

COUNTY OF ALBEMARLE

EXECUTIVE SUMMARY

AGENDA TITLE: FY 12 General Fund Year End Financial Report	AGENDA DATE: November 7, 2012
SUBJECT/PROPOSAL/REQUEST: FY 12 Unaudited Annual Financial Report for the Year Ended June 30, 2012	ACTION: INFORMATION: X
STAFF CONTACT(S): Messrs. Foley, Letteri, Davis, and Allshouse, S.; and Ms. Burrell	CONSENT AGENDA: ACTION: INFORMATION:
PRESENTER(S): Ms. Betty Burrell	ATTACHMENTS: Yes
LEGAL REVIEW: Yes	REVIEWED BY: 

BACKGROUND:

The attached unaudited Annual Financial Report (AFR) (Attachment A) provides information about the County's General Fund operations and Fund Balance as of June 30, 2012.

STRATEGIC PLAN:

To enhance the well-being and quality of life for all citizens through the provision of the highest level of public service consistent with the prudent use of public funds.

DISCUSSION:

The AFR reflects year-end data through June 30, 2012, the end of FY 12. The data in the attached AFR is organized in a way that is consistent with Exhibit 12 of the County's Comprehensive Annual Financial Report (CAFR). Line item titles in the AFR match the line item titles in the CAFR. The columns in the AFR show FY 12 Adopted Budget revenues and expenditures, Revised Budget revenues and expenditures, as well as Year End actual revenues and expenditures. Each of these Year End figures subsequently is expressed as a percentage of the amount of the relevant line item of the FY 12 Revised Budget.

Additionally, this AFR includes corresponding data for FY 11 so that the current fiscal year's financial data can be compared easily to that of the previous fiscal year. An important feature of this report is that data is provided for a point in time (June 30, 2012) and is compared to data from the same point in time for the prior fiscal year (June 30, 2012). Anomalies and similarities between fiscal years become readily apparent using this comparison format.

Highlights of the attached report include:

Revenues – Year End Actual

Year End total revenues in FY 12 came to \$219,190,219 compared to \$215,377,074 in FY 11, an increase of 1.77%, or roughly in line with the 1.66% increase in the U.S. Consumer Price Index (CPI-U) during this time period. FY 12 Year End actual revenues, as a percentage of FY 12 Revised Budget revenues, stood at 102.40% compared to 101.80% in FY 11. This result means that the County's actual total revenues in both years were within roughly 2% of forecasted total revenue. This variance is well below the +/- 5% range of forecasting error that the Government Finance Officers Association (GFOA) considers reasonable. Most revenue streams performed fairly consistently in FY 12 compared to FY 11. In dollar terms, the line item with the largest variance between the two years was Property Taxes; this item grew roughly \$3.7 million, due largely to the County's enhanced efforts to collect delinquent taxes. Another factor that had an impact on property tax revenue was the decision by the Board to equalize the tax rate, at \$0.762 per \$100 of assessed value, which impacted June 5, 2012 real property tax bills. For additional information about variances, please see the analysis page in the AFR.

Expenditures – Year End Actual

Year End total expenditures in FY 12 equaled \$192,352,921 compared to \$190,660,603 in FY 11, an increase of 0.9%, or less than the increase in the U.S. Consumer Price Index (CPI-U) during this time period. FY 12 Year End actual expenditures, as a percentage of FY 12 Revised Budget expenditures, stood at 97.87% compared to 97.32% in FY 11. Again, this result means that the County's actual total expenditures in both years were within roughly 2% ~ 3% of

forecasted total expenditures. In dollar terms, the item with the largest variance between the two years was Public Safety; this item grew by about \$1.35 million between the two years. Several factors contributed to this increase, including a rise of almost \$900,000 in Police expenditures.

Excess of Revenues over Expenditures

Consistent with best practices among AAA-rated localities, Albemarle takes a cautious, but reasonable approach in budgeting revenues and expenditures. In terms of revenue budgeting, this approach means that the County's projections tend to be moderately conservative while, in terms of expenditure budgeting, the County does not assume that there will be cost savings for items over which the County has little or no control (e.g., early retirements, salary lapse, etc.). This situation means that, in many fiscal years, revenues come in greater than expenditures. This phenomenon is consistent with the experience of other AAA-rated jurisdictions. Note that, with regard to Albemarle County, Standard & Poor's remarked recently that, "[w]hat we believe are strong and conservative fiscal policies, and a well-seasoned management team, have allowed management to maintain, in our opinion, its solid finances and low debt, providing rating stability."¹ Similarly, Moody's noted that the company, "believes that the county's financial operations, characterized by ample reserve levels, will remain strong given conservative management practices and healthy revenue streams."²

In FY 12, revenues, including net transfers, came in at \$7,793,026 over expenditures. This excess reflects, in part, the fact that in FY 12 Actual expenditures were only 98.61% of FY 12 Revised Budget expenditures. In dollar terms, the difference between revised budgeted and actual expenditures equaled \$4,181,925. A significant portion of these expenditure savings is associated with salary lapse and related benefits (totaling approximately \$1.2 million) and unused set-asides for such things as Board Contingencies, Job Opportunity Fund, Grants Leveraging Fund and potential CSA liabilities.

1. Standard & Poor's, "Summary: Albemarle County Economic Development Authority, Virginia; Albemarle County; Appropriations General Obligation" memorandum, p. 5. (4 November 2011).

2. Moody's Investors Services, "Moody's Assigns Aa1 Rating to Economic Development Authority of Albemarle County's (VA) \$38.1 Million Public Facility Revenue Bonds (Albemarle County Project), Series 2011" memorandum, p. 1. (1 November 2011).

General Fund FY 12 Fund Balance & Use of FY 12 Fund Balance

The unaudited June 30, 2012 Fund Balance is \$39,774,591. There is no projected addition to fund balance for FY 13. According to County policy, \$27,653,715 of this amount is to be put into unassigned fund balance reserve, while \$7,214,066 of the \$39,774,591 represents actual and planned used of fund balance, including Board approved transfers to capital. The remainder of the projected June 30, 2013 excess fund balance of \$4,906,810 equals the dollar amount anticipated to be available for Watch List/Capital going forward.

BUDGET IMPACT:

Revenue and expenditure data contained in the AFR reflect the state of the County's budget-to-actual performance as of June 30, 2012.

RECOMMENDATIONS:

This report is for information only, and no action is requested.

ATTACHMENTS:

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