



CITY OF NAPA, CALIFORNIA
FOR THE YEAR ENDED JUNE 30, 2025

SINGLE AUDIT REPORT

Focused
on YOU



CITY OF NAPA, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2025

CITY OF NAPA, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2025

Table of Contents

	<u>Page Number</u>
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 <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	3
Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2025	6
Notes to the Schedule of Expenditures of Federal Awards.....	7
Schedule of Findings and Questioned Costs For the Year Ended June 30, 2025	9
Summary Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2024	12



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 (hereafter, the City), as of and for the year ended June 30, 2025, 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 10, 2025.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be material weaknesses.

Report on 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 financial statements. 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 the Honorable Mayor and Members of the City Council
City of Napa, California

City of Napa, California’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City’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 City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LSL, LLP

Sacramento, California
December 10, 2025



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Napa, California (hereafter, the City)'s compliance with the types of compliance requirements identified as subject to audit 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, 2025. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2025.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it



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

exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



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

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 10, 2025, which contained unmodified opinions on those financial statements. Our audit was performed 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 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.

LSL, LLP

Sacramento, California

December 10, 2025 (Except for the Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance, which is dated March 25, 2026)

CITY OF NAPA, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

<i>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed-through to Subrecipients</i>	<i>Total Federal Expenditures</i>
<u>U.S. Department of Commerce:</u>				
Direct Programs:				
Economic Adjustment Assistance	11.307	N/A	\$ -	\$ 298,535
Total U.S. Department of Justice			<u>-</u>	<u>298,535</u>
<u>U.S. Department of Housing and Urban Development:</u>				
Direct Programs:				
CDBG - Entitlement/Special Purpose Grants Cluster				
Community Development Block Grants/ Entitlement Grants	14.218	N/A	123,758	614,141
Community Development Block Grants/ Economic Development Initiative, Community Project Funding	14.251	N/A	-	159,839
Total CDBG - Entitlement/Special Purpose Grants Cluster			<u>123,758</u>	<u>773,980</u>
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers*	14.871	N/A	-	20,548,728
Emergency Housing Vouchers*	14.EHV	N/A	-	963,267
Mainstream Vouchers*	14.879	N/A	-	948,202
Total Housing Voucher Cluster			<u>-</u>	<u>22,460,197</u>
Community Development Block Grants- Disaster Recovery	14.228	N/A	-	36,865
Continuum of Care Program	14.267	N/A	-	203,774
Family Self-Sufficiency Program	14.896	N/A	-	124,656
Pass Through Programs:				
California Department of Housing and Community Development HOME Investment Partnerships Program	14.239	L4JQPJ7N5NT4	-	422,721
Total U.S. Department of Housing and Urban Development			<u>123,758</u>	<u>24,022,193</u>
<u>U.S. Department of Justice:</u>				
Pass Through Program:				
Violence Against Women Formula Grants	16.588	J9PFKF2X88D1	-	283,058
Total U.S. Department of Justice			<u>-</u>	<u>283,058</u>
<u>U.S. Department of Transportation:</u>				
Pass Through Programs:				
California Department of Transportation: Motorcyclist Safety Education & Training Program	20.616	DWM8CCUYQTZ4	-	28,133
California Office of Traffic Safety: Highway Safety Cluster				
State and Community Highway Safety	20.600	DWM8CCUYQTZ4	-	93,356
State and Community Highway Safety	20.600	DWM8CCUYQTZ4	-	143,973
Total Highway Safety Cluster			<u>-</u>	<u>237,329</u>
Total U.S. Department of Transportation			<u>-</u>	<u>265,462</u>
<u>U.S. Department of the Treasury:</u>				
Pass Through Program:				
State of California Department of Finance: COVID-19--Coronavirus State and Local Fiscal Recovery Funds	21.027	RN15SP9CPJE6	-	7,240,125
Total U.S. Department of the Treasury			<u>-</u>	<u>7,240,125</u>
<u>U.S. Department of Homeland Security:</u>				
Direct Program:				
Assistance to Firefighters Grant	97.044	N/A	-	66,977
Total U.S. Department of Homeland Security			<u>-</u>	<u>66,977</u>
Total Expenditures of Federal Awards Including Loans			<u>\$ 123,758</u>	<u>\$ 32,176,350</u>

* Major Program

There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

CITY OF NAPA, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

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 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 the governing body. The primary purpose of the Parking 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, 2025.

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 (the 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* (the 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 OF 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, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

NOTE 4: SUBRECIPIENTS

During the year ended June 30, 2025, the City provided federal funds to the following subrecipients:

Assistance Listing Number	Program Name/ Subrecipient Names	Amount Provided to Subrecipients
14.218	Community Development Block Grants/Entitlement Grants	
	Catholic Charities of Northwest California	\$ 9,247
	Fair Housing Napa Valley	10,000
	NEWS Domestic Violence and Sexual Abuse Services	26,368
	On The Move	25,186
	Puertas Abiertas	52,957
	Subtotal	<u>123,758</u>
	Total Amount Provided to Subrecipients	<u>\$ 123,758</u>

NOTE 5: INDIRECT COST RATE

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

CITY OF NAPA, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? yes no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871/14.879	Section 8 Housing Choice Vouchers Cluster

Dollar threshold used to distinguish between type A and type B program \$965,291

Auditee qualified as low-risk auditee? yes no

CITY OF NAPA, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

SECTION II - FINANCIAL STATEMENT FINDINGS

Reference Number

2025-001 - Inadequate Controls over Financial Reporting

Evaluation of Finding

Material Weakness in Internal Control over Financial Reporting

Condition

Accuracy in External Financial Reporting

The year-end closing process was not thorough and did not ensure that account balances were reconciled and accurate in advance of the audit requiring a number of adjusting entries to be recorded including a material adjustment surrounding prepaid items. The material adjustment is noted below:

- Adjustment to record prepaid items in the Encampment Resolution Grant Fund of \$1,050,000 for services pertaining to fiscal year 2026 that were paid during fiscal year 2025. This error resulted in adjustments to the prepaid items, expenditures, unearned revenue, and intergovernmental revenue as of June 30, 2025 in the amount of \$1,050,000.

Criteria

Management is responsible for the preparation and fair presentation, as well as the accuracy of its financial statements, including disclosures in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Cause of Condition

The City has experienced significant turnover in key personnel in the City's finance department in past years. Absent robust accounting policies and procedures, when vacancies occur, information can be lost and as individuals are getting up to speed, some processes may not be fully executed if they are manual and not fully embedded into an automated system. Staff were required to take on additional responsibilities and did not have sufficient resources to properly review and reconcile the sub-ledger to the general ledger to ensure accuracy in financial reporting.

Effect or Potential Effect

Due to limited staffing levels faced by the City during the audit period ended June 30, 2025, year-end financial close procedures were not sufficient to effectively capture the significant adjustments.

Recommendation

The Finance Department should look at increasing the number of experienced finance staff to help facilitate year-end closing procedures. The City should also put in place a formalized year-end close policy to ensure the closure is complete and reduce the number of journal entries needed and errors found after the closing process has been completed. We suggest management also establish effective review policies and procedures, including but not limited to apply analytical procedures on the trial balance numbers and perform reconciliations of all significant accounts.

Management's Response

Management concurs with the recommendation. The City will evaluate staffing needs within the Finance Department and consider adding experienced personnel to support the year-end close. We will also develop a formal year-end close policy to ensure a complete and timely process and reduce post-closing adjustments. In addition, management will strengthen review procedures by performing analytical reviews and reconciling all significant accounts. These improvements will be implemented before the next fiscal year-end.

CITY OF NAPA, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Reference Number

2025-002 – Restatement of Net Position

Evaluation of Finding

Material Weakness in Internal Control over Financial Reporting

Condition

During the course of the audit, it was determined that adjustments were necessary to appropriately reflect the outstanding receivables and previously recorded revenue for Federal Emergency Management Agency (FEMA) grant activity within the Water Utility Fund. These adjustments resulted in a restatement of net position in the Water Utility Fund as of June 30, 2024.

Criteria

Management is responsible for ensuring that, as part of the year-end close process, eligible Federal expenditures have the correct associated revenue recognized in the same fiscal year along with any necessary accruals.

Cause of Condition

Revenues, expenses and relevant accruals for the FEMA Disaster Grant activity were not fully reconciled at June 30, 2025. Amounts that were outdated and/or not previously obligated by FEMA were reported as receivables and recognized as revenue in prior fiscal years. As a result, intergovernmental receivables and total Federal recognized revenue was overstated by \$2,145,935 as of June 30, 2024.

Effect or Potential Effect of Condition

An adjustment of \$2,145,935 was recorded to beginning net position for the Water Utility Fund in the City's financial statements as of June 30, 2025.

Recommendation

We recommend that City thoroughly review all applicable Federal grant eligibility requirements for proper revenue recognition to ensure that Federal expenditures, revenue, unearned revenue, and unavailable revenue, as applicable, are recorded in the correct fiscal year.

Management's Response

Management concurs with the recommendation. The City will conduct a comprehensive review of all applicable Federal grant eligibility and revenue-recognition requirements to ensure compliance with Uniform Guidance and other governing regulations. We will strengthen our internal controls by updating grant accounting procedures, providing additional training to staff responsible for grant management, and implementing enhanced review protocols to verify that Federal expenditures, revenues, unearned revenue, and unavailable revenue are recorded in the appropriate fiscal year. These improvements will be implemented before the next fiscal year-end.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



**Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2024**

Finding 2024-001 Material Weakness in Grant Program Activity

This item was corrected as of June 30, 2024

Finding: 2024-002: Material Weakness in Internal Control over Financial Reporting

This item was corrected as of June 30, 2024