

## THREE YEAR FORECAST OF REVENUES AND EXPENDITURES

The Henrico County budget is organized on the basis of funds. Each fund is considered a separate accounting entity. Accounting for the operation of each fund is performed using a separate set of self-balancing accounts comprising each fund's assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate.

Funds are grouped into four categories: Governmental Funds, Proprietary Funds, Internal Funds, and Fiduciary Funds. Governmental Funds include most governmental functions of the County and include the General, Special Revenue, Debt Service and Capital Projects Funds. Proprietary Funds, on the other hand, account for functions financed and operated in a manner similar to a private business enterprise. The intent of Proprietary Funds is to finance or recover, through charges to users, the cost of providing these services. Proprietary Funds used by Henrico County include both Enterprise Funds (Public Utilities and Belmont Golf Course). Internal Service Funds primarily provides either benefits or goods/services to other funds, departments on a cost-reimbursement basis with the goal to breakeven rather than make a profit. Internal Service Funds used by Henrico County includes Central Automotive Maintenance (CAM), which repairs and maintains all county vehicles on a cost-reimbursement basis; the Technology Replacement Fund for the purpose of funding a computer replacement program; the Risk Management function, which funds County risk management activities; Debt Service, which funds the cost of debt; and the Healthcare Internal Service Fund which was created to account for health care costs. Lastly, Fiduciary Funds budgeted by Henrico County include the James River Juvenile Detention Center (JRJDC) Agency Fund and various benefit programs such as Line of Duty funds for law enforcement officer benefits and Long-term Disability which funds the County's contributions for its employee's long-term disability charges.

**The information that follows constitutes the forecast of the County's cost of operations for FY2020 through FY2022. All projections assume current tax rates remain unchanged.** The FY2020 data represents the budget adopted by the Board of Supervisors, while FY2021 and FY2022 are included for projective purposes. This data is presented by fund and includes a description of major revenue and expenditure assumptions used to develop each forecast. Henrico County has opted to project revenues and expenses of each fund, as opposed to simply projecting the County's General Fund requirements. The actual forecasts, showing the relationship between revenues and expenditures and the predicted effects on fund balance, are presented in a schedule at the end of the narrative.

The revenue and expenditure forecasts for each fund are formulated using a combination of statistical forecasting techniques, regional economic data, and local government operating experience. Preliminary estimates for the subsequent fiscal year are initiated in August of each year using a variety of forecasting models.

In the late Fall the County's annual financial audit is finalized. The previous year's revenue and expenditure forecasts are compared against audited financial statements to determine if revenue model refinements are necessary. At that point, refined forecasts are prepared for the upcoming fiscal year.

Revised estimates are analyzed against a variety of forecasted economic data with special emphasis on consumer and wholesale prices, local population, retail sales, building and construction activity, employment, wages, interest rates, and Federal/State funding to ensure the forecast is consistent with future economic expectations. Continuing refinements are made until the budget is adopted by the Board of Supervisors annually.