



VII.

Agenda Item

**County of Hanover**

**Board Meeting: February 11, 2015**

**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 six months ended December 31, 2014 and a projection for the twelve months ended June 30, 2015. In addition, financial reports and projections for Public Utilities and the School Division for the same periods are provided.

The quarterly financial reports will be reviewed by the Finance Committee at the next scheduled meeting on Monday, February 9, 2015.

**County  
Administrator's  
Recommended  
Motion:**

N/A

**BOARD OF SUPERVISORS**

**WAYNE T. HAZZARD, CHAIRMAN**  
SOUTH ANNA DISTRICT

**AUBREY M. STANLEY, VICE-CHAIRMAN**  
BEAVERDAM DISTRICT

**SEAN M. DAVIS**  
HENRY DISTRICT

**ANGELA KELLY-WIECEK**  
CHICKAHOMINY DISTRICT

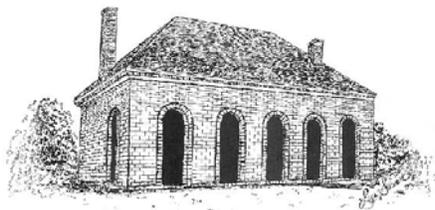
**W. CANOVA PETERSON**  
MECHANICSVILLE DISTRICT

**G. E. "ED" VIA, III**  
ASHLAND DISTRICT

**ELTON J. WADE, SR.**  
COLD HARBOR DISTRICT

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**CECIL R. HARRIS, JR.**  
COUNTY ADMINISTRATOR



HANOVER COURTHOUSE

**HANOVER COUNTY**

ESTABLISHED IN 1720

**FINANCE AND MANAGEMENT  
SERVICES DEPARTMENT**

**KATHLEEN T. SEAY, CPA, CISA**  
DIRECTOR

P. O. Box 470  
7496 COUNTY COMPLEX ROAD  
HANOVER, VA 23069

**SHELLY H. WRIGHT**  
BUDGET DIVISION DIRECTOR

**JACOB A. SUMNER**  
ACCOUNTING DIVISION DIRECTOR

**STEVEN K. RUSCH**  
PURCHASING DIVISION DIRECTOR

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**TO:** Cecil R. Harris, Jr., County Administrator

**FROM:** Kathleen T. Seay, Director of Finance and Management Services

**DATE:** February 4, 2015

**RE:** FY 2015 - February Financial Report

Enclosed please find the statement of revenues, expenditures and changes in fund balance/net position for the six months ended December 31, 2014 and a projection for the twelve months ended June 30, 2015 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 \$91.9 million, approximately 44% of expected total year revenues which is consistent with the prior year. General property taxes increased \$1.1 million from the prior year. Permits, privilege fees and regulatory licenses, fines and forfeitures, revenues from use of money and property, and revenues from the Commonwealth declined from the prior year by approximately \$55,000, \$10,000, \$58,000 and \$314,000, respectively. These decreases are more than offset by increases in other revenue sources such as other local taxes (\$496,000), charges for services (\$161,000) and miscellaneous revenues (\$184,000). The increases and decreases in the various line items net to a total increase of approximately \$1.6 million over the prior year.
- Total year revenues are projected to be approximately \$208.4 million or approximately \$1.1 million higher than the appropriated budget. General property taxes are projected to increase from the prior year by approximately \$4.0 million and to be favorable to budget by approximately \$1.5 million. This includes an increase of approximately \$230,000 for machinery and tools tax, \$200,000 for merchant’s capital, and \$1.0 million for personal property taxes. Other local taxes are projected to increase from the prior year but to be approximately \$469,000 lower than budget due to a decrease in recordation tax of approximately \$400,000 and a decrease in communication sales tax of \$150,000, offset by an increase in lodging tax of \$90,000.

- Year-to-date expenditures and transfers total approximately \$103.4 million or 48% of the appropriated budget which is consistent with the prior year. Total year expenditures and transfers are projected to be approximately \$210.4 million or 97.2% of the appropriated budget as compared to 94.2% in the prior year. Personnel savings are estimated to be approximately \$1.4 million and operating savings are estimated to be approximately \$1.2 million with a return from the School Board of approximately \$3.5 million.
- The total projected operating balance is approximately \$7.2 million which is primarily planned for use in the FY16 County and School budgets.
- Of the total projected year-end fund balance of \$48.6 million, the unassigned fund balance is expected to be approximately \$26.3 million or 12.6% of projected revenues. Assignments are expected to total approximately \$21.6 million and are subject to change based on final year end results.
- As of December 31, 2014, year-to-date reserve for contingencies budget transfers totaled \$177,929 and the remaining balance was \$1,102,863. Year-to-date transfers represent requests for the Board of Supervisors and the Sheriff's Office.

#### **Highlights of the Public Utilities Department's Financial Performance:**

- Year to date revenues total \$13.7 million, approximately 50.6% of appropriated revenues.
- Projected revenues are expected to be \$29.9 million or approximately \$2.8 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 120% of appropriated budget, an increase of \$804,000. Donated assets, although not part of the appropriated budget, are included in total revenue. Donated assets are expected to reach \$1.5 million this fiscal year. The capital budget includes \$821,000 in grant funds, all of which will be received during the current year. Water and sewer user fees are expected to be \$347,000 above budget.
- Year to date expenses total \$8.4 million, approximately 43.8% of appropriated budget. Total expenses for the year are projected to be \$18.3 million which is 95% of the appropriated budget. Personnel costs are estimated to be \$269,000 below budget. Contract services, including long term water and sewer contracts, are expected to be \$47,000 below budget. Other charges are projected to be \$650,000 below budget, half of 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 \$11.6 million which is \$3.7 million above budget. The increase includes \$1.5 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 at least \$3.4 million that will be returned to the County's General Fund.
- FY 2015 appropriated revenues of \$171.9 million have increased by \$9.5 million compared with appropriated revenues in the prior year of \$162.4 million. This is attributable primarily to the increase in state revenue of \$6.5 million and local revenue of \$2.8 million. FY 2015 appropriated expenditures of \$173.5 million have increased by \$9.0 million

compared with appropriated expenditures in the prior year of \$164.5 million. The factors affecting the increase are compensation, the VRS rate increase, additional instruction positions and an increase in instructional materials and maintenance.

- Actual expenditures, net of year-end encumbrances and reappropriations, are anticipated to be \$3.4 million less than the approved budget. The general support includes \$831,000 of anticipated revenue shortfall that will have “no or minimal” actual posting in FY16. The instruction budget reflects turnover savings of salaries and benefits for approximately 120 instructional positions leaving from FY15 and being replaced with employees (mostly teachers) at a lower salary.

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 Actuals

For the Six Months Ended December 31, 2013 and 2014

	FY2014					FY2015				
	Six Months Ended December 31, 2013	Twelve Months Ended June 30, 2014				Six Months Ended December 31, 2014	Twelve Months Ended June 30, 2015			
	Actual	Appropriated	Actual	\$ Variance with Appropriated	% of Appropriated	Actual	Appropriated	FY 2015 Projection*	\$ Variance with Appropriated	% of Appropriated
<b>REVENUES</b>										
Revenue from local sources:										
General property taxes	\$ 53,919,710	124,647,000	127,474,854	2,827,854	102.3%	\$ 54,987,611	130,010,000	131,490,000	1,480,000	101.1%
Other local taxes	10,101,460	28,883,000	29,270,980	387,980	101.3%	10,597,063	30,736,000	30,267,400	(468,600)	98.5%
Permits, privilege fees and regulatory licenses	1,002,624	1,656,000	2,172,162	516,162	131.2%	947,360	2,014,800	2,066,000	51,200	102.5%
Fines and forfeitures	536,702	1,202,200	1,142,444	(59,756)	95.0%	526,905	1,127,800	1,128,800	1,000	100.1%
Revenues from use of money and property	529,047	664,300	707,096	42,796	106.4%	471,040	718,000	718,000	-	100.0%
Charges for services	3,088,712	6,328,821	6,705,877	377,056	106.0%	3,249,381	6,514,192	6,814,192	300,000	104.6%
Miscellaneous	477,078	849,496	957,980	108,484	112.8%	660,652	686,039	686,039	-	100.0%
Recovered costs	2,174,882	3,571,908	3,743,137	171,229	104.8%	2,269,759	3,653,619	3,627,269	(26,350)	99.3%
Revenue from the Commonwealth	17,165,266	28,489,568	27,469,094	(1,020,474)	96.4%	16,851,004	28,582,464	28,390,054	(192,410)	99.3%
Revenue from the Federal government	1,334,903	3,178,859	3,858,513	679,654	121.4%	1,383,004	3,225,403	3,225,403	-	100.0%
Total revenues	90,330,384	199,471,152	203,502,137	4,030,985	102.0%	91,943,779	207,268,317	208,413,157	1,144,840	100.6%
<b>EXPENDITURE SUMMARY</b>										
General governmental administration	5,940,159	13,403,729	12,739,951	663,778	95.0%	6,278,430	14,059,781	13,603,856	455,925	96.8%
Judicial administration	2,050,639	4,745,147	4,656,463	88,684	98.1%	2,210,420	4,955,358	4,917,671	37,687	99.2%
Public safety	22,767,682	49,167,245	47,648,455	1,518,790	96.9%	24,189,982	51,404,572	51,221,749	182,823	99.6%
Public works	4,199,500	9,435,084	8,778,388	656,696	93.0%	4,320,475	9,661,536	9,559,732	101,804	98.9%
Human services	8,994,796	23,159,959	20,334,633	2,825,326	87.8%	9,165,213	23,719,968	22,565,639	1,154,329	95.1%
Parks, recreation and cultural	2,632,570	5,623,008	5,416,936	206,072	96.3%	2,696,670	5,842,424	5,812,950	29,474	99.5%
Community development	2,262,717	4,540,824	4,462,138	78,686	98.3%	2,389,363	4,780,561	4,678,087	102,474	97.9%
Education	36,904,194	73,091,040	69,460,297	3,630,743	95.0%	37,226,844	74,453,688	70,967,873	3,485,815	95.3%
Nondepartmental	-	745,382	-	745,382	-	-	1,505,381	980,381	525,000	65.1%
Total expenditures	85,752,257	183,911,418	173,497,261	10,414,157	94.3%	88,477,397	190,383,269	184,307,938	6,075,331	96.8%
Excess of expenditures over revenues	4,578,127	15,559,734	30,004,876	14,445,142	192.8%	3,466,382	16,885,048	24,105,219	7,220,171	142.8%
<b>OTHER FINANCING USES</b>										
Transfers out	15,097,047	25,318,749	23,595,558	1,723,191	93.2%	14,956,900	26,134,066	26,134,066	-	100.0%
Total other financing uses	15,097,047	25,318,749	23,595,558	1,723,191	93.2%	14,956,900	26,134,066	26,134,066	-	100.0%
Net change in fund balance	(10,518,920)	(9,759,015)	6,409,318	16,168,333	-65.7%	(11,490,518)	(9,249,018)	(2,028,847)	7,220,171	21.9%
Fund balances - beginning	44,234,130	44,234,130	44,234,130	-	100.0%	50,643,448	50,643,448	50,643,448	-	100.0%
Fund balances - ending	\$ 33,715,210	34,475,115	50,643,448	16,168,333	146.9%	\$ 39,152,930	41,394,430	48,614,601	7,220,171	117.4%

\* Includes encumbrance and reappropriation estimate

**COUNTY OF HANOVER, VIRGINIA**

Public Utilities

Statement of Revenues, Expenses and Changes in Fund Net Position

For the Six Months Ended December 31, 2013 and 2014

	FY2014					FY2015				
	Six Months Ended December 31, 2013	Twelve Months Ended June 30, 2014				Six Months Ended December 31, 2014	Twelve Months Ended June 30, 2015			
	Actual*	Appropriated	Actual*	\$ Variance with Appropriated	% of Appropriated	Actual*	Appropriated	FY 2015 Projection	\$ Variance with Appropriated	% of Appropriated
<b>REVENUES</b>										
Operating revenues:										
Charges for services	\$ 9,156,005	21,985,105	22,239,494	254,389	101%	\$ 9,743,112	22,069,500	22,416,500	347,000	102%
Miscellaneous	125,456	175,000	355,770	180,770	203%	129,366	175,000	250,000	75,000	143%
Total operating revenues	9,281,461	22,160,105	22,595,264	435,159	102%	9,872,478	22,244,500	22,666,500	422,000	102%
Nonoperating revenues:										
Revenue from the Commonwealth	-	911,255	154,345	(756,910)		371,377	821,529	821,000	(529)	100%
Capacity fees - nonoperating	3,553,633	3,633,633	3,685,541	51,908	101%	2,567,837	4,000,000	4,804,000	804,000	120%
Interest income	69,535	100,000	110,332	10,332	110%	52,156	75,000	100,000	25,000	133%
Total nonoperating revenues	3,623,168	4,644,888	3,950,218	(694,670)	85%	2,991,370	4,896,529	5,725,000	828,471	117%
Capital contributions	2,274,787	-	3,486,989	3,486,989		873,351	-	1,500,000	1,500,000	
Total revenues	15,179,416	26,804,993	30,032,471	3,227,478	112%	13,737,199	27,141,029	29,891,500	2,750,471	110%
<b>EXPENSES</b>										
Operating expenses:										
Personal services	2,074,989	4,689,682	4,454,551	235,131	95%	2,076,191	4,723,054	4,529,756	193,298	96%
Fringe benefits	693,085	1,513,653	1,459,000	54,653	96%	734,511	1,607,935	1,531,845	76,090	95%
Contractual services	2,126,496	5,955,605	5,557,085	398,520	93%	2,187,299	5,977,299	5,930,151	47,148	99%
Internal services	732,734	1,465,468	1,465,468	-	100%	1,435,418	1,435,418	-	-	100%
Other charges	1,723,881	4,297,899	3,796,758	501,141	88%	1,609,032	4,455,651	3,805,069	650,582	85%
Total operating expenses	7,351,185	17,922,307	16,732,862	1,189,445	93%	8,042,451	18,199,357	17,232,239	967,118	95%
Nonoperating expenses:										
Senior debt	531,159	1,097,005	985,902	111,103	90%	375,148	1,034,725	1,034,725	-	100%
Total nonoperating expenses	531,159	1,097,005	985,902	111,103	90%	375,148	1,034,725	1,034,725	-	100%
Total expenses	7,882,344	19,019,312	17,718,764	1,300,548	93%	8,417,599	19,234,082	18,266,964	967,118	95%
<b>CHANGE IN NET POSITION</b>	7,297,072	7,785,681	3,327,522	4,528,026	43%	5,319,600	7,906,947	11,624,536	3,717,589	147%
Total net position - beginning	199,404,262	199,404,262	199,404,262	-	100%	199,404,262	199,404,262	199,404,262	-	100%
Total net position - ending	\$ 206,701,334	207,189,943	202,731,784	4,528,026	98%	\$ 204,723,862	207,311,209	211,028,798	3,717,589	102%

\* 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 Six Months Ended December 31, 2013 and 2014

	FY2014				Six Months Ended December 31, 2014	FY2015			
	Twelve Months Ended June 30, 2014					Twelve Months Ended June 30, 2015			
	Appropriated	Actual	\$ Variance with Appropriated	% of Appropriated		Actual	Appropriated	Total Year Projection	\$ Variance with Appropriated
<b>REVENUES</b>									
Revenue from local sources:									
Charges for services:									
Tuition and other charges for services	\$ 949,000	873,347	(75,653)	92%	\$ 491,802	818,564	820,000	1,436	100%
Total charges for services	949,000	873,347	(75,653)	109%	491,802	818,564	820,000	1,436	100%
Miscellaneous:									
Sale of assets	2,500	-	(2,500)		-	2,500	-	(2,500)	0%
Miscellaneous	945,692	534,342	(411,350)	57%	442,677	1,383,639	550,000	(833,639)	40%
Total miscellaneous revenue	948,192	534,342	(413,850)	56%	442,677	1,386,139	550,000	(836,139)	40%
Recovered costs:									
Recovered costs	783,000	226,869	(556,131)	29%	162,234	603,000	500,000	(103,000)	83%
Total recovered costs	783,000	226,869	(556,131)	29%	162,234	603,000	500,000	(103,000)	83%
Payments from primary government:									
General Fund	71,723,688	68,742,945	(2,980,743)	96%	37,226,844	74,453,688	70,967,873	(3,485,815)	95%
Total payments from primary government	71,723,688	68,742,945	(2,980,743)	96%	37,226,844	74,453,688	70,967,873	(3,485,815)	95%
Total revenue from local sources	74,403,880	70,377,503	(4,026,377)	95%	38,323,557	77,261,391	72,837,873	(4,423,518)	94%
Revenue from the Commonwealth:									
Non-categorical aid:									
Lottery proceeds and basic school aid	60,858,557	61,439,704	581,147	101%	32,661,992	67,113,650	65,913,650	(1,200,000)	98%
Total non-categorical aid	60,858,557	61,439,704	581,147	101%	32,661,992	67,113,650	65,913,650	(1,200,000)	98%
Categorical aid:									
Categorical aid programs	19,407,924	19,251,121	(156,803)	99%	6,561,260	19,673,706	19,645,777	(27,929)	100%
Total categorical aid	19,407,924	19,251,121	(156,803)	99%	6,561,260	19,673,706	19,645,777	(27,929)	100%
Total revenue from the Commonwealth	80,266,481	80,690,825	424,344	101%	39,223,252	86,787,356	85,559,427	(1,227,929)	99%
Revenue from the Federal government:									
Categorical aid:									
Department of Education	7,717,194	6,569,366	(1,147,828)	85%	614,698	7,876,392	6,702,700	(1,173,692)	
Total revenue from the Federal government	7,717,194	6,569,366	(1,147,828)	85%	614,698	7,876,392	6,702,700	(1,173,692)	85%
Total revenues	162,387,555	157,637,694	(4,749,861)	97%	78,161,507	171,925,139	165,100,000	(6,825,139)	96%
<b>EXPENDITURES</b>									
Education:									
General support	8,872,255	8,583,220	289,035	97%	4,138,945	9,840,973	8,800,000	1,040,973	89%
Pupil transportation	8,184,476	7,980,471	204,005	98%	3,435,847	8,392,470	8,100,000	292,470	97%
Operations and maintenance	12,360,669	11,737,729	622,940	95%	5,799,964	12,040,725	11,700,000	340,725	97%
Instruction	132,923,910	128,419,499	4,504,411	97%	53,194,858	141,255,612	136,200,000	5,055,612	96%
Facilities	2,169,591	1,435,376	734,215	66%	1,284,903	1,982,485	1,800,000	182,485	91%
Total education	164,510,901	158,156,295	6,354,606	96%	67,854,517	173,512,265	166,600,000	6,912,265	96%
Excess (deficiency) of revenues over (under) expenditures	(2,123,346)	(518,601)	1,604,745		10,306,990	(1,587,126)	(1,500,000)	87,126	95%
Net change in fund balance	(2,123,346)	(518,601)	1,604,745	24%	10,306,990	(1,587,126)	(1,500,000)	(87,126)	95%
Fund balance - beginning	2,123,346	2,123,327	(19)	100%	1,604,726	1,587,126	1,587,126	-	100%
Fund balance - ending	\$ -	1,604,726	1,604,726		\$ 11,911,716	-	87,126	(87,126)	