Date: August 15, 2017

To: Napa County Board of Supervisors

From: Tracy A. Schulze

 Auditor-Controller

Subject: Fiscal Year 2016-2017 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, 2017.

**Health and Human Services Fund**

Health Care Enhancement Programs – Cancel the third-party restriction of $376,356. These funds were provided through the Inter-Governmental Transfer arrangement as allowed under Section 1903 of the Social Security Act and Welfare and Institutions (W&I) Code section 14164 and 14301.4. The funds have been fully expended.

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 needed during fiscal year 2016-2017.

Dahl Trust – Reduce the third-party restriction by $406.26 bringing the total restriction to $595.21. The Dahl Trust, established in 2003, is used to fund incidental children services costs incurred by Social Service that are not claimable against other grant funding sources. The restriction reduction reflects the amount of funds used during the year

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.

Medical Reserve Corp – Reduce the assignment by $828.56 to reflect funds used during the year, bringing the total assignment to $4,797.49. The total assignment is to be used to organize and train healthcare and non-healthcare professionals to respond to public health emergencies.

**Capital Improvement Fund**

County Jail – Increase the funds committed towards the construction of a new County jail facility by $5,566,528 bringing the total commitment to $29,054,901. The increase is funded by the return of excess ERAF.

**FUND BALANCE - ASSIGNMENTS/RESTRICTIONS/COMMITMENTS (Continued)**

**Airport Fund**

Fuel Facilities Maintenance - Increase the restriction by $90,371.02 bringing the total restriction to $649,080.43. 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 increase will set the restriction at the agreed upon level.

**BUDGETARY ADJUSTMENTS (FY16-17 Budget Transfer No. ACO007)**

Record the following entries to process budgetary transactions as of June 30, 2017:

1. Fund 1000 (General Fund) – Increase appropriations in various General Fund divisions offset by a reduction of General Fund contingency due to retiree payouts and salary adjustments implemented during the year. This adjustment was required prior to the PERS refund calculated on Attachment C in order for payroll checks to be processed and distributed.

General Fund, County Counsel (1000-1200000) – Increase Salaries and Benefits by $15,000

General Fund, Board of Supervisors (1000-1010000) – Increase Salaries and Benefits by $19,500

General Fund, Public Defender (1000-1320000) – Increase Salaries and Benefits by $40,500

General Fund, County Executive Office (1000-1020000) – Increase Salaries and Benefits by $246,500

General Fund, Contingency (1000-1059000) – Decrease Appropriation for Contingency by $321,500

1. Fund 1000 (General Fund) – Increase appropriations in the General Fund by $5,566,528 due to the realization of additional revenues from excess Education Revenue Augmentation Fund (ERAF). In accordance with the Board’s budget policies, all excess ERAF is to be transferred to the Capital Improvement Fund to fund current and future capital needs. As noted in the fund balance section above, the amount will be assigned to fund the construction of a future jail facility.

General Fund (1000-1051000) – Increase Transfers-Out Accumulated Capital Outlay by $5,566,528

Capital Improvement Fund (3000-3000000) – Increase Transfer-in General Fund by $5,566,528

1. Fund 2080 (Affordable Housing) – Increase appropriations in Affordable Housing by $80,000 offset by use of fund balance. Over the course of the year the County received project proposals for affordable housing projects, resulting in higher costs, and no adjustments were completed during the year.

Affordable Housing (2080-2080000) – Increase Consulting Services by $70,000

Affordable Housing (2080-2080000) – Increase Legal Services by $10,000

1. Fund 2080 (Affordable Housing) - Increase appropriations in Affordable Housing to fulfill its obligation to pay for one-third of the Homeless Coordinator position offset by use of fund balance. The corresponding transfer-in has been budgeted in the Health and Human Services–Homeless and Housing Division.

Affordable Housing (2080-2080000) – Increase Transfer-out expenditures by $30,000

1. Fund 2160 (Child Support Services) – Increase appropriations in Child Support Services to record additional OMB A87 indirect cost allocation offset by increased reimbursement allowance from Federal and State Public Assistance funding.

Child Support Services (2160-2160000) – Increase A87 (Cost Plan) expenditures by $132,066

Child Support Services (2160-2160000) – Increase Federal–Public Assistance revenues by $44,902

Child Support Services (2160-2160000) – Increase State–Public Assistance revenues by $87,164

**BUDGETARY ADJUSTMENTS (FY16-17 Budget Transfer No. ACO007) (continued)**

1. Fund 2830 (NV 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 Other Professional Services by $60,000

 NVTID – Countywide (2830-28300) – Increase Assessment Revenues by $60,000

1. Fund 4400 (Employee-Retiree Benefits) – Increase appropriations for insurance claims and premiums by $78,000. This increase is the result of the final Other Post-Employment Benefits (OPEB) reconciliation and is offset by charges for services revenues.

Employee-Retiree Benefits (4400-44010) – Increase Insurance Claims expenditure by $59,000

Employee-Retiree Benefits (4400-44010) – Increase Insurance Premiums expenditure by $19,000

Employee-Retiree Benefits (4400-44010) – Increase Charges for Services revenue by $78,000

1. In addition to the entries listed above, increase appropriations in various Non-Operating Special Revenue Funds to allow the transfer of cash to offset allowable reimbursements in the corresponding operating departments for expenditures incurred during the year.

**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 State reimbursements for program expenditures are not received by year-end, as is the case with the In-Home Supportive Services Authority. Temporary cash advances are repaid immediately with first revenues collected in the new fiscal year.

**ENCUMBRANCES (FY17-18 Budget Transfer No. ACO002)**

Complete a budget adjustment to carry-forward budget appropriations of $1,398,480 from fiscal year 2016-2017 to 2017-2018 for commitments (encumbrances) existing during fiscal year that have not been completed or fulfilled by June 30, 2017. A list of re-encumbrances is provided in Attachment A.

**RATIFY FINAL CARRY FORWARD CAPITAL PROJECT BUDGETS AND CONTRACTS**

On June 20, 2017, 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 2017-2018 of $45,146,025, a decrease of approximately $7.2 million from the original estimates.

**CONTRACT INCREASES**

Increase the following contracts to pay for services received as of June 30, 2017:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Vendor Name** | **Contract #** | **Current Contract Amount** | **Increase Requested** | **Increased Contract Amount** | **Reason for Increase** |
| Goldfarb & Lipman | 170438 | $100,000 | $10,000 | $110,000 | Increased requests for funding for Affordable Housing Projects resulted in hours of service provided above the maximum contracted amount. |
| Visit Napa Valley, Inc. | 170218 | $5,988,000 | $850,000 | $6,838,000 | TID assessment collections higher than anticipated |

**CASH SHORTAGES**

Report cash shortages and record the related expenditures. On September 17, 2002, the Board of Supervisors authorized the Auditor-Controller to address all cash shortages of $500 or less. This same Board action requires the Auditor-Controller to advise the Board of Supervisors in writing and give an accounting of such shortages. During fiscal year 2016-2017, the following shortages, totaling $293.34, were acknowledged and booked to the departments as expense items:

* Library - short collections of $14.01.
* Corrections – short collection of $54.19.
* Treasurer-Tax Collector – short collection of $225.14.

(due to two counterfeit $100 bills and one counterfeit $20 bill, for a net drawer shortage of $5.14)

**ADDITIONAL APPROVAL REQUEST**

Record other accounting and budgetary entries as needed to balance and close the 2016-2017 fiscal year 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 2016-2017 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 year 2016-2017 will not become final until the end of fiscal year 2017-2018. Additionally, the 2016-2017 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 2019-2020.

Beginning in fiscal year 2013-2014, the State revised the school funding formula by instituting the Local Control Funding Formula (LCFF). The LCFF replaced most categorical funding with the new unduplicated student premiums which 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 will eliminate the State deficit factor over a number of years.

For fiscal year 2016-2017, the funding formula changes related to the reduction of the deficit factor increased Napa Valley Unified School District’s ERAF requirement by approximately $7.8 million. The ERAF funding requirement for Napa Valley Community College decreased by approximately $1.2 million due to a steady funding requirement, increased property tax revenue and increased fees. Total property taxes shifted to ERAF increased by approximately $1.4 million, for a total shift of $42.7 million.

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

**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. Effective July 1, 2015, PERS has changed the way it handles Employer Contributions related to pooled plans (covering the County’s Safety bargaining unit). PERS now requires lump sum payments covering that portion of Employer’s Contribution attributable to the agency’s unfunded actuarial accrued liability. In order to spread these lump sum payments to the appropriate departments, the County includes pension rates that records the pension expense each payroll which offsets against the prepayment balances. For fiscal year 2016-17, the rates charged resulted in an over allocation of pension payments totaling $1,060,056.88. 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, Interim County Executive Officer

 Alice Hughey, Assistant County Executive Officer

 Bob Minahen, Assistant Auditor-Controller