

CITY OF NAPA
BICYCLE/PEDESTRIAN PROJECTS
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012

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**CITY OF NAPA
Bicycle/Pedestrian Projects
Financial Statements
For the Years Ended June 30, 2013 and 2012**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the 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 (Projects) of the City of Napa (City), California, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Projects' 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 Projects' 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' 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.

As discussed in Note 1, the financial statements present only the Projects and are not intended to present fairly the financial position and results of operations of the City in conformity with generally accepted accounting principles.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Projects as of June 30, 2013, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2013 and had required certain format and nomenclature changes to the financial statements:

Statement 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2013, on our consideration of the Projects' 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 Projects' internal control over financial reporting and compliance.

Mage & Associates

Pleasant Hill, California
December 18, 2013

CITY OF NAPA
BICYCLE/PEDESTRIAN PROJECTS
BALANCE SHEETS
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Due from Other Governments	<u>\$36,242</u>	<u>\$0</u>
Total Assets	<u>\$36,242</u>	<u>\$0</u>
LIABILITIES		
Due to the City	<u>\$36,242</u>	<u>\$0</u>
Total Liabilities	<u>\$36,242</u>	<u>\$0</u>

See accompanying notes to financial statements

CITY OF NAPA
 BICYCLE/PEDESTRIAN PROJECTS
 STATEMENTS OF REVENUES AND EXPENDITURES
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
TDA Article 3.0 (Note 2)	<u>\$48,776</u>	<u>\$75,000</u>
TOTAL REVENUE	<u><u>\$48,776</u></u>	<u><u>\$75,000</u></u>
EXPENDITURES		
In-Pavement Lighten Crosswalk Rowena Ave. Sidewalk	<u>\$48,776</u>	<u>\$75,000</u>
TOTAL EXPENDITURES	<u><u>\$48,776</u></u>	<u><u>\$75,000</u></u>

See accompanying notes to financial statements

**CITY OF NAPA
BICYCLE/PEDESTRIAN PROJECTS
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Napa has developed the Bicycle/Pedestrian Projects (Projects) under the Transportation Development Act (TDA), Article 3.0 for the construction of pedestrian pathways. The Projects are funded by TDA grants.

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

A. Fund Accounting

The Projects are accounted for as part of the City Capital Projects Fund of the City of Napa. This fund is a set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized. The Projects 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 when they become measurable and available as net current assets. Expenditures are recognized when they are incurred.

NOTE 2 - TDA ARTICLE 3.0 REVENUE

During the years ended June 30, 2013 and 2012, the City received allocation instructions from the Metropolitan Transportation Commission for the following projects:

Allocation Instruction #	Project Name	Grant Award	Revenue	
			2013	2012
13001081	Rowena Ave. Sidewalk	\$169,000	\$46,624	
13001082	Class 1 Bikeway Study	72,000		
11001081	In-Pavement Lighten Crosswalk	75,000		\$75,000
			\$46,624	\$75,000

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**INDEPENDENT AUDITOR'S 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***

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

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 basic financial statements of the Bicycle/Pedestrian Projects (Projects) of the City of Napa, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2013. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City'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 Projects' internal control. Accordingly, we do not express an opinion on the effectiveness of Projects' 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 Projects' 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Projects' 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. Our procedures included the applicable audit procedures contained in §6666 of Title 21 of California Code of Regulations and tests of compliance with the applicable provisions of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission. 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*.

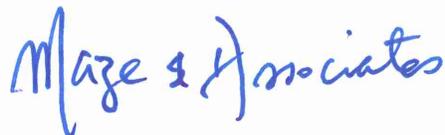
We have also issued a separate Memorandum on Internal Control which is an integral part of our audit and should be read in conjunction with this report.

City's Response to Findings

The City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control which is an integral part of our audits and should be read in conjunction with this report. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express not opinion on it.

Purpose of this Report

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



Pleasant Hill, California
December 18, 2013