

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

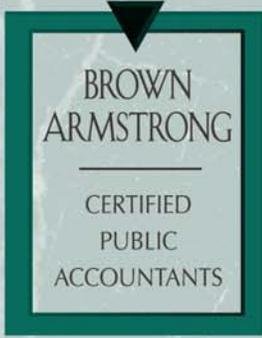
**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
JUNE 30, 2018**

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 Balance Sheet to the Government-Wide Statement of Net Position	10
Statement of Revenues, Expenditures, and Changes in Fund Balance	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance 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 Balances – 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
Schedule of Findings and Questioned Costs of Prior Year	28



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 funds of the Napa County Flood Control and Water Conservation District (the District), as of and for the fiscal year ended June 30, 2018, 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 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 the 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

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

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 the governmental funds of the District, as of June 30, 2018, and the respective changes in its financial position for the fiscal 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 December 18, 2018, 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
December 18, 2018

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

This management's discussion and analysis presents our discussion and analysis of the Napa County Flood Control and Water Conservation District's (the District) financial performance during the year ended June 30, 2018. It should be read in conjunction with the basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- As of June 30, 2018, total assets of the District exceeded liabilities by \$164,988,488; the majority is made up of capital assets and assets held for others pertaining to the Napa River/Napa Creek Flood Protection Project and Measure A funding.
- As of June 30, 2018, the District's governmental funds reported combined fund balances of \$90,090,776. The majority of this amount is restricted for the following:
 - Napa River/Napa Creek Flood Protection Project in the amount of \$70,916,637. \$20,345,994 is comprised of monies accumulated for the project outside of Measure A sales tax funding; \$50,570,643 is the balance of Measure A sale tax transferred to the District as of the sunset of the tax. These funds are segregated in a special revenue fund to be used for capital expenditures authorized in accordance with Measure A.
 - Flood Project Future Maintenance, in accordance with Measure A, in the amount of \$15,484,923, also held in a special revenue fund.
 - Flood and Watershed Management in the amount of \$2,941,943.
- The District received \$8,607,215 in water supply contracts during the fiscal year.
- The District ended the fiscal year with \$23,951,839 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 it has 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 \$164,988,488 at the close of the most recent fiscal year. A summary of the District's Statements of Net Position is as follows:

Condensed Statements of Net Position June 30,

	2018	2017	Increase (Decrease) \$	Increase (Decrease) %
Assets				
Current assets	\$ 90,316,547	\$ 28,142,681	\$ 62,173,866	220.9%
Noncurrent assets	91,965,997	92,486,545	(520,548)	-0.6%
Total Assets	<u>182,282,544</u>	<u>120,629,226</u>	<u>61,653,318</u>	<u>51.1%</u>
Liabilities				
Current liabilities	3,368,190	3,459,723	(91,533)	-2.6%
Noncurrent liabilities	13,925,866	16,772,978	(2,847,112)	-17.0%
Total Liabilities	<u>17,294,056</u>	<u>20,232,701</u>	<u>(2,938,645)</u>	<u>-14.5%</u>
Net Position				
Net investment in capital assets	75,193,020	72,933,998	2,259,022	3.1%
Restricted	89,460,013	27,171,193	62,288,820	229.2%
Unrestricted	335,455	291,334	44,121	15.1%
Total Net Position	<u>\$ 164,988,488</u>	<u>\$ 100,396,525</u>	<u>\$ 64,591,963</u>	<u>64.3%</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 Statements of Activities, recapping the District's revenues earned and expenses incurred during the fiscal years ended June 30, 2018 and 2017:

	Condensed Statements of Activities For the Fiscal Years Ended June 30,			
	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease) \$</u>	<u>Increase (Decrease) %</u>
Expenses				
Public protection	\$ 14,165,387	\$ 35,747,508	\$ (21,582,121)	-60.4%
Interest on long-term debt	440,035	506,943	(66,908)	-13.2%
Total Expenses	<u>14,605,422</u>	<u>36,254,451</u>	<u>(21,649,029)</u>	<u>-59.7%</u>
Program Revenues				
Charges for services	8,869,178	9,122,076	(252,898)	-2.8%
Special assessment	1,411,845	1,405,946	5,899	0.4%
Capital grants	66,440,323	2,072,196	64,368,127	3106.3%
Donation and contributions	2,225,632	60,130	2,165,502	3601.4%
Interest income	250,407	286,291	(35,884)	-12.5%
Other revenue	-	57	(57)	-100.0%
Total Program Revenues	<u>79,197,385</u>	<u>12,946,696</u>	<u>66,250,689</u>	<u>511.7%</u>
Change in Net Position	64,591,963	(23,307,755)	87,899,718	377.1%
Net Position, Beginning	<u>100,396,525</u>	<u>123,704,280</u>	<u>(23,307,755)</u>	<u>-18.8%</u>
Net Position, Ending	<u>\$ 164,988,488</u>	<u>\$ 100,396,525</u>	<u>\$ 64,591,963</u>	<u>64.3%</u>

In 2018, net position increased by \$64,591,963. This increase is mainly due to the sunset of the 1998 Measure A sales tax ordinance which provided 20 years of funding for the Napa River/Napa Creek Flood Protection Project. Due to the sunset of the tax on June 30, 2018, the balance of unspent funds in the amount of \$50,570,643 for capital improvement costs of the project, and \$15,484,923 for future maintenance of the project, were transferred to the Flood District. As these funds are restricted for a specific purpose, two new budgetary divisions were created to ensure the funds were not comingled or used unlawfully.

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 of Directors.

DEBT ADMINISTRATION

The District has outstanding debt of \$16,772,977 (see Note 5) as of June 30, 2018. 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 estimated 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, 2018**

	2018
ASSETS	
Current Assets:	
Cash in County treasury	\$ 23,951,839
Imprest cash	100
Deposits with others	9,653
Assessments receivable	19,974
Accounts receivable	66,334,981
Total Current Assets	90,316,547
Noncurrent Assets:	
Assets held for others	3,356,799
Capital assets:	
Nondepreciable	84,395,503
Depreciable, net	4,213,695
Total Noncurrent Assets	91,965,997
Total Assets	182,282,544
LIABILITIES	
Current Liabilities:	
Accounts payable	216,141
Interest payable	295,308
Unearned revenue	9,630
Current portion of loans payable	2,847,111
Total Current Liabilities	3,368,190
Noncurrent Liabilities:	
State revolving loans payable	13,925,866
Total Noncurrent Liabilities	13,925,866
Total Liabilities	17,294,056
NET POSITION	
Net investment in capital assets	75,193,020
Restricted	89,460,013
Unrestricted	335,455
Total Net Position	\$ 164,988,488

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 FISCAL YEAR ENDED JUNE 30, 2018**

	2018
Expenses	
Public protection	
Insurance	\$ 10,828
Repairs and maintenance	567,954
Legal charges	39,661
Administration and other charges	166,706
Professional services	610,031
Management information services	4,184
Water purchases	8,420,675
Accumulated project costs conveyed to other agencies	2,421,170
Flood project related expenses	1,823,848
Depreciation	100,330
Interest expense	440,035
Total Expenses	14,605,422
Program Revenues	
Charges for services	8,869,178
Capital grants	66,440,323
Special assessments	1,411,845
Donations and contributions	2,225,632
Total Program Revenues	78,946,978
Net Program Revenues (Expenses)	64,341,556
General Revenues	
Interest income	250,407
Total General Revenues	250,407
Change in Net Position	64,591,963
Net Position - Beginning	100,396,525
Net Position - Ending	\$ 164,988,488

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

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
BALANCE SHEET
JUNE 30, 2018**

	2018
ASSETS	
Cash and cash equivalents	\$ 23,951,839
Imprest cash	100
Deposits with others	9,653
Assessments receivable	19,974
Accounts receivable	66,334,981
Total Assets	\$ 90,316,547
LIABILITIES	
Accounts payable	\$ 216,141
Unearned revenue	9,630
Total Liabilities	225,771
FUND BALANCE	
Restricted for:	
Napa River/Napa Creek Flood Protection Project	20,345,994
Flood and watershed management	2,941,943
Oakville-Oak Knoll Community Facilities District	116,510
Measure A-Flood Project	50,570,643
Measure A-Flood Maintenance	15,484,923
Unassigned	630,763
Total Fund Balance	90,090,776
Total Liabilities and Fund Balance	\$ 90,316,547

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, 2018**

Fund balance - total governmental funds (Page 9)	\$ 90,090,776
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.	88,609,198
Assets held for others used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,356,799
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.	(295,308)
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
State revolving loans	<u>(16,772,977)</u>
Net Position of Governmental Activities (Page 7)	<u><u>\$ 164,988,488</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 BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	2018
Revenues	
Charges for services	\$ 8,869,178
Revenue from use of money and property	250,407
Revenue from other governments	66,440,323
Special assessments	1,411,845
	76,971,753
 Expenditures	
Insurance	10,828
Repairs and maintenance	343,274
Legal charges	39,661
Administration and other charges	166,706
Professional services	610,031
Management information services	4,184
Water purchases	8,420,675
Planning, engineering, and design	1,763,678
Equipment	60,170
Debt service:	
Principal	2,779,570
Interest	480,738
	14,679,515
 Net Change in Fund Balance	 62,292,238
 Fund Balance - Beginning	 27,798,538
 Fund Balance - End	 \$ 90,090,776

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 BALANCE TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Net change in fund balance - total governmental funds (Page 11) \$ 62,292,238

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

The 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 the time of donation.

Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	\$ (224,680)	
Less current year depreciation	(100,330)	
Donated capital assets	2,225,632	
Accumulated project costs conveyed to other agencies	<u>(2,421,170)</u>	(520,548)

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 loans	2,779,570
---	-----------

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 the governmental funds.

Accrued interest on State revolving loans	<u>40,703</u>
---	---------------

Change in Net Position of Governmental Activities (Page 8)	<u><u>\$ 64,591,963</u></u>
--	-----------------------------

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, 2018**

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 mission is the conservation and management of flood and storm waters to protect life and property; the maintenance of the County watershed using the highest level of environmentally sound practices; and to provide coordinated planning for water supply needs for the community.

Operations of the District are divided into six divisions:

Flood and Watershed Management – This division funds the following four projects: Countywide Watershed Management; Stormwater Management; Rutherford Maintenance; and Oakville to Oak Knoll Community Facilities District.

Napa River/Napa Creek Flood Protection 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.

Measure A – Flood Project – This division is a non-operating special revenue fund, created at the sunset of the voter approved 1998 Measure A half-cent sales measure to fund county-wide flood projects. During the taxing period, these receipts were maintained by the Napa County Flood Protection and Watershed Improvement Authority (NCFPWIA). With the sunset of the tax June 30, 2018, the NCFPWIA disbursed all remaining funds to each taxing jurisdiction. This non-operating special revenue fund will maintain the balance and earn interest, until such funds are drawn upon to offset authorized expenditures in the Napa River/Napa Creek Flood Protection Project Division.

Measure A – Flood Project Maintenance - This division is a non-operating special revenue fund, created at the sunset of the voter approved 1998 Measure A half-cent sales measure to fund county-wide flood projects. During the taxing period, these receipts were maintained by the Napa County Flood Protection and Watershed Improvement Authority (NCFPWIA). With the sunset of the tax June 30, 2018, the NCFPWIA disbursed all remaining funds to each taxing jurisdiction. This non-operating special revenue fund will maintain the balance and earn interest, until such funds are drawn upon to offset authorized expenditures for maintaining the Napa River/Napa Creek Flood Protection Project.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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.

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, 2018, 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 two governmental funds and no enterprise funds for the year ended June 30, 2018.

The District reports the following major governmental funds:

- The General Funds are the District's primary operating funds. They account for all financial resources of the general government.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 underlying 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 the accrual basis of accounting. However, debt service expenditures are recorded only when payment is due.

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

The County; the Napa County Flood Protection and Watershed Improvement Authority (Authority); the District; and the Cities of American Canyon, Napa, St. Helena, and 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 of Napa 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, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (“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-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 Non-Federal Sponsor 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 capital 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 financial 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

Advances between funds, as reported in the fund financial statements, are offset by nonspendable 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.

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, 2018, consisted of the following:

Cash in County Treasury and imprest cash	<u>\$ 23,951,939</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, 2018, were as follows:

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

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, 2018, the change in assets held for others was as follows:

	Balance July 1, 2017	Additions	Retirements/ Adjustments	Balance June 30, 2018
Land held for others	\$ 1,742,489	\$ -	\$ -	\$ 1,742,489
Construction in progress	4,035,480	-	(2,421,170)	1,614,310
Total Assets Held for Others	<u>\$ 5,777,969</u>	<u>\$ -</u>	<u>\$ (2,421,170)</u>	<u>\$ 3,356,799</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Restated Balance July 1, 2017	Additions	Retirements/ Adjustments	Balance June 30, 2018
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 80,358,552	\$ 1,701,063	\$ -	\$ 82,059,615
Construction in progress	1,264,090	-	(1,264,090)	-
Intangible assets	1,811,318	524,570	-	2,335,888
Total capital assets, not being depreciated	<u>83,433,960</u>	<u>2,225,633</u>	<u>(1,264,090)</u>	<u>84,395,503</u>
Capital assets, being depreciated:				
Equipment	87,986	-	(6,500)	81,486
Infrastructure	7,291,779	1,039,409	-	8,331,188
Total capital assets, being depreciated	<u>7,379,765</u>	<u>1,039,409</u>	<u>(6,500)</u>	<u>8,412,674</u>
Less accumulated depreciation for:				
Equipment	(87,986)	-	6,500	(81,486)
Infrastructure	(4,017,163)	(100,330)	-	(4,117,493)
Total accumulated depreciation	<u>(4,105,149)</u>	<u>(100,330)</u>	<u>6,500</u>	<u>(4,198,979)</u>
Total capital assets, being depreciated, net	<u>3,274,616</u>	<u>939,079</u>	<u>-</u>	<u>4,213,695</u>
Governmental activities capital assets, net	<u>\$ 86,708,576</u>	<u>\$ 3,164,712</u>	<u>\$ (1,264,090)</u>	<u>\$ 88,609,198</u>

Depreciation expense of \$100,330 was charged to the public protection function.

NOTE 5 – LONG-TERM LIABILITIES

On June 1, 1999, the District entered into a contract with the State Water Resources Control Board (SWRCB), where the Napa River/Napa Creek Flood Protection 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 District entered into a contract with the SWRCB, where the Napa River/Napa Creek Flood Protection 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 \$0 million during the fiscal year ended June 30, 2018.

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
State revolving loans	\$ 19,552,547	\$ -	\$ (2,779,570)	\$ 16,772,977	\$ 2,847,111

Annual debt service requirements are estimated as follows:

Year Ending June 30,	Principal	Interest	Total
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	918,304	200,560	1,118,864
2023	941,262	177,603	1,118,865
2024-2028	5,071,272	523,053	5,594,325
2029	1,091,574	27,289	1,118,863
Total	\$ 16,772,977	\$ 1,958,863	\$ 18,731,840

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.”

NOTE 6 – NET POSITION/FUND BALANCE (Continued)

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* – amounts 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. The District did not have a committed fund balance in the current fiscal year.
- *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. The District did not have an assigned fund balance in the current fiscal year.
- *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 of Directors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital 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, 2018, the District paid the County, a related party, \$1,498,029, of which \$1,403,608 was for engineering services and administration fees and \$94,421 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 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 18, 2018, 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 FISCAL YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 10,948,159	\$ 10,948,159	\$ 8,869,178	\$ (2,078,981)
Revenue from use of money and property	197,000	197,000	250,407	53,407
Revenue from other governments	5,934,370	5,934,370	66,440,323	60,505,953
Special assessments	1,412,080	1,412,080	1,411,845	(235)
Other revenue	80,650	80,650	-	(80,650)
Intrafund transfers	100,700	149,759	-	(149,759)
Total Revenues	<u>18,672,959</u>	<u>18,722,018</u>	<u>76,971,753</u>	<u>58,249,735</u>
Expenditures				
Insurance	12,000	12,000	10,828	1,172
Repairs and maintenance	2,374,325	2,325,266	343,274	1,981,992
Legal charges	162,650	162,650	39,661	122,989
Administration and other charges	310,881	310,881	166,706	144,175
Professional services	1,839,491	1,839,491	610,031	1,229,460
Management information services	4,818	4,818	4,184	634
Water purchases	11,965,159	11,965,159	8,420,675	3,544,484
Engineer services	3,500,617	3,500,617	1,763,678	1,736,939
Construction and management	18,000	18,000	-	18,000
Equipment	136,440	136,440	60,170	76,270
Debt service:				
Principal	2,779,570	2,779,570	2,779,570	-
Interest	480,739	480,739	480,738	1
Intrafund transfers	100,700	149,759	-	149,759
Total Expenditures	<u>23,685,390</u>	<u>23,685,390</u>	<u>14,679,515</u>	<u>9,005,875</u>
Net Change in Fund Balance	<u>\$ (5,012,431)</u>	<u>\$ (4,963,372)</u>	62,292,238	<u>\$ 67,255,610</u>
Fund Balance - Beginning			<u>27,798,538</u>	
Fund Balance - End			<u>\$ 90,090,776</u>	

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018, 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 fund balance 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

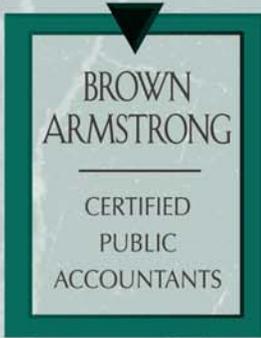
**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
BALANCE SHEET
DIVISIONAL BREAKDOWN
JUNE 30, 2018**

	Flood and Watershed Management	Napa River/ Napa Creek Flood Protection Project	Measure A- Flood Project	Measure A- Flood Maintenance	Water Supply Contracts	Oakville- Oak Knoll CFD	Total
ASSETS							
Cash in County treasury	\$ 2,932,459	\$ 20,374,164	\$ -	\$ -	\$ 525,274	\$ 119,942	\$ 23,951,839
Imprest cash	-	100	-	-	-	-	100
Deposits with others	-	9,653	-	-	-	-	9,653
Assessments receivable	19,974	-	-	-	-	-	19,974
Accounts receivable	145,933	-	50,570,643	15,484,923	133,482	-	66,334,981
Total Assets	\$ 3,098,366	\$ 20,383,917	\$ 50,570,643	\$ 15,484,923	\$ 658,756	\$ 119,942	\$ 90,316,547
LIABILITIES							
Accounts payable	\$ 146,793	\$ 37,923	\$ -	\$ -	\$ 27,993	\$ 3,432	\$ 216,141
Unearned revenue	9,630	-	-	-	-	-	9,630
Total Liabilities	156,423	37,923	-	-	27,993	3,432	225,771
FUND BALANCES							
Restricted for:							
Napa River/Napa Creek Flood Protection Project	-	20,345,994	-	-	-	-	20,345,994
Flood and watershed management	2,941,943	-	-	-	-	-	2,941,943
Oakville-Oak Knoll CFD	-	-	-	-	-	116,510	116,510
Measure A-Flood Project	-	-	50,570,643	-	-	-	50,570,643
Measure A-Flood Maintenance	-	-	-	15,484,923	-	-	15,484,923
Unassigned	-	-	-	-	630,763	-	630,763
Total Fund Balances	2,941,943	20,345,994	50,570,643	15,484,923	630,763	116,510	90,090,776
Total Liabilities and Fund Balances	\$ 3,098,366	\$ 20,383,917	\$ 50,570,643	\$ 15,484,923	\$ 658,756	\$ 119,942	\$ 90,316,547

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
DIVISIONAL BREAKDOWN
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Flood and Watershed Management	Napa River/ Napa Creek Flood Protection Project	Measure A- Flood Project	Measure A- Flood Maintenance	Water Supply Contracts	Oakville- Oak Knoll CFD	Total
Revenues							
Charges for services	\$ 90,707	\$ 171,256	\$ -	\$ -	\$ 8,607,215	\$ -	\$ 8,869,178
Revenue from use of money and property	27,557	216,851	-	-	4,844	1,155	250,407
Revenue from other governments	384,757	-	50,570,643	15,484,923	-	-	66,440,323
Special assessments	1,307,211	-	-	-	-	104,634	1,411,845
Total Revenues	1,810,232	388,107	50,570,643	15,484,923	8,612,059	105,789	76,971,753
Expenditures							
Insurance	1,506	9,322	-	-	-	-	10,828
Repairs and maintenance	177,975	144,632	-	-	-	20,667	343,274
Legal charges	8,426	28,551	-	-	2,684	-	39,661
Administration and other charges	83,381	26,056	-	-	57,135	134	166,706
Professional services	497,030	49,751	-	-	38,234	25,016	610,031
Management information services	1,676	2,490	-	-	18	-	4,184
Water purchases	-	-	-	-	8,420,675	-	8,420,675
Planning, engineering, and design	782,200	868,252	-	-	89,145	24,081	1,763,678
Equipment	60,170	-	-	-	-	-	60,170
Debt service:							
Principal	-	2,779,570	-	-	-	-	2,779,570
Interest	-	480,738	-	-	-	-	480,738
Total Expenditures	1,612,364	4,389,362	-	-	8,607,891	69,898	14,679,515
Net Change in Fund Balances Before Transfers	197,868	(4,001,255)	50,570,643	15,484,923	4,168	35,891	62,292,238
Transfers between divisions	-	-	-	-	-	-	-
Net Change in Fund Balances	197,868	(4,001,255)	50,570,643	15,484,923	4,168	35,891	62,292,238
Fund Balances - Beginning	2,744,075	24,347,249	-	-	626,595	80,619	27,798,538
Fund Balances - End	\$ 2,941,943	\$ 20,345,994	\$ 50,570,643	\$ 15,484,923	\$ 630,763	\$ 116,510	\$ 90,090,776

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

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

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 the governmental fund of the Napa County Flood Control and Water Conservation District (the District), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2018.

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. However, material weaknesses may exist that have not been identified.

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*.

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
December 18, 2018

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

None noted.

**NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS OF PRIOR YEAR
JUNE 30, 2017**

None noted.