IN-HOME SUPPORTIVE SERVICES
PUBLIC AUTHORITY OF NAPA COUNTY
(A Component Unit of Napa County, California)

COMPONENT UNIT
FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2011

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

TABLE OF CONTENTS

	Page
Authority Governing Board	i
Authority Advisory Committee	ii
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet	10
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets – Governmental Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balance	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities – Governmental Activities	13
Notes to Financial Statements	14-18
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	19
Notes to Required Supplementary Information	20
OTHER REPORT	
Independent Auditor's 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*	21-22

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Authority Governing Board

Name	Position	Date of Original Appointment	Current Term Expires
Brad Wagenknecht	Member Board of Supervisors District 1 Napa County	01/05/1999	12/31/2014
Mark Luce	Member Board of Supervisors District 2 Napa County	01/07/1997	12/31/2012
Diane Dillon	Member Board of Supervisors District 3 Napa County	01/07/2003	12/31/2014
Bill Dodd	Chair Board of Supervisors District 4 Napa County	01/09/2001	12/31/2012
Keith Caldwell	Vice-Chair Board of Supervisors District 5 Napa County	01/05/2009	12/31/2012

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Authority Advisory Committee

Name	**Position**	**Date of Original or Last Appt.**	**Current Term Expires**
Rebecca Garza	Current or Former Provider of IHSS Services	04/05/2011	9-2011
Penelope Beasley	Current or Past User of IHSS Secretary	04/05/2005*	9-2011
Kristi Lesnewich	Commission on Aging Vice-Chair	11/04/2008	9-2011
Mark Townsend	Current or Former Provider of IHSS Services	09/09/2008	9-2012
Lonnie Lewis	Current or Past User of IHSS	04/05/2011	9-2012
Nancy Johnson	Community Representative	05/15/2001	9-2011
Randy Kitch	Current or Past User of IHSS Chair	05/15/2001	9-2011
Doug Weir	Current or Past User of IHSS	10/25/2005*	9-2012
VACANT	Current or Past User of IHSS		
VACANT	Current or Past User of IHSS		
VACANT	Community Member		

*Date of Oldest Reappointment

FINANCIAL SECTION

GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors of Napa County
Acting as the governing body of
In-Home Supportive Services
Public Authority of Napa County
Napa, California

We have audited the accompanying basic financial statements of In-Home Supportive Services Public Authority of Napa County (Authority), a component unit of Napa County, California, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2011, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Gallina LLP

Roseville, California
October 14, 2011

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Management's Discussion and Analysis
June 30, 2011

The In-Home Supportive Services Public Authority of Napa County (Authority) is a legal entity that was established by the Board of Supervisors of Napa County by resolution pursuant to the California Welfare and Institutions Code Section 12301.6. The Authority is governed by the County's Board of Supervisors sitting as the Authority's Governing Body. The Authority is also served by an In-Home Supportive Services Public Authority Advisory Committee. Currently three employees working for the Authority are contracted through Napa County: a Manager, a Registry Training Specialist, and an Administrative Assistant. Offices are co-located with Napa County Comprehensive Services for Older Adults.

As management of the Authority, we offer readers this narrative overview and analysis of the financial activities for the year ending June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*.

The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and government wide statements.

The Authority adopts an annual budget for its fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information (RSI)

RSI is presented concerning the Authority's General Fund budgetary schedule. The Authority adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments.

Net Assets

Condensed Statement of Net Assets
As of June 30,

	2011	2010	Variance
Current assets	$ 225,840	$ 202,014	$ 23,826
Total assets	225,840	202,014	23,826
Current liabilities	236,816	213,447	23,369
Total liabilities	236,816	213,447	23,369
Unrestricted	(10,976)	(11,433)	457
Total net assets	$ (10,976)	$ (11,433)	$ 457

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, liabilities exceeded assets by $10,976 as of June 30, 2011. This is primarily due to a decrease in revenues due from the State, which then increases the liability to the County for positive cash flow.

Changes in Net Assets

The Authority does not have business-type activities and so the analysis presented below for the government-wide financial statements also represents an analysis of the Authority's governmental activities.

The Authority's net assets increased overall by $457 during fiscal year 2010-2011, primarily due to a reduction of expenditures. This increase in net assets is explained in the financial analysis of the Authority's Governmental Fund found below.

Condensed Statement of Activities
For the Fiscal Year Ended June 30,

	2011	2010	Variance
Revenues:			
Intergovernmental	$ 685,570	$ 684,835	$ 735
County contributions	120,446	133,919	(13,473)
Use of money and property	--	(2,763)	2,763
Total revenues	806,016	815,991	(9,975)
Expenses:			
Services and supplies	791,355	805,495	(14,140)
Rent and utilities	14,204	13,968	236
Total expenses	805,559	819,463	(13,904)
Change in net assets	457	(3,472)	3,929
Net assets, beginning of fiscal year	(11,433)	(7,961)	(3,472)
Net assets, end of fiscal year	$ (10,976)	$ (11,433)	$ 457

FUND FINANCIAL ANALYSIS

As noted earlier, fund accounting is used by the Authority to ensure and demonstrate compliance with finance-related legal requirements.

For the fiscal year ending June 30, 2011, the Authority reported an ending fund balance of $(60,460), a decrease of $3,893 from the prior year.

Total revenue, consisting mainly of intergovernmental funds and county contributions, decreased by $9,975 for the fiscal year ending June 30, 2011. Total expenditures decreased by $13,904 from the prior fiscal year. These decreases were due to the change in how the State allocated funding to Public Authorities across the state.

BUDGETARY HIGHLIGHTS

Total revenues were under budget by 7% or $62,991, while total expenditures were also under budget 7%, or $59,098. These variances were a direct result of programmatic changes that were implemented following the reduction of funding at the State level. Expenditures needed to be brought in to line with the decrease in revenue.

During this year, the State moved away from the traditional funding for Public Authorities, which relied entirely on an approved rate for each county. Instead, the State instituted an allocation for each county Public Authority, which essentially implemented a cap on available revenue.

Economic Factors and Next Year's Budget

The existing Memorandum of Understanding with SEIU is in effect until December 31, 2011. This agreement kept provider wages and benefits constant through the audit period.

Given the current economic conditions of the state and federal government and the size of the IHSS program, there have been many different measures proposed on a state-wide level to attempt to bring down the overall program cost. At this time, most of those proposed reductions have been halted by Court order. However, the recently passed 2011-12 state budget does still include substantial changes to the IHSS program, in the form of a proposed "trigger" reduction of 20% in services to IHSS clients that is scheduled for implementation on January 1, 2012.

DEBT ADMINISTRATION

For the fiscal year ending June 30, 2011, the Authority did not have any long-term obligations outstanding.

CAPITAL ASSETS

For the fiscal year ending June 30, 2011, the Authority did not have any capital assets.

CONTACTING THE AUTHORITY

This financial report is designed to provide a general overview of the In-Home Supportive Services Public Authority of Napa County's finances for all those interested.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the In-Home Supportive Services Public Authority of Napa County, 900 Coombs St. Suite 257, Napa, California 94559.

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Statement of Net Assets
June 30, 2011

ASSETS	
Current Assets:	
Due from other governments	$ 225,840
Total Assets	$ 225,840
LIABILITIES	
Current Liabilities:	
Accounts payable	$ 54,352
Due to other governments	182,464
Total Liabilities	236,816
NET ASSETS	
Unrestricted	(10,976)
Total Net Assets	(10,976)
Total Liabilities and Net Assets	$ 225,840

The accompanying notes are an integral part of these financial statements.

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Statement of Activities
For the Fiscal Year Ended June 30, 2011

EXPENSES	
Public Assistance:	
Services and supplies	$ 791,355
Rent and utilities	14,204
Total Program Expense	805,559
PROGRAM REVENUES	
Intergovernmental revenue:	
Federal	455,226
State	230,344
County contributions	120,446
Total Program Revenues	806,016
Change in Net Assets	457
Net Assets - Beginning of Year	(11,433)
Net Assets - End of Year	$ (10,976)

The accompanying notes are an integral part of these financial statements.

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Balance Sheet
Governmental Funds
June 30, 2011

ASSETS	
Due from other governments	$ 225,840
Total Assets	$ 225,840
LIABILITIES	
Accounts payable	$ 54,352
Due to other governments	182,464
Deferred revenue	49,484
Total Liabilities	286,300
FUND BALANCE	
Unassigned	(60,460)
Total Fund Balance	(60,460)
Total Liabilities and Fund Balance	$ 225,840

The accompanying notes are an integral part of these financial statements.

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets (Deficit) - Governmental Activities
June 30, 2011

Fund balance - total governmental funds (page 10)	$	(60,460)
Amounts reported for governmental activities in the statement of net assets are different because:		
Deferred revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.		49,484
Net Assets of Governmental Activities (page 8)	$	(10,976)

The accompanying notes are an integral part of these financial statements.

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2011

REVENUES		
Intergovernmental revenue:		
Federal	$	457,494
State		223,726
County contributions		120,446
Total Revenues		801,666
EXPENDITURES		
Public Assistance:		
Services and supplies		791,355
Rent and utilities		14,204
Total Expenditures		805,559
Net Change in Fund Balance		(3,893)
Fund Balance - Beginning of Year		(56,567)
Fund Balance - End of Year	$	(60,460)

The accompanying notes are an integral part of these financial statements.

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2011

Net change to fund balance - total governmental funds (page 12)	$	(3,893)
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		4,350
Change in Net Assets of Governmental Activities (page 9)	$	457

The accompanying notes are an integral part of these financial statements.

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The In-Home Supportive Services Public Authority of Napa County (Authority) is a legal corporate entity that was established by the Board of Supervisors of Napa County (County) by resolution pursuant to the California Welfare and Institutions Code Section 12301.6. The Authority is governed by the County's Board of Supervisors, sitting as the In-Home Supportive Services Public Authority of Napa County's Board. The Authority is also served by an In-Home Supportive Services Public Authority Advisory Committee.

The Advisory Committee provides, as needed, ongoing advice and recommendations regarding in-home supportive services to the In-Home Supportive Services Public Authority of Napa County's Board. The Advisory Committee also communicates with any administrative body in the County that is related to the delivery and administration of in-home supportive services. In addition, the Advisory Committee provides a method of community input for citizens who use or provide in-home supportive services.

The Authority is governed by the County Board of Supervisors serving in a separate capacity as the governing board of the Authority. As such, the Authority is an integral part of the County and, accordingly, the accompanying financial statements are included as a component unit of the basic financial statements of the County.

B. Basis of Presentation and Accounting

In this report, the government-wide statements and the fund statements for the Authority are presented on the same page with the adjustments column showing the differences.

Government-Wide Statements

The Statement of Net Assets and Statement of Activities display information about the primary government (Authority). These statements include the financial activities of the overall Authority.

The Statement of Activities presents a comparison between direct expenses and program revenues for the Authority's governmental activity. Direct expenses are those that are specifically associated with the Authority. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the Authority.

Note 1: **Summary of Significant Accounting Policies** (continued)

B. **Basis of Presentation and Accounting** (continued)

Government-Wide Statements (continued)

Revenues that are not classified as program revenues, including all taxes and investment income, are presented instead as general revenues. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) value in exchange, include grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

When both restricted and unrestricted net assets are available, restricted resources are used only after unrestricted resources are depleted.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available ("susceptible to accrual"). Taxes, interest, certain state and federal grants, and charges for services revenues are accrued when their receipt occurs within 180 days after the end of the accounting period so as to be measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The Authority reports the following major governmental fund:

- The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government.

C. **Due from Other Governments**

These amounts represent receivables from the state and federal governments. Management has determined the Authority's receivables are fully collectible. Accordingly, no allowance for doubtful accounts has been made.

Note 1: **Summary of Significant Accounting Policies** (continued)

D. **Due to Other Governments**

Amounts due to Napa County, California, represent outstanding warrants and other reconciling items in excess of the Authority's cash balance in the County Treasury.

E. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. **Implementation of New Standards**

Governmental Accounting Standards Board Statement 54

For the fiscal year ended June 30, 2011, the Authority implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes new accounting and financial reporting standards for all governments that report governmental funds. The statement provides more clearly defined categories within fund balance to make the nature and extent of the constraints placed on the fund balance more transparent. GASB 54 also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund statements. Implementation of GASB 54 required changed presentation of fund balance and new reporting disclosures.

Note 2: Cash and Investments

The Authority maintains all of its cash and investments with the Napa County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. Napa County's financial statements may be obtained by contacting the Auditor-Controller's office at 1195 Third Street, Room B-10, Napa, California 94559. The Napa County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the Authority's deposit and investment risks at June 30, 2011, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

Note 3: Related Party Transactions

During the fiscal year ended June 30, 2011, the Authority paid Napa County, a related party, $151,485 for employee, office space, administrative, legal and accounting services.

In addition, the Authority received $120,446 during the fiscal year ended June 30, 2011, from Napa County, a related party. The County provides 15% of the Authority's revenues. The remainder of the Authority's funding is provided by the federal government and the State of California.

Note 4: Net Assets/Fund Balance

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets (net of related debt), restricted and unrestricted. The Authority has unrestricted funds only. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Unrestricted net assets consist of all other net assets not included in the above categories.

Note 4: **Net Assets/Fund Balance** (continued)

Fund Balance

Governmental funds report fund balance in classifications based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the funds can be spend. As of June 30, 2011, fund balances for governmental funds are made up of the following:

- *Nonspendable fund balance* – amounts that are not in spendable form or are required to be maintained intact.

- *Restricted fund balance* – amount constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- *Committed fund balance* – amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level of action to remove or change the constraint.

- *Assigned fund balance* – amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Authority's board or by an official or body to which the Authority's board delegates the authority.

- *Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the Authority have been restated to reflect the above classifications.

Note 5: **Risk Management**

The Authority is exposed to various risks of loss related to general liability. The Authority is covered from risk of loss by its participation in the CSAC Excess Insurance Authority (EIA) risk pool. Information about coverage can be found in the County's basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental revenue:				
Federal	$ 464,934	$ 464,934	$ 457,494	$ (7,440)
State	235,977	235,977	223,726	(12,251)
County contributions	163,746	163,746	120,446	(43,300)
Total revenues	864,657	864,657	801,666	(62,991)
EXPENDITURES				
Services and supplies	849,357	849,357	791,355	58,002
Rent and utilities	15,300	15,300	14,204	1,096
Total expenditures	864,657	864,657	805,559	59,098
Net Change in Fund Balance	$ --	$ --	(3,893)	$ (3,893)
Fund Balance, Beginning of the Year			(56,567)	
Fund Balance, End of the Year			$ (60,460)	

BUDGET AND BUDGETARY REPORTING

The Authority prepares and legally adopts a final budget on or before August 30th of each fiscal year. The Authority operation, commencing July 1st, is governed by the proposed budget, adopted by the Board in June of the prior year.

After the budget is approved, the appropriations can be added to, subtracted from or changed only by Authority resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Authority.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchased commitments satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year-end.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level. Object levels of expenditures include: salaries and employee benefits, and services and supplies.

The budget is adopted on a basis consistent with generally accepted accounting principles.

OTHER REPORT

GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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*

We have audited the financial statements of the In-Home Supportive Services Public Authority of Napa County (Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

This report is intended solely for the information of the audit committee, management, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gallina LLP

Roseville, California
October 14, 2011