



A Tradition of Stewardship
A Commitment to Service


Auditor-Controller

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Tracy A. Schulze
Auditor-Controller

Date: August 14, 2018
To: Napa County Board of Supervisors
From: Tracy A. Schulze
Auditor-Controller 
Subject: Fiscal Year 2017-18 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, 2018.

General Fund

Declared Emergency-2014 Earthquake – Increase the assignment for FEMA Settlement by \$71,859.00 for a total assignment of \$2,023,576.00. This is the total amount of FEMA and CalOES funds reimbursed to the County for Earthquake projects. Once all projects are deemed complete, FEMA will conduct a close out process and true up reimbursements for actual costs incurred. As there is a high risk these funds will be returned, the recommendation is to continue the assignment of these funds until the close out process and subsequent Office of Inspector General (OIG) audits take place.

Health and Human Services Fund

Dahl Trust – Reduce the third-party restriction by \$81.66 bringing the total restriction to \$513.55. 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.

Medical Reserve Corp – Reduce the assignment by \$821.58 to reflect funds used during the year, bringing the total assignment to \$3,975.89. The total assignment is to be used to organize and train healthcare and non-healthcare professionals to respond to public health emergencies.

Housing is Healthcare - Establish the assignment of \$10,000.00 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) - Establish the assignment of \$9,813.10 from the Public Health Institute to launch an Accountable Community for Health (ACH) to be spent by December 31, 2018. The original award was \$20,000.00, of which \$10,186.90 was utilized during the year for health equity work.

FUND BALANCE - ASSIGNMENTS/RESTRICTIONS/COMMITMENTS (Continued)

Health and Human Services Fund (continued)

Exemplary Health Equity - Establish the assignment of \$20,227.90 for an award from the California Endowment and Public Health Institute for Housing is Healthcare. The award is designed to be used at the discretion of the recipient and the Public Health Division is working with community partners to determine how the award can be best utilized. The original award was \$25,000.00, of which \$4,772.10 was utilized during the year by Public Health.

County Wellness & Prevention Pilot Project – Establish assignment of \$22,408.00 for project that funds timely delivery of necessary medical and support services to target population. The original award was \$69,988.00, of which \$44,580.00 was utilized during the year for Alcohol and Drug Services.

Capital Improvement Fund

County Jail – Increase the funds committed towards the construction of a replacement County jail facility by \$20,062,259 bringing the total commitment to \$57,604,160. The increase is funded by the return of 2017-18 excess ERAF (\$15,075,827) and prior year excess ERAF true ups including the release of ERAF reserves (\$4,986,432).

Airport Fund

Fuel Facilities Maintenance - Increase the restriction by \$51,744.95 bringing the total restriction to \$700,825.38. 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 \$10,000.00 threshold. This increase will set the restriction at the agreed upon level.

Roads Fund

Zone 1 Road Maintenance - Increase the restriction by \$20,026 bringing the total restriction to \$326,866. 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.

BUDGETARY ADJUSTMENTS (FY17-18 Budget Transfer No. ACO009)

Record the following entries to process budgetary transactions as of June 30, 2018:

- A. Fund 1000 (General Fund) – Increase appropriations in the General Fund by \$20,062,259 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 \$20,062,259
Capital Improvement Fund (3000-3000000) – Increase Transfer-In General Fund by \$20,062,259

- B. Fund 1000 (General Fund) – Increase appropriations in PBES – Local Enforcement Agency offset by a reduction in appropriations in PBES – Environmental Health to allow for actual employee costs incurred between the two Divisions.

PBES Local Enforcement Agency (1000-1703000) – Increase Salaries and Benefits by \$2,557
PBES Environmental Health (1000-1702000) – Decrease Salaries and Benefits by \$2,557

- C. Fund 1000 (General Fund) – Increase appropriations in Non-Departmental sub-division offset by a reduction in General Fund contingency to fully recognize the commission for the sale of the 933 Water Street property. The original expense was netted from the proceeds, which caused an error in the original accounting transaction.

General Fund, Non-Departmental (1000-1050000) – Increase Other Professional Services by \$4,600
General Fund, Contingency (1000-1059000) – Decrease Appropriation for Contingency by \$4,600

- D. Fund 1000 (General Fund) – Increase appropriations in the Grand Jury sub-division offset by a reduction in General Fund contingency due to over spending for various costs during the fiscal year to include increased transcript services, telephone expenses, mileage, janitorial costs and litigation expenses.

General Fund, Grand Jury (1000-1280000) – Increase various operating accounts by \$7,620
General Fund, Contingency (1000-1059000) – Decrease Appropriations for Contingency by \$7,620

- E. Fund 1000 (General Fund) – Increase appropriations in General Expenditures sub-division offset by an increase in the Declared Emergency-2014 Earthquake sub-division to appropriately close out the final accounting of various Earthquake programs. All costs have been previously incurred in the General Fund; therefore, there is no effect to the fund balance. The final adjustment consists of anticipated insurance proceeds that remain under discussion. Any insurance proceeds that are received after July 1, 2018 for these projects will be directly deposited into the General Fund Non-Departmental Revenue. The on-going projects on the Hall of Justice and Historic Courthouse will continue under the Capital Projects Fund 3000 and are not affected by this adjustment.

General Fund, 2014 Earthquake (1000-1058001) Increase Intrafund Transfer-In by \$761,900
General Fund, General Expenditures (1000-1051000) Increase Intrafund Transfer-Out by \$761,900

- F. Fund 2020 (County Library) – Increase appropriations in County Library for Intrafund Transfer-In and Intrafund Transfer-Out to allow for the accurate allocation of staffing costs to each location.

Napa Library Operations (2020-2020001) – Increase Intrafund Transfer-In by \$277,500
American Canyon Library Operations (2020-2020002) – Increase Intrafund Transfer-In by \$48,810
Yountville Library Operations (2020-2020003) – Increase Intrafund Transfer-In by \$8,750
Literacy (2020-2020005) – Increase Intrafund Transfer-In by \$25,010
Library General Operations (2020-2020000) – Increase Intrafund Transfer-Out by \$350,350
Literacy (2020-2020005) – Increase Intrafund Transfer-Out by \$2,050

- G. Fund 2140 (Planning, Building & Environmental Services) – Increase appropriations in Building Inspection to record Board approved refunds of fees associated with 567 permits issued for properties affected by the 2017 Napa Fire Complex. This increase is offset by use of the Building Fund's fund balance.

Building Inspection (2140-2140000) – Increase Special Departmental Expense by \$215,000

- H. Fund 4400 (Employee-Retiree Benefits) – Increase appropriations for insurance claims \$350,000 to pay for May and June dental claims, offset by Employee-Retiree Benefits Fund's available fund balance.

Employee-Retiree Benefits (4400-4400002) – Increase Insurance Claims Expense by \$350,000

- I. In addition to the entries listed above, give authorization to the Auditor-Controller to 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 (approximately \$10,000). Temporary cash advances are repaid immediately with first revenues collected in the new fiscal year.

ENCUMBRANCES (FY18-19 Budget Transfer No. ACO001)

Complete a budget adjustment to carry-forward budget appropriations of \$793,004 (rounded) from fiscal year 2017-2018 to 2018-2019 for commitments/encumbrances existing during fiscal year that have not been completed or fulfilled by June 30, 2018. A list of re-encumbrances is provided in Attachment A.

RATIFY FINAL CARRY FORWARD CAPITAL PROJECT BUDGETS AND CONTRACTS

On June 19, 2018, 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 2018-2019 of \$59,528,868, a decrease of approximately \$7.8 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 2017-2018, the following shortages, totaling \$127, were acknowledged and booked to the departments as expense items:

- Library - short collections of \$7.00
- Corrections – short collection of \$20.00 (due to one counterfeit \$20 bill)
- Treasurer-Tax Collector – short collection of \$100

ADDITIONAL APPROVAL REQUEST

Record other accounting and budgetary entries as needed to balance and close the 2017-2018 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 2017-2018 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 2017-2018 will not become final until the end of fiscal year 2018-2019. Additionally, the 2017-2018 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 2020-2021.

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 2017-2018, the funding formula changes related to the reduction of the deficit factor increased Napa Valley Unified School District's ERAF requirement by approximately \$3.9 million. The reduction of the deficit factor was partially offset by a \$2.6 million decrease due to reduced student population. Napa Valley Community College crossed over into basic aid status eliminating its need for ERAF funding. Napa Valley Unified School District, as the only remaining non-basic aid school district in the county, now receives 100% of supplemental taxes benefitting school entities. The increase in supplemental tax apportionment, combined with assessed valuation growth within the District's boundaries, resulted in District property tax growth of \$9.0 million. Total property taxes shifted to ERAF increased by approximately \$3.9 million, for a total shift of \$46.6 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.

Fund	Description	Total Excess ERAF	Less: Reserve	Excess ERAF to be Distributed
1000	Napa County	\$ 16,750,920	\$ 1,675,093	\$ 15,075,827
2100	Fire Non-Structural	(892,835)	(89,284)	(803,551)
2100	Fire Protection	958,741	95,874	862,867
2020	Library	845,012	84,501	760,511
	County subtotal	17,661,838	1,766,184	15,895,654
15100	City of Calistoga	225,728	22,573	203,155
15200	City of Napa	2,826,990	282,699	2,544,291
15300	City of St. Helena	315,524	31,552	283,972
15400	Town of Yountville	121,329	12,133	109,196
18800	City of American Canyon	40,948	4,095	36,853
	City/Town subtotal	3,530,519	353,052	3,177,467
5220	Lake Berryessa Resort Improvement	8,582	858	7,724
5240	Napa Berryessa Resort Improvement	14,881	1,488	13,393
2860	Monticello Cemetery District	9,906	991	8,915
7100	Napa County Mosquito Abatement	63,493	6,349	57,144
7400	Congress Valley Water District	23,292	2,329	20,963
7500	Napa County River Reclamation	26,516	2,652	23,864
9504	Circle Oaks Water District	10,440	1,044	9,396
	Special District subtotal	157,110	15,711	141,399
	Total 2017-2018 Excess ERAF	\$ 21,349,467	\$ 2,134,947	\$ 19,214,520

In addition to the return of 2017-18 excess ERAF, the General Fund received \$4,986,432 of prior year excess ERAF true-ups and release of prior year reserves. In accordance with Board direction, the \$20,062,259 of 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 2017-18, the rates charged resulted in an over allocation of pension payments totaling \$1,150,349. 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