

COUNTY OF NAPA

AUDIT REPORT

JUNE 30, 2002

COUNTY OF NAPA
AUDIT REPORT
For the Year Ended June 30, 2002

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FINANCIAL SECTION

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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, 2002, 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, 2002, 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.

As described in Note 2, the County adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as of July 1, 2001. In addition, as described in Note 2, the County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, as of July 1, 2000.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated October 24, 2002, 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.

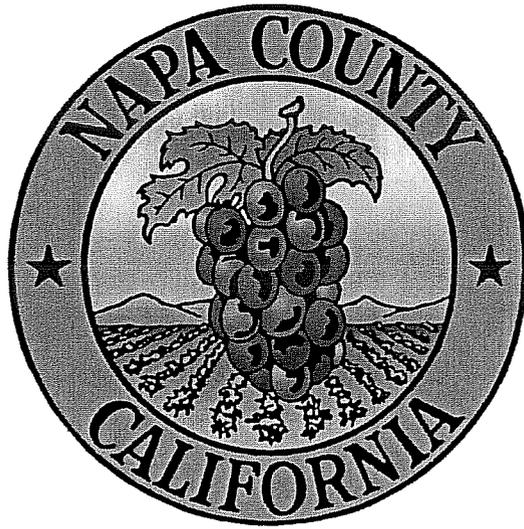
The Management's Discussion and Analysis (MD & A) and the required supplementary information other than MD & A on pages 3 and 56 through 59, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied 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 24, 2002
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 a discussion and analysis of the County's financial performance during the year ended June 30, 2002. 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 2001-2002 fiscal year by \$193,238,957 (*net assets*). Of this amount, \$122,777,104 (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors, and \$70,461,853 is invested in capital assets, net of related debt.
- As of June 30, 2002, the County governmental funds reported combined fund balances of \$118,110,452. Approximately 49% of the combined fund balances, \$58,281,964 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 \$42,563,104, or 31% of total general fund expenditures. This entire amount is budgeted to be spent in the next fiscal year.
- The County's total long-term debt increased by \$1,121,907 in comparison with the prior year. The increase resulted primarily from adjustments to reflect the discounted actuarial values in self-insurance funds, which are completed every two years.

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 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.

Management's Discussion and Analysis (Continued)

The government-wide financial statements can be found on pages 12–14 of this report.

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 15-18 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 19-22 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 23-24 of this report.

Management's Discussion and Analysis (Continued)

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 25-55 of this report.

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 56-59 of this report.

The 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. Combining and individual fund statements and schedules can be found on pages 60-92 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This year is the first period the County applied Governmental Accounting Standards Board (GASB) Statement No. 34. The County has not restated prior periods for purposes of providing the comparative data for the Management's Discussion and Analysis (MD&A), because certain prior-year information is unavailable. However, in future years, when prior-year information is available, a comparative analysis of government-wide data will be presented. 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 \$193,238,957 at the close of the most recent fiscal year.

Statement of Net Assets
June 30, 2002

	Governmental Activities	Business-type Activities	Total
Current and other asset	\$139,398,208	\$ 648,863	\$ 140,047,071
Capital Assets	128,895,246	11,486,607	140,381,853
Total Assets	268,293,454	12,135,470	280,428,924
Current and other liabilities	4,924,658	2,609,095	7,533,753
Long-term liabilities	79,640,018	16,196	79,656,214
Total Liabilities	84,564,676	2,625,291	87,189,967
Net Assets:	---	---	---
Invested in capital assets, net of related debt	58,975,246	11,486,607	70,461,853
Restricted net assets	---	---	---
Unrestricted net assets	124,753,532	(1,976,428)	122,777,104
Total net assets	183,728,778	9,510,179	193,238,957
Total liabilities and net assets	\$268,293,454	\$ 12,135,470	\$280,428,924

The largest portion of the County's net assets (64%) represents *unrestricted net assets* of \$122,777,104, which may be used to meet the County's ongoing obligations to citizens and creditors.

Management's Discussion and Analysis (Continued)

The other significant portion of the County's net assets of (36%) reflects its investment of \$70,461,863 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.

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.

Due to the fiscal year ended June 30, 2002 being the first year of implementation of reporting requirements under GASB 34, there are no comparisons made to the prior fiscal year. Comparisons will be presented in future fiscal years.

The following table indicates the changes in net assets for governmental and business-type activities:

Statement of Activities
For the Year Ended June 30, 2002

	Governmental Activities	Business-type Activities	Total
<i>Revenues:</i>	\$	\$	\$
Program revenues:			
Fees, Fines and Charges for services	20,730,776	2,548,660	23,279,436
Operating grants and contributions	78,530,500	1,367,540	79,898,040
Capital grants and contributions	---	---	---
<i>General revenues:</i>			
Property taxes	41,161,336	---	41,161,336
Sales and use taxes	23,897,615	---	23,897,615
Other taxes	---	55,257	55,257
Unrestricted interest and investment earnings	5,172,876	19,453	5,192,329
Miscellaneous	8,559,674	100,303	8,659,977
Total revenues	\$ 178,052,777	\$ 4,091,213	\$ 82,143,990
<i>Expenses:</i>			
General government	32,049,841	---	32,049,841
Public protection	54,093,413	---	54,093,413
Public ways and facilities	21,127,537	---	21,127,537
Health and sanitation	27,125,790	970,205	28,095,995
Public assistance	28,898,408	---	28,898,408
Education	4,382,122	---	4,382,122
Interest on long-term debt	3,640,446	---	3,640,446
Airports	---	1,251,864	1,251,864
Total expenses	171,317,557	2,222,069	173,539,626
Excess (deficiency) before special items and transfer	---	---	---
Special items (loss on sale of fixed asset)	2,829	---	2,829
Transfers	276,009	(276,009)	0
Change in net assets	7,014,058	1,593,135	8,607,193
Net assets – July 1, 2001	176,714,720	7,917,044	184,631,764
Net assets – June 30, 2002	\$ 183,728,778	\$ 9,510,179	\$ 193,238,957

Management's Discussion and Analysis (Continued)

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, 2002, the County's governmental funds reported combined fund balances of \$118,110,452. The general fund is the chief operating fund of the County. At June 30, 2002, unreserved fund balance of the general fund was \$42,563,104 while total fund balance reached \$68,975,981. 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 25% of the total fund expenditures, while total fund balance represents 50% of that same amount.

The following table presents the amount of revenues from various sources:

Revenues Classified by Source
Governmental Funds
FY 2002

Revenues by Source	Amount	Percentage of Total
Taxes	\$65,058,951	36.7
Licenses and permits	4,324,962	2.4
Use of money and property	4,521,782	2.6
Intergovernmental	78,530,500	44.3
Charges of services	14,495,648	8.2
Fines, forfeitures, and penalties	1,769,219	1.0
Other	8,559,674	4.8
Total	\$177,260,736	100.0

Due to the fiscal year ended June 30, 2002 being the first year of implementation of reporting requirements under GASB 34, there are no comparisons made to the prior fiscal year. Comparisons will be presented in future fiscal years.

Management's Discussion and Analysis (Continued)

The following table presents expenditures by function:

Expenditures By Function Governmental Funds FY 2002

Expenditures by Function	Amount	Percent of Total
General government	\$27,344,053	16.2
Public Protection	53,186,172	31.5
Public ways and facilities	14,814,449	8.7
Health and sanitation	26,976,085	16.0
Public assistance	28,745,839	17.0
Education	4,296,556	2.5
Recreation	---	---
Capital outlay	7,131,845	4.2
Debt service-principal retirement	3,110,000	1.8
Debt-interest charges	3,640,446	2.1
Total	\$169,245,445	100.0

Due to the fiscal year ended June 30, 2002 being the first year of implementation of reporting requirements under GASB 34, there are no comparisons made to the prior fiscal year. Comparisons will be presented in future fiscal years.

Other financing sources and uses are presented below:

Other Financing Sources (Uses) Governmental Funds FY 2002

Proceeds from sale of capital assets	\$ ---
Transfers in	4,870,950
Transfers out	(4,366,301)
Capital lease financing	
Net financing sources (uses)	\$ 504,649

Due to the fiscal year ended June 30, 2002 being the first year of implementation of reporting requirements under GASB 34, there are no comparisons made to the prior fiscal year. Comparisons will be presented in future fiscal years.

Management's Discussion and Analysis (Continued)

The current year excess of revenues and other financing sources over expenditures and other financing uses is presented below:

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds FY 2002

	Major Funds		Non-Major Funds			Total
	General Fund	Flood Control Authority	Special Revenue Fund	Debt Service Fund	Capital Projects Funds	
Revenues	\$147,419,497	\$11,860,002	\$17,290,168	\$227,631	\$463,438	\$177,260,736
Expenditures	138,489,230	8,308,530	17,084,554	4,679,369	683,762	\$169,245,445
Other Financing sources (uses), net	(1,372,470)	---	(173,218)	3,335,424	(1,285,087)	\$504,649
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,557,797	3,551,472	32,396	(1,116,314)	(1,505,411)	\$8,519,940
Fund balances – July 1, 2001, as restated	61,418,184	25,068,780	11,690,156	8,916,570	2,496,822	\$109,590,512
Fund balances – June 30, 2002	\$68,975,981	\$28,620,252	\$11,722,552	\$7,800,256	\$991,411	\$118,110,452

The fund balance of the County's general fund increased by \$7,557,797 during the fiscal year. Part of the increase of \$4,806,341 is due to excess of revenues and other financing sources over expenditures and other financing uses. The additional part \$2,751,456 is due to the first year of implementation of reporting requirements under GASB 34.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The following table shows actual revenues, expenses and results of operations for the current fiscal year:

	Major Funds	Non-Major Funds		Total
	Napa County Airport	Lake Berryessa Resort Improvement	Napa Berryessa Resort Improvement	
Operating revenues	\$1,543,159	\$505,227	\$550,526	\$2,598,912
Operating expenses	1,251,864	480,768	489,437	2,222,069
Operating income (loss)	291,295	24,459	61,089	376,843
Non-operating revenues (expenses), net	1,469,325	27,990	45,238	1,542,553
Net income (loss) before contributions and transfers	1,760,620	52,449	106,327	1,919,396
Transfer in (out)	(276,009)	---	---	(276,009)
Net income (loss)	1,484,611	52,449	106,327	1,643,387

Management's Discussion and Analysis (Continued)

Differences between the original budget and the final amended budget resulted in a \$13,836,306 increase in appropriations and can be briefly summarized as follows:

- Contract and Purchase Order re-encumbrances amounted to \$2,347,436.
- Negotiated salary increases were budgeted at \$3,640,810.
- Health and Human Services Capital Construction appropriation was \$2,038,500.
- 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, 2002, amounted to \$140,381,853 (net of accumulated depreciation). This investment in capital assets includes land and easements, infrastructure, structures and improvements, equipment, and construction in progress.

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.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Capital Assets

	Governmental Activities		Business-type Activities		Total		Percent of Change
	2002	2001 As restated	2002	2001 As restated	2002	2001 As restated	
Infrastructure	\$168,195,657	\$167,148,517			\$168,195,657	\$167,148,517	.6
Land and easements	4,555,707	4,555,707	\$ 747,154	\$ 747,154	5,302,861	5,302,861	---
Structures and improvements	57,240,822	56,150,737	21,608,568	20,576,114	78,849,389	76,726,851	2.8
Equipment	20,721,344	19,505,422	257,201	140,531	20,978,545	19,645,953	6.8
Construction in progress	2,960,406		1,357,522	729,324	4,317,929	729,324	492.0
Total	\$253,673,936	\$247,360,383	\$23,970,445	\$22,193,123	\$277,644,381	\$269,553,506	3.0

Management's Discussion and Analysis (Continued)

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, 2002, the County Governmental Activities total long-term debt outstanding of \$79,640,018 as compared to \$78,518,111 in the prior year. This amount was comprised of \$43,650,000 of Napa County Flood 1999 Series A bonds, \$26,270,000 of certificates of participation, \$5,189,000 in liability for unpaid insurance claims, and \$4,531,018 compensated absence. There were no notes payable. During the year, retirement of certificates of participation amounted to \$3,110,000.

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 3.9% as of November 2002. This is far below the statewide unemployment rate of 6.4%.
- The property tax growth remains solid with anticipated growth of 6% in the fiscal year 2002-2003.
- 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 2003.

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, Room B-10, Napa, CA 94559.

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

COUNTY OF NAPA

Statement of Net Assets June 30, 2002

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Cash and investments	\$ 115,207,769	\$ 1,138,612	\$ 116,346,381
Restricted Assets:			
Cash with fiscal agent	4,446,960	--	4,446,960
Imprest cash	10,550	25	10,575
Other cash	164,333	--	164,333
Receivables, net			
Taxes	5,488,642	--	5,488,642
Special assessments	2,818	85,098	87,916
Accounts	1,940,964	99,439	2,040,403
Due from other government agencies	8,188,179	680,425	8,868,604
Inventory	23,241	--	23,241
Deposits	110,000	--	110,000
Internal balances	3,814,752	(3,814,752)	--
Other receivables	--	2,460,016	2,460,016
Capital Assets:			
Nondepreciable	7,516,113	2,104,676	9,620,789
Depreciable, net	121,379,133	9,381,931	130,761,064
Total Assets	\$ 268,293,454	\$ 12,135,470	\$ 280,428,924
LIABILITIES			
Accounts payable	\$ 3,427,689	\$ 91,028	\$ 3,518,717
Accrued salaries and benefits	1,247,112	5,997	1,253,109
Due to other government agencies	249,857	--	249,857
Deposits with others	--	52,054	52,054
Deferred revenue	--	2,460,016	2,460,016
Long-Term Liabilities:			
Portion due or payable within one year:			
Certificates of participation	2,460,000	--	2,460,000
Compensated absences	496,110	1,773	497,883
Liability for unpaid claims	2,119,804	--	2,119,804
Portion due or payable after one year:			
Bonds payable	43,650,000	--	43,650,000
Certificates of participation	23,810,000	--	23,810,000
Compensated absences	4,034,908	14,423	4,049,331
Liability for unpaid claims	3,069,196	--	3,069,196
Total Liabilities	84,564,676	2,625,291	87,189,967
NET ASSETS			
Invested in capital assets, net of related debt	58,975,246	11,486,607	70,461,853
Unrestricted	124,753,532	(1,976,428)	122,777,104
Total Net Assets	183,728,778	9,510,179	193,238,957
Total Liabilities and Net Assets	\$ 268,293,454	\$ 12,135,470	\$ 280,428,924

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

COUNTY OF NAPA

Statement of Activities For the Year Ended June 30, 2002

Functions/Programs	Program Revenues			
Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:				
Governmental Activities:				
General government	\$ 32,049,841	\$ 5,706,775	\$ 14,541,123	\$ --
Public protection	54,093,413	9,023,197	13,510,898	--
Public ways and facilities	21,127,537	3,154,311	4,253,267	--
Health and sanitation	27,125,790	2,428,350	19,450,550	--
Public assistance	28,898,408	50,091	25,718,217	--
Education	4,382,122	368,052	1,056,445	--
Debt Service:				
Interest	3,640,446	--	--	
Total Governmental Activities	171,317,557	20,730,776	78,530,500	--
Business-Type Activities:				
Airport	1,251,864	1,492,907	1,366,980	--
Lake Berryessa Resort Improvement	480,768	505,227	234	--
Napa Berryessa Public Improvement	489,437	550,526	326	--
Total Business-Type Activities:	2,222,069	2,548,660	1,367,540	--
Total Napa County	\$ 173,539,626	\$ 23,279,436	\$ 79,898,040	\$ --

General Revenues:

 Taxes:

 Property taxes

 Sales and use taxes

 Other

 Unrestricted interest and investment earnings

 Miscellaneous

 Transfers

Total General Revenues, Special Items and Transfers

Change in Net Assets

 Net assets - July 1, 2001

 Net assets - June 30, 2002

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
\$ (11,801,943)		\$ (11,801,943)
(31,559,318)		(31,559,318)
(13,719,959)		(13,719,959)
(5,246,890)		(5,246,890)
(3,130,100)		(3,130,100)
(2,957,625)		(2,957,625)
<u>(3,640,446)</u>		<u>(3,640,446)</u>
<u>(72,056,281)</u>		<u>(72,056,281)</u>
--	\$ 1,608,023	1,608,023
--	24,693	24,693
--	61,415	61,415
--	<u>1,694,131</u>	<u>1,694,131</u>
<u>\$ (72,056,281)</u>	<u>\$ 1,694,131</u>	<u>\$ (70,362,150)</u>
41,161,336	--	41,161,336
23,897,615	--	23,897,615
--	55,257	55,257
5,172,876	19,453	5,192,329
8,562,503	100,303	8,662,806
276,009	(276,009)	--
<u>79,070,339</u>	<u>(100,996)</u>	<u>78,969,343</u>
7,014,058	1,593,135	8,607,193
<u>176,714,720</u>	<u>7,917,044</u>	<u>184,631,764</u>
<u>\$ 183,728,778</u>	<u>\$ 9,510,179</u>	<u>\$ 193,238,957</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, 2002

	General	Napa County Flood Protection and Watershed Improvement Authority	Other Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>				
Cash and investments	\$ 59,716,141	\$ 26,558,330	\$ 12,416,397	\$ 98,690,868
Restricted assets:				
Cash with fiscal agent	--	285,122	4,161,838	4,446,960
Imprest cash	9,700	--	750	10,450
Other cash	164,333	--	--	164,333
Receivable (Net):				
Taxes	3,613,514	1,776,800	98,328	5,488,642
Special assessments	--	--	2,818	2,818
Accounts receivable	1,856,275	--	81,498	1,937,773
Due from other government agencies	7,497,109	--	691,070	8,188,179
Advances due from other funds	--	--	3,764,500	3,764,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 72,857,072</u>	<u>\$ 28,620,252</u>	<u>\$ 21,217,199</u>	<u>\$ 122,694,523</u>
<u>LIABILITIES</u>				
Liabilities:				
Accounts payable	\$ 2,535,073	\$ --	\$ 579,151	\$ 3,114,224
Accrued payroll	1,144,552	--	75,438	1,219,990
Due to other government agencies	201,466	--	48,391	249,857
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>3,881,091</u>	<u>--</u>	<u>702,980</u>	<u>4,584,071</u>
<u>FUND BALANCES</u>				
Reserved for:				
Encumbrances	3,288,365	--	466,884	3,755,249
General	4,568,827	--	2,551,857	7,120,684
Imprest cash	9,700	--	750	10,450
Reserve designation	18,545,985	28,620,252	1,680,653	48,846,890
Equipment	--	--	95,485	95,485
Unreserved, reported in:				
General fund	42,563,104	--	--	42,563,104
Special revenue funds	--	--	6,926,923	6,926,923
Capital projects funds	--	--	991,411	991,411
Debt service funds	--	--	7,800,256	7,800,256
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>68,975,981</u>	<u>28,620,252</u>	<u>20,514,219</u>	<u>118,110,452</u>
Total Liabilities and Fund Balances	<u>\$ 72,857,072</u>	<u>\$ 28,620,252</u>	<u>\$ 21,217,199</u>	<u>\$ 122,694,523</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, 2002

Fund Balance - total governmental funds (page 15)	\$ 118,110,452
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.	123,868,763
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the governmental funds.	--
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:	15,990,311
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	(26,270,000)
Bonds payable	(43,650,000)
Compensated absences	<u>(4,320,748)</u>
Net assets of governmental activities (page 12)	<u>\$ 183,728,778</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, 2002

	General	Napa County Flood Protection and Watershed Improvement Authority	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 46,480,679	\$ 10,694,334	\$ 7,883,938	\$ 65,058,951
Licenses and permits	4,159,957	--	165,005	4,324,962
Fines, forfeits and penalties	821,099	--	948,120	1,769,219
Revenue from use of money and property	2,594,288	1,165,668	761,826	4,521,782
Aid from other governments	72,784,740	--	5,745,760	78,530,500
Charges for services	12,239,375	--	2,256,273	14,495,648
Other	8,339,359	--	220,315	8,559,674
Total Revenues	<u>147,419,497</u>	<u>11,860,002</u>	<u>17,981,237</u>	<u>177,260,736</u>
Expenditures:				
Current:				
General government	27,328,490	--	15,563	27,344,053
Public protection	48,474,221	--	4,711,951	53,186,172
Public ways and facilities	3,865,200	6,237,453	4,711,796	14,814,449
Health and sanitation	26,785,780	--	190,305	26,976,085
Public assistance	28,745,839	--	--	28,745,839
Education	263,301	--	4,033,255	4,296,556
Capital outlay	3,026,399	--	4,105,446	7,131,845
Debt Service:				
Principal	--	--	3,110,000	3,110,000
Interest	--	2,071,077	1,569,369	3,640,446
Total Expenditures	<u>138,489,230</u>	<u>8,308,530</u>	<u>22,447,685</u>	<u>169,245,445</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,930,267</u>	<u>3,551,472</u>	<u>(4,466,448)</u>	<u>8,015,291</u>
Other Financing Sources (Uses):				
Transfers in	1,006,295	--	3,864,655	4,870,950
Transfers out	(2,378,765)	--	(1,987,536)	(4,366,301)
Total Other Financing Sources (Uses)	<u>(1,372,470)</u>	<u>--</u>	<u>1,877,119</u>	<u>504,649</u>
Net change in fund balances	7,557,797	3,551,472	(2,589,329)	8,519,940
Fund Balance - Beginning of Year	39,490,523	25,068,780	23,103,548	87,662,851
Prior period adjustment	21,927,661	--	--	21,927,661
Fund balance - Beginning of Year, restated	<u>61,418,184</u>	<u>25,068,780</u>	<u>23,103,548</u>	<u>109,590,512</u>
Fund balance - ending	<u>\$ 68,975,981</u>	<u>\$ 28,620,252</u>	<u>\$ 20,514,219</u>	<u>\$ 118,110,452</u>

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, 2002

Net change to fund balance - total governmental funds (page 17) \$ 8,519,940

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	6,914,671	
Less: current year depreciation	<u>(8,759,682)</u>	(1,845,011)

Repayment of debt principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the
statement of net assets.

Principal repayments: Certificates of participation		3,110,000
--------------------------------------------------------	--	-----------

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.

Change in compensated absences		(399,619)
--------------------------------	--	-----------

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.		<u>(2,371,252)</u>
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Change in net assets of governmental activities (pages 13-14)		<u>\$ 7,014,058</u>
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The accompanying notes are an integral part of these financial statements.

COUNTY OF NAPA

Statement of Fund Net Assets
 Proprietary Funds
 June 30, 2002

	<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	\$ 615,961	\$ 522,651	\$ 1,138,612	\$ 16,516,901
Imprest cash	25	--	25	100
Inventories	--	--	--	23,241
Accounts receivable	31,027	68,412	99,439	3,191
Assessments receivable	--	85,098	85,098	--
Due from other governments	680,425	--	680,425	--
Deposits	--	--	--	110,000
Total Current Assets	<u>1,327,438</u>	<u>676,161</u>	<u>2,003,599</u>	<u>16,653,433</u>
Noncurrent Assets:				
Long-term note receivable	2,460,016	--	2,460,016	--
Capital Assets:				
Nondepreciable:				
Land	697,702	49,452	747,154	--
Depreciable:				
Structures and improvements	9,599,666	--	9,599,666	--
Buildings and improvements	9,370,284	2,638,618	12,008,902	--
Equipment	124,402	132,798	257,200	9,679,792
Construction in progress	1,357,522	--	1,357,522	--
Accumulated depreciation	<u>(10,629,886)</u>	<u>(1,853,951)</u>	<u>(12,483,837)</u>	<u>(4,653,309)</u>
Total Noncurrent Assets	<u>12,979,706</u>	<u>966,917</u>	<u>13,946,623</u>	<u>5,026,483</u>
Total Assets	<u>\$ 14,307,144</u>	<u>\$ 1,643,078</u>	<u>\$ 15,950,222</u>	<u>\$ 21,679,916</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 69,211	\$ 21,817	\$ 91,028	\$ 313,465
Accrued salaries and benefits	5,997	--	5,997	27,122
Deposits with others	7,246	44,808	52,054	--
Liability for unpaid claims	--	--	--	2,119,804
Liability for compensated absences	<u>1,773</u>	<u>--</u>	<u>1,773</u>	<u>23,025</u>
Total Current Liabilities	<u>84,227</u>	<u>66,625</u>	<u>150,852</u>	<u>2,483,416</u>
Long-Term Liabilities:				
Advances payable	3,764,500	--	3,764,500	--
Deferred revenue	2,460,016	--	2,460,016	--
Liability for unpaid claims	--	--	--	3,069,196
Liability for compensated absences	<u>14,423</u>	<u>--</u>	<u>14,423</u>	<u>187,245</u>
Total Liabilities	<u>6,323,166</u>	<u>66,625</u>	<u>6,389,791</u>	<u>5,739,857</u>
NET ASSETS				
Invested in capital assets, net of related debt	10,519,690	966,917	11,486,607	5,026,483
Unrestricted	<u>(2,535,712)</u>	<u>609,536</u>	<u>(1,926,176)</u>	<u>10,913,576</u>
Total Net Assets	<u>7,983,978</u>	<u>1,576,453</u>	<u>9,560,431</u>	<u>15,940,059</u>
Total Liabilities and Net Assets	<u>\$ 14,307,144</u>	<u>\$ 1,643,078</u>		<u>\$ 21,679,916</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(50,252)</u>	
Net assets of business-type activities (page 12)			<u>\$ 9,510,179</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, 2002

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Napa County Airport	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 1,543,159	\$ 1,055,753	\$ 2,598,912	\$ 7,688,446
Maintenance Charges:				
Equipment	--	--	--	537,708
Vehicle	--	--	--	557,866
Replacement charges	--	--	--	548,251
Other revenue	--	--	--	51,372
Total Operating Revenues	<u>1,543,159</u>	<u>1,055,753</u>	<u>2,598,912</u>	<u>9,383,643</u>
Operating Expenses:				
Salaries and employee benefits	347,353	--	347,353	3,546,640
Services and supplies	237,023	854,620	1,091,643	3,581,714
Maintenance	76,398	--	76,398	--
Insurance	--	5,486	5,486	--
Other charges	--	38,056	38,056	56,628
Claims expense	--	--	--	4,298,980
Depreciation and amortization	591,090	72,043	663,133	755,709
Total Operating Expenses	<u>1,251,864</u>	<u>970,205</u>	<u>2,222,069</u>	<u>12,239,671</u>
Operating Income (Loss)	<u>291,295</u>	<u>85,548</u>	<u>376,843</u>	<u>(2,856,028)</u>
Non-Operating Revenues (Expenses):				
Aid from other governmental units	1,366,980	560	1,367,540	--
Tax revenue	--	55,257	55,257	--
Non-operating revenues	102,345	580	102,925	--
Interest income	--	19,453	19,453	651,094
Interest expense	--	(2,622)	(2,622)	--
Gain on disposition of capital assets	--	--	--	12,070
Total Non-Operating Revenues (Expenses)	<u>1,469,325</u>	<u>73,228</u>	<u>1,542,553</u>	<u>663,164</u>
Net Income Before Transfers	1,760,620	158,776	1,919,396	(2,192,864)
Transfers in	--	--	--	879,655
Transfers out	(276,009)	--	(276,009)	(1,108,295)
Change in Net Assets	1,484,611	158,776	1,643,387	(2,421,504)
Net Assets - Beginning of Year	6,499,367	1,417,677	7,917,044	18,370,448
Prior period adjustment	--	--	--	(8,885)
Net Assets - Beginning of Year, restated	<u>6,499,367</u>	<u>1,417,677</u>	<u>7,917,044</u>	<u>18,361,563</u>
Net Assets - End of Year	<u>\$ 7,983,978</u>	<u>\$ 1,576,453</u>	9,560,431	<u>\$ 15,940,059</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(50,252)	
Change in net assets of business-type activities (pages 13-14)			<u>\$ 9,510,179</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, 2002

	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	\$ 1,543,159	\$ 1,028,908	\$ 2,572,067	\$ --
Cash receipts from internal fund services provided	--	--	--	9,390,349
Cash paid to suppliers for goods and services	(251,107)	(892,484)	(1,143,591)	(4,150,514)
Cash paid to employees for services	(347,023)	--	(347,023)	(3,493,394)
Net Cash Provided (Used) by Operating Activities	945,029	136,424	1,081,453	1,746,441
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Aid from other governmental units	1,080,610	560	1,081,170	--
Transfers in	--	--	--	879,655
Transfers out	(276,009)	--	(276,009)	(1,108,295)
Advances from other funds	(338,875)	--	(338,875)	--
Non-operating revenues	102,345	56,127	158,472	--
Net Cash Provided (Used) by Noncapital Financing Activities	568,071	56,687	624,758	(228,640)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds of sales of fixed assets	--	--	--	38,515
Principal repayments related to capital purposes	--	(60,000)	(60,000)	--
Interest repayments related to capital purposes	--	(2,622)	(2,622)	--
Payments related to the acquisition of capital assets	(1,631,740)	(145,584)	(1,777,324)	(1,744,305)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,631,740)	(208,206)	(1,839,946)	(1,705,790)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	--	19,453	19,453	651,094
Net Cash Provided by investing activities	--	19,453	19,453	651,094
Net Increase (Decrease) in Cash and Cash Equivalents	(118,640)	4,358	(114,282)	463,105
Cash and Cash Equivalents, Beginning of Year	734,626	518,293	1,252,919	16,053,896
Cash and Cash Equivalents, End of Year	\$ 615,986	\$ 522,651	\$ 1,138,637	\$ 16,517,001

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, 2002

	<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>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 291,295	\$ 85,548	\$ 376,843	\$ (2,856,028)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	591,090	72,043	663,133	755,709
Prior period adjustment	--	--	--	9,897
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	108,998	(19,300)	89,698	(3,191)
Assessment receivable	--	(7,545)	(7,545)	--
Inventory	--	--	--	5,652
Increase (decrease) in:				
Accounts payable	62,324	1,021	63,345	(3,600)
Deferred revenue	(108,998)	--	(108,998)	--
Deposits with others	(10)	4,657	4,647	--
Accrued salaries	500	--	500	5,714
Compensated absences	(170)	--	(170)	47,532
Liability for self-insurance	--	--	--	3,784,756
Net Cash Provided (Used) by Operating Activities	<u>\$ 945,029</u>	<u>\$ 136,424</u>	<u>\$ 1,081,453</u>	<u>\$ 1,746,441</u>

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

COUNTY OF NAPA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002

ASSETS	<u>Investment Trust</u>	<u>Agency Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Total</u>
Current Assets:				
Cash and investments	\$ 171,327,441	\$ 28,835,506	\$ 3,663,730	\$ 203,826,677
Taxes receivable	--	6,281,290	--	6,281,290
Loans receivable	--	6,332,375	--	6,332,375
Total Current Assets	<u><u>\$ 171,327,441</u></u>	<u><u>\$ 41,449,171</u></u>	<u><u>\$ 3,663,730</u></u>	<u><u>\$ 216,440,342</u></u>
 LIABILITIES				
Agency funds held for others	\$ --	\$ 41,449,171	\$ --	\$ 41,449,171
Total Liabilities	<u><u>--</u></u>	<u><u>41,449,171</u></u>	<u><u>--</u></u>	<u><u>41,449,171</u></u>
 NET ASSETS				
Net assets held in trust for (reserved for) endowment purpose	--	--	3,663,730	3,663,730
Net assets held in trust for investment pool participants	<u>171,327,441</u>	<u>--</u>	<u>--</u>	<u>171,327,441</u>
Total Net Assets	<u><u>171,327,441</u></u>	<u><u>--</u></u>	<u><u>3,663,730</u></u>	<u><u>174,991,171</u></u>
 Total Liabilities and Net Assets	<u><u>\$ 171,327,441</u></u>	<u><u>\$ 41,449,171</u></u>	<u><u>\$ 3,663,730</u></u>	<u><u>\$ 216,440,342</u></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, 2002

	<u>Investment Trust</u>	<u>Private Purpose Trust Funds</u>
Net assets, beginning	\$ 149,279,595	\$ 5,871,582
Net excess (deficiency) of additions over (under) deductions to net assets	<u>22,047,846</u>	<u>(2,207,852)</u>
Net assets, ending	<u>\$ 171,327,441</u>	<u>\$ 3,663,730</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, 2002

Note 1: The Financial Reporting Entity

A. Financial Report 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.

1. 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 general purpose financial statements:

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

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

A. **Financial Reporting Entity** (continued)

1. 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

2. Excluded – Joint Power Authorities (JPA)

a) 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.

b) 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, 2002

Note 1: The Financial Reporting Entity (continued)

A. Financial Reporting Entity (continued)

2. Excluded – Joint Power Authorities (JPA)

- c) 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 the trust and agency fund group.
- d) 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.
- e) 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.

3. Excluded – Other

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, 2002

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

A. **Financial Reporting Entity** (continued)

3. **Excluded – Other** (continued)

Napa Local Agency Formation Committee: 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. **Implementation of Governmental Accounting Standards Board Statements**

GASB Statements No. 33 and 36

In December 1998 and in April 2000, the Governmental Accounting Standards Board (GASB) issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues – an amendment of GASB Statement No. 33*, respectively. These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources (for example, most taxes, grants, and private donations). The County has adopted these statements for its fiscal year ended June 30, 2002 financial statements as discussed in Note 3.

GASB Statement Nos. 34 and 37

In June 1999 and in June 2001, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments – Omnibus*, respectively. These statements provide for the most significant change in financial reporting in over twenty years and are scheduled for a phased implementation (based on size of government) starting with fiscal years ending 2002. As part of these statements, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.). This requirement permits an optional four-year further delay for implementation to the fiscal year ending 2006 for June 2002 infrastructure assets.

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

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

A. **Implementation of Governmental Accounting Standards Board Statements** (continued)

GASB Statement No. 38

In June 2001, the GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, adds and deletes various note disclosure requirements. Those requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable-rate debt, receivable and payable balances, interfund transfers and balances, and short-term debt.

GASB Interpretation No. 6

In March 2000, the GASB issued Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The County has implemented GASB Statement Nos. 33, 34, 36, 37 and 38 and Interpretation No. 6 and these statements are presented according to those requirements as discussed in Note 3.

B. **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

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

Note 2: Summary of Significant Accounting Policies (continued)

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

Government-Wide Financial Statements (continued)

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.

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.

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

Note 2: Summary of Significant Accounting Policies (continued)

B. **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.

C. **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, 2002

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

C. **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.

D. **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.

E. **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, 2002

Note 2: Summary of Significant Accounting Policies (continued)

F. 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. Reported inventories of governmental funds are equally offset by a fund balance reservation to indicate that portion of fund balance not available for future appropriation.

Inventory recorded in the proprietary funds mainly consists of maintenance supplies. Inventory is expensed as the supplies are consumed.

G. Property Tax Receivable and Revenue

The property taxes receivable balance is \$6,281,290 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, 2002

Note 2: Summary of Significant Accounting Policies (continued)

H. 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

During the year ended June 30, 2002, the County contracted with American Appraisals to value all of its capital assets based on historical value. The appraisal amounts are reflected in the financial statements.

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

I. Compensated Absences

Earned vacation may be accumulated up to a maximum of 536 hours by management personnel, however, such accumulation shall be reduced to the permitted maximum of 416 hours as of the anniversary date of each such employee. 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, 2002

Note 2: Summary of Significant Accounting Policies (continued)

I. **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, 2002 was \$4,531,018. The Napa County Airport recorded an estimated liability of \$16,196 for vacation at June 30, 2002.

J. **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.

K. **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, 2002

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

Implementation of GASB Statements No. 33, 34 and 36

The beginning fund equity of the General Fund and other nonmajor governmental funds has been restated to reflect the cumulative effect of the implementation of GASB Statements No. 33, 34 and 36.

Fund Reclassifications

Fiduciary Funds – During the year ended June 30, 2002, the County evaluated its fiduciary funds and moved funds that did not meet the definition of an agency fund under GASB No. 34 to the general fund.

Expendable Trust Funds – GASB Statement No. 34 eliminated the use of expendable trust funds to account for assets held by the County in a trustee capacity for other governmental units.

Other Restatements

- *General Fund* – A prior period adjustment of \$164,333 was made to reflect the amount of revolving cash funds previously not reported by the County.
- *Equipment Pool Service Fund* – A prior period adjustment of \$9,897 was made to adjust for activity in the prior year.
- *Equipment Replacement* – A prior period adjustment of \$6,963 was made to adjust for activity in the prior year.
- *Vehicle Replacement* – A prior period adjustment of (\$25,745) was made to adjust for activity in the prior year.

Restatement of Equity

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Airport Fund</u>	<u>Expendable Trust Funds</u>
Fund balance/net assets, June 30, 2001, as previously reported	\$ 39,490,523	\$ 23,103,548	\$ 18,370,448	\$ 6,499,367	\$ 5,871,582
Fund Reclassification: Agency Funds	21,763,328	--	--	--	(5,871,582)
Other restatements	164,333	--	(8,885)	--	--
Total Restatements	<u>21,927,661</u>	<u>--</u>	<u>(8,885)</u>	<u>--</u>	<u>(5,871,582)</u>
Fund Balance/net assets July 1, 2001, as restated	<u>\$ 61,418,184</u>	<u>\$ 23,103,548</u>	<u>\$ 18,361,563</u>	<u>\$ 6,499,367</u>	<u>\$ --</u>

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

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.

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

Cash and investments in treasury per financial statements	\$ 320,173,058
Add: outstanding warrants	16,672,223
Reconciling items	<u>239,774</u>
Total Per Treasurer	<u>\$ 337,085,055</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, 2002 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, 2002, the difference between the cost and fair value of cash and investments was not material. Therefore, an adjustment to fair value was not required for GASB 31 compliance.

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

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

Note 4: Cash and Investments (continued)

Deposits (continued)

having a value of 150% of a County's total deposits. The County may waive collateral requirements for deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

At year-end, the carrying amount of the County's cash deposits (including amounts in checking and non-negotiable certificates of deposit) was \$8,429,683 and the bank balance was \$6,985,404. 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, \$403,005 was covered by federal depository insurance and \$6,582,399 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, 2002.

The County's pro-rata share of investment in the State Treasurer's Local Agency Investment Fund (LAIF) at June 30, 2002 is \$29,500,000. The total amount invested by all public agencies in LAIF is \$47.89 billion. Of this amount, 97 percent was invested in non-derivative financial products and 3 percent in derivative financial products. 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:

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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

Credit Risk, Carrying Amount, and Fair Values of Investments

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;

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, 2002.

	<u>Maturity Date</u>	<u>Stated Interest Rates</u>	<u>Carrying Amount</u>	<u>Fair Values</u>	<u>Par Values</u>
Category 1 Investments:					
Commercial Paper	7/1/02 – 7/15/02	1.72 – 1.95%	\$ 6,994,294	\$ 6,992,992	\$ 7,000,000
Federal Agencies	7/2/02 – 6/19/07	1.70 – 7.0%	<u>291,331,064</u>	<u>292,735,033</u>	<u>294,209,000</u>
			298,325,358	299,728,025	301,209,000
Non-Categorized Cash and Investments:					
Local Agency Investment Fund (LAIF)			\$ 29,500,000	\$ 29,564,000	\$ 29,500,000
Local Certificates of Deposit			300,000	300,000	300,000
Local Agency Loan (Teeter Note)			789,555	789,555	789,555
Cash in Bank			8,129,683	8,129,683	8,129,683
Cash on Hand			<u>40,459</u>	<u>40,459</u>	<u>40,459</u>
Total Treasury			<u>\$ 337,085,055</u>	<u>\$ 338,551,722</u>	<u>\$ 339,968,697</u>

The following represents a condensed statement of net assets and changes in net assets for the Treasurer’s investment pool at June 30, 2002:

Statement of Net Assets

Net assets held for pool participants	<u>\$ 320,173,058</u>
Equity of external pool participants	\$ 203,826,677
Equity of internal pool participants	<u>116,346,381</u>
Total Equity	<u>\$ 320,173,058</u>
Net assets at July 1, 2001	\$ 312,837,755
Net investment income	12,603,106
Net contributions and withdrawals	<u>(5,267,803)</u>
Net assets at June 30, 2002	<u>\$ 320,173,058</u>

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

Note 5: **Interfund Transactions**

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2002 are as follows:

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	Napa County Airport	<u>\$ 3,764,500</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:

Transfer from	Transfer to	Amount	Purpose
General Fund	Other Governmental Funds	\$ 1,649,838	Debt service payments
	Internal Service Funds	<u>728,927</u>	To purchase equipment and vehicles
		<u>2,378,765</u>	
Other Governmental Funds	Other Governmental Funds	<u>1,987,536</u>	Debt service payments
Napa County Airport	Other Governmental Funds	227,281	Debt service payments
	Internal Service Funds	<u>48,728</u>	To purchase equipment
		<u>276,009</u>	
Internal Service Funds	General Fund	1,006,295	To purchase equipment; insurance payments
	Internal Service Funds	<u>102,000</u>	To purchase equipment
		<u>1,108,295</u>	
	Totals	<u>\$ 5,750,605</u>	

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

Note 6: Capital Assets

Capital asset activity for the year ended June 30, 2002 was as follows:

	Balance July 1, 2001 (as Restated)	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2002
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 4,555,707	\$ --	\$ --	\$ --	\$ 4,555,707
Construction in progress	--	2,960,406	--	--	2,960,406
Total capital assets, not being depreciated	<u>4,555,707</u>	<u>2,960,406</u>	<u>--</u>	<u>--</u>	<u>7,516,113</u>
Capital assets, being depreciated:					
Infrastructure	167,148,517	1,047,140	--	--	168,195,657
Structures and improvements	56,150,737	1,090,085	--	--	57,240,822
Equipment	19,505,422	3,143,184	(1,924,898)	(2,364)	20,721,344
Total capital assets, being depreciated	<u>242,804,676</u>	<u>5,280,409</u>	<u>(1,924,898)</u>	<u>(2,364)</u>	<u>246,157,823</u>
Less accumulated depreciation for:					
Infrastructure	(91,954,006)	(6,299,237)	--	(6,877)	(98,260,120)
Structures and improvements	(11,882,677)	(1,191,977)	--	--	(13,074,654)
Equipment	(14,100,346)	(1,268,468)	1,924,898	--	(13,443,916)
Total accumulated depreciation	<u>(117,937,029)</u>	<u>(8,759,682)</u>	<u>1,924,898</u>	<u>(6,877)</u>	<u>(124,788,690)</u>
Total capital assets, being depreciated, net	<u>124,867,647</u>	<u>(3,479,273)</u>	<u>--</u>	<u>(9,241)</u>	<u>121,379,133</u>
Government activities capital assets, net	<u>\$ 129,423,354</u>	<u>\$ (518,867)</u>	<u>\$ --</u>	<u>\$ (9,241)</u>	<u>\$ 128,895,246</u>
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 747,154	\$ --	\$ --	\$ --	\$ 747,154
Construction in progress	729,324	1,281,340	--	(653,142)	1,357,522
Total capital assets, not being depreciated	<u>1,476,478</u>	<u>1,281,340</u>	<u>--</u>	<u>(653,142)</u>	<u>2,104,676</u>
Capital assets, being depreciated:					
Structures and improvements	20,576,114	379,312	--	653,142	21,608,568
Equipment	140,531	116,670	--	--	257,201
Total capital assets, being depreciated	<u>20,716,645</u>	<u>495,982</u>	<u>--</u>	<u>653,142</u>	<u>21,865,769</u>
Less accumulated depreciation for:					
Structures and improvements	(11,710,804)	(656,407)	--	--	(12,367,211)
Equipment	(109,901)	(6,726)	--	--	(116,627)
Total accumulated depreciation	<u>(11,820,705)</u>	<u>(663,133)</u>	<u>--</u>	<u>--</u>	<u>(12,483,838)</u>
Total capital assets, being depreciated, net	<u>8,895,940</u>	<u>(167,151)</u>	<u>--</u>	<u>653,142</u>	<u>9,381,931</u>
Business-type activities capital assets, net	<u>\$ 10,372,418</u>	<u>\$ 1,114,189</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 11,486,607</u>

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

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

At July 1, 2001, the County made the following restatements to capital assets:

<i>Governmental activities capital assets</i> as reported in the	
General fixed assets account group – June 30, 2001	\$ 93,783,397
Record infrastructure assets, net of accumulated depreciation of \$91,954,006	75,194,511
Record Internal Service funds assets, net of accumulated depreciation of \$4,280,930	4,063,177
Record accumulated depreciation for structures and improvements and equipment	(21,702,094)
Asset appraisal adjustment	<u>(21,915,637)</u>
Governmental activities capital assets as restated – July 1, 2001	<u>\$ 129,423,354</u>

Depreciation

Depreciation expense was changed to governmental functions as follows:

General government	\$ 1,151,513
Public protection	907,241
Public ways	6,313,088
Health and sanitation	149,705
Public assistance	152,569
Education	<u>85,566</u>
Total Depreciation Expense – Governmental Functions	<u>\$ 8,759,682</u>

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

Airport	\$ 591,090
Lake Berryessa Resort Improvement	35,813
Napa Berryessa Public Improvement	<u>36,230</u>
Total Depreciation Expense – Business-Type Functions	<u>\$ 663,133</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 outstanding advance at June 30, 2002 was \$3,764,500.

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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>
2003	\$ 445,500	\$ 207,404	\$ 652,904
2004	470,500	180,418	650,918
2005	498,500	151,254	649,754
2006	245,000	126,456	371,456
2007	255,000	113,900	368,900
2008-2012	1,505,000	354,856	1,859,856
2013-2017	<u>345,000</u>	<u>22,163</u>	<u>367,163</u>
Total	<u>\$ 3,764,500</u>	<u>\$ 1,156,451</u>	<u>\$ 4,920,951</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, 2002:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance June 30, 2002</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:						
Bonds payable	\$ 43,650,000	\$ --	\$ --	\$ --	\$ 43,650,000	\$ --
Certificates of Participation	29,380,000	--	3,110,000	--	26,270,000	2,460,000
Compensated absences	4,083,867	879,482	--	(432,331)	4,531,018	496,110
Liability for unpaid claims	<u>1,404,244</u>	<u>5,051,827</u>	<u>1,267,071</u>	<u>--</u>	<u>5,189,000</u>	<u>2,119,804</u>
Total Governmental Activities	<u>\$ 78,518,111</u>	<u>\$ 5,931,109</u>	<u>\$ 4,377,071</u>	<u>\$ (432,331)</u>	<u>\$ 79,640,018</u>	<u>\$ 5,075,914</u>
Business-Type Activities:						
Bonds payable	\$ 60,000	\$ --	\$ 60,000	\$ --	\$ --	\$ --
Compensated absences	<u>16,366</u>	<u>--</u>	<u>170</u>	<u>--</u>	<u>16,196</u>	<u>1,773</u>
Total Business-Type Activities	<u>\$ 76,366</u>	<u>\$ --</u>	<u>\$ 60,170</u>	<u>\$ --</u>	<u>\$ 16,196</u>	<u>\$ 1,773</u>

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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

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

As of June 30, 2002, 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
2003	\$ --	\$ 2,071,077	\$ 2,460,000	\$ 1,350,076
2004	2,095,000	2,071,078	2,175,000	1,214,564
2005	2,185,000	1,982,040	2,295,000	1,088,816
2006	2,275,000	1,889,177	1,460,000	988,613
2007	2,375,000	1,792,490	1,540,000	915,063
2008-2012	13,575,000	7,254,465	8,965,000	3,294,417
2013-2017	17,180,000	3,652,000	7,375,000	952,650
2018-2022	3,965,000	198,250	--	--
	<u>\$ 43,650,000</u>	<u>\$ 20,910,577</u>	<u>\$ 26,270,000</u>	<u>\$ 9,804,199</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.

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.

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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

B. Bonds Payable (continued)

The principal balance outstanding at June 30, 2002 was \$43,650,000. Future maturities of the 1999 Series A bonds as of June 30, 2002 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ --	\$ 2,071,077	\$ 2,071,077
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
2008-2012	13,575,000	7,254,465	20,829,465
2013-2017	17,180,000	3,652,000	20,832,000
2018-2022	<u>3,965,000</u>	<u>198,250</u>	<u>4,163,250</u>
Totals	<u>\$ 43,650,000</u>	<u>\$ 20,910,577</u>	<u>\$ 64,560,577</u>

C. Certificates of Participation

Summary of Certificates of Participation

Aggregate maturities of all Certificates of Participation as of June 30, 2002, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 2,460,000	\$ 1,350,076	\$ 3,810,076
2004	2,175,000	1,214,564	3,389,564
2005	2,295,000	1,088,816	3,383,816
2006	1,460,000	988,613	2,448,613
2007	1,540,000	915,063	2,455,063
2008-2012	8,965,000	3,294,417	12,259,417
2013-2017	<u>7,375,000</u>	<u>952,650</u>	<u>8,327,650</u>
Totals	<u>\$ 26,270,000</u>	<u>\$ 9,804,199</u>	<u>\$ 36,074,199</u>

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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, 2002, was \$15,390,000.

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, 2002, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 720,000	\$ 772,676	\$ 1,492,676
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
2008-2012	4,995,000	2,409,379	7,404,379
2013-2017	<u>6,460,000</u>	<u>904,612</u>	<u>7,364,612</u>
Totals	<u>\$ 15,390,000</u>	<u>\$ 6,819,474</u>	<u>\$ 22,209,474</u>

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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 principal balance outstanding at June 30, 2002, was \$8,365,000. 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.

Future maturities of the 1993 Certificate of Participation as of June 30, 2002 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 955,000	\$ 428,825	\$ 1,383,825
2004	590,000	383,463	973,463
2005	615,000	353,962	968,962
2006	640,000	323,212	963,212
2007	680,000	290,412	970,412
2008-2012	3,970,000	885,038	4,855,038
2013-2017	915,000	48,038	963,038
Totals	<u>\$ 8,365,000</u>	<u>\$ 2,712,950</u>	<u>\$ 11,077,950</u>

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

Note 8: Long-Term Debt (continued)

C. Certificates of Participation (continued)

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, 2002 was \$2,515,000. 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.

Future maturities of the 1990 Certificates of Participation as of June 30, 2002 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 785,000	\$ 148,575	\$ 933,575
2004	835,000	91,875	926,875
2005	<u>895,000</u>	<u>31,325</u>	<u>926,325</u>
Totals	<u>\$ 2,515,000</u>	<u>\$ 271,775</u>	<u>\$ 2,786,775</u>

1987 Certificates of Participation

The County entered into a lease agreement during the year ended June 30, 1987, concerning the sale and delivery of Certificates of Participation in the aggregate principal amount of \$7,280,000 at interest rates varying from 5.20 to 7.90 percent. The proceeds of the Certificates were used to build certain additions and improvements to the Hall of Justice. These Certificates were fully repaid in the year ended June 30, 2002.

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

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

D. Napa Berryessa Resort Improvement District Sewer and Water Bonds

On January 1, 1967, the District issued 1967 Improvement Bonds in the amount of \$900,000 at 7.0 percent maturing July 1, 2001. These bonds were fully repaid in the year ended June 30, 2002.

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.

- *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.

As of June 30, 2002, the County had no restrictions to net assets.

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, 2002, 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.

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

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

Fund Balances (continued)

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.
- *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.

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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

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%

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 2001/02, the County of Napa's annual pension cost was \$693,011 and the County actually contributed \$693,011. The required contribution for fiscal year 2001/02 was determined as part of the June 30, 2001 actuarial valuation 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.

COUNTY OF NAPA

Notes to the Basic Financial Statements
For the Year Ended June 30, 2002

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

B. Funding Policy (continued)

Annual Pension Cost (continued)

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>
6/30/00	\$ 914	100%	\$ --
6/30/01	146	100	--
6/30/02	693	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.
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, 122 retirees were in the plan at a cost of \$468,522.

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).

COUNTY OF NAPA

Notes to the Basic Financial Statements For the Year Ended June 30, 2002

Note 12: **Deferred Compensation Plan** (continued)

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: **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, 2002 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, 2002

Note 13: **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:					
1999 – 2000	<u>\$3,410,000</u>	<u>\$ (515,963)</u>	<u>\$ --</u>	<u>\$(594,037)</u>	<u>\$2,300,000</u>
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>
Workers' Compensation:					
1999 – 2000	<u>\$3,080,000</u>	<u>\$ 390,976</u>	<u>\$ --</u>	<u>\$(650,976)</u>	<u>\$2,820,000</u>
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>

⁽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 14: **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, 2002, 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

Required Supplementary Information
For the Year Ended June 30, 2002

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)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/99	\$ 193,834	\$ 256,556	\$ (62,722)	132.36%	\$ 46,638	(134.49)%
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)

Presenting the assets in excess of or unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes. In addition, for the years ended 2001, 2000, and 1999, the County contributions to the system, all made in accordance with actuarially determined requirements, were .27 percent, 1.8 percent, and 8.64 percent, respectively, of annual covered payroll.

COUNTY OF NAPA

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 44,280,328	\$ 44,280,328	\$ 46,480,679	\$ 2,200,351
Licenses and permits	2,053,787	2,053,787	4,159,957	2,106,170
Fines, forfeits and penalties	647,525	647,525	821,099	173,574
Revenue from use of money and property	1,004,358	1,004,358	2,594,288	1,589,930
Aid from other governments	62,477,509	71,782,120	72,784,740	1,002,620
Charges for services	12,095,136	12,220,902	12,239,375	18,473
Miscellaneous revenue	2,960,868	2,909,690	8,339,359	5,429,669
Total revenues	<u>125,519,511</u>	<u>134,898,710</u>	<u>147,419,497</u>	<u>12,520,787</u>
Expenditures:				
Current:				
General government	36,385,774	37,860,919	27,328,490	10,532,429
Public protection	47,770,752	53,292,482	48,474,221	4,818,261
Public way and facilities	3,585,757	3,881,832	3,865,200	16,632
Health and sanitation	27,813,902	30,102,191	26,785,780	3,316,411
Public assistance	25,955,316	29,689,248	28,745,839	943,409
Education	288,103	309,238	263,301	45,937
Capital outlay	--	--	3,026,399	(3,026,399)
Total expenditures	<u>141,799,604</u>	<u>155,135,910</u>	<u>138,489,230</u>	<u>16,646,680</u>
Excess (deficiency) of revenues over expenditures	<u>(16,280,093)</u>	<u>(20,237,200)</u>	<u>8,930,267</u>	<u>29,167,467</u>
Other Financing Sources (Uses):				
Operating transfers in	3,440,000	3,660,479	1,006,295	(2,654,184)
Operating transfers out	(323,908)	(856,433)	(2,378,765)	(1,522,332)
Total Other Financing Sources (Uses)	<u>3,116,092</u>	<u>2,804,046</u>	<u>(1,372,470)</u>	<u>(4,176,516)</u>
Net change in fund balances	(13,164,001)	(17,433,154)	7,557,797	24,990,951
Fund balances, July 1	<u>61,418,184</u>	<u>61,418,184</u>	<u>61,418,184</u>	--
Fund balances, June 30	<u>\$ 48,254,183</u>	<u>\$ 43,985,030</u>	<u>\$ 68,975,981</u>	<u>\$ 24,990,951</u>

COUNTY OF NAPA

Budgetary Comparison Schedule
 Napa County Flood Protection and Watershed Improvement Authority
 For the Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 9,000,000	\$ 9,000,000	\$ 10,694,334	\$ 1,694,334
Revenue from use of money and property	417,400	417,400	1,165,668	748,268
Total revenues	<u>9,417,400</u>	<u>9,417,400</u>	<u>11,860,002</u>	<u>2,442,602</u>
Expenditures:				
Current:				
Public way and facilities	7,928,922	8,428,922	6,237,453	2,191,469
Debt Service:				
Interest	<u>2,071,078</u>	<u>2,071,078</u>	<u>2,071,077</u>	<u>1</u>
Total expenditures	<u>10,000,000</u>	<u>10,500,000</u>	<u>8,308,530</u>	<u>2,191,470</u>
Excess (deficiency) of revenues over expenditures	<u>(582,600)</u>	<u>(1,082,600)</u>	<u>3,551,472</u>	<u>4,634,072</u>
Fund balances, July 1	<u>25,068,780</u>	<u>25,068,780</u>	<u>25,068,780</u>	--
Fund balances, June 30	<u><u>\$ 24,486,180</u></u>	<u><u>\$ 23,986,180</u></u>	<u><u>\$ 28,620,252</u></u>	<u><u>\$ 4,634,072</u></u>

COUNTY OF NAPA

Note to Required Supplementary Information For the Year Ended June 30, 2002

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 Manager's 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 48, 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).

SUPPLEMENTARY INFORMATION

COUNTY OF NAPA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and investments	\$ 11,551,068	\$ 864,863	\$ 466	\$ 12,416,397
Restricted assets:				
Cash with fiscal agent	--	126,548	4,035,290	4,161,838
Imprest cash	750	--	--	750
Receivable (Net):				
Taxes	98,328	--	--	98,328
Special assessments	2,818	--	--	2,818
Accounts receivable	81,498	--	--	81,498
Due from other government agencies	691,070	--	--	691,070
Advances due from other funds	--	--	3,764,500	3,764,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 12,425,532</u>	<u>\$ 991,411</u>	<u>\$ 7,800,256</u>	<u>\$ 21,217,199</u>
<u>LIABILITIES</u>				
Liabilities:				
Accounts payable	\$ 579,151	\$ --	\$ --	\$ 579,151
Accrued payroll	75,438	--	--	75,438
Due to other government agencies	48,391	--	--	48,391
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>702,980</u>	<u>--</u>	<u>--</u>	<u>702,980</u>
<u>FUND BALANCES</u>				
Reserved for:				
Encumbrances	466,884	--	--	466,884
General	2,551,857	--	--	2,551,857
Imprest cash	750	--	--	750
Reserve designation	1,680,653	--	--	1,680,653
Equipment	95,485	--	--	95,485
Unreserved, reported in:				
Special revenue funds	6,926,923	--	--	6,926,923
Capital projects funds	--	991,411	--	991,411
Debt service funds	--	--	7,800,256	7,800,256
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>11,722,552</u>	<u>991,411</u>	<u>7,800,256</u>	<u>20,514,219</u>
Total Liabilities and Fund Balances	<u>\$ 12,425,532</u>	<u>\$ 991,411</u>	<u>\$ 7,800,256</u>	<u>\$ 21,217,199</u>

COUNTY OF NAPA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2002

	Special Revenue	Capital Projects	Debt Service	Total
Revenues:				
Taxes	\$ 7,883,938	\$ --	\$ --	\$ 7,883,938
Licenses and permits	165,005	--	--	165,005
Fines, forfeits and penalties	528,878	419,242	--	948,120
Revenue from use of money and property	487,430	46,765	227,631	761,826
Aid from other governments	5,745,760	--	--	5,745,760
Charges for services	2,256,273	--	--	2,256,273
Other	222,884	(2,569)	--	220,315
Total Revenues	17,290,168	463,438	227,631	17,981,237
Expenditures:				
Current:				
General government	15,563	--	--	15,563
Public protection	4,711,951	--	--	4,711,951
Public ways and facilities	4,711,796	--	--	4,711,796
Health and sanitation	190,305	--	--	190,305
Education	4,033,255	--	--	4,033,255
Capital outlay	3,421,684	683,762	--	4,105,446
Debt Service:				
Principal	--	--	3,110,000	3,110,000
Interest	--	--	1,569,369	1,569,369
Total Expenditures	17,084,554	683,762	4,679,369	22,447,685
Excess (Deficiency) of Revenues Over (Under) Expenditures	205,614	(220,324)	(4,451,738)	(4,466,448)
Other Financing Sources (Uses):				
Transfers in	171,887	178,672	3,514,096	3,864,655
Transfers out	(345,105)	(1,463,759)	(178,672)	(1,987,536)
Total Other Financing Sources (Uses)	(173,218)	(1,285,087)	3,335,424	1,877,119
Net change in fund balances	32,396	(1,505,411)	(1,116,314)	(2,589,329)
Fund Balance - Beginning of Year	11,690,156	2,496,822	8,916,570	23,103,548
Fund balance - ending	\$ 11,722,552	\$ 991,411	\$ 7,800,256	\$ 20,514,219

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, 2002

	<u>Fire Protection</u>	<u>Fire Protection Assessment</u>	<u>Roads</u>	<u>Special Transportation</u>
<u>ASSETS</u>				
Cash and investments	\$ 2,505,655	\$ 133,559	\$ 3,759,584	\$ --
Imprest cash	250	--	--	--
Receivable (Net):				
Taxes	58,245	--	--	--
Special assessments	--	1,160	--	--
Accounts receivable	--	--	81,498	--
Due from other government agencies	<u>316,107</u>	<u>--</u>	<u>374,963</u>	<u>--</u>
 Total Assets	 <u>\$ 2,880,257</u>	 <u>\$ 134,719</u>	 <u>\$ 4,216,045</u>	 <u>\$ --</u>
<u>LIABILITIES</u>				
Liabilities:				
Accounts payable	\$ 345,228	\$ --	\$ 179,297	\$ --
Accrued payroll	--	--	31,748	--
Due to other government agencies	<u>48,391</u>	<u>--</u>	<u>--</u>	<u>--</u>
 Total Liabilities	 <u>393,619</u>	 <u>--</u>	 <u>211,045</u>	 <u>--</u>
<u>FUND BALANCES</u>				
Reserved for:				
Encumbrances	402,994	--	7,834	--
General	--	--	658,990	--
Imprest cash	250	--	--	--
Reserve designation	--	--	--	--
Equipment	--	--	--	--
Unreserved, reported in:				
Special revenue funds	<u>2,083,394</u>	<u>134,719</u>	<u>3,338,176</u>	<u>--</u>
 Total Fund Balances	 <u>2,486,638</u>	 <u>134,719</u>	 <u>4,005,000</u>	 <u>--</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,880,257</u>	 <u>\$ 134,719</u>	 <u>\$ 4,216,045</u>	 <u>\$ --</u>

continued

COUNTY OF NAPA

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2002

	<u>Fish & Game</u>	<u>Aviation</u>	<u>Library</u>	<u>Criminal Justice Facility Construction</u>
<u>ASSETS</u>				
Cash and investments	\$ 77,716	\$ 36,457	\$ 3,442,933	\$ 239,909
Imprest cash	--	--	500	--
Receivable (Net):				
Taxes	--	--	39,915	--
Special assessments	--	--	--	--
Accounts receivable	--	--	--	--
Due from other government agencies	--	--	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 77,716</u>	<u>\$ 36,457</u>	<u>\$ 3,483,348</u>	<u>\$ 239,909</u>
<u>LIABILITIES</u>				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ 47,092	\$ --
Accrued payroll	--	--	43,690	--
Due to other government agencies	--	--	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u> </u>	<u> </u>	<u>90,782</u>	<u> </u>
<u>FUND BALANCES</u>				
Reserved for:				
Encumbrances	--	--	55,475	--
General	14,890	--	884,225	229,721
Imprest cash	--	--	500	--
Reserve designation	--	--	1,653,859	--
Equipment	--	--	76,745	18,740
Unreserved, reported in:				
Special revenue funds	62,826	36,457	721,762	(8,552)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>77,716</u>	<u>36,457</u>	<u>3,392,566</u>	<u>239,909</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 77,716</u>	<u>\$ 36,457</u>	<u>\$ 3,483,348</u>	<u>\$ 239,909</u>

continued

COUNTY OF NAPA

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2002

	<u>Construction Fund Capital Improvements</u>	<u>Various Special Districts Under Board</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 1,048,751	\$ 306,504	\$ 11,551,068
Imprest cash	--	--	750
Receivable (Net):			
Taxes	--	168	98,328
Special assessments	--	1,658	2,818
Accounts receivable	--	--	81,498
Due from other government agencies	--	--	691,070
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 1,048,751</u>	<u>\$ 308,330</u>	<u>\$ 12,425,532</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	\$ 3,588	\$ 3,946	\$ 579,151
Accrued payroll	--	--	75,438
Due to other government agencies	--	--	48,391
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>3,588</u>	<u>3,946</u>	<u>702,980</u>
<u>FUND BALANCES</u>			
Reserved for:			
Encumbrances	--	581	466,884
General	636,617	127,414	2,551,857
Imprest cash	--	--	750
Reserve designation	--	26,794	1,680,653
Equipment	--	--	95,485
Unreserved, reported in:			
Special revenue funds	408,546	149,595	6,926,923
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,045,163</u>	<u>304,384</u>	<u>11,722,552</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 1,048,751</u>	<u>\$ 308,330</u>	<u>\$ 12,425,532</u>

COUNTY OF NAPA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Year Ended June 30, 2002

	Fire Protection	Fire Protection Assessment	Roads	Special Transportation
Revenues:				
Taxes	\$ 4,857,293	\$ --	\$ --	\$ --
Licenses and permits	136,126	--	28,879	--
Fines, forfeits and penalties	--	--	379,875	--
Revenue from use of money and property	114,976	5,339	151,857	(35)
Aid from other governments	482,939	--	4,206,233	--
Charges for services	261,988	828	32,955	26
Other	12,304	--	9,039	--
Total Revenues	<u>5,865,626</u>	<u>6,167</u>	<u>4,808,838</u>	<u>(9)</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	4,446,199	--	--	--
Public ways and facilities	--	--	4,705,916	5,880
Health and sanitation	--	--	--	--
Education	--	--	--	--
Capital outlay	909,257	--	988,859	--
Total Expenditures	<u>5,355,456</u>	<u>--</u>	<u>5,694,775</u>	<u>5,880</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>510,170</u>	<u>6,167</u>	<u>(885,937)</u>	<u>(5,889)</u>
Other Financing Sources (Uses):				
Transfers in	--	--	166,000	5,887
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>166,000</u>	<u>5,887</u>
Net change in fund balances	510,170	6,167	(719,937)	(2)
Fund Balance - Beginning of Year	<u>1,976,468</u>	<u>128,552</u>	<u>4,724,937</u>	<u>2</u>
Fund balance - ending	<u>\$ 2,486,638</u>	<u>\$ 134,719</u>	<u>\$ 4,005,000</u>	<u>\$ --</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, 2002

	Fish & Game	Aviation	Library	Criminal Justice Facility Construction
Revenues:				
Taxes	\$ --	\$ --	\$ 3,011,627	\$ --
Licenses and permits	--	--	--	--
Fines, forfeits and penalties	28,186	--	--	120,817
Revenue from use of money and property	2,186	1,471	133,479	9,924
Aid from other governments	--	--	1,056,445	--
Charges for services	--	--	368,052	--
Other	--	--	141,541	--
Total Revenues	<u>30,372</u>	<u>1,471</u>	<u>4,711,144</u>	<u>130,741</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public protection	--	--	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Education	--	--	4,033,255	--
Capital outlay	--	--	5,414	--
Total Expenditures	<u>--</u>	<u>--</u>	<u>4,038,669</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30,372</u>	<u>1,471</u>	<u>672,475</u>	<u>130,741</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	--
Operating transfers out	--	--	(98,603)	(98,602)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(98,603)</u>	<u>(98,602)</u>
Net change in fund balances	30,372	1,471	573,872	32,139
Fund Balance - Beginning of Year	<u>47,344</u>	<u>34,986</u>	<u>2,818,694</u>	<u>207,770</u>
Fund balance - ending	<u>\$ 77,716</u>	<u>\$ 36,457</u>	<u>\$ 3,392,566</u>	<u>\$ 239,909</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, 2002

	<u>Construction Fund Capital Improvements</u>	<u>Various Special Districts Under Board</u>	<u>Total</u>
Revenues:			
Taxes	\$ --	\$ 15,018	\$ 7,883,938
Licenses and permits	--	--	165,005
Fines, forfeits and penalties	--	--	528,878
Revenue from use of money and property	52,924	15,309	487,430
Aid from other governments	--	143	5,745,760
Charges for services	963,010	629,414	2,256,273
Other	--	60,000	222,884
Total Revenues	<u>1,015,934</u>	<u>719,884</u>	<u>17,290,168</u>
Expenditures:			
Current:			
General government	15,563	--	15,563
Public protection	--	265,752	4,711,951
Public ways and facilities	--	--	4,711,796
Health and sanitation	--	190,305	190,305
Education	--	--	4,033,255
Capital outlay	<u>1,299,646</u>	<u>218,508</u>	<u>3,421,684</u>
Total Expenditures	<u>1,315,209</u>	<u>674,565</u>	<u>17,084,554</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(299,275)</u>	<u>45,319</u>	<u>205,614</u>
Other Financing Sources (Uses):			
Transfers in	--	--	171,887
Operating transfers out	--	(147,900)	(345,105)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(147,900)</u>	<u>(173,218)</u>
Net change in fund balances	(299,275)	(102,581)	32,396
Fund Balance - Beginning of Year	<u>1,344,438</u>	<u>406,965</u>	<u>11,690,156</u>
Fund balance - ending	<u>\$ 1,045,163</u>	<u>\$ 304,384</u>	<u>\$ 11,722,552</u>

COUNTY OF NAPA

Combining Balance Sheet
 Nonmajor Special Districts Under the Board of Supervisors
 June 30, 2002

	<u>County Service Area No. 3</u>	<u>Silverado Community Services</u>	<u>Silverado Maintenance Assessment</u>
<u>ASSETS</u>			
Cash and investments	\$ 129,673	\$ 33,710	\$ --
Receivable (Net):			
Taxes	--	--	--
Special assessments	<u>445</u>	<u>--</u>	<u>1,213</u>
Total Assets	<u><u>\$ 130,118</u></u>	<u><u>\$ 33,710</u></u>	<u><u>\$ 1,213</u></u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	<u>\$ --</u>	<u>\$ 2,333</u>	<u>\$ --</u>
Total Liabilities	<u>--</u>	<u>2,333</u>	<u>--</u>
<u>FUND BALANCES</u>			
Reserved for:			
Encumbrances	--	581	--
General	105,466	6,646	--
Reserve designation	26,127	667	--
Unreserved, reported in:			
Special revenue funds	<u>(1,475)</u>	<u>23,483</u>	<u>1,213</u>
Total Fund Balances	<u>130,118</u>	<u>31,377</u>	<u>1,213</u>
Total Liabilities and Fund Balances	<u><u>\$ 130,118</u></u>	<u><u>\$ 33,710</u></u>	<u><u>\$ 1,213</u></u>

continued

COUNTY OF NAPA

Combining Balance Sheet (continued)
 Nonmajor Special Districts Under the Board of Supervisors
 June 30, 2002

	<u>Monticello Endowment</u>	<u>Monticello Public Cemetery</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 27,047	\$ 116,074	\$ 306,504
Receivable (Net):			
Taxes	168	--	168
Special assessments	<u>--</u>	<u>--</u>	<u>1,658</u>
Total Assets	<u>\$ 27,215</u>	<u>\$ 116,074</u>	<u>\$ 308,330</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	<u>\$ 1,613</u>	<u>\$ --</u>	<u>\$ 3,946</u>
Total Liabilities	<u>1,613</u>	<u>--</u>	<u>3,946</u>
<u>FUND BALANCES</u>			
Reserved for:			
Encumbrances	--	--	581
General	15,302	--	127,414
Reserve designation	--	--	26,794
Unreserved, reported in:			
Special revenue funds	<u>10,300</u>	<u>116,074</u>	<u>149,595</u>
Total Fund Balances	<u>25,602</u>	<u>116,074</u>	<u>304,384</u>
Total Liabilities and Fund Balances	<u>\$ 27,215</u>	<u>\$ 116,074</u>	<u>\$ 308,330</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, 2002

	County Service Area No. 3	Silverado Community Services	Silverado Maintenance Assessment
Revenues:			
Taxes	\$ --	\$ --	\$ --
Revenue from use of money and property	6,281	2,872	437
Aid from other governments	--	--	--
Charges for services	407,228	111,298	110,738
Other	--	60,000	--
Total Revenues	413,509	174,170	111,175
Expenditures:			
Current:			
Public protection	251,604	--	--
Health and sanitation	--	79,007	111,298
Capital outlay	--	218,508	--
Total Expenditures	251,604	297,515	111,298
Excess (Deficiency) of Revenues Over (Under) Expenditures	161,905	(123,345)	(123)
Other Financing Sources (Uses):			
Transfers in	--	--	--
Transfers out	(147,900)	--	--
Total Other Financing Sources (Uses)	(147,900)	--	--
Net change in fund balance	14,005	(123,345)	(123)
Fund Balance - Beginning of Year	116,113	154,722	1,336
Fund balance - ending	\$ 130,118	\$ 31,377	\$ 1,213

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, 2002

	Monticello Endowment	Monticello Public Cemetery	Total
Revenues:			
Taxes	\$ 15,018	\$ --	\$ 15,018
Revenue from use of money and property	1,036	4,683	15,309
Aid from other governments	143	--	143
Charges for services	150	--	629,414
Other	--	--	60,000
Total Revenues	16,347	4,683	719,884
Expenditures:			
Current:			
Public protection	14,148	--	265,752
Health and sanitation	--	--	190,305
Capital outlay	--	--	218,508
Total Expenditures	14,148	--	674,565
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,199	4,683	45,319
Other Financing Sources (Uses):			
Transfers in	--	--	--
Transfers out	--	--	(147,900)
Total Other Financing Sources (Uses)	--	--	(147,900)
Net change in fund balance	2,199	4,683	(102,581)
Fund Balance - Beginning of Year	23,403	111,391	406,965
Fund balance - ending	\$ 25,602	\$ 116,074	\$ 304,384

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 Funds
June 30, 2002**

	<u>Construction Fund</u>	<u>Courthouse Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 336,323	\$ 528,540	\$ 864,863
Restricted assets:			
Cash with fiscal agent	<u>126,548</u>	<u>--</u>	<u>126,548</u>
Total Assets	<u>\$ 462,871</u>	<u>\$ 528,540</u>	<u>\$ 991,411</u>
<u>FUND BALANCES</u>			
Unreserved, reported in:			
Capital projects funds	<u>\$ 462,871</u>	<u>\$ 528,540</u>	<u>\$ 991,411</u>
Total Fund Balances	<u>462,871</u>	<u>528,540</u>	<u>991,411</u>
Total Liabilities and Fund Balances	<u>\$ 462,871</u>	<u>\$ 528,540</u>	<u>\$ 991,411</u>

COUNTY OF NAPA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2002

	<u>Construction Fund</u>	<u>Courthouse Fund</u>	<u>Total</u>
Revenues:			
Fines, forfeits and penalties	\$ --	\$ 419,242	\$ 419,242
Revenue from use of money and property	24,234	22,531	46,765
Other	<u>(2,569)</u>	<u> --</u>	<u>(2,569)</u>
Total Revenues	<u>21,665</u>	<u>441,773</u>	<u>463,438</u>
 Expenditures:			
Capital outlay	<u>331,327</u>	<u>352,435</u>	<u>683,762</u>
Total Expenditures	<u>331,327</u>	<u>352,435</u>	<u>683,762</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(309,662)</u>	<u>89,338</u>	<u>(220,324)</u>
 Other Financing Sources (Uses):			
Transfers in	178,672	--	178,672
Transfers out	<u>(1,357,052)</u>	<u>(106,707)</u>	<u>(1,463,759)</u>
Total Other Financing Sources (Uses)	<u>(1,178,380)</u>	<u>(106,707)</u>	<u>(1,285,087)</u>
 Net change in fund balances	(1,488,042)	(17,369)	(1,505,411)
 Fund Balance - Beginning of Year	<u>1,950,913</u>	<u>545,909</u>	<u>2,496,822</u>
 Fund balance - ending	<u>\$ 462,871</u>	<u>\$ 528,540</u>	<u>\$ 991,411</u>

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, 2002

ASSETS

Cash and investments	\$ 466
Restricted assets:	
Cash with fiscal agent	4,035,290
Advances due from other funds	<u>3,764,500</u>
Total Assets	<u>\$ 7,800,256</u>

FUND BALANCES

Unreserved, reported in:	
Debt service funds	<u>\$ 7,800,256</u>
Total Fund Balances	<u>7,800,256</u>
Total Liabilities and Fund Balances	<u>\$ 7,800,256</u>

COUNTY OF NAPA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Debt Service Fund
For the Year Ended June 30, 2002

Revenues:	
Revenue from use of money and property	\$ 227,631
Total Revenues	<u>227,631</u>
Expenditures:	
Debt Service:	
Principal	3,110,000
Interest	<u>1,569,369</u>
Total Expenditures	<u>4,679,369</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,451,738)</u>
Other Financing Sources (Uses):	
Transfers in	3,514,096
Transfers out	<u>(178,672)</u>
Total Other Financing Sources (Uses)	<u>3,335,424</u>
Net change in fund balances	(1,116,314)
Fund Balance - Beginning of Year	<u>8,916,570</u>
Fund balance - ending	<u>\$ 7,800,256</u>

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, 2002

	Lake Berryessa Resort <u>Improvement</u>	Napa Berryessa Public <u>Improvement</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Investments	\$ 175,732	\$ 346,919	\$ 522,651
Accounts receivable	15,352	53,060	68,412
Assessments receivable	47,843	37,255	85,098
Total Current Assets	<u>238,927</u>	<u>437,234</u>	<u>676,161</u>
Noncurrent Assets:			
Capital Assets:			
Nondepreciable:			
Land	5,050	44,402	49,452
Depreciable:			
Buildings and improvements	1,309,903	1,328,715	2,638,618
Equipment	72,913	59,885	132,798
Accumulated depreciation	<u>(844,174)</u>	<u>(1,009,777)</u>	<u>(1,853,951)</u>
Total Noncurrent Assets	<u>543,692</u>	<u>423,225</u>	<u>966,917</u>
Total Assets	<u><u>\$ 782,619</u></u>	<u><u>\$ 860,459</u></u>	<u><u>\$ 1,643,078</u></u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 5,457	\$ 16,360	\$ 21,817
Deposits with others	18,941	25,867	44,808
Total Current Liabilities	<u>24,398</u>	<u>42,227</u>	<u>66,625</u>
NET ASSETS			
Invested in capital assets, net of related debt	543,692	423,225	966,917
Unrestricted	214,529	395,007	609,536
Total Net Assets	<u>758,221</u>	<u>818,232</u>	<u>1,576,453</u>
Total Liabilities and Net Assets	<u><u>\$ 782,619</u></u>	<u><u>\$ 860,459</u></u>	<u><u>\$ 1,643,078</u></u>

COUNTY OF NAPA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2002

	Lake Berryessa Resort <u>Improvement</u>	Napa Berryessa Public <u>Improvement</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 505,227	\$ 550,526	\$ 1,055,753
 Total Operating Revenues	 <u>505,227</u>	 <u>550,526</u>	 <u>1,055,753</u>
Operating Expenses:			
Services and supplies	404,156	450,464	854,620
Insurance	2,743	2,743	5,486
Other charges	38,056	--	38,056
Depreciation and amortization	<u>35,813</u>	<u>36,230</u>	<u>72,043</u>
 Total Operating Expenses	 <u>480,768</u>	 <u>489,437</u>	 <u>970,205</u>
Operating Income (Loss)	<u>24,459</u>	<u>61,089</u>	<u>85,548</u>
Non-Operating Revenues (Expenses):			
Aid from other governmental units	234	326	560
Tax revenue	20,439	34,818	55,257
Non-operating revenues	--	580	580
Interest income	7,567	11,886	19,453
Interest expense	<u>(250)</u>	<u>(2,372)</u>	<u>(2,622)</u>
 Total Non-Operating Revenues (Expenses)	 <u>27,990</u>	 <u>45,238</u>	 <u>73,228</u>
Change in Net Assets	52,449	106,327	158,776
Net Assets - Beginning of Year	<u>705,772</u>	<u>711,905</u>	<u>1,417,677</u>
Net Assets - End of Year	<u>\$ 758,221</u>	<u>\$ 818,232</u>	<u>\$ 1,576,453</u>

COUNTY OF NAPA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2002

	<u>Lake Berryessa Resort Improvement</u>	<u>Napa Berryessa Public Improvement</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 492,690	\$ 536,508	\$ 1,029,198
Cash paid to suppliers for goods and services	<u>(450,501)</u>	<u>(441,983)</u>	<u>(892,484)</u>
Net Cash Provided (Used) by Operating Activities	<u>42,189</u>	<u>94,525</u>	<u>136,714</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Aid from other governmental units	234	326	560
Non-operating revenues	<u>20,439</u>	<u>35,398</u>	<u>55,837</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>20,673</u>	<u>35,724</u>	<u>56,397</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal repayments related to capital purposes	--	(60,000)	(60,000)
Interest repayments related to capital purposes	(250)	(2,372)	(2,622)
Payments related to the acquisition of capital assets	<u>(112,796)</u>	<u>(32,788)</u>	<u>(145,584)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(113,046)</u>	<u>(95,160)</u>	<u>(208,206)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>7,567</u>	<u>11,886</u>	<u>19,453</u>
Net Cash Provided by investing activities	<u>7,567</u>	<u>11,886</u>	<u>19,453</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(42,617)	46,975	4,358
Cash and Cash Equivalents, Beginning of Year	<u>218,349</u>	<u>299,944</u>	<u>518,293</u>
Cash and Cash Equivalents, End of Year	<u>\$ 175,732</u>	<u>\$ 346,919</u>	<u>\$ 522,651</u>

continued

COUNTY OF NAPA

Statement of Cash Flows (continued)
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2002

	<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)	\$ 24,459	\$ 61,089	\$ 85,548
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	35,813	36,230	72,043
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(4,590)	(14,420)	(19,010)
Assessment receivable	(7,947)	402	(7,545)
Increase (decrease) in:			
Accounts payable	(7,841)	8,862	1,021
Deposits with others	2,295	2,362	4,657
Net Cash Provided (Used) by Operating Activities	<u>\$ 42,189</u>	<u>\$ 94,525</u>	<u>\$ 136,714</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, 2002

	Equipment Pool Service Fund	Equipment Replacement	Vehicle Replacement	Information Technology Services
ASSETS				
Current Assets:				
Cash and Investments	\$ 325,549	\$ 2,364,793	\$ 1,339,028	\$ 150,123
Imprest cash	--	--	--	100
Inventories	23,241	--	--	--
Accounts receivable	2,421	--	--	--
Deposits	--	--	--	--
Total Current Assets	<u>351,211</u>	<u>2,364,793</u>	<u>1,339,028</u>	<u>150,223</u>
Noncurrent Assets:				
Depreciable:				
Equipment	128,406	4,924,721	3,098,055	1,528,610
Accumulated depreciation	(128,406)	(2,230,142)	(1,357,477)	(937,284)
Total Noncurrent Assets	--	<u>2,694,579</u>	<u>1,740,578</u>	<u>591,326</u>
Total Assets	<u><u>\$ 351,211</u></u>	<u><u>\$ 5,059,372</u></u>	<u><u>\$ 3,079,606</u></u>	<u><u>\$ 741,549</u></u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 39,371	\$ 29,498	\$ 20,240	\$ 34,810
Accrued salaries and benefits	3,444	--	--	63,859
Liability for unpaid claims	--	--	--	--
Liability for compensated absences	2,915	--	--	20,110
Total Current Liabilities	<u>45,730</u>	<u>29,498</u>	<u>20,240</u>	<u>118,779</u>
Long-Term Liabilities:				
Liability for unpaid claims	--	--	--	--
Liability for compensated absences	23,710	--	--	163,535
Total Liabilities	<u>69,440</u>	<u>29,498</u>	<u>20,240</u>	<u>282,314</u>
NET ASSETS				
Invested in capital assets, net of related debt	--	2,694,579	1,740,578	591,326
Unrestricted	281,771	2,335,295	1,318,788	(132,091)
Total Net Assets	<u>281,771</u>	<u>5,029,874</u>	<u>3,059,366</u>	<u>459,235</u>
Total Liabilities and Net Assets	<u><u>\$ 351,211</u></u>	<u><u>\$ 5,059,372</u></u>	<u><u>\$ 3,079,606</u></u>	<u><u>\$ 741,549</u></u>

continued

COUNTY OF NAPA

Combining Statement of Fund Net Assets (continued)
Internal Service Funds
June 30, 2002

ASSETS	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
Current Assets:			
Cash and Investments	\$ 6,765,009	\$ 5,572,399	\$ 16,516,901
Imprest cash	--	--	100
Inventories	--	--	23,241
Accounts receivable	770	--	3,191
Deposits	60,000	50,000	110,000
Total Current Assets	<u>6,825,779</u>	<u>5,622,399</u>	<u>16,653,433</u>
Noncurrent Assets:			
Depreciable:			
Equipment	--	--	9,679,792
Accumulated depreciation	--	--	(4,653,309)
Total Noncurrent Assets	<u>--</u>	<u>--</u>	<u>5,026,483</u>
Total Assets	<u>\$ 6,825,779</u>	<u>\$ 5,622,399</u>	<u>\$ 21,679,916</u>
 LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 106	\$ 189,440	\$ 313,465
Accrued salaries and benefits	(40,181)	--	27,122
Liability for unpaid claims	1,585,522	534,282	2,119,804
Liability for compensated absences	--	--	23,025
Total Current Liabilities	<u>1,545,447</u>	<u>723,722</u>	<u>2,483,416</u>
Long-Term Liabilities:			
Liability for unpaid claims	1,356,478	1,712,718	3,069,196
Liability for compensated absences	--	--	187,245
Total Liabilities	<u>2,901,925</u>	<u>2,436,440</u>	<u>5,739,857</u>
 NET ASSETS			
Invested in capital assets, net of related debt	--	--	5,026,483
Unrestricted	3,923,854	3,185,959	10,913,576
Total Net Assets	<u>3,923,854</u>	<u>3,185,959</u>	<u>15,940,059</u>
Total Liabilities and Net Assets	<u>\$ 6,825,779</u>	<u>\$ 5,622,399</u>	<u>\$ 21,679,916</u>

COUNTY OF NAPA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2002

	Equipment Pool Service Fund	Equipment Replacement	Vehicle Replacement	Information Technology Services
Operating Revenues:				
Charges for services	\$ 35,230	\$ --	\$ --	\$ 4,763,574
Maintenance Charges:				
Equipment	537,708	--	--	--
Vehicle	557,866	--	--	--
Replacement charges	--	217,952	330,299	--
Other revenue	3,262	--	16,626	24,226
Total Operating Revenues	<u>1,134,066</u>	<u>217,952</u>	<u>346,925</u>	<u>4,787,800</u>
Operating Expenses:				
Salaries and employee benefits	200,193	--	--	3,346,447
Services and supplies	720,660	433	1,931	1,500,240
Other charges	21,831	--	--	34,797
Claims expense	--	--	--	--
Depreciation and amortization	11,583	217,952	330,299	195,875
Total Operating Expenses	<u>954,267</u>	<u>218,385</u>	<u>332,230</u>	<u>5,077,359</u>
Operating Income (Loss)	<u>179,799</u>	<u>(433)</u>	<u>14,695</u>	<u>(289,559)</u>
Non-Operating Revenues (Expenses):				
Interest income	10,498	93,789	55,013	--
Gain on disposition of capital assets	320	2,068	9,682	--
Total Non-Operating Revenues (Expenses)	<u>10,818</u>	<u>95,857</u>	<u>64,695</u>	<u>--</u>
Net Income Before Transfers	190,617	95,424	79,390	(289,559)
Transfers in	--	371,207	226,215	282,233
Transfers out	(102,000)	--	--	--
Change in Net Assets	88,617	466,631	305,605	(7,326)
Net Assets - Beginning of Year	183,257	4,556,280	2,779,506	466,561
Prior period adjustment	9,897	6,963	(25,745)	--
Net Assets - Beginning of Year, restated	<u>193,154</u>	<u>4,563,243</u>	<u>2,753,761</u>	<u>466,561</u>
Net Assets - End of Year	<u>\$ 281,771</u>	<u>\$ 5,029,874</u>	<u>\$ 3,059,366</u>	<u>\$ 459,235</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, 2002

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 1,889,116	\$ 1,000,526	\$ 7,688,446
Maintenance Charges:			
Equipment	--	--	537,708
Vehicle	--	--	557,866
Replacement charges	--	--	548,251
Other revenue	2,728	4,530	51,372
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	1,891,844	1,005,056	9,383,643
Operating Expenses:			
Salaries and employee benefits	--	--	3,546,640
Services and supplies	687,002	671,448	3,581,714
Other charges	--	--	56,628
Claims expense	2,409,774	1,889,206	4,298,980
Depreciation and amortization	--	--	755,709
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	3,096,776	2,560,654	12,239,671
Operating Income (Loss)	<hr/>	<hr/>	<hr/>
	(1,204,932)	(1,555,598)	(2,856,028)
Non-Operating Revenues (Expenses):			
Interest income	250,211	241,583	651,094
Loss on disposition of capital assets	--	--	12,070
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	250,211	241,583	663,164
Net Income Before Transfers	<hr/>	<hr/>	<hr/>
	(954,721)	(1,314,015)	(2,192,864)
Transfers in	--	--	879,655
Transfers out	(401,424)	(604,871)	(1,108,295)
	<hr/>	<hr/>	<hr/>
Change in Net Assets	(1,356,145)	(1,918,886)	(2,421,504)
Net Assets - Beginning of Year	5,279,999	5,104,845	18,370,448
Prior period adjustment	--	--	(8,885)
Net Assets - Beginning of Year, restated	<hr/>	<hr/>	<hr/>
	5,279,999	5,104,845	18,361,563
Net Assets - End of Year	<hr/>	<hr/>	<hr/>
	\$ 3,923,854	\$ 3,185,959	\$15,940,059

COUNTY OF NAPA

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2002

	<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	\$ 1,141,542	\$ 217,952	\$ 346,925	\$ 4,787,800
Cash paid to suppliers for goods and services	(737,660)	29,065	(1,931)	(1,528,348)
Cash paid to employees for services	<u>(196,387)</u>	<u>--</u>	<u>--</u>	<u>(3,288,100)</u>
Net Cash Provided (Used) by Operating Activities	<u>207,495</u>	<u>247,017</u>	<u>344,994</u>	<u>(28,648)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	--	371,207	226,215	282,233
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>371,207</u>	<u>226,215</u>	<u>282,233</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds of sales of fixed assets	320	17,865	20,330	--
Payments related to the acquisition of capital assets	<u>--</u>	<u>(726,728)</u>	<u>(808,171)</u>	<u>(209,406)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>320</u>	<u>(708,863)</u>	<u>(787,841)</u>	<u>(209,406)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>10,498</u>	<u>93,789</u>	<u>55,013</u>	<u>--</u>
Net Cash Provided by investing activities	<u>10,498</u>	<u>93,789</u>	<u>55,013</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	116,313	3,150	(161,619)	44,179
Cash and Cash Equivalents, Beginning of Year	<u>209,236</u>	<u>2,361,643</u>	<u>1,500,647</u>	<u>106,044</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 325,549</u></u>	<u><u>\$ 2,364,793</u></u>	<u><u>\$ 1,339,028</u></u>	<u><u>\$ 150,223</u></u>

continued

COUNTY OF NAPA

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2002

	Workers' Compensation	General Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from internal services provided	\$ 1,891,074	\$ 1,005,056	\$ 9,390,349
Cash paid to suppliers for goods and services	(1,106,889)	(804,751)	(4,150,514)
Cash paid to employees for services	(8,907)	--	(3,493,394)
	<u>775,278</u>	<u>200,305</u>	<u>1,746,441</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers in	--	--	879,655
Operating transfers out	(401,424)	(604,871)	(1,108,295)
	<u>(401,424)</u>	<u>(604,871)</u>	<u>(228,640)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds of sales of fixed assets	--	--	38,515
Payments related to the acquisition of capital assets	--	--	(1,744,305)
	<u>--</u>	<u>--</u>	<u>(1,705,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	250,211	241,583	651,094
Net Cash Provided by investing activities	<u>250,211</u>	<u>241,583</u>	<u>651,094</u>
Net Increase (Decrease) in Cash and Cash Equivalents	624,065	(162,983)	463,105
Cash and Cash Equivalents, Beginning of Year	<u>6,140,944</u>	<u>5,735,382</u>	<u>16,053,896</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,765,009</u>	<u>\$ 5,572,399</u>	<u>\$ 16,517,001</u>

continued

COUNTY OF NAPA

Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2002

	<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)	\$ 179,799	\$ (433)	\$ 14,695	\$ (289,559)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	11,583	217,952	330,299	195,875
Prior period adjustment	9,897	--	--	--
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(2,421)	--	--	--
Inventory	5,652	--	--	--
Increase (decrease) in:				
Accounts payable	(821)	29,498	--	6,689
Accrued salaries	227	--	--	14,394
Compensated absences	3,579	--	--	43,953
Liability for self-insurance	--	--	--	--
Net Cash Provided (Used) by Operating Activities	<u>\$ 207,495</u>	<u>\$ 247,017</u>	<u>\$ 344,994</u>	<u>\$ (28,648)</u>

continued

COUNTY OF NAPA

Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2002

	Workers' Compensation	General Liability	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,204,932)	\$ (1,555,598)	\$ (2,856,028)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	--	--	755,709
Prior period adjustment	--	--	9,897
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(770)	--	(3,191)
Inventory	--	--	5,652
Increase (decrease) in:			
Accounts payable	(53,851)	14,885	(3,600)
Accrued salaries	(8,907)	--	5,714
Compensated absences	--	--	47,532
Liability for self-insurance	2,043,738	1,741,018	3,784,756
	<u>\$ 775,278</u>	<u>\$ 200,305</u>	<u>\$ 1,746,441</u>
Net Cash Provided (Used) by Operating Activities			