

**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, 2013**

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IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

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IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Authority Governing Board

<u>Name</u>	<u>Position</u>	<u>Date of Original Appointment</u>	<u>Current Term Expires</u>
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	12/31/2016
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	12/31/2016
Keith Caldwell	Vice-Chair Board of Supervisors District 5 Napa County	01/05/2009	12/31/2016

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Authority Advisory Committee

<u>Name</u>	<u>Position</u>	<u>Date of Original or Last Appt.</u>	<u>Current Term Expires</u>
Penelope Beasley	Current or Past User of IHSS	04/05/2005*	RESIGNED 12-18-2012
Edith Dolley-Longmire	Commission on Aging	04/03/2012	9-2013
Lonnie Lewis	Current of Past User of IHSS Chair	04/05/2011	9-2014
Randy Kitch	Current or Past User of IHSS	05/15/2001	9-2013
Doug Weir	Current of Past User of IHSS Vice-Chair	10/25/2005*	9-2014
Lynn Splendid Light	Community Member Secretary	12-4-2012	9-2013
Elaine Paoli	Current or Former Provider of IHSS Services Treasurer	10/9/2012	9-2013
Luz Ponce	Current or Former Provider of IHSS Services	10/9/2012	9-2014
VACANT	Current of Past User of IHSS		9-2013
VACANT	Current of Past User of IHSS		9-2013

*Date of Oldest Reappointment

***Please note: On January 10, 2012 the IHSS PA Bylaws were amended to change the number of IHSS PA Advisory Committee members from 11 to 9.

FINANCIAL SECTION

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the In-Home Supportive Services Public Authority of Napa County (Authority), a component unit of Napa County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Roseville, California
November 12, 2013

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Management's Discussion and Analysis June 30, 2013

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, 2013.

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

The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position 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.

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Management's Discussion and Analysis (Continued)
June 30, 2013

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 position

**Condensed Statement of Net Position
As of June 30,**

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
Current assets	\$ 325,033	\$ 243,931	\$ 81,102
Total Assets	<u>325,033</u>	<u>243,931</u>	<u>81,102</u>
Current liabilities	385,837	251,907	(133,930)
Total Liabilities	<u>385,837</u>	<u>251,907</u>	<u>(133,930)</u>
Unrestricted	(60,804)	(7,976)	(52,828)
Total Net Position	<u>\$ (60,804)</u>	<u>\$ (7,976)</u>	<u>\$ (52,828)</u>

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, liabilities exceeded assets by \$60,804 as of June 30, 2013.

Changes in Net Position

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 position decreased overall by \$52,828 during fiscal year 2012-2013, primarily due to the timing of State funding. This decrease in net position is explained in the financial analysis of the Authority's Governmental Fund found below.

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Management's Discussion and Analysis (Continued)
June 30, 2013

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

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 730,701	\$ 725,393	\$ 5,308
County contributions	159,514	166,349	(6,835)
Total Revenues	<u>890,215</u>	<u>891,742</u>	<u>(1,527)</u>
Expenses:			
Services and supplies	928,283	874,126	(54,157)
Rent and utilities	14,760	14,616	(144)
Total Expenses	<u>943,043</u>	<u>888,742</u>	<u>(54,301)</u>
Change in Net Position	(52,828)	3,000	(55,828)
Net Position, Beginning of Fiscal Year	<u>(7,976)</u>	<u>(10,976)</u>	<u>3,000</u>
Net Position, End of Fiscal Year	<u>\$ (60,804)</u>	<u>\$ (7,976)</u>	<u>\$ (52,828)</u>

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, 2013, the Authority reported an ending fund balance of (\$143,302), a decrease of \$30,775 from the prior year.

Total revenue, consisting mainly of intergovernmental funds and county contributions, increased by \$75,593. Total expenditures increased by \$54,301 from the prior fiscal year. The net variance of (\$21,292) is primarily the result of deferring State and Federal payments due to the actual timing of receiving the revenues (greater than 90 days after the close of the fiscal year), representing amounts not available to fund current expenditures.

BUDGETARY HIGHLIGHTS

Total revenues were under budget by 3% or \$29,457, while total expenditures were under budget less than 1%, or \$1,318. These variances were a direct result of continued caseload growth in the IHSS program. The IHSS caseload grew from 907 clients to 990 clients from FY 2011-12 to FY 2012-13. Along with growth in the number of clients receiving services is a corresponding increase in the number of IHSS hours provided; the monthly number of authorized hours increased by approximately 10,000 during this same timeframe.

Economic Factors and Next Year's Budget

The existing Memorandum of Understanding with SEIU expired on December 31, 2012. The existing MOU has continued as negotiations for a successor agreement continue. This agreement kept provider wages and benefits constant through the audit period.

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Management's Discussion and Analysis (Continued)
June 30, 2013

Given the current economic conditions of the state 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. In the past recent years, most of those efforts have been blocked from implementation due to Court orders while others have failed in their implementation. The 2012-13 state budget included substantial programmatic changes to the IHSS program, in the form of an overall restructuring of the IHSS program. This change is scheduled to begin in 2014 on a pilot basis in eight California counties and does not include Napa. However, it is anticipated that these changes will occur state-wide if the pilot efforts go well. Additionally, effective July 1, 2012, there was a substantial funding restructuring to the IHSS program. Now, in lieu of paying a portion of nonfederal share of IHSS costs, all counties will have an IHSS Maintenance Of Effort (MOE). This MOE is based on FY 2011-12 IHSS expenditures with inflation adjustments in subsequent years of 3.5% beginning July 1, 2014.

DEBT ADMINISTRATION

For the fiscal year ending June 30, 2013, the Authority did not have any long-term obligations outstanding.

CAPITAL ASSETS

For the fiscal year ending June 30, 2013, 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 Position
June 30, 2013

Assets

Current Assets:

Due from other governments	\$ 325,033
Total Assets	<u>325,033</u>

Liabilities

Current Liabilities:

Accounts payable	65,185
Due to other governments	<u>320,652</u>
Total Liabilities	<u>385,837</u>

Net Position

Unrestricted	<u>(60,804)</u>
Total Net Position	<u>\$ (60,804)</u>

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, 2013

Expenses

Public Assistance:

Services and supplies	\$ 928,283
Rent and utilities	14,760
Total Program Expense	<u>943,043</u>

Program Revenues

Intergovernmental Revenue:

Federal	517,773
State	212,928
County contributions	159,514
Total Program Revenues	<u>890,215</u>

Net Program Expense (52,828)

Change in Net Position (52,828)

Net Position - Beginning of Year (7,976)

Net Position - End of Year \$ (60,804)

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, 2013

Assets

Due from other governments	\$ 325,033
Total Assets	<u>325,033</u>

Liabilities

Accounts payable	65,185
Due to other governments	320,652
Deferred revenue	82,498
Total Liabilities	<u>468,335</u>

Fund Balance

Unassigned	(143,302)
Total Fund Balance	<u>(143,302)</u>

Total Liabilities and Fund Balance	<u>\$ 325,033</u>
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The accompanying notes are an integral part of these financial statements.

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Reconciliation of the Balance Sheet
to the Statement of Net Position (Deficit)
June 30, 2013

Fund balance - total governmental funds (page 9)	\$ (143,302)
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	<u>82,498</u>
Net Position of Governmental Activities (page 7)	<u>\$ (60,804)</u>

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, 2013

Revenues

Intergovernmental Revenue:

Federal	\$	540,401
State		212,353
County contributions		159,514
Total Revenues		<u>912,268</u>

Expenditures

Public Assistance:

Services and supplies		928,283
Rent and utilities		14,760
Total Expenditures		<u>943,043</u>

Net Change in Fund Balance

(30,775)

Fund Balance - Beginning of Year

(112,527)

Fund Balance - End of Year

\$ (143,302)

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 to the
Statement of Activities
For the Fiscal Year Ended June 30, 2013

Net change to fund balance - total governmental funds (page 11) \$ (30,775)

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. (22,053)

Change in Net Position of Governmental Activities (page 8) \$ (52,828)

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

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Notes to Financial Statements
June 30, 2013

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

Government-Wide Statements

The Statement of Net Position 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.

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 position are available, restricted resources are used only after unrestricted resources are depleted.

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Notes to Financial Statements
June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation and Accounting (continued)

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.

D. Due to Other Governments

Amounts due to Napa County, 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.

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Notes to Financial Statements
June 30, 2013

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, 2013, 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, 2013, the Authority paid Napa County, a related party, \$185,489 for employee, office space, administrative, information technology, legal and accounting services.

In addition, the Authority received \$159,514 during the fiscal year ended June 30, 2013, 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 POSITION/FUND BALANCE

Net Position

Net position comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position 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 position consist of all other net position not included in the above categories.

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, 2013, 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.

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Notes to Financial Statements
June 30, 2013

NOTE 4: NET POSITION/FUND BALANCE (CONTINUED)

Fund Balance (continued)

- *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.

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

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IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental Revenue:				
Federal	\$ 444,009	\$ 487,009	\$ 540,401	\$ 53,392
State	296,611	296,611	212,353	(84,258)
County contributions	158,105	158,105	159,514	1,409
Miscellaneous	--	--	--	--
Total Revenues	<u>898,725</u>	<u>941,725</u>	<u>912,268</u>	<u>(29,457)</u>
Expenditures				
Services and supplies	883,425	926,425	928,283	(1,858)
Rent and utilities	15,300	15,300	14,760	540
Total Expenditures	<u>898,725</u>	<u>941,725</u>	<u>943,043</u>	<u>(1,318)</u>
Net Change in Fund Balance	<u>\$ --</u>	<u>\$ --</u>	(30,775)	<u>\$ (30,775)</u>
Fund Balance, Beginning of the Year			<u>(112,527)</u>	
Fund Balance, End of the Year			<u>\$ (143,302)</u>	

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY OF NAPA COUNTY

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2013

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

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**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**

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 financial statements of the In-Home Supportive Services Public Authority of Napa County (Authority), a component unit of Napa County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority'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*.

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

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

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
November 12, 2013