



IX

Agenda Item

County of Hanover

Board Meeting: May 14, 2014

Subject: Presentation of Quarterly Financial Reports

Summary of Agenda Item: In accordance with the County Financial Policies, attached is the financial report for the County's General Fund for the nine months ended March 31, 2014 and a projection for the twelve months ended June 30, 2014. Additionally, financial reports and projections for Public Utilities and the School Division for the same periods are provided.

County Administrator's Recommended Board Motion: N/A

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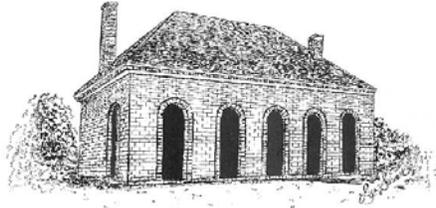
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HANOVER COURTHOUSE

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: May 13, 2014
RE: FY 2014 - May Financial Report

Enclosed please find the statement of revenues, expenditures and changes in fund balance/net position for the nine months ended March 31, 2014 and a projection for the twelve months ended June 30, 2014 for the General Fund, the Public Utilities Department and the School Division Operating Fund.

Highlights of the General Fund’s Financial Performance:

- Year-to-date revenues total approximately \$131.3 million, approximately 65% of expected total year revenues which is consistent with the prior year. Year-to-date total revenues have increased \$2.7 million over the prior year including a \$1.0 million increase in general property taxes. Revenues from the Federal government have declined by approximately \$440,000 primarily due to receipt of one-time grant funds in the prior year.
- Year-to-date expenditures and transfers total approximately \$140.5 million or 67% of the appropriated budget. Except for the timing of debt service payments and transfers, this is consistent with the prior year.
- Total year revenues are projected to be approximately \$202.6 million or approximately \$3.4 million higher than the appropriated budget. General property taxes are projected to increase from the prior year by approximately \$770,000 and to be favorable to budget by approximately \$1.8 million. This includes an increase of approximately \$800,000 for real property taxes due to a change in reassessment from 0.5% to 2.07% and an increased base last year. Additionally, personal property taxes are expected to be approximately \$1.0

Hanover: People, Tradition and Spirit

million higher than budget. Other local taxes are projected to increase from the prior year by approximately \$1.0 million and to be favorable to budget by approximately \$930,000. This favorability is primarily due to an increase in the estimates for sales tax and recordation tax of approximately \$700,000 and \$250,000, respectively.

- Total year expenditures and transfers are projected to be approximately \$200.8 million, 96% of the appropriated budget as compared to 95% in the prior year. Personnel savings are estimated to be approximately \$1.5 million and operating savings are estimated to be approximately \$3.3 million with a return from the School Board of approximately \$3.4 million.
- The total projected favorable variance to budget is approximately \$11.6 million which is primarily planned for use in the FY15 County and School budgets.
- Of the total projected year-end fund balance of \$46.1 million, the unassigned fund balance is expected to be approximately \$25.5 million or 12.6% of projected revenues, an increase of approximately \$300,000 over the prior year balance. Assignments are expected to total approximately \$18.6 million, an increase of approximately \$800,000 over the prior year and include \$7.8 million for use in the subsequent year's adopted budget, \$900,000 for the reserve for revenue stabilization, \$1.0 million for education, \$2.0 million for economic development, \$5.9 million for capital projects and \$1.0 million for other services. Assignments are subject to change based on final year end results.
- Third quarter reserve for contingencies budget transfers totaled \$211,147 and the remaining balance was \$775,595. Third quarter transfers represent requests for Information Technology and Registrar.

Highlights of the Public Utilities Department's Financial Performance:

- Year to date revenues total \$22.0 million, approximately 72% of projected revenues.
- Projected revenues are expected to be \$30.7 million or approximately \$4.4 million higher than the appropriated budget. This favorable variance is primarily the result of increased capacity fee revenue and donated assets. Water and sewer capacity fee revenues are expected to be 164% of appropriated budget, an increase of \$2.0 million. Donated assets, although not part of the appropriated budget, are included in total revenue. Donated assets are expected to reach \$3.5 million this fiscal year. The capital budget includes \$911,000 in grant funds. \$250,000 of grant revenue will be received during the current year. Water and sewer user fees are expected to be \$557,000 below budget.
- Year to date expenses total \$12.3 million, approximately 65% of appropriated budget. Total expenses for the year are projected to be \$18.1 million which is 95% of the appropriated budget. Personnel costs are estimated to be \$233,000 below budget. Contract services, including long term water and sewer contracts, are expected to be \$357,000 below budget.

Hanover: People, Tradition and Spirit

Other charges are projected to be \$225,000 below budget, which is attributed to lower power costs.

- The budgeted change in net position is the net effect of total operations, including non-cash transactions. The total balance in net position, excluding depreciation, is projected to increase by \$12.6 million which is \$5.3 million above budget. The increase includes \$3.5 million in donated assets.

Highlights of the School Division Operating Fund Financial Performance:

- At this point in the year, the School Division anticipates an unspent appropriation of approximately \$3.4 million that will be returned to the County's General Fund.
- FY 2014 appropriated revenues of \$163.0 million have decreased by \$18.2 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 and consolidation of services with the County of approximately \$400,000. FY 2014 appropriated expenditures of \$165.2 million have decreased by \$18.5 million compared with appropriated expenditures in the prior year of \$183.7M. The factors affecting the reduction are substantially the same as noted for revenues.
- Actual revenues continue to accrue as anticipated in FY 2014 compared to the appropriated budget, however, there are two offsetting state revenue items to monitor. With the projected FY2014 payments based on amendments adopted by the 2014 Special Session I of the General Assembly, it appears that sales tax could be slightly over budgeted. As an offset, however, actual student enrollment this year is higher than anticipated by the State and the basic aid and other related state dollars should be 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. These savings will likely increase as the year progresses.

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 Nine Months Ended March 31, 2013 and 2014

	FY2013					FY2014				
	Nine Months Ended March 31, 2013	Twelve Months Ended June 30, 2013				Nine Months Ended March 31, 2014	Twelve Months Ended June 30, 2014			
	Actual	Appropriated	Actual	\$ Variance with Appropriated	% of Appropriated	Actual	Appropriated	FY 2014 Projection*	\$ Variance with Appropriated	% of Appropriated
REVENUES										
Revenue from local sources:										
General property taxes	\$ 76,380,114	123,685,500	125,716,871	2,031,371	101.6%	\$ 77,387,498	124,647,000	126,487,000	1,840,000	101.5%
Other local taxes	17,170,082	28,342,000	28,841,377	499,377	101.8%	17,562,143	28,883,000	29,813,000	930,000	103.2%
Permits, privilege fees and regulatory licenses	1,395,426	1,551,700	2,117,648	565,948	136.5%	1,603,864	1,643,800	2,124,800	481,000	129.3%
Fines and forfeitures	849,307	1,269,475	1,122,896	(146,579)	88.5%	844,544	1,202,200	1,121,100	(81,100)	93.3%
Revenues from use of money and property	506,266	759,000	517,923	(241,077)	68.2%	610,282	664,300	704,304	40,004	106.0%
Charges for services	4,314,606	6,369,471	6,442,007	72,536	101.1%	4,628,479	6,328,821	6,714,918	386,097	106.1%
Miscellaneous	433,167	853,276	762,987	(90,289)	89.4%	710,118	913,913	675,069	(238,844)	73.9%
Recovered costs	3,056,594	3,401,558	3,720,996	319,438	109.4%	3,697,579	3,548,329	4,400,710	852,381	124.0%
Revenue from the Commonwealth	22,002,948	27,365,470	27,009,869	(355,601)	98.7%	22,231,827	28,481,443	27,651,279	(830,164)	97.1%
Revenue from the Federal government	2,443,423	3,401,094	3,749,704	348,610	110.2%	2,003,006	2,871,796	2,904,544	32,748	101.1%
Total revenues	128,551,933	196,998,544	200,002,278	3,003,734	101.5%	131,279,340	199,184,602	202,596,724	3,412,122	101.7%
EXPENDITURE SUMMARY										
General governmental administration	9,139,994	13,059,935	12,400,341	659,594	94.9%	8,997,985	13,326,910	12,766,643	560,267	95.8%
Judicial administration	3,326,576	4,632,777	4,479,175	153,602	96.7%	3,229,121	4,708,014	4,627,240	80,774	98.3%
Public safety	35,827,617	49,123,780	47,910,192	1,213,588	97.5%	34,723,177	48,831,465	48,323,918	507,547	99.0%
Public works	6,390,191	9,945,117	8,858,938	1,086,179	89.1%	6,090,040	9,514,526	9,310,265	204,261	97.9%
Human services	14,626,280	23,313,805	21,042,265	2,271,540	90.3%	13,408,333	23,180,239	21,181,752	1,998,487	91.4%
Parks, recreation and cultural	4,023,882	5,654,205	5,463,552	190,653	96.6%	3,830,760	5,623,008	5,433,008	190,000	96.6%
Community development	3,180,901	4,577,773	4,395,132	182,641	96.0%	3,215,824	4,544,824	4,575,190	(30,366)	100.7%
Education	83,603,722	91,672,882	87,837,786	3,835,096	95.8%	48,966,476	73,091,040	69,714,852	3,376,188	95.4%
Nondepartmental	-	949,740	-	949,740	-	-	898,942	198,942	700,000	22.1%
Debt service:										
Principal retirement	2,441,464	2,541,464	2,541,464	-	100.0%	-	-	-	-	-
Interest and fiscal charges	1,865,463	1,957,176	1,957,177	(1)	100.0%	-	-	-	-	-
Total debt service	4,306,927	4,498,640	4,498,641	(1)	100.0%	-	-	-	-	-
Total expenditures	164,426,090	207,428,654	196,886,022	10,542,632	94.9%	122,461,716	183,718,968	176,131,810	7,587,158	95.9%
Excess of expenditures over revenues	(35,874,157)	(10,430,110)	3,116,256	13,546,366	-29.9%	8,817,624	15,465,634	26,464,914	10,999,280	171.1%
OTHER FINANCING USES										
Transfers out	4,514,982	4,514,982	4,514,982	-	100.0%	18,017,194	25,224,649	24,637,114	587,535	97.7%
Total other financing uses	4,514,982	4,514,982	4,514,982	-	100.0%	18,017,194	25,224,649	24,637,114	587,535	97.7%
Net change in fund balance	(40,389,139)	(14,945,092)	(1,398,726)	13,546,366	9.4%	(9,199,570)	(9,759,015)	1,827,800	11,586,815	-18.7%
Fund balances - beginning	45,632,856	45,632,856	45,632,856	-	100.0%	44,234,130	44,234,130	44,234,130	-	100.0%
Fund balances - ending	\$ 5,243,717	30,687,764	44,234,130	13,546,366	144.1%	\$ 35,034,560	34,475,115	46,061,930	11,586,815	133.6%

* Includes encumbrance and reappropriation estimate

COUNTY OF HANOVER, VIRGINIA
Public Utilities
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Nine Months Ended March 31, 2013 and 2014

	FY2013					FY2014				
	Nine Months Ended March 31, 2013	Twelve Months Ended June 30, 2013				Nine Months Ended March 31, 2014	Twelve Months Ended June 30, 2014			
	Actual*	Appropriated	Actual*	\$ Variance with Appropriated	% of Appropriated	Actual*	Appropriated	FY 2014 Projection	\$ Variance with Appropriated	% of Appropriated
REVENUES										
Operating revenues:										
Charges for services	\$ 13,892,092	21,661,430	21,866,101	204,671	101%	\$ 13,945,073	21,985,105	21,428,000	(557,105)	97%
Capacity fees	-	76,570	249,220	172,650	325%	-	80,000	80,000	-	100%
Miscellaneous	336,164	175,000	408,293	233,293	233%	252,057	175,000	257,119	82,119	147%
Total operating revenues	14,228,256	21,913,000	22,523,614	610,614	103%	14,197,130	22,240,105	21,765,119	(474,986)	98%
Nonoperating revenues:										
Revenue from the Commonwealth	-	-	-	-		48,803	911,255	250,000	(661,255)	27%
Capacity fees - nonoperating	3,275,431	2,500,000	4,667,062	2,167,062	187%	4,592,805	3,120,000	5,120,000	2,000,000	164%
Interest income	67,181	100,000	56,861	(43,139)	57%	86,717	100,000	100,000	-	100%
Total nonoperating revenues	3,342,612	2,600,000	4,723,923	2,123,923	182%	4,728,325	4,131,255	5,470,000	1,338,745	132%
Capital contributions	2,549,533	300,000	3,550,185	3,250,185		3,085,058	-	3,500,000	3,500,000	
Total revenues	20,120,401	24,813,000	30,797,722	5,984,722	124%	22,010,513	26,371,360	30,735,119	4,363,759	117%
EXPENSES										
Operating expenses:										
Personal services	3,306,634	4,948,077	4,647,579	300,498	94%	3,193,091	4,689,682	4,456,458	233,224	95%
Fringe benefits	1,236,827	1,590,819	1,467,456	123,363	92%	1,056,690	1,513,653	1,432,642	81,011	95%
Contractual services	3,606,020	5,568,906	5,257,174	311,732	94%	3,332,315	5,955,605	5,598,146	357,459	94%
Internal services	1,530,080	1,530,820	1,530,080	740	100%	1,465,468	1,465,468	1,465,468	-	100%
Other charges	2,541,739	4,186,302	3,585,308	600,994	86%	2,702,965	4,297,899	4,072,541	225,358	95%
Total operating expenses	12,221,300	17,824,924	16,487,597	1,337,327	92%	11,750,529	17,922,307	17,025,255	897,052	95%
Nonoperating expenses:										
Senior debt	283,713	1,162,691	1,029,248	133,443	89%	531,159	1,097,005	1,097,005	-	100%
Subordinate debt and fiscal charges	393	2,360	393	1,967	17%	-	-	-	-	
Total nonoperating expenses	284,106	1,165,051	1,029,641	135,410	88%	531,159	1,097,005	1,097,005	-	100%
Total expenses	12,505,406	18,989,975	17,517,238	1,472,737	92%	12,281,688	19,019,312	18,122,260	897,052	95%
CHANGE IN NET POSITION	7,614,995	5,823,025	13,280,484	7,457,459	228%	9,728,825	7,352,048	12,612,859	5,260,811	172%
Total net position - beginning	189,217,120	189,217,120	189,217,120	-	100%	193,644,758	193,644,758	193,644,758	-	100%
Total net position - ending	\$ 196,832,115	195,040,145	202,497,604	7,457,459	104%	\$ 203,373,583	200,996,806	206,257,617	5,260,811	103%

* 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 Nine Months Ended March 31, 2014

	FY2013				FY2014					
	Twelve Months Ended June 30, 2013				Nine Months Ended March 31, 2014	Twelve Months Ended June 30, 2014				
	Appropriated	Actual	\$ Variance with Appropriated	% of Appropriated		Actual	Appropriated	Total Year Projection	\$ 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%	\$ 727,385	949,000	900,000	(49,000)	95%	
Total charges for services	957,000	802,676	(154,324)	119%	727,385	949,000	900,000	(49,000)	95%	
Miscellaneous:										
Sale of assets	2,000	-	(2,000)		-	2,500	2,500	-	100%	
Miscellaneous	1,289,377	628,517	(660,860)	49%	459,427	975,692	500,000	(475,692)	51%	
Total miscellaneous revenue	1,291,377	628,517	(662,860)	49%	459,427	978,192	502,500	(475,692)	51%	
Recovered costs:										
Recovered costs	753,900	656,094	(97,806)	87%	72,348	783,000	700,000	(83,000)	89%	
Total recovered costs	753,900	656,094	(97,806)	87%	72,348	783,000	700,000	(83,000)	89%	
Payments from primary government:										
General Fund	91,672,882	87,837,783	(3,835,099)	96%	48,249,124	72,373,688	68,997,500	(3,376,188)	95%	
Total payments from primary government	91,672,882	87,837,783	(3,835,099)	96%	48,249,124	72,373,688	68,997,500	(3,376,188)	95%	
Total revenue from local sources	94,675,159	89,925,070	(4,750,089)	95%	49,508,284	75,083,880	71,100,000	(3,983,880)	95%	
Revenue from the Commonwealth:										
Non-categorical aid:										
Lottery proceeds and basic school aid	61,231,980	61,191,702	(40,278)	100%	45,011,301	60,858,557	61,500,000	641,443	101%	
Total non-categorical aid	61,231,980	61,191,702	(40,278)	100%	45,011,301	60,858,557	61,500,000	641,443	101%	
Categorical aid:										
Categorical aid programs	18,164,232	18,705,211	540,979	103%	11,240,821	19,407,924	19,500,000	92,076	100%	
Total categorical aid	18,164,232	18,705,211	540,979	103%	11,240,821	19,407,924	19,500,000	92,076	100%	
Total revenue from the Commonwealth	79,396,212	79,896,913	500,701	101%	56,252,122	80,266,481	81,000,000	733,519	101%	
Revenue from the Federal government:										
Categorical aid:										
Department of Education	7,150,587	6,815,952	(334,635)	95%	2,577,438	7,687,194	7,200,000	(487,194)		
Total revenue from the Federal government	7,150,587	6,815,952	(334,635)	95%	2,577,438	7,687,194	7,200,000	(487,194)	94%	
Total revenues	181,221,958	176,637,935	(4,584,023)	97%	108,337,844	163,037,555	159,300,000	(3,737,555)	98%	
EXPENDITURES										
Education:										
General support	9,323,244	9,033,759	289,485	97%	5,830,458	8,907,463	8,700,000	207,463	98%	
Pupil transportation	8,258,503	8,225,935	32,568	100%	5,249,467	8,076,868	8,000,000	76,868	99%	
Operations and maintenance	12,738,113	11,785,496	952,617	93%	8,503,050	12,188,889	11,000,000	1,188,889	90%	
Instruction	135,546,699	131,130,303	4,416,396	97%	81,778,618	134,168,090	130,000,000	4,168,090	97%	
Facilities	2,152,051	1,136,067	1,015,984	53%	1,225,414	1,819,591	1,600,000	219,591	88%	
Total education	168,018,610	161,311,560	6,707,050	96%	102,587,007	165,160,901	159,300,000	5,860,901	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%	102,587,007	165,160,901	159,300,000	5,860,901	96%	
Net change in fund balance	(2,512,652)	(389,325)	2,123,327	15%	5,750,837	(2,123,346)	-	(2,123,346)	0%	
Fund balance - beginning	2,512,652	2,512,652	-	100%	2,123,327	2,123,346	2,123,346	-	100%	
Fund balance - ending	\$ -	2,123,327	2,123,327		\$ 7,874,164	-	2,123,346	(2,123,346)		