

BROWN ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

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Certified Public Accountants

To the Board of Directors
Napa County Transportation & Planning Agency

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Napa County Transportation & Planning Agency for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 27, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Napa County Transportation & Planning Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2012. We noted no transactions entered into by Napa County Transportation & Planning Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of Postemployment Benefits Other Than Pensions (OPEB) is based on the most recent actuarial study prepared as of June 30, 2011. We evaluated the key factors and assumptions used to develop the Annual OPEB Cost in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements except for estimated OPEB amortization. Management has

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determined that the affects of this uncorrected difference is immaterial. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 19, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Napa County Transportation & Planning Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Napa County Transportation & Planning Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. The matter discussed in the attached page was identified during our audit and discussed with management.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Napa County Transportation & Planning Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 19, 2012

Capital Asset Tracking Procedures

In Governmental Funds, only current assets are reported. The costs of capital assets are reported in the period when the assets are acquired. In the statement of net assets, all assets are reported, including capital assets and depreciation and costs of capital assets are allocated over their estimated useful lives as depreciation expense. During our audit of capital assets, we noted capital assets purchased in Napa County Transportation & Planning Agency's Governmental Fund were not tracked and appropriately reported in the statement of net assets.

While Napa County Transportation & Planning Agency has a system in place to track all capital assets in the Proprietary Fund, proper procedures are not in place to track Governmental Fund capital expenditures and appropriately record them in the Statements of Net Assets.

Without proper procedures in place to track all capital assets in the Governmental Funds, total assets may be understated in the Statement of Net Assets and expenses overstated in the Statement of Activities in the year the related assets are acquired.

Recommendation

We recommend that Napa County Transportation & Planning Agency adopt procedures to ensure all capital expenditures in excess of \$5,000 per agency policy are accurately tracked and reported in the Statement of Net Assets.

Management Response

Napa County Transportation & Planning Agency Management concurs with the recommendation and will put a system in place to track government fund capital expenditures similar to the Proprietary Fund.