

NAPA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Napa, California)

COMPONENT UNIT
FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2011

NAPA COUNTY HOUSING AUTHORITY

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the
Board of Directors
Napa County Housing Authority
Napa, California

We have audited the accompanying financial statements of Napa County Housing Authority (Authority), a component unit of the County of Napa, California, as of and for the fiscal year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 *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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial position of the Authority as of June 30, 2011, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This 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.

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

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gallina LLP

Roseville, California
October 13, 2011

NAPA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011

This section of the Napa County Housing Authority's (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the Authority's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The Authority began operations of three farm worker centers at the very end of fiscal year 2006-2007, with the fourth full year of operations occurring in fiscal year 2010-2011.
- Napa Valley Housing Authority transferred ownership of the three facilities located throughout the county to Napa County Housing Authority in April of 2008.
- The Authority used \$410,913 of collected assessments and \$551,424 of collected rental income to offset costs during the year.
- The Authority was a recipient of a grant for \$100,000 from the Napa Valley Vintners and Auction Napa Valley to offset operational costs for the centers.
- The Authority established appropriate operating and maintenance reserves for each center pursuant to the Joe Serna, Jr. Farm Worker Housing Grant Program requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) **Government-wide** financial statements, and 2) **Notes** to the basic financial statements. Fund financial statements are not included in the basic financial statements because all activities of the Authority are accounted for within a single enterprise fund. Enterprise funds are accounted for using the accrual method of accounting in both the Government-wide and Fund financial statements.

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

The *statement of net assets* presents information on all Authority 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 Authority is improving or deteriorating.

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

NAPA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011

Both of these government-wide financial statements distinguish functions of the Authority that are principally supported by user fees and charges (*business-type activities*). There are no component units to be included in the Authority's basic financial statements.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets As of June 30,

	<u>2011</u>	<u>2010</u>	<u>Variance</u>
Current assets	\$ 544,707	\$ 481,129	\$ 63,578
Noncurrent assets	4,733,595	4,795,856	(62,261)
Total assets	<u>5,278,302</u>	<u>5,276,985</u>	<u>1,317</u>
Current liabilities	79,006	49,108	29,898
Total liabilities	<u>79,006</u>	<u>49,108</u>	<u>29,898</u>
Net assets:			
Invested in capital assets, net of related debt	4,733,595	4,795,856	(62,261)
Restricted	465,701	432,021	33,680
Total net assets	<u>\$ 5,199,296</u>	<u>\$ 5,227,877</u>	<u>\$ (28,581)</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$5,199,296 at the close of the most recent fiscal year. The primary components of the Authority's assets include the value of the three farm worker center buildings and associated land, and cash for equipment replacement and operating reserves as required by the Joe Serna grant.

NAPA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011

Changes in Net Assets

A summary of the Authority's Statement of Activities, recapping the Authority's revenues earned during the fiscal year ended June 30, 2011, and the expenses incurred are as follows:

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

	2011	2010	Variance
Operating Revenue	\$ 969,584	\$ 890,865	\$ 78,719
Operating Expenses	<u>1,249,285</u>	<u>1,164,245</u>	<u>85,040</u>
Net Income (Loss) from Operations	(279,701)	(273,380)	(6,321)
Nonoperating Revenue	<u>251,120</u>	<u>240,225</u>	<u>10,895</u>
Change in Net Assets	(28,581)	(33,155)	4,574
Net Assets - Beginning of Year	<u>5,227,877</u>	<u>5,261,032</u>	<u>(33,155)</u>
Net Assets - End of Year	<u>\$ 5,199,296</u>	<u>\$ 5,227,877</u>	<u>\$ (28,581)</u>

CAPITAL ASSETS

As of June 30, 2011, capital assets consist of three farm worker centers consisting of both structures and land, as well as a water heater purchased in FY 2007-2008.

DEBT ADMINISTRATION

As of June 30, 2011, the Authority has no long-term debt.

ECONOMIC FACTORS

The Authority's fiscal year 2010-2011 operating expenses are \$1,249,285, an increase from \$1,164,245 in fiscal year 2009-2010 of \$85,040, or a 7.3% increase. The primary factors for this increase include the following: 1) keeping the centers open an additional 7,063 bed nights to accommodate a late harvest and greater demand, 2) higher food costs per bed night due to a downturn in the economy, and 3) more expenditures on maintenance and repair items to the facilities over the prior year. The Authority's revenues increased approximately 8% from the prior year due to increased rental revenues from increased annual occupancy rates with the centers opened for additional bed nights.

NAPA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

REQUESTS FOR INFORMATION

This financial report is designed to provide the Board, our taxpayers, customers, investors and creditors with a general overview of the Authority's accountability for the assets it receives and manages. The County of Napa provides certain management and administrative functions, including all financial management and accounting.

If you have any questions about this report or need additional financial information, please contact the Auditor-Controller's Office, County of Napa, located at 1195 Third Street, Suite B-10, Napa, California 94559.

NAPA COUNTY HOUSING AUTHORITY

Statement of Net Assets

June 30, 2011

ASSETS

Current Assets:

Cash in county treasury	\$ 516,958
Accounts receivable	27,749
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Total Current Assets	544,707
	<hr/>

Noncurrent Assets:

Capital assets, nondepreciable	2,700,000
Capital assets, depreciable, net	2,033,595
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Total Noncurrent Assets	4,733,595
	<hr/>

Total Assets	\$ 5,278,302
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LIABILITIES

Current Liabilities:

Accounts payable	\$ 75,977
Deposits - prepaid rent	3,029
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Total Liabilities	79,006
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NET ASSETS

Invested in capital assets, net of related debt	4,733,595
Restricted	465,701
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Total Net Assets	5,199,296
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Total Liabilities and Net Assets	\$ 5,278,302
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The accompanying notes are an integral part of these financial statements.

NAPA COUNTY HOUSING AUTHORITY

Statement of Revenues, Expenses and Changes in Net Assets For the Fiscal Year Ended June 30, 2011

OPERATING REVENUES

Rental income	\$	551,424
Special assessments		410,913
Other income		7,247
Total Operating Revenues		<u>969,584</u>

OPERATING EXPENSES

Professional services:		
Maintenance and operations contract		838,750
Legal services		12,688
Accounting and auditing services		67,446
Administration services		54,500
Other		5,446
Utilities		169,477
Building maintenance		38,718
Depreciation		62,260
Total Operating Expenses		<u>1,249,285</u>
Operating Loss		<u>(279,701)</u>

NONOPERATING REVENUES

Interest		3,397
Donations		100,000
Contributions from County of Napa		117,723
Contributions from local agencies		30,000
Total Nonoperating Revenues		<u>251,120</u>
Change in Net Assets		(28,581)
Net Assets - Beginning of Year		<u>5,227,877</u>
Net Assets - End of Year	\$	<u><u>5,199,296</u></u>

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

NAPA COUNTY HOUSING AUTHORITY

Statement of Cash Flows For the Fiscal Year Ended June 30, 2011

Cash Flows from Operating Activities:

Cash received from renters	\$ 548,481
Cash received from property tax assessments	410,913
Cash paid for goods and services	(983,294)
Cash paid for administrative purposes	(134,634)
Cash paid for farm center maintenance	<u>(38,718)</u>

Net cash provided (used) by operating activities (197,252)

Cash Flows from Noncapital Financing Activities:

Noncapital contributions	<u>247,723</u>
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Net cash provided (used) by noncapital
financing activities 247,723

Cash flows from Investing Activities:

Interest payments received	<u>3,397</u>
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Net cash provided (used) by investing activities 3,397

Net Increase (Decrease) in Cash and Cash Equivalents 53,868

Cash and Cash Equivalents - Beginning of Year 463,090

Cash and Cash Equivalents - End of Year \$ 516,958

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

continued

NAPA COUNTY HOUSING AUTHORITY

Statement of Cash Flows (continued)
For the Fiscal Year Ended June 30, 2011

**Reconciliation of Operating Income (Loss)
to Net Cash Provided (Used) by
Operating Activities:**

Operating income (loss)	\$ (279,701)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	62,260
Changes in operating assets and liabilities:	
Accounts receivable	(9,710)
Accounts payable	30,379
Deposits	(480)
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Net cash provided (used) by operating activities	\$ (197,252)
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The accompanying notes are an integral part of these financial statements.

NAPA COUNTY HOUSING AUTHORITY

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1: **Summary of Significant Accounting Policies**

The financial statements of the Napa County Housing Authority (Authority) are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Reporting Entity

The role of the Napa County Housing Authority is to provide safe and sanitary dwelling conditions for low income people. The Authority funds operations, maintenance and capital improvements for the Napa County's farm worker housing system which currently includes three (3) centers – one in the Yountville area, one near St. Helena and one near Calistoga – with a collective capacity of 180 beds. The purpose of these centers is to house and feed farm workers that are not permanent local residents. The Authority is partially funded through a special, self-imposed, assessment on producing vineyard land. The Authority also receives funding through the collection of fees from the lodgers at each of the centers.

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

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

NAPA COUNTY HOUSING AUTHORITY

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation and Accounting

The accompanying financial statements of the Authority are prepared on the accrual basis method of accounting in accordance with generally accepted accounting principles as applicable to governmental units.

All activities of the Authority are accounted for within a single enterprise fund. Enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (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.

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.

Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. In accordance with GASB No. 33, *Accounting and Reporting for Nonexchange Transactions*, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and resources are available. Revenues from sales tax are recognized when the underlying transactions take place and the resources are available. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied and the resources are available.

C. Cash and Investments

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

NAPA COUNTY HOUSING AUTHORITY

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1: **Summary of Significant Accounting Policies** (continued)

D. Cash and Cash Equivalents

The Authority considers all cash held in the Napa County Treasury to be cash and cash equivalents for purposes of the statement of cash flows.

E. Receivables

Receivables consist of fees charged at the farm worker centers. The Authority believes its receivables to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

F. 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 dormitory-style farm worker centers, land, and related equipment. The Authority 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. 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 Authority chooses not to record any depreciation during the year of acquisition.

The estimated useful lives are as follows:

Structures and improvements	20 to 50 years
Land improvements	20 years
Equipment	3 to 15 years

G. Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds

NAPA COUNTY HOUSING AUTHORITY

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1: **Summary of Significant Accounting Policies** (continued)

G. **Net Assets** (continued)

or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Restricted net assets of the authority are imposed by the Joe Serna, Jr. Farm Worker Housing Grant Program and the Napa County Affordable Housing Program. Unrestricted net assets consist of all other net assets not included in the above categories.

The Authority first utilizes restricted resources to finance qualifying activities, then unrestricted resources, as needed.

H. **Use of Estimates**

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

Note 2: **Cash and Investments**

The Authority holds its cash and investments as follows:

The Authority holds unrestricted cash in the Napa County Treasury which maintains a Cash and Investments pool. The fair value of investments in the pool is determined monthly based upon quoted market prices. Required disclosures for the Authority's deposit and investment risks at June 30, 2011, were as follows:

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

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

NAPA COUNTY HOUSING AUTHORITY

Notes to Financial Statements For the Fiscal Year Ended June 30, 2011

Note 3: **Capital Assets**

Capital assets activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Capital Assets, not being depreciated:				
Land	\$2,700,000	\$ --	\$ --	\$ 2,700,000
Total capital assets, not being depreciated	<u>2,700,000</u>	<u>--</u>	<u>--</u>	<u>2,700,000</u>
Capital assets, being depreciated:				
Structures and improvements	1,615,001	--	--	1,615,001
Land improvements	595,000	--	--	595,000
Equipment	10,367	--	--	10,367
Total capital assets, being depreciated	<u>2,220,368</u>	<u>--</u>	<u>--</u>	<u>2,220,368</u>
Less accumulated depreciation for:				
Structures and improvements	(64,600)	(32,302)	--	(96,902)
Land improvements	(59,500)	(29,752)	--	(89,252)
Equipment	(413)	(206)	--	(619)
Total accumulated depreciation	<u>(124,513)</u>	<u>(62,260)</u>	<u>--</u>	<u>(186,773)</u>
Total capital assets, being depreciated, net	<u>2,095,855</u>	<u>(62,260)</u>	<u>--</u>	<u>2,033,595</u>
Total capital assets, net	<u><u>\$4,795,855</u></u>	<u><u>\$ (62,260)</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 4,733,595</u></u>

Note 4: **Related Party Transactions**

During the fiscal year ended June 30, 2011, the Authority paid the County of Napa, a related party, \$122,034 for administrative, legal and accounting services.

Note 5: **Risk Management**

The Authority is exposed to various risks of loss related to general liability. The Authority is covered from risk of loss by its participation in the CSAC Excess Insurance Authority (EIA) risk pool. Information about coverage can be found in the County's basic financial statements.

SUPPLEMENTARY INFORMATION

NAPA COUNTY HOUSING AUTHORITY

Statement of Net Assets by Cost Center June 30, 2011

	<u>Administration</u>	<u>Calistoga</u>	<u>River Ranch</u>	<u>Mondavi</u>	<u>Total</u>
<u>ASSETS</u>					
Current Assets:					
Cash in county treasury	\$ --	\$ 216,366	\$ 155,476	\$ 145,116	\$ 516,958
Accounts receivable	--	8,582	13,784	5,383	27,749
Total Current Assets	--	224,948	169,260	150,499	544,707
Noncurrent Assets:					
Capital assets, nondepreciable	--	400,000	1,600,000	700,000	2,700,000
Capital assets, depreciable, net	--	685,900	755,900	591,795	2,033,595
Total Assets	<u>\$ --</u>	<u>\$ 1,310,848</u>	<u>\$ 2,525,160</u>	<u>\$ 1,442,294</u>	<u>\$ 5,278,302</u>
<u>LIABILITIES</u>					
Current Liabilities:					
Accounts payable	\$ --	\$ 27,591	\$ 23,728	\$ 24,658	\$ 75,977
Deposits - prepaid rent	--	1,656	532	841	3,029
Total Current Liabilities	--	29,247	24,260	25,499	79,006
Total Liabilities	--	29,247	24,260	25,499	79,006
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	--	1,085,900	2,355,900	1,291,795	4,733,595
Restricted:					
Operating reserves	--	80,000	100,000	80,000	260,000
Replacement reserves	--	45,000	45,000	45,000	135,000
Capital maintenance	--	70,701	--	--	70,701
Total Net Assets	--	1,281,601	2,500,900	1,416,795	5,199,296
Total Liabilities and Net Assets	<u>\$ --</u>	<u>\$ 1,310,848</u>	<u>\$ 2,525,160</u>	<u>\$ 1,442,294</u>	<u>\$ 5,278,302</u>

NAPA COUNTY HOUSING AUTHORITY

Statement of Revenues, Expenses and Changes in Net Assets by Cost Center For the Fiscal Year Ended June 30, 2011

	<u>Administration</u>	<u>Calistoga</u>	<u>River Ranch</u>	<u>Mondavi</u>	<u>Total</u>
<u>OPERATING REVENUES</u>					
Rental income	\$ --	\$ 169,056	\$ 209,845	\$ 172,523	\$ 551,424
Special assessments	--	137,476	160,854	112,583	410,913
Other income	--	2,471	2,597	2,179	7,247
Total Operating Revenues	<u>--</u>	<u>309,003</u>	<u>373,296</u>	<u>287,285</u>	<u>969,584</u>
<u>OPERATING EXPENSES</u>					
Professional services					
Maintenance and operations contract	--	269,104	325,438	244,208	838,750
Legal services	12,688	--	--	--	12,688
Accounting and auditing services	67,446	--	--	--	67,446
Administration services	54,500	--	--	--	54,500
Assessment administration	--	--	--	--	--
Other	4,089	453	451	453	5,446
Utilities	--	66,643	58,612	44,222	169,477
Building maintenance	--	20,416	6,489	11,813	38,718
Depreciation	--	19,702	24,700	17,858	62,260
Total Operating Expenses	<u>138,723</u>	<u>376,318</u>	<u>415,690</u>	<u>318,554</u>	<u>1,249,285</u>
Operating Income (Loss)	(138,723)	(67,315)	(42,394)	(31,269)	(279,701)
<u>NONOPERATING REVENUES</u>					
Interest	--	994	1,244	1,159	3,397
Donations	--	47,300	28,450	24,250	100,000
Contributions from County of Napa	117,723	--	--	--	117,723
Contributions from local agencies	--	10,000	10,000	10,000	30,000
Total Nonoperating Revenues (Expenses)	<u>117,723</u>	<u>58,294</u>	<u>39,694</u>	<u>35,409</u>	<u>251,120</u>
Income (Loss) Before Transfers	(21,000)	(9,021)	(2,700)	4,140	(28,581)
Transfers	<u>21,000</u>	<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>	<u>--</u>
Change in Net Assets	--	(16,021)	(9,700)	(2,860)	(28,581)
Net Assets - Beginning of Year	<u>--</u>	<u>1,297,622</u>	<u>2,510,600</u>	<u>1,419,655</u>	<u>5,227,877</u>
Net Assets - End of Year	<u>\$ --</u>	<u>\$ 1,281,601</u>	<u>\$ 2,500,900</u>	<u>\$ 1,416,795</u>	<u>\$ 5,199,296</u>

OTHER REPORT



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

To the Honorable Members of the
Board of Directors
Napa County Housing Authority
Napa, California

We have audited the financial statements of Napa County Housing Authority as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 13, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Napa County Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Napa County Housing Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Napa County Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the management and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Gallina LLP

Roseville, California
October 13, 2011