

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017



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# Purpose:

- Present operating results and financial position for the year ended June 30, 2017;
- Compare actual results with County's debt/capital model;
- Provide update on how the General and Debt Service funds measured up against policy requirements as of June 30, 2017; and
- Present audit results for the fiscal year.

# Initial Results of 2017 Financial Audit

- Audit Firm – Elliott Davis, PLLC
  - Tom McNeish, CPA, Shareholder
- Unmodified financial opinion.
- Single Audit Compliance Reports related to Internal Controls and Federal and State Grant Awards.
  - Wake administered \$137.6 million dollars of Federal, State and Local grants during FY 2017.

# Fiscal Year 2017: Total County Revenues

Fund	Primary Revenue Sources	Revenues
<b>General Fund</b>	Property & sales taxes; intergovernmental; charges for services	\$ 1,217,925,135
<b>Debt Service Fund</b>	Transfers from property & sales taxes; bond premium:	275,339,745
<b>Special Revenue Funds:</b>		
Affordable Housing	Intergovernmental - federal	6,396,824
Capital Area Workforce Development	Intergovernmental - federal	7,314,004
Fire Tax District	Property taxes	25,863,077
Grants Fund	Intergovernmental	4,445,799
Transportation Fund	Charges for services; intergovernmental	6,887,126
Major Facilities Fund	Prepared food and occupancy taxes	52,730,575
<b>Capital Projects Funds:</b>		
County Capital Projects Fund	Transfers from property & sales taxes	72,447,134
Fire Capital Projects Fund	Transfers from property tax	5,010,004
Major Facilities Capital Trust Fund	Transfers from prepared food and occupancy taxes	3,056,867
School Capital Fund	Transfers from property & sales taxes; bond anticipation note proceeds; intergovernmental	206,246,903
WTCC Capital Fund	Transfers from property & sales taxes	13,833,346
<b>Proprietary Funds:</b>		
Solid Waste Operating Fund	Charges for services	14,353,688
South Wake Landfill Partnership Fund	Charges for services	16,320,149
Corporate Fleet Fund	Charges for services	8,576,678
<b>Total 2017 Revenues</b>		<u>1,936,747,054</u>
<b>Total 2016 Revenues</b>		<u>1,874,821,108</u>
<b>Increase in Total Revenues</b>		<u>\$ 61,925,946</u>



# General Fund Tax Revenues (In 000s)

	FY 2017	FY 2016	Difference
<b>PROPERTY TAX</b>			
Budget	\$ 843,531	\$ 806,576	\$ 36,955
Actual Year to Date	846,283	813,068	33,215
Variance Amount	2,752	6,492	
Percent Realized	100.3%	100.8%	
<b>SALES TAX</b>			
Budget	\$ 177,540	\$ 163,631	\$ 13,909
Actual Year to Date	177,057	167,602	9,455
Variance Amount	(483)	3,971	
Percent Realized	99.7%	102.4%	
<b>OTHER TAXES</b>			
Budget	\$ 15,084	\$ 14,423	\$ 661
Actual Year to Date	16,656	16,433	223
Variance Amount	1,572	2,010	
Percent Realized	110.4%	113.9%	
<b>TOTAL TAXES</b>			
Budget	\$ 1,036,155	\$ 984,630	\$ 51,525
Actual Year to Date	1,039,996	997,103	42,893
Variance Amount	3,841	12,473	
Percent Realized	100%	101%	

## Budget vs. Actual Tax Revenue

### Property Taxes:

- Year over year, property tax revenues increased from \$813,068 to \$846,283, a difference of \$33.2 million.
- Exceeded budget by \$2.7 million because actual collection rate was slightly greater than budgeted rate.
- Property tax revenues were .3% more than budgeted.

### Sales Taxes:

- Sales taxes increased by \$9.5 million in 2017 over 2016 actuals, an increase of 5.6%.
- Sales taxes were only .3% less than budgeted.

**Overall total General Fund tax revenues were essentially equal to the final budgeted amounts.**

# Other General Fund Revenues (In 000s)

	FY 2017	FY 2016	Difference
<b>INTERGOVERNMENTAL</b>			
Budget	\$ 98,415	\$ 96,388	\$ 2,027
Actual Year to Date	103,631	103,507	1,124
Variance Amount	5,216	7,119	(1,903)
Percent Realized	105.3%	107.4%	
<b>CHARGES FOR SERVICES</b>			
Budget	\$ 63,594	\$ 57,790	\$ 5,804
Actual Year to Date	65,421	61,740	3,681
Variance Amount	1,827	3,950	(2,123)
Percent Realized	102.9%	106.8%	
<b>OTHER REVENUES (Including appropriated fund balance)</b>			
Budget	\$ 16,494	\$ 14,705	\$ 1,789
Actual Year to Date	8,877	8,694	183
Variance Amount	(7,617)	(6,011)	(1,606)
Percent Realized	53.8%	59.1%	
<b>TOTAL REVENUES</b>			
Budget	\$ 1,214,658	\$ 1,153,513	\$ 61,145
Actual Year to Date	1,217,925	1,171,044	46,881
Variance Amount	3,267	17,531	(14,264)
Percent Realized	100.3%	101.5%	

## Budget vs. Actual Other Revenues

### Intergovernmental Revenues:

million.

- \$3.0 million of \$5.2 million resulted from excess ABC revenues received.
- \$2.2 million resulted from Human Services receiving increased state revenues for food stamp administration.

### Charges for services:

- Exceeded budget by \$1.8 million, primarily due to Medicaid costs settlements from prior years that were received during 2017.

# General Government Expenditures

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Current %</b>	<b>Prior %</b>
Board of Commissioners	\$ 657,202	\$ 595,912	\$ 61,290	90.7%	97.1%
County Manager	2,157,501	2,157,316	185	100.0%	91.2%
County Attorney	2,604,554	2,546,768	57,786	97.8%	99.6%
Board of Elections	6,107,490	6,465,162	(357,672)	105.9%	91.9%
Budget	827,623	815,935	11,688	98.6%	88.9%
Facilities Design and Construc	1,545,589	1,521,004	24,585	98.4%	97.5%
Finance	2,681,704	2,651,141	30,563	98.9%	90.6%
Human Resources	2,455,313	2,459,933	(4,620)	100.2%	96.8%
Information Services	15,075,759	14,285,938	789,821	94.8%	95.8%
Register of Deeds	3,190,008	2,920,104	269,904	91.5%	95.0%
Revenue	7,808,996	7,218,359	590,637	92.4%	82.8%
Non-Departmental	16,592,927	15,183,155	1,409,772	91.5%	99.9%
Public agencies	2,583,956	2,583,956	-	100.0%	100.0%
<b>Total General Government</b>	<b>\$ 64,288,622</b>	<b>\$ 61,404,683</b>	<b>\$ 2,883,939</b>	<b>95.5%</b>	<b>94.4%</b>

# General Government Expenditures (cont.)

95.5% of general government appropriations were spent in 2017, compared to 94.4% in the prior year. General government was underspent during 2017 by a total of \$2.8 million.

Board of Elections - overspent by \$357,672, resulting from legal fees and expenses related to Raleigh Wake Citizen's Association vs. Wake County BOE.

Information Services - \$789,821 of lapsed salaries was unspent while the department determined how to move ahead with some new resources.

Non-Departmental - \$1,409,772 went unspent; \$1 million of the \$1.4 million resulted amounts appropriated for Hurricane Matthew but not spent because losses were less than anticipated.

# Total General Fund Expenditures

	Budget	Actual	Variance	Current %	Prior %
General Government	64,288,622	61,404,683	2,883,939	95.5%	94.4%
Human Services	203,831,137	193,273,400	10,557,737	94.8%	95.9%
Education	429,711,000	429,711,000	-	100.0%	100.0%
Community Services	34,064,402	33,319,276	745,126	97.8%	98.8%
Environmental Services	11,297,554	10,652,237	645,317	94.3%	98.3%
Public Safety	133,816,487	132,464,160	1,352,327	99.0%	100.3%
General Services					
Administration	28,408,214	28,205,840	202,374	99.3%	97.0%
Transfers to Other Funds	309,277,263	309,277,263	-	100.0%	99.7%
Total	<u>\$ 1,214,694,679</u>	<u>\$ 1,198,307,859</u>	<u>\$ 16,386,820</u>	<u>98.7%</u>	<u>98.8%</u>

# Total General Fund Expenditures (cont.)

Total General Fund expenditures were \$1,198,307,859 or 98.7 % to the total G/F budget. Amounts spent were \$16.4 million below budgeted amounts.

- Human services - Underspent by \$10.6 million. \$8.5 million of the Human Services savings resulted from the unspent Alliance Behavioral Health contract balance.
- Public safety - Underspent by \$1.4 million. \$.8 million of this was for EMS lapsed salaries due to vacancies.
- Transfers to other funds - Totaled \$309.2 million. \$252.6 m was transferred to Debt Service and \$22.9 million was transferred to the School Capital fund.

# Fiscal Year 2017 Fund Balance Appropriated

	<u>General</u>	<u>ABC Revenues</u>	<u>Behavioral Health</u>	<u>Total General Fund Balance Appropriations</u>
<b>Original adopted budget</b>	\$ 67,316	\$ 1,134,000	\$ -	\$ 1,201,316
<b>2016 Encumbrances - carried forward</b>	2,205,679	-	-	2,205,679
<b>Oct 17, 2016 - Behavioral health projects</b>	-	-	400,000	400,000
<b>Nov 7, 2016 - Hurricane Matthew</b>	1,000,000	-	-	1,000,000
<b>Nov 21, 2016 - Additional election costs</b>	1,300,000	-	-	1,300,000
<b>Mar 20, 2017 - Multi services Center</b>	-	2,675,000	-	2,675,000
<b>Total appropriated fund balance</b>	<u>\$ 4,572,995</u>	<u>\$ 3,809,000</u>	<u>\$ 400,000</u>	<u>\$ 8,781,995</u>

# General Fund: 2017 Summary of Operating Results

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues and transfers In</b>	\$ 1,205,912,684	\$ 1,217,925,135	\$ 12,012,451
<b>Expenditures and transfers out</b>	(1,214,694,679)	(1,198,307,859)	(16,386,820)
<b>Fund balance appropriated</b>	<u>(8,781,995) **</u>		

**Increase in fund balance**

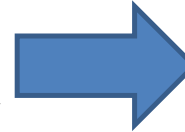
19,617,276

**Fund balance at the  
beginning of the year**

276,559,461

**Fund balance at the end of  
the year**

\$ 296,176,737



Subsequent slides  
explain debt/capital  
model vs. actual  
differences.



## Debt/Capital Model vs. Actual Results

Our debt/capital model assumes that differences in fund balance from forecasted amounts result from normal budget-to-actual variances that are factored into our fund balance targets.

Actual fund balance increase	\$ 19,617,276
Forecasted fund balance increase per debt/capital model	(7,560,515)
Actual vs. forecasted increase	<u>12,056,761</u>
Committed fund balance increases:	
Excess ABC revenues	3,000,000
Behavioral health contract savings	<u>8,517,000</u>
Total increases in fund balance commitments	<u>\$ 11,517,000</u>
Net difference between actual vs. forecasted fund balance increase	<u>\$ 539,761</u>

# Why are Healthy Fund Balances So Important?

- Provide liquidity for routine cash flow needs through the end of the calendar year and serve as a cushion in case an unexpected or catastrophic event requires extra resources;
- Our fiscal strength ensures our continued Triple-A rating from all three major credit rating agencies, saving taxpayers millions in interest.
- Demonstrate our commitment to the rating agencies, bondholders, and citizens to address capital needs at the lowest possible cost.
- Assures that resources are available to meet the our ever-changing priorities.
- Policy levels guide us as we make decisions concerning resource allocations.

# Comparative Fund Balance

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>FUND BALANCES</b>		
Non-spendable	\$ 1,028,455	\$ 1,087,851
Restricted:		
Stabilization by State statute	73,915,152	73,286,772
Register of deeds automation	719,551	556,512
Committed:		
Revaluation reserve	3,187,080	2,669,145
LEO Special Separation Allowance	963,428	789,655
Future appropriations from excess		See next
local ABC revenues	8,091,000	8,900,000
Future appropriations for behavioral	14,417,533	6,300,000
Future appropriations from excess		
Working capital	193,854,538	181,835,526
Assigned:		
Planned expenditures	-	1,134,000
Total Fund Balance	<u>\$ 296,176,737</u>	<u>\$ 276,559,461</u>

The **Stabilization by State Statute** amount is primarily comprised of taxes receivable and encumbrances.



# ABC and Behavioral Health Fund Balance Commitments at June 30, 2017

	ABC Revenues	Behavioral Health	Total
Balance as of June 30, 2016	\$ 8,900,000	\$ 6,300,000	\$ 15,200,000
Total Decreases	(3,809,000)	(400,000)	(4,209,000)
Total Increases	<u>3,000,000</u>	<u>8,517,533</u>	<u>11,517,533</u>
Balance as of June 30, 2017	<u><u>\$ 8,091,000</u></u>	<u><u>\$14,417,533</u></u>	<u><u>\$ 22,508,533</u></u>

**NOTE:** Excess ABC revenues and behavioral health contract savings are included in the County's calculations for fund balance for **policy** purposes, but we do not include these amounts in the model calculations for the County's ongoing debt and capital needs. In the financial model, we assume that these amounts will be spent as intended by the Board. As a result, the tax rates provided to the Board for future debt and capital needs will not be impacted when these non-recurring funds are used as expected.

# General Fund Fund Balance at June 30, 2017

**Policy:** Management will maintain a total General Fund balance of at least 15% and amount committed for working capital of at least 10% of the following fiscal year's General Fund adopted budget in order to provide the County with adequate working capital and investment income.

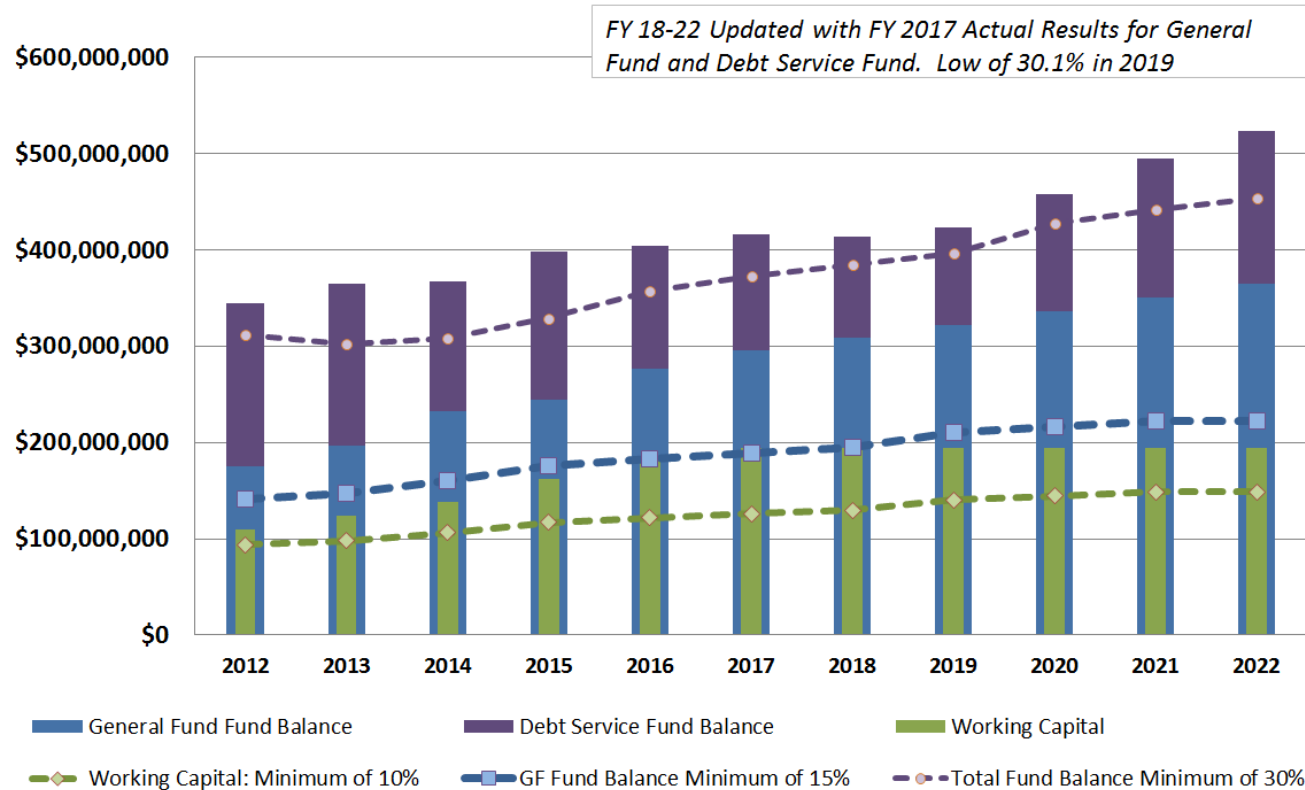
	<u>General Fund Fund Balance</u>	<u>Policy Requirement</u>
General fund balance	\$ 296,176,737	
Working Capital	193,854,538	
Subsequent year's adopted budget	<u>1,263,318,000</u>	
General Fund Fund Balance % of FY 2018 Adopted Budget	<u>23.44%</u>	<u>15%</u>
Working Capital % of FY 2018 Adopted Budget	<u>15.34%</u>	<u>10%</u>

# Operating Funds Fund Balance at June 30, 2017

**Policy:** The County will maintain a combined general fund and debt service fund total fund balance of at least 30% of general fund and debt service fund combined revenues.

	<b>Operating Funds Fund Balance</b>	<b>Policy Requirement</b>
General fund balance	\$ 296,176,737	
Debt service fund balance	120,290,900	
Total fund balance	416,467,637	
General Fund Revenues	1,217,925,135	
Debt Service Fund Revenues (net of transfers in)	22,700,745	
Total revenues	1,240,625,880	
Combined general fund and debt service fund balance as a % of general fund and debt service fund revenues	33.6%	30%

# Adhering to Fund Balance Policy: Current and Projected



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For the Fiscal Year Ended June 30, 2017



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