



NAPA VALLEY TRANSPORTATION AUTHORITY-TAX AGENCY ITOC Agenda Letter

TO: Independent Taxpayer Oversight Committee
FROM: Kate Miller, Executive Director
REPORT BY: Antonio Onorato, Director, Administration, Finance, and Policy
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SUBJECT: Annual Financial Statement with Independent Auditor's Report for the
Year Ending June 30, 2019

RECOMMENDATION

Information only

EXECUTIVE SUMMARY

The certified public accountants firm, Brown Armstrong Incorporated, has completed NVTA-TA's annual financial audit for the years ended June 30, 2019. The audit did not identify any deficiencies in internal controls and no findings or recommendations were noted.

BACKGROUND AND DISCUSSION

The Napa Valley Transportation Authority financial reporting entity consists of the agency government and its Component Units. Component Units are legally separate organizations for which the NVTA is financially accountable.

There are two types of Component Units: Blended and Discretely Presented. A Blended Component Unit's financial information is reported within the agency's financial statements as if it were a part of the NVTA. This is because even though the Component Unit is a separate legal entity, it provides services exclusively to the agency.

A Discretely Presented Component Unit does not provide services exclusively to the NVTA, and its financial information is reported in a separate column on the government-wide financial statements. According to the Government Accounting Standard Board (GASB), Measure T is a Discretely Present Component Unit of the Napa Valley Transportation Authority.

NVTA-TA's audit was prepared in accordance with auditing standards generally accepted in the United States.

Financial Analysis of Measure T for the Year Ending June 30, 2019

In the first year that the sales tax has been in effect, actual revenues came in higher than projected by four percent (4%). The two largest industries in the county, commercial business and restaurants/hotels, accounted for 50% of the remittances in the last quarter of Fiscal Year (FY) 2018-19. Wineries along with casual and fine dining establishments were the largest contributors for the quarter, which reflects the sustained tourism in the Valley. Rounding out the top five industries with the largest taxable contributions are motor vehicles sales, service stations and building materials. Taxable sales for all of Napa County increased by two percent (2%) compared to a year ago mirroring the San Francisco Bay Area region's growth of two percent (2%).

The state overall has showed slow and steady growth, but softening in several taxable categories. New car sales showed weakening, but were offset by used car purchases and rentals. Online sales growth continued to increase at the expense of "brick and mortar" stores where markdowns and discounts became more widespread. Although not reflective in the County, restaurant patronage was waning in most portions of the state with a scant increase compared to the prior year.

Table 1 compares actual revenues for the fiscal year ending June 30, 2019 compared to budget and compared to the projections. Budgeted numbers are often higher than the projections. The reason that the budgeted amounts are input prior to the fiscal year and at a higher number is because the accounting system will not allow any pass through funds to be transferred if revenues come in higher than anticipated.

The financial projections are used for planning purposes by NVTa and the jurisdictions, and are monitored constantly and refined as needed. Jurisdictions are provided the financial projections to plan their projects based on the expected revenues for the year.

Table 1: Actuals vs. Projections vs. Budget

| | Actuals | Projections | Actuals v. Projections Better/(Worse) | % Inc/(Dec) | Budget | Actuals v. Projections Better/(Worse) | % Inc/(Dec) |
|--------------------------------|--------------|--------------|---------------------------------------|-------------|--------------|---------------------------------------|-------------|
| Revenues | \$19,669,765 | \$18,958,418 | \$711,347 | 3.8% | \$19,637,434 | \$69,224 | .2% |
| Interest | 36,893 | - | 36,893 | 100% | - | - | - |
| Total Revenues | \$19,706,658 | \$18,958,418 | \$748,240 | 3.9% | \$19,637,434 | \$69,224 | .3% |
| Expenditures | | | | | | | |
| Administration | \$154,363 | \$189,584 | \$35,221 | 18.6% | \$265,674 | \$111,311 | 42% |
| Maintenance | 19,438,739 | 18,768,834 | 669,905 | 3.6% | 19,371,760 | 66,979 | .3% |
| Total Expenditures | \$19,593,102 | \$18,958,418 | \$705,126 | 3.3% | \$19,637,434 | \$44,332 | .2% |
| Details of Expenditures | | | | | | | |
| Admin | \$151,616 | \$189,584 | \$37,968 | 20% | \$195,674 | \$44,058 | 22.5% |
| ITOC | 2,747 | 70,000 | 67,253 | 96.1% | 70,000 | 67,253 | 96.1% |

| | | | | | | | |
|-----------------|-----------|-----------|---------|----|-----------|--------|-----|
| American Canyon | 1,511,945 | 1,454,408 | 57,537 | 4% | 1,506,692 | 5,253 | .3% |
| Calistoga | 530,162 | 509,987 | 20,175 | 4% | 528,321 | 1,841 | .3% |
| Napa | 7,922,984 | 7,621,477 | 301,507 | 4% | 7,895,460 | 27,524 | .3% |
| Napa County | 7,784,982 | 7,489,258 | 295,724 | 4% | 7,758,488 | 26,494 | .3% |
| St. Helena | 1,158,503 | 1,114,417 | 44,086 | 4% | 1,154,479 | 4,024 | .3% |
| Yountville | 530,162 | 509,987 | 20,175 | 4% | 528,321 | 1,841 | .3% |

Table 2 shows the current year projection and five (5) year outlook, which has been refined since the last report.

Table 2: Current and five (5) year revenue projection

| <i>Actual</i> | Current Year | | | | | |
|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
| \$19,667,929 | \$19,918,000 | \$20,123,100 | \$20,445,000 | \$20,772,300 | \$21,104,600 | \$21,442,200 |
| American Canyon | 1,528,100 | 1,543,800 | 1,568,500 | 1,593,500 | 1,619,000 | 1,644,800 |
| Calistoga | 535,800 | 541,300 | 550,000 | 558,700 | 567,700 | 576,800 |
| Napa | 8,007,700 | 8,090,000 | 8,219,100 | 8,350,500 | 8,483,800 | 8,619,200 |
| Napa County | 7,868,800 | 7,949,700 | 8,076,600 | 8,205,600 | 8,336,600 | 8,469,600 |
| St. Helena | 1,170,900 | 1,182,900 | 1,201,800 | 1,221,000 | 1,240,500 | 1,260,300 |
| Yountville | 535,800 | 541,300 | 550,000 | 558,800 | 567,700 | 576,800 |
| NVTA and ITOC | 271,000 | 274,100 | 279,000 | 284,200 | 289,300 | 294,700 |

SUPPORTING DOCUMENTS

Attachment: (1) Napa Valley Transportation Authority – Tax Agency Financial Statements with Independent Auditor’s Report for the Year Ended June 30, 2019



**NAPA VALLEY TRANSPORTATION
AUTHORITY - TAX AGENCY**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2019**

NAPA VALLEY TRANSPORTATION AUTHORITY – TAX AGENCY
(A Component Unit of the Napa Valley Transportation Authority)
FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

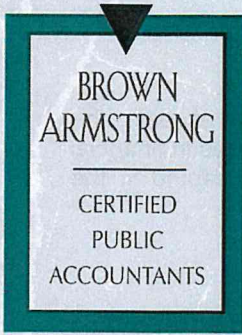
| | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report | 1 |
| <u>Financial Statements</u> | |
| Statement of Net Position | 3 |
| Statement of Revenues, Expenditures, and Changes in Net Position..... | 4 |
| Notes to Financial Statements | 5 |
| <u>Supplementary Information</u> | |
| Schedule of Revenue, Expenditures, and Changes in Net Position – Budget and Actual | 7 |

NAPA VALLEY TRANSPORTATION AUTHORITY – TAX AGENCY
(A Component Unit of the Napa Valley Transportation Authority)
STATEMENT OF NET POSITION
JUNE 30, 2019

| | |
|-------------------------------|--------------------------|
| Assets | |
| Cash and investments | \$ 2,936,413 |
| Intergovernmental receivables | <u>3,338,529</u> |
| Total assets | <u>6,274,942</u> |
| Liabilities | |
| Accounts Payable | <u>6,161,386</u> |
| Total liabilities | <u>6,161,386</u> |
| Net Position | |
| Restricted | <u>113,556</u> |
| Total net position | <u><u>\$ 113,556</u></u> |

NAPA VALLEY TRANSPORTATION AUTHORITY – TAX AGENCY
(A Component Unit of the Napa Valley Transportation Authority)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

| | |
|---------------------------------|--------------------------|
| Revenues | |
| Measure T revenue | \$ 19,669,765 |
| Interest income | <u>36,893</u> |
| Total revenues | 19,706,658 |
| Expenditures | |
| Administration | 154,363 |
| Maintenance | <u>19,438,739</u> |
| Total expenditures | 19,593,102 |
| Change in net position | 113,556 |
| Net position, beginning of year | <u>-</u> |
| Net position, end of year | <u><u>\$ 113,556</u></u> |



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Napa Valley Transportation Authority – Tax Agency
Napa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Napa Valley Transportation Authority – Tax Agency (NVTA-TA), a component unit of the Napa Valley Transportation Authority (NVTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the NVTA-TA's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic 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 NVTA-TA'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 NVTA-TA'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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the NVTA-TA as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the NVTA-TA and do not purport to, and do not, present fairly the financial positions of NVTA as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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 operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the NVTA-TA's basic financial statements. The debt service funds budget to actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The debt service funds budget to actual schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 23, 2019

NAPA VALLEY TRANSPORTATION AUTHORITY – TAX AGENCY
(A Component Unit of Napa Valley Transportation Authority)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Napa Valley Transportation Authority - Tax Agency (NVTA-TA) is the local transportation sales tax authority. NVTA-TA is responsible for the oversight and administration of Napa Countywide Maintenance Act, commonly known as Measure T, the 25-year, ½% sales tax for street and road improvements approved by the voters on November 6, 2012. Measure T became effective on July 1, 2018.

All transactions of NVTA-TA are included as an enterprise fund in the basic financial statements of NVTA. The accompanying financial statements are for NVTA-TA only and are not intended to fairly present the financial position or results of operations of NVTA.

Separate financial statements are provided for NVTA-TA's major governmental funds and are reported as separate columns in the fund financial statements.

NVTA exercises significant management and financial control over NVTA-TA. As such, NVTA-TA is considered a component unit of NVTA.

B. Basis of Presentation and Measurement Focus

NVTA-TA uses an enterprise fund format to report its activities for financial statement purposes. The accompanying financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded at the time liabilities are incurred regardless of when the related cash flows take place.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenditures during the reporting period. Actual results could differ from those estimates.

D. Net Position

The restricted net position category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

E. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on NVTA-TA's financial reporting process. New standards applicable to the year ending June 30, 2019, are as follows:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. **Implementation of New Governmental Accounting Standards** (Continued)

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. NVTA-TA has determined that there is no effect on the financial statements.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this statement are effective for periods beginning after June 15, 2018. NVTA-TA has determined that there is no effect on the financial statements.

NVTA-TA is currently analyzing its accounting and financial reporting practices to determine the potential impact on the financial statements of the following GASB statements:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. NVTA-TA has not determined its effect on the financial statements.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. NVTA-TA has not determined its effect on the financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. NVTA-TA has not determined its effect on the financial statements.

GASB Statement No. 90 – *Majority Equity Interests on amendment of GASB Statement No. 14 and No. 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. NVTA-TA has not determined its effect on the financial statements.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. NVTA-TA has not determined its effect on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments are maintained with the County Treasurer in a cash and investment pool. See NVTA's basic financial statements for disclosures related to the cash and investments as prescribed by GASB Statement No. 40. The basic financial statements may be obtained from NVTA at 625 Burnell Street, Napa, CA 94559.

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables of \$3,338,529 represent the Measure T allocations for fiscal year 2019 that were received by the State of California Department of Tax and Fee Administration after June 30, 2019.

SUPPLEMENTAL INFORMATION

NAPA VALLEY TRANSPORTATION AUTHORITY – TAX AGENCY
(A Component Unit of Napa Valley Transportation Authority)
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN NET POSITION – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------|-------------------------|------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Measure T revenue | \$ 2,978,897 | \$ 2,978,897 | \$ 19,669,765 | \$ 16,690,868 |
| Interest income | - | - | 36,893 | 36,893 |
| Total revenues | <u>2,978,897</u> | <u>2,978,897</u> | <u>19,706,658</u> | <u>16,727,761</u> |
| Expenditures | | | | |
| Administration | 1,175,000 | 1,175,000 | 154,363 | 1,020,637 |
| Maintenance | <u>1,803,897</u> | <u>1,803,897</u> | <u>19,438,739</u> | <u>(17,634,842)</u> |
| Total expenditures | <u>2,978,897</u> | <u>2,978,897</u> | <u>19,593,102</u> | <u>(16,614,205)</u> |
| Change in net position | - | - | 113,556 | |
| Net position, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | |
| Net position, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 113,556</u> | |

NAPA VALLEY TRANSPORTATION AUTHORITY - TAX AGENCY
 (A Unit of the Napa Valley Transportation Authority)
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN NET POSITION - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2019
 (Restatement of Budget Amounts)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------|-------------------------|--------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Measure T revenue | \$ 19,637,434 | \$ 19,637,434 | \$ 19,669,765 | \$ 32,331 |
| Interest income | - | - | 36,893 | 36,893 |
| Total revenues | <u>19,637,434</u> | <u>19,637,434</u> | <u>19,706,658</u> | <u>69,224</u> |
| Expenditures | | | | |
| Administration | 331,674 | 331,674 | 154,363 | 177,311 |
| Maintenance | <u>19,305,760</u> | <u>19,305,760</u> | <u>19,438,739</u> | <u>(132,979)</u> |
| Total expenditures | <u>19,637,434</u> | <u>19,637,434</u> | <u>19,593,102</u> | <u>44,332</u> |
| Change in Net Position | - | - | 113,556 | 113,556 |
| Net position, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net position, end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 113,556</u></u> | <u><u>\$ 113,556</u></u> |