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Agenda Item

County of Hanover

Board Meeting: August 27, 2014

Subject: Presentation of the Year-End June 30, 2014 Financial Report

**Summary of
Agenda Item:** The preliminary year-end financial report for June 30, 2014 provides a projection for the General Fund, School Board Fund and Public Utilities Fund activity. The detail financial report is attached and was reviewed with the Finance Committee at the August 19, 2014 meeting. The County audited financial statements for the fiscal year-end are generally reviewed with the Finance Committee at the first regular meeting in November, and presented to the Board at the second meeting in November.

**County
Administrator's
Recommended
Board Motion:** N/A

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WAYNE T. HAZZARD, VICE-CHAIRMAN
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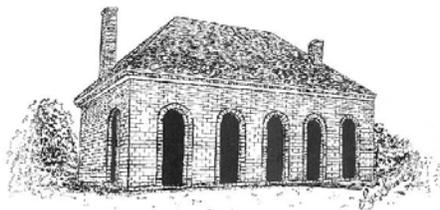
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COUNTY ADMINISTRATOR



HANOVER COURTHOUSE

HANOVER COUNTY

ESTABLISHED IN 1720

**FINANCE AND MANAGEMENT
SERVICES DEPARTMENT**

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TO: Cecil R. Harris, Jr., County Administrator
FROM: Kathleen T. Seay, Director of Finance and Management Services
DATE: August 27, 2014
RE: FY 2014 Preliminary Year-End Report

Enclosed please find the preliminary statement of revenues, expenditures and changes in fund balance/net position for year ended June 30, 2014 for the General Fund, the Public Utilities Department and the School Board Operating Fund.

Highlights of the General Fund’s Financial Performance for Fiscal 2014:

- Revenues total approximately \$203.5 million. General property taxes increased approximately \$1.8 million and charges for services increased \$263,870 from the prior year. Revenue from the Commonwealth also increased \$448,350.
- Total year revenues are approximately \$4.0 million higher than the appropriated budget. General property taxes are favorable to budget by approximately \$2.8 million. Real property taxes are approximately \$1.0 million higher than budgeted due to a change in reassessment from 0.5% to 2.07% and an increased base last year. Personal property taxes are approximately \$1.4 million higher than budgeted. Public service corporation taxes are \$308,000 favorable to budget due to an increased collection rate and increase in the tax rate.
- Total year expenditures and transfers total approximately \$198.2 million or 94.7% of the appropriated budget compared to 95.0% in the prior year. Personnel savings were approximately \$1.8 million and operating savings were approximately \$4.6 million with a return from the School Board of \$3.8 million.
- The total operating balance was approximately \$15.0 million which is primarily planned for use in the FY15 County and School budgets.

- Of the total year-end fund balance of \$49.5 million, the unassigned fund balance is expected to be approximately \$25.6 million, or 12.6% of projected revenues. Proposed assignments total approximately \$22.0 million including \$7.7 million for use in the subsequent year's adopted budget, \$6.6 million for capital projects, \$2.0 million for education, \$2.0 million for economic development, \$2.0 million for subsequent five-year financial plans, \$500,000 for stormwater projects and \$1.2 million for other services. Assignment amounts are subject to change based on final year end results.
- Through the fiscal year ended June 30, 2014, reserve for contingencies budget transfers totaled \$425,202 and the remaining balance was \$718,314. Transfers for the fourth quarter totaled \$57,281 and represent requests for the Registrar and General Services.

Highlights of the Public Utilities Department's Financial Performance for Fiscal 2014:

- Operating revenues were \$22.6 million or approximately \$435,000 higher than the appropriated budget. This favorable variance is primarily due to increases in plan review and inspection fees, sewer user fees, and miscellaneous revenues. User fees for water service were \$273,000 below budget reflecting an ongoing trend of lower water consumption.
- Non-operating revenues were \$6.4 million or approximately \$2.2 million higher than the appropriated budget, primarily due to a significant increase in water and sewer capacity fees. Partial receipt of grant funds designated to Totopotmoy wastewater treatment plan improvements (CIP) were received during the year resulting in a \$757,000 unfavorable budget variance. Donated assets in the amount of \$3.5 million were received, but were not projected as part of the annual budget process.
- Expenses for the year were \$17.9 million or 94% of the appropriated budget. Personnel costs were \$290,000 below budget, long-term water and sewer contracts with Henrico County and the City of Richmond were \$400,000 below budget and power costs were \$135,000 below budget.
- The FY2014 capital improvement plan of \$14.4 million included \$3.4 million of continuing projects from prior years and \$11.1 million of current year capital appropriations and transfers. Capital expenditures during the year were \$6.7 million. Multi-year capital project costs are not included in the Statement of Revenues, Expenses and Changes in Fund Net Position.

Highlights of the School Board Operating Fund Financial Performance for Fiscal 2014:

- FY 2014 appropriated revenues of \$162.4 million have decreased by \$18.8 million compared with appropriated revenues in the prior year of \$181.2 million. This is attributable primarily to the creation of the debt service fund of \$15.7 million, reduction of staffing in the fiscal year 2014 budget of approximately \$2.0 million, consolidation of services with the county of approximately \$400,000 and transfer of approximately \$600,000 from the operating fund to the capital fund to support summer capital projects and the county's implementation of a new

phone system. FY 2014 appropriated expenditures of \$164.5 million have decreased by \$19.2 million compared with appropriated expenditures in the prior year of \$183.7 million. The factors affecting the reduction are substantially the same as noted for revenues.

- Actual revenues accrued as anticipated in FY 2014 compared to the appropriated budget. Final revenue payments, based on amendments adopted in the General Assembly caboose bill, confirm that sales tax was slightly over budget, however, actual student enrollment this year is higher than anticipated by the State and the basic aid and other related state dollars are more than sufficient to cover that potential shortfall.
- Expenditure savings are primarily the result of utility savings from continued energy containment efforts and attrition savings from employee turnover.

cc: Finance Committee of the Board of Supervisors
Enclosures

COUNTY OF HANOVER, VIRGINIA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Twelve Months Ended June 30, 2014

	FY2013				FY2014			
	Twelve Months Ended June 30, 2013				Twelve Months Ended June 30, 2014			
	Appropriated	Actual	\$ Variance with Appropriated	% of Appropriated	Appropriated	Preliminary YE Report	\$ Variance with Appropriated	% of Appropriated
REVENUES								
Revenue from local sources:								
General property taxes	\$ 123,685,500	125,716,871	2,031,371	101.6%	\$ 124,647,000	127,474,854	2,827,854	102.3%
Other local taxes	28,342,000	28,841,377	499,377	101.8%	28,883,000	29,267,028	384,028	101.3%
Permits, privilege fees and regulatory licenses	1,551,700	2,117,648	565,948	136.5%	1,656,000	2,172,162	516,162	131.2%
Fines and forfeitures	1,269,475	1,122,896	(146,579)	88.5%	1,202,200	1,142,444	(59,756)	95.0%
Revenues from use of money and property	759,000	517,923	(241,077)	68.2%	664,300	707,096	42,796	106.4%
Charges for services	6,369,471	6,442,007	72,536	101.1%	6,328,821	6,705,877	377,056	106.0%
Miscellaneous	853,276	762,987	(90,289)	89.4%	849,496	957,980	108,484	112.8%
Recovered costs	3,401,558	3,720,996	319,438	109.4%	3,571,908	3,743,137	171,229	104.8%
Revenue from the Commonwealth	27,365,470	27,009,869	(355,601)	98.7%	28,489,568	27,458,219	(1,031,349)	96.4%
Revenue from the Federal government	3,401,094	3,749,704	348,610	110.2%	3,178,859	3,849,721	670,862	121.1%
Total revenues	196,998,544	200,002,278	3,003,734	101.5%	199,471,152	203,478,518	4,007,366	102.0%
EXPENDITURE SUMMARY								
General governmental administration	13,059,935	12,400,341	659,594	94.9%	13,403,729	12,739,951	663,778	95.0%
Judicial administration	4,632,777	4,479,175	153,602	96.7%	4,745,147	4,656,463	88,684	98.1%
Public safety	49,123,780	47,910,192	1,213,588	97.5%	49,167,245	47,934,248	1,232,997	97.5%
Public works	9,945,117	8,858,938	1,086,179	89.1%	9,435,084	8,778,457	656,627	93.0%
Human services	23,313,805	21,042,265	2,271,540	90.3%	23,159,959	20,325,394	2,834,565	87.8%
Parks, recreation and cultural	5,654,205	5,463,552	190,653	96.6%	5,623,008	5,431,033	191,975	96.6%
Community development	4,577,773	4,395,132	182,641	96.0%	4,540,824	4,462,138	78,686	98.3%
Education	91,672,882	87,837,786	3,835,096	95.8%	73,091,040	69,291,040	3,800,000	94.8%
Nondepartmental	949,740	-	949,740		745,382	-	745,382	0.0%
Debt service:								
Principal retirement	2,541,464	2,541,464	-	100.0%	-	-	-	
Interest and fiscal charges	1,957,176	1,957,177	(1)	100.0%	-	-	-	
Total debt service	4,498,640	4,498,641	(1)	100.0%	-	-	-	
Total expenditures	207,428,654	196,886,022	10,542,632	94.9%	183,911,418	173,618,724	10,292,694	94.4%
Excess of expenditures over revenues	(10,430,110)	3,116,256	13,546,366	-29.9%	15,559,734	29,859,794	14,300,060	191.9%
OTHER FINANCING USES								
Transfers out	4,514,982	4,514,982	-	100.0%	25,318,749	24,595,558	723,191	97.1%
Total other financing uses	4,514,982	4,514,982	-	100.0%	25,318,749	24,595,558	723,191	97.1%
Net use of prior year fund balance	(14,945,092)	(1,398,726)	13,546,366	9.4%	(9,759,015)	5,264,236	15,023,251	-53.9%
Fund balances - beginning	45,632,856	45,632,856	-	100.0%	44,234,130	44,234,130	-	100.0%
Fund balances - ending	\$ 30,687,764	44,234,130	13,546,366	144.1%	\$ 34,475,115	49,498,366	15,023,251	143.6%

COUNTY OF HANOVER, VIRGINIA

Public Utilities

Statement of Revenues, Expenses and Changes in Fund Net Position

For the Twelve Months Ended June 30, 2013 and 2014

	FY2013			FY2014			
	Twelve Months Ended June 30, 2013			Twelve Months Ended June 30, 2014			
	Appropriated	Actual*	\$ Variance with Appropriated	Appropriated	Preliminary YE Report*	\$ Variance with Appropriated	% of Appropriated
REVENUES							
Operating revenues:							
Charges for services	21,661,430	21,866,101	204,671	21,985,105	22,273,982	288,877	101%
Miscellaneous	175,000	408,293	233,293	175,000	321,283	146,283	184%
Total operating revenues	21,836,430	22,274,394	437,964	22,160,105	22,595,265	435,160	102%
Nonoperating revenues:							
Revenue from the Commonwealth	-	-	-	911,255	154,345	(756,910)	17%
Capacity fees - nonoperating	2,576,570	4,916,282	2,339,712	3,200,000	6,117,521	2,917,521	191%
Interest income	100,000	56,861	(43,139)	100,000	110,332	10,332	110%
Total nonoperating revenues	2,676,570	4,973,143	2,296,573	4,211,255	6,382,198	2,170,943	152%
Capital contributions	300,000	3,550,185	3,250,185	-	3,486,989	3,486,989	
Total revenues	24,813,000	30,797,722	5,984,722	26,371,360	32,464,452	6,093,092	123%
EXPENSES							
Operating expenses:							
Personal services	4,948,077	4,647,579	300,498	4,689,682	4,454,551	235,131	95%
Fringe benefits	1,590,819	1,467,456	123,363	1,513,653	1,459,000	54,653	96%
Contractual services	5,568,906	5,257,174	311,732	5,955,605	5,557,085	398,520	93%
Internal services	1,530,820	1,530,080	740	1,465,468	1,465,468	-	100%
Other charges	4,186,302	3,585,308	600,994	4,297,899	3,924,418	373,481	91%
Total operating expenses	17,824,924	16,487,597	1,337,327	17,922,307	16,860,522	1,061,785	94%
Nonoperating expenses:							
Senior debt	1,162,691	1,029,248	133,443	1,097,005	1,009,230	87,775	92%
Subordinate debt and fiscal charges	2,360	393	1,967	-	-	-	
Total nonoperating expenses	1,165,051	1,029,641	135,410	1,097,005	1,009,230	87,775	92%
Total expenses	18,989,975	17,517,238	1,472,737	19,019,312	17,869,752	1,149,560	94%
CHANGE IN NET POSITION	5,823,025	13,280,484	7,457,459	7,352,048	14,594,700	7,242,652	199%
Total net position - beginning	189,217,120	189,217,120	-	193,644,758	193,644,758	-	100%
Total net position - ending	195,040,145	202,497,604	7,457,459	200,996,806	208,239,458	7,242,652	104%

* Does not include depreciation expense which is reflected in the audited financial statements in accordance with generally accepted accounting principles.

COUNTY OF HANOVER, VIRGINIA
 School Fund - School Board
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Twelve Months Ended June 30, 2014

	FY2013				FY2014			
	Twelve Months Ended June 30, 2013				Twelve Months Ended June 30, 2014			
	Appropriated	Actual	\$ Variance with Appropriated	% of Appropriated	Appropriated	Preliminary YE Report	\$ Variance with Appropriated	% of Appropriated
REVENUES								
Revenue from local sources:								
Charges for services:								
Tuition and other charges for services	\$ 957,000	802,676	(154,324)	84%	949,000	873,347	(75,653)	92%
Total charges for services	957,000	802,676	(154,324)	119%	949,000	873,347	(75,653)	92%
Miscellaneous:								
Sale of assets	2,000	-	(2,000)	2	2,500	-	(2,500)	0%
Miscellaneous	1,289,377	628,517	(660,860)	49%	945,692	534,341	(411,351)	57%
Total miscellaneous revenue	1,291,377	-	(662,860)	628,517	948,192	534,341	(413,851)	56%
Recovered costs:								
Recovered costs	753,900	656,094	(97,806)	87%	783,000	226,869	(556,131)	29%
Total recovered costs	753,900	656,094	(97,806)	87%	783,000	226,869	(556,131)	29%
Payments from primary government:				0%				
General Fund	91,672,882	87,837,783	(3,835,099)	96%	71,723,688	68,573,688	(3,150,000)	96%
Total payments from primary government	91,672,882	87,837,783	(3,835,099)	96%	71,723,688	68,573,688	(3,150,000)	96%
Total revenue from local sources	94,675,159	89,296,553	(4,750,089)	94%	74,403,880	70,208,245	(4,195,635)	94%
Revenue from the Commonwealth:								
Non-categorical aid:								
Lottery proceeds and basic school aid	61,231,980	61,191,702	(40,278)	100%	60,858,557	61,439,704	581,147	101%
Total non-categorical aid	61,231,980	61,191,702	(40,278)	100%	60,858,557	61,439,704	581,147	101%
Categorical aid:								
Categorical aid programs	18,164,232	18,705,211	540,979	103%	19,407,924	19,779,579	371,655	102%
Total categorical aid	18,164,232	18,705,211	540,979	103%	19,407,924	19,779,579	371,655	66%
Total revenue from the Commonwealth	79,396,212	79,896,913	500,701	101%	80,266,481	81,219,283	952,802	66%
Revenue from the Federal government:								
Categorical aid:								
Department of Education	7,150,587	6,815,952	(334,635)	95%	7,717,194	6,605,097	(1,112,097)	86%
Total revenue from the Federal government	7,150,587	6,815,952	(334,635)	95%	7,717,194	6,605,097	(1,112,097)	66%
Total revenues	181,221,958	176,009,418	(4,584,023)	97%	162,387,555	158,032,625	(4,354,930)	66%
EXPENDITURES								
Education:								
General support	9,323,244	9,033,759	289,485	97%	8,872,255	8,583,220	(289,035)	97%
Pupil transportation	8,258,503	8,225,935	32,568	100%	8,184,476	7,980,471	(204,005)	98%
Operations and maintenance	12,738,113	11,785,496	952,617	93%	12,360,669	11,737,729	(622,940)	95%
Instruction	135,546,699	131,130,303	4,416,396	97%	132,923,910	128,417,328	(4,506,582)	97%
Facilities	2,152,051	1,136,067	1,015,984	53%	2,169,591	1,435,376	(734,215)	66%
Total education	168,018,610	161,311,560	6,707,050	96%	164,510,901	158,154,124	(6,356,777)	96%
Debt service:								
Principal retirement	15,716,000	10,723,304	4,992,696	68%	-	-	-	-
Interest and fiscal charges	-	4,992,396	(4,992,396)	-	-	-	-	-
Total debt service	15,716,000	15,715,700	300	100%	-	-	-	-
Total expenditures	183,734,610	177,027,260	6,707,350	96%	164,510,901	158,154,124	(6,356,777)	66%
Net change in fund balance	(2,512,652)	(1,017,842)	1,494,810	41%	(2,123,346)	(121,499)	2,001,847	66%
Fund balance - beginning	2,512,652	2,512,652	-	100%	2,123,346	1,494,810	(628,536)	66%
Fund balance - ending	\$ -	1,494,810	1,494,810	-	-	\$ 1,373,311	1,373,311	-

County of Hanover, Virginia
General Fund
County Administrator's Recommended Assignments
For the Twelve Months June 30, 2014

	Proposed Additions to Assignments	Estimated Fund Balance at 6/30/14
Nonspendable		\$ 285,599
Restricted		1,055,656
Committed - Economic Development		500,000
Assignments:		
Education	1,000,000	2,000,000
Economic Development	1,000,000	2,000,000
Public Works-Stormwater	500,000	500,000
Subsequent Year's Adopted Budget		7,763,930
Subsequent five-year financial plans	1,100,000	1,986,921
Capital Projects	4,364,592	6,574,488
Encumbrances & Reappropriations	332,598	1,193,479
Total Assigned Fund Balance	8,297,190	22,018,818
Unassigned Fund Balance	(8,297,190)	25,638,293
Total Fund Balance	-	\$ 49,498,366
	Estimated revenues at 6/30/14	\$ 203,478,518
	Estimated unassigned at 12.6%	25,638,293
	Estimated amount available for assignment	(0)