

**NAPA COUNTY
REGIONAL PARK AND
OPEN SPACE DISTRICT**

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2012**

NAPA COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members
of the Board of Directors
Napa County Regional Park and Open Space District
Napa, California

We have audited the accompanying financial statements of the Napa County Regional Park and Open Space District (District), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 1, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

To the Honorable Members
of the Board of Directors
Napa County Regional Park and Open Space District

Our audit was conducted for the purpose of forming an opinion on the financial statements of the District as a whole. The Schedule of Revenues and Expenditures by Activity is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Revenues and Expenditures by Activity is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gallina LLP

Roseville, California
November 1, 2012

NAPA COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

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

The Napa County Regional Park and Open Space District (District) was formed on December 12, 2006 when the County of Napa Board of Supervisors certified that the voters had approved its formation at the election on November 7, 2006. The purpose of the District is to plan, improve and operate a system of public parks, trails, outdoor recreational facilities, and outdoor science and conservation education programs, as well as to protect and preserve natural areas, wildlife habitat and other open space resources.

As management of the District, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2012. Please read it in conjunction with the District's Financial Statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District ended the year with a fund balance of \$527,052, an increase of \$96,884 from the prior year. Of that amount, \$166,133 is restricted for future expenditures at Moore Creek, \$50,000 is restricted for future expenditures at Camp Berryessa, and \$162,500 is restricted and assigned for future expenditures at the State Parks, leaving \$148,419 available for general District operations.
- The County of Napa continued its support for the District's operations and projects, granting funds from its Transient Occupancy Tax in the amount of \$322,324.
- The District took over operation of Bothe-Napa Valley State Park and the Bale Grist Mill State Historic Park on April 1, 2012.
- The District organized 5,364 hours of volunteer work projects, valued at over \$107,000.
- The District completed construction of Phase I of the Napa River and Bay Trail (a trail loop around the former landfill in American Canyon, and 2 miles of trail extending north to Green Island Road).
- At the planned Moore Creek Park, the District constructed three-quarters of a mile of new trail (Chiles Creek Overlook Trail), continued removing invasive French Broom in the upper canyon, and continued making repairs to the existing structures on the property, all in preparation for opening the park to the public in the spring of 2013.
- The District completed 50% engineering and design plans for Camp Berryessa, a planned outdoor education camp on the north shore of Lake Berryessa.
- The District began resource surveys for Spanish Valley and Stone Corral as the first step in preparing plans for improving and opening these areas for public recreational use.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The Statement of Net Assets and Governmental Fund Balance Sheet, and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance provide information about the activities of the District. The financial statements also include various footnote disclosures, which further describe the District's activities.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

NAPA COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

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

The *statement of net assets and governmental fund balance sheet* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*.

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and government-wide statements.

The District adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information (RSI)

RSI is presented concerning the District's General Fund budgetary schedule. The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

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

FINANCIAL ANALYSIS OF THE DISTRICT

Net Assets

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

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Current assets	\$ 616,410	\$ 494,988	\$ 121,422
Non-current assets	7,219,188	7,228,314	(9,126)
Total assets	<u>7,835,598</u>	<u>7,723,302</u>	<u>112,296</u>
Current liabilities	89,358	64,820	24,538
Total liabilities	<u>89,358</u>	<u>64,820</u>	<u>24,538</u>
Net assets:			
Invested in capital assets, net of related debt	7,219,188	7,228,314	(9,126)
Restricted	216,133	321,163	(105,030)
Assigned	162,500	--	162,500
Unrestricted	148,419	109,005	39,414
Total net assets	<u>\$ 7,746,240</u>	<u>\$ 7,658,482</u>	<u>\$ 87,758</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,746,240 as of June 30, 2012, due primarily to purchased and donated land and buildings over the past couple of years.

Cash and investments are maintained in the County's cash and investment pool where interest earned on the District's balance is apportioned to the District.

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

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

Changes in Net Assets

A summary of the District's Statement of Activities, recapping the District's revenues earned during the fiscal year ended June 30, 2012, and the expenditures incurred are as follows:

**Condensed Statement of Activities
For the Fiscal year Ended June 30,**

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Revenues:			
Operating grants	\$ 1,351,889	\$ 916,783	\$ 435,106
Capital grants & contributions	--	4,250,000	(4,250,000)
Rents	91,460	9,973	81,487
Donations	117,377	1,400	115,977
Interest	1,315	800	515
Total revenues	<u>1,562,041</u>	<u>5,178,956</u>	<u>(3,616,915)</u>
Expenses:			
Parks and recreation	<u>1,474,283</u>	<u>596,071</u>	<u>878,212</u>
Total expenses	<u>1,474,283</u>	<u>596,071</u>	<u>878,212</u>
Changes in net assets	87,758	4,582,885	(4,495,127)
Net assets - Beginning of year	<u>7,658,482</u>	<u>3,075,597</u>	<u>4,582,885</u>
Net assets - Ending of year	<u>\$ 7,746,240</u>	<u>\$ 7,658,482</u>	<u>\$ 87,758</u>

Financial Analysis of the District's Governmental Fund

As noted earlier, fund accounting is used by the District to ensure and demonstrate compliance with finance-related legal requirements.

For the fiscal year ending June 30, 2012, the District reported an ending fund balance of \$527,052, an increase of \$96,884. Of that amount, \$166,133 is restricted for future expenditures at Moore Creek, \$50,000 is restricted for future expenditures at Camp Berryessa, and \$162,500 is restricted and assigned for future expenditures at the State Parks, leaving \$148,419 available for general District operations.

BUDGETARY HIGHLIGHTS

Total revenues were under final budget by \$479,486, or 23.5%, and total expenditures were under final budget by \$383,954, or 20.8%.

Total expenditures were under budget primarily because of delays in several projects. One cause of these delays was the freezing for nearly a year of funds expected from two State grants (for Napa River and Bay Trail construction and for Napa River Ecological Reserve restoration) caused by State budgetary imbalances and resultant cash flow problems, which required changes to their implementation schedules. Another project, repairs to the Oat Hill Mine Trail, had to await approval from the County of Napa to

NAPA COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

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

proceed. Finally, progress on the Camp Berryessa project was delayed while the Bureau of Reclamation completed environmental analysis required for the project.

CAPITAL ASSETS

For the fiscal year ending June 30, 2012, the District owned 224 acres of land, known as Berryessa Vista Wilderness Park, 673 acres of land with two residences, known as Moore Creek Park, approximately 3,400 acres known as Spanish Valley, Crystal Flats and Stone Corral, and 0.2 acres known as the Keene parcel.

DEBT ADMINISTRATION

For the fiscal year ending June 30, 2012, the District did not have any long-term obligations outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's primary source of revenue for general operations comes via a grant agreement with the County of Napa. The County funds this agreement using a portion of its General Fund identified in the County budget as Special Project Funds. Special Project Funds are derived from a portion of the County's Transient Occupancy Tax (TOT), which was increased through voter approval in 2002 from 10.5 to 12 percent of gross receipts for overnight accommodations provided by facilities operating in the unincorporated parts of the County. The County Board of Supervisors has adopted a policy of allocating 60% of the increased TOT revenues to parks and open space purposes. For fiscal year 2011-2012, the County had agreed to provide the District \$596,174 for operational costs. The full amount of this grant was not utilized due to delays in construction projects noted elsewhere in this report; pursuant to revised County policy, the unused portion of this grant has been rolled into and increases the grant for 2012-2013. The revised County policy on the Special Projects Fund also extends the grant agreement until 2017, providing a more stable and assured funding source for the District.

The District currently has no employees, and no facilities other than land and two residential buildings on that land. It contracts with the County for most of its professional services and office space, equipment and supplies.

CONTACTING THE DISTRICT

This audit report is designed to provide a general overview of the Napa County Regional Park and Open Space District finances for all those interested. The County of Napa provides certain management and administrative functions, including all financial management and accounting. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Napa County Regional Park and Open Space District, 1195 Third Street, Suite 210, Napa California, 94559.

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

Statement of Net Assets
June 30, 2012

ASSETS

Current Assests:

Cash in County treasury	\$ 345,307
Due from other governments	271,103

Non-current Assets:

Land	6,792,319
Buildings, net of accumulated depreciation	<u>426,869</u>

Total Assets	<u><u>\$ 7,835,598</u></u>
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LIABILITIES

Current Liabilities:

Accounts payable	\$ 45,949
Unearned revenue	<u>43,409</u>

Total Liabilities	<u>89,358</u>
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NET ASSETS

Invested in capital assets	7,219,188
Restricted	216,133
Unrestricted	<u>310,919</u>

Total Net Assets	<u>7,746,240</u>
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Total Liabilities and Net Assets	<u><u>\$ 7,835,598</u></u>
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The accompanying notes are an integral part of these financial statements.

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

Statement of Activities
For the Year Ended June 30, 2012

PROGRAM EXPENSES

Administrative charges	\$	306,575
Accounting and auditing		8,594
Insurance		4,886
Legal expense		18,429
Consulting/engineering		125,411
Maintenance		994,125
Depreciation		9,126
Other		7,137
		1,474,283
Total Program Expenses		1,474,283

PROGRAM REVENUES

Operating grants and contributions:		
Contribution from County of Napa		322,324
State and other grants		1,029,565
Donations		117,377
Rents		91,460
		1,560,726
Total Program Revenues		1,560,726
Net Program Revenues		86,443

GENERAL REVENUES

Interest		1,315
		1,315
Change in Net Assets		87,758
Net Assets - Beginning of Year		7,658,482
		7,658,482
Net Assets - End of Year		\$ 7,746,240
		\$ 7,746,240

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

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

Balance Sheet
June 30, 2012

ASSETS

Cash in County treasury	\$ 345,307
Due from other governments	<u>271,103</u>
Total Assets	<u><u>\$ 616,410</u></u>

LIABILITIES

Accounts payable	\$ 45,949
Unearned revenue	<u>43,409</u>
Total Liabilities	<u>89,358</u>

FUND BALANCE

Restricted	\$ 216,133
Assigned	162,500
Unassigned	<u>148,419</u>
Total Fund Balance	<u>527,052</u>
Total Liabilities and Fund Balance	<u><u>\$ 616,410</u></u>

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

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

Reconciliation of the Balance Sheet
to the Statement of Net Assets
June 30, 2012

Fund Balance - total governmental fund (page 11) \$ 527,052

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

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the governmental funds.

7,219,188

Net assets of governmental activities (page 9)

\$ 7,746,240

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

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2012

REVENUES

Intergovernmental revenues	\$ 1,351,889
Rents	91,460
Donations	117,377
Interest	1,315
Total Revenues	<u>1,562,041</u>

EXPENDITURES

Administrative charges	306,575
Accounting and auditing	8,594
Insurance	4,886
Legal expenditures	18,429
Consulting/engineering	125,411
Maintenance	994,125
Other	7,137
Total Expenditures	<u>1,465,157</u>
Net Change in Fund Balance	96,884
Fund Balance - Beginning of Year	<u>430,168</u>
Fund Balance - End of Year	<u><u>\$ 527,052</u></u>

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

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2012

Net change to fund balance - total governmental fund (page 13)	\$	96,884
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Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlay as expenditures. However,
in the statement of activities, the cost of those assets is allocated
over their estimated useful lives and reported as depreciation expense.
Details of the difference are as follows:

Depreciation	<u>(9,126)</u>
Change in net assets of governmental activities (page 10)	<u><u>\$ 87,758</u></u>

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

NAPA COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

In November of 2006 Napa County voters approved Measure I establishing the Napa County Regional Park and Open Space District. The purpose of the District is to plan, improve and operate a system of public parks, trails, outdoor recreational facilities, and outdoor science and conservation education programs, as well as to protect and preserve natural areas, wildlife habitat and other open space resources. Its jurisdiction includes all of Napa County.

The District is governed by a Board of Directors whose members are directly elected by the public in each of five wards. Ward boundaries coincide with the County's Board of Supervisors' districts.

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. 14, 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 above criteria, and therefore, no District 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 and Accounting

Government-Wide Statements

The statement of net assets and statement of activities display information about the primary government (District). These statements include the financial activities of the overall District.

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 at the time liabilities are incurred, regardless of when the related cash flows take place.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources method and the modified accrual basis of accounting. This method recognizes revenues in the accounting period in which they become measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues available if they are collected within sixty days of the end of the current fiscal period. Significant revenues that have been treated as "susceptible" to accrual under the modified accrual basis of accounting include taxes, charges, interest and intergovernmental revenues. Expenditures are recognized in the accounting period in which the related fund liability is incurred.

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation and Accounting (continued)

Fund Financial Statements (continued)

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) value in exchange, include sales taxes, grants, entitlements and donations. On a modified accrual basis, revenues from sales taxes are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. Capital Assets

Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements. Depreciation begins on the first day of the fiscal year following the period the asset is placed in service and ends in the fiscal year that it is retired from service or is fully depreciated.

The estimated useful lives are as follows:

Buildings and improvements	25 to 50 years
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D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

Notes to the Financial Statements
June 30, 2012

NOTE 2: CASH AND INVESTMENTS

Cash at June 30, 2012, consisted of the following:

Cash in County Treasury	<u>\$ 345,307</u>
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The District maintains all of its cash and investments with the Napa County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Napa's financial statements may be obtained by contacting the County of Napa's Auditor-Controller's office at 1195 Third Street, Room B-10, Napa, California 94559. The Napa County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the District's deposit and investment risks at June 30, 2012, were as follows:

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

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value. The District has no deposit or investment policy that addresses a specific type of risk.

NOTE 3: CAPITAL ASSETS

The District purchased land and buildings in the current fiscal year. Capital assets activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 6,792,319	\$ --	\$ --	\$ 6,792,319
Total capital assets, not being depreciated	<u>6,792,319</u>	<u>--</u>	<u>--</u>	<u>6,792,319</u>
Capital assets, being depreciated:				
Buildings	456,356	--	--	456,356
Less accumulated depreciation for:				
Buildings	<u>(20,361)</u>	<u>(9,126)</u>	<u>--</u>	<u>(29,487)</u>
Total capital assets, being depreciated, net	<u>435,995</u>	<u>(9,126)</u>	<u>--</u>	<u>426,869</u>
Total capital assets, net	<u>\$ 7,228,314</u>	<u>\$ (9,126)</u>	<u>\$ --</u>	<u>\$ 7,219,188</u>

NAPA COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Financial Statements
June 30, 2012

NOTE 4: NET ASSETS/FUND BALANCE

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets (net of related debt), restricted and unrestricted. The Commission has unrestricted funds and invested in capital assets (net of related debt). Invested in capital assets, net of related debt consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Unrestricted net assets consist of all other net assets not included in the above categories.

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 spend. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – amounts that are not in spendable form 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's board or by an official or body to which the District's board delegates the authority.
- *Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

NAPA COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Financial Statements
June 30, 2012

NOTE 4: NET ASSETS/FUND BALANCE (CONTINUED)

The District's board 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 5: RELATED PARTY TRANSACTIONS

During the year ended June 30, 2012, the District paid the County of Napa, a related party \$323,394 for accounting, management, administrative, and legal services. The District also received grants from the County in the amount of \$322,324 for administration, planning and operations.

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Insurance to cover risk of loss for the District is secured through commercial carriers.

REQUIRED SUPPLEMENTARY INFORMATION

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

Budgetary Comparison Schedule
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Intergovernmental	\$ 3,307,174	\$ 1,760,106	\$ 1,351,889	\$ (408,217)
Rents	--	181,421	91,460	(89,961)
Donations	28,000	100,000	117,377	17,377
Interest	--	--	1,315	1,315
Total Revenues	<u>3,335,174</u>	<u>2,041,527</u>	<u>1,562,041</u>	<u>(479,486)</u>
<u>EXPENDITURES</u>				
Administrative charges	303,000	311,615	306,575	5,040
Accounting and auditing	10,000	16,708	8,594	8,114
Insurance	4,500	8,562	4,886	3,676
Legal expenditures	12,000	25,500	18,429	7,071
Consulting/engineering	490,000	205,473	125,411	80,062
Maintenance	2,432,374	1,162,303	994,125	168,178
Other	83,300	118,950	7,137	111,813
Total Expenditures	<u>3,335,174</u>	<u>1,849,111</u>	<u>1,465,157</u>	<u>383,954</u>
Net Change in Fund Balance	<u>\$ --</u>	<u>\$ 192,416</u>	96,884	<u>\$ (95,532)</u>
Fund Balance - Beginning of Year			<u>430,168</u>	
Fund Balance - End of Year			<u>\$ 527,052</u>	

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

NAPA COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2012

BUDGET AND BUDGETARY ACCOUNTING

The District prepares and legally adopts a final budget on or before August 30th of each fiscal year. The District's operation, commencing July 1st, is governed by the proposed budget, adopted by the Board of Directors in June of the prior year.

After the budget is approved, the appropriations can be added to, subtracted from or changed only by approval of the Board of Directors. 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 District.

An operating budget is adopted each fiscal year on the modified accrual basis. 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 reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent years and included in the subsequent years' budgets. 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.

The budget is adopted on a basis consistent with generally accepted accounting principles.

SUPPLEMENTARY INFORMATION

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

Schedule of Revenues and Expenditures by Activity
For the Year Ended June 30, 2012

	<u>Moore Creek</u>	<u>Oat Hill Mine Trail</u>	<u>Napa River and Bay Trail</u>	<u>Camp Berryessa</u>
<u>REVENUES</u>				
Grants:				
Napa County	\$ --	\$ 1,904	\$ --	\$ 32,498
State Coastal Conservancy	--	--	--	86,606
Resources Agency	--	--	923,470	--
Mead Foundation	--	--	--	--
Rents/Concessions	11,655	--	--	--
Donations	200	344	--	--
Interest	--	--	--	--
Total Revenues	<u>11,855</u>	<u>2,248</u>	<u>923,470</u>	<u>119,104</u>
<u>EXPENDITURES</u>				
Other professional services	18,563	1,184	74,032	--
Administration	18,799	689	36,040	22,859
Construction contracts	--	--	--	--
Maintenance and repair	34,939	--	--	--
Maintenance agreements	19,306	31	801,428	96,245
Legal expense	--	--	--	--
Insurance	1,476	--	--	--
Memberships	--	--	--	--
Office expense	--	--	--	--
Materials and supplies	--	--	--	--
Utilities - PG&E	1,832	--	--	--
Utilities - Internet Connection	919	--	--	--
Audit and accounting services	--	--	--	--
Election services	--	--	--	--
Other departmental expenses	--	--	--	--
Transportation and travel	70	--	122	--
Garbage service	--	--	--	--
Depreciation	9,126	--	--	--
Total Expenditures	<u>105,030</u>	<u>1,904</u>	<u>911,622</u>	<u>119,104</u>
Net Surplus/(Deficit)	<u>\$ (93,175)</u>	<u>\$ 344</u>	<u>\$ 11,848</u>	<u>\$ --</u>

continued

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

Schedule of Revenues and Expenditures by Activity (continued)
For the Year Ended June 30, 2012

	Berryessa Vista	NRER	Vine Trail	Putah Creek
<u>REVENUES</u>				
Grants:				
Napa County	\$ 611	\$ 18,657	\$ 1,758	\$ 23,336
State Coastal Conservancy	--	19,489	--	--
Resources Agency	--	--	--	--
Mead Foundation	--	--	--	--
Rents/Concessions	--	--	--	5,000
Donations	--	--	--	--
Interest	--	--	--	--
Total Revenues	<u>611</u>	<u>38,146</u>	<u>1,758</u>	<u>28,336</u>
<u>EXPENDITURES</u>				
Other professional services	505	13,820	--	775
Administration	106	3,127	1,758	16,243
Construction contracts	--	--	--	--
Maintenance and repair	--	1,583	--	--
Maintenance agreements	--	5,621	--	--
Legal expense	--	--	--	--
Insurance	--	--	--	--
Memberships	--	--	--	--
Office expense	--	--	--	--
Materials and supplies	--	--	--	--
Utilities - PG&E	--	--	--	--
Utilities - Internet Connection	--	--	--	--
Audit and accounting services	--	--	--	--
Election services	--	--	--	--
Other departmental expenses	--	13,982	--	6,220
Transportation and travel	--	13	--	98
Garbage service	--	--	--	--
Depreciation	--	--	--	--
Total Expenditures	<u>611</u>	<u>38,146</u>	<u>1,758</u>	<u>23,336</u>
Net Surplus/(Deficit)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,000</u>

continued

**NAPA COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT**

Schedule of Revenues and Expenditures by Activity (continued)
For the Year Ended June 30, 2012

	State Parks	General Fund	Total
<u>REVENUES</u>			
Grants:			
Napa County	\$ --	\$ 243,560	\$ 322,324
State Coastal Conservancy	--	--	106,095
Resources Agency	--	--	923,470
Mead Foundation	--	--	-
Rents/Concessions	74,805	--	91,460
Donations	116,833	--	117,377
Interest	73	1,242	1,315
Total Revenues	<u>191,711</u>	<u>244,802</u>	<u>1,562,041</u>
<u>EXPENDITURES</u>			
Other professional services	6,029	10,503	125,411
Administration	2,417	199,583	301,621
Construction contracts	--	--	-
Maintenance and repair	5,852	--	42,374
Maintenance agreements	7,148	--	929,779
Legal expense	--	18,429	18,429
Insurance	1,983	1,425	4,884
Memberships	--	1,500	1,500
Office expense	713	906	1,619
Materials and supplies	--	--	-
Utilities - PG&E	1,554	--	3,386
Utilities - Internet Connection	--	--	919
Audit and accounting services	--	8,594	8,594
Election services	--	--	-
Other departmental expenses	317	1,453	21,972
Transportation and travel	365	1,167	1,835
Garbage service	2,834	--	2,834
Depreciation	--	--	9,126
Total Expenditures	<u>29,212</u>	<u>243,560</u>	<u>1,465,157</u>
Net Surplus/(Deficit)	<u>\$ 162,499</u>	<u>\$ 1,242</u>	<u>\$ 96,884</u>

OTHER REPORT



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

To the Honorable Members
of the Board of Directors
Napa County Regional Park and Open Space District
Napa, California

We have audited the financial statements of Napa County Regional Park and Open Space District (District) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

To the Honorable Members
of the Board of Directors
Napa County Regional Park and Open Space District

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

Gallina LLP

Roseville, California
November 1, 2012