

CITY OF NAPA, CALIFORNIA

SINGLE AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

*Prepared by:
Finance Department, City of Napa
March, 2016*

City of Napa
SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015

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**INDEPENDENT AUDITORS' 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 Mayor and Members of the City Council
City of 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Napa, California (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2016. Our report included an emphasis of a matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68*, as of July 1, 2014.

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) 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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 City's 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. 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*.

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.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
March 31, 2016



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Napa, California's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal controls over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 31, 2016, which contained unmodified opinions on those financial statements. Our report included an emphasis of a matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68*, effective July 1, 2014. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Varrinet, Trine, Day & Co., LLP.

Pleasanton, California

March 31, 2016

CITY OF NAPA, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identification Number	Federal Expenditures
U.S. Department of Transportation			
<u>Pass-Through Programs:</u>			
<i>State of California Department of Transportation</i>			
Highway Planning and Construction			
Trancas Bridge Scour	20.205	BHLS-5042(042)	\$ 7,630
Parking Management	20.205	STPL-5042-056	97,309
National Highway Traffic Safety Administration			
Selective Traffic Enforcement Program (STEP)	20.600	PT1450	20,743
Selective Traffic Enforcement Program (STEP)	20.608	PT1592	45,378
Selective Traffic Enforcement Program (STEP)	20.600	PT1592	41,249
Minimum Penalties for repeat offenders (Avoid DUI Campaign)	20.608	AL1454	31,088
Minimum Penalties for repeat offenders (Avoid DUI Campaign)	20.608	AL1506	54,418
Total U.S. Department of Transportation			<u>297,815</u>
U.S. Department of Housing and Urban Development			
<u>Direct Programs:</u>			
Community Development Block Grants Entitlement Cluster:			
Community Development Block Grants/Entitlement Grants	14.218		1,077,442
Housing Voucher Cluster:			
Mainstream Vouchers (MS5)	14.879		294,352
Section 8 Housing Choice Vouchers	14.871		10,962,176
Subtotal Cluster			<u>11,256,528</u>
Housing Development Programs:			
Continuum of Care	14.267		81,137
Family Self Sufficiency Program	14.896		57,358
Subtotal U.S. Department of Housing and Urban Development Direct Programs			<u>12,472,465</u>
<u>Pass-Through Programs:</u>			
<i>State of California Department of Housing and Community Development</i>			
HOME Investment Partnership Program	14.239	B-09-MC-06-0028	759,505
Total U.S. Department of Housing and Urban Development Programs			<u>13,231,970</u>
U.S. Department of Justice			
<u>Direct Programs:</u>			
Bureau of Justice Assistance			
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2014-DJ-BX-298	18,598
Bulletproof Vest Partnership Program	16.607		3,875
Total U.S. Department of Justice Programs			<u>22,473</u>
U.S. Department of Homeland Security			
<u>Pass-Through Programs:</u>			
<i>State of California Office of Emergency Services</i>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		428,159
Disaster Grants – Public Assistance	97.036		2,076,060
Total U.S. Department of Homeland Security			<u>2,504,219</u>
U.S. Department of Health and Human Services			
<u>Pass-Through Programs:</u>			
<i>State of California Emergency Management Agency (Cal EMA)</i>			
Administration for Children and Families	93.643	EV13 02 7400	112,572
Administration for Children and Families	93.643	EV14 03 7400	101,738
Total U.S. Department of Health and Human Services			<u>214,310</u>
Total Expenditures of Federal Awards			<u>\$ 16,270,787</u>

See notes to Schedule of Expenditures of Federal Awards.

CITY OF NAPA, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying schedule of expenditures of federal awards presents the activity of all Federal award programs of the City of Napa (City). The City’s reporting entity is defined in Note #1 of the City’s basic financial statements. All Federal awards received directly from Federal agencies, as well as Federal awards passed through other governmental agencies to the City are included in the accompanying schedule.

B. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note #1 of the City’s basic financial statements.

C. Relationship to Basic Financial Statements

The amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, to amounts reported within the City’s financial statements. Federal award revenues for the year ended June 30, 2015 are reported in the City’s financial statements in a separate fund.

D. Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related Federal financial reports. However, certain Federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the schedule of expenditures of federal awards and the Federal financial reports.

E. Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers included in this report were determined based on the program name, review of grant contract information, and the Office of Management and Budget’s Catalog of Federal Domestic Assistance.

F. Pass-Through Entities’ Identifying Number

When Federal awards were received from a pass-through entity, the schedule of expenditures of federal awards shows, if available, the identifying number assigned by the pass-through entity.

NOTE #2 – SUBRECIPIENTS RECONCILIATION

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.218	Community Development Block Grants/Entitlement Grants	\$ 117,197

CITY OF NAPA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>14.871 and 14.879</u>	<u>Housing Voucher Cluster</u>
<u>14.239</u>	<u>HOME Investment Partnerships Program Loans</u>
<u>97.036</u>	<u>Disaster Grants – Public Assistance</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 488,124</u>
Auditee qualified as low-risk auditee?	<u>No</u>

CITY OF NAPA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

CITY OF NAPA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITY OF NAPA, CALIFORNIA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

<i>Finding No.</i>	<i>Area</i>	<i>Status of Corrective Action</i>
2014-01	Improper Application Of Accounting Standards And Improper Financial Reporting	Corrected
2014-2	Completeness And Accuracy Of Schedule Of Expenditures Of Federal Awards	Corrected
2014-3	Inadequate Controls Over Major Fund Determination	Corrected