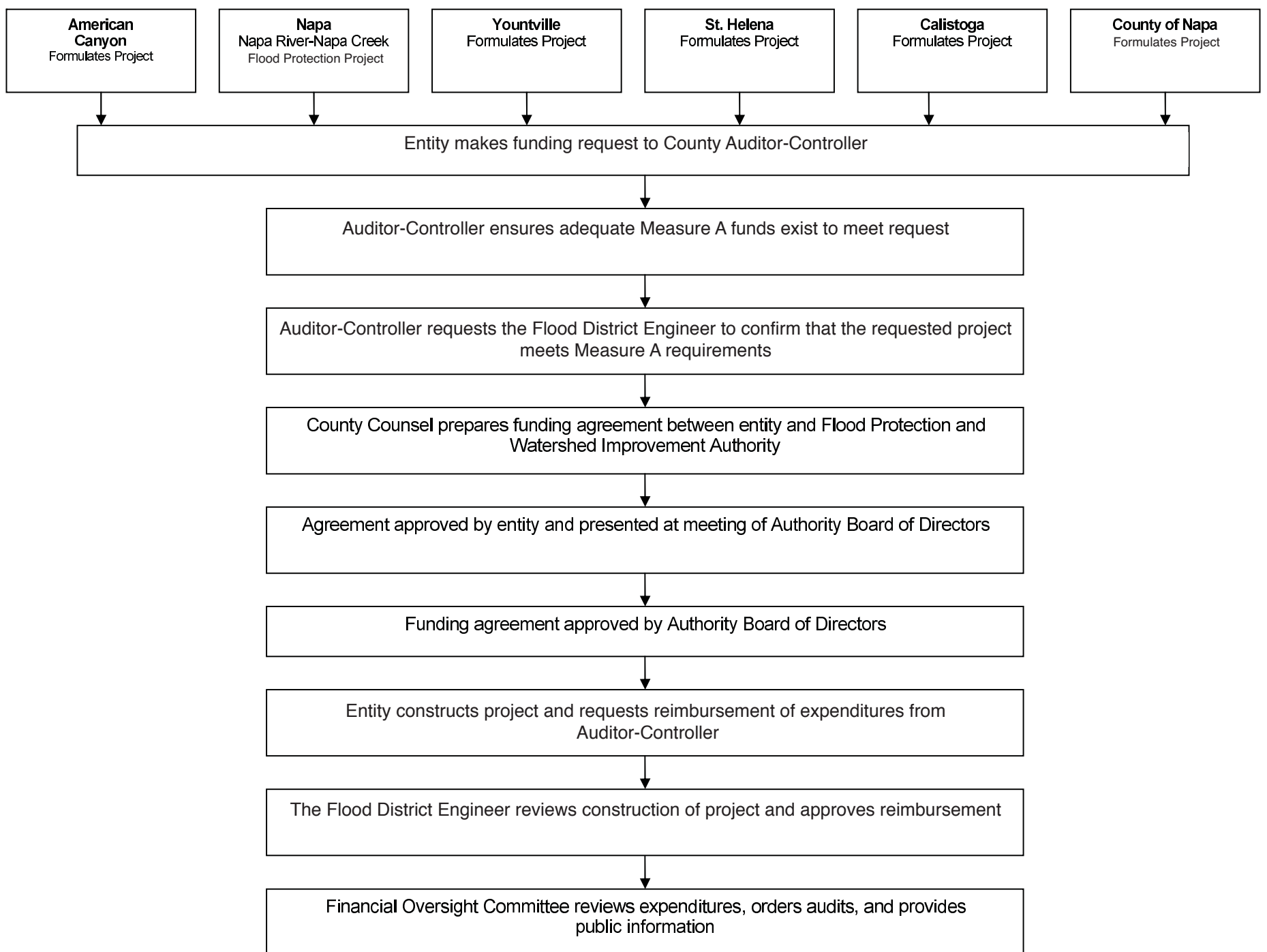
- The FOC meets quarterly, usually on the second month of each quarter (February, May, August, and November) on the first Wednesday of those months at 4:30pm.
- Meetings are open to the public and are held at the Flood Control District conference room at 804 First Street in Napa.
- The FOC is currently composed of representatives of the agricultural industry, environmental community, business community, Friends of the Napa River, and other organizations.
- For the FOC to do its job, civic-minded individuals are needed to serve as volunteers. If you are interested in serving as a member of the FOC, please contact the County Executive Office at 707-253-4421.

This report is organized in a question and answer format. The members of the Financial Oversight Committee hope this publication provides useful information on the fiscal aspects of flood control projects funded by Measure A.

Sincerely,  
Carl Ebbeson  
Chairman  
January 2014

“Chart 1: Flood Protection Funding Flow Chart” illustrates the process of approving expenditures. The Napa County Flood Protection and Watershed Improvement Authority (NCFPWIA or Authority), which is made up of the Napa County Board of Supervisors, was created by Measure A to administer the sales tax ordinance.

**Chart 1: Flood Protection Funding Flow Chart**



**1. Have Measure A funds been expended on projects which are inconsistent with the purpose and intent of the ordinance?**

At its May 1, 2013 meeting the FOC adopted the following finding:

The Financial Oversight Committee finds that reimbursement by the Flood Authority of approximately \$525,000 for legal costs of the City of Calistoga in its defense against a valid public-trust cause-of-action intended to enforce wildlife protection law and allow restoration of the fish population downstream from Kimball Dam was inconsistent with the purpose and intent of the Measure A Ordinance.

This finding was contained in the report of an ad-hoc committee of the FOC formed in November 2012 to investigate Flood Authority amendment project #7, which had allocated \$1,100,000 of Measure A tax revenues to the City of Calistoga for these activities: Kimball Dam intake tower, drain valve, bypass structure, and water rights protection. Kimball Reservoir on the south slope of Mount St Helena is the historic primary municipal water source for Calistoga. Most of the allocation was for “water rights protection”, including \$525,000 for legal costs defending from a public-trust cause-of-action, and \$92,000 for expert studies and testimony about Kimball Creek flows and its wildlife habitat.

The FOC has neither responsibility nor power beyond advising and informing the public, so it refrains from advising the Flood Authority how to remedy this inconsistency of the Measure A Ordinance.

Full text of the report can be found under the “All Documents” link at:  
[www.countyofnapa.org/Pages/DepartmentDocuments.aspx?id=4294970595](http://www.countyofnapa.org/Pages/DepartmentDocuments.aspx?id=4294970595)

**2. How is the Flood Protection sales tax revenue divided among these entities?**

Using 1996 as the base year, a Joint Powers Agreement (JPA) established the percentage of revenues each entity would receive. The percentages were based on actual proportionate sales tax shares. The starting percentages were used for the first eight years of Measure A, then reviewed and adjusted each year thereafter by the County Auditor-Controller. This review ensures that each entity receives revenues proportionate to their sales tax generation. Beginning in year nine, 2006-2007, the allocation percentages have been revised each year using the prior year average annual sales percentages received by each entity. Chart 2 below provides annual percentage allocations for each year by entity.

**Chart 2: Sales Tax Percentage Allocation**

Percentage Allocation		City of Napa & Vicinity	City of American Canyon	City of Calistoga	City of St. Helena	Town of Yountville	County of Napa	Total
Year	Fiscal Period							
1 thru 8	1998-2006	66.60%	6.70%	3.30%	11.50%	2.30%	9.60%	100.00%
9	2006-2007	60.26%	7.35%	3.00%	9.98%	2.47%	16.94%	100.00%
10	2007-2008	59.94%	6.56%	2.94%	10.15%	2.47%	17.94%	100.00%
11	2008-2009	58.26%	8.26%	3.41%	10.26%	2.56%	17.25%	100.00%
12	2009-2010	57.33%	8.87%	3.13%	9.39%	3.08%	18.20%	100.00%
13	2010-2011	57.51%	8.59%	3.09%	9.02%	3.20%	18.59%	100.00%
14	2011-2012	57.18%	7.98%	3.35%	8.59%	3.49%	19.41%	100.00%
15	2012-2013	56.77%	8.11%	3.43%	8.29%	3.64%	19.76%	100.00%

### 3. How is the sales tax revenue being spent in each jurisdiction?

Chart 3 below provides a detailed revenue and expenditure statement by jurisdiction from the inception of the sales tax through the end of fiscal year 2012-2013. Revenues include Measure A sales tax revenues, interest earned and bond issues. Expenditures include bond payments and issuance costs, project expenses and administrative expenses.

The sales tax revenue line is the total received through the first 14 years of the tax, allocated to each entity. The Joint Powers Agreement (JPA) that followed the passage of Measure A directed that in the first 7 years of the tax, (FY 1998-99 through 2004-05) all revenues collected would flow to the City of Napa and Vicinity accounts, except for \$1 million of revenues which would be distributed among the other Measure A entities according to the predetermined allocation percentages. This agreement created an annual loan from the other Measure A entities to the City of Napa Project and allowed the City of Napa Project to begin immediately while other communities prepared plans for their flood protection needs. The JPA further directed that the revenues loaned to the City of Napa Project would be repaid to the other participants in Measure A starting in year eight (2005-2006). In Chart 3, this loan and repayment is shown as revenue to the entities and as expense for the City of Napa. The repayment is \$1.7 million each year, therefore fiscal year 2012-2013 shows eight years of payback.

Also included in the JPA is a provision for establishing a maintenance fund for on-going maintenance of the Napa Flood Project after the project is completed. Starting in year eight (2005-2006) an annual amount of \$351,154, received from the entities in amounts determined per the JPA, is moved to the maintenance reserve. In fiscal year 2010-2011, the City of Napa and Vicinity Project allocated an additional \$10,000,000 to this reserve as required by the JPA. The chart shows eight years of this collection.

**Chart 3: Revenue and Expenditure Statement**  
From Inception to June 30, 2013

	City of Napa & Vicinity	City of American Canyon	City of Calistoga	City of St. Helena	Town of Yountville	County of Napa	Future Maintenance Fund	Total
<b>Revenues</b>								
Sales Tax Revenue	\$ 129,788,276	\$ 9,886,396	\$ 4,188,119	\$ 12,896,331	\$ 3,656,647	\$ 20,846,392	\$ -	\$ 181,262,161
Interest Revenue	5,413,060	1,116,254	640,554	1,508,378	303,400	2,003,789	472,642	11,458,077
Bond Proceeds	44,099,968	0	0	13,655,000	0	0	0	57,754,968
Bond Interest Revenue	4,602,338	0	0	825,267	0	0	0	5,427,605
Repayment of Advance to Napa & Vicinity	0	2,728,144	1,343,713	4,682,634	936,527	3,908,982	0	13,600,000
Maintenance Fund Contributions	0	0	0	0	0	0	12,809,232	12,809,232
Miscellaneous Revenue	124,730	3,298	1,624	55,661	1,132	4,724	0	191,169
<b>Total Revenues</b>	<b>184,028,372</b>	<b>13,734,092</b>	<b>6,174,010</b>	<b>33,623,271</b>	<b>4,897,706</b>	<b>26,763,887</b>	<b>13,281,874</b>	<b>282,503,212</b>
<b>Expenditures</b>								
Project Expenses	81,269,775	6,800,335	5,360,680	18,254,014	2,884,306	19,448,785	0	134,017,895
Bond Principal Payments	25,970,000	0	0	7,565,000	0	0	0	33,535,000
Bond Interest Payments & Fiscal Charges	23,261,793	0	0	3,543,192	0	0	0	26,804,985
Bond Issuance, Admin & Arbitrage Payments	2,163,622	0	0	471,231	0	0	0	2,634,853
Repayment of Advance to Napa & Vicinity	13,600,000	0	0	0	0	0	0	13,600,000
Future Maintenance Fund	11,640,000	0	152,000	514,464	105,232	397,536	0	12,809,232
Administrative Expenses	1,552,108	60,069	24,950	76,061	22,371	132,121	0	1,867,680
<b>Total Expenditures</b>	<b>159,457,298</b>	<b>6,860,404</b>	<b>5,537,630</b>	<b>30,423,962</b>	<b>3,011,909</b>	<b>19,978,442</b>	<b>0</b>	<b>225,269,645</b>
<b>Fund Balance as of 6/30/13</b>	<b>\$ 24,571,074</b>	<b>\$ 6,873,688</b>	<b>\$ 636,380</b>	<b>\$ 3,199,309</b>	<b>\$ 1,885,797</b>	<b>\$ 6,785,445</b>	<b>\$ 13,281,874</b>	<b>\$ 57,233,567</b>
Reserved for Debt Service	339,073	0	0	149,691	0	0	0	488,764
<b>Available Fund Balance as of 6/30/13</b>	<b>\$ 24,232,001</b>	<b>\$ 6,873,688</b>	<b>\$ 636,380</b>	<b>\$ 3,049,618</b>	<b>\$ 1,885,797</b>	<b>\$ 6,785,445</b>	<b>\$ 13,281,874</b>	<b>\$ 56,744,803</b>

Note: This chart only includes Measure A and Bond funded activity that is paid back by Measure A funds.  
State and Federal projects and reimbursements are not included, as they are the responsibility of the District.

#### 4. What is the status of flood protection work using Measure A funds in each jurisdiction?

Here is a list of Measure A fund expenditures as of June 30, 2013, as shown as “project expenses” in Chart 3 on page 4. This report is limited to Measure A funds. If interested in total funding for projects, please contact the appropriate jurisdiction.

##### City of Napa

###### Measure A Approved Projects

1. The Napa River and Napa Creek Project as detailed and designed by the Community Coalition for Napa Flood Management and the Army Corps of Engineers; and
2. This project, approximately 50% of which is expected to be paid for by the Army Corps of Engineers, is designed to protect the City of Napa against all floods up to and including a 100-year storm event such as the floods of February 1986 and January 1997.

Status of Approved Projects to Date	Approved Budget as of 6/30/13	Costs Through 6/30/13	Remaining Project Balance	Date Completed
Project # 1 City of Napa Flood Project	\$ 117,578,169	\$ 81,269,775	36,308,394	In Progress
Project # 2 Debt Service	73,631,343	49,231,793	24,399,550	In Progress
<b>Total</b>	<b>\$ 191,209,512</b>	<b>\$ 130,501,568</b>	<b>\$ 60,707,944</b>	

The City of Napa's project is estimated to cost a total of approximately \$555.3 million once complete. This report specifically shows the amount of Measure A funds as of June 30, 2013. Additional funding includes Federal Funding through the Army Corps of Engineers of \$123 million, Federal Funding from the 2009 American Recovery and Reinvestment Act (ARRA) of \$84 million, and State Subvention Funding of \$137.6 million. For more information regarding the City of Napa's project please visit the City of Napa's website.

##### Unincorporated Areas of Napa County

###### Measure A Approved Projects

1. County unincorporated area flood damage reduction projects including elevating/relocating structures, including bridges, in the floodway and floodplain; and
2. Agricultural watershed and storm water runoff management improvements planned jointly by the agricultural industry, the County, the Napa County Resource Conservation District and the Department of Fish and Game, including projects which will:
  - Reduce the amount of storm runoff and sediment in the Napa River System from agricultural lands; and
  - Increase flood storage of the River system by the setback of active land uses from river and tributary banks.

Status of Approved Projects to Date	Approved Budget as of 6/30/13	Costs Through 6/30/13	Remaining Project Balance	Date Completed
Project # 1 Silverado Trail Feasibility Study	\$ 178,055	\$ 178,055	\$ -	July 2004
Project # 2 Lewelling Avenue Drainage Outfall Project	798,000	798,000	-	October 2003
Project # 3 Milliken-Sarco-Tulocay (MST) Recycled Water Plan	4,414,000	3,660,499	753,501	In Progress
Project # 4 Angwin/Deer Park Water Supply Reliability Plan	3,674,000	2,215,308	1,458,692	In Progress
Project # 5 Restoration for the Rutherford Reach of the Napa River	13,742,000	9,017,590	4,724,410	In Progress
Project # 6 Flood Studies in the Unincorporated Area	450,000	371,829	78,171	In Progress
Project # 7 Oakville Cross Road to Oak Knoll Avenue	1,790,000	876,043	913,957	In Progress
Project # 8 Zinfandel Lane Fish Passage	1,350,000	1,236,819	113,181	In Progress
Project # 9 County-Wide Water Conservation Program	420,000	281,803	138,197	In Progress
Project # 10 Coordination and Technical Guideline for Napa River Restoration Efforts	80,000	39,775	40,225	In Progress
Project # 11 Lake Berryessa Projects	830,000	570,144	259,856	In Progress
Project # 12 Sulphur Creek Sediment Reduction Project/TMDL Implementation Program	448,000	202,464	245,536	In Progress
Project # 13 Milliken Creek Flood Damage Reduction and Fish Passage Improvement	300,000	456	299,544	In Progress
<b>Total</b>	<b>\$ 28,474,055</b>	<b>\$ 19,448,785</b>	<b>\$ 9,025,270</b>	

##### Town of Yountville

###### Measure A Approved Projects

1. Flood protection for the Town's mobile home parks and surrounding areas; and
2. Hopper Creek and Beard Ditch improvements and restoration for flood protection.

Status of Approved Projects to Date	Approved Budget as of 6/30/13	Costs Through 6/30/13	Remaining Project Balance	Date Completed
Project # 1 Flood Barrier Project	\$ 3,883,981	\$ 2,556,623	\$ 1,327,358	In Progress
Project # 2 Phase I Hydrologic Study of the Hopper and Hinman Creek Watershed	49,604	49,604	-	December 2011
Project # 3 Phase II Hydrologic Study & Design of the Hopper and Hinman Creek Watershed	402,533	184,216	218,317	In Progress
Project # 4 Hopper Creek Diversion Structure Bank Stabilization	37,463	37,463	-	June 2010
Project # 5 Beard Ditch Bank Repair	56,400	56,400	-	February 2012
<b>Total</b>	<b>\$ 4,429,981</b>	<b>\$ 2,884,306</b>	<b>\$ 1,545,675</b>	



**Question 4 (continued):****City of St. Helena****Measure A Approved Projects**

1. Flood management measures for the Napa River, Sulpher Creek, York Creek, and other tributaries to prevent flooding; and
2. Construct urban stormwater run-off facilities at Fulton, McCorkle, Mills and other areas; and
3. Stabilization and enhancement of Bell Canyon Reservoir, or other existing reservoirs, which shall be for the purpose of flood protection and water supply reliability.

Status of Approved Projects to Date	Approved Budget as of 6/30/13	Costs Through 6/30/13	Remaining Project Balance	Date Completed
Project # 1 Phase I Planning Study	80,000	80,000	-	2000
Project # 2 Phase II Planning Study	100,000	100,000	-	2001
Project # 3 Phase III Comprehensive Flood Study/Repairs	18,074,014	18,074,014	-	2010
Project # 4 Debt Service	17,890,593	11,108,192	6,782,401	In Progress
<b>Total</b>	<b>\$ 36,144,607</b>	<b>\$ 29,362,206</b>	<b>\$ 6,782,401</b>	

**City of Calistoga****Measure A Approved Projects**

1. Stabilization and enhancement of Kimball Reservoir which shall be for the purpose of flood protection and water supply reliability; and
2. Flood protection and drainage improvements in the Grant Street area and other critical areas to protect residents and businesses from flooding.

Status of Approved Projects to Date	Approved Budget as of 6/30/13	Costs Through 6/30/13	Remaining Project Balance	Date Completed
Project # 1 Stabilization and Enhancement of Kimball Reservoir	\$ 125,739	\$ 125,739	\$ -	March 2013
Project # 2 Flood Protection and Drainage Improvements in the Grant Street Area	117,470	117,470	-	June 2007
Project # 3 Culvert Repair - Fischer Street at Lake Street	12,020	12,020	-	March 2009
Project # 4 1.5 Million Gallon Water Storage Tank	2,700,000	2,700,000	-	June 2013
Project # 5 Debt Payments of \$2.5M USDA Loan for Phase I and II of the Kimball Water Facilities Improvement Project	1,776,383	1,105,451	670,932	In Progress
Project # 6 Drainage Improvements in Southeastern Calistoga	600,000	600,000	-	June 2011
Project # 7 Kimball Dam Intake Tower, Drain Valve, Bypass Structure, and Water Rights Protection	1,350,000	700,000	650,000	In Progress
Project # 8 Abandon Old Water Transmission Main from Kimball Reservoir and Connect Existing Water Services to New Water Transmission Main	152,000	-	152,000	In Progress
Project # 9 Grant Street Culvert Repair between Redwood Avenue and Michael Way	175,000	-	175,000	In Progress
Project # 10 Grant Street Napa River Outfall Repair	7,500	-	7,500	In Progress
<b>Total</b>	<b>\$ 7,016,112</b>	<b>\$ 5,360,680</b>	<b>\$ 1,655,432</b>	

**City of American Canyon****Measure A Approved Projects**

1. Implement the adopted Flood Control and Storm Drain Master Plan to protect existing development; and
2. Restore wetlands by replacing the existing wastewater treatment facility.

Status of Approved Projects to Date	Approved Budget as of 6/30/13	Costs Through 6/30/13	Remaining Project Balance	Date Completed
Project # 1 American Canyon Creek	\$ 3,700,649	\$ 3,385,875	314,774	Completed Annually
Project # 2 Rio Del Mar	112,974	112,974	-	2009
Project # 3 Integrated Water Management Plan	106,359	106,359	-	2010
Project # 4 Wetlands Restoration/WWTP Relocation	247,607	247,607	-	2007
Project # 5 Debt Service - SRF Loan for WWTP Relocation	3,000,000	2,400,000	600,000	In Progress
Project # 6 American Canyon Creek	50,010	50,010	-	2003
Project # 7 Storm Water Quality	772,783	122,283	650,500	In Progress
Project # 8 Storm Drainage Study-Kimberly	43,495	43,495	-	2010
Project # 9 Kimberly Flood Control	324,537	324,537	-	2011
Project # 10 Storm Drain CIP	364,000	7,195	356,805	In Progress
<b>Total</b>	<b>\$ 8,722,414</b>	<b>\$ 6,800,335</b>	<b>\$ 1,922,079</b>	

**5. How do Measure A sales tax actual collections compare to projections that were made prior to 1998?**

Chart 4 illustrates that actual receipts are 43% higher than originally projected. Original projections were based on actual sales tax receipts for fiscal year 1995-1996 with a 3% increase each year. The actual increase of revenue received has allowed the jurisdictions to absorb unanticipated costs, increases in property values, and increases in project costs due to economic conditions.

**Chart 4: Measure A Sales Tax Annual Projections Compared to Actual Receipts**

Sales Tax Collection Year	Original Estimate	Actual Receipts	Increase
1998 - 1999	\$ 6,813,000	\$ 7,303,432	7%
1999 - 2000	7,017,390	10,050,117	43%
2000 - 2001	7,227,912	10,299,475	42%
2001 - 2002	7,444,749	10,694,334	44%
2002 - 2003	7,668,092	10,413,558	36%
2003 - 2004	7,898,134	11,948,764	51%
2004 - 2005	8,135,078	11,545,826	42%
2005 - 2006	8,379,131	13,125,355	57%
2006 - 2007	8,630,505	14,166,937	64%
2007 - 2008	8,889,420	14,253,785	60%
2008 - 2009	9,156,102	12,774,412	40%
2009 - 2010	9,430,785	12,263,662	30%
2010 - 2011	9,713,709	12,867,669	32%
2011 - 2012	10,005,120	14,381,196	44%
2012 - 2013	10,305,274	15,173,639	47%
Totals	<u>\$ 126,714,400</u>	<u>\$ 181,262,161</u>	<u>43%</u>

**6. When does the Flood Protection sales tax end?**

The Measure A ordinance established a 20-year period for the half-cent sales tax from 1998 to 2018. At the conclusion of the tax collection, a fund has been established to fund the ongoing maintenance needs for the City of Napa and Vicinity Project.

**7. How much of the Measure A funds are being spent on lobbying expenses (direct payment to lobbying firms and related County/municipality travel)?**

The Flood District has drawn upon \$2,255,903 of Measure A funds to pay an outside lobbying firm over the past 15 years (through the end of fiscal year 2012-2013), specifically to increase allocations for the Army Corps of Engineers to complete work on the City of Napa Flood Project. This is less than 2% of total funds received in Measure A funds, and has produced 23% more monies to the project above the President's proposed budget (See Chart 7 next page).



**Chart 7: Funds Allocated to the Army Corps of Engineers for the Napa Flood Project**

<u>Sales Tax Collection Year</u>	<u>President's Proposed Budgeted Amount</u>	<u>Appropriated Amount</u>	<u>Allocated Funds by Year</u>
1999 - 2000	\$ 4,500,000	\$ 3,500,000	\$ 2,152,000
2000 - 2001	4,000,000	4,000,000	2,192,000
2001 - 2002	5,500,000	7,000,000	7,456,000
2002 - 2003	5,000,000	9,000,000	10,590,000
2003 - 2004	7,500,000	12,734,000	13,234,000
2004 - 2005*	7,000,000	16,000,000	11,964,000
2005 - 2006	6,000,000	12,000,000	11,880,000
2006 - 2007	9,000,000	14,000,000	14,000,000
2007 - 2008	7,500,000	10,824,000	11,724,000
2008 - 2009	7,394,500	10,527,000	10,527,000
ARRA Funds**	99,483,000	84,187,377	84,187,377
2009 - 2010	5,000,000	1,000,000	1,000,000
2010 - 2011	-	8,382,589	8,382,589
2011 - 2012	-	1,300,000	1,300,000
2012 - 2013	-	16,626,680	16,626,680
Totals	<u>\$ 167,877,500</u>	<u>\$ 211,081,646</u>	<u>\$ 207,215,646</u>

\*In fiscal year 2004 - 2005, \$4 million was "reprogrammed" to other projects after the President's Proposed Budget

\*\*ARRA funds decreased due to lower costs than originally estimated to complete the project.

The Federal government provides funding through allocations to the Corps of Engineers (COE) Total funding by the Federal government now totals \$207 million including the ARRA funds. This allocation has funded the following construction contracts: Kennedy Park to Imola Avenue; Imola Avenue to Third Street; Hatt to First; Napa Creek; Bypass Rail Bridges; and the Bypass Excavation scheduled to begin in 2014.

The City of St. Helena has paid an outside lobbying firm approximately \$1.2 million (unaudited). The goal of these efforts is to secure a Water Resources Development Act grant in the amount of \$19 million.

It is the opinion of the Financial Oversight Committee that these are appropriate expenditures for Measure A funding and that lobbying efforts have been greatly effective in receiving additional support for the projects.

**8. What percentage of Measure A funds have been spent on administrative expenses from inception July 1, 1998 through June 30, 2013?**

The Joint Powers Agreement provides for a cap of 3% of gross Flood Protection Sales Tax revenues to cover administrative expenses. The category of “Administrative Expenses” under this cap does not include debt financing expenses. In fiscal year 1998-1999, administrative expenses included legal and publication costs incurred for the creation of the Napa County Flood Protection and Watershed Improvement Authority (Flood Authority).

**Chart 8: Annual Administrative Expenses from Inception (July 1998) to June 30, 2013**

Fiscal Period	Administrative Expenses	Percentage of Tax Revenues
1998-1999	\$ 332,932	4.56%
1999-2000	124,782	1.24%
2000-2001	77,286	0.75%
2001-2002	73,181	0.68%
2002-2003	75,003	0.72%
2003-2004	84,666	0.71%
2004-2005	317,989	2.75%
2005-2006	123,395	0.94%
2006-2007	126,288	0.89%
2007-2008	105,591	0.74%
2008-2009	63,910	0.50%
2009-2010	90,552	0.74%
2010-2011	77,578	0.60%
2011-2012	121,864	0.85%
2012-2013	72,663	0.48%
	\$ 1,867,680	

**NAPA COUNTY FLOOD PROTECTION AND WATERSHED IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Napa, California)**  
**COMPONENT UNIT FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Table of Contents

	Page
<b>FINANCIAL SECTION</b>	
Independent Auditor Report .....	11
Management's Discussion and Analysis .....	11-12
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	12
Statement of Activities .....	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	12
Reconciliation of the Governmental Funds Balance Sheet To the Government-Wide Statement of Net Position Governmental Activities.....	13
Statement of Revenues, Expenditures and Changes in Fund Balance.....	13
Reconciliation of the Statement of Revenues and Expenditures and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities Governmental Activities .....	13
Notes to Component Unit Financial Statements.....	13-15
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule.....	15
Notes to Required Supplementary Information Budgetary Basis of Accounting.....	15-16
<b>Other Report</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	16

**FINANCIAL SECTION**  
**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Napa County Flood Protection and Watershed Improvement Authority  
Napa, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Napa County Flood Protection and Watershed Improvement Authority (Authority), a component unit of the County of Napa, as of and for the year ended June 30, 2013, and the related notes to the financial statements.

**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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 financial position of the Authority, as of June 30, 2013, and the changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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 Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2013 on our consideration of the Napa County Flood Protection and Watershed Improvement Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Napa County Flood Protection and Watershed Improvement Authority's internal control over financial reporting and compliance.

Gallina LLP  
Roseville, California  
October 19, 2013

Management's Discussion and Analysis

This section of the Napa County Flood Protection and Watershed Improvement Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year that ended on June 30, 2013. Please read it in conjunction with the Authority's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The Authority collected \$15,173,638 in Napa County Flood Protection Transactions (sales) and use tax pursuant to Measure A, during the fiscal year.
- The Authority provided \$6,334,697 to its members for their respective flood control projects, made bond payments (including interest and administrative charges) in the amount of \$5,441,260, and kept administrative costs to \$72,665, or 0.48% of total revenues for the year.
- The cash position of the Authority remained strong with \$54,411,451 invested in the County's investment pool.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts -management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Authority's financial position and activity.

- The first two statements are *government-wide* financial statements that provide both *long-term* and *short-term* information about the Authority's overall financial status.
- The remaining statements are *fund* financial statements that focus on individual parts of the Authority's organization. These statements report the Authority's financial position and activity. The financial statements also include notes that explain some of the information in the

financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that includes budgetary comparison information for the Authority's only special revenue fund.

#### Government-Wide Statements

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Authority's assets and liabilities including long-term debt. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Authority's net position and how they have changed. Net position -the difference between the Authority's assets and liabilities- is one way to measure the Authority's financial health, or position. Over time, increases or decreases in the Authority's net position are indicators of whether its financial health is improving or deteriorating, respectively.

#### Fund Financial Statements

The fund financial statements provide a detailed short-term view and do not include information related to the Authority's long-term liabilities. Additional information is provided on separate schedules that reconcile the differences between the government-wide financial statements and the fund financial statements.

### FINANCIAL ANALYSIS OF THE AUTHORITY

#### Net Position

A summary of the Authority's Statement of Net Position is as follows:

#### Condensed Statement of Net Position As of June 30,

	2013	2012	Variance
Current assets	\$ 57,819,847	\$ 54,131,332	\$ 3,688,515
<b>Total Assets</b>	<b>57,819,847</b>	<b>54,131,332</b>	<b>3,688,515</b>
Current liabilities	5,005,494	4,692,290	(313,204)
Long-term liabilities	19,555,192	23,951,232	4,396,040
<b>Total liabilities</b>	<b>24,560,686</b>	<b>28,643,522</b>	<b>4,082,836</b>
<b>Net Position</b>			
Restricted	33,259,161	25,487,810	7,771,351
<b>Total Net Position</b>	<b>\$ 33,259,161</b>	<b>\$ 25,487,810</b>	<b>\$ 7,771,351</b>

The Authority's net position increased \$7.77 million from \$25,487,810 at June 30, 2012, to \$33,259,161 at June 30, 2013. The increase is primarily due to a combination of lower than anticipated draws on these funds for project costs and increased revenue due to the economic recovery. Total liabilities decreased \$4.08 million over the prior year due to a net decrease in the outstanding principal on the Authority's long term debt.

#### Changes in Net Position

A summary of the Authority's Statement of Activities, recapping the Authority's revenues earned during the fiscal year ended June 30, 2013, and the expenses incurred are as follows:

#### Condensed Statement of Activities For the Fiscal Year Ended June 30,

	2013	2012	Variance
<b>Revenues:</b>			
Sales and use taxes	\$ 15,173,638	\$ 14,381,196	\$ 792,442
Interest earnings	242,049	362,062	792,442
<b>Total Revenues</b>	<b>15,415,687</b>	<b>14,743,258</b>	<b>672,429</b>
<b>Expenses:</b>			
Public protection	6,400,996	8,229,785	1,828,789
Interest on long term debt	1,243,340	1,412,822	169,482
<b>Total expenses</b>	<b>7,644,336</b>	<b>9,642,607</b>	<b>1,998,271</b>
Change in net Position	7,771,351	5,100,651	2,670,700
Net Position - Beginning of fiscal year	25,487,810	20,387,159	5,100,651
<b>Net Position - End of fiscal year</b>	<b>\$ 33,259,161</b>	<b>\$ 25,487,810</b>	<b>\$ 7,771,351</b>

The sales and use taxes in 2013 were slightly higher due to the slow recovery of the economy from the prior year. The decrease in investment earnings is the result of a global decrease in investment rates and in the balance of the cash with fiscal agent during the fiscal year ended June 30, 2013. The most significant change in expenses was the overall decrease in

payments made to the members for their respective projects.

#### **BUDGETARY HIGHLIGHTS**

The Authority adopts an annual operating budget that includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain comments from the public before finalizing the budget. The Authority's budget is adopted by the County's Board of Supervisors, sitting as the governing body for the Authority, on or before August 30th of each year. Subsequent increases or decreases to the original budget must be approved by the Authority's Board. The Authority is a special revenue fund which is the operating fund.

Actual appropriations were approximately \$10.5 million less than the final budget projections, due to lower than anticipated draws from the funds for project costs, specifically the City of Napa project which uses State and Federal funds received before drawing on Measure A funding.

#### **DEBT ADMINISTRATION**

On July 1, 1999, the Napa County Flood Protection and Watershed Improvement Authority issued Series A Limited Tax Bonds in the amount of \$43,650,000. The proceeds were principally used to finance the initial phase of the Napa Flood Project. The final principal payment of was made during the 2008-2009 fiscal year.

On March 1, 2005, the Napa County Flood Protection and Watershed Improvement Authority issued Series A Limited Tax Bonds in the amount of \$13,655,000. The proceeds were principally used to finance the initial phase of the City of St. Helena's flood protection and watershed improvement project. A principal payment of \$1,085,000 was made during this fiscal year. The principal balance outstanding at June 30, 2013, is \$6,090,000. A principal payment of \$1,130,000 is due in fiscal year 2013-2014. The bonds will be fully paid for by June 2018.

On July 12, 2005, the Napa County Flood Protection and Watershed Improvement Authority issued 2005 Series Limited Tax Refunding Bonds in the amount of \$29,710,000. The proceeds were used to (i) partially refund the 1999 Series A Bonds, and (ii) pay certain costs incurred in connection with the execution and delivery of the Certificates, including the premium for Certificate insurance. A principal payment of \$3,090,000 was made during this fiscal year. The principal balance outstanding at June 30, 2013, is \$17,735,000. A principal payment of \$3,245,000 is due in fiscal year 2013-2014. The bonds will be fully paid for by June 2018.

#### **CONTACTING THE AUTHORITY**

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. For questions about this report or any additional information needed, contact the Authority-Controller's office at 1195 Third Street, Suite B-10, Napa, California 94559.

### BASIC FINANCIAL STATEMENTS GOVERNMENT-WIDE FINANCIAL STATEMENTS Statement of Net Position June 30, 2013

#### **ASSETS**

Current Assets:	
Cash and investments in county treasury	\$ 54,411,451
Due from other governments	2,919,632
Cash with fiscal agent	488,764
<b>Total Assets</b>	<b>\$ 57,819,847</b>

#### **LIABILITIES**

Current Liabilities:	
Accounts payable	2,025
Accrued interest	44,215
Due to other governments	584,254
Bonds payable, current portion	4,375,000
<b>Total Current Liabilities</b>	<b>5,005,494</b>
Long-Term Liabilities:	
Bonds payable, net of premiums and discounts	19,555,192
<b>Total Liabilities</b>	<b>24,560,686</b>

#### **NET POSITION**

Restricted for flood projects	33,259,161
<b>Total Net Position</b>	<b>\$ 33,259,161</b>

## Statement of Activities For the Fiscal Year Ended June 30, 2013

**EXPENSES**

Public Protection	
Project charges	\$ 6,334,697
Administration charges	22,486
Accounting and audit expense	21,508
Legal expense	28,671
Interest and fiscal charges	1,236,974
Net Program Expense	7,644,336

**GENERAL REVENUES**

Sales & use tax	15,173,638
Interest income	242,049
Total General Revenues	15,415,687
Change in Net Position	7,771,351
Net Position - Beginning of Year	25,487,810
Net Position - End of Year	\$ 33,259,161

**BASIC FINANCIAL STATEMENTS**  
**FUND FINANCIAL STATEMENTS**  
Balance Sheet Governmental Funds June 30, 2013

**ASSETS**

Cash and investments in county treasury	\$ 54,411,451
Cash with fiscal agent	488,764
Due from other governments	2,919,632
Total Assets	\$ 57,819,847

**LIABILITIES**

Accounts payable	\$ 2,025
Due to other governments	584,254
Total Liabilities	586,279

**FUND BALANCE**

Restricted	57,233,568
Total Fund Balances	57,233,568
Total Liabilities and Fund Balance	\$ 57,819,847

Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Position - Governmental Activities  
June 30, 2013

Fund balance - total governmental funds (above)	\$ 57,233,568
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net position. Balances as of the end of the year are:	
Accrued interest on long-term debt	( 44,215)
Bonds payable	(23,930,192)
Net Assets of Governmental Activities (page 12)	\$ 3 3,259,161

Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds For the Fiscal Year Ended June 30, 2013**REVENUES**

Sales & use tax	\$ 15,173,638
Interest income	242,049
Total Revenues	15,415,687

**EXPENDITURES**

Project charges	6,334,697
Administration charges	22,486
Accounting and audit expense	21,508
Legal expense	28,671
Other Charges	
Debt Service:	
Principal	4,175,000
Interest	1,259,060
Administration and issuance fees	7,200
Total Expenditures	11,848,622

Net Change in Fund Balance	3,567,065
Fund Balance - Beginning of Year	53,666,503
Fund Balance - End of Year	\$ 57,233,568

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of  
Governmental Funds to the Government-Wide Statement of Activities - Governmental  
Activities For the Fiscal Year Ended June 30, 2013

Net change to fund balance - total governmental funds (previous chart)	\$ 3,567,065
--	--------------

Amounts reported for governmental activities in the statement of activities are different because:

Under the modified accrual basis of accounting used in the governmental funds, interest on long-term debt is not recognized until due. In the statement of activities, however, which is presented on the accrual basis interest on long-term debt is recognized as it accrues.	
Change in accrued interest on long-term debt	8,246
Amortization of premiums/deferred issuance costs related to long-term debt does not use current financial resources but is recorded as a reduction of interest expense on the statement of net position	21,040
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal repayments:	
Bonds payments	4,175,000
Change in Net Assets of Governmental Activities (above)	\$ 7,771,351

**NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS**

The notes provided in the financial section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a summary of significant accounting policies for the Authority, and other necessary disclosure of pertinent matters relating to the financial position of the Authority. The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this document.

## Notes to Component Unit Financial Statements For the Fiscal Year Ended June 30, 2013

Note 1: **Summary of Significant Accounting Policies****A. Reporting Entity**

The role of the Napa County Flood Protection and Watershed Improvement Authority is to contract with the Board of Equalization for collection of sales tax and establish individual accounts for each jurisdiction; disburse revenues through project contracts which meet Measure A compliance; obtain the necessary debt financing for the Napa Project; and perform annual audits. The Authority is subject to review by the Financial Oversight Committee. The Authority will contract with the Napa County Flood Control and Water Conservation District to perform most of these functions on its behalf. The Memorandum of Understanding, replaced by the Joint Powers Agreement Regarding the Use and Equitable Distribution of



Flood Protection Sales Tax Revenues, along with an annual budget amendment, is the mechanism for contracting with the District to carry out these functions.

The Authority is governed by the County Board of Supervisors serving in a separate capacity as the governing board of the Authority. As such, the Authority is an integral part of the County and, accordingly, the accompanying financial statements are included as a component unit of the basic financial statements of the County. The Authority is a special revenue fund of the County of Napa.

The Authority includes all operating activities considered to be a part of the Authority. The Authority reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, relating to the financial reporting entity to determine whether the Authority is financially accountable for other entities. The Authority has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements.

#### B. Measure A

Measure A is an ordinance of the Napa County Flood Protection and Watershed Improvement Authority imposing a 1/2% Napa County Flood Protection Transactions (sales) and use tax pursuant to the provisions of Revenue and Taxation Code Section 7285.5, establishing a Napa County Flood Protection and Watershed Improvement Expenditure Plan, establishing a Financial Oversight Committee and Technical Advisory Panel, requiring any funds generated as a result of the imposition of the Napa County Flood Protection Transactions (sales) and use tax to be spent on the projects identified in the expenditure plan, authorizing the issuance of bonds or other obligations to finance the projects identified in the expenditure plan payable from the revenues generated by the transactions (sales) and use tax and establishing an appropriations limit.

County voters approved Measure A in March 1998 by a 68% majority for a 20-year period, countywide. This tax originally expected to generate in excess of \$6 million per year, 2/3 of which is to be used to help pay the local share (50%) of the Napa River/Napa Creek Flood Protection Project ("Napa Project"), a construction project in partnership with the U.S. Army Corps of Engineers. The U.S. Army Corps of Engineers has updated its estimate of total project costs to \$555.3 million. The Napa Project will provide 100-year flood protection throughout the City of Napa as a result of widening the river channel, bridge replacement, floodwall and levee construction, and the creation of a "dry bypass" channel in downtown Napa to handle overflows. Additional information about the Napa Project can be obtained from the Napa County Flood Control and Water Conservation District, 804 First Street, Napa, CA 94559.

The remaining 1/3 of these funds will be allocated among the other County jurisdictions - in proportion to their historical sales tax revenue proceeds - in order to help them pay for their own flood protection or watershed management projects. However, because of the front-end financing needs of the Napa Project, the municipalities have loaned collected sales tax exceeding \$1 million to the project for the first seven (7) years of the Flood Protection Sales tax term. Repayment of this loan, including interest, began in year 8 of the tax and will be fully paid by the termination of the tax in year 20.

#### C. Memorandum of Understanding (MOU)/Joint Powers Agreement (JPA)

The County of Napa (County), Napa County Flood Protection and Watershed Improvement Authority (Authority), the Napa County Flood Control and Water Conservation District (District), the Cities of American Canyon, Napa, St. Helena, Calistoga and the Town of Yountville (Municipalities) each have a representative to be a signatory to the MOU after receiving authority from their Governing Body. This MOU is the precursor to the Joint Powers Agreement Regarding the Equitable Distribution of Flood Protection Sales Tax revenues which was signed November 1, 1998 between the Authority, the District, the County and the Municipalities as required by Section 3(g) and Section 5 of the Napa County Flood Protection Sales Tax Ordinance (97-1), (Ordinance). The Ordinance requires that new revenues generated by a 1/2 % increase in the local sales tax fund only the flood protection, water supply reliability and wastewater projects identified in the Napa County Flood Protection and Watershed Improvement Expenditure Plan (Plan) contained in the Ordinance. This MOU/JPA contains operating policies and criteria regarding equitable distribution of new sales tax revenues to the County and Municipalities, debt financing for projects contained in the Plan, project substitution, fund accounting, contract relationships and administrative support to the Financial Oversight Committee and Technical Advisory Panel established by the Ordinance.

#### D. Basis of Presentation

##### *Government-Wide Financial Statements*

The statement of net assets and statement of activities display information about the primary government (the Authority). These statements include the non-fiduciary financial activities of the overall government. Eliminations have been

made to minimize the double counting of internal activities. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and information sales. At June 30, 2013, the Authority had no business-type activities.

The statement of activities demonstrates the degree to which the program expenses of a given function or identifiable activity is offset by program revenues. Program expenses are those that are clearly identifiable with a specific function or identifiable activity, and allocated indirect expenses. Interest expense related to long-term debt is reported as a direct expense. Program revenues include 1) fees, fines and charges paid by the recipient of goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The Authority did not have any program revenues for the year ended June 30, 2013. Revenues that are not classified as program revenues, including all taxes and investment earnings, are presented instead as general revenues.

When both restricted and unrestricted net assets are position, restricted resources are used first, and then unrestricted resources are used as needed.

##### *Fund Financial Statements*

The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Authority had only one governmental fund and no enterprise fund for the year ended June 30, 2013.

#### E. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales taxes. On an accrual basis, revenues from sales tax are recognized when the underlying transactions take place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. Sales taxes and interest revenues are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Proceeds of general long-term debt are reported as other financial sources.

#### F. Sales Taxes

All sales taxes are levied and collected by the California State Board of Equalization and paid upon collection to the various taxing entities including the Authority. An estimate is paid in the first two months of each quarter, and adjusted in the third month of the quarter to reflect the actual share of sales taxes due to the Authority.

#### G. Due from Other Agencies

These amounts represent receivables from other local governments that management has determined to be fully collectible. Accordingly, no allowance for doubtful accounts has been made.

#### H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Note 2: Cash and Investments

The Authority holds its cash and investments as follows:

##### A. Cash Held with the Napa County Treasury

Cash at June 30, 2013, consisted of the following:

Cash in County Treasury	\$ 54,411,451
-------------------------	---------------

The Authority maintains all of its cash and investments with the Napa County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. ~~Required~~ disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Napa's financial statements may be obtained by contacting the County of Napa's Auditor-Controller's office at 1195 Third Street, Room B-10, Napa, CA



94559. The Napa County Treasury Oversight Committee oversees the Treasurer's investments and policies.

At June 30, 2013, the difference between the cost and fair value of cash and investments was not material. Therefore, an adjustment to fair value was not required for GASB 31 compliance.

Required disclosures for the Authority's deposit and investment risks at June 30, 2013, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

**B. Cash Held with Fiscal Agent**

The Authority holds all of its restricted cash, except for the reserve above held in the treasury, with US Bank (Agent). The Authority holds the cash related to the 1999/2005 refunding bonds and 2005A Tax Bonds in five separate accounts each: a principal fund, an interest fund, a revenue fund, a reserve fund, and a project or escrow fund.

At June 30, 2013, the Authority's deposit balances with the fiscal agent totaled \$488,764. Required disclosures for the Authority's deposit and investment risks at June 30, 2013, were as follows:

Credit risk	Not applicable
Custodial risk	None
Concentration of credit risk	Not applicable
Interest rate risk	Not applicable

**Note 3: Bonds Payable**

The following represents the changes in the long-term debt during the year:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within a Year
2005 Series A Bonds	\$ 7,175,000	\$ --	\$ (1,085,000)	\$ 6,090,000	\$ 1,130,000
Series 2005					
Tax Refunding Bonds	20,825,00	--	(3,090,000)	17,735,000	3,245,000
Less deferred amounts:					
For issuance premiums	963,344	--	(160,558)	802,786	--
For refunding	(837,112)	--	139,518	(697,594)	--
Total Governmental Activities					
Long-Term Liabilities	\$ 32,147,272	\$ --	\$ (4,196,040)	\$ 23,930,192	\$ 4,375,000

Annual debt service requirements are as follows:

Year Ending	Governmental Activities Bonds Payable	
	Principal	Interest
June 30,		
2014	4,375,000	1,061,160
2015	4,570,000	859,375
2016	4,745,000	688,500
2017	4,950,000	418,000
2018	5,185,000	246,100
Subtotal	23,825,000	3,336,135
Deferred amounts- net	105,192	
	\$ 23,930,192	

Long-term liabilities at June 30, 2013, consisted of the following:

Date of Issue	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2013
------------------	----------	-------------------	-------------------------------------	-----------------------------	---------------------------------

**Bonds Payable**

2005 Series Tax Refunding Bonds (to partially refund the 1999 Series A Bonds, and to pay the costs of issuance of the Series 2005 Tax Refunding Bonds.)					
2005 Series Tax Refunding Bonds	07/12/2005	2018	3.20-5.00%	\$55,000-\$3,870,000	29,710,000 17,735,000
Series 2005 A Bonds (to finance or reimburse the Napa County Flood Protection and Watershed Improvement Authority for certain costs of the City of St. Helena's flood protection and watershed improvement project, to pay the premium of a surety bond to be deposited in the Bond Reserve Fund established under the indenture, and to pay the costs of issuance of the 2005 Series A Bonds.)					
Series 2005 A	03/01/2005	2018	3.00-4.00%	\$830,000-\$1,315,000	13,655,000 6,090,000
Total bonds payable					\$ 43,365,000 \$ 23,825,000

**Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. No arbitrage fees were due or paid during the current fiscal year.

**Note 4: Net Position/Fund Balance**

**Net Position**

Net position equates the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following two components: investment in capital assets and restricted. Invested in capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of all other net position restricted for flood projects and not included in the above category

**Fund Balance**

Governmental funds report fund balance in classifications based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the funds can be spend. As of June 30, 2013, fund balances for governmental funds are made up of the following:

- *Nonspendable fund balance* - amounts that are not in spendable form or are required to be maintained intact.
- *Restricted fund balance* - amount constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance* - amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level of action to remove or change the constraint.
- *Assigned fund balance* - amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Authority's board or by an official or body to which the Authority's board delegates the authority.
- *Unassigned fund balance* - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Authority's fund balance is restricted according to the Napa County Flood Protection Sales Tax Ordinance (97-1) between the Authority, the District, the County and the Municipalities. As of June 30, 2013, the fund balance was restricted as follows:

Restricted:	
City of American Canyon	\$ ,873,688
City of Calistoga	636,380
City of Napa	24,232,002
City of St. Helena	3,049,618
Town of Yountville	1,885,797
Unincorporated County of Napa	6,785,445
Maintenance Reserve	13,281,874
Debt Service	488,764
Total	\$ 57,233,568

**Note 5: Related Party Transactions**

During the fiscal year ended June 30, 2013, the Authority paid the County of Napa, a related party, \$57,375, of which \$16,121 was for Measure A administration services, \$12,583 for accounting services, and \$28,671 for legal services.

The Authority paid \$376,994 to the Town of Yountville, \$608,068 to the City of Calistoga, \$700,420 to the City of American Canyon, and \$4,649,215 to the County of Napa for their respective flood control projects.

The Authority paid project related bond payments, including interest, for the City of Napa Project in the amount of \$4,071,500 and for the City of Helena in the amount of \$1,369,760.

**Note 6: Insurance and Risk of Loss**

The Authority is exposed to various risks of loss related to torts theft of, damage to, and destruction of assets; and natural disasters. Because the Authority does not have employees, it is not exposed to injuries to employees. The Authority's officers are officials of the County, and therefore coverage for general liability and errors and omissions is provided under the County's program. This program is self-insured to a level of \$300,000, after which excess coverage is obtained through participation in the CSAC Excess Insurance Authority (EIA).

**REQUIRED SUPPLEMENTARY INFORMATION**

## Budgetary Comparison Schedule For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Sales & use tax	\$13,472,060	\$ 13,472,060	\$ 15,173,638	\$ 1,701,578
Interest income	258,000	258,000	242,049	(15,951)
Total Revenues	13,730,060	13,730,060	15,415,687	1,685,627
<b>EXPENDITURES</b>				
Project charges	16,778,500	16,778,500	6,334,697	10,443,803
Administration charges	108,000	108,000	22,486	85,514
Accounting and audit expense	16,000	16,000	21,508	(5,508)
Legal charges	20,000	20,000	28,671	(8,671)
Debt Service:				
Principal	4,175,000	4,175,000	4,175,000	--
Interest	1,259,060	1,259,060	1,259,060	--
Administration and issuance fees	10,000	10,000	7,200	2,800
Total Expenditures	22,366,560	22,366,560	11,848,622	10,517,938
Net Change in Fund Balance	\$ (8,636,500)	\$ (8,636,500)	3,567,065	\$ 12,203,565
Fund Balance - Beginning of the Year			53,666,503	
Fund Balance - End of the Year			\$ 57,233,568	

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2013

**BUDGETARY BASIS OF ACCOUNTING**

The Authority operates under the general laws of the State of California and annually adopts a budget to be effective July 1 of the ensuing fiscal year. Formal budgetary integration is employed as a management control device during the year for all governmental fund types. The level of control (level at when expenditures may not exceed budget) is the fund. Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.

Budget information is presented for the Authority's only fund. The Authority makes adjustments to its original budget during the year. This enables the effectiveness of the Authority in meeting budget objectives to be evaluated and the adequacy of the budget itself to be judged. The only exceptions to this are the appropriations of unanticipated revenues and the revision of appropriations to reflect major economic up or down turns materially affecting estimated revenues. Expenditures in excess of budgeted amounts are approved individually by the Board. Annual appropriated budgets are adopted for the Authority. It is this final revised budget that is presented in these financial statements.

Budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

**OTHER REPORT**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Napa County Flood Protection and Watershed Improvement Authority  
Napa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Napa County Flood Protection and Watershed Improvement Authority

(Authority), a component unit of the County of Napa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Napa County Flood Protection and Watershed Improvement Authority's internal control. Accordingly we do not express an opinion of the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Purpose of this Report**

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

Gallina LLP  
Roseville, California  
October 26, 2013