



WASHOE COUNTY

Integrity Communication Service

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HR	<u>—</u>
Other	<u>—</u>

STAFF REPORT

BOARD MEETING DATE: February 14, 2017

DATE: 1/23/17

TO: Board of County Commissioners

FROM: Robert Andrews, Accounting Manager
328-2557, randrews@washoecounty.us

THROUGH: Cathy Hill, Comptroller
328-2563, chill@washoecounty.us

SUBJECT: Acknowledge Receipt of the Interim Financial Report for Washoe County Governmental Funds for the Six Months Ended December 31, 2016 - Unaudited (All Commission Districts)

SUMMARY

The attached report is submitted to provide information regarding the County's financial operations by reviewing activity for governmental funds, excluding component units, for the six months ended December 31, 2016. Financial activity for the General Fund is also provided.

Strategic Objective supported by this item: Stewardship of our community

PREVIOUS ACTION

Unaudited interim financial reports are provided to the Board quarterly, in addition to the audited comprehensive annual financial report for the fiscal year ending June 30.

BACKGROUND

Governmental Funds include the General Fund, which is the County's primary operating fund and accounts for resources and operations that are not required to be accounted for in other funds due to restrictions on funding sources or activities imposed by legal, policy or reporting conventions, fourteen special revenue funds, two debt service funds and four capital projects funds. Significant variances between the years are discussed, as are budget to actual variances.

FISCAL IMPACT

There is no fiscal impact in acknowledging receipt of the report of the County's current financial position.

RECOMMENDATION

It is recommended that the Board of County Commissioners acknowledge receipt of the Interim Financial Report for Washoe County Governmental Funds for the Six Months Ended December 31, 2016 - Unaudited.

POSSIBLE MOTION

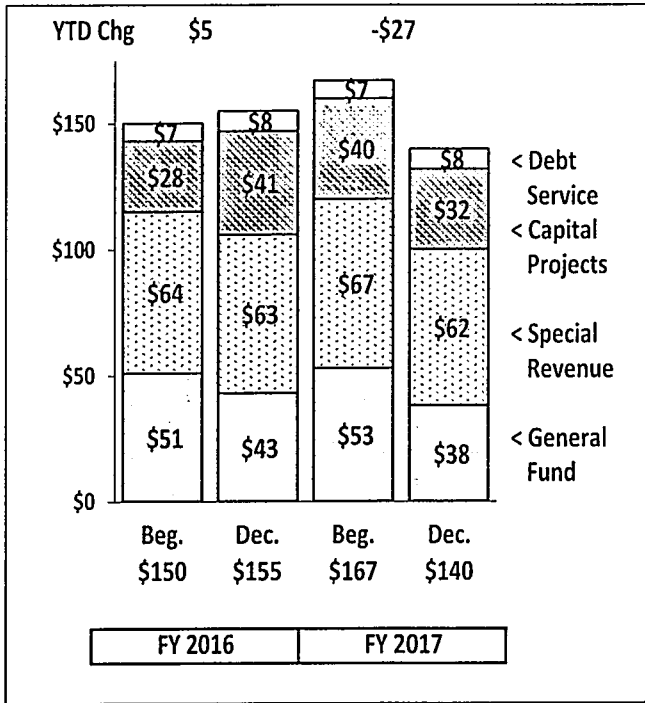
Should the Board agree with staff's recommendation, a possible motion would be to "move to acknowledge receipt of the Interim Financial Report for Washoe County Governmental Funds for the Six Months Ended December 31, 2016 – Unaudited."

Washoe County Other Governmental Funds – Fiscal Year 2016/2017

Interim Financial Report for the Six Months Ended December 31, 2016 - Unaudited

All \$ in Millions unless otherwise noted.

GOVERNMENTAL FUND BALANCE



- Total Governmental Fund Balances decreased \$27 million year-to-date and \$15 million year over year.
- Fund balances for **Capital Project** funds decreased from the prior year by \$9 million primarily due to spending of the proceeds from debt issuance for the Medical Examiner’s building project, received in the prior year.
- Fund balances in the **General Fund** decreased \$5 million over prior year due primarily to increases in personnel and transfers out, partially offset by increased Ad valorem and Consolidated tax revenue.
- Fund balances for **Special Revenue Funds** decreased \$5 million year-to-date due to increased reimbursements to the Truckee River Flood Management Authority, increased Health Care expenditures in the Child Protective Services and Indigent Tax Levy Funds, and increased personnel costs.

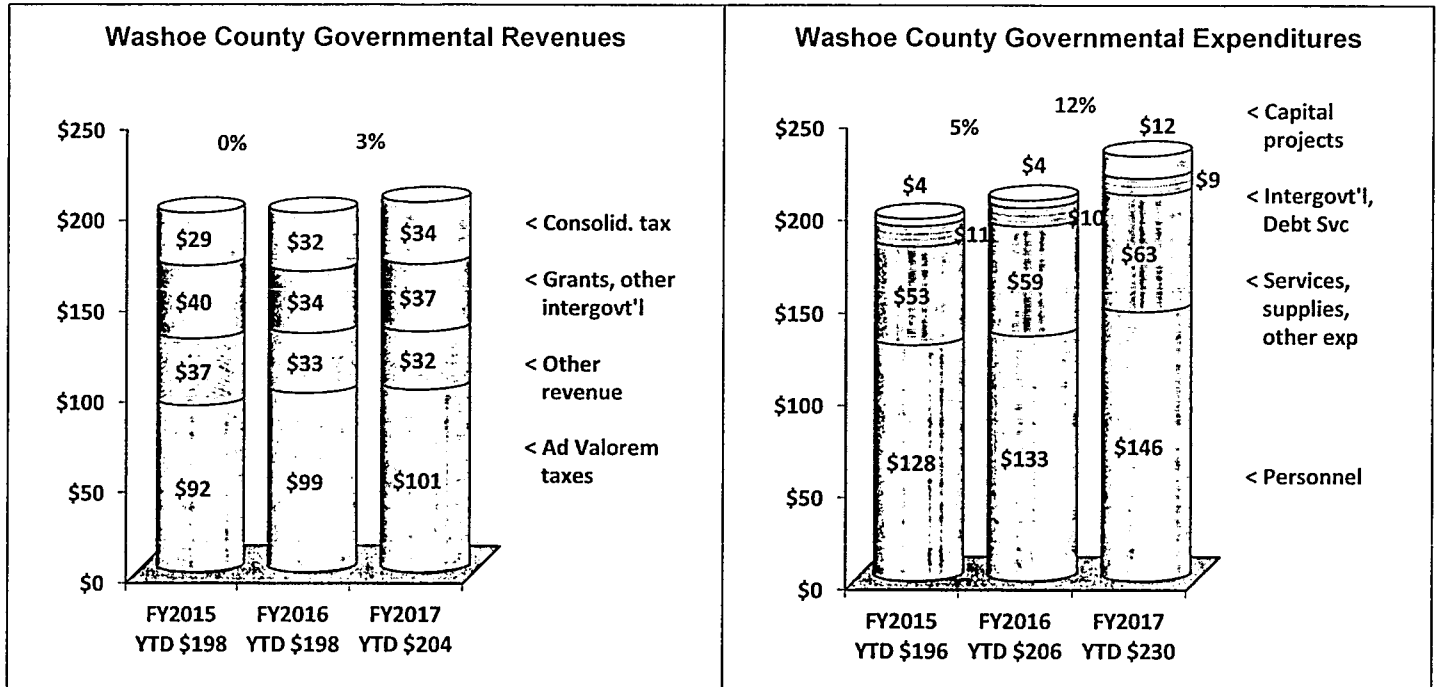
REVENUES AND EXPENDITURES

- **Total Governmental Revenues** are up \$6 million (3%) over prior year, with increases in Grant revenue (\$3M), Ad valorem (\$2M) and Consolidated taxes (\$2M). Other Revenues are down \$1 million. Federal Grant revenue increased \$3 million (16%) over prior year due to improved timing of reimbursement requests in the Child Protective Services Fund. Ad valorem taxes are up \$2 million (2%) over prior year after the second distribution of real property taxes. Consolidated taxes have been received for the month of October and are up \$2 million (6%) over prior year.
- **Total Governmental Expenditures** increased \$24 million or 12% over prior year. Personnel costs increased \$13 million or 10% over prior year due to increases in salaries and employee benefits. Services, supplies and other expenses increased \$4 million or 7% due to increases in payments to other agencies for reimbursements to the Child Protective Services Fund, Truckee River Flood Management Authority, and Health Care costs, partially offset by a decrease of \$2 million in overhead expenses paid to the General Fund. Capital expenditures increased \$8 million over prior year due to the Medical Examiner’s building project.

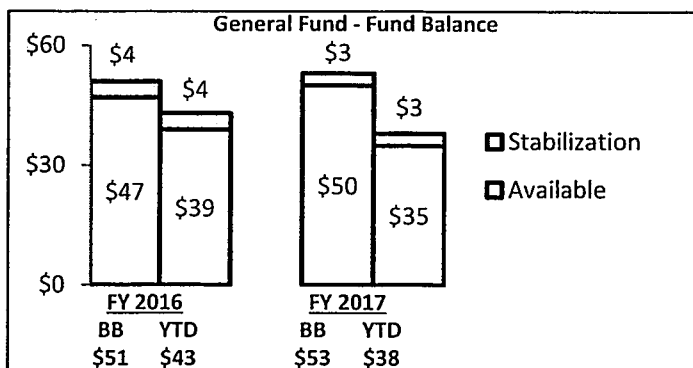
Washoe County Other Governmental Funds – Fiscal Year 2016/2017

Interim Financial Report for the Six Months Ended December 31, 2016 - Unaudited

All \$ in Millions unless otherwise noted.



GENERAL FUND



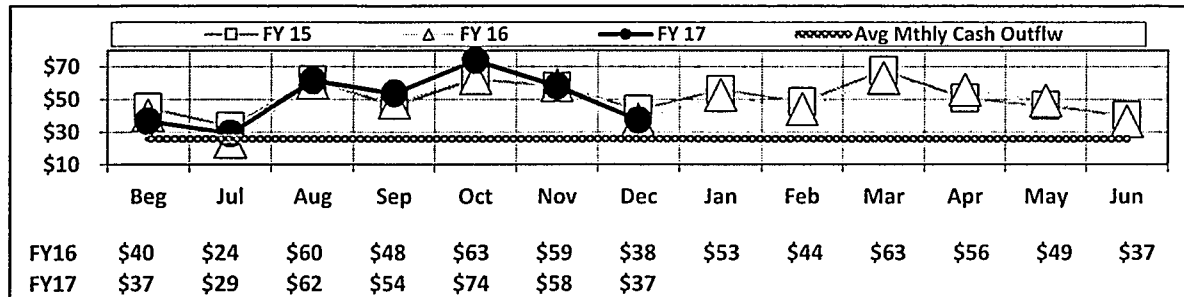
- General Fund - fund balance decreased \$15 million year-to-date. The General Fund includes a \$3 million balance for stabilization which is not available for general operations. The Board of County Commissioners, on April 28, 2015 reduced the amount of stabilization funds to a fixed \$3 million from the previous policy of 1.5% of expenditures and other uses.
- The available portion of cash balance (Trend of Available Cash) is \$1 million lower than prior year. The available cash portion of fund balance excludes cash held for stabilization and funds held as deposits in the Courts and other departments.
- The cash balance continues to be monitored during low points in July and August before the first distribution of property tax is received at the end of August.

Washoe County Other Governmental Funds – Fiscal Year 2016/2017

Interim Financial Report for the Six Months Ended December 31, 2016 - Unaudited

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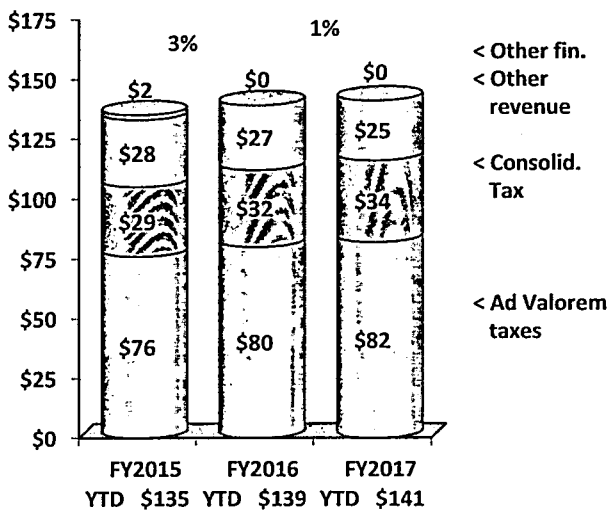
Trend of Available Cash – General Fund



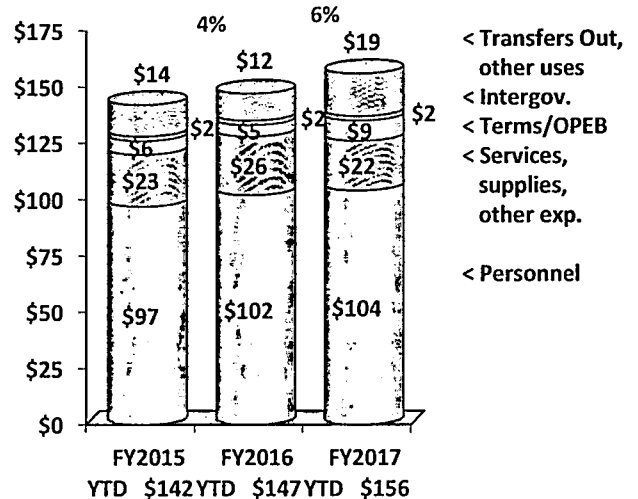
REVENUES, EXPENDITURES, AND OTHER FINANCING

- Revenues and other financing sources are up \$1.5 million or 1% over prior year. Ad valorem taxes increased by \$1.7 million or 2% recognized after the second real property tax distribution. Consolidated taxes increased \$1.9 million or 6%. These increases were partially offset by decreased overhead reimbursement to the General Fund of \$2 million. Expenditures plus transfers out have increased \$9 million over prior year led by increased transfers out of the General Fund and Personnel costs.

General Fund Revenues and Other Fin. Sources



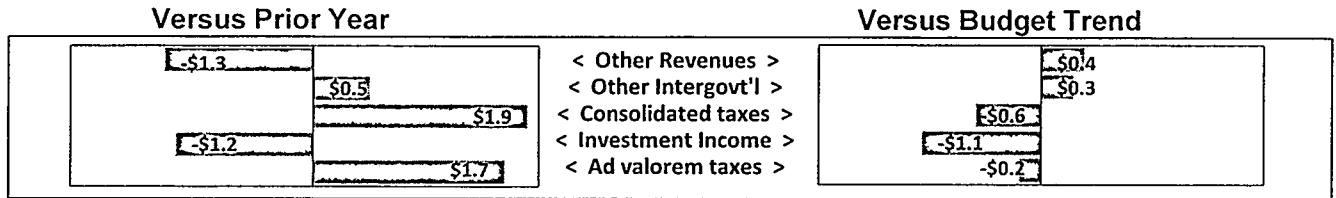
General Fund Expenditures and Transfers Out



Washoe County Other Governmental Funds – Fiscal Year 2016/2017

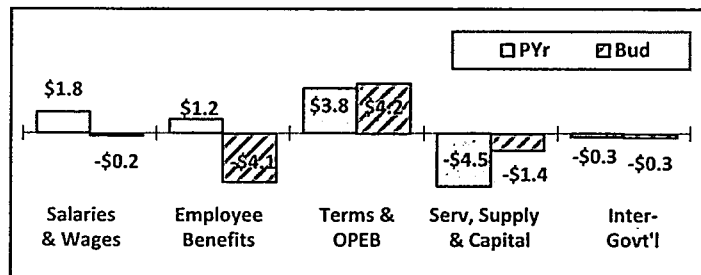
Interim Financial Report for the Six Months Ended December 31, 2016 - Unaudited
All \$ in Millions unless otherwise noted.

KEY CHANGES IN REVENUES



- **Consolidated taxes** have been received for the month of October and are 6% or \$1.9 million ahead of prior year.
- **Ad valorem taxes** are 2% or \$1.7 million over prior year.
- **Other revenue** has decreased 7% or \$1.3 million from prior year due primarily to decreases in overhead reimbursements.
- **Investment income** decreased 426% or \$1.2 million due to rising interest rates causing increased unrealized losses in pooled investments.

CHANGES IN EXPENDITURES BY CATEGORY VERSUS PRIOR YEAR AND BUDGET TREND



Note: To provide better operating comparisons, the analysis separates voluntary separation incentives and OPEB contributions from other personnel costs.

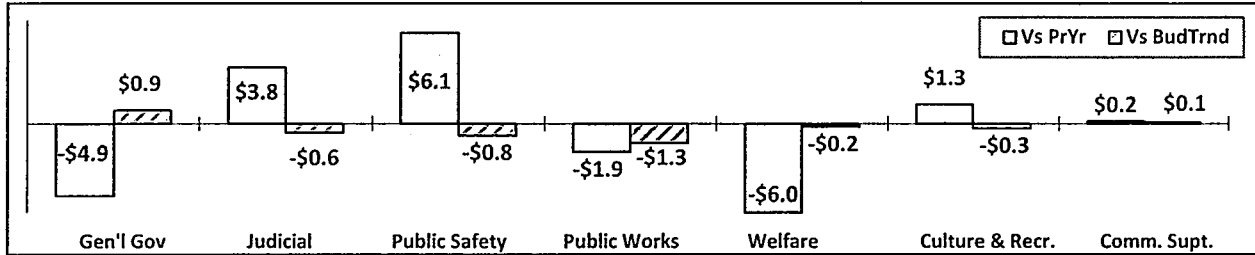
- Personnel costs are above prior year due to cost of living adjustments and increased group insurance costs, primarily for OPEB contributions.
- Services, supplies and capital outlay costs are below prior year due to decreased payments to other agencies as payments to Child Protective Services are now coming from the Indigent Tax Levy Fund.

Washoe County Other Governmental Funds – Fiscal Year 2016/2017

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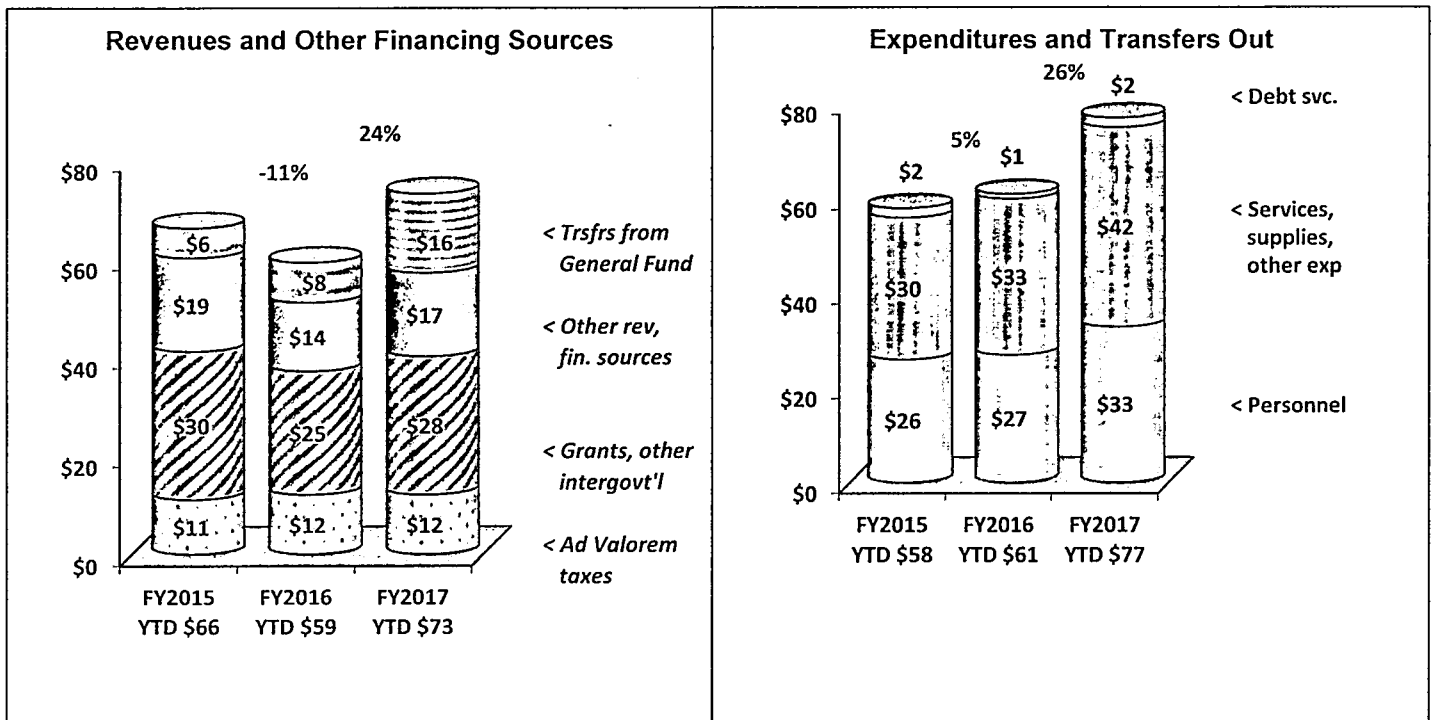
CHANGES IN EXPENDITURES BY FUNCTION



- Expenditures decreased from prior year in the General Government function due to OPEB contributions being allocated to specific departments and Funds instead of from the General Fund - General Government function. The Welfare function expenditures decreased due to payments to other agencies-Child Protective Services being made from the Indigent Tax Levy Fund instead of the General Fund. The increases in the Judicial and Public Safety functions are primarily due to higher personnel costs.

SPECIAL REVENUE FUNDS

- Revenues and other financing sources are 24% or \$14 million higher than prior year, primarily due to transfers from the General Fund to the Indigent Tax Levy Fund, improved timing of grant reimbursement requests and reimbursements from the Indigent Tax Levy Fund for Child Protective Services.
- Expenditures plus transfers out increased 26% or \$16 million over prior year due to increases in payments to other agencies for Child Protective Services, and the Truckee River Flood Management Authority and personnel costs.

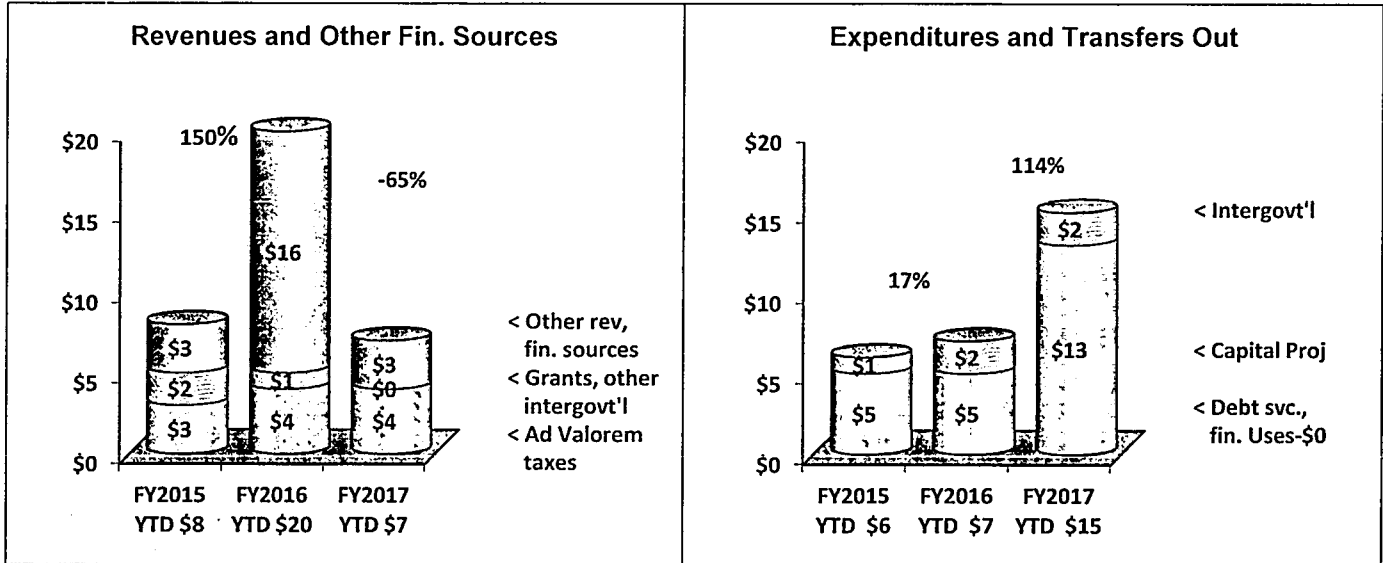


Washoe County Other Governmental Funds – Fiscal Year 2016/2017

Interim Financial Report for the Six Months Ended December 31, 2016 - Unaudited
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CAPITAL PROJECTS FUNDS

- Revenues and other financing sources have decreased 65% or \$13 million from prior year due to proceeds from debt issued for the Medical Examiner's building project, received in FY 2016.
- Expenditures have increased \$8 million over prior year due to the Medical Examiner's building project.



BUSINESS TYPE FUNDS

Note: To provide better comparative figures, Water Operations for the Utilities Fund was excluded from the analysis.

The increase in operating revenue for Utilities is due to increased sewer charges. Building & Safety operating revenue decreased from prior year due to a decrease in building permits. The Golf Course Fund operating expense increase is due to \$1.8 million bad debt expense per the settlement and release agreement with the professional management services contractor, for Washoe Golf Course, approved by the BCC, on December 13, 2016. Operating expense decrease for Utilities is due to decreases in services and supplies and depreciation. Services and supplies decreased \$529,000 due primarily to a new process for treatment and disposal of waste activated sludge and timing of Utility projects. The depreciation expense decrease is due to assets becoming fully depreciated. The non-operating loss in all Funds is due to unrealized losses in pooled investments.

	\$ in thousands			YTD versus	
	Budget	YTD	Pr. Year YTD	Budget	Pr. Year
Utilities					
Operating Revenue	\$ 13,813,547	\$ 7,532,972	\$ 7,118,285	55%	6%
Operating Expense	(15,938,041)	(5,064,818)	(5,882,840)	32%	-14%
Operating Income/(Loss)	(2,124,494)	2,468,154	1,235,445	116%	100%
Capital Contributions	3,890,000	2,847,011	2,479,673	73%	15%
Nonoperating/Other	317,602	(801,296)	158,328	252%	406%
Change in Net Assets	\$ 2,083,108	\$ 4,513,869	\$ 3,873,446	217%	17%
Golf Course					
Operating Revenue	\$ 1,280,000	\$ 749,247	\$ (56,929)	59%	1216%
Operating Expense	(921,822)	(2,056,099)	(533,008)	223%	286%
Operating Income/(Loss)	358,178	(1,306,852)	(589,937)	365%	122%
Nonoperating/Other	10,300	(6,700)	2,305	65%	191%
Change in Net Assets	\$ 368,478	\$ (1,313,552)	\$ (587,632)	356%	124%
Building & Safety					
Operating Revenue	\$ 3,300,000	\$ 1,450,646	\$ 1,553,844	44%	-7%
Operating Expense	(3,453,109)	(1,271,632)	(1,132,160)	37%	12%
Operating Income/(Loss)	(153,109)	179,014	421,684	117%	-58%
Nonoperating/Other	30,000	(25,383)	4,830	85%	426%
Change in Net Assets	(123,109)	\$ 153,631	\$ 426,514	125%	-64%