

**NAPA COUNTY
LOCAL TRANSPORTATION FUND**

Audit Report
June 30, 2011

NAPA COUNTY LOCAL TRANSPORTATION FUND

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members
of the Board of Supervisors
Napa County
Napa, California

We have audited the accompanying financial statements of the Napa County Local Transportation Fund (Fund) as of and for the fiscal year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of Napa County's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Fund's 2010 financial statements and, in our report dated January 18, 2011, we expressed an unqualified opinion on those statements.

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 fund's internal control over financial reporting, accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

As described in Note 1, the financial statements present only the Napa County Local Transportation Fund and are not intended to present fairly the financial position and the changes in financial position of Napa County as of June 30, 2011, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Napa County Local Transportation Fund as of June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Members
of the Board of Supervisors
Napa County
Napa, California

In accordance with *Government Auditing Standards*, we have also issued our reports dated February 15, 2012 on our consideration of the Napa County Local Transportation Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Statements of Changes in Financial Position and Schedule of Allocations and Expenditures as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Gallina LLP

Roseville, California
February 15, 2012

NAPA COUNTY LOCAL TRANSPORTATION FUND

Statement of Assets and Liabilities

June 30, 2011

(With Comparative Information as of June 30, 2010)

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash	\$ 14,432,545	\$ 13,488,745
Due from Other Government	<u>2,687,197</u>	<u>1,766,285</u>
Total Assets	<u>\$ 17,119,742</u>	<u>\$ 15,255,030</u>
<u>LIABILITIES</u>		
Due to Other Governments	<u>\$ 17,119,742</u>	<u>\$ 15,255,030</u>
Total Liabilities	<u>\$ 17,119,742</u>	<u>\$ 15,255,030</u>

The accompanying notes are an integral part of these financial statements

NAPA COUNTY LOCAL TRANSPORTATION FUND

Statement of Changes in Financial Position
For the Fiscal Year Ended June 30, 2011
(With Comparative Information for the Fiscal Year Ended June 30, 2010)

<u>ADDITIONS</u>	<u>2011</u>	<u>2010</u>
Sales tax	\$ 5,850,090	\$ 5,578,656
Interest	113,228	129,393
Returned allocations	<u>920,912</u>	<u>1,766,285</u>
 Total Additions	 <u>6,884,230</u>	 <u>7,474,334</u>
 <u>DEDUCTIONS</u>		
County of Napa	29,250	27,893
City of Calistoga	25,419	--
City of Napa	130,000	--
Napa County Transportation Planning Agency	4,630,096	8,207,037
Metropolitan Transportation Commission	<u>204,753</u>	<u>195,253</u>
 Total Deductions	 <u>5,019,518</u>	 <u>8,430,183</u>
 Change in Financial Position	 1,864,712	 (955,849)
 Due to Other Governments - Beginning of Year	 <u>15,255,030</u>	 <u>16,210,879</u>
 Due to Other Governments - End of Year	 <u>\$ 17,119,742</u>	 <u>\$ 15,255,030</u>

The accompanying notes are an integral part of these financial statements

NAPA COUNTY LOCAL TRANSPORTATION FUND

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

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

The financial statements of the Napa County Local Transportation Fund (LTF) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The LTF applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. The Reporting Entity

Napa County receives sales tax revenues generated within the County directly from the State Board of Equalization. These sales tax revenues are used for specified transportation and road improvement projects within Napa County. The Metropolitan Transportation Commission, as the regional transportation authoritative entity, authorizes and approves how these funds are to be spent. Generally, these funds are restricted to public transportation, bike path, and street and road improvement projects.

The financial statements are intended to present the financial position and changes in financial position of only those transactions attributable to the Napa County Local Transportation Fund and is not intended to present fairly the financial position and results of operations of Napa County in conformity with accounting principles generally accepted in the United States of America.

B. Basis of Presentation

Government-Wide Financial Statements

Governmental Accounting Standards Board Statement No. 34 (GASB 34) implemented an additional set of statements called the government-wide financial statements and consisting of the Statement of Net Assets and the Statement of Activities. It also implemented a section entitled "Management's Discussion and Analysis" (MD&A). Since these provisions of GASB 34 apply to legally created state and local governmental entities and not to reports on individual funds such as this one, the MD&A, government-wide Statement of Net Assets and Statement of Activities have not been presented and included in these financial statements.

Fund Financial Statements

The accounts of the LTF are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NAPA COUNTY LOCAL TRANSPORTATION FUND

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

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

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

The LTF is a fiduciary fund specifically categorized as an Agency Fund. Agency Funds account for assets held by Napa County as an agent for others.

C. Basis of Accounting

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). The accrual basis of accounting is used to determine the appropriate asset and liability accounts. The additions and deletions as provided in the supplementary information section are according to Metropolitan Transportation Commission's requirements.

D. Use of Estimates

The preparation of the financial statements in conformity 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 at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Note 2: **Due from Other Government**

The LTF allocates monies by way of an allocation instruction from the Metropolitan Transportation Commission to the Napa County Transportation Planning Agency (NCTPA) for transit purposes. According to the provisions of Code Section 6634 of the Transportation Development Act, the NCTPA is only eligible to receive LTF allocations to cover its actual operating cost, less state, federal and other local grants, fare revenues and other support. For the fiscal year ended June 30, 2011, the LTF allocations made to the NCTPA resulted in the NCTPA receiving LTF allocations of \$2,687,197 in excess of their operating cost and this amount was recorded as such on these financial statements.

Note 3: **Due to Other Governments**

The LTF has been appropriately classified as an Agency Fund and any assets in excess of liabilities are classified as due to other governments since Napa County acts as a caretaker for the funds which are due to various governmental agencies within Napa County. The funds are allocated and disbursed in conformance with allocation instructions from the Metropolitan Transportation Commission.

NAPA COUNTY LOCAL TRANSPORTATION FUND

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

Note 4: **Cash and Investments**

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

Required disclosures for the LTF's deposit and investment risks at June 30, 2011 was as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	1.15 years weighted average maturity

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

SUPPLEMENTAL INFORMATION

NAPA COUNTY LOCAL TRANSPORTATION FUND

Schedule of Allocations and Expenditures For the Fiscal Year Ended June 30, 2011

Entity/Public Utilities Code (PUC) Section	Allocations Outstanding June 30, 2010	2010/2011			Allocations Outstanding June 30, 2011
		Allocated	Expended	Expired	
County of Napa					
99233.2	\$ --	\$ 29,250	\$ 29,250	\$ --	\$ --
Total	<u> --</u>	<u>29,250</u>	<u>29,250</u>	<u> --</u>	<u> --</u>
City of American Canyon					
99233.3/4	--	190,000	--		190,000
Total	<u> --</u>	<u>190,000</u>	<u> --</u>	<u> --</u>	<u>190,000</u>
City of Calistoga					
99233.3/4	--	60,000	25,419		34,581
Total	<u> --</u>	<u>60,000</u>	<u>25,419</u>	<u> --</u>	<u>34,581</u>
City of Napa					
99233.3/4	130,000	75,000	130,000		75,000
Total	<u>130,000</u>	<u>75,000</u>	<u>130,000</u>	<u> --</u>	<u>75,000</u>
City of St. Helena					
99233.3/4	--	27,000	--		27,000
Total	<u> --</u>	<u>27,000</u>	<u> --</u>	<u> --</u>	<u>27,000</u>
Napa County Transportation Planning Agency (NCTPA)					
99233.7/99275	54,591	219,431	219,431	54,591	--
99260A	651,586	6,463,274	2,170,396	193,302	4,751,162
99400C	--	1,441,269	1,441,269	--	--
99400E	180,323	--		180,323	--
99402	--	799,000	799,000	--	--
Total	<u>886,500</u>	<u>8,922,974</u>	<u>4,630,096</u>	<u>428,216</u>	<u>4,751,162</u>
Metropolitan Transportation Commission					
99233.2	--	204,753	204,753	--	--
Grand Total	<u>\$ 1,016,500</u>	<u>\$ 9,508,977</u>	<u>\$ 5,019,518</u>	<u>\$ 428,216</u>	<u>\$ 5,077,743</u>

OTHER REPORTS



**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 Supervisors
Napa County
Napa, California

We have audited the financial statements of Napa County Local Transportation Fund (Fund) as of and for the year ended June 30, 2011, and have issued our report thereon dated February 15, 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 Fund'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 an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 Fund'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.

To the Honorable Members
of the Board of Supervisors
Napa County
Napa, California

Compliance

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

This report is intended solely for the information and use of Napa County management, the Metropolitan Transportation Commission, the California Department of Transportation, and the California State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Gallina LLP

Roseville, California
February 15, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE STATUTES, RULES, AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF THE METROPOLITAN TRANSPORTATION COMMISSION

To the Honorable Members
of the Board of Supervisors
Napa County
Napa, California

We have audited the financial statements of the Napa County Local Transportation Fund (Fund) as of and for the year ended June 30, 2011, and have issued our report thereon dated February 15, 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.

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that allocations made and expenditures paid by the Fund were made in accordance with the allocation instructions and resolutions of the Metropolitan Transportation Commission and in conformance with the California Transportation Development Act. Specifically, we performed the tasks identified in the California Code of Regulations Sections 6666 and 6667 that are applicable to the Fund. Based on these procedures, we noted no instances of noncompliance with applicable statutes, rules and regulations of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission.

This report is intended solely for the information and use of Napa County management, the Metropolitan Transportation Commission, the California Department of Transportation, and the California State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Gallina LLP

Roseville, California
February 15, 2012