Date: August 27, 2019

To: Napa County Board of Supervisors

From: Tracy A. Schulze
Auditor-Controller

Subject: Fiscal Year 2018-19 Closing Entries

At the end of each fiscal year, certain accounting and budgetary entries need to be recorded by the Auditor-Controller to complete the year-end closing process. I am requesting authorization to process these year-end adjustments, which are detailed below.

**FUND BALANCE - ASSIGNMENTS/RESTRICTIONS/COMMITMENTS**

Record the following entries to increase/decrease assignments, restrictions and commitments as of June 30, 2019.

**Health and Human Services Fund**
Mental Health Cost Report Payback – Maintain the assignment of $1,022,812.88. This assignment is used to fund potential claims settlement or audit paybacks. The assigned funds were not used during fiscal year 2018-19.

Dahl Trust – Maintain the third-party restriction of $513.55. The Dahl Trust, established in 2003, is used to fund incidental children services costs incurred by Social Services that are not claimable against other grant funding sources. The assigned funds were not used during fiscal year 2018-19.

EMS Medical Cache Trailers – Maintain the assignment of $5,000. In accordance with the terms of the JPA established in 2006, this assignment is to be used for major repairs and maintenance on Emergency Medical Service medical cache trailers purchased in 2006 using Department of Homeland Security grant funding. The trailers are used to house medical supplies needed to respond to potential emergency situations. The assigned funds were not used during fiscal year 2018-19.

Medical Reserve Corp – Reduce the assignment by $821.58 to reflect funds used during the year, bringing the total assignment to $3,154.31. The assignment is to be used to organize and train healthcare and non-healthcare professionals to respond to public health emergencies.

Housing is Healthcare - Maintain the assignment of $10,000 from the California Endowment to develop a communication campaign to increase awareness on the impact of homelessness on healthcare costs. Currently no funds have been spent on this project.

California Accountable Communities for Health Initiative (CACHI) - Increase the assignment by $9,008.49 to reflect the net of funds received and used during the year, bringing the total assignment to $18,821.59. The assignment is to be used for The Public Health Institute for health equity work.
**FUND BALANCE - ASSIGNMENTS/RESTRICTIONS/COMMITMENTS (Continued)**

**Health and Human Services Fund (continued)**
Exemplary Health Equity - Reduce the assignment by $1,688.49 to reflect funds used during the year, bringing the total assignment to $18,539.41. The Public Health Division is working with community partners to determine how the award can be best utilized.

County Wellness & Prevention Pilot Project – Release the assignment of $22,408.00 to reflect funds used during the year, bringing the total to $0.00. This assignment was used for the delivery of medical supplies and provided related support services.

Homeless Mentally Ill Outreach & Treatment - Establish the assignment of $100,000 for a one-time funding related to homeless persons with mental illness. No funds have been spent on this project.

**Capital Improvement Fund**
County Jail – Increase the funds committed towards the construction of a new County jail facility by $20,294,442 bringing the total commitment to $75,284,947. The increase is funded by 2018-19 excess ERAF ($16,111,008), prior year excess ERAF Reserves released ($2,084,737) and SB90 funds received during the year ($2,098,697).

**Airport Fund**
Fuel Facilities Maintenance - Decrease the restriction by $492,704.60 bringing the total restriction to $208,120.78. As part of an agreement with Napa Jet Center (formerly Bridgeford Flying Services, Inc.), a portion of revenues received are to be restricted to finance future maintenance expenses that exceed a $10,000 threshold. This decrease is due mainly to releasing $500,000 from designations for the Fuel Farm Maintenance project.

**Roads Fund**
Zone 1 Road Maintenance - Reduce the restriction by $149,669.29 bringing the total restriction to $177,196.50. The Roads Fund has received revenue specifically for the repairs and maintenance of roads impacted by the Franchise contractor's Zone 1 Garbage refuse vehicles. These funds are for the future ongoing maintenance of roads specifically within the Zone 1 area.

**Natural Disaster Events – Restrict FEMA/CalOES revenues until the projects are fully audited and released**

- **2014 Earthquake – General Fund** - Restrict an additional $1,502,811 of FEMA/CalOES revenues received in fiscal year 2018-19 for a total restriction of $3,526,387.

- **2017 Storms – General Fund** - Restrict a total of $775,703 of FEMA/CalOES revenues received in fiscal years 2017-18 and 2018-19 for three declared storm events.

- **2017 Storms – Measure A Public Works Special Revenue Fund** – Restrict $277,544 for Lake Berryessa Resort Improvement District and $89,238 for Napa Berryessa Resort Improvement District projects that were originally funded by Measure A and subsequently received FEMA/CalOES revenues. Once the restriction is released, the Measure A funds would be again available for Measure A approved projects in the unincorporated area.

- **2017 Fire – General Fund** - Transfer cash of $2,967,118 from Non-Departmental Revenues to the 2017 Napa Fire Complex Sub-division (all within the General Fund) to offset expenditures of the event. The Board of Supervisors approved appropriations from General Reserves in the amount of $2.5 million on 10/10/17, with an additional $1 million on 4/24/18, for a total of $3.5 million.

- **2017 Fire – General Fund** - Restrict a total of $3,169,651 of FEMA/CalOES revenues received in fiscal years 2017-18 and 2018-19 for the fire event.
BUDGETARY ADJUSTMENTS (Fiscal Year 2018-19 Budget Transfer No. ACO008)

Record the following entries to process budgetary transactions as of June 30, 2019:

A. Fund 4400 (Employee-Retiree Benefits) – Increase appropriations due to increase in insurance premiums for fiscal year 2018-19. The prior budget transfer submitted on July 23, 2019 to increase appropriations was not enough to cover the June 2019 dental invoice.
   Employee-Retiree Benefits (4400-44000) – Increase Insurance Claims expenditure by $28,800

B. Fund 2830 (Napa Valley Tourism Improvement District - Countywide) – Increase appropriations to pass through funds to Visit Napa Valley Inc., offset by increased assessment collections on lodging entities.
   NVTID - Countywide (2830-28300) – Increase Special Assessments revenue by $250,000
   NVTID - Countywide (2830-28300) – Increase Other Professional Services expenditure by $250,000

TEMPORARY CASH ADVANCES

Record entries providing temporary cash advances to funds that end the fiscal year in a deficit cash position. The majority of these advances are needed when reimbursements for program expenditures are not received by year-end, as is the case with the In-Home Supportive Services Authority (approximately $224,000), and Liability Insurance Fund (approximately $37,000). These cash advances are repaid with first revenues collected in the new fiscal year.

ENCUMBRANCES (Fiscal Year 2018-19 Budget Transfer No. ACO002)

Complete a budget adjustment to carry-forward budget appropriations of $821,570 from fiscal year 2018-19 to 2019-20 for commitments (encumbrances) existing during fiscal year that have not been completed or fulfilled by June 30, 2019. A list of re-encumbrances is provided in Attachment A.

RATIFY FINAL CARRY FORWARD CAPITAL PROJECT BUDGETS AND CONTRACTS

On June 18, 2019, a budget adjustment carrying forward preliminary remaining balances of capital project budgets and contracts associated with the projects was approved. These estimates were provided to the Board to ensure the projects could continue into the new fiscal year without delay from budgetary restraints. Attachment B provides updated projects and remaining budgets required to date, for total carry forward appropriations into fiscal year 2019-20 of $64,510,711, a decrease of approximately $10 million from the original estimates.

CASH SHORTAGES

Report cash shortages and record the related expenditures. On September 17, 2002, the Board of Supervisors authorized the Auditor-Controller to handle internally all cash shortages of $500 or less. The same Board action requires the Auditor-Controller to advise the Board of Supervisors in writing and give an accounting of such shortages. During the fiscal year 2018-2019, the following shortages, totaling $514.50, were acknowledged and booked to the departments as expense items:

- Library – short collections of $14.50
- Corrections – short collections of $400.00 due to counterfeit bills
- Child Support Services – short collection of $100.00 due to counterfeit bills

ADDITIONAL APPROVAL REQUEST

Record other accounting and budgetary entries as needed to balance and close fiscal year 2018-19 for all funds controlled by the Board of Supervisors. This authorization will ensure the financial records of the County are recorded in accordance with Generally Accepted Accounting Principles (GAAP), following all Governmental Accounting Standards Board (GASB) procedures.
EXCESS ERAF (Informational Item)

We have now completed all allocations to ERAF for fiscal year 2018-19 as required by State Revenue & Taxation Code (R&T) 97. Following the allocations, we calculated the ERAF distributions using State apportionment factors and information provided by the State Department of Education and the California Community College Chancellor’s Office. The calculation resulted in an excess amount in ERAF above the amounts required to fully fund all public schools within the county. R&T 97.70(f)(1) has a provision to ‘hold the entities harmless’ for excess funds that would otherwise have been allocated. This provision requires Napa County to return excess ERAF funds to the entities that are required to shift property tax funds to ERAF. Certain information used in the calculation of excess ERAF for fiscal years 2018-2019 will not become final until the end of fiscal year 2021-22. Additionally, the 2018-19 excess ERAF calculation is subject to change due to potential legislative changes dealing with distributions made from the former redevelopment agency. In order to insulate future fiscal years from the effect of potential changes, a reserve has been created within the ERAF fund, which will be released in fiscal year 2021-22.

Beginning in fiscal year 2013-14, the State revised the school funding formula by instituting the Local Control Funding Formula (LCFF). The LCFF replaced most categorical funding with unduplicated student premiums to provide additional funding for students who are considered English learners and/or participate in the free or reduced meal programs. In addition, the LCFF provides funding escalators, which has fully eliminated the State deficit factor over the past six years.

The following chart shows the calculated excess ERAF, the amounts distributed as revenues and the amounts held in reserve for future state settlements:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Description</th>
<th>Total Excess ERAF</th>
<th>Less: Reserve</th>
<th>Excess ERAF to be Distributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>NAPA COUNTY</td>
<td>17,901,121</td>
<td>(1,790,113)</td>
<td>16,111,008</td>
</tr>
<tr>
<td>1080</td>
<td>FIRE NON-STRUCTURAL</td>
<td>(956,604)</td>
<td>95,660</td>
<td>(860,944)</td>
</tr>
<tr>
<td>1150</td>
<td>LIBRARY</td>
<td>903,272</td>
<td>(90,327)</td>
<td>812,945</td>
</tr>
<tr>
<td>1080</td>
<td>FIRE PROTECTION</td>
<td>1,022,425</td>
<td>(102,243)</td>
<td>920,182</td>
</tr>
<tr>
<td>County subtotal</td>
<td></td>
<td>18,870,214</td>
<td>(1,887,023)</td>
<td>16,983,191</td>
</tr>
<tr>
<td>15100</td>
<td>CITY OF CALISTOGA</td>
<td>244,471</td>
<td>(24,447)</td>
<td>220,024</td>
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<tr>
<td>15200</td>
<td>CITY OF NAPA</td>
<td>3,017,344</td>
<td>(301,734)</td>
<td>2,715,610</td>
</tr>
<tr>
<td>16300</td>
<td>CITY OF ST HELENA</td>
<td>344,286</td>
<td>(34,429)</td>
<td>309,857</td>
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<tr>
<td>15400</td>
<td>TOWN OF YOUNTVILLE</td>
<td>139,952</td>
<td>(13,995)</td>
<td>125,957</td>
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<tr>
<td>18800</td>
<td>CITY OF AMERICAN CANYON</td>
<td>44,771</td>
<td>(4,477)</td>
<td>40,294</td>
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<tr>
<td>City/Town subtotal</td>
<td></td>
<td>3,790,824</td>
<td>(379,082)</td>
<td>3,411,742</td>
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<tr>
<td>5220</td>
<td>LAKE BERRYESSA RESORT IMPROVEMENT</td>
<td>9,269</td>
<td>(927)</td>
<td>8,342</td>
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<tr>
<td>5240</td>
<td>NAPA BERRYESSA RESORT IMPROVEMENT</td>
<td>17,374</td>
<td>(1,737)</td>
<td>15,637</td>
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<tr>
<td>2860</td>
<td>MONTICELLO CEMETERY DISTRICT</td>
<td>10,890</td>
<td>(1,089)</td>
<td>9,801</td>
</tr>
<tr>
<td>9504</td>
<td>CIRCLE OAKS WATER DISTRICT</td>
<td>10,959</td>
<td>(1,096)</td>
<td>9,863</td>
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<tr>
<td>7400</td>
<td>CONGRESS VALLEY WATER DISTRICT</td>
<td>24,292</td>
<td>(2,429)</td>
<td>21,863</td>
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<tr>
<td>7100</td>
<td>NAPA COUNTY MOSQUITO ABATEMENT</td>
<td>68,104</td>
<td>(6,810)</td>
<td>61,294</td>
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<td>7500</td>
<td>NAPA COUNTY RIVER RECLAMATION</td>
<td>28,721</td>
<td>(2,872)</td>
<td>25,849</td>
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<td>Special District subtotal</td>
<td></td>
<td>169,609</td>
<td>(16,960)</td>
<td>152,649</td>
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<tr>
<td>Total 2018-2019 Excess ERAF</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>22,830,647</td>
<td>(2,283,065)</td>
<td>20,547,582</td>
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</table>

In addition to the return of fiscal year 2018-19 excess ERAF, the General Fund received $2,084,737 of prior year excess ERAF release of prior year reserves. In accordance with Board direction, excess ERAF returned to the General Fund will be transferred to the Accumulated Capital Outlay division of the Capital Improvement Fund and be used to increase the Jail Construction commitment as noted above.
PERS PREPAYMENT (Informational Item)

Beginning with fiscal year 2010-11, the County has consistently prepaid the Employer’s Contribution related to the Miscellaneous Plan in order to take advantage of discounted rates. Changes at CalPERS have opened prepayment options for the County’s Safety Plan, but have limited the amount an agency can prepay to each plan’s Employer’s Contribution related to unfunded actuarial accrued liabilities. While adapting to these changes, the County continues to take full advantage of the prepayment option. In order to spread these lump sum payments to the appropriate departments, the County calculates pension rates that allow pension expense to be allocated each payroll with offsets against the prepayment balances. For fiscal year 2018-19, the rates charged resulted in an over allocation of pension payments totaling $817,479. The over allocated amount was returned to departments once the final PERS transactions were completed. A breakdown of the benefitting funds and departments is provided in Attachment C.

I will be available at the Board meeting to answer any questions you may have regarding the above requests.

Cc: Minh Tran, County Executive Officer
    Mary Booher, Assistant County Executive Officer
    Bob Minahen, Assistant Auditor-Controller