

COUNTY OF NAPA

AUDIT REPORT

JUNE 30, 2003

**COUNTY OF NAPA
AUDIT REPORT
For the Year Ended June 30, 2003**

Table of Contents

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities.....	14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	16
Reconciliation of the Governmental Funds Balance Sheet to the Governmental-Wide Statement of Net Assets – Governmental Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the GovernmentalWide Statement of Activities – Governmental Activities.....	19
Proprietary Funds:	
Statement of Fund Net Assets	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	21
Statement of Cash Flows	22
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	24
Statement of Changes in Fiduciary Net Assets	25
Notes to the Basic Financial Statements:.....	
The Financial Reporting Entity	27
Summary of Significant Accounting Policies.....	30
Restatement of Fund Equity/Net Assets.....	37
Cash and Investments	37
Interfund Transactions	41
Capital Assets.....	42
Advances Receivable/Advances Payable	43
Long-Term Debt.....	44
Net Assets/Fund Balances.....	50
County Employees Retirement Plan (Defined Benefit Pension Plan)	52
Post-Retirement Health Benefits.....	53
Deferred Compensation Plan.....	54
401(a) Retirement Savings Plan.....	54
Risk Management.....	55
Contingencies.....	56

**COUNTY OF NAPA
AUDIT REPORT
For the Year Ended June 30, 2003**

Table of Contents

	<u>Page</u>
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	57
Budgetary Comparison Schedule – Napa County Flood Protection and Watershed Improvement Authority	58
Budgetary Comparison Schedule – Construction Fund.....	59
County Employee’s Retirement Plan (Defined Pension Benefit Plan):	
Schedule of Funding Progress	60
Note to Required Supplementary Information:	
Budgetary Basis of Accounting	61
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	63
Nonmajor Special Revenue Funds:	
Description.....	64
Combining Balance Sheet.....	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	68
Combining Balance Sheet – Assets – Nonmajor Special Districts Under the Board of Supervisors.....	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Districts Under the Board of Supervisors	73
Nonmajor Capital Projects Funds:	
Description.....	75
Combining Balance Sheet.....	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	77
Nonmajor Debt Service Fund:	
Description.....	78
Combining Balance Sheet.....	79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	80
Nonmajor Enterprise Funds:	
Description.....	81
Combining Statement of Fund Net Assets	82
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	83
Combining Statement of Cash Flows	84
Internal Service Funds:	
Description.....	86
Combining Statement of Fund Net Assets	87
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	89
Combining Statement of Cash Flows	91

FINANCIAL SECTION

Bartig, Basler & Ray

A Professional Corporation

Certified Public Accountants and Management Consultants

Frank V. Trythall
Kenneth E. Pope
Brad W. Constantine
Theril H. Lund
Bruce W. Stephenson
Roseanne M. Lopez

Curtis A. Orgill
M. Elba Zúñiga

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors and Grand Jury
County of Napa
Napa, California

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Napa, California, (the County), as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 County as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated October 30, 2003, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD & A) and the required supplementary information other than MD & A, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the County of Napa's basic financial statements. The accompanying information identified in the table of contents as combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

October 30, 2003
Roseville, California



Management's Discussion and Analysis

Management's Discussion and Analysis

This section of the County of Napa's (County) annual financial report presents our discussion and analysis of the County's financial performance during the year ended June 30, 2003. Please read it in conjunction with the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the 2002-2003 fiscal year by \$218,308,098 (*net assets*). Of this amount, \$119,498,851 (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors, \$26,658,643 is restricted for debt service and capital projects and \$72,150,604 is invested in capital assets, net of related debt.
- As of June 30, 2003, the County governmental funds reported combined fund balances of \$163,410,651. Approximately 44.6% of the combined fund balances, \$72,795,424 is available to meet the County's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, unreserved fund balance for the general fund was \$44,317,125, or 29.1% of total general fund expenditures. All of the remaining unreserved fund balance will be budgeted in the subsequent fiscal year.
- The County's total long-term debt increased by \$22,774,548 in comparison with the prior year. The increase was primarily due to the issuance of the 2003 Certificates of Participation (COP). The purpose of the 2003 COP is to pay off the 1993 COP and construct new Sheriff and Juvenile Criminal Justice facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and, 3) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education and recreation. The business-type activities of the County include the Napa County Airport, the Napa Berryessa Resort Improvement District and the Lake Berryessa Resort Improvement District.

Component units are included in the County's basic financial statements and consist of legally separate entities for which the County is financially accountable and, that have substantially the same board as the County or provide services entirely to the County. An example is the Napa County Flood Protection and Watershed Improvement Authority.

The government-wide financial statements can be found on pages 13-15 of this report.

Management's Discussion and Analysis (continued)

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County currently maintains 19 individual governmental funds. 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 and the Napa County Flood Protection and Watershed Improvement Authority. Data from the other 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* elsewhere in this report.

The governmental funds financial statements can be found on pages 16-19 of this report.

Proprietary funds are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Napa County Airport, Lake Berryessa Resort Improvement District and Napa Berryessa Resort Improvement District operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its workers' compensation insurance, long-term disability, employee benefits, personal injury and property damage, fleet maintenance and replacement, and Information Technology Services functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Napa County Airport is considered to be a major fund of the County. The County's six internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the supplementary information section of this report.

The proprietary funds financial statements can be found on pages 20-23 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 24-25 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages **26-56** of this report.

Management's Discussion and Analysis (continued)

Required Supplementary Information is presented concerning the County General Fund budgetary schedule. Infrastructure assets are reported using estimated historical cost. The County adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The required supplementary information can be found on pages 57-61 of this report.

Combining and individual fund statements and schedules referred to earlier provide information for non-major governmental funds, enterprise and internal service funds and are presented immediately following the required supplementary information.

The required combining and individual fund statements and schedules can be found on pages 62-94 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$218,308,098 at the close of the most recent fiscal year. Further detail is provided in Table 1.

Table 1 - County's Net Assets (in thousands)

	Governmental		Business-type		Total		Total	
	Activities		Activities		Total		Dollar	Percent
	2003	2002	2003	2002	2003	2002	Change	Change
Current and other assets	\$ 185,490	\$ 139,398	\$ 1,901	\$ 649	\$ 187,391	\$ 140,047	\$ 47,344	33.8%
Capital assets	128,508	128,896	12,542	11,486	141,050	140,382	668	0.5%
Total assets	313,998	268,294	14,443	12,135	328,441	280,429	48,012	17.1%
Current and other liabilities	5,150	4,925	2,068	2,609	7,218	7,534	-316	-4.2%
Long-term liabilities	102,415	79,640	500	16	102,915	79,656	23,259	29.2%
Total liabilities	107,565	84,565	2,568	2,625	110,133	87,190	22,943	26.3%
Net assets:								
Invested in capital assets, net of related debt	60,089	58,975	12,062	11,486	72,151	70,461	1,690	2.4%
Restricted net assets	26,658	0	0	0	26,658	0	26,658	0.0%
Unrestricted net assets	119,686	124,754	-187	-1,976	119,499	122,778	-3,279	-2.7%
Total net assets	\$ 206,433	\$ 183,729	\$ 11,875	\$ 9,510	\$ 218,308	\$ 193,239	\$ 25,069	13.0%

The significant changes in the County's net assets are summarized as follows:

- The County's total assets as of June 30, 2003, amount to \$328.4 million, an increase of \$48.0 million (or 17.1%) from the prior year. The majority of the increase in total assets is comprised of an increase in cash, due to the issuance of the 2003 COPs, an increase in the amounts due from other governments and an increase in loans receivable.
- The County's total liabilities as of June 30, 2003, amount to \$110.1 million, an increase of \$22.9 million (or 26.3%) from the prior year. This increase is due to the issuance of the 2003 COPs and retirement of the 1993 COPs.

The composition of the County's net assets can be summarized as follows:

- The largest portion of the County's net assets (54.7%) represents *unrestricted net assets* of \$119.5 million, which may be used to meet the County's ongoing obligations to citizens and creditors.
- Another significant portion of the County's net assets of (33.1%) reflects its investment of \$72.2 million in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Management's Discussion and Analysis (continued)

- The remaining portion of the County's net assets (12.2%) represents restricted net assets of \$26.6 million.
- At the end of the current fiscal year, the County reported positive balances in net assets, both for the County as a whole, as well as for its separate governmental activities.

The County's net assets have increased by \$9.4 million during the current fiscal year. This growth reflects the net effect of increases in both total revenues and total expenses. The County's total revenues as of June 30, 2003, amount to \$187.4 million, an increase of \$5.2 million (or 2.9%) from the prior year. The majority of the increase in total revenues was due to increases in charges for services and property taxes. The County's total expenses as of June 30, 2003, amount to \$177.9 million, an increase of \$4.4 million (or 2.6%) from the prior year. The majority of the increase in total expenses was due to increased expenses for general government, public protection and health and sanitation. Further detail is provided in Table 2.

Governmental activities. Governmental activities increased the County's net assets by \$7.0 million, thereby accounting for 74.8% of the total growth in the net assets of the County.

Table 2 - County's Change in Net Assets (in thousands)

	Governmental		Business-type		Total		Total	
	Activities		Activities		Total		Dollar	Percent
	2003	2002	2003	2002	2003	2002	Change	Change
Revenues:								
Program revenues:								
Fees, fines and charges for services	\$ 24,328	\$ 20,731	\$ 2,591	\$ 2,549	\$ 26,919	\$ 23,280	\$ 3,639	15.6%
Operating grants and contributions	77,088	78,530	1,187	1,368	78,275	79,898	-1,623	-2.0%
Capital grants and contributions	0	0	0	0	0	0	0	0.0%
General revenues:								
Property taxes	45,288	41,161	0	0	45,288	41,161	4,127	10.0%
Sales and use taxes	25,700	23,898	0	0	25,700	23,898	1,802	7.5%
Other taxes	0	0	53	55	53	55	-2	-3.6%
Unrestricted interest and investment earnings	4,013	5,173	62	19	4,075	5,192	-1,117	-21.5%
Miscellaneous	6,653	8,560	398	100	7,051	8,660	-1,609	-18.6%
Total revenues	<u>183,070</u>	<u>178,053</u>	<u>4,291</u>	<u>4,091</u>	<u>187,361</u>	<u>182,144</u>	<u>5,217</u>	<u>2.9%</u>
Expenses:								
General government	35,499	32,050	0	0	35,499	32,050	3,449	10.8%
Public protection	59,155	54,093	0	0	59,155	54,093	5,062	9.4%
Public ways and facilities	16,878	21,128	0	0	16,878	21,128	-4,250	-20.1%
Health and sanitation	29,124	27,126	1,159	970	30,283	28,096	2,187	7.8%
Public assistance	26,085	28,898	0	0	26,085	28,898	-2,813	-9.7%
Education	4,870	4,382	0	0	4,870	4,382	488	11.1%
Recreation and cultural studies	45	0	0	0	45	0	45	0.0%
Interest on long-term debt	3,549	3,641	0	0	3,549	3,641	-92	-2.5%
Administration and issuance costs	171	0	0	0	171	0	171	0.0%
Airports	0	0	1,435	1,252	1,435	1,252	183	14.6%
Total expenses	<u>175,376</u>	<u>171,318</u>	<u>2,594</u>	<u>2,222</u>	<u>177,970</u>	<u>173,540</u>	<u>4,430</u>	<u>2.6%</u>
Excess (deficiency) before special items and transfer	7,694	6,735	1,697	1,869	9,391	8,604	787	9.1%
Special items (loss on sale of fixed asset)	0	3	0	0	0	3	-3	-100.0%
Transfers	-667	276	667	-276	0	0	0	0.0%
Change in net assets	7,027	7,014	2,364	1,593	9,391	8,607	784	9.1%
Net assets - July 1, 2002 - restated	<u>199,406</u>	<u>176,715</u>	<u>9,511</u>	<u>7,917</u>	<u>208,917</u>	<u>184,632</u>	<u>24,285</u>	<u>13.2%</u>
Net assets - June 30, 2003	<u>\$ 206,433</u>	<u>\$ 183,729</u>	<u>\$ 11,875</u>	<u>\$ 9,510</u>	<u>\$ 218,308</u>	<u>\$ 193,239</u>	<u>\$ 25,069</u>	<u>13.0%</u>

Key elements of the increase/decrease in revenues for governmental activities are as follows:

- Fees, fines and charges for services increased by \$3.6 million (or 15.6%) from the prior year. The majority of this increase was caused by an increase in fees billed for mental health services.
- Property taxes increased by \$4.1 million (or 10.0%). This increase was primarily due to increased home sales and higher assessments.
- Sales and use taxes increased by \$1.8 million (or 7.5%). This increase was primarily due to a one-time sales tax allocation.

Management's Discussion and Analysis (continued)

Key elements of the increase/decrease in expenses for governmental activities are as follows:

- General government expenses increased by \$3.5 million (or 10.8%) from the prior year. The majority of the increase was due to an increase in the cost of salaries and benefits.
- Public protection expenses increased by \$5.1 million (or 9.4%) from the prior year. The majority of this increase was due to an increase in the cost of salaries and benefits.
- Public ways and facilities expenses decreased by \$4.3 million (or 20.1%) from the prior year. The majority of this decrease was due to a reduction in flood project expenditures in comparison with last year.
- Health and sanitation expenses increased by \$2.2 million (or 7.8%) from the prior year. The majority of this increase was due to an increase in the cost of salaries and benefits.
- Public assistance expenses decreased by \$2.8 million (or 9.7%) from the prior year. The majority of this decrease was due to a reduction in the availability of public assistance funding that resulted in a reduction of expenditures.

Business-type activities. Business-type activities increased the County's net assets by \$2.4 million, thereby accounting for 25% of the total growth in the net assets of the County.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project Funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2003, the County's governmental funds reported combined fund balances of \$163,410,651, an increase of \$45,300,199 in comparison with last year. Approximately 44.6% of this total amount or \$72,795,424 constitute *unreserved fund balance*, which is available to meet the County's current and future needs. The remainder of fund balance \$90,615,227 is *reserved* to indicate that it is not available for new spending because it has been committed (1) to liquidate contractual commitments (\$3,442,646) (2) to reflect inventories and the amount due from other funds that are long term in nature and thus do not represent available spendable resources (\$7,105,570) and (3) to pay for capital projects (\$80,067,011).

The general fund is the chief operating fund of the County. At June 30, 2003, unreserved fund balance of the general fund was \$44,317,125 while total fund balance reached \$66,288,501. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29.1% of the total fund expenditures, while total fund balance represents 43.5% of that same amount. The total fund balance of the County's General Fund decreased by \$2,687,480 during the current year.

Table 3 provides a comparison of revenues by source for governmental funds for the current and prior years. Further detail is depicted in Figures 1 and 2.

Table 3 - Revenues Classified by Source - Governmental Funds (in thousands)

Revenues by Source	FY 2003		FY 2002		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of change
Taxes	\$ 70,989	38.9%	\$ 65,059	36.7%	\$ 5,930	3.3%
Licenses and permits	2,936	1.6%	4,325	2.4%	-1,389	-0.8%
Fines, forfeitures and penalties	1,927	1.1%	1,769	1.0%	158	0.1%
Revenue from use of money and property	3,551	1.9%	4,522	2.6%	-971	-0.5%
Aid from other governments	77,088	42.2%	78,530	44.3%	-1,442	-0.8%
Charges for services	19,140	10.5%	14,496	8.2%	4,644	2.6%
Other	6,970	3.8%	8,560	4.8%	-1,590	-0.9%
Total	\$ 182,601	100.0%	\$ 177,261	100.0%	\$ 5,340	3.0%

Management's Discussion and Analysis (continued)

- Taxes increased by \$5.9 million (or 3.3%) from the prior year. This increase is mainly due to additional assessments by the Assessor's Office based on reappraisals of real property due to changes in ownership or completion of new construction and a one-time sales tax allocation.
- Charges for services increased by \$4.6 million (or 2.6%) from the prior year. This increase was mainly due to an increase in fees billed for mental health services.

Figure 1 - Two year comparison of Governmental Fund Revenues

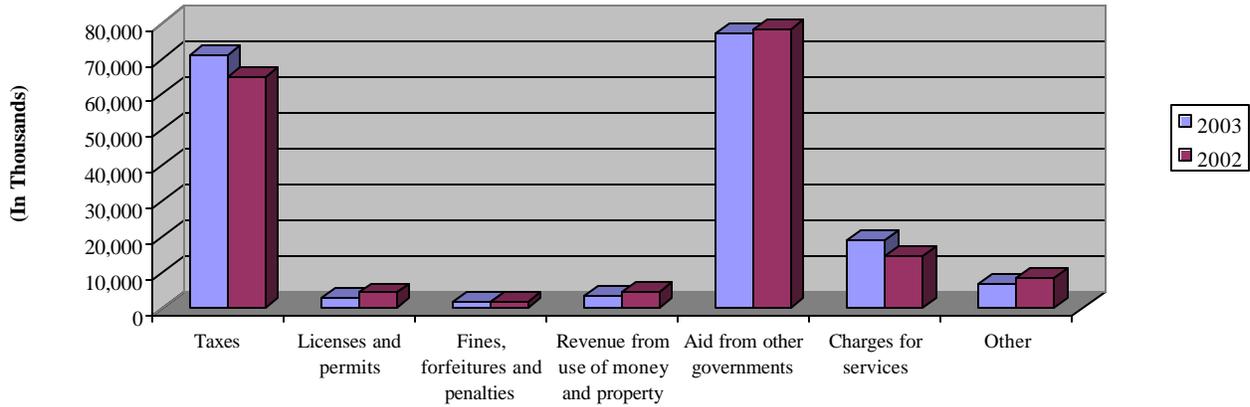
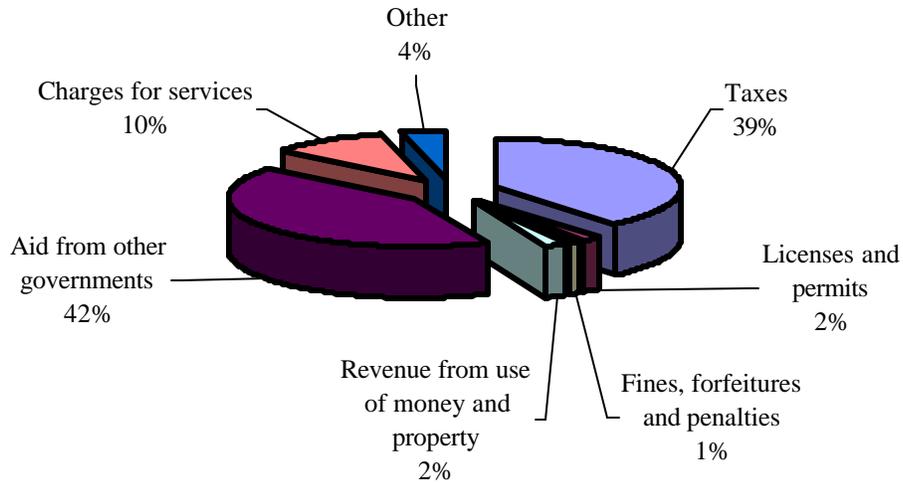


Figure 2 - Revenues Classified by Source - Governmental Funds



Management's Discussion and Analysis (continued)

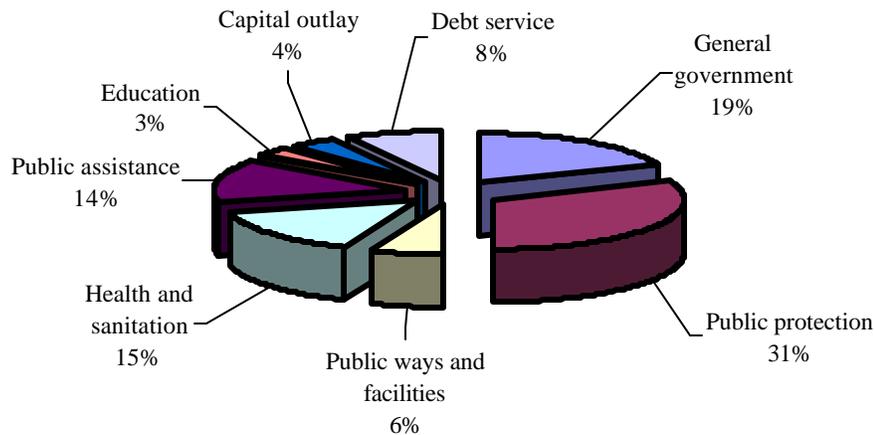
Table 4 provides a comparison of expenditures by function for governmental funds for the current and prior years. Further detail is depicted in Figure 3.

Table 4 - Expenditures by Function - Governmental Funds (in thousands)

Expenditures by Function	FY 2003		FY 2002		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of change
General government	\$ 36,207	19.4%	\$ 27,344	16.2%	\$ 8,863	5.2%
Public protection	58,057	31.1%	53,186	31.5%	4,871	2.9%
Public ways and facilities	10,527	5.6%	14,814	8.7%	-4,287	-2.5%
Health and sanitation	28,963	15.5%	26,976	16.0%	1,987	1.2%
Public assistance	25,924	13.9%	28,746	17.0%	-2,822	-1.7%
Education	4,783	2.6%	4,297	2.5%	486	0.3%
Recreation	45	0.0%	0	0.0%	45	0.0%
Capital outlay	7,710	4.1%	7,132	4.2%	578	0.3%
Debt service-principal retirement	9,870	5.3%	3,110	1.8%	6,760	4.0%
Debt-interest charges	3,421	1.9%	3,640	2.1%	-219	-0.1%
Debt-administration, issuance and arbitrage fees	1,091	0.6%	0	0.0%	1,091	0.6%
Total	\$ 186,598	100.0%	\$ 169,245	100.0%	\$ 17,353	10.2%

- General government expenditures increased by \$8.9 million (or 5.2%) from the prior year. This increase was due to increases in capital improvement projects and the cost of salaries and benefits.
- Public protection expenditures increased by \$4.9 million (or 2.9%) from the prior year. This increase was mainly due to an increase in the cost of salaries and benefits.
- Public ways and facilities expenditures decreased by \$4.3 million (or 2.5%) from the prior year. This decrease was mainly due to a reduction in flood project expenditures in comparison with last year.
- Health and sanitation expenditures increased by \$2.0 million (or 1.2%) from the prior year. This increase was mainly due to an increase in the cost of salaries and benefits.
- Public assistance expenditures decreased by \$2.8 million (or 1.7%) from the prior year. This decrease was mainly due to a reduction in the availability of public assistance funding that resulted in a reduction of expenditures.
- Debt service-principal retirement expenditures increased \$6.8 million (or 4.0%) from the prior year. This increase in principal retirement was due to the retirement of the 1993 COPs in the current year.

Figure 3 - Expenditures by Function - Governmental Funds



Management's Discussion and Analysis (continued)

Table 5 provides a comparison of the County's other financing sources/(uses) for the current and prior years.

Table 5 - County's Other Financing Sources/ (Uses) - Governmental Funds (in thousands)

Other Financing Sources (Uses)	Amount		Total	
	2003	2002	Dollar Change	Percent Change
	Proceeds from issuance of new debt	\$ 32,417	\$ 0	\$ 32,417
Transfers in	16,052	4,871	11,181	2214.1%
Transfers out	<u>-15,048</u>	<u>-4,366</u>	<u>-10,682</u>	<u>-2115.2%</u>
Net financing sources (uses)	<u>\$ 33,421</u>	<u>\$ 505</u>	<u>\$ 32,916</u>	<u>6518.0%</u>

- Proceeds from issuance of new debt increased \$32.4 million (or 6,419.2%) from the prior year. This variance is due to the issuance of the new 2003 COPs.
- Transfers in increased \$11.2 million (or 2,214.1%) from the prior year, while transfers out increased \$10.7 million (or 2,115.2%) from the prior year. These variances were mainly due to the retirement of the 1993 COPs.

Table 6 details the changes in fund balance for each governmental fund as of June 30, 2003.

Table 6 - Changes in Fund Balances - Governmental Funds (in thousands)

	Major Funds			Non-Major Funds			Total
	General Fund	Flood Control Authority	Construction Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	
Revenues	\$ 149,118	\$ 11,189	\$ 59	\$ 21,636	\$ 202	\$ 397	\$ 182,601
Expenditures	152,385	2,640	1,941	18,234	11,391	5	186,596
Other financing sources (uses), net	<u>134</u>	<u>0</u>	<u>25,195</u>	<u>-114</u>	<u>8,754</u>	<u>-549</u>	<u>33,420</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-3,133	8,549	23,313	3,288	-2,435	-157	29,425
Fund balances - July 1, 2002, as restated	69,422	31,820	463	23,953	7,800	528	133,986
Fund balances - June 30, 2003	<u>\$ 66,289</u>	<u>\$ 40,369</u>	<u>\$ 23,776</u>	<u>\$ 27,241</u>	<u>\$ 5,365</u>	<u>\$ 371</u>	<u>\$ 163,411</u>

The fund balance of the County's general fund decreased by \$3,133,769 during the fiscal year. This decrease was caused by an increase in capital improvement projects and an increase in the cost of salaries and benefits.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Table 7 details the changes in fund balances for each proprietary fund as of June 30, 2003.

Table 7 - Changes in Fund Balances - Proprietary Funds (in thousands)

	Major Funds		Non-Major Funds		Total
	Napa County Airport	Lake Berryessa Resort Improvement	Napa Berryessa Resort Improvement		
Operating revenues	\$ 1,595	\$ 515	\$ 521	\$ 2,631	
Operating expenses	<u>1,409</u>	<u>574</u>	<u>584</u>	<u>2,567</u>	
Operating income (loss)	186	-59	-63	64	
Non-operating revenues (expenses), net	<u>903</u>	<u>633</u>	<u>48</u>	<u>1,584</u>	
Net income (loss) before contributions and transfers	1,089	574	-15	1,648	
Transfer in (out)	<u>667</u>	<u>0</u>	<u>0</u>	<u>667</u>	
Net income (loss)	<u>\$ 1,756</u>	<u>\$ 574</u>	<u>\$ -15</u>	<u>\$ 2,315</u>	

Management's Discussion and Analysis (continued)

Differences between the General Fund's original budget and the final amended budget resulted in a \$11,608,102 increase in appropriations and can be briefly summarized as follows:

- Contract and Purchase Order re-encumbrances amounted to \$2.7 million.
- Cost for additional salaries and benefits amounted to \$0.6 million.
- Cost for additional capital improvements projects amounted to \$1.9 million.
- Cost of additional services and supplies amounted to \$5.0.
- Increases in Grants and Federal and State Projects account for the majority of the additional increased appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounted to \$141.1 million (net of accumulated depreciation) an increase of \$0.7 million (or 0.5%) from the prior year. This investment in capital assets includes infrastructure, land and easements, structures and improvements, equipment, and construction in progress.

Table 8 provides a comparison of the County's capital assets for the governmental and business-type activities for the current and prior years.

Table 8 - County's Capital Assets (in thousands)

	Governmental		Business-type		Total		Total	
	Activities		Activities				Dollar	Percent
	2003	2002	2003	2002	2003	2002	Change	Change
Infrastructure	\$ 64,309	\$ 69,935	\$ 0	\$ 0	\$ 64,309	\$ 69,935	\$ -5,626	-4.0%
Land and easements	4,556	4,556	747	747	5,303	5,303	0	0.0%
Structures and improvements	46,972	44,166	10,053	9,241	57,025	53,407	3,618	2.6%
Equipment	8,032	7,278	169	141	8,201	7,419	782	0.6%
Construction in progress	4,639	2,960	1,573	1,358	6,212	4,318	1,894	1.3%
Total	\$ 128,508	\$ 128,895	\$ 12,542	\$ 11,487	\$ 141,050	\$ 140,382	\$ 668	0.5%

Major capital asset events during the current fiscal year included the following:

- Construction in progress increased by \$3,588,605 due mainly to the new animal shelter, juvenile justice center and equipment pool relocation projects.
- Infrastructure assets of \$1,047,140 were added during the year.
- There were no sales or transfer transactions involving land during the year.
- For government-wide financial statement presentation, all depreciable capital assets including infrastructure were depreciated from the year subsequent to the acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34.

Long-term debt

At June 30, 2003, the County Governmental Activities total long-term debt outstanding was \$102,414,566 as compared to \$79,640,018 in the prior year. This amount was comprised of \$43,650,000 of Napa County Flood 1999 Series A bonds, \$48,813,371 of certificates of participation, \$5,189,000 in liability for unpaid insurance claims, and \$4,762,195 compensated absence. There were no notes payable. During the year, retirement of certificates of participation amounted to \$9,870,000.

Economic Factors and Next Year's Budget and Rates

- The County enjoys stable and manageable growth and wealth levels are above both the State and National standards. The unemployment rate is at 5.4 as of December 2003. This is below the statewide unemployment rate of 6.1%.
- The property tax growth remains solid with anticipated growth of 10% in the fiscal year 2003-2004.

Management's Discussion and Analysis (continued)

- Sales tax revenue is expected to remain flat compared to the prior fiscal years due to a reduction in consumer confidence caused by the slowing economy.
- The Transient Occupancy Tax ("hotel tax") has been negatively impacted by the nation's economic situation and the affects related to travel and tourism due to the September 11, 2001 tragedy.
- The vitality of agricultural and viticulture industries in Napa County are expected to continue. Agriculture remains the top industry in the County, with the production of grapes and wine constituting over 90% of the agricultural activity in the valley.

All of these factors were considered in preparing the County's budget for fiscal year 2004.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's and component unit finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Auditor-Controller, 1195 Third Street, Suite B-10, Napa, CA 94559.

**BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

COUNTY OF NAPA

Statement of Net Assets
June 30, 2003

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<u>ASSETS</u>			
Cash and investments	\$ 128,547,487	\$ 1,985,086	\$ 130,532,573
Restricted Assets:			
Cash with fiscal agent	26,956,687	--	26,956,687
Imprest cash	7,070	100	7,170
Other cash	97,717	--	97,717
Receivables, net			
Taxes	3,395,033	--	3,395,033
Special assessments	13,660	62,750	76,410
Accounts	844,993	337,030	1,182,023
Due from other government agencies	14,137,176	312,581	14,449,757
Inventory	13,377	--	13,377
Deposits	110,000	--	110,000
Other assets	875,690	--	875,690
Internal balances	2,749,633	(2,749,633)	--
Loans receivable	7,741,145	1,953,581	9,694,726
Capital Assets:			
Nondepreciable	9,194,765	2,320,170	11,514,935
Depreciable, net	119,313,511	10,221,716	129,535,227
	<u>\$ 313,997,944</u>	<u>\$ 14,443,381</u>	<u>\$ 328,441,325</u>
Total Assets			
<u>LIABILITIES</u>			
Accounts payable	\$ 2,389,014	\$ 49,952	\$ 2,438,966
Accrued salaries and benefits	1,538,385	7,872	1,546,257
Due to other government agencies	936,631	--	936,631
Interest payable	286,321	--	286,321
Deposits with others	--	57,175	57,175
Deferred revenue	--	1,953,581	1,953,581
Long-Term Liabilities:			
Portion due or payable within one year:			
Loan payable	--	20,000	20,000
Bonds payable	2,095,000	--	2,095,000
Certificates of participation	1,785,000	--	1,785,000
Compensated absences	1,396,016	9,579	1,405,595
Liability for unpaid claims	3,355,082	--	3,355,082
Portion due or payable after one year:			
Loan payable	--	460,000	460,000
Bonds payable	41,555,000	--	41,555,000
Certificates of participation	47,028,371	--	47,028,371
Compensated absences	3,366,179	10,151	3,376,330
Liability for unpaid claims	1,833,918	--	1,833,918
	<u>107,564,917</u>	<u>2,568,310</u>	<u>110,133,227</u>
Total Liabilities			
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	60,088,718	12,061,886	72,150,604
Restricted for debt service	2,614,830	--	2,614,830
Restricted for capital projects	24,043,813	--	24,043,813
Unrestricted	119,685,666	(186,815)	119,498,851
Total Net Assets	<u>206,433,027</u>	<u>11,875,071</u>	<u>218,308,098</u>
Total Liabilities and Net Assets	<u>\$ 313,997,944</u>	<u>\$ 14,443,381</u>	<u>\$ 328,441,325</u>

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

COUNTY OF NAPA

Statement of Activities
For the Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 35,498,520	\$ 4,976,957	\$ 12,929,224	\$ --
Public protection	59,155,040	9,203,552	13,495,705	--
Public ways and facilities	16,877,819	3,282,158	6,427,082	--
Health and sanitation	29,123,849	6,376,886	20,535,710	--
Public assistance	26,085,613	114,511	23,028,396	--
Education	4,869,614	373,705	663,244	--
Recreation and cultural services	44,978	--	8,600	--
Debt Service:				
Interest and fiscal charges	3,549,288	--	--	--
Administration and arbitrage fees	171,193	--	--	--
Total Governmental Activities	<u>175,375,914</u>	<u>24,327,769</u>	<u>77,087,961</u>	<u>--</u>
Business-Type Activities:				
Airport	1,435,205	1,554,468	882,107	--
Lake Berryessa Resort Improvement	574,405	514,730	305,068	--
Napa Berryessa Public Improvement	584,255	521,361	300	--
Total Business-Type Activities:	<u>2,593,865</u>	<u>2,590,559</u>	<u>1,187,475</u>	<u>--</u>
Total Napa County	<u>\$ 177,969,779</u>	<u>\$ 26,918,328</u>	<u>\$ 78,275,436</u>	<u>\$ --</u>

General Revenues:

 Taxes:

 Property taxes

 Sales and use taxes

 Other

 Unrestricted interest and investment earnings

 Miscellaneous

Transfers

 Total General Revenues and Transfers

Change in Net Assets

Net assets - July 1, 2002 - Restated

Net assets - June 30, 2003

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (17,592,339)		\$ (17,592,339)
(36,455,783)		(36,455,783)
(7,168,579)		(7,168,579)
(2,211,253)		(2,211,253)
(2,942,706)		(2,942,706)
(3,832,665)		(3,832,665)
(36,378)		(36,378)
(3,549,288)		(3,549,288)
(171,193)		(171,193)
<u>(73,960,184)</u>		<u>(73,960,184)</u>
--	\$ 1,001,370	1,001,370
--	245,393	245,393
--	(62,594)	(62,594)
--	<u>1,184,169</u>	<u>1,184,169</u>
<u>\$ (73,960,184)</u>	<u>\$ 1,184,169</u>	<u>\$ (72,776,015)</u>
45,288,344	--	45,288,344
25,700,246	--	25,700,246
--	52,721	52,721
4,012,538	62,215	4,074,753
6,653,267	398,392	7,051,659
(667,395)	667,395	--
<u>80,987,000</u>	<u>1,180,723</u>	<u>82,167,723</u>
7,026,816	2,364,892	9,391,708
<u>199,406,211</u>	<u>9,510,179</u>	<u>208,916,390</u>
<u>\$ 206,433,027</u>	<u>\$ 11,875,071</u>	<u>\$ 218,308,098</u>

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

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

COUNTY OF NAPA

Balance Sheet
Governmental Funds
June 30, 2003

	General	Napa County Flood Protection and Watershed Improvement Authority	Construction Fund	Other Governmental Funds	Total
<u>ASSETS</u>					
Cash and investments	\$ 56,080,823	\$ 38,324,084	\$ 163,259	\$ 17,488,274	\$ 112,056,440
Restricted assets:					
Cash with fiscal agent	--	298,044	24,043,813	2,614,830	26,956,687
Imprest cash	6,220	--	--	750	6,970
Other cash	97,717	--	--	--	97,717
Receivable (Net):					
Taxes	3,192,658	--	--	202,375	3,395,033
Special assessments	--	--	--	13,660	13,660
Accounts receivable	739,951	--	--	101,374	841,325
Due from other government agencies	9,829,545	1,746,800	--	2,560,831	14,137,176
Loans receivable	--	--	--	7,741,145	7,741,145
Advances due from other funds	--	--	--	2,749,633	2,749,633
	<u>\$ 69,946,914</u>	<u>\$ 40,368,928</u>	<u>\$ 24,207,072</u>	<u>\$ 33,472,872</u>	<u>\$ 167,995,786</u>
<u>LIABILITIES</u>					
Liabilities:					
Accounts payable	\$ 1,418,487	\$ --	\$ 430,728	\$ 344,596	\$ 2,193,811
Accrued payroll	1,358,996	--	--	95,697	1,454,693
Due to other government agencies	880,930	--	--	55,701	936,631
	<u>3,658,413</u>	<u>--</u>	<u>430,728</u>	<u>495,994</u>	<u>4,585,135</u>
<u>FUND BALANCES</u>					
Reserved for:					
Encumbrances	2,676,542	--	--	766,104	3,442,646
General	4,884,269	--	--	2,118,846	7,003,115
Imprest cash	6,220	--	--	750	6,970
Reserve designation	14,404,345	40,368,928	23,613,085	1,680,653	80,067,011
Equipment	--	--	--	95,485	95,485
Unreserved, reported in:					
General fund	44,317,125	--	--	--	44,317,125
Special revenue funds	--	--	--	22,578,932	22,578,932
Capital projects funds	--	--	163,259	371,179	534,438
Debt service funds	--	--	--	5,364,929	5,364,929
	<u>66,288,501</u>	<u>40,368,928</u>	<u>23,776,344</u>	<u>32,976,878</u>	<u>163,410,651</u>
Total Liabilities and Fund Balances	<u>\$ 69,946,914</u>	<u>\$ 40,368,928</u>	<u>\$ 24,207,072</u>	<u>\$ 33,472,872</u>	<u>\$ 167,995,786</u>

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

COUNTY OF NAPA

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2003

Fund Balance - total governmental funds (page 16)	\$ 163,410,651
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	123,027,232
Internal service funds are used by the County to charge the cost of unemployment insurance, dental insurance, fleet services and telephone services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:	16,399,650
Cost of issuance on 2003 certificates of participation are not recognized as current year expenditures and are deferred (amount shown is net of amortized costs).	875,690
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.	
Certificates of participation	(48,750,000)
Unamortized premiums	(63,371)
Bonds payable	(43,650,000)
Accrued interest on debt	(286,321)
Compensated absences	<u>(4,530,504)</u>
Net assets of governmental activities (page 13)	<u>\$ 206,433,027</u>

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

COUNTY OF NAPA

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2003

	General	Napa County Flood Protection and Watershed Improvement Authority	Construction Fund	Other Governmental Funds	Total
Revenues:					
Taxes	\$ 51,533,618	\$ 10,413,558	\$ --	\$ 9,041,414	\$ 70,988,590
Licenses and permits	2,765,317	--	--	171,140	2,936,457
Fines, forfeits and penalties	1,049,491	--	--	877,845	1,927,336
Revenue from use of money and property	1,757,060	775,365	59,557	958,785	3,550,767
Aid from other governments	69,614,089	--	--	7,473,872	77,087,961
Charges for services	15,611,880	--	--	3,528,444	19,140,324
Other	6,786,592	--	--	183,039	6,969,631
Total Revenues	149,118,047	11,188,923	59,557	22,234,539	182,601,066
Expenditures:					
Current:					
General government	36,206,814	--	--	--	36,206,814
Public protection	52,802,044	--	--	5,255,246	58,057,290
Public ways and facilities	4,053,108	569,170	--	5,905,134	10,527,412
Health and sanitation	28,664,661	--	--	298,134	28,962,795
Public assistance	25,924,098	--	--	--	25,924,098
Education	270,454	--	--	4,512,511	4,782,965
Recreation and cultural services	44,978	--	--	--	44,978
Capital outlay	4,419,259	--	1,021,589	2,268,775	7,709,623
Debt Service:					
Principal	--	--	--	9,870,000	9,870,000
Interest and fiscal charges	--	2,071,077	--	1,350,076	3,421,153
Administration, issuance and arbitrage fees	--	--	919,474	171,193	1,090,667
Total Expenditures	152,385,416	2,640,247	1,941,063	29,631,069	186,597,795
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,267,369)	8,548,676	(1,881,506)	(7,396,530)	(3,996,729)
Other Financing Sources (Uses):					
Proceeds from issuance of new debt	--	--	32,416,540	--	32,416,540
Transfers in	2,921,367	--	1,711,825	11,419,231	16,052,423
Transfers out	(2,787,767)	--	(8,933,386)	(3,327,115)	(15,048,268)
Total Other Financing Sources (Uses)	133,600	--	25,194,979	8,092,116	33,420,695
Net change in fund balances	(3,133,769)	8,548,676	23,313,473	695,586	29,423,966
Fund Balance - Beginning of Year	68,975,981	28,620,252	462,871	20,051,348	118,110,452
Prior period adjustment	446,289	3,200,000	--	12,229,944	15,876,233
Fund Balance - Beginning of Year, restated	69,422,270	31,820,252	462,871	32,281,292	133,986,685
Fund Balance - End of Year	\$ 66,288,501	\$ 40,368,928	\$ 23,776,344	\$32,976,878	\$ 163,410,651

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

COUNTY OF NAPA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2003

Net change to fund balance - total governmental funds (page 18) \$ 29,423,966

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	\$ 7,412,834	
Less: current year depreciation	<u>(8,254,365)</u>	
		(841,531)

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Proceeds from certificates of participation	(32,350,000)	
Premium on the refunding debt	(66,540)	
Deferral of bond issuance cost	919,474	
Principal payments	<u>9,870,000</u>	
		(21,627,066)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest on debt	(87,520)	
Amortization of bond issuance costs	(43,784)	
Change in compensated absences	(209,756)	
Change in amortization of debt premium	<u>3,169</u>	
		(337,891)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities.

409,338

Change in net assets of governmental activities (pages 14-15) \$ 7,026,816

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

COUNTY OF NAPA

Statement of Fund Net Assets
Proprietary Funds
June 30, 2003

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Napa County Airport</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
ASSETS				
Current Assets:				
Cash and Investments	\$ 1,575,276	\$ 409,810	\$ 1,985,086	\$ 16,491,047
Imprest cash	100	--	100	100
Inventories	--	--	--	13,377
Accounts receivable	11,354	325,676	337,030	3,668
Assessments receivable	--	62,750	62,750	--
Due from other governments	312,581	--	312,581	--
Deposits	--	--	--	110,000
Total Current Assets	<u>1,899,311</u>	<u>798,236</u>	<u>2,697,547</u>	<u>16,618,192</u>
Noncurrent Assets:				
Long-term note receivable	1,953,581	--	1,953,581	--
Loan receivable				
Capital Assets:				
Nondepreciable:				
Land	697,702	49,452	747,154	--
Depreciable:				
Structures and improvements	10,355,696	--	10,355,696	--
Buildings and improvements	9,701,115	3,084,777	12,785,892	--
Equipment	124,402	189,178	313,580	10,642,792
Construction in progress	1,573,016	--	1,573,016	--
Accumulated depreciation	<u>(11,296,622)</u>	<u>(1,936,830)</u>	<u>(13,233,452)</u>	<u>(5,161,748)</u>
Total Noncurrent Assets	<u>13,108,890</u>	<u>1,386,577</u>	<u>14,495,467</u>	<u>5,481,044</u>
Total Assets	<u>\$ 15,008,201</u>	<u>\$ 2,184,813</u>	<u>\$ 17,193,014</u>	<u>\$ 22,099,236</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 49,944	\$ 8	\$ 49,952	\$ 195,203
Accrued salaries and benefits	7,872	--	7,872	83,692
Deposits with others	7,246	49,929	57,175	--
Loan payable	20,000	--	20,000	--
Liability for unpaid claims	--	--	--	3,355,082
Liability for compensated absences	<u>9,579</u>	<u>--</u>	<u>9,579</u>	<u>67,375</u>
Total Current Liabilities	<u>94,641</u>	<u>49,937</u>	<u>144,578</u>	<u>3,701,352</u>
Long-Term Liabilities:				
Advances due to other funds	2,749,633	--	2,749,633	--
Deferred revenue	1,953,581	--	1,953,581	--
Loan payable	460,000	--	460,000	--
Liability for unpaid claims	--	--	--	1,833,918
Liability for compensated absences	<u>10,151</u>	<u>--</u>	<u>10,151</u>	<u>164,316</u>
Total Liabilities	<u>5,268,006</u>	<u>49,937</u>	<u>5,317,943</u>	<u>5,699,586</u>
NET ASSETS				
Invested in capital assets, net of related debt	10,675,309	1,386,577	12,061,886	11,155,309
Unrestricted	<u>(935,114)</u>	<u>748,299</u>	<u>(186,815)</u>	<u>5,244,341</u>
Total Net Assets	<u>9,740,195</u>	<u>2,134,876</u>	<u>11,875,071</u>	<u>16,399,650</u>
Total Liabilities and Net Assets	<u>\$ 15,008,201</u>	<u>\$ 2,184,813</u>	<u>\$ 17,193,014</u>	<u>\$ 22,099,236</u>

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

COUNTY OF NAPA

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended June 30, 2003

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Napa County Airport	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 1,504,216	\$ 1,036,091	\$ 2,540,307	\$ 8,994,295
Maintenance Charges:				
Equipment	--	--	--	607,358
Vehicle	--	--	--	594,337
Replacement charges	--	--	--	634,189
Other revenue	90,423	--	90,423	504,882
Total Operating Revenues	<u>1,594,639</u>	<u>1,036,091</u>	<u>2,630,730</u>	<u>11,335,061</u>
Operating Expenses:				
Salaries and employee benefits	375,214	--	375,214	4,002,573
Services and supplies	329,536	1,033,079	1,362,615	3,413,740
Maintenance	37,604	--	37,604	--
Insurance	--	7,805	7,805	--
Other charges	--	34,897	34,897	--
Claims expense	--	--	--	1,431,253
Depreciation and amortization	666,736	82,879	749,615	812,361
Total Operating Expenses	<u>1,409,090</u>	<u>1,158,660</u>	<u>2,567,750</u>	<u>9,659,927</u>
Operating Income (Loss)	<u>185,549</u>	<u>(122,569)</u>	<u>62,980</u>	<u>1,675,134</u>
Non-Operating Revenues (Expenses):				
Aid from other governmental units	882,107	305,368	1,187,475	--
Tax revenue	--	52,721	52,721	--
Non-operating revenues	--	307,969	307,969	--
Interest income	47,281	14,934	62,215	461,771
Interest expense	(26,115)	--	(26,115)	--
Loss on disposition of capital assets	--	--	--	(5,764)
Total Non-Operating Revenues (Expenses)	<u>903,273</u>	<u>680,992</u>	<u>1,584,265</u>	<u>456,007</u>
Net Income Before Transfers	1,088,822	558,423	1,647,245	2,131,141
Transfers in	810,920	--	810,920	421,171
Transfers out	(143,525)	--	(143,525)	(2,092,721)
Change in Net Assets	1,756,217	558,423	2,314,640	459,591
Net Assets - Beginning of Year	<u>7,983,978</u>	<u>1,576,453</u>	<u>9,560,431</u>	<u>15,940,059</u>
Net Assets - End of Year	<u>\$ 9,740,195</u>	<u>\$ 2,134,876</u>	<u>\$ 11,875,071</u>	<u>\$ 16,399,650</u>

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

COUNTY OF NAPA

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2003

	Business-Type Activities - Enterprise Funds			Governmental
	Napa	Other	Total	Activities
	County Airport	Enterprise Funds		Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers	\$ 1,614,312	\$ 801,175	\$ 2,415,487	\$ --
Cash receipts from internal fund services provided	--	--	--	11,334,584
Cash paid to suppliers for goods and services	(386,407)	(1,092,469)	(1,478,876)	(4,953,391)
Cash paid to employees for services	(369,805)	--	(369,805)	(3,924,582)
Net Cash Provided (Used) by Operating Activities	858,100	(291,294)	566,806	2,456,611
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Aid from other governmental units	1,249,946	305,368	1,555,314	--
Transfers in	--	--	--	421,171
Transfers out	(111,798)	--	(111,798)	(2,092,721)
Advances from other funds	(235,674)	--	(235,674)	--
Non-operating revenues	--	360,690	360,690	--
Net Cash Provided (Used) by Noncapital Financing Activities	902,474	666,058	1,568,532	(1,671,550)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds of sales of fixed assets	--	--	--	39,277
Proceeds from debt	500,000	--	500,000	--
Principal repayments related to capital purposes	(20,000)	--	(20,000)	--
Interest repayments related to capital purposes	(26,115)	--	(26,115)	--
Payments related to the acquisition of capital assets	(1,302,350)	(502,539)	(1,804,889)	(1,311,963)
Net Cash Provided (Used) by Capital and Related Financing Activities	(848,465)	(502,539)	(1,351,004)	(1,272,686)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	47,281	14,934	62,215	461,771
Net Cash Provided by investing activities	47,281	14,934	62,215	461,771
Net Increase (Decrease) in Cash and Cash Equivalents	959,390	(112,841)	846,549	(25,854)
Cash and Cash Equivalents, Beginning of Year	615,986	522,651	1,138,637	16,517,001
Cash and Cash Equivalents, End of Year	\$ 1,575,376	\$ 409,810	\$ 1,985,186	\$ 16,491,147

continued

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

COUNTY OF NAPA

Statement of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended June 30, 2003

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Napa</u>	<u>Other</u>		<u>Internal</u>
	<u>County</u>	<u>Enterprise</u>		<u>Service</u>
	<u>Airport</u>	<u>Funds</u>	<u>Total</u>	<u>Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 185,549	\$ (122,569)	\$ 62,980	\$ 1,675,134
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	666,736	82,879	749,615	812,361
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	19,673	(257,264)	(237,591)	(477)
Assessment receivable	--	22,348	22,348	--
Inventory	--	--	--	9,864
Increase (decrease) in:				
Accounts payable	(19,267)	(21,809)	(41,076)	(118,262)
Deferred revenue	--	--	--	--
Deposits with others	--	5,121	5,121	--
Accrued salaries	1,875	--	1,875	56,570
Compensated absences	3,534	--	3,534	21,421
Liability for self-insurance	--	--	--	--
Net Cash Provided (Used) by Operating Activities	<u>\$ 858,100</u>	<u>\$ (291,294)</u>	<u>\$ 566,806</u>	<u>\$ 2,456,611</u>

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

COUNTY OF NAPA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

ASSETS	<u>Investment Trust</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Current Assets:				
Cash and investments	\$ 122,359,944	\$ 3,530,267	\$ 23,400,754	\$ 149,290,965
Taxes receivable	--	--	6,384,715	6,384,715
Total Current Assets	<u>\$ 122,359,944</u>	<u>\$ 3,530,267</u>	<u>\$ 29,785,469</u>	<u>\$ 155,675,680</u>
 LIABILITIES				
Agency funds held for others	\$ --	\$ --	\$ 29,785,469	\$ 29,785,469
Total Liabilities	<u>--</u>	<u>--</u>	<u>29,785,469</u>	<u>29,785,469</u>
 NET ASSETS				
Net assets held in trust for (reserved for) endowment purpose	--	3,530,267	--	3,530,267
Net assets held in trust for investment pool participants	<u>122,359,944</u>	<u>--</u>	<u>--</u>	<u>122,359,944</u>
Total Net Assets	<u>122,359,944</u>	<u>3,530,267</u>	<u>--</u>	<u>125,890,211</u>
 Total Liabilities and Net Assets	<u>\$ 122,359,944</u>	<u>\$ 3,530,267</u>	<u>\$ 29,785,469</u>	<u>\$ 155,675,680</u>

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

COUNTY OF NAPA

Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2003

	<u>Investment Trust</u>	<u>Private Purpose Trust Funds</u>	<u>Total</u>
Net assets, beginning	\$ 171,327,441	\$ 3,663,730	\$ 174,991,171
Net excess (deficiency) of additions over (under) deductions to net assets	<u>(48,967,497)</u>	<u>(133,463)</u>	<u>(49,100,960)</u>
Net assets, ending	<u>\$ 122,359,944</u>	<u>\$ 3,530,267</u>	<u>\$ 125,890,211</u>

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

NOTES TO THE BASIC 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 County, and other necessary disclosure of pertinent matters relating to the financial position of the County. 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.

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 1: **The Financial Reporting Entity**

The County of Napa (County), which was established by an act of the State Legislature on February 18, 1850, is a legal subdivision of the State of California charged with governmental powers. The County's powers are exercised through a Board of Supervisors (Board) which, as the governing body of the County, is responsible for the legislative and executive control of the County. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable under the criteria set by Governmental Auditing Standards Board (GASB) Statement No. 14.

Reporting for component units on the County's financial statements can be blended or discretely presented. Blended component units, although legally separate entities, are in substance, part of the government's operations. Blended component units are an extension of the County and so data from these units are combined with the data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. The County has no discretely presented component units. Each component unit has a June 30th year end.

The reporting entity includes the following blended component units: Napa County Flood Protection and Watershed Improvement Authority, County Service Area #3, Silverado Community Services, Silverado Maintenance Assessment, Monticello Public Cemetery and Endowment District, Lake Berryessa Resort Improvement, Napa Berryessa Resort Improvement, Napa County Public Improvement Corporation, and Silverado Weed Liens.

Napa County Flood Protection and Watershed Improvement Authority audited information for this fiscal year is found in a separate "Napa County Flood Protection and Watershed Improvement Authority" Audit Report.

A. Excluded from the Reporting Entity

Local Board Governed Districts and School Districts: These potential component units have been excluded from the County's reporting entity. They are legally separate primary governmental units. The financial reporting for these governmental entities, which are independent of the County, is limited to the total amount of cash and investments and the related fiduciary responsibilities of the County for disbursement of these assets. Activities of school districts and local board governed districts are administered by boards which are separately elected and which are independent of the County Board of Supervisors. The following local board governed districts and school districts have been excluded from the County's basic financial statements:

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 1: **The Financial Reporting Entity** (continued)

A. Excluded from the Reporting Entity (continued)

Water District

American Canyon

Circle Oaks

Congress Valley

Spanish Flat

Napa River Reclamation

Other Special Districts

Napa County Mosquito Abatement

Napa Sanitation

Napa County Resource Conservation

Bay Area Air Quality Management District

School Districts

Other

Napa County Fair

Green Island Road Assessment

Tower Road Assessment

B. Excluded – Joint Power Authorities (JPA)

- 1) Napa County Flood Control and Water Conservation District: The District's goals and objectives are to provide protection from flood events to the public highways, life and property in the District by enhancing and constructing storm drainage systems and flood control and prevention projects. The District is a jointly governed organization for which the County does not have any ongoing financial interest or responsibility and, therefore, is not a joint venture.
- 2) Napa-Vallejo Waste Management Authority: The Authority is responsible for providing economical coordination of solid waste management services and to efficiently and fairly assure against potential adverse effects of past solid waste management services within the communities they represent. The Authority is a jointly governed organization for which the County does not have any ongoing financial interest or responsibility and therefore is not a joint venture.

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 1: **The Financial Reporting Entity** (continued)

B. Excluded – Joint Power Authorities (JPA) (continued)

- 3) Napa Valley Housing Authority: The Authority is responsible for providing safe and sanitary dwelling conditions for low income people. The Authority is a jointly governed organization for which the County does not have any ongoing financial interest or responsibility and therefore is not a joint venture. However, the County approves low interest loans for rehabilitation projects and therefore records a long-term receivable for these loans in Affordable Housing, a special revenue fund.
- 4) Upper Valley Waste Management Agency: The Agency is legally separate from the County and has its own governing board. The Agency is responsible for providing coordination of economical, regional waste management services, including but not limited to, uniform rate review and rate recommendations to the County and the cities within the County. The Authority is a jointly governed organization for which the County does not have any ongoing financial interest or responsibility and therefore is not a joint venture.
- 5) Napa County Transportation Planning Agency: The Agency is legally separate from the County and has its own governing board. The Agency is responsible for developing and adopting a Congestion Management Program meeting the requirements of Chapter 2.6 of Division 1 of Title 7 in the California Government Code. In June of 1998, the County amended the JPA to change the Congestion Management Agency to the Napa County Transportation Planning Agency.

Complete financial statements can be obtained for each of the individual joint power authorities at the entity's respective administrative offices.

C. Excluded – Other

First 5 Napa County Children and Families Commission: The Commission is legally separate from the County and has its own governing board. The Commission is responsible for the creation and implementation of a comprehensive, collaborative, and integrated system of information and services to enhance early childhood development.

Complete financial statements can be obtained at the Commission's administrative office.

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 1: **The Financial Reporting Entity** (continued)

C. **Excluded – Other** (continued)

Local Agency Formation Commission of Napa County: The Commission is legally separate from the County and has its own governing board. The Commission's role is to ensure the orderly formation of local government agencies to preserve agricultural and open space lands and to discourage urban sprawl.

Complete financial statements can be obtained at the Commission's administrative office.

Courts: The Courts are legally separate from the County.

Note 2: **Summary of Significant Accounting Policies**

A. **Basis of Presentation**

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component unit. 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 charged to external parties.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 2: **Summary of Significant Accounting Policies** (continued)

B. **Basis of Presentation** (continued)

Fund Financial Statements

The fund financial statements provide information about the County'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 governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately 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.

The County reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as public protection, public ways and facilities, health and sanitation, public assistance, education and recreation services.
- The *Napa County Flood Protection and Watershed Improvement Authority* is used 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 *Construction Fund* is used primarily to finance or reimburse the financing of various improvements including the renovation, acquisition and construction of capital projects.

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 2: **Summary of Significant Accounting Policies** (continued)

A. **Basis of Presentation** (continued)

Fund Financial Statements (continued)

The County reports the following major enterprise fund:

- The *Napa County Airport Fund* is used to fund general Airport operations, office and administrative expenses and the maintenance of Airport facilities, including the replacement of exterior lighting fixtures, runway, taxiway and ramp lighting, heating and air conditioning service. Major revenue sources include fuel flow fees, rents, land leases, Airport royalties and interest earnings.

The County reports the following additional fund types:

- *Internal Service Funds* account for the County's fleet maintenance and communication, technology, and other services provided to other departments or other governments, and self-insurance programs – worker's compensation and general liability on a cost-reimbursement basis.
- The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities and pass through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- The *Private Purpose Trust Funds* amount for the assets held by the Public Guardian and Public Administrator.
- The *Agency Funds* account for assets held by the County as an agent for various local governments.

B. **Basis of Accounting**

The government-wide, proprietary, pension, agency and investment trust fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants,

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 2: **Summary of Significant Accounting Policies** (continued)

B. Basis of Accounting (continued)

entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

For its business-type activities and enterprise funds, the County has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

C. Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net assets.

D. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the enterprise and internal service funds consider all highly liquid investments with a maturity of three months or less when purchased, and their equity in the County Treasurer's investment pool, to be cash equivalents.

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 2: **Summary of Significant Accounting Policies** (continued)

E. Inventories

Inventories are stated at cost (first-in, first-out basis) for governmental funds and lower of average cost or market for proprietary funds. Inventory recorded by governmental funds includes postage and materials and supplies for roads. Governmental fund inventories are recorded as expenditures at the time the inventory is consumed. Inventory recorded in the proprietary funds mainly consists of maintenance supplies. Inventory is expensed as the supplies are consumed.

F. Property Tax Receivable and Revenue

The property taxes receivable balance is \$6,384,715 before an allowance for uncollectibles. A conservative percentage figure for uncollectibles is 3%.

Secured taxes are levied as of July 1 and payable in two equal installments due November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. Property taxes attach as an enforceable lien on January 1. All general property taxes are allocated by the County Auditor-Controller's office to the various taxing entities per the legislation implementing Proposition 13. The method of allocation used by the County is subject to review by the State of California. Unsecured property taxes are due on January 1 (lien date) and become delinquent with penalties on August 31.

Alternative Method of Distribution of Tax Levies

The County apportions property tax revenue according to the alternative tax treatment (Teeter Plan), whereby all of the current tax levy is distributed to all participating entities. The County then receives delinquent penalties and fees on the entire participating tax roll.

The County is required to create a tax loss reserve fund (an agency fund) under one or two alternative methods: (1) 1 percent of the total amount of taxes and assessments levied on the secured roll for the year or (2) 25 percent of the total delinquent secured taxes for participating entities in the County as calculated at the end of the fiscal year. The County is using option (2) to establish its tax loss reserve.

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 2: **Summary of Significant Accounting Policies** (continued)

G. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements, proprietary funds and the pension trust fund. Depreciation begins on the first day of the fiscal year following the period the asset is placed in service and ends in the fiscal year that it is retired from service or is fully depreciated.

The estimated useful lives are as follows:

Infrastructure (except for the maintained pavement subsystem)	20 to 50 years
Structures and improvements	20 to 50 years
Equipment	3 to 15 years

The County has five networks of infrastructure assets – roads, water/sewer, lighting, drainage, and flood control.

H. Compensated Absences

Earned vacation may be accumulated up to a maximum of 536 hours by management personnel. Supervisory employees may accumulate up to 416 hours vacation. The following chart is to be used for unused vacation benefits accrual by all other personnel.

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 2: **Summary of Significant Accounting Policies** (continued)

H. Compensated Absences (continued)

YEARS OF CONTINUOUS COUNTY SERVICE	MAXIMUM ACCRUAL FOR YEARS OF CONTINUOUS SERVICE
Years 1 through 3	240 maximum hours
Years 4 through 10	300 maximum hours
Years 11 through 20	400 maximum hours
Years 21 or more	400 maximum hours

The County had adopted Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*. The earned vacation is payable upon termination and is reported at the current balance of the liability.

The total estimated liability of governmental fund employees for vacation at June 30, 2003 was \$4,762,195. The Napa County Airport recorded an estimated liability of \$19,730 for vacation at June 30, 2003.

I. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

J. Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 3: **Restatements of Fund Equity/Net Assets**

Fund Reclassifications

- *Affordable Housing Fund* – A prior period adjustment of \$12,229,944 was made to reclassify the activities of the Affordable Housing Trust from an agency fund to a special revenue fund.

Other Restatements

- *General Fund* – A prior period adjustment of \$446,289 was made to reflect the amount of cash funds previously reported in a separate trust fund.
- *Napa County Flood Protection and Watershed Improvement Authority* – A prior period adjustment of \$3.2 million was made to correct a contribution to the District made in the prior year, but returned in current year because the District did not need the money for its Napa Flood Project.
- *Miscellaneous Adjustments* – The County made an adjustment of (\$198,800) to net assets of governmental activities to adjust prior year's interest expense.

Restatement of Equity

	<u>Governmental Activities</u>
Net assets – June 30, 2002, as previously reported	\$ <u>183,728,778</u>
Fund Reclassification:	
Affordable Housing Authority	12,229,944
Other Restatements	<u>3,447,489</u>
Total Restatements	<u>15,677,433</u>
Net Assets – July 1, 2002, restated	<u>\$ 199,406,211</u>

Note 4: **Cash and Investments**

Total cash and investments held in the Treasury are commingled for investment purposes. Cash with fiscal agent is held outside the Treasury and is not commingled with other cash and investments.

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 4: **Cash and Investments** (continued)

Total County deposits and investments for financial statements are as follows:

Cash and investments in treasury per financial statements	\$ 279,823,538
Add: outstanding warrants	14,641,620
Reconciling items	<u>176,598</u>
Total Per Treasurer	<u>\$ 294,641,756</u>

The County maintains a Cash and Investment Pool (Pool) that is available for use by all County funds. Certain agencies outside of the County reporting entity participate in the Pool.

The fair value of investments in the Pool is determined monthly based upon quoted market prices. The Pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by the California Government Code Section 27143. The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2003 to support the values of shares in the Pool. However, the management believes that the investments in the Pool are of high quality and that the risk of participation in the Pool is negligible. At June 30, 2003, the difference between the cost and fair value of cash and investments was not material (fair value is 100.25% of cost). Therefore, an adjustment to fair value was not required for GASB 31 compliance.

The Pool generally allows participant shares to be withdrawn based on the cost balances invested regardless of changes in market values. Specifically, the Pool distributes income to participants quarterly based on their relative participation during the quarter which is calculated based on (1) realized investment gains and losses computed on a cost basis, (2) interest income based on stated rates, (3) amortization of discounts and premiums at maturity only, and (4) investment and administrative expenses. Investment income related to investments reported in certain funds is assigned to other funds based upon legal or contractual provisions.

Deposits

All deposits are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure a County's deposits by pledging governmental securities as collateral. The market value of pledged securities must equal at least 110% of a County's deposits. California law also allows financial institutions to secure a County's deposit by pledging first trust deed mortgage notes having a value of 150% of a County's total deposits. The County may but does not waive collateral requirements for deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 4: **Cash and Investments** (continued)

Deposits (continued)

At year-end, the carrying amount of the County's cash deposits (including amounts in checking and non-negotiable certificates of deposit) was \$1,727,993 and the bank balance was \$2,574,872. The difference between the carrying amount of the County's deposits and the bank balance is a result of transactions in transit. Of the bank balances, \$217,490 was covered by federal depository insurance and \$2,357,382 was collateralized (i.e., collateralized with securities held by pledging financial institutions at 110% of the investments, but not in the County's name).

Investments

The California Government Code authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Recorder's, non-negotiable certificates of deposit, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, obligations of the State of California, obligations of local agencies within California, corporate notes, mutual funds, financial futures, financial option contracts and the State Treasurer's Local Agency Investment Fund. The County is also authorized to enter into reverse repurchase agreements; however, the County did not enter into such agreements during the year ended June 30, 2003.

The County's pro-rata share of investment in the State Treasurer's Local Agency Investment Fund (LAIF) at June 30, 2003 is \$11,500,000. The total amount invested by all public agencies in LAIF is \$55.7 billion. Of this amount, 2.327% was invested in structured notes or in asset backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the County's portion in the pool.

Credit Risk, Carrying Amount, and Fair Values of Investments

Investments of the County are summarized below. The investments that are represented by specific identifiable investment securities are classified as to custodial credit risk by three categories as follows:

Category 1 – includes investments that are insured or registered, or for which securities are held by the County or its agent in the County's name;

Category 2 – includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name;

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 4: **Cash and Investments** (continued)

Credit Risk, Carrying Amount, and Fair Values of Investments (continued)

Category 3 – includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County’s name.

The County did not have any Category 2 or 3 investments at June 30, 2003.

	<u>Maturity Date</u>	<u>Stated Interest Rates</u>	<u>Carrying Amount</u>	<u>Fair Values</u>	<u>Par Values</u>
Category 1 Investments:					
Bankers Acceptances	7/03 – 8/03	1.18% – 1.24%	\$ 8,940,260	\$ 8,941,091	\$ 8,965,266
Commercial Paper	7/03	1.02% – 1.23%	4,964,782	4,964,602	4,975,000
Federal Agencies	7/03 – 6/08	1.05% – 5.38%	<u>262,791,093</u>	<u>263,480,097</u>	<u>263,725,002</u>
			276,696,135	277,385,790	277,665,268
Non-Categorized Cash and Investments:					
Local Agency Investment Fund (LAIF)			\$ 11,500,000	\$ 11,532,700	\$ 11,500,000
Local Certificates of Deposit			200,000	200,000	200,000
Sweep Account			3,512,161	3,512,161	3,512,161
Local Agency Loan (Teeter Note)			968,324	968,324	968,324
Cash in Bank			1,727,993	1,727,993	1,727,993
Cash on Hand			<u>37,143</u>	<u>37,143</u>	<u>37,143</u>
Total Treasury			<u>\$ 294,641,756</u>	<u>\$ 295,364,111</u>	<u>\$ 295,610,889</u>

The following represents a condensed statement of net assets and changes in net assets for the Treasurer’s investment pool at June 30, 2003:

Statement of Net Assets

Net assets held for pool participants	<u>\$ 279,823,538</u>
Equity of external pool participants	\$ 130,532,573
Equity of internal pool participants	<u>149,290,965</u>
Total Equity	<u>\$ 279,823,538</u>
Net assets at July 1, 2002	\$ 320,173,058
Net investment income	8,778,470
Net withdrawals	<u>(49,127,990)</u>
Net Assets at June 30, 2003	<u>\$ 279,823,538</u>

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 5: **Interfund Transactions**

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2003 are as follows:

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	Napa County Airport	<u>\$ 2,749,633</u>

The Napa County Airport fund has received advances from the County to construct certain projects at the Airport (See Note 7). The advances are not expected to be repaid in the short-term.

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenues. The following schedule briefly summarizes the County's transfer activity:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	General Fund	\$ 582,031	Funding of services & CIP projects
	Other Governmental Funds	2,128,063	Debt service payments
	Internal Service Funds	<u>77,673</u>	Purchase of equipment & vehicle
		<u>2,787,767</u>	
Construction Fund	Other Governmental Funds	<u>8,933,386</u>	Debt service payments
Other Governmental Funds	General Fund	348,615	Funding of CIP projects
	Construction Fund	1,711,825	Debt service payments
	Other Governmental Funds	245,984	Debt service payments
	Napa County Airport	779,193	Refinancing of Certificates of Participation
	Internal Service Funds	<u>241,498</u>	Equipment replacement
		<u>3,327,115</u>	
Napa County Airport	Napa County Airport	31,727	Funding of CIP projects
	Other Governmental Funds	111,798	Debt service payments/Refinancing of Certificates of Participation
		<u>143,525</u>	
Internal Service Funds	General Fund	1,990,721	Contribution from Workers Comp for safety programs and funding of CIP projects
	Internal Service Funds	<u>102,000</u>	Equipment pool relocation
		<u>2,092,721</u>	
		<u>\$ 17,284,514</u>	

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 6: **Capital Assets**

Capital asset activity for the year ended June 30, 2003 was as follows:

	Balance <u>July 1, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	Balance <u>June 30, 2003</u>
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 4,555,707	\$ --	\$ --	\$ --	\$ 4,555,707
Construction in progress	<u>2,960,406</u>	<u>3,680,964</u>	<u>--</u>	<u>(2,002,312)</u>	<u>4,639,058</u>
Total capital assets, not being depreciated	<u>7,516,113</u>	<u>3,680,964</u>	<u>--</u>	<u>(2,002,312)</u>	<u>9,194,765</u>
Capital assets, being depreciated:					
Infrastructure	168,195,657	695,917	--	--	168,891,574
Structures and improvements	57,240,822	2,408,088	(580,939)	2,002,312	61,070,283
Equipment	<u>20,721,344</u>	<u>2,227,731</u>	<u>(2,529,012)</u>	<u>53,759</u>	<u>20,473,822</u>
Total capital assets, being depreciated	<u>246,157,823</u>	<u>5,331,736</u>	<u>(3,109,951)</u>	<u>2,056,071</u>	<u>250,435,679</u>
Less accumulated depreciation for:					
Infrastructure	(98,260,120)	(6,336,555)	--	14,058	(104,582,617)
Structures and improvements	(13,074,654)	(1,201,825)	178,742	--	(14,097,737)
Equipment	<u>(13,443,916)</u>	<u>(1,528,346)</u>	<u>2,529,012</u>	<u>1,436</u>	<u>(12,441,814)</u>
Total accumulated depreciation	<u>(124,778,690)</u>	<u>(9,066,726)</u>	<u>2,707,754</u>	<u>15,494</u>	<u>(131,122,168)</u>
Total capital assets, being depreciated, net	<u>121,379,133</u>	<u>(3,734,990)</u>	<u>(402,197)</u>	<u>2,071,565</u>	<u>119,313,511</u>
Government activities capital assets, net	<u>\$ 128,895,246</u>	<u>\$ (54,026)</u>	<u>\$ (402,197)</u>	<u>\$ 69,253</u>	<u>\$ 128,508,276</u>
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 747,154	\$ --	\$ --	\$ --	\$ 747,154
Construction in progress	<u>1,357,522</u>	<u>507,933</u>	<u>--</u>	<u>(292,439)</u>	<u>1,573,016</u>
Total capital assets, not being depreciated	<u>2,104,676</u>	<u>507,933</u>	<u>--</u>	<u>(292,439)</u>	<u>2,320,170</u>
Capital assets, being depreciated:					
Structures and improvements	21,608,568	1,240,582	--	292,439	23,141,589
Equipment	<u>257,201</u>	<u>56,379</u>	<u>--</u>	<u>--</u>	<u>313,580</u>
Total capital assets, being depreciated	<u>21,865,769</u>	<u>1,296,961</u>	<u>--</u>	<u>292,439</u>	<u>23,455,169</u>
Less accumulated depreciation for:					
Structures and improvements	(12,367,211)	(721,737)	--	--	(13,088,948)
Equipment	<u>(116,627)</u>	<u>(27,878)</u>	<u>--</u>	<u>--</u>	<u>(144,505)</u>
Total accumulated depreciation	<u>(12,483,838)</u>	<u>(749,615)</u>	<u>--</u>	<u>--</u>	<u>(13,233,453)</u>
Total capital assets, being depreciated, net	<u>9,381,931</u>	<u>547,346</u>	<u>--</u>	<u>292,439</u>	<u>10,221,716</u>
Business-type activities capital assets, net	<u>\$ 11,486,607</u>	<u>\$ 1,055,279</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 12,541,886</u>

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 6: **Capital Assets** (continued)

Depreciation

Depreciation expense was changed to governmental functions as follows:

General government	\$ 1,209,351
Public protection	1,097,750
Public ways	6,350,407
Health and sanitation	161,054
Public assistance	161,515
Education	<u>86,649</u>
 Total Depreciation Expense – Governmental Functions	 <u><u>\$ 9,066,726</u></u>

Depreciation expense was charged to the business-type functions as follows:

Airport	\$ 666,736
Lake Berryessa Resort Improvement	45,009
Napa Berryessa Public Improvement	<u>37,870</u>
 Total Depreciation Expense – Business-Type Functions	 <u><u>\$ 749,615</u></u>

Note 7: **Advances Receivable/Advances Payable**

The Airport Enterprise Fund has received advances from the County to construct certain projects at the Airport. These projects include constructing hangars, a fuel island, CHP facility, Bridgeford Facility, and taxiways. The revenue earned from these projects will be used to repay the advance from the County. The Airport Enterprise Fund will repay the advance with interest at the same rates as the 1990 and 1993 Certificates of Participation which funded these advances. The County subsequently issued a 2003 Certificate of Participation to pay off the 1993 Certificate of Participation. The outstanding advance at June 30, 2003 was \$2,749,633.

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 7: **Advances Receivable/Advances Payable** (continued)

The principal maturities and interest payments for the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 312,500	\$ 113,144	\$ 425,644
2005	436,083	77,236	513,319
2006	224,750	64,740	289,490
2007	232,500	60,245	292,745
2008	238,700	55,014	293,714
2009-2013	<u>1,305,100</u>	<u>153,237</u>	<u>1,458,337</u>
Total	<u>\$ 2,749,633</u>	<u>\$ 523,616</u>	<u>\$ 3,273,249</u>

Note 8: **Long-Term Debt**

A. Summary of Long-Term Debt

The following is a summary of long-term liabilities transactions for the year ended June 30, 2003:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds payable	\$ 43,650,000	\$ --	\$ --	\$ 43,650,000	\$ 2,095,000
Certificates of Participation	26,270,000	32,350,000	(9,870,000)	48,750,000	1,785,000
Unamortized premiums	--	66,540	(3,169)	63,371	--
Compensated absences	4,531,018	1,627,194	(1,396,017)	4,762,195	1,396,016
Liability for unpaid claims	<u>5,189,000</u>	<u>1,431,254</u>	<u>(1,431,254)</u>	<u>5,189,000</u>	<u>3,355,082</u>
Total Governmental Activities	<u>\$ 79,640,018</u>	<u>\$ 35,474,988</u>	<u>\$ (12,700,440)</u>	<u>\$ 102,414,566</u>	<u>\$ 8,631,098</u>
Business-Type Activities:					
Loan payable	\$ --	\$ 500,000	\$ (20,000)	\$ 480,000	\$ 20,000
Compensated absences	<u>16,196</u>	<u>13,113</u>	<u>(9,579)</u>	<u>19,730</u>	<u>9,579</u>
Total Business-Type Activities	<u>\$ 16,196</u>	<u>\$ 513,113</u>	<u>\$ (29,579)</u>	<u>\$ 499,730</u>	<u>\$ 29,579</u>

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 8: **Long-Term Debt** (continued)

A. **Summary of Long-Term Debt** (continued)

As of June 30, 2003, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30	Governmental Activities			
	Bonds Payable		Certificates of Participation	
	Principal	Interest	Principal	Interest
2004	\$ 2,095,000	\$ 2,071,078	\$ 1,785,000	\$ 2,400,309
2005	2,185,000	1,982,040	2,180,000	1,997,479
2006	2,275,000	1,889,177	2,120,000	1,918,026
2007	2,375,000	1,792,490	2,185,000	1,851,276
2008	2,475,000	1,687,990	2,255,000	1,777,768
2009-2013	14,210,000	6,623,725	12,665,000	7,437,485
2014-2018	18,035,000	2,793,000	14,305,000	4,311,650
2019-2023	--	--	11,255,000	1,590,594
	<u>\$ 43,650,000</u>	<u>\$ 18,839,500</u>	<u>\$ 48,750,000</u>	<u>\$ 23,284,587</u>

Year Ending June 30	Business-Type Activities	
	Loans Payable	
	Principal	Interest
2004	\$ 20,000	\$ 25,071
2005	21,484	24,027
2006	23,438	22,905
2007	25,391	21,680
2008	27,344	20,354
2009-2013	166,015	78,307
2014-2018	196,328	29,850
2019-2023	--	--
	<u>\$ 480,000</u>	<u>\$ 222,194</u>

Governmental Activities

B. **Bonds Payable**

On July 1, 1999, the Napa County Flood Protection and Watershed Improvement Authority issued Series A Limited Tax Bonds for \$43,650,000 with interest rates ranging from 4.25 to 5.00 percent. Interest on the 1999 Series A bonds was payable on December 15 1999 and semiannually thereafter on June 15 and December 15 of each year. Principal on the 1999 Series A bonds is payable on June 15, 2004 and thereafter on June 15 of each year.

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 8: **Long-Term Debt** (continued)

Governmental Activities (continued)

B. Bonds Payable (continued)

The proceeds of the bonds were used to finance or reimburse the Napa County Flood Protection and Watershed Improvement Authority for certain costs of the Napa River/Napa Creek Flood Protection Project, to pay the premium of a surety bond deposited in the Bond Reserve Fund established under the indenture and to pay the costs of issuance of the 1999 Series A bonds.

The principal balance outstanding at June 30, 2003 was \$43,650,000. Future maturities of the 1999 Series A bonds as of June 30, 2003 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 2,095,000	\$ 2,071,078	\$ 4,166,078
2005	2,185,000	1,982,040	4,167,040
2006	2,275,000	1,889,177	4,164,177
2007	2,375,000	1,792,490	4,167,490
2008	2,475,000	1,687,990	4,162,990
2009-2013	14,210,000	6,623,725	20,833,725
2014-2018	<u>18,035,000</u>	<u>2,793,000</u>	<u>20,828,000</u>
Totals	<u>\$ 43,650,000</u>	<u>\$ 18,839,500</u>	<u>\$ 62,489,500</u>

C. Certificates of Participation

Summary of Certificates of Participation

Aggregate maturities of all Certificates of Participation as of June 30, 2003, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,785,000	\$ 2,400,309	\$ 4,185,309
2005	2,180,000	1,997,479	4,177,479
2006	2,120,000	1,918,026	4,038,026
2007	2,185,000	1,851,276	4,036,276
2008	2,255,000	1,777,768	4,032,768
2009-2013	12,665,000	7,437,485	20,102,485
2014-2018	14,305,000	4,311,650	18,616,650
2019-2023	<u>11,255,000</u>	<u>1,590,594</u>	<u>12,845,594</u>
Totals	<u>\$ 48,750,000</u>	<u>\$ 23,284,587</u>	<u>\$ 72,034,587</u>

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 8: **Long-Term Debt** (continued)

C. Certificates of Participation (continued)

2003 Certificates of Participation

The County issued a 2003 Capital Projects and Refunding Certificate of Participation for \$32,350,000 with interest rates ranging from 2.0 to 4.625 percent on March 1, 2003. The proceeds of the sale of the Certificates were used primarily to (i) prepay an outstanding issue of certificates of participation of the County executed and delivered in 1993, (ii) provide financing for the acquisition and construction of a new Sheriff's facility and the construction and remodel of the County's Juvenile Justice Center, and (iii) pay certain costs incurred in connection with execution and delivery of the Certificates, including the premium for Certificates insurance and reserve fund insurance. Interest represented by the Certificates is payable semiannually on each June 1 and December 1, commencing December 1, 2003. A net present value savings of \$332,496 to the County of Napa was realized by refinancing the 1993 Certificate of Participation with the issuance of the 2003 Certificates of Participation.

The principal balance outstanding at June 30, 2003 was \$32,350,000.

The certificates represent undivided fractional interests in lease payments payable by the County pursuant to the lease agreement for use and occupancy of the site and leased facilities. The certificates also required a reserve fund of the lessor of 1) ten percent of the proceeds of the certificate; or 2) 125 percent of average annual debt service; or 3) maximum annual debt service.

The certificates were delivered pursuant to a Trust Agreement dated March 1, 2003, among the County, the Napa County Public Improvement Corporation, and U.S. Bank National Association, Seattle, Washington, as the Trustee.

Future maturities of the 2003 Certificates of Participation as of June 30, 2003, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 200,000	\$ 1,569,208	\$ 1,769,208
2005	500,000	1,262,625	1,762,625
2006	1,300,000	1,252,625	2,552,625
2007	1,325,000	1,226,625	2,551,625
2008	1,350,000	1,196,812	2,546,812
2009-2013	7,415,000	5,293,012	12,708,012
2014-2018	9,005,000	3,723,088	12,728,088
2019-2023	<u>11,255,000</u>	<u>1,590,594</u>	<u>12,845,594</u>
Totals	<u>\$ 32,350,000</u>	<u>\$ 17,114,589</u>	<u>\$ 49,464,589</u>

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 8: **Long-Term Debt** (continued)

C. Certificates of Participation (continued)

1996 Certificates of Participation

The County issued a 1996 Capital Improvements Project Certificate of Participation for \$17,985,000 with interest rates ranging from 3.9 to 5.375 percent on August 15, 1996. The proceeds of the sale of the certificates were used primarily to finance, or reimburse the financing of various improvements including the construction of a new criminal courts building, recladding the exterior of the existing County Administrative Building, modernization of the County's Health and Human Services Agency complex and various capital improvements to the County's Hall of Justice and Hall of Records.

The principal balance outstanding at June 30, 2003, was \$14,670,000.

The certificates represent undivided fractional interests in lease payments payable by the County pursuant to the lease agreement for use and occupancy of the site and leased facilities. The certificates also required a reserve fund of the lesser of 1) ten percent of the proceeds of the certificate; or 2) 125 percent of average annual debt service; or 3) maximum annual debt service.

The certificates were delivered pursuant to a Trust Agreement dated August 15, 1996, among the County, the Napa County Public Improvement Corporation, and First Trust National Association (U.S. Bank), Seattle, Washington, as the Trustee. The certificates required a reserve fund of \$1,059,962.50 to be funded out of the proceeds.

Future maturities of the 1996 Certificates of Participation as of June 30, 2003, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 750,000	\$ 739,226	\$ 1,489,226
2005	785,000	703,529	1,488,529
2006	820,000	665,401	1,485,401
2007	860,000	624,651	1,484,651
2008	905,000	580,956	1,485,956
2009-2013	5,250,000	2,144,473	7,394,473
2014-2018	5,300,000	588,562	5,888,562
Totals	<u>\$ 14,670,000</u>	<u>\$ 6,046,798</u>	<u>\$ 20,716,798</u>

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 8: **Long-Term Debt** (continued)

C. **Certificates of Participation** (continued)

1993 Certificates of Participation

The County issued a 1993 Capital Improvements Project Certificates of Participation for \$14,340,000 with interest rates ranging from 3.5 to 5.25 percent on August 1, 1993. The proceeds of the certificates were used to finance the renovation of the County Hall of Records Building, Napa City-County Library, County Jail, and Juvenile Hall, demolition and construction of a building for the County agricultural-related departments, acquisition of an automated justice information system, acquisition and construction of improvements to the Napa County Airport, construction of a County fire station, and the acquisition of certain water entitlements. The Certificates represent undivided fractional interests in lease payments to be made by the County for the use and occupancy of leased real property located in the County. The Certificates also required a reserve fund of \$990,000 to be funded out of the proceeds.

The Certificates were delivered pursuant to a Trust Agreement, dated August 1, 1993, among the County, the Napa County Public Improvement Corporation and Seattle-First National Bank (U.S. Bank), as trustee.

The 1993 Certificate of Participation was fully paid and refinanced as part of the new 2003 Certificate of Participation delivered pursuant to a trust agreement dated March 1, 2003.

1990 Certificates of Participation

The County entered into a lease agreement during the year ended June 30, 1990 concerning the sale and delivery of Certificates of Participation in the aggregate principal amount of \$9,230,000 at interest rates varying from 5.80 to 7.00 percent. The principal balance of the bonds outstanding at June 30, 2003 was \$1,730,000. The proceeds of the sale of the Certificates were used by the County to finance the renovation of the Napa County Hall of Justice, the acquisition and renovation of an approximately 50,000 square-foot building in Napa, California for the purpose of housing County departments, the acquisition and installation of a new computer system for the County. The Certificates represent undivided fractional interests in lease payments to be made by the County for the use and occupancy of leased real property located in the County. The Certificates also require a reserve fund of \$923,000 to be funded out of the proceeds.

The Certificates were delivered pursuant to a Trust Agreement, dated January 1, 1990, among the County, the Napa County Public Improvement Corporation and Seattle-First National Bank (U.S. Bank), as trustee.

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 8: **Long-Term Debt** (continued)

C. **Certificates of Participation** (continued)

1990 Certificates of Participation (continued)

Future maturities of the 1990 Certificates of Participation as of June 30, 2003 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 835,000	\$ 91,875	\$ 926,875
2005	895,000	31,325	926,325
Totals	<u>\$ 1,730,000</u>	<u>\$ 123,200</u>	<u>\$ 1,853,200</u>

Business-Type Activities

D. **Loan Payable**

On May 8, 2002, the County entered into a loan for the construction of hangers at the Napa County Airport for \$500,000 at 5.2232% maturing July 16, 2018. The principal balance outstanding at June 30, 2003 was \$480,000. Future maturities of the loan as of June 30, 2003 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 20,000	\$ 25,071	\$ 45,071
2005	21,484	24,027	45,511
2006	23,438	22,905	46,343
2007	25,391	21,680	47,071
2008	27,344	20,354	47,698
2009-2013	166,015	78,307	244,322
2014-2018	196,328	29,850	226,178
Totals	<u>\$ 480,000</u>	<u>\$ 222,194</u>	<u>\$ 702,194</u>

Note 9: **Net Assets/Fund Balances**

Net Assets

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 9: Net Assets/Fund Balances (continued)

Net Assets (continued)

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the County, not restricted for any project or other purpose.

Fund Balances

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

As of June 30, 2003, reservations of fund balance are described below:

The term “reserved” is used to indicate that a portion of reported fund balance is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure. The County’s management will sometimes designate portions of unreserved (available) fund balance based on tentative future spending plans. Designated portions of fund balance represent financial resources legally available for uses other than those tentatively planned.

The County has “reserved” fund balances as follows:

- *Reserve for Encumbrances* was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not yet completed as of the close of the year. Encumbrance accounting is employed as an extension of the budgetary process. This method records purchase orders, contracts and other commitments for the expenditure of funds in order to reserve that portion of the applicable appropriation. Encumbrance carryover at year end as reserved fund balances.

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 9: **Net Assets/Fund Balances** (continued)

Fund Balances (continued)

- *Reserve for General* is established during the budget process primarily to provide dry period financing.
- *Reserved for Imprest Cash* was created to represent the portion of the fund balance that is not available for expenditure because the County maintains various levels of revolving funds for daily operations.
- *Reserve for Designation* represents tentative plans for future utilization of financial resources.
- *Reserve for Equipment* represents funds to be used for equipment purchases.
- *Net assets held in trust for endowment purpose* funds represents cash held in private purpose trust funds.
- *Net assets held in trust for investment pool participants* represents investment funds held for external pool participants and do not represent available spending resources.

Note 10: **County Employees Retirement Plan (Defined Benefit Pension Plan)**

A. Plan Description

The County of Napa contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS annual financial report may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

B. Funding Policy

Per the Memorandum of Understanding, the County makes the contributions required of all County employees who are enrolled as local miscellaneous members (7%) as well as local safety members who are also management employees (9%). Local safety members, who are not management employees, pay the employee share (9%). The rates are set by statute and therefore generally remain unchanged from year to year. The present actuarially determined rates of annual covered payroll are as follows:

<u>Category</u>	<u>Member Rates as a Percentage of Wages</u>
Local miscellaneous members	7%
Local safety members	9%

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 10: **County Employees Retirement Plan (Defined Benefit Pension Plan)** (continued)

B. Funding Policy (continued)

The contribution requirements of the plan members are established by State statutes and the employer contribution rate is established and may be amended by Cal PERS.

Annual Pension Cost

For fiscal year 2002/03, the County of Napa’s annual pension cost was \$857,002 and the County actually contributed \$857,002. The required contribution for the period July 1, 2002 to June 30, 2003 has been determined by an actuarial valuation of the plan as of June 30, 2000 using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of 3.75% to 14.20% merit increases that vary based on age, service and type of employment; and (c) no benefit increases after retirement.

The actuarial value of the County’s assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of the investment gains and/or losses. The County’s excess assets are being amortized as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information (in thousands)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/01	\$ 146	100%	\$ --
6/30/02	693	100	--
6/30/03	857	100	--

Note 11: **Post-Retirement Health Benefits**

The County provides health or dental benefits on a pay-as-you-go basis to retirees in three basic categories.

1. Generally, retirees who at the time of retirement have over 120 hours of accumulated unused sick leave receive, for each 8 hours of sick leave, one month of single party insurance benefits paid for by the County. For management and law enforcement employees, they are eligible for one month of two-party insurance benefits, paid for by the County for each 16 hours of sick leave.

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 11: **Post-Retirement Health Benefits** (continued)

2. Retirees with 20 or more years of continuous service at the time of retirement receive single party insurance benefits paid for by the County until age 65, regardless of the balance of accumulated sick leave at the time of retirement.
3. Non-classified (elected officials and department heads) employees with 8 or more years of service shall receive health and dental benefits for themselves and their dependent families for the life of such employees.

During the year, 132 retirees were in the plan at a cost of \$326,937.

Note 12: **Deferred Compensation Plan**

Employees of the County of Napa may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the County. Under the plan, employees may elect to defer a portion of their salaries and defer paying taxes on the deferred portion until the withdrawal date. The deferred compensation is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

Changes in the laws governing IRC Section 457 Plans and GASB Statement No. 32, required a change in the reporting of the County employees' deferred compensation plan. Previously, employee amounts deferred by the plan participants were required to be reported as assets of the employer. The new law prevents the employer's use of these funds and requires the funds to be held exclusively for the benefit of the participants. Accordingly, the County's deferred compensation plan was amended in December 1998 to conform with the law. Therefore, the assets and associated participants' liability of the plan were removed from the County's financial statements and only the current deductions which have not been forwarded to the contract plan administrator are reported.

Note 13: **401(a) Retirement Savings Plan**

The County established a profit sharing plan called the 401(a) Retirement Savings Plan for the purpose of providing retirement benefits for its Eligible Employees. Eligible employees who become participants in this plan are defined as the County's management, confidential and non-classified employees, and elected officials. This plan is adopted under the provisions of the Internal Revenue Code Section 401(a). The plan year is the period beginning January 1 and ending on December 31.

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2003

Note 13: **401(a) Retirement Savings Plan** (continued)

The County has sole discretion in determining the employer contribution amount. This amount must be established annually on or before January 1st by a duly adopted resolution. For the plan years 2002 and 2003 the employer contribution was \$1,000.

Each participant may allocate the balances of his/her account under the Plan among the investment options provided under the Plan. The Plan Administrator shall maintain an Account for each Participant to hold any Employee Pre-Tax Contributions, Employer Contributions, and Rollover Contributions, as well as any gains or losses of such funds. In addition, participants may elect to enter into a one-time employee irrevocable salary reduction in accordance with the plan provisions.

The County reserves the right to amend the Plan at any time, and continuance of this plan is not assumed as a contractual obligation.

Note 14: **Risk Management**

The County has two risk management funds (Internal Service Funds) to account for and finance its uninsured risks of loss. The County is exposed to various risks of loss related to general liability and workers' compensation. Under this program, the workers' compensation fund provides coverage up to \$250,000 for each workers' compensation claim and \$300,000 for each general liability claim.

The County participates in pooled insurance programs with other governmental agencies through CSAC Excess Insurance Authority (EIA) for claims in excess of coverage provided by these funds. Settled workers' compensation and general liability claims have not exceeded the pooled coverage in any of the past three years. In addition, the County participates in the EIA for its medical malpractice coverage and a comprehensive property program. Commercial insurance is obtained for all other areas of risk.

All funds which have employees, contribute to the workers' compensation Internal Service Fund (ISF) based on a percentage of the regular salaries paid. The Board of Supervisors, upon recommendation of management, establishes the percentage rates. Contribution to the general liability ISF are generated from billings to specific funds based on potential exposure. The claims liability for the funds reported at June 30, 2003 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the general purpose financial statements indicates that it is probable that a liability has been incurred at the date of the general purpose financial statements and the amount of the loss can be reasonably estimated. Changes in the funds' claims liability for the last three fiscal years were:

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 14: **Risk Management** (continued)

	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Adjustments to Prior Year Amount⁽¹⁾</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
General Liability:					
2000 – 2001	<u>\$ 2,300,000</u>	<u>\$ (811,187)</u>	<u>\$ --</u>	<u>\$ (982,831)</u>	<u>\$ 505,982</u>
2001 – 2002	<u>\$ 505,982</u>	<u>\$ 471,611.</u>	<u>\$ 1,794,018</u>	<u>\$ (524,611)</u>	<u>\$2,247,000</u>
2002 – 2003	<u>\$ 2,247,000</u>	<u>\$ (87,137)</u>	<u>\$ --</u>	<u>\$ 87,137</u>	<u>\$2,247,000</u>
Workers' Compensation:					
2000 – 2001	<u>\$ 2,820,000</u>	<u>\$ (1,128,804)</u>	<u>\$ --</u>	<u>\$ (792,934)</u>	<u>\$ 898,262</u>
2001 – 2002	<u>\$ 898,262</u>	<u>\$ 864,460</u>	<u>\$ 1,921,738</u>	<u>\$ (742,460)</u>	<u>\$2,942,000</u>
2002 – 2003	<u>\$ 2,942,000</u>	<u>\$ (1,344,117)</u>	<u>\$ --</u>	<u>\$1,344,117</u>	<u>\$2,942,000</u>

⁽¹⁾ The 2000/01 year end numbers have been adjusted to reflect the discounted actuarial value that was in effect the prior year since actuarial reports on the funds are completed only every two years.

Note 15: **Contingencies**

A. Litigation

There are many lawsuits pending in which the County is involved. Some of the lawsuits have been filed solely against the County, while in others, the County is one of a group of defendants. The County Counsel has indicated that the potential uninsured claims against the County resulting from such litigation would not materially affect the general purpose financial statements of the County.

B. Grants

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. The County participates in other federal and state programs where County costs are recovered on a reimbursable basis. Grant expenditures and reimbursements are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with the relevant regulations, the County may be required to reimburse the appropriate governmental agency. As of June 30, 2003, significant amounts of grant expenditures and records relating to reimbursements have not been audited, but the County believes that disallowed expenditures or reimbursements, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF NAPA

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts (1)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 47,095,328	\$ 47,095,328	\$ 51,533,618	\$ 4,438,290
Licenses and permits	2,455,212	2,455,212	2,521,319	66,107
Fines, forfeits and penalties	809,525	809,525	797,023	(12,502)
Revenue from use of money and property	1,034,289	1,034,289	1,233,904	199,615
Aid from other governments	71,056,440	75,004,438	65,403,321	(9,601,117)
Charges for services	14,211,810	14,533,797	15,441,431	907,634
Miscellaneous revenue	2,871,264	4,430,016	4,628,482	198,466
Total Revenues	<u>139,533,868</u>	<u>145,362,605</u>	<u>141,559,098</u>	<u>(3,803,507)</u>
Expenditures:				
Current:				
General government	30,467,477	33,138,729	25,521,286	7,617,443
Public protection	56,193,137	58,192,729	52,540,540	5,652,189
Public way and facilities	4,407,143	4,469,643	4,121,908	347,735
Health and sanitation	29,839,053	31,604,757	28,656,437	2,948,320
Public assistance	26,777,317	30,031,313	24,668,063	5,363,250
Education	313,709	313,709	270,454	43,255
Recreation and cultural services	2,464,500	2,464,500	44,978	2,419,522
Capital outlay	8,405,810	10,260,868	4,419,259	5,841,609
Total Expenditures	<u>158,868,146</u>	<u>170,476,248</u>	<u>140,242,925</u>	<u>30,233,323</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(19,334,278)</u>	<u>(25,113,643)</u>	<u>1,316,173</u>	<u>26,429,816</u>
Other Financing Sources (Uses):				
Operating transfers in	1,162,000	2,119,486	2,921,367	801,881
Operating transfers out	<u>(2,877,196)</u>	<u>(2,939,381)</u>	<u>(2,787,767)</u>	<u>151,614</u>
Total Other Financing Sources (Uses)	<u>(1,715,196)</u>	<u>(819,895)</u>	<u>133,600</u>	<u>953,495</u>
Net change in fund balances	(21,049,474)	(25,933,538)	1,449,773	27,383,311
Fund Balances - Beginning of Year, restated	<u>69,422,270</u>	<u>69,422,270</u>	<u>69,422,270</u>	<u>--</u>
Fund Balances - End of Year	<u>\$ 48,372,796</u>	<u>\$ 43,488,732</u>	<u>\$ 70,872,043</u>	<u>\$ 27,383,311</u>

(1) Explanation of differences between statement of revenues, expenditures and changes in fund balance:

Sources/inflows of resources

Budgeted revenues - GAAP basis	\$ 141,559,098
Receipts from funds reclassified from County Agency Funds, not budgeted	<u>7,558,949</u>

Total revenue as reported on the statements of revenues, expenditures, and changes in fund balances - General Fund (page 18)	<u>\$ 149,118,047</u>
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Uses/outflows of resources

Budgeted expenditures - GAAP basis	\$ 140,242,925
Disbursements from funds reclassified from County Agency Funds, not budgeted	<u>12,142,491</u>

Total expenditures as reported on the combined statements of revenues, expenditures, and changes in fund balances - General Fund (page 18)	<u>\$ 152,385,416</u>
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COUNTY OF NAPA

Budgetary Comparison Schedule
 Napa County Flood Protection and Watershed Improvement Authority
 For the Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 10,000,000	\$ 10,000,000	\$ 10,413,558	\$ 413,558
Revenue from use of money and property	1,000,000	1,000,000	775,365	(224,635)
Total Revenues	<u>11,000,000</u>	<u>11,000,000</u>	<u>11,188,923</u>	<u>188,923</u>
Expenditures:				
Current:				
Public way and facilities	27,693,918	28,850,857	569,170	28,281,687
Debt Service:				
Interest	2,071,078	2,071,078	2,071,077	1
Total Expenditures	<u>29,764,996</u>	<u>30,921,935</u>	<u>2,640,247</u>	<u>28,281,688</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18,764,996)</u>	<u>(19,921,935)</u>	<u>8,548,676</u>	<u>28,470,611</u>
Fund Balances - Beginning of Year, restated	<u>31,820,252</u>	<u>31,820,252</u>	<u>31,820,252</u>	<u>--</u>
Fund Balances - End of Year	<u><u>\$ 13,055,256</u></u>	<u><u>\$ 11,898,317</u></u>	<u><u>\$ 40,368,928</u></u>	<u><u>\$ 28,470,611</u></u>

COUNTY OF NAPA

Budgetary Comparison Schedule
 Construction Fund
 For the Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from use of money and property	\$ --	\$ --	\$ 59,557	\$ 59,557
Total revenues	<u> --</u>	<u> --</u>	<u> 59,557</u>	<u> 59,557</u>
Expenditures:				
Current:				
Capital outlay	--	2,500,000	1,021,589	1,478,411
Debt Service:				
Administration, issuance and arbitrage fees	--	50,000	919,474	(869,474)
Total Expenditures	<u> --</u>	<u>2,550,000</u>	<u>1,941,063</u>	<u> 608,937</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u> --</u>	<u>(2,550,000)</u>	<u>(1,881,506)</u>	<u> 668,494</u>
Other Financing Sources (Uses):				
Proceeds from issuance of debt	--	2,550,000	32,416,540	29,866,540
Operating transfers in	--	--	1,711,825	1,711,825
Operating transfers out	--	--	(8,933,386)	(8,933,386)
Total Other Financing Sources (Uses)	<u> --</u>	<u>2,550,000</u>	<u>25,194,979</u>	<u>22,644,979</u>
Net change in fund balances	--	--	23,313,473	23,313,473
Fund Balances - Beginning of Year	<u>462,871</u>	<u>462,871</u>	<u>462,871</u>	<u> --</u>
Fund Balances - End of Year	<u>\$ 462,871</u>	<u>\$ 462,871</u>	<u>\$ 23,776,344</u>	<u>\$ 23,313,473</u>

COUNTY OF NAPA

Required Supplementary Information
For the Year Ended June 30, 2003

County Employees Retirement Plan (Defined Benefit Pension Plan)

Schedule of Funding Progress

The tables below shows 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 as of June 30:

Funded Status of Plan
(In thousands)

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/00	\$ 217,177	\$ 285,637	\$ (68,460)	131.52%	\$ 50,511	(135.53)%
6/30/01	241,834	296,686	(54,852)	122.68	54,248	(101.11)
6/30/02	272,117	284,475	(12,358)	104.54	68,035	(18.16)

COUNTY OF NAPA

Note to Required Supplementary Information For the Year Ended June 30, 2003

BUDGETARY BASIS OF ACCOUNTING

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares a budget for each fiscal year on or before August 30. Budgeted expenditures are enacted into law through the passage of an Appropriation Resolution. This resolution mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County's Board of Supervisors.

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the object level within budget units for the County. The object level within a budget unit is the level at which expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between object levels within the same budget unit or between departments or funds are authorized by the County Executive office and must be approved by the Board of Supervisors. Supplementary appropriations normally financed by unanticipated revenues during the year must be approved by the Board of Supervisors. Pursuant to Board Resolution No. 01-83 adopted as of June 19, 2001 and revised as per Resolution no. 02-122, effective June 18, 2002, the County Executive Officer is authorized to approve transfers and revision of appropriations in excess of \$10,000 within a single budget unit as deemed necessary and appropriate. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and amended during the fiscal year by resolutions approved by the Board of Supervisors. Because of the transition in implementing GASB 34, although trust and agency actual revenues and expenditures are included on page 57, the County did not budget for these activities.

The County uses an encumbrance system as an extension of normal budgetary accounting for the general, special revenue, and other debt service funds and to assist in controlling expenditures of the capital projects funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbrances are combined with expenditures for budgetary comparison purposes. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

The budget approved by the Board of Supervisors for the general fund includes budgeted expenditures and reimbursements for amounts disbursed on behalf of other Governmental Funds. Actual reimbursements for these items have been eliminated in the accompanying budgetary financial schedules. Accordingly, the related budgets for these items have also been eliminated in order to provide a meaningful comparison of actual and budgeted results of operations.

The budgets for the governmental funds may include an object level known as "intrafund transfers" in the charges for appropriations. This object level is an accounting mechanism used by the County to show reimbursements between operations within the same fund (an example would be the General Fund).

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

COUNTY OF NAPA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and investments	\$ 17,116,629	\$ 371,179	\$ 466	\$ 17,488,274
Restricted assets:				
Cash with fiscal agent	--	--	2,614,830	2,614,830
Imprest cash	750	--	--	750
Receivable (Net):				
Taxes	202,375	--	--	202,375
Special assessments	13,660	--	--	13,660
Accounts receivable	101,374	--	--	101,374
Due from other government agencies	2,560,831	--	--	2,560,831
Loans receivable	7,741,145	--	--	7,741,145
Advances due from other funds	--	--	2,749,633	2,749,633
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 27,736,764</u>	<u>\$ 371,179</u>	<u>\$ 5,364,929</u>	<u>\$ 33,472,872</u>
<u>LIABILITIES</u>				
Liabilities:				
Accounts payable	\$ 344,596	\$ --	\$ --	\$ 344,596
Accrued payroll	95,697	--	--	95,697
Due to other government agencies	55,701	--	--	55,701
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>495,994</u>	<u>--</u>	<u>--</u>	<u>495,994</u>
<u>FUND BALANCES</u>				
Reserved for:				
Encumbrances	766,104	--	--	766,104
General	2,118,846	--	--	2,118,846
Imprest cash	750	--	--	750
Reserve designation	1,680,653	--	--	1,680,653
Equipment	95,485	--	--	95,485
Unreserved, reported in:				
Special revenue funds	22,578,932	--	--	22,578,932
Capital projects funds	--	371,179	--	371,179
Debt service funds	--	--	5,364,929	5,364,929
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>27,240,770</u>	<u>371,179</u>	<u>5,364,929</u>	<u>32,976,878</u>
Total Liabilities and Fund Balances	<u>\$ 27,736,764</u>	<u>\$ 371,179</u>	<u>\$ 5,364,929</u>	<u>\$ 33,472,872</u>

COUNTY OF NAPA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2003

	Special Revenue	Capital Projects	Debt Service	Total
Revenues:				
Taxes	\$ 9,041,414	\$ --	\$ --	\$ 9,041,414
Licenses and permits	171,140	--	--	171,140
Fines, forfeits and penalties	498,898	378,947	--	877,845
Revenue from use of money and property	739,029	18,027	201,729	958,785
Aid from other governments	7,473,872	--	--	7,473,872
Charges for services	3,528,444	--	--	3,528,444
Other	183,039	--	--	183,039
Total Revenues	<u>21,635,836</u>	<u>396,974</u>	<u>201,729</u>	<u>22,234,539</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	5,255,246	--	--	5,255,246
Public ways and facilities	5,905,134	--	--	5,905,134
Health and sanitation	298,134	--	--	298,134
Education	4,512,511	--	--	4,512,511
Capital outlay	2,262,975	5,800	--	2,268,775
Debt Service:				
Principal	--	--	9,870,000	9,870,000
Interest and fiscal charges	--	--	1,350,076	1,350,076
Administration, issuance and arbitrage fees	--	--	171,193	171,193
Total Expenditures	<u>18,234,000</u>	<u>5,800</u>	<u>11,391,269</u>	<u>29,631,069</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,401,836</u>	<u>391,174</u>	<u>(11,189,540)</u>	<u>(7,396,530)</u>
Other Financing Sources (Uses):				
Proceeds from issuance of debt	--	--	--	--
Transfers in	174,000	--	11,245,231	11,419,231
Transfers out	<u>(287,562)</u>	<u>(548,535)</u>	<u>(2,491,018)</u>	<u>(3,327,115)</u>
Total Other Financing Sources (Uses)	<u>(113,562)</u>	<u>(548,535)</u>	<u>8,754,213</u>	<u>8,092,116</u>
Net change in fund balances	<u>3,288,274</u>	<u>(157,361)</u>	<u>(2,435,327)</u>	<u>695,586</u>
Fund Balance - Beginning of Year	11,722,552	528,540	7,800,256	20,051,348
Prior period adjustment	<u>12,229,944</u>	<u>--</u>	<u>--</u>	<u>12,229,944</u>
Fund Balance - Beginning of Year, restated	<u>23,952,496</u>	<u>528,540</u>	<u>7,800,256</u>	<u>32,281,292</u>
Fund Balance - End of Year	<u>\$ 27,240,770</u>	<u>\$ 371,179</u>	<u>\$ 5,364,929</u>	<u>\$ 32,976,878</u>

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

COUNTY OF NAPA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2003

	<u>Fire Protection</u>	<u>Fire Protection Assessment</u>	<u>Roads</u>	<u>Special Transportation</u>
<u>ASSETS</u>				
Cash and investments	\$ 3,407,330	\$ 138,496	\$ 2,011,300	\$ --
Imprest cash	250	--	--	--
Receivable (Net):				
Taxes	152,551	--	--	--
Special assessments	--	768	--	--
Accounts receivable	--	--	101,374	--
Due from other government agencies	166,386	--	2,388,496	--
Loans receivable	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 3,726,517</u>	<u>\$ 139,264</u>	<u>\$ 4,501,170</u>	<u>\$ --</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 281,891	\$ --	\$ 33,541	\$ --
Accrued payroll	--	--	41,467	--
Due to other government agencies	53,419	--	2,282	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>335,310</u>	<u>--</u>	<u>77,290</u>	<u>--</u>
<u>FUND BALANCES</u>				
Reserved for:				
Encumbrances	651,168	--	31,338	--
General	--	--	340,252	--
Imprest cash	250	--	--	--
Reserve designation	--	--	--	--
Equipment	--	--	--	--
Unreserved, reported in:				
Special revenue funds	2,739,789	139,264	4,052,290	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>3,391,207</u>	<u>139,264</u>	<u>4,423,880</u>	<u>--</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 3,726,517</u>	<u>\$ 139,264</u>	<u>\$ 4,501,170</u>	<u>\$ --</u>

continued

COUNTY OF NAPA

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2003

	<u>Fish & Game</u>	<u>Aviation</u>	<u>Library</u>	<u>Criminal Justice Facility Construction</u>
<u>ASSETS</u>				
Cash and investments	\$ 59,800	\$ 37,562	\$ 3,506,466	\$ 333,314
Imprest cash	--	--	500	--
Receivable (Net):				
Taxes	--	--	49,615	--
Special assessments	--	--	--	--
Accounts receivable	--	--	--	--
Due from other government agencies	--	--	5,949	--
Loans receivable	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 59,800</u>	<u>\$ 37,562</u>	<u>\$ 3,562,530</u>	<u>\$ 333,314</u>
<u>LIABILITIES</u>				
Accounts payable	\$ --	\$ --	\$ 26,132	\$ --
Accrued payroll	--	--	54,230	--
Due to other government agencies	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>--</u>	<u>--</u>	<u>80,362</u>	<u>--</u>
<u>FUND BALANCES</u>				
Reserved for:				
Encumbrances	--	--	1,328	--
General	14,890	--	726,243	229,722
Imprest cash	--	--	500	--
Reserve designation	--	--	1,653,859	--
Equipment	--	--	76,745	18,740
Unreserved, reported in:				
Special revenue funds	44,910	37,562	1,023,493	84,852
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>59,800</u>	<u>37,562</u>	<u>3,482,168</u>	<u>333,314</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 59,800</u>	<u>\$ 37,562</u>	<u>\$ 3,562,530</u>	<u>\$ 333,314</u>

continued

COUNTY OF NAPA

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2003

	<u>Construction Fund Capital Improvements</u>	<u>Affordable Housing</u>	<u>Various Special Districts Under Board</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and investments	\$ 1,069,459	\$ 6,059,139	\$ 493,763	\$ 17,116,629
Imprest cash	--	--	--	750
Receivable (Net):				
Taxes	--	--	209	202,375
Special assessments	--	--	12,892	13,660
Accounts receivable	--	--	--	101,374
Due from other government agencies	--	--	--	2,560,831
Loans receivable	--	7,741,145	--	7,741,145
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 1,069,459</u>	<u>\$ 13,800,284</u>	<u>\$ 506,864</u>	<u>\$ 27,736,764</u>
<u>LIABILITIES</u>				
Accounts payable	\$ --	\$ --	\$ 3,032	\$ 344,596
Accrued payroll	--	--	--	95,697
Due to other government agencies	--	--	--	55,701
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>--</u>	<u>--</u>	<u>3,032</u>	<u>495,994</u>
<u>FUND BALANCES</u>				
Reserved for:				
Encumbrances	--	79,793	2,477	766,104
General	636,617	--	171,122	2,118,846
Imprest cash	--	--	--	750
Reserve designation	--	--	26,794	1,680,653
Equipment	--	--	--	95,485
Unreserved, reported in:				
Special revenue funds	432,842	13,720,491	303,439	22,578,932
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,069,459</u>	<u>13,800,284</u>	<u>503,832</u>	<u>27,240,770</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 1,069,459</u>	<u>\$ 13,800,284</u>	<u>\$ 506,864</u>	<u>\$ 27,736,764</u>

COUNTY OF NAPA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2003

	Fire Protection	Fire Protection Assessment	Roads	Special Transportation
Revenues:				
Taxes	\$ 5,395,978	\$ --	\$ --	\$ 158,161
Licenses and permits	137,417	--	33,723	--
Fines, forfeits and penalties	--	--	391,230	--
Revenue from use of money and property	103,737	4,057	110,041	--
Aid from other governments	422,654	--	6,387,834	--
Charges for services	268,188	488	13,078	--
Other	69,804	--	1,205	--
Total Revenues	6,397,778	4,545	6,937,111	158,161
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	4,971,619	--	--	--
Public ways and facilities	--	--	5,746,973	158,161
Health and sanitation	--	--	--	--
Education	--	--	--	--
Capital outlay	521,590	--	695,760	--
Total Expenditures	5,493,209	--	6,442,733	158,161
Excess (Deficiency) of Revenues Over (Under) Expenditures	904,569	4,545	494,378	--
Other Financing Sources (Uses):				
Transfers in	--	--	166,000	--
Transfers out	--	--	(241,498)	--
Total Other Financing Sources (Uses)	--	--	(75,498)	--
Net change in fund balances	904,569	4,545	418,880	--
Fund Balance - Beginning of Year	2,486,638	134,719	4,005,000	--
Prior period adjustment	--	--	--	--
Fund Balance - Beginning of Year, restated	2,486,638	134,719	4,005,000	--
Fund Balance - End of Year	\$ 3,391,207	\$ 139,264	\$ 4,423,880	\$ --

continued

COUNTY OF NAPA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2003

	Fish & Game	Aviation	Library	Criminal Justice Facility Construction
Revenues:				
Taxes	\$ --	\$ --	\$ 3,470,704	\$ --
Licenses and permits	--	--	--	--
Fines, forfeits and penalties	9,329	--	--	98,339
Revenue from use of money and property	2,172	1,105	106,498	8,227
Aid from other governments	--	--	663,244	--
Charges for services	--	--	373,705	--
Other	--	--	105,454	--
Total Revenues	<u>11,501</u>	<u>1,105</u>	<u>4,719,605</u>	<u>106,566</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	29,417	--	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Education	--	--	4,512,511	--
Capital outlay	--	--	112,331	--
Total Expenditures	<u>29,417</u>	<u>--</u>	<u>4,624,842</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,916)</u>	<u>1,105</u>	<u>94,763</u>	<u>106,566</u>
Other Financing Sources (Uses):				
Transfers in	--	--	8,000	--
Transfers out	--	--	(13,161)	(13,161)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(5,161)</u>	<u>(13,161)</u>
Net change in fund balances	<u>(17,916)</u>	<u>1,105</u>	<u>89,602</u>	<u>93,405</u>
Fund Balance - Beginning of Year	77,716	36,457	3,392,566	239,909
Prior period adjustment	--	--	--	--
Fund Balance - Beginning of Year, restated	<u>77,716</u>	<u>36,457</u>	<u>3,392,566</u>	<u>239,909</u>
Fund Balance - End of Year	<u>\$ 59,800</u>	<u>\$ 37,562</u>	<u>\$ 3,482,168</u>	<u>\$ 333,314</u>

continued

COUNTY OF NAPA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2003

	Construction Fund Capital Improvements	Affordable Housing	Various Special Districts Under Board	Total
Revenues:				
Taxes	\$ --	\$ --	\$ 16,571	\$ 9,041,414
Licenses and permits	--	--	--	171,140
Fines, forfeits and penalties	--	--	--	498,898
Revenue from use of money and property	20,319	371,650	11,223	739,029
Aid from other governments	--	--	140	7,473,872
Charges for services	926,712	1,309,772	636,501	3,528,444
Other	6,576	--	--	183,039
Total Revenues	<u>953,607</u>	<u>1,681,422</u>	<u>664,435</u>	<u>21,635,836</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	--	--	254,210	5,255,246
Public ways and facilities	--	--	--	5,905,134
Health and sanitation	--	111,082	187,052	298,134
Education	--	--	--	4,512,511
Capital outlay	929,311	--	3,983	2,262,975
Total Expenditures	<u>929,311</u>	<u>111,082</u>	<u>445,245</u>	<u>18,234,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>24,296</u>	<u>1,570,340</u>	<u>219,190</u>	<u>3,401,836</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	174,000
Transfers out	--	--	(19,742)	(287,562)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(19,742)</u>	<u>(113,562)</u>
Net change in fund balances	<u>24,296</u>	<u>1,570,340</u>	<u>199,448</u>	<u>3,288,274</u>
Fund Balance - Beginning of Year	1,045,163	--	304,384	11,722,552
Prior period adjustment	--	12,229,944	--	12,229,944
Fund Balance - Beginning of Year, restated	<u>1,045,163</u>	<u>12,229,944</u>	<u>304,384</u>	<u>23,952,496</u>
Fund Balance - End of Year	<u>\$ 1,069,459</u>	<u>\$ 13,800,284</u>	<u>\$ 503,832</u>	<u>\$ 27,240,770</u>

COUNTY OF NAPA

Combining Balance Sheet
 Nonmajor Special Districts Under the Board of Supervisors
 June 30, 2003

	<u>County Service Area No. 3</u>	<u>Silverado Community Services</u>	<u>Silverado Maintenance Assessment</u>
<u>ASSETS</u>			
Cash and investments	\$ 288,368	\$ 53,860	\$ --
Receivable (Net):			
Taxes	--	--	--
Special assessments	<u>11,176</u>	<u>--</u>	<u>1,716</u>
Total Assets	<u><u>\$ 299,544</u></u>	<u><u>\$ 53,860</u></u>	<u><u>\$ 1,716</u></u>
<u>LIABILITIES</u>			
Accounts payable	<u>\$ --</u>	<u>\$ 1,218</u>	<u>\$ --</u>
Total Liabilities	<u>--</u>	<u>1,218</u>	<u>--</u>
<u>FUND BALANCES</u>			
Reserved for:			
Encumbrances	--	2,477	--
General	120,220	31,059	--
Reserve designation	26,127	667	--
Unreserved, reported in:			
Special revenue funds	<u>153,197</u>	<u>18,439</u>	<u>1,716</u>
Total Fund Balances	<u>299,544</u>	<u>52,642</u>	<u>1,716</u>
Total Liabilities and Fund Balances	<u><u>\$ 299,544</u></u>	<u><u>\$ 53,860</u></u>	<u><u>\$ 1,716</u></u>

continued

COUNTY OF NAPA

Combining Balance Sheet (continued)
 Nonmajor Special Districts Under the Board of Supervisors
 June 30, 2003

	<u>Monticello Public Cemetery</u>	<u>Monticello Endowment</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 31,942	\$ 119,593	\$ 493,763
Receivable (Net):			
Taxes	209	--	209
Special assessments	<u>--</u>	<u>--</u>	<u>12,892</u>
Total Assets	<u><u>\$ 32,151</u></u>	<u><u>\$ 119,593</u></u>	<u><u>\$ 506,864</u></u>
<u>LIABILITIES</u>			
Accounts payable	<u>\$ 1,814</u>	<u>\$ --</u>	<u>\$ 3,032</u>
Total Liabilities	<u>1,814</u>	<u>--</u>	<u>3,032</u>
<u>FUND BALANCES</u>			
Reserved for:			
Encumbrances	--	--	2,477
General	19,843	--	171,122
Reserve designation	--	--	26,794
Unreserved, reported in:			
Special revenue funds	<u>10,494</u>	<u>119,593</u>	<u>303,439</u>
Total Fund Balances	<u>30,337</u>	<u>119,593</u>	<u>503,832</u>
Total Liabilities and Fund Balances	<u><u>\$ 32,151</u></u>	<u><u>\$ 119,593</u></u>	<u><u>\$ 506,864</u></u>

COUNTY OF NAPA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Districts Under the Board of Supervisors
For the Year Ended June 30, 2003

	County Service Area No. 3	Silverado Community Services	Silverado Maintenance Assessment
Revenues:			
Taxes	\$ --	\$ --	\$ --
Revenue from use of money and property	5,673	874	304
Aid from other governments	--	--	--
Charges for services	424,626	105,713	105,912
Other	--	--	--
Total Revenues	430,299	106,587	106,216
Expenditures:			
Current:			
Public protection	241,131	--	--
Health and sanitation	--	81,339	105,713
Capital outlay	--	3,983	--
Total Expenditures	241,131	85,322	105,713
Excess (Deficiency) of Revenues Over (Under) Expenditures	189,168	21,265	503
Other Financing Sources (Uses):			
Transfers in	--	--	--
Transfers out	(19,742)	--	--
Total Other Financing Sources (Uses)	(19,742)	--	--
Net change in fund balance	169,426	21,265	503
Fund Balance - Beginning of Year	130,118	31,377	1,213
Fund Balance - End of Year	\$ 299,544	\$ 52,642	\$ 1,716

continued

COUNTY OF NAPA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (continued)
Nonmajor Special Districts Under the Board of Supervisors
For the Year Ended June 30, 2003

	Monticello Public Cemetery	Monticello Endowment	Total
Revenues:			
Taxes	\$ 16,571	\$ --	\$ 16,571
Revenue from use of money and property	853	3,519	11,223
Aid from other governments	140	--	140
Charges for services	250	--	636,501
Other	--	--	--
Total Revenues	<u>17,814</u>	<u>3,519</u>	<u>664,435</u>
Expenditures:			
Current:			
Public protection	13,079	--	254,210
Health and sanitation	--	--	187,052
Capital outlay	--	--	3,983
Total Expenditures	<u>13,079</u>	<u>--</u>	<u>445,245</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,735</u>	<u>3,519</u>	<u>219,190</u>
Other Financing Sources (Uses):			
Transfers in	--	--	--
Transfers out	--	--	(19,742)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(19,742)</u>
Net change in fund balance	4,735	3,519	199,448
Fund Balance - Beginning of Year	<u>25,602</u>	<u>116,074</u>	<u>304,384</u>
Fund Balance - End of Year	<u>\$ 30,337</u>	<u>\$ 119,593</u>	<u>\$ 503,832</u>

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition of major capital facilities (other than those financed by proprietary funds).

COUNTY OF NAPA

Combining Balance Sheet
Nonmajor Capital Projects Fund
June 30, 2003

	<u>Courthouse Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 371,179
Total Assets	<u>\$ 371,179</u>
<u>FUND BALANCE</u>	
Unreserved, reported in: Capital projects funds	\$ 371,179
Total Fund Balance	<u>\$ 371,179</u>

COUNTY OF NAPA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Capital Projects Fund
For the Year Ended June 30, 2003

	<u>Courthouse Fund</u>
Revenues:	
Fines, forfeits and penalties	\$ 378,947
Revenue from use of money and property	18,027
Other	--
Total Revenues	<u>396,974</u>
Expenditures:	
Capital outlay	5,800
Total Expenditures	<u>5,800</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>391,174</u>
Other Financing Sources (Uses):	
Transfers in	--
Transfers out	(548,535)
Total Other Financing Sources (Uses)	<u>(548,535)</u>
Net change in fund balance	(157,361)
Fund Balance - Beginning of Year	<u>528,540</u>
Fund Balance - End of Year	<u>\$ 371,179</u>

NONMAJOR DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

COUNTY OF NAPA

Combining Balance Sheet
Nonmajor Debt Service Fund
June 30, 2003

ASSETS

Cash and investments	\$	466
Restricted assets:		
Cash with fiscal agent		2,614,830
Advances due from other funds		<u>2,749,633</u>
Total Assets	\$	<u><u>5,364,929</u></u>

FUND BALANCE

Unreserved, reported in:		
Debt service funds	\$	<u>5,364,929</u>
Total Fund Balance	\$	<u><u>5,364,929</u></u>

COUNTY OF NAPA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Debt Service Fund
For the Year Ended June 30, 2003

Revenues:	
Revenue from use of money and property	\$ 201,729
Total Revenues	<u>201,729</u>
Expenditures:	
Debt Service:	
Principal	9,870,000
Interest	1,350,076
Administration, issuance and arbitrage fees	171,193
Total Expenditures	<u>11,391,269</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,189,540)</u>
Other Financing Sources (Uses):	
Transfers in	11,245,231
Transfers out	(2,491,018)
Total Other Financing Sources (Uses)	<u>8,754,213</u>
Net change in fund balance	(2,435,327)
Fund Balance - Beginning of Year	<u>7,800,256</u>
Fund Balance - End of Year	<u>\$ 5,364,929</u>

NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

COUNTY OF NAPA

Combining Statement of Fund Net Assets
 Nonmajor Enterprise Funds
 June 30, 2003

	Lake Berryessa Resort Improvement	Napa Berryessa Public Improvement	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 23,624	\$ 386,186	\$ 409,810
Accounts receivable	314,754	10,922	325,676
Assessments receivable	49,766	12,984	62,750
Total Current Assets	<u>388,144</u>	<u>410,092</u>	<u>798,236</u>
Noncurrent Assets:			
Capital Assets:			
Nondepreciable:			
Land	5,050	44,402	49,452
Depreciable:			
Buildings and improvements	1,732,127	1,352,650	3,084,777
Equipment	116,201	72,977	189,178
Accumulated depreciation	(889,183)	(1,047,647)	(1,936,830)
Total Noncurrent Assets	<u>964,195</u>	<u>422,382</u>	<u>1,386,577</u>
Total Assets	<u>\$ 1,352,339</u>	<u>\$ 832,474</u>	<u>\$ 2,184,813</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 8	\$ --	\$ 8
Deposits with others	20,525	29,404	49,929
Total Current Liabilities	<u>20,533</u>	<u>29,404</u>	<u>49,937</u>
NET ASSETS			
Invested in capital assets, net of related debt	964,195	422,382	1,386,577
Unrestricted	367,611	380,688	748,299
Total Net Assets	<u>1,331,806</u>	<u>803,070</u>	<u>2,134,876</u>
Total Liabilities and Net Assets	<u>\$ 1,352,339</u>	<u>\$ 832,474</u>	<u>\$ 2,184,813</u>

COUNTY OF NAPA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2003

	<u>Lake Berryessa Resort Improvement</u>	<u>Napa Berryessa Public Improvement</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 514,730	\$ 521,361	\$ 1,036,091
 Total Operating Revenues	 <u>514,730</u>	 <u>521,361</u>	 <u>1,036,091</u>
Operating Expenses:			
Services and supplies	491,502	541,577	1,033,079
Insurance	3,122	4,683	7,805
Other charges	34,772	125	34,897
Depreciation and amortization	45,009	37,870	82,879
 Total Operating Expenses	 <u>574,405</u>	 <u>584,255</u>	 <u>1,158,660</u>
Operating Income (Loss)	 <u>(59,675)</u>	 <u>(62,894)</u>	 <u>(122,569)</u>
Non-Operating Revenues (Expenses):			
Aid from other governmental units	305,068	300	305,368
Tax revenue	22,357	30,364	52,721
Non-operating revenues	301,470	6,499	307,969
Interest income	4,365	10,569	14,934
Interest expense	--	--	--
 Total Non-Operating Revenues (Expenses)	 <u>633,260</u>	 <u>47,732</u>	 <u>680,992</u>
Change in Net Assets	 573,585	 (15,162)	 558,423
Net Assets - Beginning of Year	 <u>758,221</u>	 <u>818,232</u>	 <u>1,576,453</u>
Net Assets - End of Year	 <u>\$ 1,331,806</u>	 <u>\$ 803,070</u>	 <u>\$ 2,134,876</u>

COUNTY OF NAPA

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended June 30, 2003

	Lake Berryessa Resort Improvement	Napa Berryessa Public Improvement	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 213,405	\$ 587,770	\$ 801,175
Cash paid to suppliers for goods and services	(533,261)	(559,208)	(1,092,469)
Net Cash Provided (Used) by Operating Activities	(319,856)	28,562	(291,294)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Aid from other governmental units	305,068	300	305,368
Non-operating revenues	323,827	36,863	360,690
Net Cash Provided (Used) by Noncapital Financing Activities	628,895	37,163	666,058
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal repayments related to capital purposes	--	--	--
Interest repayments related to capital purposes	--	--	--
Payments related to the acquisition of capital assets	(465,512)	(37,027)	(502,539)
Net Cash Provided (Used) by Capital and Related Financing Activities	(465,512)	(37,027)	(502,539)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	4,365	10,569	14,934
Net Cash Provided by investing activities	4,365	10,569	14,934
Net Increase (Decrease) in Cash and Cash Equivalents	(152,108)	39,267	(112,841)
Cash and Cash Equivalents, Beginning of Year	175,732	346,919	522,651
Cash and Cash Equivalents, End of Year	\$ 23,624	\$ 386,186	\$ 409,810

continued

COUNTY OF NAPA

Statement of Cash Flows (continued)
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2003

	<u>Lake Berryessa Resort Improvement</u>	<u>Napa Berryessa Public Improvement</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (59,675)	\$ (62,894)	\$ (122,569)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	45,009	37,870	82,879
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(299,402)	42,138	(257,264)
Assessment receivable	(1,923)	24,271	22,348
Increase (decrease) in:			
Accounts payable	(5,449)	(16,360)	(21,809)
Deposits with others	1,584	3,537	5,121
	<u>1,584</u>	<u>3,537</u>	<u>5,121</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (319,856)</u>	<u>\$ 28,562</u>	<u>\$ (291,294)</u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or other governments, on a cost-reimbursement basis.

COUNTY OF NAPA

Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2003

ASSETS	<u>Equipment Pool Service Fund</u>	<u>Equipment Replacement</u>	<u>Vehicle Replacement</u>	<u>Information Technology Services</u>
Current Assets:				
Cash and Investments	\$ 425,831	\$ 2,615,066	\$ 1,317,987	\$ 541,226
Imprest cash	--	--	--	100
Inventories	13,377	--	--	--
Accounts receivable	3,668	--	--	--
Deposits	--	--	--	--
Total Current Assets	<u>442,876</u>	<u>2,615,066</u>	<u>1,317,987</u>	<u>541,326</u>
Noncurrent Assets:				
Depreciable:				
Equipment	128,406	5,252,743	3,381,746	1,879,897
Accumulated depreciation	<u>(128,406)</u>	<u>(2,410,403)</u>	<u>(1,498,037)</u>	<u>(1,124,902)</u>
Total Noncurrent Assets	--	<u>2,842,340</u>	<u>1,883,709</u>	<u>754,995</u>
Total Assets	<u>\$ 442,876</u>	<u>\$ 5,457,406</u>	<u>\$ 3,201,696</u>	<u>\$ 1,296,321</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 25,486	\$ --	\$ --	\$ 11,552
Accrued salaries and benefits	4,096	--	--	79,596
Liability for unpaid claims	--	--	--	--
Liability for compensated absences	<u>7,657</u>	<u>--</u>	<u>--</u>	<u>59,718</u>
Total Current Liabilities	37,239	--	--	150,866
Long-Term Liabilities:				
Liability for unpaid claims	--	--	--	--
Liability for compensated absences	<u>18,647</u>	<u>--</u>	<u>--</u>	<u>145,669</u>
Total Liabilities	<u>55,886</u>	<u>--</u>	<u>--</u>	<u>296,535</u>
NET ASSETS				
Invested in capital assets, net of related debt	--	2,842,340	1,883,709	754,995
Unrestricted	<u>386,990</u>	<u>2,615,066</u>	<u>1,317,987</u>	<u>244,791</u>
Total Net Assets	<u>386,990</u>	<u>5,457,406</u>	<u>3,201,696</u>	<u>999,786</u>
Total Liabilities and Net Assets	<u>\$ 442,876</u>	<u>\$ 5,457,406</u>	<u>\$ 3,201,696</u>	<u>\$ 1,296,321</u>

continued

COUNTY OF NAPA

Combining Statement of Fund Net Assets (continued)
Internal Service Funds
June 30, 2003

ASSETS	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
Current Assets:			
Cash and Investments	\$ 7,334,095	\$ 4,256,842	\$ 16,491,047
Imprest cash	--	--	100
Inventories	--	--	13,377
Accounts receivable	--	--	3,668
Deposits	60,000	50,000	110,000
Total Current Assets	<u>7,394,095</u>	<u>4,306,842</u>	<u>16,618,192</u>
Noncurrent Assets:			
Depreciable:			
Equipment	--	--	10,642,792
Accumulated depreciation	--	--	(5,161,748)
Total Noncurrent Assets	<u>--</u>	<u>--</u>	<u>5,481,044</u>
Total Assets	<u>\$ 7,394,095</u>	<u>\$ 4,306,842</u>	<u>\$ 22,099,236</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 151,495	\$ 6,670	\$ 195,203
Accrued salaries and benefits	--	--	83,692
Liability for unpaid claims	2,936,335	418,747	3,355,082
Liability for compensated absences	--	--	67,375
Total Current Liabilities	<u>3,087,830</u>	<u>425,417</u>	<u>3,701,352</u>
Long-Term Liabilities:			
Liability for unpaid claims	5,665	1,828,253	1,833,918
Liability for compensated absences	--	--	164,316
Total Liabilities	<u>3,093,495</u>	<u>2,253,670</u>	<u>5,699,586</u>
NET ASSETS			
Invested in capital assets, net of related debt	--	--	5,481,044
Unrestricted	4,300,600	2,053,172	10,918,606
Total Net Assets	<u>4,300,600</u>	<u>2,053,172</u>	<u>16,399,650</u>
Total Liabilities and Net Assets	<u>\$ 7,394,095</u>	<u>\$ 4,306,842</u>	<u>\$ 22,099,236</u>

COUNTY OF NAPA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Internal Service Funds For the Year Ended June 30, 2003

	Equipment Pool Service Fund	Equipment Replacement	Vehicle Replacement	Information Technology Services
Operating Revenues:				
Charges for services	\$ 56,640	\$ --	\$ --	\$ 5,848,268
Maintenance Charges:				
Equipment	607,358	--	--	--
Vehicle	594,337	--	--	--
Replacement charges	--	246,969	387,220	--
Other revenue	5,432	--	--	499,450
	<u>1,263,767</u>	<u>246,969</u>	<u>387,220</u>	<u>6,347,718</u>
Operating Expenses:				
Salaries and employee benefits	208,199	--	--	3,794,374
Services and supplies	859,847	--	--	1,793,577
Other charges	--	--	--	--
Claims expense	--	--	--	--
Depreciation and amortization	--	246,969	371,220	194,172
	<u>1,068,046</u>	<u>246,969</u>	<u>371,220</u>	<u>5,782,123</u>
Operating Income (Loss)	<u>195,721</u>	<u>--</u>	<u>16,000</u>	<u>565,595</u>
Non-Operating Revenues (Expenses):				
Interest income	11,498	71,355	40,883	1,173
Gain (loss) on disposition of capital assets	--	(9,835)	30,288	(26,217)
	<u>11,498</u>	<u>61,520</u>	<u>71,171</u>	<u>(25,044)</u>
Net Income Before Transfers	207,219	61,520	87,171	540,551
Transfers in	--	366,012	55,159	--
Transfers out	(102,000)	--	--	--
Change in Net Assets	105,219	427,532	142,330	540,551
Net Assets - Beginning of Year	<u>281,771</u>	<u>5,029,874</u>	<u>3,059,366</u>	<u>459,235</u>
Net Assets - End of Year	<u>\$ 386,990</u>	<u>\$ 5,457,406</u>	<u>\$ 3,201,696</u>	<u>\$ 999,786</u>

continued

COUNTY OF NAPA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (continued) Internal Service Funds For the Year Ended June 30, 2003

	Workers' Compensation	General Liability	Total
Operating Revenues:			
Charges for services	\$ 2,105,742	\$ 983,645	\$ 8,994,295
Maintenance Charges:			
Equipment	--	--	607,358
Vehicle	--	--	594,337
Replacement charges	--	--	634,189
Other revenue	--	--	504,882
Total Operating Revenues	2,105,742	983,645	11,335,061
Operating Expenses:			
Salaries and employee benefits	--	--	4,002,573
Services and supplies	441,204	319,112	3,413,740
Other charges	--	--	--
Claims expense	1,344,116	87,137	1,431,253
Depreciation and amortization	--	--	812,361
Total Operating Expenses	1,785,320	406,249	9,659,927
Operating Income (Loss)	320,422	577,396	1,675,134
Non-Operating Revenues (Expenses):			
Interest income	193,824	143,038	461,771
Gain (loss) on disposition of capital assets	--	--	(5,764)
Total Non-Operating Revenues (Expenses)	193,824	143,038	456,007
Net Income Before Transfers	514,246	720,434	2,131,141
Transfers in	--	--	421,171
Transfers out	(137,500)	(1,853,221)	(2,092,721)
Change in Net Assets	376,746	(1,132,787)	459,591
Net Assets - Beginning of Year	3,923,854	3,185,959	15,940,059
Net Assets - End of Year	\$ 4,300,600	\$ 2,053,172	\$16,399,650

COUNTY OF NAPA

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2003

	<u>Equipment Pool Service Fund</u>	<u>Equipment Replacement</u>	<u>Vehicle Replacement</u>	<u>Information Technology Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from internal services provided	\$ 1,262,520	\$ 246,969	\$ 387,220	\$ 6,347,718
Cash paid to suppliers for goods and services	(863,868)	(29,498)	(20,240)	(1,816,835)
Cash paid to employees for services	<u>(207,868)</u>	<u>--</u>	<u>--</u>	<u>(3,756,895)</u>
Net Cash Provided (Used) by Operating Activities	<u>190,784</u>	<u>217,471</u>	<u>366,980</u>	<u>773,988</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	--	366,012	55,159	--
Transfers out	<u>(102,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(102,000)</u>	<u>366,012</u>	<u>55,159</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds of sales of fixed assets	--	8,220	31,057	--
Payments related to the acquisition of capital assets	<u>--</u>	<u>(412,785)</u>	<u>(515,120)</u>	<u>(384,058)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>(404,565)</u>	<u>(484,063)</u>	<u>(384,058)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>11,498</u>	<u>71,355</u>	<u>40,883</u>	<u>1,173</u>
Net Cash Provided by investing activities	<u>11,498</u>	<u>71,355</u>	<u>40,883</u>	<u>1,173</u>
Net Increase (Decrease) in Cash and Cash Equivalents	100,282	250,273	(21,041)	391,103
Cash and Cash Equivalents, Beginning of Year	<u>325,549</u>	<u>2,364,793</u>	<u>1,339,028</u>	<u>150,223</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 425,831</u></u>	<u><u>\$ 2,615,066</u></u>	<u><u>\$ 1,317,987</u></u>	<u><u>\$ 541,326</u></u>

continued

COUNTY OF NAPA

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2003

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from internal services provided	\$ 2,106,512	\$ 983,645	\$ 11,334,584
Cash paid to suppliers for goods and services	(1,633,931)	(589,019)	(4,953,391)
Cash paid to employees for services	40,181	--	(3,924,582)
	<u>512,762</u>	<u>394,626</u>	<u>2,456,611</u>
Net Cash Provided (Used) by Operating Activities			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	--	--	421,171
Transfers out	(137,500)	(1,853,221)	(2,092,721)
	<u>(137,500)</u>	<u>(1,853,221)</u>	<u>(1,671,550)</u>
Net Cash Provided (Used) by Noncapital Financing Activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds of sales of fixed assets	--	--	39,277
Payments related to the acquisition of capital assets	--	--	(1,311,963)
	<u>--</u>	<u>--</u>	<u>(1,272,686)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	193,824	143,038	461,771
Net Cash Provided by investing activities	<u>193,824</u>	<u>143,038</u>	<u>461,771</u>
Net Increase (Decrease) in Cash and Cash Equivalents	569,086	(1,315,557)	(25,854)
Cash and Cash Equivalents, Beginning of Year	<u>6,765,009</u>	<u>5,572,399</u>	<u>16,517,001</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,334,095</u>	<u>\$ 4,256,842</u>	<u>\$ 16,491,147</u>

continued

COUNTY OF NAPA

Statement of Cash Flows (continued)
 Internal Service Funds
 For the Year Ended June 30, 2003

	<u>Equipment Pool Service Fund</u>	<u>Equipment Replacement</u>	<u>Vehicle Replacement</u>	<u>Information Technology Services</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 195,721	\$ --	\$ 16,000	\$ 565,595
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	--	246,969	371,220	194,172
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(1,247)	--	--	--
Inventory	9,864	--	--	--
Increase (decrease) in:				
Accounts payable	(13,885)	(29,498)	(20,240)	(23,258)
Accrued salaries	652	--	--	15,737
Compensated absences	(321)	--	--	21,742
Liability for self-insurance	--	--	--	--
Net Cash Provided (Used) by Operating Activities	<u>\$ 190,784</u>	<u>\$ 217,471</u>	<u>\$ 366,980</u>	<u>\$ 773,988</u>

continued

COUNTY OF NAPA

Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2003

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 320,422	\$ 577,396	\$ 1,675,134
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	--	--	812,361
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	770	--	(477)
Inventory	--	--	9,864
Increase (decrease) in:			
Accounts payable	151,389	(182,770)	(118,262)
Accrued salaries	40,181	--	56,570
Compensated absences	--	--	21,421
Liability for self-insurance	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 512,762</u>	<u>\$ 394,626</u>	<u>\$ 2,456,611</u>