

**NAPA COUNTY
HOUSING AUTHORITY
(A Component Unit of the
County of Napa, California)**

**COMPONENT UNIT
FINANCIAL REPORT**

**For the Fiscal Year
Ended June 30, 2015**

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NAPA COUNTY HOUSING AUTHORITY

AUDIT REPORT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the
Board of Directors
Napa County Housing Authority
Napa, California

Report on the Financial Statements

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 Napa County Housing Authority (Authority), component unit of Napa County, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2015

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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the financial statements of the Napa County Housing Authority, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Napa County Housing Authority's basic financial statements. The Statement of Net Position by Cost Center and Statement of Revenues, Expenses and Changes in Net Position by Cost Center are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Net Position by Cost Center and Statement of Revenues, Expenses and Changes in Net Position by Cost Center 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Net Position by Cost Center and Statement of Revenues, Expenses and Changes in Net Position by Cost Center is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015 on our consideration of the Napa County Housing 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 Napa County Housing Authority's internal control over financial reporting and compliance.



Roseville, California
November 24, 2015

NAPA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis June 30, 2015

This section of the Napa County Housing Authority's (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the Authority's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The Authority began operations of three farm worker centers at the very end of fiscal year 2006-2007, with the eighth full year of operations occurring in fiscal year 2014-2015.
- Napa Valley Housing Authority transferred ownership of the three facilities located throughout the county to Napa County Housing Authority in April of 2008.
- The Authority used \$487,388 of collected assessments and \$713,040 of collected rental income to offset costs during the year.
- The Authority established operating and maintenance reserves in fiscal year 2007-2008, and continues to fund the reserves annually for each center pursuant to the Joe Serna, Jr. Farm Worker Housing Grant Program requirements.

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 are comprised of two components: 1) Government-wide financial statements, and 2) Notes to the basic financial statements. Fund financial statements are not included in the basic financial statements because all activities of the Authority are accounted for within a single enterprise fund. Enterprise funds are accounted for using the accrual method of accounting in both the Government-wide and Fund financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of Authority finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all Authority assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position (deficit) 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 this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the Authority that are principally supported by user fees and charges (*business-type activities*). There are no component units to be included in the Authority's basic financial statements.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

NAPA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis (Continued)
June 30, 2015

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

A summary of the Authority's Statement of Net Position is as follows:

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

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
Current assets	\$ 884,760	\$ 741,014	\$ 143,746
Noncurrent assets	4,500,788	4,571,156	(70,368)
Total Assets	<u>5,385,548</u>	<u>5,312,170</u>	<u>73,378</u>
Current liabilities	88,698	54,576	34,122
Total Liabilities	<u>88,698</u>	<u>54,576</u>	<u>34,122</u>
Net Position			
Net investment in capital assets	4,500,788	4,571,156	(70,368)
Restricted	603,556	568,568	34,988
Unrestricted	192,506	117,870	74,636
Total Net Position	<u>\$ 5,296,850</u>	<u>\$ 5,257,594</u>	<u>\$ 39,256</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$5,296,850 at the close of the most recent fiscal year. The primary components of the Authority's assets include the values of the three farm worker center buildings and associated land, and cash for equipment replacement and operating reserves as required by the Joe Serna grant.

NAPA COUNTY HOUSING AUTHORITY

Management's Discussion and Analysis (Continued)
June 30, 2015

Changes in Net Position

A summary of the Authority's Statement of Revenues, Expenses and Changes in Net Position, recapping the Authority's revenues earned during the fiscal year ended June 30, 2015, and the expenses incurred are as follows:

Condensed Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30

	2015	2014	Variance
Operating Revenue	\$ 1,223,850	\$ 1,114,643	\$ 109,207
Operating Expenses	<u>1,377,948</u>	<u>1,415,271</u>	<u>(37,323)</u>
Net Income (Loss) from Operations	(154,098)	(300,628)	146,530
Nonoperating Revenue	<u>193,354</u>	<u>303,752</u>	<u>(110,398)</u>
Change in Net Position	39,256	3,124	36,132
Net Position - Beginning of Year	<u>5,257,594</u>	<u>5,254,470</u>	<u>3,124</u>
Net Position - End of Year	<u>\$ 5,296,850</u>	<u>\$ 5,257,594</u>	<u>\$ 39,256</u>

CAPITAL ASSETS

As of June 30, 2015, capital assets consist of three farm worker centers consisting of both structures and land, as well as a water heater purchased in fiscal year 2007-2008, a water tank at River Ranch and a donated walk-in freezer at the Mondavi center, both received in fiscal year 2014-15.

DEBT ADMINISTRATION

As of June 30, 2015, the Authority has no long-term debt.

ECONOMIC FACTORS

The Authority's fiscal year 2014-15 operating expenses are \$1,377,949, a decrease of \$37,322, or 2.6%, from the prior year. The Authority's operating revenues are \$1,223,850, an increase of \$109,207, or 9.8%, from the prior year. The increase in revenue is mainly due to the centers having high occupancy throughout the year generating additional rental revenues. The decrease in operating costs was due to the shift of payment for expenses related to janitorial minor equipment and meal expenses from the primary contractor to the county and thus not incurring additional markups on goods and services received.

REQUESTS FOR INFORMATION

This financial report is designed to provide the Board, our taxpayers, customers, investors and creditors with a general overview of the Authority's accountability for the assets it receives and manages. Napa County provides certain management and administrative functions, including all financial management and accounting.

If you have any questions about this report or need additional financial information, please contact the Auditor-Controller's Office, County of Napa, located at 1195 Third Street, Suite B-10, Napa, California 94559.

NAPA COUNTY HOUSING AUTHORITY

Statement of Net Position
June 30, 2015

Assets

Current Assets:

Cash in county treasury	\$ 863,906
Accounts receivable	20,854
Total Current Assets	<u>884,760</u>

Noncurrent Assets:

Capital assets, nondepreciable	2,700,000
Capital assets, depreciable, net	1,800,788
Total Noncurrent Assets	<u>4,500,788</u>

Total Assets	<u>5,385,548</u>
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Liabilities

Current Liabilities:

Accounts payable	82,675
Deposits - prepaid rent	6,023
Total Liabilities	<u>88,698</u>

Net Position

Net investment in capital assets	4,500,788
Restricted	603,556
Unrestricted	192,506
Total Net Position	<u>\$ 5,296,850</u>

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

NAPA COUNTY HOUSING AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2015

Operating Revenues	
Rental income	\$ 713,040
Special assessments	487,388
Other- governmental agencies	15,000
Other income	8,422
Total Operating Revenues	<u>1,223,850</u>
Operating Expenses	
Professional services:	
Maintenance and operations contract	692,813
Legal services	194
Accounting and auditing services	36,482
Administration services	105,915
Janitorial	25,701
Minor equipment	70
Client meal expense	241,491
Utilities	194,901
Building maintenance	10,013
Depreciation	70,368
Total Operating Expenses	<u>1,377,948</u>
Operating Loss	<u>(154,098)</u>
Nonoperating Revenues	
Interest	3,354
Contributions from County of Napa	190,000
Total Nonoperating Revenues	<u>193,354</u>
Change in Net Position	39,256
Net Position - Beginning of Year	<u>5,257,594</u>
Net Position - End of Year	<u>\$ 5,296,850</u>

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

NAPA COUNTY HOUSING AUTHORITY

Statement of Cash Flows For the Fiscal Year Ended June 30, 2015

Cash Flows from Operating Activities

Cash received from renters (including laundry and phone)	\$ 720,885
Cash received from other government agencies	15,000
Cash received from property tax assessments	487,388
Cash paid for goods and services	(1,122,322)
Cash paid for administrative purposes	(142,591)
Cash paid for farm center maintenance	(10,013)
Net Cash Used by Operating Activities	<u>(51,653)</u>

Cash Flows from Noncapital Financing Activities

Noncapital contributions	190,000
Net Cash Provided by Noncapital Financing Activities	<u>190,000</u>

Cash flows from Investing Activities

Interest payments received	3,354
Net cash provided by investing activities	<u>3,354</u>

Net Increase in Cash and Cash Equivalents	141,701
Cash and Cash Equivalents - Beginning of Year	<u>722,205</u>
Cash and Cash Equivalents - End of Year	<u>\$ 863,906</u>

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating loss	\$ (154,098)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	70,368
Changes in operating assets and liabilities:	
Accounts receivable	(2,045)
Accounts payable	32,654
Deposits	1,468
Net Cash Used by Operating Activities	<u>\$ (51,653)</u>

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

NAPA COUNTY HOUSING AUTHORITY

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The role of the Napa County Housing Authority is to provide safe and sanitary dwelling conditions for low income people. The Authority funds operations, maintenance and capital improvements for the Napa County's farm worker housing system which currently includes three (3) centers – one in the Yountville area, one near St. Helena and one near Calistoga – with a collective capacity of 180 beds. The purpose of these centers is to house and feed farm workers that are not permanent local residents. The Authority is partially funded through a special, self-imposed, assessment on producing vineyard land. The Authority also receives funding through the collection of fees from the lodgers at each of the centers.

The Authority includes all operating activities considered to be part of the Authority. The Authority reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, related to the financial reporting entity to determine whether the Authority is financially accountable to other entities. The Authority has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements.

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. The Authority is an enterprise fund of Napa County.

B. Basis of Presentation and Accounting

The accompanying financial statements of the Authority are prepared on the accrual basis method of accounting in accordance with generally accepted accounting principles as applicable to governmental units.

All activities of the Authority are accounted for within a single enterprise fund. Enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. In accordance with GASB No. 33, *Accounting and Reporting for Nonexchange Transactions*, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and resources are available. Revenues from sales tax are recognized when the underlying transactions take place and the resources are available. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied and the resources are available.

NAPA COUNTY HOUSING AUTHORITY

Notes to Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2015

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

C. 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 Napa County's Auditor-Controller's office at 1195 Third Street, Room B-10, Napa, California. The Napa County Treasury Oversight Committee oversees the Treasurer's investments and policies.

D. Cash and Cash Equivalents

The Authority considers all cash held in the Napa County Treasury to be cash and cash equivalents for purposes of the statement of cash flows.

E. Receivables

Receivables consist of fees charged at the farm worker centers. The Authority believes its receivables to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

F. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. Capital assets include dormitory-style farm worker centers, land, and related equipment. The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements. Depreciation begins on the first day of the fiscal year following the period the asset is placed in service and ends in the fiscal year that it is retired from service or is fully depreciated. The Authority chooses not to record any depreciation during the year of acquisition.

The estimated useful lives are as follows:

Structures and improvements	20 to 50 years
Land improvements	20 years
Equipment	3 to 15 years

NAPA COUNTY HOUSING AUTHORITY

Notes to Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net position. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Restricted net position of the Authority is imposed by the Joe Serna, Jr. Farm Worker Housing Grant Program and the Napa County Affordable Housing Program. Unrestricted net position consists of all other net position not included in the above categories.

The Authority first utilizes restricted resources to finance qualifying activities, then unrestricted resources, as needed.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

The Authority holds its cash and investments as follows:

The Authority holds unrestricted cash in the Napa County Treasury which maintains a Cash and Investments pool. The fair value of investments in the pool is determined monthly based upon quoted market prices. Required disclosures for the Authority's deposit and investment risks at June 30, 2015, 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.

NAPA COUNTY HOUSING AUTHORITY

Notes to Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2015

NOTE 3: CAPTIAL ASSETS

Capital assets activity for the year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital Assets, not being depreciated:				
Land	\$ 2,700,000	\$ --	\$ --	\$ 2,700,000
Total capital assets, not being depreciated	<u>2,700,000</u>	<u>--</u>	<u>--</u>	<u>2,700,000</u>
Capital assets, being depreciated:				
Structures and improvements	1,615,001	--	--	1,615,001
Land improvements	595,000	--	--	595,000
Equipment	37,403	--	--	37,403
Total capital assets, being depreciated	<u>2,247,404</u>	<u>--</u>	<u>--</u>	<u>2,247,404</u>
Less accumulated depreciation for:				
Structures and improvements	(193,802)	(34,002)	--	(227,804)
Land improvements	(178,502)	(29,750)	--	(208,252)
Equipment	(3,944)	(6,616)	--	(10,560)
Total accumulated depreciation	<u>(376,248)</u>	<u>(70,368)</u>	<u>--</u>	<u>(446,616)</u>
Total capital assets, being depreciated, net	<u>1,871,156</u>	<u>(70,368)</u>	<u>--</u>	<u>1,800,788</u>
Total capital assets, net	<u>\$ 4,571,156</u>	<u>\$ (70,368)</u>	<u>\$ --</u>	<u>\$ 4,500,788</u>

NOTE 4: RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2015, the Authority paid Napa County, a related party, \$125,551 for administrative, legal and accounting services.

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

NAPA COUNTY HOUSING AUTHORITY

Statement of Net Position by Cost Center
June 30, 2015

	<u>Administration</u>	<u>Calistoga</u>	<u>River Ranch</u>	<u>Mondavi</u>	<u>Total</u>
Assets					
Current Assets:					
Cash in county treasury	\$ 192,506	\$ 244,658	\$ 223,704	\$ 203,038	\$ 863,906
Accounts receivable	--	2,193	8,368	10,293	20,854
Total Current Assets	<u>192,506</u>	<u>246,851</u>	<u>232,072</u>	<u>213,331</u>	<u>884,760</u>
Noncurrent Assets:					
Capital assets, nondepreciable	--	400,000	1,600,000	700,000	2,700,000
Capital assets, depreciable, net	--	614,351	666,070	520,367	1,800,788
Total Assets	<u>192,506</u>	<u>1,261,202</u>	<u>2,498,142</u>	<u>1,433,698</u>	<u>5,385,548</u>
Liabilities					
Current Liabilities:					
Accounts payable	--	32,933	24,468	25,274	82,675
Deposits - prepaid rent	--	362	2,604	3,057	6,023
Total Liabilities	<u>--</u>	<u>33,295</u>	<u>27,072</u>	<u>28,331</u>	<u>88,698</u>
Net Position					
Net investments in capital assets	--	1,014,351	2,266,070	1,220,367	4,500,788
Restricted:					
Operating reserves	--	120,000	140,000	120,000	380,000
Replacement reserves	--	65,000	65,000	65,000	195,000
Capital maintenance	--	28,556	--	--	28,556
Unrestricted	192,506	--	--	--	192,506
Total Net Position	<u>\$ 192,506</u>	<u>\$ 1,227,907</u>	<u>\$ 2,471,070</u>	<u>\$ 1,405,367</u>	<u>\$ 5,296,850</u>

NAPA COUNTY HOUSING AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position by Cost Center
For the Fiscal Year Ended June 30, 2015

	<u>Administration</u>	<u>Calistoga</u>	<u>River Ranch</u>	<u>Mondavi</u>	<u>Total</u>
Operating Revenues					
Rental income	\$ --	\$ 236,863	\$ 253,148	\$ 223,029	\$ 713,040
Special assessments	--	173,730	142,686	170,972	487,388
Other- governmental agencies	--	5,000	5,000	5,000	15,000
Other income	--	3,274	2,723	2,425	8,422
Total Operating Revenues	<u>--</u>	<u>418,867</u>	<u>403,557</u>	<u>401,426</u>	<u>1,223,850</u>
Operating Expenses					
Professional services					
Maintenance and operations contract	--	227,434	249,618	215,761	692,813
Legal services	194	--	--	--	194
Accounting and auditing services	36,482	--	--	--	36,482
Administration services	100,488	1,463	2,393	1,571	105,915
Janitorial	--	8,444	9,177	8,080	25,701
Minor equipment	--	70	--	--	70
Client meal expense	--	79,499	78,230	83,762	241,491
Utilities	--	80,993	42,936	70,972	194,901
Building maintenance	--	--	--	10,013	10,013
Depreciation	--	23,326	29,185	17,857	70,368
Total Operating Expenses	<u>137,164</u>	<u>421,229</u>	<u>411,539</u>	<u>408,016</u>	<u>1,377,948</u>
Operating Income (Loss)	<u>(137,164)</u>	<u>(2,362)</u>	<u>(7,982)</u>	<u>(6,590)</u>	<u>(154,098)</u>
Nonoperating Revenues					
Interest	800	1,037	797	720	3,354
Contributions from County of Napa	190,000	--	--	--	190,000
Total Nonoperating Revenues (Expenses)	<u>190,800</u>	<u>1,037</u>	<u>797</u>	<u>720</u>	<u>193,354</u>
Income (Loss) Before Transfers	53,636	(1,325)	(7,185)	(5,870)	39,256
Transfers in (out)	<u>21,000</u>	<u>(17,013)</u>	<u>(7,000)</u>	<u>3,013</u>	<u>--</u>
Change in Net Position	74,636	(18,338)	(14,185)	(2,857)	39,256
Net Position - Beginning of Year	<u>117,870</u>	<u>1,246,245</u>	<u>2,485,255</u>	<u>1,408,224</u>	<u>5,257,594</u>
Net Position - End of Year	<u>\$ 192,506</u>	<u>\$ 1,227,907</u>	<u>\$ 2,471,070</u>	<u>\$ 1,405,367</u>	<u>\$ 5,296,850</u>

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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**

To the Honorable Members of the
Board of Directors
Napa County Housing Authority
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 Napa County Housing Authority (Authority), component unit of Napa County, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Napa County Housing 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Napa County Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Napa County Housing 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Napa County Housing 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*.

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 24, 2015