


METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



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To: Mayor Megan Barry
Vice Mayor David Briley
Members of the Metropolitan Council

From: Talia Lomax-O'dneal 
Director of Finance

Subject: June 30, 2016 Comprehensive Annual Financial Report

Date: December 14, 2016

The audited June 30, 2016 Comprehensive Annual Financial Report (CAFR) has been released and is available on the Finance Department web page at Nashville.gov. In addition, hard copies are available from the Council Staff office or my office. The CAFR provides information on Metro's audited financial position and results of operations for the previous fiscal year and includes other useful information on historical financial and operating trends.

This memo outlines some of the highlights of the financial results for the fiscal year ended June 30, 2016. Additionally, the Management Discussion and Analysis beginning on page A-1 of the CAFR provides a high level overview of Metro's overall financial position and results of operations.

Fiscal Year 2015-2016 Budget to Actual Results

The combined GSD and USD General Fund closed the year with a positive budgetary variance of \$74.9 million. This was accomplished by budgetary savings in all departments and revenue collections coming in over budget for various taxes, licenses and permits, primarily due to general economic recovery, increased construction, and population growth.

The General Purpose School Fund had a positive budget variance of \$18.0 million due to expenditure savings and sales tax collections and various other revenues exceeding the budget.

Finally, the Debt Service funds closed the year with a positive budgetary variance of \$4.0 million as a whole.

June 30, 2016 Unassigned Fund Balances

The unassigned fund balances for the six budgetary funds are presented below.

	General Fund		General Purpose School Fund	Debt Service Funds		
	GSD	USD		GSD	Schools	USD
Unassigned/Available Fund balance at 6/30/15	\$ 74,818,956	\$ 8,376,780	\$ 53,325,440	\$ 11,504,096	\$ 5,143,998	\$ 1,642,363
Net Surplus (Deficit) for FY 2015-2016	10,893,749	(4,444,581)	1,981,602	(5,514,196)	(1,304,550)	1,011,722
Change in Assigned for Subsequent Year Budget	(3,372,400)	495,900	-	-	3,300,000	1,500,000
Change in Other Assigned/Nonspendable	(2,075,246)	(200,000)	926,404	(43,369)	(5,454)	(1,177)
Unassigned/Available Fund balance at 6/30/16	\$ 80,265,059	\$ 4,228,099	\$ 56,233,446	\$ 5,946,531	\$ 7,133,994	\$ 4,152,908
Unassigned/Available Fund Balance as % of FY 2016-2017 Budgeted Expenditures	8.8 %	3.4 %	6.7 %	4.3 %	8.5 %	21.6 %
Combined % for General Fund		8.2 %				

The combined GSD and USD General Fund unassigned fund balance is higher than the prior year, even after appropriating \$50.9 million of fund balance for the 2016-2017 fiscal year. Additionally, combined fund balance as a percentage of budgeted expenditures remains strong at 8.2%. The Metro Nashville Public Schools unassigned fund balance is also higher than the prior year and remains strong at 6.7% of budgeted expenditures.

In addition to the operating reserves, spending from the 4% Reserve Fund has been conservative with \$25.2 million of unappropriated fund balance at June 30, 2016, as compared to \$14.2 million at June 30, 2015.

Pension and OPEB Reporting Requirements

As required by Governmental Accounting Standards Board (GASB) Statement No. 68, Metro has continued to record a liability in the Statement of Net Position for the unfunded liability for pensions. The net pension liability recorded at June 30, 2016 was \$377.0 million. Note that assets are set aside to fund pension benefits based on actuarial determined rates, and the open pension plan is approximately 92% funded at June 30, 2016. The net pension liability does not impact the General Fund.

As required by GASB Statement No. 45, Metro has continued to record a liability in the Statement of Net Position for the unfunded liability for post-employment benefits other than pensions (OPEB), which consist primarily of health benefits to current and future retirees. Metro's OPEB is funded on a pay-as-you-go basis for the amount necessary to cover retirees' health premiums, and no assets are set aside to fund Metro's OPEB

liability. The OPEB liability recorded at June 30, 2016 was \$1.3 billion. Similar to the net pension liability, the OPEB liability does not impact the General Fund.

Note that the total actuarial accrued OPEB liability – which is not yet required to be recorded in the financial statements but is disclosed in the footnotes – is \$2.8 billion. As discussed in the notes to the financial statements, GASB will require this liability to be recorded in the Statement of Net Position beginning with June 30, 2018.

New GASB Standards

For the year ended June 30, 2016, Metro implemented GASB Statement No. 77, Tax Abatement Disclosures, which requires disclosures regarding payment in lieu of taxes (PILOT) agreements and the taxes abated. Those disclosures are included in the CAFR in the notes to the financial statements beginning on page B-119.

The Current Year and the 2016-2017 Budget

Based on the first five months of the fiscal year, we believe revenues will again exceed budgetary expectations and do not currently anticipate negative variances from fiscal year 2016-2017 budgeted expenditures. We will continue to closely monitor actual financial results as we begin planning for the fiscal year 2017-2018 budget.

Please feel free to contact me if you have any questions related to the CAFR or any other matter.

Copy: Audit Committee Members
Mike Jameson, Director - Metropolitan Council Office
Mark Swann, Metro Auditor