

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

**COMPONENT UNIT
FINANCIAL REPORT**

**For the Fiscal Year
Ended June 30, 2012**

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 Napa County, California, as of and for the fiscal year ended June 30, 2012, 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, 2012, 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 23, 2012, 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.

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

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.

A handwritten signature in cursive script that reads "Gallina LLP". The signature is written in black ink and is positioned to the right of the main text block.

Roseville, California
October 23, 2012

NAPA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

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, 2012. 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 fifth full year of operations occurring in fiscal year 2011-2012.
- 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 \$421,366 of collected assessments and \$532,266 of collected rental income to offset costs during the year.
- The Authority was a recipient of a grant for \$120,000 from the Napa Valley Vintners and Auction Napa Valley to offset operational costs for the centers.
- The Authority was a recipient of contributions in the amount of \$45,000 from the Napa County Farm Worker Committee, to offset increases in food costs during the year.
- The Authority established operating and maintenance reserves in fiscal year 2007-2008, and continues to fund the reserves annually 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.

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.

NAPA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2012

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,

	2012	2011	Variance
Current assets	\$ 556,760	\$ 544,707	\$ 12,053
Noncurrent assets	4,671,339	4,733,595	(62,256)
Total assets	5,228,099	5,278,302	(50,203)
Current liabilities	52,818	79,006	(26,188)
Total liabilities	52,818	79,006	(26,188)
Net assets:			
Invested in capital assets, net of related debt	4,671,339	4,733,595	(62,256)
Restricted	503,942	465,701	38,241
Total net assets	\$ 5,175,281	\$ 5,199,296	\$ (24,015)

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 \$5,175,281 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.

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, 2012, and the expenses incurred are as follows:

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

	2012	2011	Variance
Operating Revenue	\$ 960,827	\$ 969,584	\$ (8,757)
Operating Expenses	1,258,234	1,249,285	8,949
Net Income (Loss) from Operations	(297,407)	(279,701)	(17,706)
Nonoperating Revenue	273,392	251,120	22,272
Change in Net Assets	(24,015)	(28,581)	4,566
Net Assets - Beginning of Year	5,199,296	5,227,877	(28,581)
Net Assets - End of Year	\$ 5,175,281	\$ 5,199,296	\$ (24,015)

NAPA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2012

CAPITAL ASSETS

As of June 30, 2012, 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, 2012, the Authority has no long-term debt.

ECONOMIC FACTORS

The Authority's fiscal year 2011-2012 operating expenses are \$1,258,234, an increase from \$1,249,285 in fiscal year 2010-2011 of \$8,949, or a .7% 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 9% from the prior year due to increased rental revenues from increased annual occupancy rates with the centers opened for additional bed nights.

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. Napa County 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, 2012

ASSETS

Current Assets:

Cash in county treasury	\$ 514,795
Accounts receivable	41,965

Total Current Assets 556,760

Noncurrent Assets:

Capital assets, nondepreciable	2,700,000
Capital assets, depreciable, net	1,971,339

Total Noncurrent Assets 4,671,339

Total Assets \$ 5,228,099

LIABILITIES

Current Liabilities:

Accounts payable	\$ 48,562
Deposits - prepaid rent	4,256

Total Liabilities 52,818

NET ASSETS

Invested in capital assets, net of related debt	4,671,339
Restricted	503,942

Total Net Assets 5,175,281

Total Liabilities and Net Assets \$ 5,228,099

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, 2012

OPERATING REVENUES

Rental income	\$	532,266
Special assessments		421,366
Other income		7,195
Total Operating Revenues		<u>960,827</u>

OPERATING EXPENSES

Professional services:		
Maintenance and operations contract		906,032
Legal services		4,984
Accounting and auditing services		73,152
Administration services		47,358
Other		1,892
Utilities		155,860
Building maintenance		6,700
Depreciation		62,256
Total Operating Expenses		<u>1,258,234</u>
Operating Loss		<u>(297,407)</u>

NONOPERATING REVENUES

Interest		3,046
Grants/contributions		165,000
Contributions from County of Napa		105,346
Total Nonoperating Revenues		<u>273,392</u>
Change in Net Assets		(24,015)
Net Assets - Beginning of Year		<u>5,199,296</u>
Net Assets - End of Year	\$	<u>5,175,281</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, 2012

Cash Flows from Operating Activities:

Cash received from renters	\$ 526,472
Cash received from property tax assessments	421,366
Cash paid for goods and services	(1,091,199)
Cash paid for administrative purposes	(125,494)
Cash paid for farm center maintenance	<u>(6,700)</u>
Net cash used by operating activities	<u>(275,555)</u>

Cash Flows from Noncapital Financing Activities:

Noncapital contributions	<u>270,346</u>
Net cash provided by noncapital financing activities	<u>270,346</u>

Cash flows from Investing Activities:

Interest payments received	<u>3,046</u>
Net cash provided by investing activities	<u>3,046</u>

Net Decrease in Cash and Cash Equivalents	(2,163)
Cash and Cash Equivalents - Beginning of Year	<u>516,958</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 514,795</u></u>

Reconciliation of Operating Loss

to Net Cash Used by

Operating Activities:

Operating loss	\$ (297,407)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	62,256
Changes in operating assets and liabilities:	
Accounts receivable	(14,216)
Accounts payable	(27,415)
Deposits	<u>1,227</u>
Net cash used by operating activities	<u><u>\$ (275,555)</u></u>

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, 2012

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 Napa County.

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.

NAPA COUNTY HOUSING AUTHORITY

Notes to Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

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. Napa County's financial statements may be obtained by contacting Napa County'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.

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

NAPA COUNTY HOUSING AUTHORITY

Notes to Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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, 2012, 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 (Continued)
For the Fiscal Year Ended June 30, 2012

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
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	(96,902)	(32,300)	--	(129,202)
Land improvements	(89,252)	(29,750)	--	(119,002)
Equipment	(619)	(206)	--	(825)
Total accumulated depreciation	<u>(186,773)</u>	<u>(62,256)</u>	<u>--</u>	<u>(249,029)</u>
Total capital assets, being depreciated, net	<u>2,033,595</u>	<u>(62,256)</u>	<u>--</u>	<u>1,971,339</u>
Total capital assets, net	<u>\$ 4,733,595</u>	<u>\$ (62,256)</u>	<u>\$ --</u>	<u>\$ 4,671,339</u>

NOTE 4: RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2012, the Authority paid Napa County, a related party, \$114,894 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, 2012

	<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	\$ --	\$ 213,098	\$ 163,220	\$ 138,477	\$ 514,795
Accounts receivable	--	11,529	14,240	16,196	41,965
Total Current Assets	--	224,627	177,460	154,673	556,760
Noncurrent Assets:					
Capital assets, nondepreciable	--	400,000	1,600,000	700,000	2,700,000
Capital assets, depreciable, net	--	666,200	731,200	573,939	1,971,339
Total Assets	<u>\$ --</u>	<u>\$ 1,290,827</u>	<u>\$ 2,508,660</u>	<u>\$ 1,428,612</u>	<u>\$ 5,228,099</u>
<u>LIABILITIES</u>					
Current Liabilities:					
Accounts payable	\$ --	\$ 18,549	\$ 15,956	\$ 14,057	\$ 48,562
Deposits - prepaid rent	--	2,136	1,504	616	4,256
Total Liabilities	--	20,685	17,460	14,673	52,818
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	--	1,066,200	2,331,200	1,273,939	4,671,339
Restricted:					
Operating reserves	--	90,000	110,000	90,000	290,000
Replacement reserves	--	50,000	50,000	50,000	150,000
Capital maintenance	--	63,942	--	--	63,942
Total Net Assets	--	1,270,142	2,491,200	1,413,939	5,175,281
Total Liabilities and Net Assets	<u>\$ --</u>	<u>\$ 1,290,827</u>	<u>\$ 2,508,660</u>	<u>\$ 1,428,612</u>	<u>\$ 5,228,099</u>

NAPA COUNTY HOUSING AUTHORITY

Statement of Revenues, Expenses and Changes in Net Assets by Cost Center For the Fiscal Year Ended June 30, 2012

	<u>Administration</u>	<u>Calistoga</u>	<u>River Ranch</u>	<u>Mondavi</u>	<u>Total</u>
<u>OPERATING REVENUES</u>					
Rental income	\$ --	\$ 182,064	\$ 176,880	\$ 173,322	\$ 532,266
Special assessments	--	138,453	174,811	108,102	421,366
Other income	--	2,758	2,764	1,673	7,195
Total Operating Revenues	<u>--</u>	<u>323,275</u>	<u>354,455</u>	<u>283,097</u>	<u>960,827</u>
<u>OPERATING EXPENSES</u>					
Professional services					
Maintenance and operations contract	--	297,842	337,837	270,353	906,032
Legal services	4,984	--	--	--	4,984
Accounting and auditing services	73,152	--	--	--	73,152
Administration services	47,358	--	--	--	47,358
Other	852	347	347	346	1,892
Utilities	--	58,984	50,346	46,530	155,860
Building maintenance	--	6,759	--	(59)	6,700
Depreciation	--	19,700	24,700	17,856	62,256
Total Operating Expenses	<u>126,346</u>	<u>383,632</u>	<u>413,230</u>	<u>335,026</u>	<u>1,258,234</u>
Operating Income (Loss)	<u>(126,346)</u>	<u>(60,357)</u>	<u>(58,775)</u>	<u>(51,929)</u>	<u>(297,407)</u>
<u>NONOPERATING REVENUES</u>					
Interest	--	898	1,075	1,073	3,046
Donations	--	55,000	55,000	55,000	165,000
Contributions from County of Napa	105,346	--	--	--	105,346
Total Nonoperating Revenues (Expenses)	<u>105,346</u>	<u>55,898</u>	<u>56,075</u>	<u>56,073</u>	<u>273,392</u>
Income (Loss) Before Transfers	(21,000)	(4,459)	(2,700)	4,144	(24,015)
Transfers	<u>21,000</u>	<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>	<u>--</u>
Change in Net Assets	--	(11,459)	(9,700)	(2,856)	(24,015)
Net Assets - Beginning of Year	<u>--</u>	<u>1,281,601</u>	<u>2,500,900</u>	<u>1,416,795</u>	<u>5,199,296</u>
Net Assets - End of Year	<u>\$ --</u>	<u>\$ 1,270,142</u>	<u>\$ 2,491,200</u>	<u>\$ 1,413,939</u>	<u>\$ 5,175,281</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, 2012, and have issued our report thereon dated October 23, 2012. 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.

Roseville, California
October 23, 2012