

City of Napa

Napa, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2020



**City of Napa
Single Audit Report
For the Year Ended June 30, 2020
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**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***

Independent Auditors' Report

To 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Napa (the "City"), as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 30, 2020.

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) as a basis for designing 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 basic 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. 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*.

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

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
December 30, 2020

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Napa's (the "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, 2020. The City's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of 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 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, 2020.

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

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, 2020, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated December 30, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the City's financial statements. The accompanying Schedule of Expenditures of Federal 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 other 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.



Walnut Creek, California
March 26, 2021, except for the Schedule of Expenditures of Federal Awards, which is as of December 30, 2020.

City of Napa
Single Audit Report
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Transportation</u>				
Highway Planning and Construction Cluster				
<i>Passed Through California Department of Transportation:</i>				
Highway Planning and Construction	20.205	BPMPL-5042(059)	\$ 466,382	\$ -
Highway Planning and Construction	20.205	STPL-5042 (056)	20,082	-
Highway Planning and Construction Cluster Total			<u>486,464</u>	<u>-</u>
Highway Safety Cluster				
<i>Passed Through California Department of Transportation:</i>				
State and Community Highway Safety	20.600	PT19073	9,484	-
Highway Safety Cluster Total			<u>9,484</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
<i>Passed Through California Department of Transportation:</i>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT19073	28,804	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated Total			<u>28,804</u>	<u>-</u>
Total U.S. Department of Transportation			<u>524,752</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
CDBG Entitlement Grant Cluster				
<i>Direct Programs:</i>				
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-06-0028	611,162	123,147
CDBG Entitlement Grant Cluster Total			<u>611,162</u>	<u>123,147</u>
Housing Voucher Cluster:				
<i>Direct Programs:</i>				
Section 8 Housing Choice Vouchers	14.871	CA073	13,188,139	-
COVID-19 - HCV CARES Act Funding	14.871	CA073	65,388	-
Mainstream Vouchers	14.879	CA073	400,047	-
COVID-19 - Mainstream CARES Act Funding	14.879	CA073	973	-
Housing Voucher Cluster Total			<u>13,654,547</u>	<u>-</u>
<i>Direct Programs:</i>				
Continuum of Care Program	14.267	B-19-MC-06-0028	107,889	-
<i>Direct Programs:</i>				
Family Self Sufficiency Program	14.896	CA073	89,825	-
<i>Passed Through California Department of Housing and Community Development:</i>				
HOME Investment Partnership Program	14.239	15-HOME-10633	606,655	-
Total U.S. Department of Housing and Urban Development			<u>15,070,078</u>	<u>123,147</u>

City of Napa
Single Audit Report
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Justice</u>				
<i>Direct Programs:</i>				
Special Data Collections and Statistical Studies	16.734	2018-FU-CX-K010	61,016	-
<i>Direct Programs:</i>				
Bulletproof Vest Partnership Program	16.607		34,493	-
<i>Passed Through California Bureau of Justice Assistance</i>				
Law Enforcement Specialized Units Program	16.588	2018-WF-AX-0019	280,225	-
		Total U.S. Department of Justice	375,734	-
<u>U.S. Department of Homeland Security</u>				
<i>Passed through California Governor's Office of Emergency Services</i>				
Disaster Grants – Public Assistance	97.036	FEMA-4193-DR-CA	1,421,602	-
Disaster Grants – Public Assistance	97.036	FEMA-4344-DR-CA	73,895	-
		Disaster Grants – Public Assistance Program Total	1,495,497	-
		Total U.S. Department of Homeland Security	1,495,497	-
		Total Expenditures of Federal Awards	\$ 17,466,061	\$ 123,147

City of Napa
Single Audit Report
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1 – Reporting Entity

The City of Napa, California (the “City”) was incorporated on March 23, 1872, under the laws of the State of California. The City’s Charter was filed on October 27, 1914. The City operates under a council-manager form of government. As required by generally accepted accounting principles, these financial statements present the City of Napa and its component units. The following component units are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City.

Blended component units, although legally separate entities are, in substance, part of the City’s operations and so data from these units are combined with that of the City.

The Housing Authority of the City of Napa (the Housing Authority) was established on May 8, 1942. On July 7, 1969, the City Council declared itself to be the Board of Commissioners of the Housing Authority in accordance with Section 34920 of the Health and Safety Code of the State of California. The City of Napa has operational responsibility for the component unit.

The Parking Authority of the City of Napa (the Parking Authority) was established pursuant to the Streets and Highways Code of the State of California. The City Council established the Parking Authority on April 27, 1970 and designated itself as the governing body. The primary purpose of the Authority is to acquire, maintain and operate off-street parking facilities within the City. The Parking Authority reported no financial transactions during the year ended June 30, 2020.

Note 2 – Basis of Accounting

The City utilizes the modified accrual basis of accounting for the governmental funds and the accrual basis of accounting for the enterprise funds to prepare its basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (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). Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the presentation of the City’s basic financial statements.

Note 3 – Schedule of Expenditures Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the California Bureau of Justice Assistance, California Department of Transportation, California Department of Housing and Community Development, and California Governor’s Office of Emergency Services are included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

City of Napa
Single Audit Report
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2020

Note 4 – Subrecipients

During the year ended June 30, 2020, the City provided federal funds to the following subrecipients:

<u>CFDA Number(s)</u>	<u>Program Name / Subrecipient Names</u>	<u>Amount Provided to Subrecipients</u>
14.218	Community Development Block Grants/Entitlement Grants	
	Adobe Services	\$ 52,535
	Catholic Charities of the Diocese of Santa Rosa	7,012
	Fair Housing Napa Valley	12,624
	NEWS – Domestic Violence and Sexual Abuse Services	24,546
	Napa Valley Community Housing	26,430
	Total Amount Provided to Subrecipients	\$ 123,147

Note 5 – Indirect Cost Rate

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

City of Napa
Single Audit Report
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I – Summary of Auditors’ Results**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? No
- Significant deficiency (ies) identified? None noted

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
14.871/14.879	Housing Vouchers Cluster	\$ 13,654,547
	Total Expenditures of All Major Federal Programs	\$ 13,654,547
	Total Expenditures of Federal Awards	\$ 17,466,061
	Percentage of Total Expenditures of Federal Awards	78.18%

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520? Yes

**City of Napa
Single Audit Report
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Section II – Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2020.

Section III – Federal Awards Findings and Questioned Costs

No findings or questioned costs were noted on the City's major federal program for the year ended June 30, 2020.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

**City of Napa
Single Audit Report
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020**

Section I – Financial Statements Findings

No financial statement findings were noted for the year ended June 30, 2019.

Section II – Federal Awards Findings and Questioned Costs**Finding 2019-001 Housing Quality Standards Inspections and Enforcement****Criteria:**

Pursuant to the Uniform Guidance August 2019 Compliance Supplement, Housing Voucher Cluster, Housing Quality Standards (“HQS”) Enforcement:

For units under Housing Assistance Payment (“HAP”) contract that fail to meet HQS, the Public Housing Agency (“PHA”) must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family’s failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

Condition:

During our audit procedures we noted the following:

- Two (2) of the six (6) samples selected for life threatening deficiencies testing did not meet the 24 hours correction requirement.
- Two (2) of the thirty-four (34) samples selected for all other HQS deficiencies did not meet the 30 calendar days correction requirement. We found in one (1) of the two (2) selections the PHA did not send out a re-inspection notice to the owner after the owner failed the initial inspection. No re-inspection was performed. In addition, in one (1) of the two (2) selections the tenant failed the re-inspection on August 28, 2019 and was given a specified PHA-approved extension on October 16, 2018 for corrective action. However, the PHA did not follow up with the tenant until the next annual inspection on July 16, 2019.

Questioned Costs:

None.

Context:

See condition above for context of the finding.

Effect:

The City is not in compliance with provisions of 24 CFR sections 982.305, 982.405, and the Uniform Guidance. In addition, due to the non-compliance tenants may not be eligible to receive HAPs but are receiving payment.

**City of Napa
Single Audit Report
Summary Schedule of Prior Audit Findings (Continued)
For the Year Ended June 30, 2020**

Section II – Federal Awards Findings and Questioned Costs (Continued)

Finding 2019-001 Housing Quality Standards Inspections and Enforcement (Continued)

Identification as a Repeat Finding:

Not applicable.

Cause:

The City did not enforce the policies and process in regards to their HQS inspection and enforcement process.

Recommendation:

We recommended the City enforce the policies and process of HQS inspection and enforcement process to ensure tenants are in compliance and eligible to receive HAPs.

View of Responsible Officials and Planned Corrective Actions:

The City agrees with the finding and the recommendation.

Status:

Implemented.

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