

CITY OF NAPA, CALIFORNIA

**BICYCLE/PEDESTRIAN PROJECTS FUND
NAPA, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORTS**

**AS OF AND FOR THE FISCAL YEARS ENDED
JUNE 30, 2016 AND 2015**

Prepared by:

*Finance Department, City of Napa
December, 2016*

CITY OF NAPA, CALIFORNIA
BICYCLE/PEDESTRIAN PROJECTS FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Napa
Napa, California

Report on Financial Statements

We have audited the accompanying financial statements of the Bicycle/Pedestrian Projects Fund (Projects Fund) of the City of Napa (City), California, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Projects Fund'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Projects Fund'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 Projects Fund'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Projects Fund as of June 30, 2016 and 2015, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Projects Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2016 and 2015, or the changes in its financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016, on our consideration of the City's internal control over financial reporting as it relates to the Projects Fund 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 nor on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance as it relates to the Projects Fund.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California

December 30, 2016

CITY OF NAPA, CALIFORNIA
BICYCLE/PEDESTRIAN PROJECTS FUND
BALANCE SHEETS
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Due from Other Governments	\$ -	\$ 91,148
Total Assets	<u>\$ -</u>	<u>\$ 91,148</u>
LIABILITIES		
Due to the City's other funds (Note 4)	\$ -	\$ 91,148
Total Liabilities	<u>\$ -</u>	<u>\$ 91,148</u>

See accompanying notes to financial statements.

CITY OF NAPA, CALIFORNIA
BICYCLE/PEDESTRIAN PROJECTS FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
REVENUES		
TDA Article 3.0 (Note 3)	<u>\$ 108,898</u>	<u>\$ 106,681</u>
Total Revenues	<u>108,898</u>	<u>106,681</u>
EXPENDITURES		
Class 1 Bikeway Study	-	52,454
Tulocay Creek	<u>108,898</u>	<u>54,227</u>
Total Expenditures	<u>108,898</u>	<u>106,681</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/ CHANGES IN FUND BALANCE	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF NAPA, CALIFORNIA

BICYCLE/PEDESTRIAN PROJECTS FUND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

The City of Napa has developed the Bicycle/Pedestrian Projects Fund (Projects Fund) under the Transportation Development Act (TDA), Article III for the construction of pedestrian pathways. The Projects are funded by TDA grants. The State of California created a local transportation fund for each County funded by a portion of the State sales tax.

The TDA Funds are distributed through the Metropolitan Transportation Commission (MTC) which is the agency responsible for allocation of funds to eligible claimants within the greater San Francisco Bay area.

These financial statements are intended to present the financial position and results of operation for the Projects, and not those of the City as a whole.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applicable to the Projects Fund which conform to generally accepted accounting principles as applicable to governments.

A. Fund Accounting

The accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related benefits, and equity, segregated for the purpose of carrying out specific activities. The Projects are accounted for as part of the City's Capital Projects Fund of the City of Napa. This fund includes accounts which comprise its assets, liabilities, fund equity, revenues and expenditures.

B. Measurement Focus Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized. The Projects Fund are accounted for in a governmental fund type and the modified accrual basis of accounting is used. Under the modified accrual basis, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days of the end of the fiscal period. Expenditures are recognized when a liability is incurred.

C. Cash and investments

Cash and investments are pooled to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Projects Fund based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Projects Fund, are those of the City and are disclosed in the City's financial statements. The City's financial statements can be obtained at City Hall or from the City's website at <http://www.cityofnapa.org>.

CITY OF NAPA, CALIFORNIA

**BICYCLE/PEDESTRIAN PROJECTS FUND
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Estimates

The preparation of basic 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.

NOTE 3 – TDA ARTICLE III REVENUE

During the years ended June 30, 2016 and 2015, the City received allocation instruction from the Metropolitan Transportation Commission for the following projects:

Allocation Instruction #	Project Name	Grant Award	Revenue	
			2016	2015
13001082	Class 1 Bikeway Study	\$ 72,000	\$ -	\$ 52,454
14001094	Tulocay Creek	163,125	108,898	54,227
			<u>\$ 108,898</u>	<u>\$ 106,681</u>

NOTE 4 – INTERFUND TRANSACTIONS

Interfund transactions are loans between the TDA funded projects and the City Capital Projects Fund to provide short-term cash flow for TDA project expenditures until the reimbursement is received. This short term loan was described as “Due to the City's other funds” in this report.

NOTE 5 – CONTINGENT LIABILITIES

The Projects Fund receives substantially all of its revenues from the State of California passed through the MTC. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the Projects Fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although management expects such amounts, if any, to be immaterial.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT
ACT AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and Members of City Council
of the City of Napa
Napa, California

We have audited, 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, the financial statements of the Bicycle/Pedestrian Projects Fund (Projects Fund) of the City of Napa, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2016. Our report included an emphasis of matter stating that the financial statements of the Projects Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2016, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) of the Projects Fund to determine the audit procedures that are appropriate in the circumstances 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control as it relates to the Projects Fund.

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 entity'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. 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 Projects Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable provisions of Section 6666 of Title 21 of the California Code of Regulations and the allocation instructions of the Metropolitan Transportation Commission, 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 required to be reported under *Government Auditing Standards*, or the requirements of Section 6666 of Title 21 of the California Code of Regulations and the allocation instructions of the Metropolitan Transportation Commission.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California
December 30, 2016