

CITY OF NAPA, CALIFORNIA

SINGLE AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

*Prepared by:
Finance Department, City of Napa
February, 2019*

CITY OF NAPA, CALIFORNIA

SINGLE AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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VAVRINEK, TRINE, DAY & CO., LLP
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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 (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2018. Our report include an emphasis of matter regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and the change of the Housing Fund from enterprise fund to a governmental fund effective July 1, 2017.

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.



Pleasanton, California
December 19, 2018



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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 THE UNIFORM GUIDANCE

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 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, 2018. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

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 the Uniform Guidance, 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 control over compliance that we consider to be material weaknesses. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 19, 2018, which contained unmodified opinions on those financial statements. 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 the Uniform Guidance 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.

Vavrinch, Train, Day & Co., LLP

Pleasanton, California
February 6, 2019

CITY OF NAPA, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identification Number	Federal Expenditures	Passed Through To Subrecipients
U.S. Department of Transportation				
<u>Pass-Through Programs:</u>				
<i>State of California Department of Transportation</i>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	BPMP-5042(059)	\$ 16,247	\$ -
Highway Planning and Construction	20.205	STPL-5042(056)	9,263	-
Highway Planning and Construction	20.205	STPCML-5042(057)	1,154,000	-
Subtotal Highway Planning and Construction Cluster			<u>1,179,510</u>	<u>-</u>
<i>California Office of Traffic Safety</i>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT18100	44,254	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1778	13,818	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>58,072</u>	<u>-</u>
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PT18100	16,826	-
State and Community Highway Safety	20.600	PT1778	7,825	-
Subtotal Highway Safety Cluster			<u>24,651</u>	<u>-</u>
Total U.S. Department of Transportation			<u>1,262,233</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
<u>Direct Programs:</u>				
Community Development Block Grants/Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218		2,919,222	217,965
Housing Voucher Cluster:				
Mainstream Vouchers (MS5)	14.879		290,769	-
Section 8 Housing Choice Vouchers	14.871		11,521,698	-
Subtotal Housing Voucher Cluster			<u>11,812,467</u>	<u>-</u>
Continuum of Care	14.267		105,363	-
Family Self Sufficiency Program	14.896		142,367	-
Subtotal Direct Programs			<u>14,979,419</u>	<u>217,965</u>
<u>Pass-Through Programs:</u>				
<i>State of California Department of Housing and Community Development</i>				
HOME Investment Partnerships Program - Program Expenditures	14.239	B-09-MC-06-0028	1,058,350	-
HOME Investment Partnerships Program - Loan Balance	14.239	B-09-MC-06-0028	2,340,113	-
HOME Investment Partnerships Program - Program Income	14.239	B-09-MC-06-0028	884,360	-
Subtotal Home Investment Partnerships Program			<u>4,282,823</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development Programs			<u>19,262,242</u>	<u>217,965</u>
U.S. Department of Justice				
<u>Direct Programs:</u>				
Bulletproof Vest Partnership Program	16.607		3,926	-
<u>Pass-Through Programs:</u>				
<i>California Bureau of Justice Assistance</i>				
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2014-DJ-BX-298	19,208	-
<i>Governor's Office of Emergency Services, California</i>				
Violence Against Women Formula Grant	16.588	2017-WF-AX-0003	136,085	-
Total U.S. Department of Justice Programs			<u>159,219</u>	<u>-</u>
U.S. Department of Homeland Security				
<u>Pass-Through Programs:</u>				
<i>State of California Office of Emergency Services</i>				
Disaster Grants – Public Assistance	97.036	FEMA-4193-DR-CA	481,258	-
Total U.S. Department of Homeland Security			<u>481,258</u>	<u>-</u>
U.S. Department of Health and Human Services				
<u>Pass-Through Programs:</u>				
<i>State of California Emergency Management Agency (Cal EMA)</i>				
Children's Justice Grants to States	93.643	EV14 03 7400	71,670	-
Total U.S. Department of Health and Human Services			<u>71,670</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 21,236,622</u>	<u>\$ 217,965</u>

See notes to Schedule of Expenditures of Federal Awards.

CITY OF NAPA, CALIFORNIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE #1 – General

The accompanying Schedule of Expenditures of Federal Awards (SEFA or Schedule) presents the expenditures of all federal awards programs of the City of Napa, California (City) for the fiscal year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The City's reporting entity is defined in Note 1 to the City's Comprehensive Annual Financial Report (CAFR). All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the SEFA.

NOTE #2 – Summary of Significant Accounting Policies

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in governmental funds, and the accrual basis of accounting for grants accounted for in the proprietary funds, as described in Note 1 to the City's CAFR. The expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE #3 – Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE #4 – Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information, and the General Service Administration's Catalog of Federal Domestic Assistance.

NOTE #5 – 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.

NOTE #6 – 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.

CITY OF NAPA, CALIFORNIA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE #7 – 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 #8 – Outstanding Loans of Federal Funds

The following schedule represents the amount of outstanding loans by CFDA No. that have continuing compliance requirements. The loans are provided by the U.S Department of Housing and Urban Development (HUD):

<u>CFDA No.</u>	<u>Federal Program</u>	<u>Outstanding at June 30, 2018</u>
14.239	HOME Investment Partnerships Program	\$ 1,455,753

CITY OF NAPA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:	<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 federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>No</u>

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>14.871 and 14.879</u>	<u>Housing Voucher Cluster</u>
<u>14.218</u>	<u>CDBG - Entitlement Grants Cluster</u>
<u>14.239</u>	<u>HOME Investment Partnerships Program</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

CITY OF NAPA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

CITY OF NAPA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITY OF NAPA, CALIFORNIA

IV. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

There were no prior audit findings reported.