

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT**

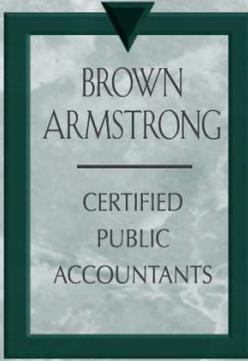
**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
JUNE 30, 2016**

TABLE OF CONTENTS

	<u>Page</u>
<u>Financial Section</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
<u>Basic Financial Statements</u>	
Government-Wide Financial Statements:	
Statement of Net Position.....	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet	9
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	10
Statement of Revenues, Expenditures, and Changes in Fund Balances	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Government-Wide Statement of Activities.....	12
Notes to the Basic Financial Statements	13
<u>Required Supplementary Information</u>	
Budgetary Comparison Schedule	21
Note to Required Supplementary Information	22
<u>Supplementary Information</u>	
Balance Sheet – Divisional Breakdown	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Divisional Breakdown	24
<u>Other Report</u>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Schedule of Findings and Questioned Costs.....	27



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Napa County Flood Control and
Water Conservation District
Napa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the governmental fund of the Napa County Flood Control and Water Conservation District's (the District), as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CA 93711
TEL 559.476.3592
FAX 559.476.3593

PASADENA OFFICE

260 S. LOS ROBLES AVENUE
SUITE 310
PASADENA, CA 91101
TEL 626.204.6542
FAX 626.204.6547

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and governmental fund of the District, as of June 30, 2016, and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Balance Sheet – Divisional Breakdown and Statement of Revenues, Expenditures, and Changes in Fund Balances – Divisional Breakdown are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Balance Sheet – Divisional Breakdown and Statement of Revenues, Expenditures, and Changes in Fund Balances – Divisional Breakdown are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Balance Sheet – Divisional Breakdown and Statement of Revenues, Expenditures, and Changes in Fund Balances – Divisional Breakdown are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bakersfield, California
November 16, 2016

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Napa County Flood Control and Water Conservation District's (the District) financial statements present our discussion and analysis of the District's financial performance during the year ended June 30, 2016. It should be read in conjunction with the basic financial statements contained in the independent auditor's report.

FINANCIAL HIGHLIGHTS

- As of June 30, 2016, total assets of the District exceeded liabilities by \$123,704,280; the majority is made up of capital assets and assets held for others pertaining to the Napa River Flood Project.
- As of June 30, 2016, the District's governmental funds reported combined fund balances of \$32,106,697. The majority of this amount is restricted for the Napa River Flood Project in the amount of \$28,821,795, and an additional \$2,710,372 is restricted for Flood and Watershed Management.
- The District received \$8,155,681 in water supply contracts during the fiscal year.
- The District ended the year with \$32,511,249 in cash held in the County of Napa (the County) Treasury.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District's financial position and activity.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that includes budgetary comparison information for the District.

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

FINANCIAL ANALYSIS OF THE DISTRICT

Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$123,704,280 at the close of the most recent fiscal year. A summary of the District's Statement of Net Position is as follows:

Condensed Statement of Net Position June 30,

	<u>2016</u>	<u>2015</u>	Increase (Decrease) \$
Assets			
Current assets	\$ 32,751,477	\$ 37,964,404	\$ (5,212,927)
Noncurrent assets	<u>114,239,506</u>	<u>112,173,782</u>	<u>2,065,724</u>
Total Assets	<u>146,990,983</u>	<u>150,138,186</u>	<u>(3,147,203)</u>
Liabilities			
Current liabilities	3,734,156	3,393,929	340,227
Long-term liabilities	<u>19,552,547</u>	<u>22,266,178</u>	<u>(2,713,631)</u>
Total Liabilities	<u>23,286,703</u>	<u>25,660,107</u>	<u>(2,373,404)</u>
Net Position			
Net investment in capital assets	91,973,328	81,314,972	10,658,356
Restricted	31,608,220	42,869,711	(11,261,491)
Unrestricted	<u>122,732</u>	<u>293,396</u>	<u>(170,664)</u>
Total Net Position	<u>\$ 123,704,280</u>	<u>\$ 124,478,079</u>	<u>\$ (773,799)</u>

The largest portion of the District's Net Position reflects property acquired due to the Napa River/Napa Creek Flood Protection Project being built in connection with the U.S. Army Corps of Engineers. These assets are divided into two categories: Invested in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets still outstanding; and restricted assets that are capital assets that have been acquired and will ultimately be transferred to another entity when the project is completed.

Changes in Net Position

The following table provides a summary of the District's Statement of Activities, recapping the District's revenues earned and expenses incurred during the fiscal years ended June 30, 2016 and 2015:

	Condensed Statement of Net Activities		
	As of June 30,		
	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease) \$</u>
Expenses			
Public protection	\$ 14,713,403	\$ 26,392,851	\$ (11,679,448)
Interest on long-term debt	572,265	636,036	(63,771)
Total Expenses	<u>15,285,668</u>	<u>27,028,887</u>	<u>(11,743,219)</u>
Program Revenues			
Charges for services	8,196,589	9,045,583	(848,994)
Special assessment	1,302,327	1,270,118	32,209
Capital grants	439,099	2,998,464	(2,559,365)
Donation and contributions	5,190	-	5,190
Interest income	189,295	184,080	5,215
Other revenue	3,506,886	22,013	3,484,873
Total Program Revenues	<u>13,639,386</u>	<u>13,520,258</u>	<u>119,128</u>
Change in Net Position	(1,646,282)	(13,508,629)	11,862,347
Net Position, Beginning as previously reported	124,478,079	137,986,708	(13,508,629)
Adjustment to beginning net position	<u>872,483</u>	<u>-</u>	<u>872,483</u>
Net Position, Beginning as restated	<u>125,350,562</u>	<u>137,986,708</u>	<u>(12,636,146)</u>
Net Position, Ending	<u>\$ 123,704,280</u>	<u>\$ 124,478,079</u>	<u>\$ (773,799)</u>

In 2016, net position decreased by \$1,646,282. This decrease is mainly due to project related construction during the year for the Napa River Flood Project over the prior year.

BUDGETARY HIGHLIGHTS

The District adopts an annual budget that includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain comments from the public before finalizing the budget. The District's budget has historically been adopted by the District Board of Directors on or before June 30th of each year. Section 7(c) of the Napa County Flood Control and Water Conservation District Act and Sections 29080 through 29092 of the California Government Code require that final budgets are adopted no later than October 2 of each year. Subsequent increases or decreases to the original budget must be approved by the Board.

DEBT ADMINISTRATION

The District has outstanding debt of \$22,266,178 (see Note 5) as of June 30, 2016. This amount is comprised of two 20-year loans from the State Revolving Fund established by the State of California Water Resources Control Board as authorized by the Federal Clean Water Act and state law. Additional information about the District's long-term liabilities can be found in the Notes to the Financial Statements section of this report.

CAPITAL ASSETS AND CAPITAL IMPROVEMENT

The District's capital assets include 13 miles of drainage channels which it maintains annually. In addition, in 1999 the District embarked on the largest public works project in Napa County history in conjunction with the U.S. Army Corps of Engineers. The Napa River/Napa Creek Flood Protection Project (Project) extends from Highway 29 at the Butler Bridge on the south to Trancas Street on the north, encompassing six miles of the Napa River and one mile of Napa Creek. The Project is designed to provide a 100-year flood protection level for the City of Napa. Flood water levels are reduced through constructing riverbank terracing, removing or replacing bridges that impede flood flows, and the creation of dry bypass channels at the Napa River and Napa Creek. Additionally, floodwalls, levees, and riverside trails are constructed as part of the Project. The U.S. Army Corps of Engineers has updated its estimate of total project costs to \$555.3 million. Upon completion of the Project, the District is responsible for operation, repair, and maintenance of the entire Project. Additional information regarding the District's capital assets can be found in the Notes to the Financial Statements.

CONTACTING THE DISTRICT

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

BASIC FINANCIAL STATEMENTS

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016**

	2016
ASSETS	
Current Assets:	
Cash in County treasury	\$ 32,511,249
Imprest cash	100
Deposits with others	9,653
Prepaid items	56,000
Assessments receivable	18,596
Accounts receivable	155,879
Total Current Assets	32,751,477
Noncurrent Assets:	
Assets held for others	5,857,871
Capital assets:	
Nondepreciable	105,032,673
Depreciable, net	3,348,962
Total Noncurrent Assets	114,239,506
Total Assets	146,990,983
LIABILITIES	
Current Liabilities:	
Accounts payable	635,150
Interest payable	375,745
Unearned revenue	9,630
Current portion of loan payable	2,713,631
Total Current Liabilities	3,734,156
Noncurrent Liabilities:	
State revolving loan payable	19,552,547
Total Noncurrent Liabilities	19,552,547
Total Liabilities	23,286,703
NET POSITION	
Net investment in capital assets	91,973,328
Restricted	31,608,220
Unrestricted	122,732
Total Net Position	\$ 123,704,280

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

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	2016
Expenses	
Public protection	
Insurance	\$ 21,515
Repairs and maintenance	922,103
Legal charges	12,409
Administration and other charges	3,668,524
Professional services	885,335
Water purchases	7,753,497
Flood project related expenses	1,374,770
Depreciation	75,250
Interest expense	572,265
Total Expenses	15,285,668
Program Revenues	
Charges for services	8,196,589
Capital grants	439,099
Special assessments	1,302,327
Donation and contributions	5,190
Other revenue	3,506,886
Total Program Revenues	13,450,091
Net Program Revenue (Expense)	(1,835,577)
General Revenues	
Interest income	189,295
Total General Revenues	189,295
Change in Net Position	(1,646,282)
Net Position - Beginning as previously reported	124,478,079
Adjustments to beginning net position (Note 9)	872,483
Net Position - Beginning as restated	125,350,562
Net Position - Ending	\$ 123,704,280

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

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
BALANCE SHEET
JUNE 30, 2016**

	2016
ASSETS	
Cash and cash equivalents	\$ 32,511,249
Imprest cash	100
Deposits with others	9,653
Prepaid items	56,000
Assessments receivable	18,596
Accounts receivable	155,879
Total Assets	\$ 32,751,477
LIABILITIES	
Accounts payable	\$ 635,150
Unearned revenue	9,630
Total Liabilities	644,780
FUND BALANCES	
Nonspendable - prepaid items	56,000
Restricted for:	
Napa river flood project	28,821,795
Flood and watershed management	2,710,372
Oakville-Oak Knoll Community Facilities District	76,053
Unassigned	442,477
Total Fund Balances	32,106,697
Total Liabilities and Fund Balances	\$ 32,751,477

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

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2016**

Fund balances - total governmental funds (Page 9)	\$ 32,106,697
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	108,381,635
Assets held for others used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,857,871
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.	(375,745)
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
State revolving loan	<u>(22,266,178)</u>
Net Position of Governmental Activities (Page 7)	<u><u>\$ 123,704,280</u></u>

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

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	2016
Revenues	
Charges for services	\$ 8,196,589
Revenue from use of money and property	189,295
Revenue from other governments	439,099
Special assessments	1,302,327
Donation and contributions	5,190
Other revenue	3,506,886
Total Revenues	13,639,386
Expenditures	
Insurance	21,515
Repairs and maintenance	922,103
Legal charges	12,409
Administration and other charges	3,668,524
Professional services	885,335
Water purchases	7,753,497
Land and damages	396,522
Planning, engineering, and design	1,244,685
Construction and management	174,145
Equipment	6,982
Debt service:	
Principal	2,649,257
Interest	611,051
Total Expenditures	18,346,025
Net Change in Fund Balances	(4,706,639)
Fund Balances - Beginning as previously reported	37,634,262
Adjustments to beginning Fund Balance (Note 9)	(820,926)
Fund Balances - Beginning as restated	36,813,336
Fund Balances - End	\$ 32,106,697

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

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds (Page 11) \$ (4,706,639)

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

Governmental funds report capital outlay and accumulated project costs 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 while the accumulated project costs are held as assets until time of donation.

Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	249,504	
Less current year depreciation	(75,250)	
Expenditures for assets held for others	198,060	372,314

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

Principal repayments on State revolving loan	2,649,257
--	-----------

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

Accrued interest on State revolving loan	38,786
--	--------

Change in Net Position of Governmental Activities (page 8)	\$ (1,646,282)
--	----------------

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

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Napa County Flood Control and Water Conservation District (the District) was formed by the California legislature in 1951 for the purpose of providing flood control and water conservation for Napa County (the County). The District's goals and objectives are to 1) provide protection from flood events to the public highways, life, and property in the District by enhancing and constructing storm drainage systems, flood control, and prevention projects and 2) assure that the County's domestic, municipal, industrial and agricultural water needs are met.

Operations of the District are divided into four divisions:

Flood & Watershed Management – This division funds a variety of maintenance and management programs designed to minimize the damage caused by flood waters and to protect non-municipal water supplies throughout the County.

Napa Flood Project – This division contains the expenditures by the District for the Napa River/Napa Creek Flood Protection Project to be built in conjunction with the U.S. Army Corps of Engineers and paid for with the voter approved Measure A, Napa County Flood Protection and Watershed Improvement Sales Tax. The District is the Local Sponsor of this project and is obligated to acquire all necessary lands, easements and rights-of-way, and to relocate existing facilities currently inside the project boundaries, including several bridges, utilities and recreation facilities.

Water Supply Contracts – This division meets the responsibilities of the District to ensure that Napa County's municipal, industrial, and agricultural water needs are met. The District is the local contracting agency with the State and Federal government for water from the State Water Project and for water from Lake Berryessa. The District, in turn, subcontracts for the sale of the water to local agencies and property owners.

Oakville-Oak Knoll Community Facilities District – This division funds a variety of public services such as maintenance, monitoring, and restoration of the Napa River between Oakville-Oak Knoll reach. The objectives of the services are to minimize bank erosion, maintain the function of constructed instream habitat enhancement structures and control target non-native invasive and Pierce's disease host plants.

Effective January 1, 1997, the Napa County Flood Control and Water Conservation District Act was amended to reorganize and expand the governing board of the District from a five-member board of directors comprised of the County Board of Supervisors serving ex officio to an eleven-member board of directors composed as follows: five directors who are members of the Napa County Board of Supervisors, serving ex officio; five directors who are the mayors of the Cities of Napa, Calistoga, St. Helena, and American Canyon, and the Town of Yountville, serving ex officio; and one director who is a member of the Napa City Council, appointed annually by the Napa City Council.

The District is not a component unit of the County. The District is legally separate and fiscally independent of the County. The District includes all activities (operations of its administrative staff and District officers) considered to be a part of the District. The District reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 61, relating to the financial reporting entity to determine whether the District is financially accountable for other entities. The District has determined that no other outside entity meets the required criteria, and therefore, no agency has been included as a component unit in the financial statements. In addition, the District is not aware of any entity that would be financially accountable for the District that would result in the District being considered a component unit of that entity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the primary government (the District). These statements include the non-fiduciary financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and information sales. At June 30, 2016, the District had no business-type activities.

The Statement of Activities demonstrates the degree to which the program expenses of a given function or identifiable activity is offset by program revenues. Program expenses are those that are clearly identifiable with a specific function or identifiable activity, and allocated indirect expenses. Interest expense related to long-term debt is reported as a direct expense. Program revenues include 1) fees, fines and charges paid by the recipient of goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and investment earnings, are presented instead as general revenues. When both restricted and unrestricted net position are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The District had one governmental fund and no enterprise funds for the year ended June 30, 2016.

The District reports the following major governmental fund:

- The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

C. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Nonexchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales taxes and grants. Revenues from sales tax are recognized when the underlining transactions take place. Revenues from grants are recognized in the fiscal year in which all eligible requirements have been satisfied.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The County, the Napa County Flood Protection and Watershed Improvement Authority (Authority), the Napa County Flood Control and Water Conservation District (the District), the Cities of American Canyon, Napa, St. Helena, Calistoga, and the Town of Yountville (Municipalities) each have a representative to the District to be a signatory to the MOU after receiving authority from their Governing Body. This MOU is the precursor to the Joint Powers Agreement Regarding the Equitable Distribution of Flood Protection Sales Tax revenues which was signed November 1, 1998, between the Authority, the District, the County, and the Municipalities as required by Section 3(g) and Section 5 of the Napa County Flood Protection Sales Tax Ordinance (97-1) (Ordinance).

The Ordinance requires that new revenues, generated by a ½% increase in the local sales tax, fund only the flood protection, water supply reliability and wastewater projects identified in the Napa County Flood Protection and Watershed Improvement Expenditure Plan (Plan) contained in the Ordinance. This MOU/JPA contains operating policies and criteria regarding equitable distribution of new sales tax revenues to the County, and Municipalities, debt financing for projects contained in the Plan, project substitution, fund accounting, contract relationships and administrative support to the Financial Oversight Committee and Technical Advisory Panel established by the Ordinance.

E. Agreement with the City of Napa

In July 1999, the District entered into an agreement with the City of Napa under which the District would delegate to the City the implementation and management of specified tasks related to the Napa River/Napa Creek Flood Control Project (River Project). These tasks involve infrastructures over which, upon completion of the River Project, the City of Napa will retain long-term ownership, maintenance and operation responsibilities, including but not limited to design aspects of reconstruction projects for specified bridges, relocation analyses for the City of Napa's ball fields, other public recreational use facilities and parking lots, and storm drain analysis.

F. Receivables

Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

G. Assets Held for Others

Assets held for others consist of costs associated with land acquisition and construction in progress for the River Project that will be donated to other entities (i.e., title and ownership of the assets will be transferred). Since these assets will not be used in the District's operations, the assets held for others are not considered to be capital assets of the District.

H. Project Cooperation Agreement with the Department of the Army

On February 1, 2000, the District ("Non-Federal Sponsor") signed a cooperation agreement with the Department of the Army ("Government") for the construction of the River Project, Napa River, California ("Project"). This construction was authorized by the 1965 Flood Control Act, House Document No. 222, 89th Congress, 1st Session, and modified by the 1976 Flood Control Act. Section 103 of the Water Resources Development Act of 1986, Public Law 99-662, as amended, specifies the cost-sharing requirements applicable to the Project.

The Project costs do not include costs for design activities completed prior to 1986, costs for operation, maintenance, repair, replacement, or rehabilitation, costs due to betterments, or any costs of dispute resolution. Upon notification of completion of the entire Project or a functional portion of the Project, the Non-Federal Sponsor shall operate, maintain, repair, replace, and rehabilitate the entire Project or the functional portion of the Project, as provided in the agreement, at no cost to the Government. The Non-Federal Sponsor shall contribute a minimum of 25 percent, but not to exceed 50 percent, of the total project flood control costs in accordance with certain provisions. The Non-

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Project Cooperation Agreement with the Department of the Army (Continued)

Federal Sponsor shall also contribute 50 percent of total project costs. The Government shall perform a final accounting to determine the contributions provided by the Non-Federal Sponsor, and to determine whether the Non-Federal Sponsor has met its obligations. Each party to the agreement is responsible for certain parts of the Project. Prior to construction, the Non-Federal Sponsor shall, as determined by the Government, acquire all lands, easements, and rights-of-way, as well as construct improvements required on lands, easements, and rights-of-way. The Non-Federal Sponsor shall also perform, or ensure the performance, of relocations necessary for the construction, operation, and maintenance of the Project, including those necessary to enable the removal of borrow materials and the proper disposal of dredged or excavated material. The Non-Federal Sponsor shall receive credit toward its share of total project flood control costs for the value of the lands, easements, rights-of-way, and suitable borrow and dredged or excavated material disposal areas, as well as for the value of the relocations it either performed or ensured the performance thereof. Estimate of total project costs was \$555.3 million. The Army Corps has turned over completed flood project elements, estimated costs of \$130 million, to the District in fiscal year 2013-2014. The District will obtain an appraisal and record the assets for the entire project in the year of completion. The Non-Federal Sponsor is also responsible for a certain amount of cash contribution, from which the Government shall draw as deemed necessary to cover the non-Federal proportionate share for financial obligations for construction incurred prior to the commencement of the period of construction, and during the period of construction.

I. 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) consisting of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment and \$150,000 for building and improvements 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 estimated useful lives are as follows:

Equipment	5 years
Buildings and improvements	25 to 30 years
Infrastructures	50 to 100 years

J. Interfund Transactions

Interfund transactions are reflected either as 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 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 non-spendable fund balance 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 the related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Insurance and Risk of Loss

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District participates in the County's risk pool. Claims in excess of \$350,000 for workers' compensation and \$300,000 for general liability are covered according to the terms of the risk pool agreement with CSAC – Excess Insurance Authority (EIA).

L. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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

Cash at June 30, 2016, consisted of the following:

Cash in County Treasury and on hand	<u>\$ 32,511,349</u>
-------------------------------------	----------------------

The District maintains all of its cash and investments with the 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 Comprehensive Annual Financial Report (CAFR). The County's CAFR may be obtained by contacting the County's Auditor-Controller's Office at 1195 Third Street, Suite B-10, Napa, California 94559. The County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the District's deposit and investment risks at June 30, 2016, 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. The District has no deposit or investment policy that addresses a specific type of risk.

NOTE 3 – ASSETS HELD FOR OTHERS

For the fiscal year ended June 30, 2016, the change in assets held for others was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2016</u>
Land held for others	\$ 1,742,489	\$ -	\$ -	\$ 1,742,489
Construction in progress	4,200,886	198,060	(283,564)	4,115,382
Total Assets Held for Others	<u>\$ 5,943,375</u>	<u>\$ 198,060</u>	<u>\$ (283,564)</u>	<u>\$ 5,857,871</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Restated Balance July 1, 2015	Additions	Retirements/ Adjustments	Balance June 30, 2016
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 80,251,012	\$ 107,540	\$ -	\$ 80,358,552
Construction in progress	22,481,035	43,750	338,018	22,862,803
Intangible assets	1,767,568	98,204	(54,454)	1,811,318
Total capital assets, not being depreciated	<u>104,499,615</u>	<u>249,494</u>	<u>283,564</u>	<u>105,032,673</u>
Capital assets, being depreciated:				
Equipment	81,486	6,500	-	87,986
Infrastructure	7,291,779	-	-	7,291,779
Total capital assets, being depreciated	<u>7,373,265</u>	<u>6,500</u>	<u>-</u>	<u>7,379,765</u>
Less accumulated depreciation for:				
Equipment	(80,579)	(906)	(6,500)	(87,985)
Infrastructure	(3,868,479)	(74,339)	-	(3,942,818)
Total accumulated depreciation	<u>(3,949,058)</u>	<u>(75,245)</u>	<u>(6,500)</u>	<u>(4,030,803)</u>
Total capital assets, being depreciated, net	<u>3,424,207</u>	<u>(68,745)</u>	<u>(6,500)</u>	<u>3,348,962</u>
Governmental activities capital assets, net	<u>\$ 107,923,822</u>	<u>\$ 180,749</u>	<u>\$ 277,064</u>	<u>\$ 108,381,635</u>

Depreciation expense of \$75,250 was charged to the public protection function.

NOTE 5 – LONG-TERM LIABILITIES

On June 1, 1999, the Napa County Flood Control and Water Conservation District entered into a contract with the State Water Resources Control Board (SWRCB), where the Napa River/Napa Creek Flood Protection and Estuary Restoration Project is eligible for a 20-year revolving loan from the State Revolving Fund established by the SWRCB as authorized by the Federal Clean Water Act and state law. The maximum loan amount was established at \$34 million with an interest rate of 2.4 percent. Principal and interest on the loan were payable on December 21, 2001, and annually thereafter on December 21st of each year.

On October 23, 2003, the Napa County Flood Control and Water Conservation District entered into a contract with the SWRCB, where the Napa River/Napa Creek Flood Protection and Estuary Restoration Project is eligible for a 20-year revolving loan from the State Revolving Fund established by the SWRCB as authorized by the Federal Clean Water Act and state law. The maximum loan amount was established at \$16 million with an interest rate of 2.5 percent. Principal and interest payments began August 1, 2009, at which time accrued interest to date was added to principal owed. Subsequent payments are payable annually on August 1st of each year.

The amount drawn against the loans was \$50 million as of June 30, 2016.

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
State revolving loans	<u>\$ 24,915,435</u>	<u>\$ -</u>	<u>\$ (2,649,257)</u>	<u>\$ 22,266,178</u>	<u>\$ 2,713,631</u>

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Annual debt service requirements are estimated as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 2,713,631	\$ 546,677	\$ 3,260,308
2018	2,779,569	480,738	3,260,307
2019	2,847,111	413,197	3,260,308
2020	2,916,294	344,013	3,260,307
2021	2,987,160	273,148	3,260,308
2022-2026	4,826,909	767,415	5,594,324
2027-2029	3,195,504	161,090	3,356,594
Total	<u>\$ 22,266,178</u>	<u>\$ 2,986,278</u>	<u>\$ 25,252,456</u>

NOTE 6 – NET POSITION/FUND BALANCE**Net Position**

The government-wide fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. 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 Position* – 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 Position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance

Governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The following classifications describe the relative strength of spending constraints:

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

NOTE 6 – NET POSITION/FUND BALANCE (Continued)

Fund Balance (Continued)

- *Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

NOTE 7 – RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2016, the District paid the County, a related party, \$1,142,053, of which \$1,041,999 was for engineering services and administration fees and \$100,054 was for legal, accounting, and other support services.

NOTE 8 – CONTINGENT LIABILITIES

The District participates in a federal grant program which is subject to examination by the grantor and the amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time. The District expects such amounts, if any, to be immaterial.

NOTE 9 – ADJUSTMENTS TO BEGINNING NET POSITION/FUND BALANCES

Government-Wide:

The District recorded a prior period adjustment to the beginning net position in the amount of \$872,483 related to land that was granted to the District in prior years but was not properly added to the District's financial statements in the prior year offset by an accounts payable for land that was purchased. This results in beginning net position being increased by \$872,483, beginning accounts payable being increased by \$820,926 and beginning land being increased by \$1,693,409.

Governmental Funds:

The District recorded a prior period adjustment to the beginning fund balances in the amount of \$820,926 related to a capital outlay purchase but was not properly added to the District's financial statements in the prior year. This results in beginning fund balances being decreased by \$820,926 and beginning accounts payable being increased by \$820,926.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 16, 2016, which is the date the basic financial statements were available to be issued. No events have occurred that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 10,532,897	\$ 10,475,000	\$ 8,196,589	\$ (2,278,411)
Revenue from use of money and property	205,000	205,000	189,295	(15,705)
Revenue from other governments	1,588,219	1,703,125	439,099	(1,264,026)
Special assessments	1,241,954	1,301,001	1,302,327	1,326
Donation and contributions	-	-	5,190	5,190
Other revenue	80,650	3,572,171	3,506,886	(65,285)
Intrafund transfers	99,836	157,733	-	(157,733)
Total Revenues	13,748,556	17,414,030	13,639,386	(3,774,644)
Expenditures				
Insurance	21,515	21,515	21,515	-
Repairs and maintenance	1,533,921	1,533,921	922,103	611,818
Legal charges	33,500	38,500	12,409	26,091
Administration and other charges	633,520	4,127,191	3,668,524	458,667
Professional services	1,505,871	1,620,777	885,335	735,442
Management information services	2,232	2,232	-	2,232
Water purchases	9,945,000	9,945,000	7,753,497	2,191,503
Land and damages	1,587,707	1,587,707	396,522	1,191,185
Planning, engineering, and design	1,173,290	1,173,290	1,244,685	(71,395)
Construction and management	6,599,732	6,599,732	174,145	6,425,587
Equipment	47,150	47,150	6,982	40,168
Debt service:				
Principal	2,649,258	2,649,258	2,649,257	1
Interest	611,053	611,053	611,051	2
Intrafund transfers	110,000	161,897	-	161,897
Total Expenditures	26,453,749	30,119,223	18,346,025	11,773,198
Net Change in Fund Balance	\$ (12,705,193)	\$ (12,705,193)	(4,706,639)	\$ 7,998,554
Fund Balance - Beginning as restated			36,813,336	
Fund Balance - End			\$ 32,106,697	

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

Napa County Flood Control and Water Conservation District (the District) operates under the general laws of the State of California and annually adopts a budget to be effective July 1 of the ensuing fiscal year.

After the budget is approved, the appropriations can be added to, subtracted from or changed only by Board of Directors (the Board) resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Board. During the fiscal year ended June 30, 2016, the Board approved all necessary supplemental appropriations.

An operating budget is adopted each fiscal year on the modified accrual basis of accounting, and accounting principles applied for purposes of developing data on a budgetary basis are materially the same as those used to present financial statements in accordance with accounting principles generally accepted in the United States of America. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Such year-end encumbrances are reported as restricted of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year-end.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level except for capital assets which are controlled at the subobject level. Object levels of expenditures are as follows: salaries and benefits, services and supplies, other charges including debt service, capital outlay, contingencies, expenditure transfers, and other financing uses. Subject levels of expenditures for capital assets are land, structures and improvements, and equipment.

SUPPLEMENTARY INFORMATION

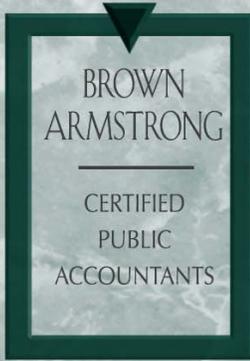
**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
BALANCE SHEET
DIVISIONAL BREAKDOWN
JUNE 30, 2016**

	Flood and Watershed Management	Napa Flood Project	Water Supply Contracts	Oakville- Oak Knoll CFD	Total
ASSETS					
Cash in County treasury	\$ 2,688,615	\$ 29,150,162	\$ 596,566	\$ 75,906	\$ 32,511,249
Imprest cash	-	100	-	-	100
Deposits with others	-	9,653	-	-	9,653
Prepaid items	-	-	56,000	-	56,000
Assessments receivable	18,449	-	-	147	18,596
Accounts receivable	155,517	362	-	-	155,879
Total Assets	\$ 2,862,581	\$ 29,160,277	\$ 652,566	\$ 76,053	\$ 32,751,477
LIABILITIES					
Accounts payable	\$ 142,579	\$ 338,482	\$ 154,089	\$ -	\$ 635,150
Unearned revenue	9,630	-	-	-	9,630
Total Liabilities	152,209	338,482	154,089	-	644,780
FUND BALANCE					
Nonspendable - prepaid items	-	-	56,000	-	56,000
Restricted for:					
Napa river flood project	-	28,821,795	-	-	28,821,795
Flood and watershed management	2,710,372	-	-	-	2,710,372
Oakville-Oak Knoll CFD	-	-	-	76,053	76,053
Unassigned	-	-	442,477	-	442,477
Total Fund Balance	2,710,372	28,821,795	498,477	76,053	32,106,697
Total Liabilities and Fund Balance	\$ 2,862,581	\$ 29,160,277	\$ 652,566	\$ 76,053	\$ 32,751,477

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
DIVISIONAL BREAKDOWN
FOR THE YEAR ENDED JUNE 30, 2016**

	Flood and Watershed Management	Napa Flood Project	Water Supply Contracts	Oakville- Oak Knoll CFD	Total
Revenues					
Charges for services	\$ 21,700	\$ 19,208	\$ 8,155,681	\$ -	\$ 8,196,589
Revenue from use of money and property	13,380	171,071	4,421	423	189,295
Revenue from other governments	439,099	-	-	-	439,099
Special assessments	1,238,758	-	-	63,569	1,302,327
Donation and contributions	-	5,190	-	-	5,190
Net other revenue	43,026	-	3,506,886	(43,026)	3,506,886
Total Revenues	1,755,963	195,469	11,666,988	20,966	13,639,386
Expenditures					
Insurance	1,854	19,661	-	-	21,515
Repairs and maintenance	296,862	625,241	-	-	922,103
Legal charges	8,690	508	3,211	-	12,409
Administration and other charges	71,115	6,938	3,590,421	50	3,668,524
Professional services	584,157	46,376	252,802	2,000	885,335
Water purchases	92	3,957	7,749,448	-	7,753,497
Land and damages	-	396,522	-	-	396,522
Planning, engineering, and design	627,629	514,442	102,614	-	1,244,685
Construction and management	-	174,145	-	-	174,145
Equipment	5,254	1,728	-	-	6,982
Debt service:					
Principal	-	2,649,257	-	-	2,649,257
Interest	-	611,051	-	-	611,051
Total Expenditures	1,595,653	5,049,826	11,698,496	2,050	18,346,025
Net Change in Fund Balance	160,310	(4,854,357)	(31,508)	18,916	(4,706,639)
Fund Balance - Beginning, as previously reported	2,550,062	34,497,078	529,985	57,137	37,634,262
Adjustments to beginning net position	-	(820,926)	-	-	(820,926)
Net Position - Beginning as restated	2,550,062	33,676,152	529,985	57,137	36,813,336
Fund Balance - End	\$ 2,710,372	\$ 28,821,795	\$ 498,477	\$ 76,053	\$ 32,106,697

OTHER REPORT



BROWN ARMSTRONG

Certified Public Accountants

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

Board of Directors
Napa County Flood Control and
Water Conservation District
Napa, California

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CA 93711
TEL 559.476.3592
FAX 559.476.3593

PASADENA OFFICE

260 S. LOS ROBLES AVENUE
SUITE 310
PASADENA, CA 91101
TEL 626.204.6542
FAX 626.204.6547

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and governmental fund of the Napa County Flood Control and Water Conservation District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency.

Compliance and Other Matters

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

The District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
November 16, 2016

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

2016-001: LAND ADDITION

Criteria:

In accordance with accounting principles generally accepted in the United States of America, internal controls should be designed to provide reasonable assurance of achieving effective and reliable financial reporting or in compliance with applicable laws and regulations.

Condition:

Napa County Flood Control and Water Conservation District (the District) was deeded 14.9 acres of land in 2005 as part of an agreement with a third party to perform certain obligations (i.e. construct culverts). As the land was deeded to the District as part of this agreement, the District should have recorded the land at the time it was deeded the land. The price of the land was approximately \$820 thousand with a fair value of approximately \$1.7 million. The difference between the purchase price and the fair value of the land should have been recorded as donated land.

Cause:

Management overlooked adding the land to the financial statements that was deeded to the District as there was a lack of communication between the District and the Auditor-Controller's office.

Effect:

Land was understated in the prior year.

Recommendation:

We recommend that management and the Auditor-Controller's office review all agreement in detail to assert if any land or capital assets are being deeded or granted to the District to verify that the assets are recorded in the financial statements in the proper period.

Management Response:

The District agrees that the land should have been recorded at the time it was deeded to the District and will be reviewing contracts and agreements going forward to verify if any items need to be capitalized as a result of the agreements.