Comprehensive Annual Financial Report for the Year Ended June 30, 2010

County of Hanover, Virginia

COUNTY OF HANOVER, VIRGINIA

Comprehensive Annual Financial Report

For the Fiscal Year Ended

June 30, 2010

Hanover: People, Tradition, and Spirit

This document was prepared by the Department of Finance and Management Services, County of Hanover, Virginia, Post Office Box 470, 7496 County Complex Road, Hanover, Virginia 23069-0470. For additional information, contact Kathleen T. Seay, CPA, CISA, Director of Finance and Management Services, at (804) 365-6015 or by e-mail at ktseay@co.hanover.va.us. For information about the County, including the WEB-based version of this and other financial documents, refer to the County's web page at www.co.hanover.va.us (financial documents under Finance Department home page).

HANOVER COUNTY
Birthplace of Patrick Henry-Henry Clay
Hanover Courthouse
built 1735
Formed in 1720
VIRGINIA

COUNTY OF HANOVER, VIRGINIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010

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BOARD OF SUPERVISORS

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ASHLAND DISTRICT

DEBORAH B. WINANS, VICE-CHAIRMAN
MECHANICSVILLE DISTRICT

JOHN E. GORDON, JR.
SOUTH ANNA DISTRICT

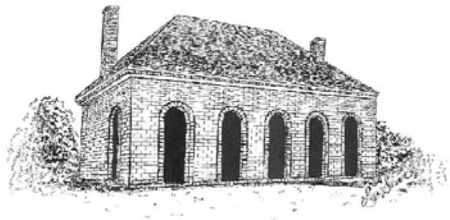
CHARLES D. MCGEE
HENRY DISTRICT

ROBERT R. SETLIFF
CHICKAHOMINY DISTRICT

AUBREY M. STANLEY
BEAVERDAM DISTRICT

ELTON J. WADE, SR.
COLD HARBOR DISTRICT

CECIL R. HARRIS, JR.
COUNTY ADMINISTRATOR



HANOVER COURTHOUSE

HANOVER COUNTY

ESTABLISHED IN 1720

DEPARTMENT OF FINANCE AND MANAGEMENT SERVICES

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November 3, 2010

The Honorable Members of the Board of Supervisors
Citizens of the County
County of Hanover, Virginia

Honorable Members of the Board of Supervisors and Citizens of the County of Hanover:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Hanover County (the County) for the fiscal year ended June 30, 2010. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Virginia Auditor of Public Accounts (APA).

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and fairness of presentation of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed to ensure compliance with applicable laws, regulations and County policies, safeguard the County's assets, and compile sufficient reliable information for the preparation of the County financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and accurate in all material respects, and presents fairly the financial position and results of operations of the various funds and component units of the County.

This report is intended to provide informative and relevant financial information for the citizens of the County, the Board of Supervisors (the Board), investors, creditors and other concerned readers. All are encouraged to contact the Department of Finance with any comments or questions concerning this report.

The County's financial statements have been audited by Cherry, Bekaert and Holland, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2010, are fairly presented, in all material respects, in conformity with GAAP. The auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's compliance with the financial and administrative requirements applicable to each of the County's major federal programs. These reports are available in the Compliance Section of this report.

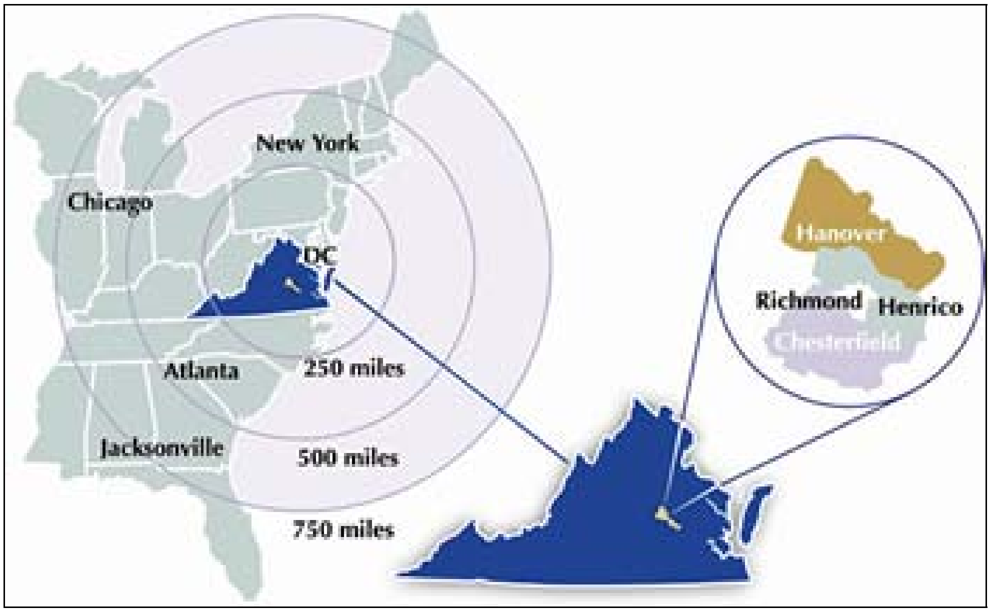
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Profile of the County

The County was formed on November 26, 1720, by the Virginia General Assembly in "An Act for dividing New Kent County." It is named for King George I of England, who, at the time he came to the throne, was Elector of Hanover in Germany. Two of the County's native sons, Patrick Henry and Henry Clay, distinguished themselves as orators, patriots and statesmen in the early history of this Country. Prior to English colonization in the seventeenth century, the Pamunkey Indians populated this area. The northern boundary, the Pamunkey River, carries their name and they maintain a reservation on the lower part of the river in neighboring King William County. The Town of Ashland is located in central Hanover County and was incorporated in 1858.

The County currently employs the traditional board form of County government with a county administrator. Policies governing the administration of the County are set by a seven-member Board of Supervisors elected from seven magisterial districts. This body also has responsibility for appointing the county administrator. The County has taxing powers subject to statewide restrictions and tax limits.

Located in central Virginia, Hanover County is a 90-minute drive south of the nation's capital, Washington D.C., and 15 minutes north of the Commonwealth's capital, Richmond. Hanover County is more than 470 square miles in area, and is strategically located in the northern Greater Richmond Region, which also includes the City of Richmond and the counties of Chesterfield and Henrico. Hanover is bordered by the Counties of Caroline, King William, New Kent, Henrico, Goochland, Spotsylvania and Louisa and by the Pamunkey, North Anna and Chickahominy Rivers. The South Anna River is also located in the County. Home of the internationally renowned Hanover tomato, the County offers an appealing blend of both historic houses and the latest new home developments, a nationally recognized suburban school system, and a resilient economy with a balance between residential, commercial, industrial and agricultural tax bases.



The offices of the Board of Supervisors, County Administrator, County Attorney, Commissioner of the Revenue, Treasurer, Registrar, and the departments of Human Resources, Finance, Internal Audit, Assessor, Public Information, Purchasing, General Services, and Information Technology constitute the general government administration of the County. The officers, along with the staff of the various departments, implement the laws and policies of the County by developing and executing the procedures that are necessary in order to provide general support services to residents of the County.

The Court system is made up of the Circuit Court, General District Court, Magistrate, Juvenile and Domestic Relations Court, Clerk of the Circuit Court, Court Services, and Commonwealth's Attorney. The public safety operations of the County include the Sheriff, Pamunkey Regional Jail, Juvenile Court Services Unit, Community Corrections, Emergency Communications, Fire and Emergency Medical Services, Animal Control and Building Inspections.

Public Works administers capital projects of the County, maintains the stormwater management program, administers the State-sponsored erosion and sediment control law, and oversees solid waste management, the Cannery, the County Airport and the recycling service district operations. Facilities Management provides property management of all County-owned, nonschool related properties.

The Department of Social Services determines eligibility for public assistance programs, which are mandated by federal and state law. The Community Services Board provides mental health, mental retardation, and substance abuse services. In addition, it provides adult services, group home services, and supervised living services. Hanover is served by the Regional Health District of Hanover, Goochland, New Kent, and Charles City. Other human services expenditures include the Tax Relief for the Elderly and Disabled Program and services as required by the Comprehensive Services Act.

Parks and Recreation provides and promotes leisure services such as park activities, educational and hobby programs, senior citizen activities, youth programs, adult athletic leagues, bus tours, special events, and other activities for County residents in addition to maintenance of the County's grounds. The Pamunkey Regional Library provides public library service to the County through six branch libraries, the bookmobile and remote access to the library collection through the library's web site.

The Planning Department is responsible for the Comprehensive Plan; demographics; and the acceptance, review, and disposition of all land use and subdivision applications. The Geographic Information System Office is responsible for developing, maintaining, and distributing geographic related data sets and applications. The services of the Economic Development Department are designed to attract, retain, generate, and facilitate expansion of high quality business and industry resulting in a stable and diverse local economy and an improved standard of living for the residents of the County.

The County's Department of Public Utilities operates and maintains public water and sanitary sewer systems in the "Suburban Service Area" (the crescent-shaped area north of the Chickahominy River, generally between Route 1 and Creighton Road and includes the Town of Ashland), the Doswell area, the Route 33 area, and the Hanover Courthouse area. The County provides utility service to approximately 20,125 water and 18,350 wastewater customers.

The County provides education through its school system administered by the Hanover County School Board (School Board) and promotes industry through the Economic Development Authority (the EDA). These agencies have been classified as discretely presented component units in the accompanying financial statements because, under GASB pronouncements, they are legally separate entities for which the County is financially accountable. The School Board administers the County's schools and administers its own appropriations within the categories defined by the *Code of Virginia*, but is fiscally dependent upon the County because the Board of Supervisors approves the budget, levies the necessary taxes to finance operations and issues debt to finance capital projects. The Board of Supervisors also approves transfers between education funds, and appoints School Board members. The EDA has the power to issue tax-exempt industrial development revenue bonds to qualifying enterprises wishing to utilize that form of financing. Those bonds represent limited obligations of the EDA and are to be repaid solely from the revenue and receipts derived from the projects funded with the proceeds. The debt outstanding does not constitute a debt or pledge of the faith and credit of the County or the EDA.

The annual budget serves as the foundation of the County's financial planning and control. All agencies of the County generally submit requests for appropriation to the County Administrator on or before December 1 each year. The County Administrator uses these requests as the starting point for developing a proposed budget. The County Administrator then presents the proposed budget to the Board. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the County's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., Sheriff's office) with the budget appropriation resolution adopted by the Board of Supervisors placing legal restrictions on expenditures at the fund level.

To address changes to the fiscal plan, the Board of Supervisors has also adopted a budget policy which establishes thresholds for making adjustments to the adopted budget. The budget policy generally authorizes the County Administrator to transfer amounts as needed within a department's budget, and to transfer amounts between departments and between capital projects up to a limit of $25,000. The Board of Supervisors must approve all other transfers and all requests for supplemental appropriations. The School Board is authorized to transfer budgeted amounts within the school funds, with any transfer that increases total revenues requiring subsequent Board of Supervisors approval. Budget-to-actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented at Exhibit 6 as part of the basic financial statements. A more detailed General Fund budget-to-actual comparison by department is presented at Exhibit 13, and budget-to-actual comparisons for other governmental funds with appropriated annual budgets are presented in the Supplementary Information subsection of this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local economy:

Based on its strategic location in the northern Greater Richmond region of the mid-Atlantic and its suburban/rural character, the County is an attractive location for businesses relocating or expanding and for developers interested in the opportunities in the area's residential and commercial markets. The County is primarily served by Interstates 95 and 295, with Interstate 95 connecting the County to the metropolitan Richmond area to the south and providing the passage to Washington, D.C. to the north. Interstate 295 connects the eastern and western portions of the County together and represents the northern "loop" around the metropolitan Richmond area.

During fiscal year 2010, the County continued to feel the effects of the national recession, which it first started to feel in the fall of 2008. However, based on the last three national recessions and recent economic indicators, Hanover County has consistently experienced, and continues to expect to experience a shorter duration and a buffered impact, due to the financial strength of Virginia's economy, the proximity to the Richmond economic base, and the stabilizing influence of the Federal government's presence in the Northern Virginia region.

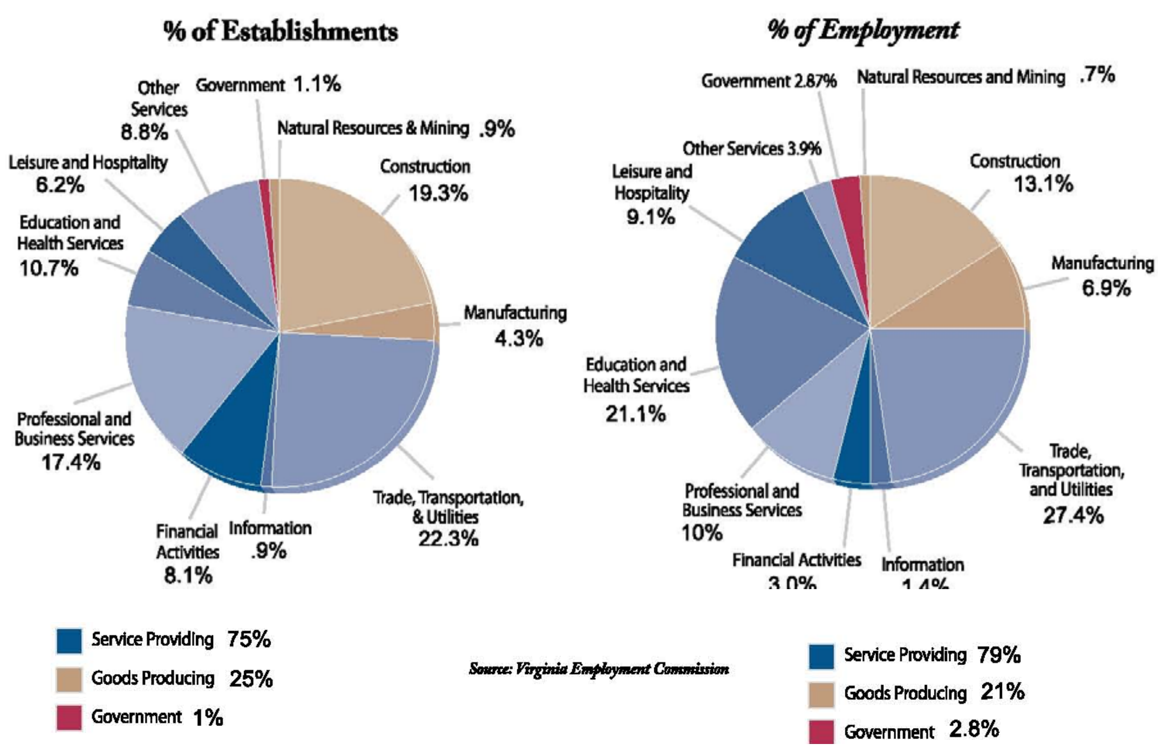
For example, as the following chart illustrates, based on the most recent estimates available, Hanover enjoys a high per capita income and a median household income higher than the national and State averages. Importantly, Hanover's per capita income is 8.1% above the United States' per capita income and only 1.4% below the Commonwealth's. In addition, Hanover's median household income has increased 37.0% from $57,367 in 1998 to an estimate of $78,580 in 2008, the latest year for which estimates are available, compared to the Commonwealth of Virginia's increase of 43.6% to $61,233 and the United State's increase of 37.0% to $52,029 during the same period.

The County also continues to attract and maintain diverse sectors of employment. Historically, the County's major employment sectors have been in services, retail and wholesale trade, and construction. The County has benefited from the stability each of these sectors has maintained in terms of each sector's percentage of total employment, although during the recession, trade and services have increased in total percentage of employment, as construction has declined moderately. As illustrated in the chart immediately below, this characteristic has contributed to consistently low levels of unemployment in the County over a long period, in comparison to the State and the nation, while the subsequent chart illustrates Hanover's percentage of business establishments by industry sector for the second quarter of fiscal 2010.

	Hanover County	Virginia	United States
1999	1.4%	2.7%	4.2%
2000	1.6%	2.3%	4.0%
2001	2.5%	3.2%	4.7%
2002	3.3%	4.2%	5.8%
2003	3.2%	4.1%	6.0%
2004	3.0%	3.7%	5.5%
2005	2.9%	3.5%	5.1%
2006	2.5%	3.0%	4.6%
2007	2.4%	3.0%	4.6%
2008	3.4%	3.9%	5.8%
2009	6.5%	6.7%	9.3%

Source: Virginia Employment Commission, Local Area Unemployment Statistics.

Percentage of Business Establishments by Industry Sector - Second Quarter Fiscal 2010



As shown in the following chart, another factor illustrating the resiliency of the County's economic base is the strong rise in overall retail sales in the County over a ten year period on a per capita basis, which reflects generally increasing income levels and an increase in commercial sales, with 8 of the 10 years reflecting annual growth and 4 of the 10 years reflecting double digit annual growth. Overall taxable sales increased 45.3% and per capita taxable sales increased 21.7% between 2000 and 2009, with the recession's impact factored in.

Hanover County Taxable Sales ($000)		% Increase	Per Capita Taxable Sales
2000	$ 990,244	9.6%	$ 11,472
2001	1,005,513	1.5%	11,262
2002	1,022,980	1.7%	11,143
2003	1,131,363	10.6%	12,052
2004	1,247,286	10.2%	13,023
2005	1,316,798	5.6%	13,491
2006	1,524,937	15.8%	15,376
2007	1,677,157	10.0%	16,652
2008	1,605,944	-4.2%	15,374
2009	1,438,741	-10.4%	13,965
Source: Commonwealth of Virginia, Department of Taxation			

Although the impact of the recession is clearly seen in the above numbers for 2008 and 2009, the County's fiscal year 2010 sales tax revenues were down a moderate 4.5% in comparison to fiscal 2009 revenues, and the most recent data on sales tax revenues, as discussed under *Economic Factors and Next Year's Budgets and Rates* in the accompanying *Management's Discussion and Analysis*, shows that sales tax receipts have exceeded the same-month receipts in the prior year in four of the most recent six months for which data is available as of the date of this report, and management does not currently expect a significant decline, if any, from fiscal year 2010 sales tax revenue in fiscal year 2011's sales tax revenue.

To foster employment growth for its citizens, Hanover County has placed a very strong focus on continuing economic development for many years, and in 2010 was recognized by Forbes.com as one of the nation's ten ***Best Places to Get Ahead***. In making this ranking, Forbes.com ranked all 3,142 counties in the country by job growth between the second quarter of 2007 and the second quarter of 2009 (the most recent quarter for which county-level statistics are available), using data from the U.S. Department of Labor, and by growth in median household income over $75,000 per year between 2007 and 2008, the most recent year that the data are available from the U.S. Census Bureau. By this independent measure, Hanover County ranked in the top four-tenths of 1% of all counties in the country. While any unemployment is too high, Hanover County is pleased that its efforts to generate economic opportunities for its citizens is achieving notable success even in the recession, and is committed to continue those efforts. As further described below and in note V.D to the accompanying financial statements, a new part of that commitment was initiated in fiscal 2010, with the establishment of the Dominion Resources GreenTech Incubator, to foster the development of new "clean and green" industries in Hanover County. To further illustrate the steady creation of new business and employment opportunities within the County during the recession, the following chart shows the creation of new start-up firms in Hanover on a quarterly basis both before and during the recession.

HANOVER COUNTY
ECONOMIC DEVELOPMENT

New Startup Firms

Continuously Created throughout the Recession

	Hanover County
1st Qtr. 2007	87
2nd Qtr. 2007	40
3rd Qtr. 2007	41
4th Qtr. 2007	21
1st Qtr. 2008	71
2nd Qtr. 2008	34
3rd Qtr. 2008	32
4th Qtr. 2008	33
1st Qtr. 2009	27
2nd Qtr. 2009	34
3rd Qtr. 2009	40
4th Qtr. 2009	28
1st Qtr. 2010	41

Note: The following criteria was used to define new startup firms:
1.) Setup and liability date both occurred during 1st Quarter (January, February, March) 2010
2.) Establishment had no predecessor UI Account Number
3.) Private Ownership
4.) Average employment is less than 250
5.) For multi-unit establishments, the parent company must also meet the above criteria.

Source: Virginia Employment Commission,
Quarterly Census of Employment and Wages (QCEW), 1st Quarter (January, February, March) 2010.

Of interest, Hanover's continued economic development in a resilient economy, consistently strong financial operations, strong reserves, diverse tax base, and long track record of sound fiscal management were among the factors cited in awarding Hanover County AAA bond ratings by all three of the major credit rating agencies: Standard and Poor's, Moody's and Fitch Ratings. Hanover is one of only 36 counties nationwide to have earned this designation, and is the smallest by population to have done so.

Also as further discussed under *Economic Factors and Next Year's Budgets and Rates* in the accompanying *Management's Discussion and Analysis*, rather than the significant housing market declines felt by much of the nation, the County's 2010 real property tax base remained substantially unchanged from the prior year's level, and initial assessment data currently forecast a relatively modest 2.7% overall decline in the 2011 assessment, which gives rise to approximately 50% of the County's general fund revenues. Hanover's long-term focus and demonstrated commitment to planned growth, which spans over three decades, is the most significant factor in preventing the double digit appreciation and declines felt throughout the State, and most prominently in Northern Virginia. As a result of the County's continual focus on timely revenue forecasting and conservative budgeting, the decline is not expected to have any impact on the general fund's undesignated fund balance or service levels.

Despite now being two years into the recent downturn in the economy, Hanover County remains strong, resilient and flexible, as demonstrated by the following factors:

- The County's commitment to remaining a low tax locality is reflected in its real property tax rate, which has remained at $0.81 cents per $100 of assessed value for the 2010 tax year. Hanover continues to have the lowest tax rate in the region combined with an overall positive economic environment, which has enabled the County to continue to thrive economically.
- Hanover's long-term facility requirements were substantially met with the 2005 referendum projects. Accordingly, the County is in a positive position of having reduced capital financing and cash funding needs in the five-year plan, which has provided for enhanced flexibility in financial planning. Recent capacity from new schools and additions combined with flat enrollment growth has provided that 2019 is the year that the next new school is anticipated. In addition, the replacement program for seven fire and emergency medical services stations is projected to be completed in fiscal 2011, finishing all seven major station projects.

<u>Economic development update:</u>

The Board of Supervisors' adopted Economic Development Strategic Plan encourages and supports growth of existing and new businesses. This plan outlines the County's four major economic development goals: expansion of the tax base, economic stability, job retention, and job creation. The plan identifies target industries, the utilization of incentives, the establishment of economic development zones for infrastructure enhancement, and revisions to the County's development regulations. The Board completed a Comprehensive Plan update in 2007, which added significant new business designations to the area west of Route 33 to Hylas and northeast of Ashland, along Interstate 95. The Department of Public Utilities is currently working on a project to extend water and sewer service to the Route 33 corridor. These improvements are expected to be completed by 2013.

DOMINION RESOURCES
GREENTECH
INCUBATOR
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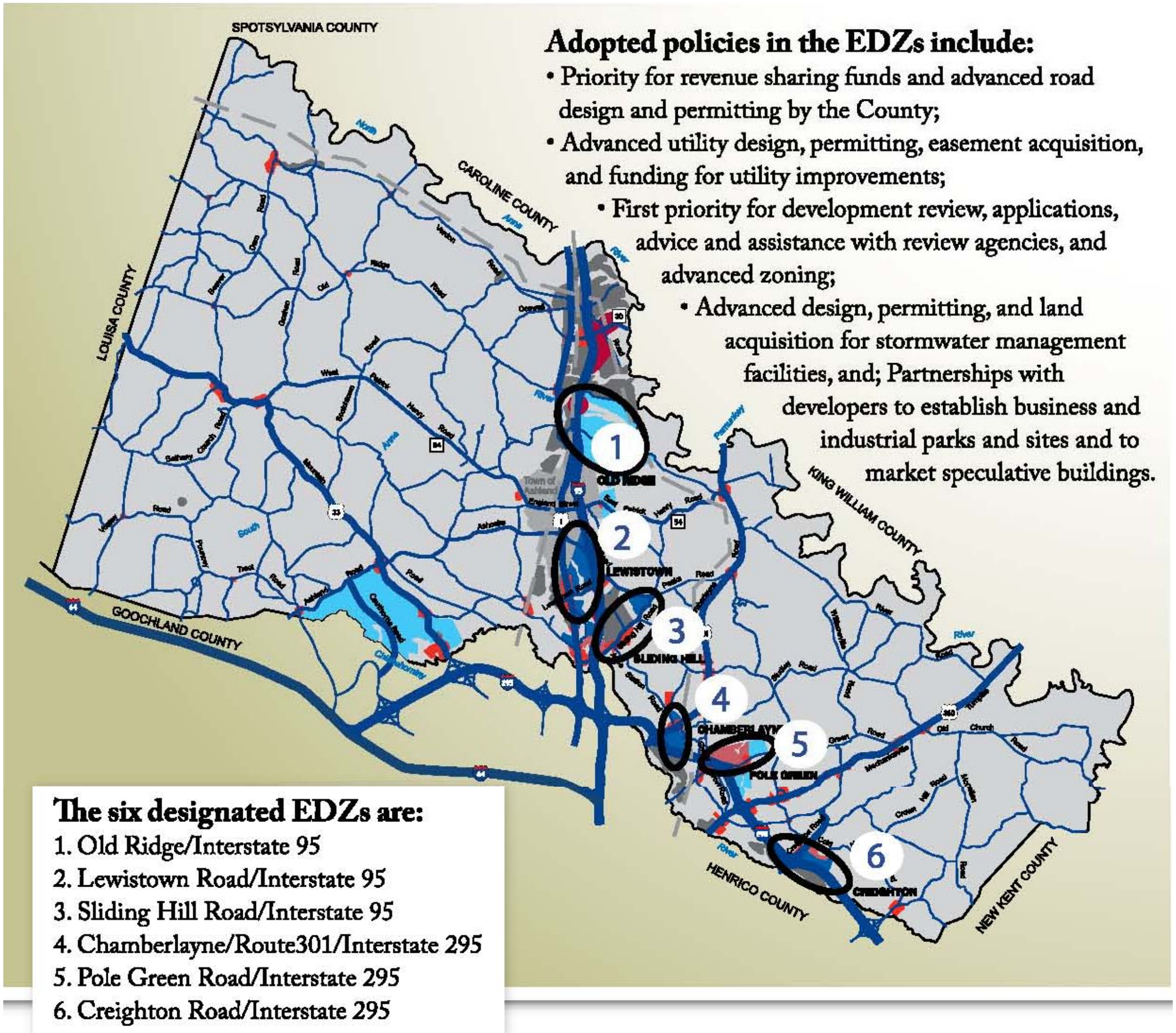
Hanover's newest economic development project, started in January 2010, is the Dominion Resources GreenTechnology Incubator (DRGI), founded in partnership with Dominion Resources, the Town of Ashland, the Virginia Biotechnology Research Park, and the Virginia Biosciences Development Center. The mission of DRGI is to incubate domestic startup companies, which are commercializing new alternate energy technologies and to commercialize early stage international companies that are seeking to enter the U.S. market. Currently, four companies are resident at DRGI.

Hanover's six Economic Development Zones (EDZs) give priority consideration for development of infrastructure and fast track permitting to support new and expanding industrial and office projects in the County. Selection of the EDZs was based on several factors: Comprehensive Plan designation, site location, cost to serve the site with infrastructure, the amount of product currently available for sale, and the level of private sector activity occurring in the area. The County's commercial tax base continues to grow through a combination of existing business expansions and new business attraction. The following map provides more information and a visual representation of the locations of the six EDZs within the County.



In addition, the County's four newest business parks have over 600 acres of zoned property and over one million square feet of office and commercial space that are now generating revenue for the County and creating high-quality employment opportunities for residents. Owens & Minor, a Fortune 500 company, is located at the Atlee Station office park and employs approximately 500 people. Owens & Minor purchased an additional 50 acres surrounding its corporate offices for future expansion. Bass Pro Shops opened a 158,000 square foot retail store at Winding Brook in September 2008. Country Vintner, a distributor of wine, opened its 130,000 square foot headquarters and distribution center in Northlake, in July 2008. The latest addition to Hanover's business community is Hanover Foils, which recently leased the 80,000 square-foot former Philip Morris research facility in the Ashland Business Park. The Atlee/Elmont interchange area contains over 350 acres planned for retail, hotel, commercial, and industrial development. Bell Creek Business Park continues to expand with the addition of medical office space and a proposed nursing home facility. Rutland, a mixed use community, witnessed the opening of a full-service Kroger and other supporting retail uses, and the office component is just beginning to come on line. Commercial and industrial development has accounted for 33 percent of the total value of building permits issued in Hanover between 2003 and August, 2010.

Long-term financial planning:

The County has long been recognized as formulating detailed public plans for its long-term financial planning. Planning enables the County to appropriately analyze issues and initiatives, receive public comment during public hearings, and formulate desired service level plans and phase-in funding to attain desired goals over the long term. Primarily, these long-term financial plans include the Five-Year Capital Improvements Program and Five-Year Financial Plan:

- Capital Improvements Program (CIP): The CIP is the County's plan for investing in facilities, equipment, and vehicles over the next five years, and includes those items with a unit cost greater than $50,000. The fiscal year 2011 capital budget for County, School and Public Utility projects is $30.1 million. This budget includes $5.5 million of projects approved in the 2005 referendum. The County's budget policies recommend the use of "pay-as-you-go" CIP funding of 10% or more, to recognize the need to balance the use of debt with the use of other resources for funding. The fiscal year 2011 Five-Year CIP includes 32% of "pay-as-you-go" funding (from non-debt sources). The CIP recognizes the continued accumulation and utilization of the School and County Savings Plan.
- Bond Referendum: A referendum for $95.1 million was included on the November 2005 ballot in the form of three questions; one each for funding schools, public safety and parks and library projects. The referendum approval ratings were some of the highest in the State, ranging from 79.2% for schools to 73.2% for parks and library projects. Hanover voter turnout was the fifth highest in the State and demonstrated strong support of the CIP. Of the $95.1 million of debt that was approved by the voters, $55.2 million was issued through June 30, 2009 with $26.4 million issued in January, 2010. The final installment of $13.5 million is planned for issuance in December, 2010.
- Five-Year Financial Plan: The County's Five-Year Financial Plan represents the County's effort to quantify the fiscal impacts of future needs, matched with a projection of General Fund resources available to meet those needs. Each year this plan is adopted by the Board of Supervisors, thereby indicating to the public the County's expected tax rates, operating costs, capital improvements, debt service requirements, school allocations and service level plans. The plan is illustrated with detailed assumptions in the overview section of the budget document. Generally, the plan seeks to maintain or enhance all current budgetary objectives and Board-adopted initiatives.

Relevant financial policies:

The County also follows Board-adopted financial policies, including Accounting, Budget, Debt, Fund Balance, Investments and Deposits, Purchasing, Deferred Compensation 457(b) and 403(b) Plan Investment, Revenue, and Travel and Business Expense policies. These policies are periodically reviewed, with amendments approved by the Board as necessary. To add clarification and more detail, most policies have associated regulations which are approved by the County Administrator.

Major initiatives and accomplishments:

During fiscal year 2010, several of the November 2005 voter-approved referendum projects were completed, including: the Ashland and Farrington replacement fire stations, which held their opening ceremonies in September 2009, multiple parks projects, and installation of the County's new 15-site, 12-channel digital communications system. A closely related referendum project, the new Emergency Communications Center, was completed and began full operations in August 2010. In addition, the Dominion Resources GreenTech Incubator, as more fully discussed under *Economic Development Update* above, was successfully initiated in fiscal 2010.

Hanover County Public Schools maintains an excellent reputation for offering a safe, caring and challenging education experience for its students. The system is ranked in the top five percent in Virginia for student achievement and has earned ten U.S. Department of Education Blue Ribbons for Excellence, including three No Child Left Behind (NCLB) Blue Ribbon Awards. The low dropout rate (less than 1 percent) reflects a commitment to the creation of intervention strategies for at-risk students. For nine consecutive years, one hundred percent (100%) of Hanover schools have earned full accreditation based on the Virginia Standards of Learning assessments. The school district is among the first school districts in Virginia to receive district accreditation from the Southern Association of Colleges and Schools Council on Accreditation and School Improvement, an accreditation division of AdvancED. A world-class education system is one of the County's foremost priorities, and the following chart highlights a few of Hanover Schools' achievements of which all citizens of Hanover are most proud

Academic Excellence

99.7% of Hanover teachers are "highly qualified" as defined by the federal No Child Left Behind Act.

Hanover claims the second highest cohort graduation rate and the third lowest cohort dropout rate in the state among divisions with enrollment of 15,000 or more students.

2nd highest cohort graduation rate

2% Hanover high schools are among only 2 percent of American high schools which offer AP (Advanced Placement), IB (International Baccalaureate) and dual enrollment options to their students.

Hanover leads the metro Richmond area in the number of students participating IB classes, and the students score above the international average on the very rigorous on the (IB) exams.

Hanover leads the metro Richmond area in the following assessments by the Virginia Department of Education: Advanced Diplomas, Graduation Rate, Third Grade English, Third Grade History, Third Grade Math, Eighth Grade Writing, Algebra, World History, and Biology.

The average elementary student-to-classroom teacher ratio is 20.7:1.

20.7:1 teacher ratio

Top 100 for Music Education

Hanover Hanover has been named one of Top 100 Communities in America for Music Education.

More than 29 world languages are native to Hanover's growing number of Limited English Proficient (LEP) students.

29 world languages

Awards and Acknowledgements

Fiscal 2010 was a year of significant recognition for Hanover County. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. The County has received this prestigious award each fiscal year since 1985. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized CAFR, which satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2010-2011. The County has received this prestigious award each fiscal year since 1990. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

In 2010, Hanover County became only the second county government in Virginia to receive a U.S. Senate Productivity and Quality Award (SPQA). Hanover County was the only 2010 recipient of the SPQA Certificate for Commitment to Performance Excellence. A non-profit, all-volunteer organization, Virginia SPQA administers the Commonwealth's version of the national Malcolm Baldrige Program, which is used by many top public and private organizations as a proven business model. Only 79 private, public and non-profit businesses in Virginia have received the SPQA Award since its inception in 1983. Hanover Public Schools was Virginia's first School District to receive the SPQA for Continuing Excellence.

The Department of Economic Development received a 2010 Virginia Association of Counties' (VACo) Achievement Award for its Dominion Resources *GreenTech* Incubator partnership with the Town of Ashland, Dominion Resources, the Virginia BioTechnology Research Park (VBRP) and the Virginia Biosciences Development Center. Opened in January, the *GreenTech* Incubator program aims to develop ('incubate') high-technology growth companies that will offer innovative products and services in the alternative energy field and other clean and green technologies. It also seeks to provide a "soft landing" for international green technology companies. The County hopes this program will create 25 flourishing businesses in Hanover County over the next five years. VACo's Achievement Awards program recognizes innovative, model county government programs across the State. Only 14 programs in the Commonwealth won a VACo Achievement Award this year.

Two of the other honors realized by Hanover County this year included:

Fire/EMS won a 2010 National Association of Counties (NACo) Achievement Award for a "Quick Response Vehicle" program which has improved response times for EMS calls by more than 8%. NACo judged this submission as its Best in the Public Safety category.

The International Academies of Emergency Dispatch (IAED) accredited the Hanover County Department of Emergency Communications as an Emergency Fire Dispatch Center of Excellence. Hanover County is the 14th Emergency Dispatch Center in the world to be awarded this highest distinction. Two years ago, the Department became only the 123rd agency in the world to be accredited as an Emergency Medical Dispatch (EMD) Center of Excellence by the IAED.

The County utilizes its website www.co.hanover.va.us for a variety of purposes, which include presentation of the audit report and budget document. The budget document serves as the best source of information for County's current and five year financial plan, new initiatives, capital improvements program and changes in service levels. In addition, the website provides many other topics of interest to County residents and service providers, and provides an excellent forum to recognize outstanding employees and their accomplishments. While many of those accomplishments could also be highlighted in this report, the remainder of this report will focus on the County's fiscal year 2010 results of operations and on an analysis of the financial statements.

The preparation of this report would not have been possible without the efficient and dedicated services of the Department of Finance. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report, especially Craig Eastman, Accounting Division Director, as well as Barbara Horlacher and Donna Neely, for their equally key contributions. Credit also must be given to the Board for their unfailing support for maintaining the highest standards of professionalism in the management of the County's finances.

Respectfully submitted,

Cecil R. Harris, Jr.

Cecil R. Harris, Jr.
County Administrator

Kathleen T. Seay

Kathleen T. Seay, CPA, CISA
Director of Finance and Management Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Hanover Virginia

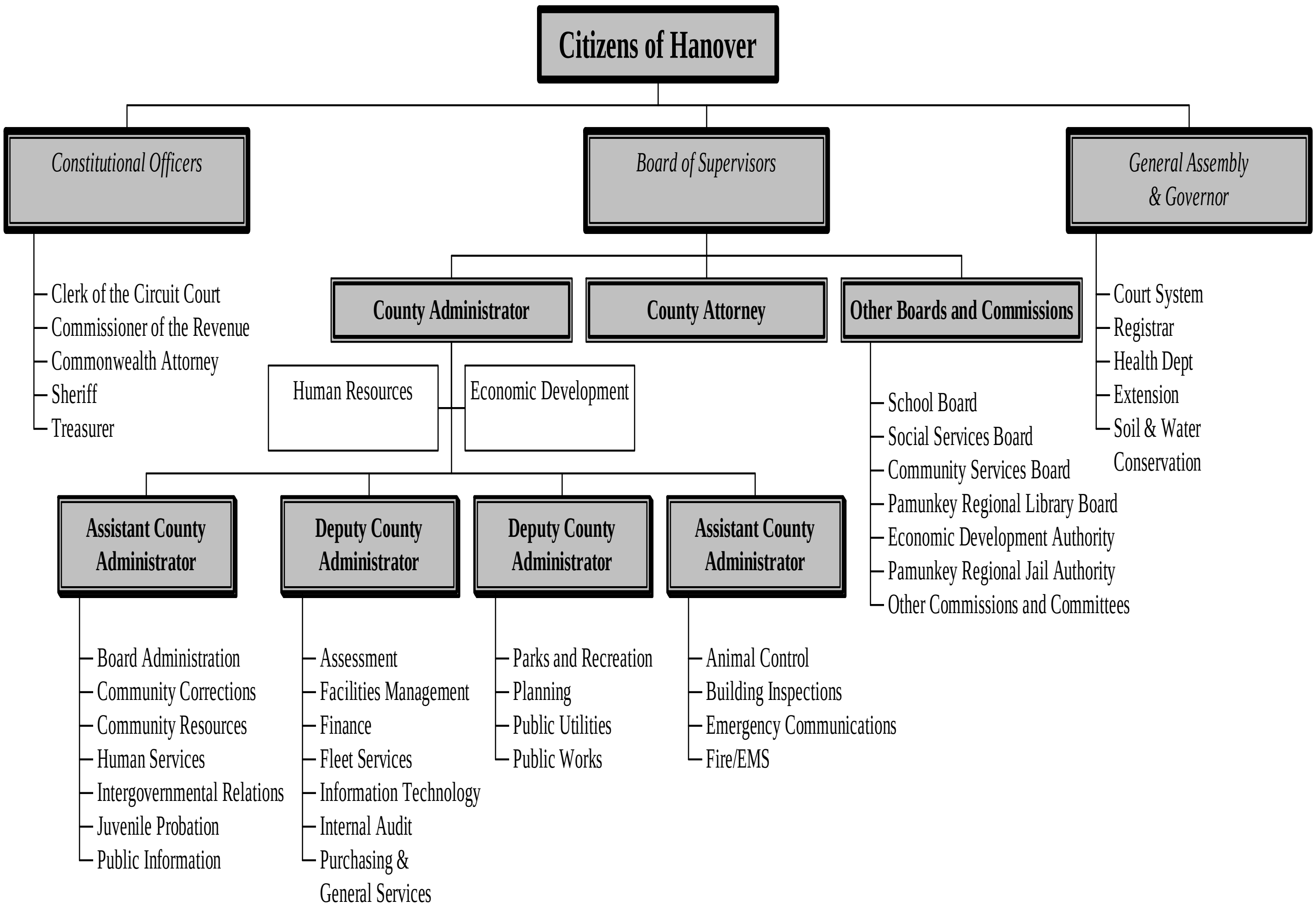
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

County of Hanover, Virginia
Organizational Chart



DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2010

Board of Supervisors

G. E. Via., Chairman	Ashland District
Deborah Coates, Vice-Chairman	Mechanicsville District
John E. Gordon, Jr.	South Anna District
Charles D. McGhee	Henry District
Robert R. Setliff	Chickahominy District
Aubrey M. Stanley	Beaverdam District
Elton J. Wade, Sr.	Cold Harbor District

Constitutional Officers

T. Scott Harris	Commissioner of Revenue
M. Scott Miller	Treasurer
Trip Chalkley	Commonwealth's Attorney
Col. David R. Hines	Sheriff
Frank D. Hargrove, Jr.	Clerk of the Circuit Court

County Administrative Officials

Cecil R. Harris, Jr.	County Administrator
Sterling E. Rives, III	County Attorney
Joseph P. Casey	Deputy County Administrator
John H. Hodges	Deputy County Administrator
James P. Taylor	Assistant County Administrator
Kathleen T. Seay	Director of Finance and Management Services

School Board

John F. Axselle, III, Chairman	Beaverdam District
Ann F. H. Gladstone, Vice Chairman	South Anna District
Sue Forbes Watson	Ashland District
Robert L. Wood	Cold Harbor District
Earl J. Hunter, Jr.	Henry District
Glenn T. Millican, Jr.	Mechanicsville District
Robert L. Hundley, Jr.	Chickahominy District

School Administrative Officials

Dr. Stewart D. Roberson	Superintendent of Schools
Dr. Michael E. Thornton	Asst. Superintendent for Business and Operations
Dr. Jamelle S. Wilson	Asst. Superintendent of Instructional Leadership
Charla S. Cordle	Asst. Superintendent of Human Resources
Dr. Wade A. Valentino	Asst. Superintendent of Policy and Administration
Paul Vecchione	Asst. Superintendant of Support Service
Terry S. Stone	Director of Financial Operations

FINANCIAL SECTION

CHERRY BEKAERT& HOLLAND

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Honorable Members of the Board of Supervisors
County of Hanover, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia, (the "County") as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2010, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Schedules of Funding Progress - Virginia Retirement System and Retiree Medical Benefits Trust (Exhibit 12) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County. The combining and individual nonmajor fund financial statements and schedules, including the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Bekaert + Holland, LLP

Richmond, Virginia
November 3, 2010

County of Hanover, Virginia
Management's Discussion and Analysis

As management of the County, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2010. We encourage readers to consider this discussion and analysis in conjunction with our letter of transmittal in the Introductory Section of this report, and the County's financial statements which follow this discussion and analysis.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of fiscal year 2010 by $330.8 million (*net assets*). Of this amount, $73.2 million (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets increased by $12.3 million, of which the governmental activities increased by $11.4 million and business-type activities increased by $0.9 million.
- As of the close of fiscal year 2010, the County's governmental funds reported combined ending fund balances of $58.5 million, an increase of $12.4 million from prior year. Of the $58.5 million total, 88.0% ($51.5 million) is available for spending at the County's discretion (*unreserved fund balance*).
- Undesignated fund balance for the General Fund was $24.5 million, which remained the same as the fiscal 2009 year-end amount, and 12.6% of total General Fund revenues (up from 12.3% in fiscal 2009). This exceeds the County's undesignated fund balance policy minimum of 10% of total General Fund revenues. In addition, the General Fund's designated fund balance totaled $11.6 million, an increase of $3.8 million, consisting primarily of a new $2.0 million designation for future school needs, and a $1.6 million increase, to $3.7 million, in the amount designated for revenue stabilization.
- The County's total debt increased by $13.0 million (6.8%) during fiscal year 2010. The net increase was primarily the result of the issuance of $27.2 million of general obligation bonds in January 2010, and the issuance of a $2.4 million capital lease in June, 2010, offset by principal payments of $16.3 million. The new general obligation debt was approved with the November 2005 referendum to fund capital projects for public safety, parks and library, and schools, while the new capital lease funded the acquisition of offices for Hanover's Community Services Board and economic development department.
- In April, Moody's recalibrated its long-term U.S. municipal bond ratings, resulting in a new Moody's long-term rating on the County's General Obligation Public Improvement and Refunding Bonds, series 2002 through 2010, to its highest rating, Aaa. With this recalibration, these Bonds attained the highest available rating from all three of the major municipal securities rating agencies (Fitch Ratings, Standard & Poor's, and Moody's).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of how the financial position of the County may be changing. Increases in net assets may indicate an improved financial position; however, even decreases in net assets may reflect a changing manner in which the County may have used previously accumulated funds.

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County which are principally supported by taxes, intergovernmental revenues, and other non-exchange transactions (*governmental activities)* from other activities which are intended to recover all or a significant portion of their costs primarily through user fees charged to external parties (*business-type activities*). The governmental activities of the County include general government administration; judicial administration; public safety; public works; human services; parks, recreation and cultural; community development; education; and interest on long-term debt, as well as the County's self-insurance and fleet management activities. The business-type activities consist of public utilities and the airport.

The government-wide financial statements (Exhibits 1 and 2) include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate economic development authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

With the exception of *internal service fund* activity, (described under *Proprietary Funds which follows)*, ***Governmental Funds*** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The County maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the County Improvements Fund and the School Improvements Fund; all three of which are considered to be *major funds*. Data from the other two County funds, the Comprehensive Services Fund and the Community Services Fund, are combined into a single, aggregated presentation. Individual fund data for each of these *nonmajor* governmental funds is provided in the form of *combining statements* at Exhibits 16 and 17 of this report. The County adopts an annual appropriated General Fund budget, for which a budgetary comparison statement has been provided to demonstrate compliance with this budget. The governmental fund financial statements can be found at Exhibits 3 through 6 of this report.

The County maintains two different types of ***Proprietary Funds***: enterprise and internal service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its public utilities fund and its airport fund (a nonmajor fund). *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its fleet management and its healthcare and other postemployment benefit self-insurance activities. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The proprietary fund financial statements can be found at Exhibits 7 through 9 of this report.

Fiduciary funds are used to account for resources received and held in a fiduciary capacity for the benefit of individuals, private organizations, or other governments. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. However, the County is responsible for ensuring that fiduciary fund assets are used for their intended purposes. The County's fiduciary funds consist of an employee benefit trust fund, the Retiree Medical Benefits Trust Fund, and Agency Funds. The Retiree Medical Benefits Trust Fund is used to account for the receipt and disbursement of employer contributions and assets held in trust to provide healthcare benefits to retirees, and agency funds are used to report resources held in a purely custodial capacity for individuals, private organizations or other governments. The fiduciary fund financial statements can be found at Exhibits 10 and 11 of this report, while individual fund data for the agency funds can be found in the form of combining statements at Exhibits 23 and 24 of this report.

Notes to the financial statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligations to provide pension and other postemployment benefits to its current and future retirees. This required supplementary information can be found at Exhibit 12 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and agency funds, and individual fund statements and schedules are presented immediately following the required supplementary information, at Exhibits 13 through 32 of this report.

This report also contains a statistical section that supplements the basic financial statements by presenting detailed trend information, to assist the users to assess the economic condition of the County. We encourage our readers to review the statistical section, to better understand the County's operations, services and financial condition.

Finally, this report contains a compliance section, including the County's Schedule of Expenditures of Federal Awards and related notes, and the independent auditors' required reports on compliance and internal control.

Financial Analysis of the County as a Whole

Statement of Net Assets

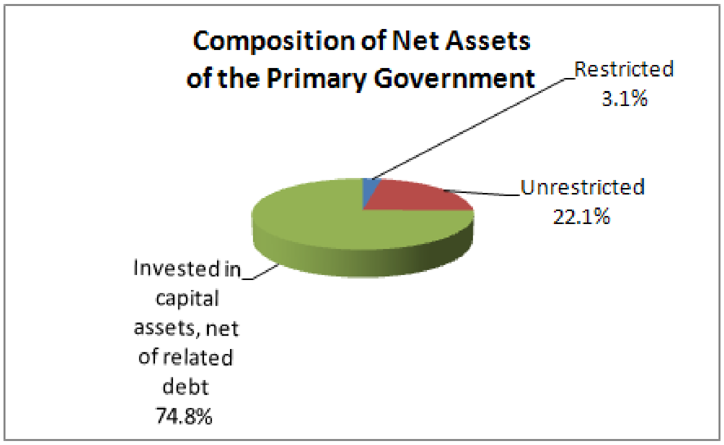
Table 1 summarizes the Statements of Net Assets for the primary government as of June 30, 2010 and 2009:

Table 1	**County of Hanover, Virginia Summary of Net Assets ($ in millions)**					
	Governmental Activities		**Business-type Activities**		**Total Primary Government**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Current and other assets	$ 130.0	$ 116.1	30.7	37.7	160.7	153.8
Capital assets	242.9	231.7	207.9	201.2	450.8	432.9
Total assets	372.9	347.8	238.6	238.9	611.5	586.7
Long-term liabilities outstanding	178.9	163.7	37.5	38.6	216.4	202.3
Other liabilities	61.7	63.2	2.6	2.7	64.3	65.9
Total liabilities	240.6	226.9	40.1	41.3	280.7	268.2
Net assets:						
Invested in capital assets, net of related debt	76.1	75.9	171.4	163.3	247.5	239.2
Restricted	6.6	6.8	3.5	3.4	10.1	10.2
Unrestricted	49.6	38.2	23.6	30.9	73.2	69.1
Total net assets	$ 132.3	$ 120.9	198.5	197.6	330.8	318.5

Over time, changes in net assets may serve as a useful indicator of a County's financial position. Of interest, the County's assets exceeded liabilities by $330.8 million at the close of fiscal year 2010, representing an increase of $12.3 million from the net assets at June 30, 2009.

As the following graph shows, by far the largest portion of the County's net assets ($247.5 million, 74.8% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and intangibles); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens, like water and wastewater services, schools, libraries, law enforcement, and fire and emergency medical services. Consequently, these net assets are *not* available for future spending, as capital assets are generally not sold or otherwise disposed of during their useful life.

As also shown, an additional portion of the County's net assets ($10.1 million, 3.1% of total) represents resources that are subject to external restrictions on how they may be used, including amounts restricted for capital projects, grant programs, debt covenants and postemployment healthcare benefits. The remaining balance of unrestricted net assets ($73.2 million, 22.1% of total) may be used to meet the County's ongoing obligations to citizens and creditors.



Statement of Activities

Table 2 summarizes the Statements of Activities of the primary government for the fiscal years ended June 30, 2010 and 2009:

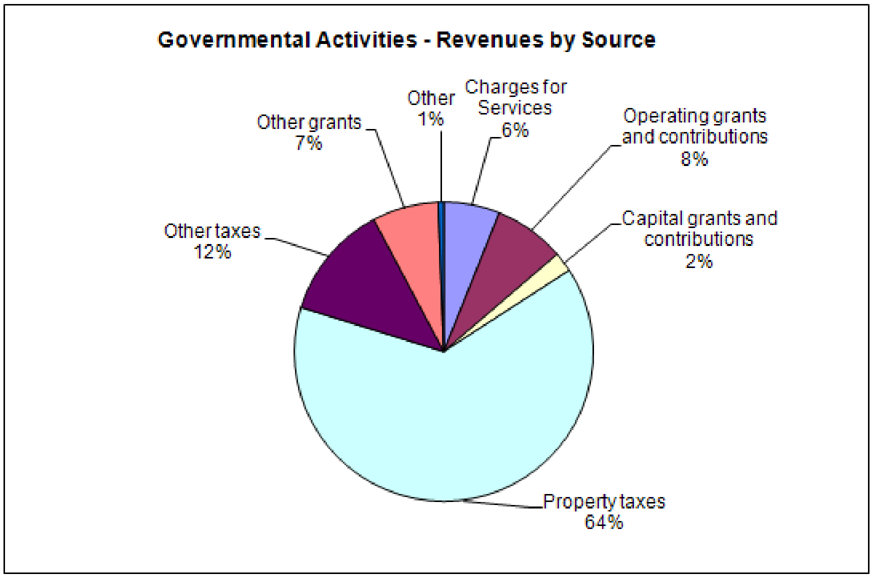
Table 2 — **County of Hanover, Virginia — Summary of Changes in Net Assets ($ in millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Revenues:						
Program revenues:						
Charges for services	$ 12.7	$ 12.7	21.6	21.3	34.3	34.0
Operating grants and contributions	16.0	16.7	-	-	16.0	16.7
Capital grants and contributions	4.5	7.8	6.0	9.8	10.5	17.6
General revenues:						
Property taxes	133.9	135.8	-	-	133.9	135.8
Other taxes	26.1	27.1	-	-	26.1	27.1
Noncategorical State aid	14.9	15.0	-	-	14.9	15.0
Grants and contributions	1.0	1.2	-	-	1.0	1.2
Other	0.5	1.1	0.3	1.1	0.8	2.2
Total revenues	209.6	217.4	27.9	32.2	237.5	249.6
Expenses:						
General government	13.6	14.1	-	-	13.6	14.1
Judicial administration	4.4	4.8	-	-	4.4	4.8
Public safety	45.6	46.1	-	-	45.6	46.1
Public works	11.1	16.1	-	-	11.1	16.1
Human services	23.9	24.2	-	-	23.9	24.2
Parks, recreation and cultural	6.5	8.4	-	-	6.5	8.4
Community development	5.8	6.0	-	-	5.8	6.0
Education	86.3	93.0	-	-	86.3	93.0
Interest on long-term debt *	0.8	0.8	-	-	0.8	0.8
Public utilities	-	-	26.6	25.3	26.6	25.3
Airport	-	-	0.6	1.4	0.6	1.4
Total expenses	198.0	213.5	27.2	26.7	225.2	240.2
Increase in net assets before transfers	11.6	3.9	0.7	5.5	12.3	9.4
Transfers	(0.2)	(0.3)	0.2	0.3	-	-
Increase in net assets	11.4	3.6	0.9	5.8	12.3	9.4
Net assets - beginning of year	120.9	117.3	197.6	191.8	318.5	309.1
Net assets - end of year	$ 132.3	$ 120.9	198.5	197.6	330.8	318.5

* For business-type activities, interest on long-term debt is included in the functional expense category.

Governmental Activities: As reflected in Table 2, the increase in net assets attributable to the County's governmental activities totaled $11.4 million for fiscal year 2010. Generally, net asset changes are the result of the difference between revenues and expenses. Fiscal year 2010 revenues of $209.6 million represent a decrease of $7.8 million or 3.6% in comparison to the prior year, while expenses of $198.0 million represent a decrease of $15.5 million or 7.3% compared to the prior year.

The following chart illustrates the County's fiscal year 2010 governmental revenues by source as a percentage of total governmental revenues:



Taxes are the largest source of County revenues, totaling $160.0 million for fiscal year 2010, a decrease of $2.9 million, or 1.8%, in comparison to fiscal year 2009, primarily due to general property taxes, which fell by $1.9 million, or 1.4%, largely attributable to lower personal property taxes on automobiles resulting from delayed replacement by consumers and lower vehicle values; and sales taxes, which fell by $0.7 million, or 4.5%. General property taxes totaled $133.9 million for fiscal year 2010, and represent 83.7% of total taxes and 63.8% of all revenues.

Also in fiscal year 2010, $33.2 million, or 15.8% of total revenues, consisted of program revenues, including $12.7 million in charges for services, $16.0 million of operating grants and contributions, and $4.5 million of capital grants and contributions. General revenues, including $14.9 million of noncategorical state aid, unrestricted grants and contributions, and unrestricted investment earnings accounted for the remaining revenues.

As shown in Table 2 (previous page) and Table 3 (following), the total expenses of all the County's governmental activities for fiscal year 2010 were $198.0 million, which represents a decrease of $15.5 million, or 7.3% lower than fiscal year 2009, resulting primarily from planned vacancies through attrition and other across-the-board operating savings by both the County ($4.2 million) and Schools (resulting in education savings of $6.7 million), and completion of road projects totaling $4.6 million during fiscal year 2009. Road projects are expensed in the public works function, rather than capitalized, as the County transfers control of the roads and future maintenance responsibility to the Virginia Department of Transportation upon completion. As the following chart indicates, education continues to be the County's largest program and highest priority, with education expenses totaling $86.3 million in fiscal year 2010. Public safety is also a high County priority and the County's second largest expense, totaling $45.6 million in fiscal year 2010.

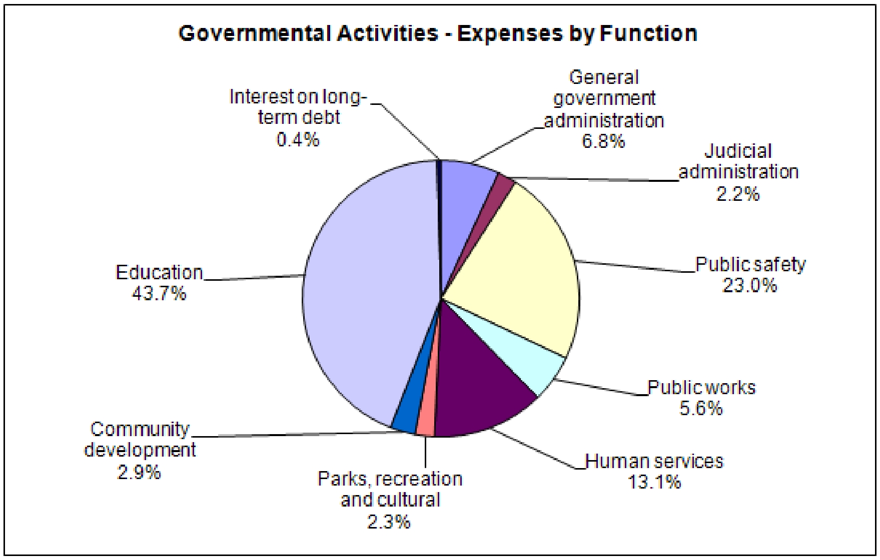


Table 3 presents the total cost of the County's governmental activities by function, as well as the net cost of each function (total cost less fees generated by each function and program-specific intergovernmental aid):

Table 3 — **Net Cost of Hanover County's Governmental Activities For the Fiscal Years Ended June 30 ($ in millions)**

	Total Cost of Services		Net Cost of Services	
Functions/Programs	**2010**	**2009**	**2010**	**2009**
General government	$ 13.6	$ 14.1	$ 11.1	$ 11.8
Judicial administration	4.4	4.8	1.6	1.6
Public safety	45.6	46.1	37.4	37.6
Public works	11.1	16.1	6.3	8.2
Human services	23.9	24.2	11.0	11.2
Parks, recreation and cultural	6.5	8.4	5.9	7.9
Community development	5.8	6.0	5.0	5.1
Education	86.3	93.0	85.7	92.0
Interest on long-term debt	0.8	0.8	0.8	0.8
Total	$ 198.0	$ 213.5	$ 164.8	$ 176.2

A portion of the $198.0 million cost of the County's governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of $12.7 million), and other governments and organizations that subsidized certain programs (i.e., operating and capital grants and contributions of $20.5 million). These combined program revenues of $33.2 million reduced the total fiscal year 2010 cost of services from $198.0 million to the net cost of services of $164.8 million. The net cost of services was covered by the County's general revenues, consisting primarily of taxes and state aid.

Business-type Activities: Table 2 also summarizes the business-type activities. The County's business-type activities consist of its Public Utilities water and wastewater treatment services and its airport activities. The increase in the net assets attributable to the County's business-type activities totaled $0.9

Public Utilities revenues totaled $27.7 million, of which $21.5 million, or 77.3%, was generated from charges for services and user fees (substantially the same as last year). Public Utilities expenses totaled $26.6 million, compared to $25.3 million for fiscal year 2009, an increase of $1.3 million, or 5.1%, of which approximately $0.9 million was due to an increase in the cost of purchased water and wastewater services, and $0.4 million was due to increased depreciation of utility capital assets.

Airport operating revenues totaled $171,000 in fiscal year 2010, compared to $109,000 last year, primarily due to increased rental revenue on existing airport facilities. The airport's nonoperating revenues totaled $27,000 in fiscal year 2010, compared to $1.2 million in fiscal year 2009, primarily due to nonrecurring Federal grant revenue received in 2009. Similarly, airport nonoperating expenses were $85,000 in fiscal year 2010, compared to $890,000 in fiscal year 2009, primarily due to the expenditure of those federal revenues in 2009.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2010, the County's governmental funds reported combined ending fund balances of $58.5 million (Exhibit 3), as compared to $46.1 million at June 30, 2009, an increase of $12.4 million. Of the $58.5 million fiscal year 2010 fund balance, $7.0 million (12.0%) is *reserved* to indicate that it is not available for new spending because it has already been committed for items such as existing purchase orders, construction contracts, and grant programs. Another $51.5 million (88.0%) of the combined fiscal 2010 fund balance constitutes *unreserved* fund balance, representing resources available for appropriation. Of the unreserved fund balance, $8.4 million (14.3%) has been designated in the capital projects and special revenue funds in accordance with the purpose of those funds, and another $11.6 million (19.8%) has been designated to meet needs in the general fund, as further described in footnote V. B. of the financial statements.

The General Fund is the primary operating fund of the County (Exhibits 3 through 6). The General Fund's fund balance increased $4.6 million (14.1%) during fiscal year 2010, to $37.5 million, of which $36.1 million is unreserved, representing resources available for appropriation. As one measure of the General Fund's liquidity, it is useful to compare unreserved fund balances to total fund revenues. At the end of fiscal year 2010, the General Fund's unreserved fund balance of $36.1 million represents 18.6% of total General Fund revenues of $194.5 million, in comparison to 16.2% at the end of fiscal year 2009. In addition, of General Fund unreserved fund balances, the $24.5 million *undesignated* portion (unchanged from last fiscal year) represents 12.6% of total fiscal year 2010 General Fund revenues in comparison to 12.3% at the end of fiscal year 2009, and continues to exceed the 10% minimum set by the County's fund balance policy. The $4.6 million fiscal year 2010 increase in the General Fund's fund balance resulted from General Fund revenues of $194.5 million less expenditures of $179.8 million and other financing uses of $10.1 million. The increase in fund balance was primarily the result of lower than expected general property taxes, other local taxes, interest revenue and revenues from the Commonwealth of Virginia and the Federal government due to fiscal 2010 economic activity which was moderately weaker than expected, which was more than offset by expenditure reductions across all areas of the County government (Exhibit 6).

The fund balance in the County Improvements Fund (Exhibit 4) decreased by $0.5 million to $10.3 million during fiscal year 2010 as a result of various fiscal year 2010 capital project expenditures, for which the source of funding consisted of prior year fund balances designated for County capital improvements. The undesignated fund balance represents capital revenues received in advance of their designation for specific capital projects

The fund balance in the School Improvements Fund (Exhibit 4) increased by $8.2 million to $8.7 million during fiscal year 2010, primarily as a result of bond proceeds authorized in the 2005 referendum received in advance of related school capital expenditures.

Proprietary funds: The County's proprietary funds financial statements provide the same type of information presented in the business-type activities on the government-wide financial statements, as their basis of accounting is the same, but in more detail. Factors relating to the financial position and results of operations of the County's Public Utilities System and Airport have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

General Fund budget amendments resulted in an increase of $2.8 million or 1.4% between the originally-adopted fiscal year 2010 budget appropriation for expenditures and transfers out and the final budget, with $1.4 million of the increase resulting from reappropriation of fiscal year 2009 budget commitments, for completion of ongoing projects in fiscal year 2010. Significant reappropriations included:

- $74,000 for the purchase of Animal Control vehicles;
- $58,000 for the Public Works drainage easement maintenance program;
- $400,000 for economic development projects, including $200,000 of State source revenue;

The remaining $1.4 million in budget amendments were funded by various revenue sources or undesignated fund balance. Significant amendments included:

- $400,000 to fund increases in health care costs;
- $80,000 for the Fire and EMS Department to upgrade computer technology in all licensed transport vehicles;
- $409,000 for the Information Technology and Facilities Management Departments to implement energy efficiency enhancements in County facilities, funded by the 2009 American Recovery and Reinvestment Act.

Capital Assets and Debt Administration

Capital assets: The County's investment in capital assets as of June 30, 2010, totals $450.8 million, net of accumulated depreciation. This represents an increase of $17.9 million, or 4.1% over fiscal year 2009. Capital assets, net of accumulated depreciation, are illustrated in the following table:

	($ in millions)			
	Governmental Activities	Business-type Activities	Totals at June 30 2010	2009
Land	$ 8.8	10.3	19.1	19.1
Intangible assets	0.5	-	0.5	-
Buildings	174.5	61.7	236.2	236.8
Improvements other than buildings	3.1	126.7	129.8	126.1
Machinery and equipment	16.4	1.3	17.7	13.7
Infrastructure	16.0	-	16.0	15.5
Construction in progress	23.6	7.9	31.5	21.7
Total	$ 242.9	207.9	450.8	432.9

Major capital asset activity during fiscal year 2010 included the following:

- The completion costs of the County's emergency communication and dispatch system upgrades totaling $3.9 million, and the ongoing construction costs of the County's new Emergency Communications Center totaling $8.0 million, funded primarily through the 2005 bond referendum.
- The acquisition of new Human Services and Economic Development facilities, including the Community Services Board's supported employment facility on Atlee Commons Drive, and the Economic Development Department offices in Rutland Center, totaling $2.4 million, funded through a capital lease with the Virginia Resources Authority.
- The costs of fire apparatus, ambulance and landfill equipment replacement, technology infrastructure, stormwater mitigation and facility renovations totaling $2.4 million, funded through general revenues.
- The costs of completed and in-progress water and wastewater infrastructure projects reported in the Public Utilities Fund totaling $15.0 million, funded by water and sewer revenue bonds and capacity fees.
- Developers' contributions of water and wastewater lines totaled $3.2 million, and developers' conveyance or purchase of drainage, stormwater and access easements totaled $0.5 million.
- The costs of school facility improvements and equipment acquisition by the School Component Unit totaled $7.2 million, funded primarily by the 2005 bond referendum, and general revenues.

Additional information on the County's capital assets and capital commitments can be found in notes IV.C and V.C to the financial statements.

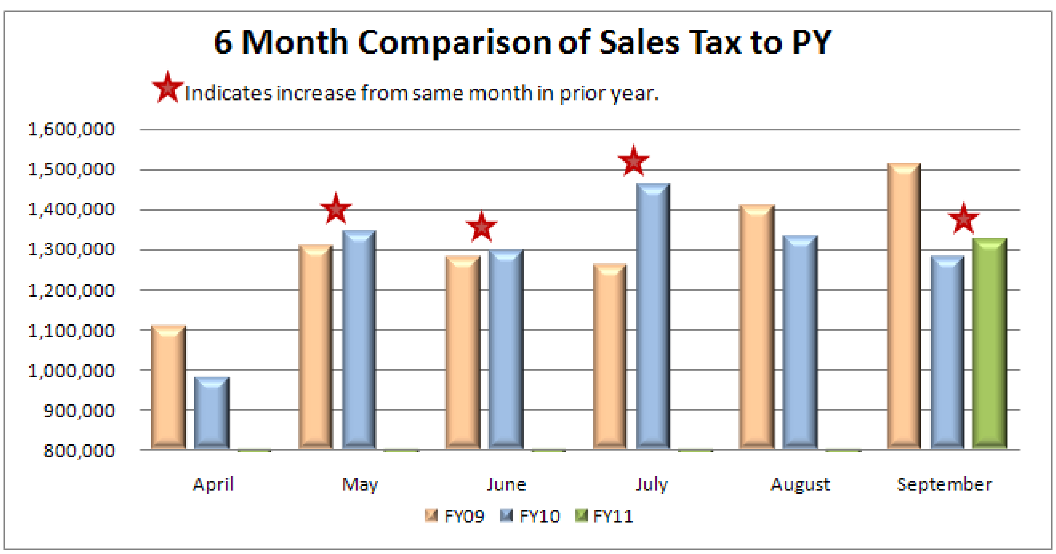
Long-term debt: In the Commonwealth of Virginia, there is no State statute that limits the amount of general obligation debt a County may issue. However, with limited exceptions as described under General Obligation Bonds in Note IV.E to the accompanying financial statements, general obligation bonded indebtedness must be approved by voter referendum prior to issuance. In addition, the County's Board of Supervisors and revenue bond covenants have established limits and coverage requirements with respect to long-term debt, and the County is in compliance with all debt policy limits and debt coverage requirements at June 30, 2010. The following table illustrates the County's outstanding debt at June 30, 2010:

	($ in millions)		
	Governmental Activities	Business-type Activities	Total
General obligation bonds	$ 167.9	-	167.9
Revenue bonds	-	34.6	34.6
Capital lease obligations	3.1	-	3.1
Total	$ 171.0	34.6	205.6

Additional information on the County's long-term debt can be found under *Financial Highlights* on the first page of this Management's Discussion and Analysis, and in Note IV.E to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the County in August, 2010 was 6.5%, which was 0.1% improved (lower) than the same month a year ago. With the exception of a spike in the first quarter of calendar year 2010, unemployment increased only moderately throughout the nation as a whole over the past year, although it remains above historical levels of recent years. Importantly, the County's rate continues to compare favorably to the State's average unemployment rate of 7.0% and the national average rate of 9.5% as of August, 2010. The total taxable assessed value of real estate in the County increased from $13.1 billion to $13.2 billion in January, 2010, but initial assessment data currently forecast a relatively moderate decrease of 2.7% in the January 1, 2011 assessment for tax year 2011 (3.4% decrease from reassessments, offset by a 0.7% increase from new construction). Real property taxes were budgeted to decrease by $3.6 million or 3.5% in fiscal year 2011. Sales tax revenues decreased a moderate 4.5% in fiscal year 2010, but are budgeted in FY11 to equal FY10's actual receipts. As shown below, sales tax receipts have exceeded the same-month receipts in the prior year in four of the most recent six months for which data is available. Fiscal year 2011's personal property tax budget was lowered by $0.5 million (2.2%) due to continued 2010 high percentages of vehicle depreciation and continued lower new vehicle purchases in 2010. State and Federal revenues are budgeted for a decline of $1.3 million in fiscal year 2011. These factors, to the extent foreseeable at the time, were factored into the FY11 adopted budget, and fiscal year 2011 revenue estimates appear, in total, to be on target with budget as of the date of this report.



The County recognizes the value of properly illustrating year-end commitments. Accordingly, at June 30, 2010, the County has designated $4.3 million of unreserved fund balance in its General Fund to fund a portion of the fiscal year 2011 adopted General Fund budget. In this manner, the County is able to utilize and reinvest all or portions of positive budget-to-actual variances at the end of the current fiscal year as a source of funding for the succeeding fiscal year's budget, while also meeting the County's fund balance policy and designating amounts as deemed necessary to meet future needs. As described earlier under *Financial Highlights*, at June 30, 2010, the Board of Supervisors designated $2.0 million for future school needs, and approved a $1.6 million increase, to $3.7 million, in the fund balance designated for revenue stabilization. This designation is anticipated to be temporary as it was established to provide flexibility for subsequent budgets during the economic downturn. All fund balance designations at June 30th are illustrated in footnote V.B to the accompanying financial statements.

All County general property tax rates remained unchanged for calendar year 2010. In fiscal year 2011, Public Utilities' user fee increases included a 3.0% rate increase for water, a 1.0% increase for sewer.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's financial condition and operations. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Director of Finance and Management Services, County of Hanover, P.O. Box 470, Hanover, VA 23069.

BASIC FINANCIAL STATEMENTS

COUNTY OF HANOVER, VIRGINIA **Exhibit 1**

Statement of Net Assets

June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School	Economic Development Authority
ASSETS					
Current Assets:					
Cash, cash equivalents and investments	$ 59,730,451	22,848,110	82,578,561	17,577,466	393,389
Receivables (net of allowance for uncollectibles)	64,512,531	4,340,719	68,853,250	5,372,001	-
Inventories	210,057	-	210,057	104,588	-
Total current assets	124,453,039	27,188,829	151,641,868	23,054,055	393,389
Noncurrent Assets:					
Cash, cash equivalents and investments - restricted	4,448,746	3,488,079	7,936,825	-	-
Prepaid postemployment healthcare benefits	1,075,719	-	1,075,719	-	-
Capital assets (net of accumulated depreciation):					
Land	8,826,159	10,286,964	19,113,123	7,400,682	-
Intangible assets	499,380	-	499,380	-	-
Buildings	174,515,104	61,679,071	236,194,175	79,915,991	-
Improvements other than buildings	3,098,946	126,672,649	129,771,595	2,278,618	-
Machinery and equipment	16,403,041	1,349,949	17,752,990	9,636,375	-
Infrastructure	16,019,930	-	16,019,930	-	-
Construction in progress	23,581,153	7,934,682	31,515,835	3,286,190	-
Total capital assets	242,943,713	207,923,315	450,867,028	102,517,856	-
Total noncurrent assets	248,468,178	211,411,394	459,879,572	102,517,856	-
Total assets	372,921,217	238,600,223	611,521,440	125,571,911	393,389
LIABILITIES					
Current Liabilities:					
Accounts payable	4,735,978	2,040,837	6,776,815	1,776,542	-
Incurred but not reported self-insurance claims	2,178,000	-	2,178,000	-	-
Accrued liabilities	2,660,208	232,512	2,892,720	14,605,327	-
Accrued bond interest	406,579	382,496	789,075	2,523,729	-
Unearned revenue	51,725,400	-	51,725,400	102,604	-
Current portion of bonds payable	13,101,647	2,258,621	15,360,268	-	-
Current portion of capital lease obligations	618,252	-	618,252	-	-
Current portion of compensated absences	4,639,459	430,223	5,069,682	1,763,019	-
Current portion of landfill closure	77,215	-	77,215	-	-
Current portion of contractual obligations	-	161,017	161,017	-	-
Total current liabilities	80,142,738	5,505,706	85,648,444	20,771,221	-
Noncurrent Liabilities:					
Bonds payable	154,635,707	32,354,036	186,989,743	-	-
Capital lease obligations	2,712,425	-	2,712,425	-	-
Compensated absences	688,937	127,954	816,891	2,908,605	-
Deposits	-	364,115	364,115	-	-
Capacity fee credits	-	1,457,359	1,457,359	-	-
Liability for landfill closure	2,382,542	-	2,382,542	-	-
Long-term contractual obligations	-	326,058	326,058	-	-
Total noncurrent liabilities	160,419,611	34,629,522	195,049,133	2,908,605	-
Total liabilities	240,562,349	40,135,228	280,697,577	23,679,826	-
NET ASSETS					
Invested in capital assets, net of related debt	76,120,457	171,366,224	247,486,681	102,517,856	-
Restricted for:					
Grant programs	437,665	-	437,665	-	-
Capital projects	4,894,116	-	4,894,116	-	-
Debt covenants	199,106	3,488,079	3,687,185	-	-
Postemployment healthcare benefits	1,075,719	-	1,075,719	-	-
Unrestricted (deficit)	49,631,805	23,610,692	73,242,497	(625,771)	393,389
Total net assets	$ 132,358,868	198,464,995	330,823,863	101,892,085	393,389

The notes to the financial statements are an integral part of this statement.

COUNTY OF HANOVER, VIRGINIA **Exhibit 2**

Statement of Activities

For the Year Ended June 30, 2010

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: School	Component Units: Economic Development Authority
Primary government:									
Governmental activities:									
General governmental administration	$ 13,554,927	1,798,980	636,138	-	(11,119,809)	-	(11,119,809)	-	-
Judicial administration	4,420,920	1,321,041	1,450,162	-	(1,649,717)	-	(1,649,717)	-	-
Public safety	45,610,131	3,354,180	4,803,396	174,214	(37,278,341)	-	(37,278,341)	-	-
Public works	11,102,331	1,132,817	15,048	3,633,649	(6,320,817)	-	(6,320,817)	-	-
Human services	23,880,094	3,748,484	9,098,532	-	(11,033,078)	-	(11,033,078)	-	-
Parks, recreation and cultural	6,523,401	543,768	-	105,423	(5,874,210)	-	(5,874,210)	-	-
Community development	5,797,455	789,276	16,822	1,578	(4,989,779)	-	(4,989,779)	-	-
Education	86,294,322	-	-	560,015	(85,734,307)	-	(85,734,307)	-	-
Interest on long-term debt	836,290	-	-	-	(836,290)	-	(836,290)	-	-
Total governmental activities	198,019,871	12,688,546	16,020,098	4,474,879	(164,836,348)	-	(164,836,348)	-	-
Business-type activities:									
Public utilities	26,625,112	21,462,492	-	5,935,239	-	772,619	772,619	-	-
Airport	616,225	170,730	-	26,718	-	(418,777)	(418,777)	-	-
Total business-type activities	27,241,337	21,633,222	-	5,961,957	-	353,842	353,842	-	-
Total primary government	$ 225,261,208	34,321,768	16,020,098	10,436,836	(164,836,348)	353,842	(164,482,506)	-	-
Component Units:									
School	$ 188,218,776	7,293,986	93,166,508	-	-	-	-	(87,758,282)	-
Economic Development Authority	258,422	191,405	-	-	-	-	-	-	(67,017)
Total component units	$ 188,477,198	7,485,391	93,166,508	-	-	-	-	(87,758,282)	(67,017)
General revenues:									
Taxes:									
General property taxes					133,924,474	-	133,924,474	-	-
Sales taxes					15,118,688	-	15,118,688	-	-
Utility taxes					7,100,382	-	7,100,382	-	-
Recordation taxes					1,730,678	-	1,730,678	-	-
Other					2,127,589	-	2,127,589	-	-
Noncategorical State aid					14,948,811	-	14,948,811	-	-
Grants and contributions not restricted to specific programs					1,029,730	-	1,029,730	-	-
Payment from Hanover County					-	-	-	88,054,659	200,000
Unrestricted investment earnings					472,107	349,481	821,588	12,370	-
Transfers					(200,703)	200,703	-	-	-
Total general revenues and transfers					176,251,756	550,184	176,801,940	88,067,029	200,000
Change in net assets					11,415,408	904,026	12,319,434	308,747	132,983
Net assets - beginning					120,943,460	197,560,969	318,504,429	101,583,338	260,406
Net assets - ending					$ 132,358,868	198,464,995	330,823,863	101,892,085	393,389

The notes to the financial statements are an integral part of this statement.

COUNTY OF HANOVER, VIRGINIA **Exhibit 3**

Governmental Funds

Balance Sheet

June 30, 2010

	General	Capital Funds: County Improvements	Capital Funds: School Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and investments	$ 35,090,094	12,147,011	5,482,533	846,344	53,565,982
Receivables (net of allowances for uncollectibles)	63,177,314	562,554	-	742,372	64,482,240
Due from other funds	100,748	-	-	-	100,748
Inventories	54,826	-	-	-	54,826
Cash, cash equivalents and investments - restricted	199,106	213,173	4,036,467	-	4,448,746
Total assets	$ 98,622,088	12,922,738	9,519,000	1,588,716	122,652,542
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	1,844,822	1,410,078	814,602	549,216	4,618,718
Accrued liabilities	2,256,225	-	-	334,853	2,591,078
Deferred revenue	56,972,136	-	-	-	56,972,136
Total liabilities	61,073,183	1,410,078	814,602	884,069	64,181,932
Fund Balances:					
Reserved for:					
Encumbrances	812,191	1,206,859	4,226,842	64,218	6,310,110
Inventory	54,826	-	-	-	54,826
Grant programs	400,627	-	-	37,038	437,665
Debt service	199,106	-	-	-	199,106
Total reserved	1,466,750	1,206,859	4,226,842	101,256	7,001,707
Unreserved, reported in:					
Designated for specific purposes (Note V-B)					
General Fund	11,587,951	-	-	-	11,587,951
Capital projects funds	-	8,370,779	4,358,217	-	12,728,996
Special revenue funds	-	-	-	3,391	3,391
Undesignated, reported in					
General Fund	24,494,204	-	-	-	24,494,204
Capital projects funds	-	1,935,022	119,339	-	2,054,361
Special revenue funds	-	-	-	600,000	600,000
Total unreserved	36,082,155	10,305,801	4,477,556	603,391	51,468,903
Total fund balances	37,548,905	11,512,660	8,704,398	704,647	58,470,610
Total liabilities and fund balances	$ 98,622,088	12,922,738	9,519,000	1,588,716	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	$ 242,749,439
Receivables on the statement of net assets that do not provide current financial resources are not reported in the funds.	6,692,500
Prepaid postemployment healthcare benefits represent irrevocable payments made to the Retiree Medical Benefits Trust for retiree healthcare benefits in advance of total actuarial requirements to date. The advance payments are reported in the statement of net assets as a noncurrent asset, but as expenditures in the funds when made.	1,075,719
Internal Service Funds are used by management to charge the costs of fleet management and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	2,492,350
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(179,121,750)
Net assets of governmental activities	$ 132,358,868

The notes to the financial statements are an integral part of this statement.

COUNTY OF HANOVER, VIRGINIA **Exhibit 4**

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2010

	General	County Improvements	School Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Revenue from local sources:					
General property taxes	$ 132,160,474	-	-	-	132,160,474
Other local taxes	26,077,337	-	-	-	26,077,337
Permits, privilege fees and regulatory licenses	1,493,234	-	-	-	1,493,234
Fines and forfeitures	1,145,092	-	-	-	1,145,092
Revenues from use of money and property	716,708	1,136	5,544	24,282	747,670
Charges for services	3,339,300	488,895	543,437	3,386,803	7,758,435
Miscellaneous	585,160	4,287	-	31,641	621,088
Recovered costs	3,104,544	-	-	261,692	3,366,236
Revenue from the Commonwealth	22,430,991	1,686,482	11,034	4,524,169	28,652,676
Revenue from the Federal government	3,483,080	65,283	-	538,848	4,087,211
Total revenues	194,535,920	2,246,083	560,015	8,767,435	206,109,453
EXPENDITURES					
Current:					
General governmental administration	12,423,596	641,579	-	-	13,065,175
Judicial administration	4,424,703	27,629	-	-	4,452,332
Public safety	43,515,447	13,461,768	-	-	56,977,215
Public works	7,221,846	3,165,175	-	-	10,387,021
Human services	7,956,463	2,101,673	-	15,566,672	25,624,808
Parks, recreation and cultural	6,076,577	1,154,887	-	-	7,231,464
Community development	5,907,016	453,366	-	-	6,360,382
Education	89,229,786	-	6,594,200	-	95,823,986
Debt service:					
Principal retirement	2,155,086	-	-	-	2,155,086
Interest and fiscal charges	862,522	177,906	109,193	-	1,149,621
Total expenditures	179,773,042	21,183,983	6,703,393	15,566,672	223,227,090
Excess (deficiency) of revenues over (under) expenditures	14,762,878	(18,937,900)	(6,143,378)	(6,799,237)	(17,117,637)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	2,055,778	1,008,000	6,866,296	9,930,074
Transfers out	(10,130,777)	-	-	-	(10,130,777)
Issuance of general obligation bonds	-	13,505,000	12,860,000	-	26,365,000
Premium on general obligation bonds issued	-	399,065	464,515	-	863,580
Issuance of capital lease	-	2,449,001	-	-	2,449,001
Total other financing sources (uses)	(10,130,777)	18,408,844	14,332,515	6,866,296	29,476,878
Net change in fund balance	4,632,101	(529,056)	8,189,137	67,059	12,359,241
Fund balances - beginning	32,916,804	12,041,716	515,261	637,588	46,111,369
Fund balances - ending	$ 37,548,905	11,512,660	8,704,398	704,647	58,470,610

The notes to the financial statements are an integral part of this statement.

COUNTY OF HANOVER, VIRGINIA **Exhibit 5**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2010

Net change in fund balance - total governmental funds	$	12,359,241
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		12,306,199
Donations of capital assets increase net assets in the statement of activities, but are not recognized in the governmental funds because they do not provide current financial resources.		1,852,309
Tenancy in Common (see note V. C.) - Under Virginia law, the County has a tenancy in common for School Component Unit capital assets for which the County is obligated to repay outstanding "on-behalf" bonds. Under the tenancy in common, the County reports the net book value of School Component Unit capital assets in the amount of the outstanding principal balance of "on-behalf" bonds at year end, net of unspent bond proceeds. This amount is the decrease in the net book value of School Component Unit capital assets reported by the County for the fiscal year, which resulted primarily from a decrease in school construction activity during the fiscal year, and results in a decrease in net assets reported by the County (primary government) on the statement of activities.		(2,888,672)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (e.g., tax receivable accrual).		1,665,959
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (including payments to the School Component Unit for that purpose) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which debt proceeds, including premiums ($29,677,581), exceeded the sum of principal payments ($2,155,086) and payments of $11,932,672 to the School Component Unit for debt principal reduction.		(15,589,823)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		587,302
Internal service funds are used by management to charge the costs of fleet management and self-insurance to individual funds. The change in net assets is reported with governmental activities.		1,122,893
Change in net assets of governmental activities	$	11,415,408

The notes to the financial statements are an integral part of this statement.

COUNTY OF HANOVER, VIRGINIA **Exhibit 6**

General Fund

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Revenue from local sources:				
General property taxes	$ 133,963,000	133,963,000	132,160,474	(1,802,526)
Other local taxes	27,727,851	27,727,851	26,077,337	(1,650,514)
Permits, privilege fees and regulatory licenses	1,853,500	1,853,500	1,493,234	(360,266)
Fines and forfeitures	1,181,300	1,183,006	1,145,092	(37,914)
Revenues from use of money and property	1,421,703	1,421,703	716,708	(704,995)
Charges for services	2,960,788	2,960,788	3,339,300	378,512
Miscellaneous	740,652	650,641	585,160	(65,481)
Recovered costs	2,904,376	2,968,173	3,104,544	136,371
Revenue from the Commonwealth	22,977,629	23,353,645	22,430,991	(922,654)
Revenue from the Federal government	4,034,150	4,723,001	3,483,080	(1,239,921)
Total revenues	199,764,949	200,805,308	194,535,920	(6,269,388)
EXPENDITURES				
General governmental administration	13,535,329	14,138,874	12,423,596	1,715,278
Judicial administration	4,591,331	4,700,818	4,424,703	276,115
Public safety	45,681,331	46,537,298	43,515,447	3,021,851
Public works	7,982,961	8,415,272	7,221,846	1,193,426
Human services	8,641,151	8,688,406	7,956,463	731,943
Parks, recreation and cultural	6,394,783	6,460,493	6,076,577	383,916
Community development	6,551,073	7,282,010	5,907,016	1,374,994
Education	95,062,617	95,062,617	89,229,786	5,832,831
Debt service:				
Principal retirement	2,205,673	2,155,086	2,155,086	-
Interest and fiscal charges	811,935	862,522	862,522	-
Total debt service	3,017,608	3,017,608	3,017,608	-
Total expenditures	191,458,184	194,303,396	179,773,042	14,530,354
Excess of revenues over expenditures	8,306,765	6,501,912	14,762,878	8,260,966
OTHER FINANCING USES				
Other financing uses:				
Transfers out	11,786,054	11,786,054	10,130,777	1,655,277
Net change in fund balance	(3,479,289)	(5,284,142)	4,632,101	9,916,243
Fund balances - beginning	3,479,289	32,916,804	32,916,804	-
Fund balances - ending	$ -	27,632,662	37,548,905	9,916,243

The notes to the financial statements are an integral part of this statement.

COUNTY OF HANOVER, VIRGINIA **Exhibit 7**

Proprietary Funds

Statement of Net Assets

June 30, 2010

	Business-type Activities - Enterprise Funds: Public Utilities	Business-type Activities - Enterprise Funds: Airport	Business-type Activities - Enterprise Funds: Total	Governmental Activities - Internal Service Funds
ASSETS				
Current Assets:				
Cash, cash equivalents and investments	$ 22,009,021	839,089	22,848,110	6,164,469
Receivables (net of allowances for uncollectibles)	4,327,836	12,883	4,340,719	30,291
Inventories	-	-	-	155,231
Total current assets	26,336,857	851,972	27,188,829	6,349,991
Noncurrent Assets:				
Cash, cash equivalents and investments - restricted	3,488,079	-	3,488,079	-
Capital assets:				
Land	6,354,137	3,932,827	10,286,964	-
Buildings and system	82,546,653	3,669,137	86,215,790	-
Improvements other than buildings	189,742,684	8,090,789	197,833,473	-
Machinery and equipment	6,887,814	38,136	6,925,950	1,162,951
Construction in progress	7,860,370	74,312	7,934,682	-
Less accumulated depreciation	(97,637,645)	(3,635,899)	(101,273,544)	(968,677)
Total capital assets (net of accumulated depreciation)	195,754,013	12,169,302	207,923,315	194,274
Total noncurrent assets	199,242,092	12,169,302	211,411,394	194,274
Total assets	225,578,949	13,021,274	238,600,223	6,544,265
LIABILITIES				
Current Liabilities:				
Accounts payable	2,032,176	8,661	2,040,837	117,268
Incurred but not reported self-insurance claims	-	-	-	2,178,000
Accrued liabilities	228,785	3,727	232,512	69,130
Accrued bond interest	340,430	42,066	382,496	-
Due to other funds	-	-	-	100,748
Unearned revenue	-	-	-	1,445,756
Current portion of bonds payable	2,198,016	60,605	2,258,621	-
Current portion of compensated absences	425,878	4,345	430,223	-
Current portion of contractual obligations	161,017	-	161,017	-
Total current liabilities	5,386,302	119,404	5,505,706	3,910,902
Noncurrent Liabilities:				
Bonds payable	30,758,496	1,595,540	32,354,036	-
Compensated absences	127,335	619	127,954	141,013
Deposits	364,115	-	364,115	-
Capacity fee credits	1,457,359	-	1,457,359	-
Long-term contractual obligations	326,058	-	326,058	-
Total noncurrent liabilities	33,033,363	1,596,159	34,629,522	141,013
Total liabilities	38,419,665	1,715,563	40,135,228	4,051,915
NET ASSETS				
Invested in capital assets, net of related debt	160,853,067	10,513,157	171,366,224	194,274
Restricted for debt covenants	3,488,079	-	3,488,079	-
Unrestricted	22,818,138	792,554	23,610,692	2,298,076
Total net assets	$ 187,159,284	11,305,711	198,464,995	2,492,350

The notes to the financial statements are an integral part of this statement.

Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Public Utilities	Airport	Total	
OPERATING REVENUES				
Revenue from use of money and property	$ -	169,484	169,484	-
Charges for services	21,226,028	-	21,226,028	28,503,320
Capacity fees	108,210	-	108,210	-
Recovered cost	-	-	-	394,816
Miscellaneous	128,254	1,246	129,500	11,520
Total operating revenues	21,462,492	170,730	21,633,222	28,909,656
OPERATING EXPENSES				
Personal services	4,626,252	73,768	4,700,020	1,172,661
Fringe benefits	1,532,821	21,479	1,554,300	407,144
Health care claims and benefits	-	-	-	25,937,699
Contractual services	3,615,319	31,746	3,647,065	120,239
Internal services	1,352,696	-	1,352,696	-
Other charges	6,204,397	7,096	6,211,493	208,361
Depreciation	8,012,547	397,263	8,409,810	107,210
Total operating expenses	25,344,032	531,352	25,875,384	27,953,314
Operating income (loss)	(3,881,540)	(360,622)	(4,242,162)	956,342
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues:				
Revenue from the Commonwealth	-	26,718	26,718	-
Revenue from the Federal government	16,454	-	16,454	-
Capacity fees - nonoperating	2,731,762	-	2,731,762	-
Interest income	349,481	-	349,481	146,289
Gain on sale of capital assets	-	-	-	12,000
Total nonoperating revenues	3,097,697	26,718	3,124,415	158,289
Nonoperating expenses:				
Interest expense and fiscal charges:				
Senior debt	1,266,785	84,873	1,351,658	-
Subordinate debt and fiscal charges	14,295	-	14,295	-
Interest expense and fiscal charges	1,281,080	84,873	1,365,953	-
Net nonoperating revenues (expenses)	1,816,617	(58,155)	1,758,462	158,289
Income (loss) before capital contributions and transfers	(2,064,923)	(418,777)	(2,483,700)	1,114,631
Capital contributions	3,187,023	-	3,187,023	8,262
Transfers in	-	200,703	200,703	-
Change in net assets	1,122,100	(218,074)	904,026	1,122,893
Total net assets - beginning	186,037,184	11,523,785	197,560,969	1,369,457
Total net assets - ending	$ 187,159,284	11,305,711	198,464,995	2,492,350

The notes to the financial statements are an integral part of this statement.

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds: Public Utilities	Airport	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 21,179,320	170,729	21,350,049	-
Receipts from interfund services provided	-	-	-	29,011,124
Payments to suppliers and service providers	(11,961,674)	(60,320)	(12,021,994)	(293,508)
Payments to employees	(4,612,242)	(73,471)	(4,685,713)	(1,591,749)
Claims and benefits paid	-	-	-	(26,226,794)
Net cash provided (used) by operating activities	4,605,404	36,938	4,642,342	899,073
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds - operating	-	142,703	142,703	100,748
Net cash provided by noncapital financing activities	-	142,703	142,703	100,748
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers from other funds - capital	-	58,000	58,000	-
Intergovernmental revenue received - capital grants	16,454	-	16,454	-
Capacity fees received	2,557,326	-	2,557,326	-
Acquisition and construction of capital assets	(10,559,453)	(40,707)	(10,600,160)	(51,124)
Payments on long-term contractual obligations	(152,966)	(779,252)	(932,218)	-
Principal payments on revenue bonds	(2,192,926)	(57,640)	(2,250,566)	-
Interest payments on revenue bonds	(1,400,262)	(86,337)	(1,486,599)	-
Proceeds from sale of capital assets	-	-	-	16,674
Net cash provided (used) by capital and related financing activities	(11,731,827)	(905,936)	(12,637,763)	(34,450)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	349,481	-	349,481	146,289
Net cash provided by investing activities	349,481	-	349,481	146,289
Net increase (decrease) in cash and cash equivalents	(6,776,942)	(726,295)	(7,503,237)	1,111,660
Cash and cash equivalents at beginning of year	32,274,042	1,565,384	33,839,426	5,052,809
Cash and cash equivalents at end of year	$ 25,497,100	839,089	26,336,189	6,164,469
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (3,881,540)	(360,622)	(4,242,162)	956,342
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	8,012,547	397,263	8,409,810	107,210
(Increase) decrease in:				
Receivables	(430,149)	-	(430,149)	46,065
Inventory	-	-	-	47,812
Increase (decrease) in:				
Customer deposits	146,977	-	146,977	-
Accounts payable	743,560	-	743,560	(259,508)
Incurred but not reported self-insurance claims	-	-	-	(87,000)
Accrued liabilities	1,288	14	1,302	(5,389)
Unearned revenue	-	-	-	102,342
Compensated absences	12,721	283	13,004	(8,801)
Total adjustments	8,486,944	397,560	8,884,504	(57,269)
Net cash provided (used) by operating activities	$ 4,605,404	36,938	4,642,342	899,073
Noncash investing, capital, and financing activities:				
Capital contributions	$ 3,187,023	-	3,187,023	8,262
Capitalized interest	$ 123,492	-	123,492	-

The notes to the financial statements are an integral part of this statement.

COUNTY OF HANOVER, VIRGINIA **Exhibit 10**

Statement of Fiduciary Net Assets

June 30, 2010

	Retiree Medical Benefits Trust	Agency Funds
ASSETS		
Cash, cash equivalents and investments	$ -	$ 2,983,598
Receivables	3,033	1,435,041
Investments, at fair value (mutual funds):		
Money market	13,539	-
Domestic equity	914,301	-
International equity	495,117	-
Fixed income	1,131,538	-
Other	160,466	-
Total assets	2,717,994	$ 4,418,639
LIABILITIES		
Accounts payable	-	$ 1,433,762
Accrued liabilities	-	1,502,881
Deposits	-	1,481,996
Total liabilities	-	$ 4,418,639
NET ASSETS		
Held in trust for other postemployment benefits	$ 2,717,994	

The notes to the financial statements are an integral part of this statement.

COUNTY OF HANOVER, VIRGINIA **Exhibit 11**

Retiree Medical Benefits Trust Fund

Statement of Changes in Plan Net Assets

For the Year Ended June 30, 2010

	Retiree Medical Benefits Trust
ADDITIONS	
Contributions	
Employer	$ 1,467,882
Plan member	1,082,365
Total contributions	2,550,247
Investment earnings	140,243
Total additions	2,690,490
DEDUCTIONS	
Benefits	1,729,265
Net increase in plan net assets	961,225
Net assets held in trust for other postemployment benefits	
Beginning	1,756,769
Ending	$ 2,717,994

The notes to the financial statements are an integral part of this statement.

I. Summary of significant accounting policies

A. Reporting entity

The County of Hanover (the County) was established by an act of the Virginia General Assembly in 1720. It is a political subdivision of the Commonwealth of Virginia operating under the board-administrator form of government. The Board of Supervisors consists of a chairman and six other board members elected from seven magisterial districts. The Board has responsibility for appointing the County Administrator. The County has taxing powers subject to statewide restrictions and tax limits. The accompanying financial statements present the County (the *primary government*) and its *component units,* entities for which the County is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the County. The County and its component units are together referred to herein as the *reporting entity.*

Discretely Presented Component Units

- **School Board:** The County provides education through its own school system administered by the Hanover County School Board (the School Board). The School Board has been classified as a discretely presented component unit in the financial reporting entity because it is legally separate, but financially dependent. The Board of Supervisors administers the School Board's appropriation of funds at the category level, approves transfers between categories, authorizes school debt issuances and appoints School Board members. Financial statements of the School Board are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The School Board does not issue separate financial statements.

- **Economic Development Authority:** The Economic Development Authority (the EDA) was created to foster and stimulate economic development in the County. Included in the discretely presented component unit EDA are the activities of economic development services. The County appoints the seven board members of the EDA. By statute, the EDA has the power to cause the issuance of tax-exempt industrial revenue bonds to qualifying enterprises wishing to utilize that form of financing. The County is involved in the day-to-day operations of the EDA, the determination of its operating budget and annual service fee rates and the approval of prospective private activity bond issues. Financial statements of the EDA are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The EDA does not issue separate financial statements.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information about the primary government (the County) and its component units, exclusive of fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not properly classified as program revenues, including all taxes, are reported as *general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide, proprietary, and Retiree Medical Benefits Trust fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated uncollectible amounts, in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider, including time requirements, if any, have been met. Employer contributions to the Retiree Medical Benefits Trust fund (including cash contributions and actuarially estimated employer premium subsidies), and plan member contributions are recognized in the period in which the contributions and subsidies are due. Benefits are recognized when due and payable in accordance with the terms of the plan. Agency funds are custodial in nature and do not involve the measurement of results of operations. In agency fund financial statements, assets equal liabilities, and are reported using the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized when susceptible to accrual, i.e., as soon as they are both measurable and available. Revenues from intergovernmental reimbursement grants are recorded when earned. Other revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers general property tax and other intergovernmental revenues to be available if they are collected within 31 days of the end of the current fiscal period, and are due on or before the last day of the current fiscal period. Sales taxes, which are collected by the State and subsequently remitted to the County, are recognized consistent with the State's recognition policy. Accordingly, County revenues and receivables include May and June sales tax received from the State in July and August. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Other items associated with the current fiscal period, including other local taxes, licenses, certain charges for services, interest associated with the current fiscal period and direct Federal interest subsidies on bonded indebtedness for which applications have been timely submitted are all considered to be susceptible to accrual and so are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available and are recorded as revenues when cash is received.

The County reports three major governmental funds. The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund. The *County Improvements Fund* accounts for the resources to be used for the acquisition or construction of major governmental capital facilities and equipment. The *School Improvements Fund* accounts for the resources to be used for the acquisition or construction of major capital facilities and equipment used for school operations. Capital assets are transferred to the School Component Unit, except those financed by County guaranteed debt, which are shown under the primary government up to the amount of outstanding debt.

The County also reports two nonmajor s*pecial revenue funds* in its governmental funds financial statements, which account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes. The County's nonmajor special revenue funds consist of the *Comprehensive Services Fund* and the *Community Services Fund*, which are reported in the aggregate as *Other Governmental Funds*.

The County has two proprietary funds. The *Public Utilities Fund*, a major fund, accounts for the activities and operations of wastewater treatment and water distribution. The *Airport Fund*, a nonmajor fund, accounts for the activities and operations of the County's airport.

Additionally, the County reports the following fund categories:

> *Internal service funds* account for self-insurance activities and fleet management services provided to other departments or agencies of the County on a cost reimbursement basis.
>
> *Fiduciary funds* consist of the *Retiree Medical Benefits Trust Fund* and *Agency Funds*. The agency funds include the *Bell Creek Community Development Authority Fund, the Lewistown Community Development Authority Fund*, and the *Escrow* and *Special Welfare* funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's public utilities function and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the County's internal service funds are charges to customers for sales and services, and internal charges, respectively. The Public Utilities Fund also recognizes as operating revenue the portion of capacity fees intended to recover the cost of connecting new customers to the utilities system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The County and its component units follow the practice of pooling cash and investments of all funds with the County Treasurer, except for certain restricted cash and investments held by outside custodians in order to comply with the provisions of bond indentures, and the investments of the Retiree Medical Benefits Trust (Trust) held by the Trust's Finance Board. Investments are reported at fair value, based on quoted market prices at year end. As of June 30, 2010, the pooled cash and investments have been allocated between the County and the respective component units based upon their respective ownership percentages. Investment earnings are allocated to the participating funds and component units based upon their respective average monthly equity balances in the pooled account. Cash, cash equivalents and investments – restricted, represent unspent bond proceeds for capital projects and, when applicable, accumulated interest thereon, as well as amounts set aside for bond debt service or to comply with other debt covenants. For purposes of the statements of cash flows, the amounts reported as cash and cash equivalents for the proprietary fund types represent amounts maintained in the reporting entity's investment pool, as they are considered to be demand deposits for the purpose of complying with GASB Statement No. 9.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the County's governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Accounts receivable and property tax receivables are shown net of an allowance for uncollectibles. Accounts receivable utilize percentage of receivable methods based upon aged receivable balances in determining allowances for uncollectibles. The property tax receivable allowance is calculated based upon criteria established by the Virginia Auditor of Public Accounts.

The County levies real estate taxes on all real estate within its boundaries, except that exempted by statute. The real estate in the County is assessed each year as of January 1 on the estimated market value of the property. On January 1, the real estate taxes become an enforceable lien on the property. For real estate assessed on January 1, payment is due in two equal installments on June 5 and October 5. The real estate taxes reported as revenue are the second installment (October 5) of the levy on assessed value at January 1, 2009, and the first installment (June 5) of the levy on assessed value at January 1, 2010.

The County levies personal property taxes on motor vehicles, boats, mobile homes, aircraft and tangible business property. Personal property tax levies are based on the estimated fair market value as of January 1, with payment due on February 5 of the following year. On January 1, personal property taxes become an enforceable lien on the property. The tax on a vehicle may be prorated for the length of time the vehicle has situs (the place where the vehicle is usually kept) in the County.

Past due general property taxes in excess of the established allowance for uncollectibles are reported as deferred revenue in the governmental funds financial statements if not collected within 31 days of the end of the current fiscal year.

The 1998 Virginia General Assembly enacted legislation providing property tax relief to citizens. The Personal Property Tax Relief Act (PPTRA) was intended to be phased in over five years on the first $20,000 of value for motor vehicles not used for business purposes. In 2005 the General Assembly capped PPTRA relief at $950 million statewide beginning with the 2006 tax year. Hanover receives a total of $15,002,000 in four payments annually. County 2009 tax bills, payable in fiscal year 2010, included a sixty six percent reduction on the first $20,000 in value for qualifying vehicles. PPTRA payments received from the Commonwealth of Virginia are classified as noncategorical State aid in the General Fund.

3. Inventories

All County inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventory of the County's discretely presented School Board Component Unit is accounted for using the purchases method.

4. Restricted assets

In accordance with applicable bond covenants, governmental activities report restricted cash, cash equivalents and investments at June 30, 2010 of $4,448,746, which consists of $199,106 maintained in the General Fund as a debt service reserve, unexpended bond proceeds and accumulated interest of $4,036,467, restricted for capital projects in the School Improvements Fund, and unexpended capital lease proceeds of $213,173, restricted under the capital lease in the County Improvements Fund. Business-type activities report restricted cash, cash equivalents and investments of $3,488,079 maintained as reserves required by water and sewer revenue bond covenants.

5. Capital assets

Effective in fiscal year 2010, GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* requires that intangible assets, including easements, which are acquired in fiscal 2010 and future years, and which are considered to have unlimited useful lives, be capitalized and reported as intangible assets. Accordingly, the County has capitalized easements acquired in fiscal year 2010 totaling $499,380. Tangible capital assets, which include property, plant, equipment, and infrastructure, and intangible capital assets, which consist of drainage, stormwater and access easements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The County defines tangible capital assets as items with an initial, individual cost of more than $5,000 and an estimated useful life of at least five years, and intangible capital assets as easements with an initial cost or estimated fair market value of more than $25,000. As there are no factors which limit their useful lives, all County intangible assets are considered to have indefinite useful lives. Tangible capital assets are recorded at actual or estimated historical cost if purchased or constructed. Donated capital assets, whether tangible or intangible, are recorded at estimated fair market value at the date of donation. Purchased intangible capital assets are recorded at the purchase price or at estimated fair market value at the date acquired. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed or purchased. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives. Land and intangible assets with indefinite useful lives are not depreciated or amortized.

Assets	Years
Buildings	40
Building improvements	20
Infrastructure	25-35
Vehicles, trucks, fire trucks	5-15
Office equipment	5
Computer equipment	5

6. Compensated absences

It is the County's policy to permit eligible employees to accumulate earned but unused vacation, compensatory time and sick pay benefits, subject to certain limitations. All such pay is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of the liability is estimated based on historical leave usage. A liability for these amounts is reported in governmental funds only to the extent the liability has matured: for example, as a result of employee resignations or retirements.

7. Long-term obligations

In the government-wide and proprietary fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities.

In the governmental funds financial statements, newly issued long-term debt and other new long-term obligations, including bond premiums, discounts and issuance costs are reported in the statement of revenues, expenditures and changes in fund balances during the current period. The face amount of general long-term debt issued is reported as other financing sources, while premiums received on debt issuances are reported as separate other financing sources, and discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Net assets / Fund equity

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted, and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through State statute. In the fiduciary fund financial statements, net assets of the Retiree Medical Benefits Trust Fund are held by the trust for payment of retiree health benefits, and are reported as net assets held in trust for other postemployment benefits.

In the fund financial statements, County funds report reservations of fund balance for amounts that are not available for appropriation. Designations of fund balance represent management's plans, which are subject to change.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets.

The governmental funds balance sheet includes a reconciliation between *total fund balances – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds payable, net	$	167,737,354
Accrued bond interest		406,579
Capital leases payable		3,330,677
Compensated absences (excludes internal services)		5,187,383
Liability for landfill closure		2,459,757
Net adjustment to reduce total fund balances - total governmental funds to arrive at net assets - governmental activities	$	179,121,750

B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances, and the government-wide statement of activities.

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between the *net change in fund balance - total governmental funds* and *the change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	$	18,214,702
Depreciation expense (excludes internal services)		(5,908,503)
Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net assets of governmental activities	$	12,306,199

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences (excludes internal services)	$	(50,937)
Landfill closure and postclosure costs		82,254
Other postemployment benefit (OPEB) costs		242,654
Accrued interest		(25,273)
Amortization of bond premiums		510,881
Amortization of deferred amount on refunding		(172,277)
Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net assets of governmental activities	$	587,302

III. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before December 1 of each year, all agencies of the County submit requests for appropriations to the County Administrator so that a budget may be prepared. No later than the fourth Wednesday in February, the proposed budget is presented to the County's Board of Supervisors for review. The Board holds informational budget sessions, workshops, and a public hearing to obtain detailed information on budgetary issues and citizen input, and a final budget is legally adopted through passage of a Budget Appropriation Resolution no later than June 30. The Budget Appropriation Resolution establishes budgetary appropriation amounts at the fund level.

To address changes to the fiscal plan, the Board has adopted a budget policy which establishes thresholds for making adjustments to the adopted budget. The budget policy effectively establishes a *legal level of budgetary control*, the lowest level at which County administration may not reallocate resources without Board approval, at the department level, with a $25,000 limitation placed on transfers between departments. The budget policy generally authorizes the County Administrator to transfer amounts as needed within a department’s budget, and to transfer amounts between departments and between capital projects up to the $25,000 limit. The Board of Supervisors must approve all other transfers and all requests for supplemental appropriations. The School Board is authorized to transfer budgeted amounts within the school component unit funds. However, any transfer or supplemental appropriation that increases the School’s total appropriated budget requires subsequent Board of Supervisors approval.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances to the extent goods or services have not been received. Encumbrances do not constitute expenditures or liabilities because the reserved fund balances will be reappropriated and the commitments honored in the subsequent fiscal year.

B. Deficit Fund Equity

The Fleet Management Fund reported a deficit in total net assets of $41,333 at June 30, 2010, which will be recovered by future rate adjustments and/or a transfer from the General Fund.

IV. Detailed notes on all funds

A. Deposits and investments

As of June 30, 2010, the reporting entity's pooled cash and investments, including $2,983,598 held on behalf of agency funds, and amounts separately invested by the Retiree Medical Benefits Trust's Finance Board, were as follows:

		Credit Quality Rating				
Investment Type	Fair Value	AAA/AAAm	AA	A	N/R	N/A
Pooled Investments:						
Cash on hand	$ 4,359	-	-	-	-	4,359
Cash deposits	12,240,115	-	-	-	-	12,240,115
Demand and time deposits	1,154,965	-	-	-	-	1,154,965
Money market mutual funds (AAAm ratings)	16,673,743	16,673,743	-	-	-	-
U.S. government and agency bonds	73,265,343	31,527,073	-	-	41,738,270	-
Corporate notes and bonds	8,131,314	5,344,009	2,547,068	240,237	-	-
Total pooled deposits and investments	$ 111,469,839	53,544,825	2,547,068	240,237	41,738,270	13,399,439

		Fund Credit Quality Rating		
Retiree Medical Benefits Trust:	Fair Value	AAAm	N/R	N/A
Mutual funds:				
Money market	$ 13,539	13,539	-	-
Domestic equity	914,301	-	-	914,301
International equity	495,117	-	-	495,117
Fixed income	1,131,538	-	1,131,538	-
Other	160,466	-	-	160,466
Total trust investments	$ 2,714,961	13,539	1,131,538	1,569,884

Deposits: All cash of the County is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia (the Act) or covered by Federal depository insurance. Under the Act, any public depository that receives or holds public deposits (Qualified Public Depositories) shall elect to secure deposits by either the Pooled Method or the Dedicated Method (which became available by amendments to the Act effective July 1, 2010). Accordingly, throughout fiscal year 2010, the County's Qualified Public Depositories all secured deposits by the Pooled Method, which requires any public depository that receives or holds public deposits to pledge collateral, ranging from 50 to 100 percent of the public deposits, to the State Treasury Board to cover public deposits in excess of Federal deposit insurance. The Pooled Method further provides for the pooling of the collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. The Pooled Method also provides that if any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of participating government entities. Under the Pooled Method, if the value of the pool's collateral is inadequate to cover a loss, additional amounts are assessed on a pro-rata basis to the members of the pool. Under amendments to the Act which became effective July 1, 2010, Qualified Public Depositories are allowed, with the approval of the Treasurer of Virginia, to opt out of the collateral pool and instead participate in the Act under the Dedicated Method, established by Section 2.2-4404 of the Act. Under the Dedicated Method, Qualified Public Depositories are responsible for securing only their own public deposits, by the pledge and deposit of eligible collateral with a qualified escrow agent, equal to or in excess of required collateral amounts, priced at a minimum of 105% to 130% of all public deposits held by the bank, based on ratings determined under the Act; and therefore will not be assessed for losses of another bank that is in default or has become insolvent. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. Subsequent to June 30, 2010, the County's primary banking institution elected to opt out of the Pooled Method and instead be governed by the Dedicated Method of the Act, and as of the date of this report has pledged and deposited 110% of the value of all public deposits held by it to its qualified escrow agent. Both the Pooled Method and the Dedicated Method of securing public deposits are similar to depository insurance; therefore, funds deposited in accordance with the Act are considered to be fully insured.

Pooled Investments: In accordance with Section 2.2-4500 of the Code of Virginia (Code) and other applicable law and regulations, the County's pooled investment policy (County Policy) permits investments in obligations of the United States or agencies thereof; held directly, by collateralized repurchase agreements, or in mutual funds registered under the Investment Company Act of 1940, whose portfolios are restricted to U.S. Government and U.S. agency obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, certain corporate notes, bankers acceptances and repurchase agreements, savings accounts or time deposits in approved banks or savings institutions within the Commonwealth, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a7-like pool).

The County Policy establishes limitations on the holding of non-U.S. Government obligations by type of instrument. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each type of security is as follows:

	Maximum
Negotiable certificates of deposits/bank notes	100%
Repurchase agreements	50%
Corporate notes	50%
Bankers' acceptances	40%
Commercial paper	35%
State bonds, notes and other evidences of indebtedness	25%
County, town, city, district, authority or other public body bonds, notes and other evidences of indebtedness	25%

The County Policy also expressly prohibits the following securities, unless specifically approved in writing by the Treasurer: derivative products; reverse repurchase agreements; and any other security not specifically authorized in the policy.

Retiree Medical Benefits Trust (Trust) Investments: The primary goal of the Trust is to meet the reporting entity's current and long-term retiree health care benefit obligations while minimizing required employer contributions. The Trust investment policy (Trust Policy) objectives include maintenance of a moderate risk profile and a prudent degree of investment diversification, while optimizing long-term investment returns commensurate with minimizing volatility and the risk of loss over established time horizons. In addition to the investments permitted under Section 2.2-4500 of the Code as applicable to the County's pooled investments, the Code also authorizes the Trust to purchase other investments, including domestic and international stocks, REITS and corporate bonds that meet the prudent person standard set forth in the Code. To meet this standard, the Trust Policy restricts investment in stocks and REITs to readily-marketable securities that are actively traded on a major exchange; restricts fixed-income investments to high-quality U.S. Treasury and agency, municipal or corporate fixed-income investments; prohibits the investment of Trust assets in hedge funds, derivatives, options or futures for the purpose of portfolio leveraging; and prohibits other enumerated investment types and transactions. In addition to these constraints on the Trust investment portfolio, the Trust Policy also requires periodic comparison of investment performance to appropriate benchmarks, and periodic review of asset allocations, investment manager performance and investment guidelines.

The Code vests authority to administer the Trust investment policy in the Trust's Finance Board, which has established asset allocations in two broad classes called investment assets and liquidity assets. The liquidity assets will be invested in accordance with the provisions of Virginia Code Section 2.2-4500 et seq. applicable to liquid assets. These funds will be used to pay for benefits and expenses of the Trust. The investment assets will be invested in longer-term securities or mutual funds in accordance with targets for each asset class, with the objective to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate. The target asset classes and asset weightings are as follows:

		Trust Asset Weightings		
Trust Asset Class	Fair Value	Range	Target	Actual
Liquidity assets:				
Cash equivalent	$ 13,539	0 - 100%	100%	100.0%
Investment assets:				
Domestic equity	914,301	26 - 46%	36%	33.8%
International equity	495,117	13 - 33%	23%	18.3%
REITs	78,399	0 - 12%	6%	2.9%
Inflation hedged	82,067	0 - 10%	0%	3.0%
Fixed income	1,131,538	20 - 60%	35%	41.9%
Cash equivalent	-	0 - 20%	0%	0.0%
Total investment assets	2,701,422		100%	100.0%
Total trust investments	$ 2,714,961			

Interest Rate Risk: As a means of limiting exposure to fair value losses arising from rising interest rates, both the reporting entity's pooled investment portfolio and the Trust manage maturity of fixed-income accounts to precede or coincide with the expected need of funds, which has resulted in the creation of three pooled investment portfolios of differing maturities and the classification of Trust investments into liquidity and investment assets, as described above. The County Policy also limits the investment of operating funds to investments with a stated maturity of no more than five years from the date of purchase, except proceeds from the sale of bonds, which must be invested in compliance with the specific requirements of bond covenants, and may be invested in securities with longer maturities. The Trust Policy has established a fixed-income investment objective based on a five-year rolling market cycle investment horizon, to minimize principle fluctuations and limit the potential for and duration of fixed-income investment losses over that investment horizon due to interest rate fluctuations. The Trust Policy also encourages active fixed-income investment management and requires quarterly reporting of fixed-income investment performance to the Trust's Finance Board. The deposit and fixed income investment types in the pooled investment portfolio and the Trust portfolio are presented below using the segmented time distribution reporting method, by maturity in years.

As of June 30, 2010, deposits and fixed income investments are summarized at fair value and maturity as follows:

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1	1 to 3	More than 3
Pooled Investments:				
Cash on hand	$ 4,359	4,359	-	-
Cash deposits	12,240,115	12,240,115	-	-
Demand and time deposits	1,154,965	1,154,965	-	-
Money market mutual funds	16,673,743	16,673,743	-	-
U.S. Government and agency bonds	73,265,343	49,210,397	22,253,800	1,801,146
Corporate notes and bonds	8,131,314	1,441,369	6,689,945	-
Total pooled deposits and investments	$ 111,469,839	80,724,948	28,943,745	1,801,146

Retiree Medical Benefits Trust:	Fair Value	Investment Maturities (in Years) Less than 1	1 to 5	More than 5
Money market mutual fund	$ 13,539	13,539	-	-
Fixed Income	1,131,538	-	1,131,538	-
Total trust deposits and investments	$ 1,145,077	13,539	1,131,538	-

Credit Risk: As required by State statute, the County Policy requires that commercial paper have a short-term debt rating of no less than A-1 (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's and Fitch Ratings, and that its maturity may not exceed 270 days and the issuing corporation, or its guarantor must have a net worth of at least $50 million and the issuer's net income must average $3 million for the five previous years.

Corporate notes, negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least A-1 by Standard & Poor's and P-1 by Moody's Investors Service. Notes having a maturity of greater than one year must be rated AA by Standard & Poor's and Aa by Moody's Investors Service.

The County's rated pooled debt investments as of June 30, 2010 were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization. The credit quality and fund credit quality ratings presented previously in this note are determined using the S&P rating scales. Deposits and investments not exposed to credit quality risk, as defined by Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, are designated as not applicable (N/A) in the credit rating column, and those that are not rated are designated as N/R.

The Trust Policy requires that the overall credit quality of the Trust's fixed income investments must be at least A. The Trust Policy also permits the Trust to purchase fixed income investments with credit quality ratings of Baa3 or BBB by at least two credit rating agencies (Fitch, Moody's or S&P), up to a maximum of 20 percent of the total market value of fixed-income investments. If a security is downgraded below investment grade as defined by two of these credit rating agencies, the investment manager must notify the Finance Board and a plan of action regarding the security must be adopted.

Concentration of Credit Risk: The County Policy establishes limitations on the pooled investment portfolio composition by issuer in order to control concentration of credit risk. No more than five percent of the pooled investment portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100% maximum
Each Federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

As of June 30, 2010, investments in the following issuers exceeded five percent of the pooled investments: Federal National Mortgage Association (23%), Federal Home Loan Mortgage Corporation (20%), and Federal Home Loan Bank (13%).

The Trust Policy also establishes guidelines for Trust portfolio holdings. Fixed income securities of any one issuer with the exception of the U.S. government and its agencies may not exceed five percent of the total bond portfolio at the time of purchase. The Trust Policy also limits equity holdings of any one issuer to five percent of the total market value of the stock portfolio, requires that no more than twenty-five percent of the total market value of the stock portfolio may be invested in any one industry category, and establishes standards and limits on any non-U.S. equity allocation. The Trust may also invest in mutual funds that are compliant with the Investment Company Act of 1940, with investment objectives and policies consistent, to the extent practical, with the standards and limitations for equity and fixed-income investments contained in the Trust Policy.

Custodial Credit Risk – Deposits: For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. The County's deposits at June 30, 2010 were fully insured under the Virginia Security for Public Deposits Act, and are therefore not considered to be subject to custodial credit risk.

Custodial Credit Risk – Investments: For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the reporting entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County Policy requires that all investment securities purchased for the County be held by the County or by the County's designated custodian. If held by a custodian, the securities must be in the County's or in the custodian's nominee name and identifiable on the custodian's books as belonging to the County and the custodian must be a third party, not a counterparty to the investment transaction. As of June 30, 2010, all of the County's pooled investments were held by the trust department of the County's custodial bank in the County's name. Additionally, all Trust investments were held by the trust department of the Trust's custodial bank in the Trust's name as of June 30, 2010.

B. Receivables

Receivables and allowances for uncollectible receivables of the primary government and School Component Unit, excluding fiduciary funds, at June 30, 2010, are as follows:

	Primary Government							
	General Fund	County Improvements Fund	Other Governmental Funds	Public Utilities	Airport Fund	Internal Services Funds	Total Primary Government	School Component Unit
Receivables:								
Interest	$ 221,705	-	-	-	-	-	221,705	-
Taxes	58,225,383	-	-	-	-	-	58,225,383	-
Accounts	1,348,567	-	304,526	4,604,318	-	30,291	6,287,702	81,843
Commonwealth of Virginia	4,396,947	562,554	464,187	-	12,883	-	5,436,571	2,882,680
Federal government	305,660	-	24,753	-	-	-	330,413	2,407,478
Gross receivables	64,498,262	562,554	793,466	4,604,318	12,883	30,291	70,501,774	5,372,001
Allowance for uncollectibles	(1,320,948)	-	(51,094)	(276,482)	-	-	(1,648,524)	-
Net total receivables	$ 63,177,314	562,554	742,372	4,327,836	12,883	30,291	68,853,250	5,372,001

The governmental funds financial statements report *deferred revenue* in connection with prepaid taxes and receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The government-wide financial statements report *unearned revenue* in connection with assets which have not yet been earned, including prepaid taxes and taxes receivable that were levied to finance expenditures of the next fiscal year. Accordingly, the second installment of the 2009 real property tax levy, due on October 5, 2010, is reported as unearned revenue at June 30, 2010 in the government-wide financial statements, and as deferred revenue in the governmental fund financial statements. At June 30, 2010, the various components of the primary government's *deferred revenue* and *unearned revenue* were as follows:

	Unavailable - Deferred Revenue	Unearned Revenue
	Governmental Funds Financial Statements	Government - wide Financial Statements
Property tax levies not yet due	$ 50,279,644	$ 50,279,644
Past due taxes (net of allowance for uncollectibles)	6,344,000	-
EMS transport fees	348,492	-
Unearned health insurance premiums - Self Insurance Fund	-	1,445,756
Total deferred/unearned revenue - primary government	$ 56,972,136	$ 51,725,400

C. Capital assets

Capital asset activity for the primary government for the year ended June 30, 2010 was as follows:

(see schedule on next page)

Primary Government

Governmental activities:	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, not being depreciated:				
Land	$ 8,826,159	-	-	8,826,159
Intangible assets	-	499,380	-	499,380
Construction in progress	14,689,107	16,935,403	(8,043,357)	23,581,153
Total capital assets, not being depreciated	23,515,266	17,434,783	(8,043,357)	32,906,692
Capital assets, being depreciated:				
Buildings	240,509,548	3,149,734	-	243,659,282
Improvements other than buildings	6,741,381	456,800	(38,580)	7,159,601
Machinery and equipment	37,345,960	7,062,289	(1,595,004)	42,813,245
Infrastructure	28,190,723	1,611,073	-	29,801,796
Total capital assets, being depreciated	312,787,612	12,279,896	(1,633,584)	323,433,924
Less accumulated depreciation for:				
Buildings	(63,325,684)	(5,818,494)	-	(69,144,178)
Improvements other than buildings	(3,841,676)	(233,026)	14,047	(4,060,655)
Machinery and equipment	(24,705,542)	(3,221,460)	1,516,798	(26,410,204)
Infrastructure	(12,703,599)	(1,078,267)	-	(13,781,866)
Total accumulated depreciation	(104,576,501)	(10,351,247)	1,530,845	(113,396,903)
Total capital assets, being depreciated, net	208,211,111	1,928,649	(102,739)	210,037,021
Governmental activities capital assets, net	$ 231,726,377	19,363,432	(8,146,096)	242,943,713

Business-type activities: **Public Utilities:**				
Capital assets, not being depreciated:				
Land	$ 6,354,137	-	-	6,354,137
Construction in progress	6,904,059	10,454,559	(9,498,248)	7,860,370
Total capital assets, not being depreciated	13,258,196	10,454,559	(9,498,248)	14,214,507
Capital assets, being depreciated:				
Buildings	78,164,145	4,382,508	-	82,546,653
Improvements other than buildings	180,614,400	9,128,284	-	189,742,684
Machinery and equipment	6,293,322	659,830	(65,338)	6,887,814
Total capital assets, being depreciated	265,071,867	14,170,622	(65,338)	279,177,151
Less accumulated depreciation for:				
Buildings	(21,965,479)	(2,233,436)	-	(24,198,915)
Improvements other than buildings	(62,498,799)	(5,389,543)	-	(67,888,342)
Machinery and equipment	(5,226,158)	(389,568)	65,338	(5,550,388)
Total accumulated depreciation	(89,690,436)	(8,012,547)	65,338	(97,637,645)
Total capital assets, being depreciated, net	175,381,431	6,158,075	-	181,539,506
Public Utilities capital assets, net	$ 188,639,627	16,612,634	(9,498,248)	195,754,013

Airport Fund:		Balance July 1	Increases	Decreases	Balance June 30
Capital assets, not being depreciated:					
Land	$	3,932,827	-	-	3,932,827
Construction in progress		44,700	29,612	-	74,312
Total capital assets, not being depreciated		3,977,527	29,612	-	4,007,139
Capital assets, being depreciated:					
Buildings		3,669,137	-	-	3,669,137
Improvements other than buildings		8,090,789	-	-	8,090,789
Machinery and equipment		27,041	11,095	-	38,136
Total capital assets, being depreciated		11,786,967	11,095	-	11,798,062
Less accumulated depreciation for:					
Buildings		(219,725)	(118,079)	-	(337,804)
Improvements other than buildings		(2,994,866)	(277,616)	-	(3,272,482)
Machinery and equipment		(24,045)	(1,568)	-	(25,613)
Total accumulated depreciation		(3,238,636)	(397,263)	-	(3,635,899)
Total capital assets, being depreciated, net		8,548,331	(386,168)	-	8,162,163
Airport capital assets, net	$	12,525,858	(356,556)	-	12,169,302
Business-type activities capital assets, net	$	201,165,485	16,256,077	(9,498,248)	207,923,315
Total capital assets, net - Primary government	$	432,891,862	35,619,509	(17,644,344)	450,867,028

Capital assets activity for the School Component Unit for the year ended June 30, 2010 was as follows:

School Component Unit activities:					
Capital assets, not being depreciated:					
Land	$	7,400,682	-	-	7,400,682
Construction in progress		3,097,802	6,152,516	(5,964,128)	3,286,190
Total capital assets, not being depreciated		10,498,484	6,152,516	(5,964,128)	10,686,872
Capital assets, being depreciated:					
Buildings		102,222,842	5,874,369	(1,406,609)	106,690,602
Improvements other than buildings		3,439,373	280,371	-	3,719,744
Machinery and equipment		21,232,895	1,532,127	(455,169)	22,309,853
Total capital assets, being depreciated		126,895,110	7,686,867	(1,861,778)	132,720,199
Less accumulated depreciation for:					
Buildings		(23,516,255)	(7,553,638)	4,295,282	(26,774,611)
Improvements other than buildings		(1,254,452)	(186,674)	-	(1,441,126)
Machinery and equipment		(11,426,656)	(1,695,609)	448,787	(12,673,478)
Total accumulated depreciation		(36,197,363)	(9,435,921)	4,744,069	(40,889,215)
Total capital assets, being depreciated, net		90,697,747	(1,749,054)	2,882,291	91,830,984
School Component Unit capital assets, net	$	101,196,231	4,403,462	(3,081,837)	102,517,856

Depreciation expense was charged to functions of the primary government and School Component Unit as follows:

Primary government:		
Governmental activities:		
General governmental administration	$	893,905
Judicial administration		191,777
Public safety		2,942,710
Public works		1,372,867
Human services		125,332
Parks, recreation and cultural		375,612
Community development		6,300
Depreciation of capital assets held by the internal service funds is charged to various functions based on their usage of the assets		107,210
Total depreciation expense - governmental activities		6,015,713
Business-type activities:		
Public Utilities		8,012,547
Airport		397,263
Total depreciation expense - business-type activities		8,409,810
Total depreciation expense - primary government	$	14,425,523
School Component Unit	$	9,435,921

The School Component Unit reports all depreciation expense for School property, although a portion of its accumulated depreciation is reported with the associated assets by the primary government under Virginia's *Tenancy in Common*, as described below.

Tenancy in Common – State legislation passed in 2002 granted the County a tenancy in common with the School Board when the County incurs a financial obligation for school property which is payable over more than one fiscal year. For financial reporting purposes, School property financed by County general obligation debt is reported by the County in the amount of outstanding capital-related debt. The schedules of capital asset activity in note IV.C include the amounts shown in the schedule below, the net effect of which is to decrease the net book value of School Component Unit capital assets reported by the County by $2,888,672 under the Tenancy in Common at June 30, 2010. Accordingly, the increase in the primary government's accumulated depreciation shown in note IV.C of $10,351,247 includes $6,015,713 of depreciation expense applicable to and reported in the primary government's functional expenses (as shown above), and $4,295,282 of accumulated depreciation (as shown below) applicable to and included in the School Component Unit's depreciation expense for the year, but transferred to and reported by the primary government under the Tenancy in Common. In accordance with generally accepted accounting principles, the reporting entity's net assets invested in capital assets are reported in accordance with Virginia's Tenancy in Common, while depreciation expense is allocated to the appropriately benefiting function and entity.

Amounts included in capital asset activity		Primary Government - Governmental Activity	School Component Unit	Total Reporting Entity
Buildings	$	1,406,610	(1,406,610)	-
Accumulated depreciation for buildings		(4,295,282)	4,295,282	-
Buildings, net	$	(2,888,672)	2,888,672	-

At June 30, 2010, School Component Unit capital assets financed by outstanding County guaranteed debt with a net book value of $129,475,256 were reported under the primary government as tenant in common with the School Board.

D. Interfund receivables, payables, and transfers
The composition of interfund balances at June 30, 2010, is as follows:

Due To	Due From		Amount
General Fund	Fleet Management Fund	$	100,748

This amount represents a temporary loan of pooled cash by the General Fund to the Fleet Management Fund.

The primary purpose of interfund transfers is to provide funding for operations, including those of the Hanover Community Services Board and the Comprehensive Services Fund (other governmental funds, below), and capital projects. Interfund transfers for the year ended June 30, 2010 are as follows:

Primary Government		Transfers In	Transfers Out
General Fund	$	-	10,130,777
County Improvements Fund		2,055,778	-
School Improvements Fund		1,008,000	-
Other Governmental Funds		6,866,296	-
Airport Fund		200,703	-
Total primary government	$	10,130,777	10,130,777

E. Noncurrent liabilities
The following is a summary of changes in the government-wide noncurrent liabilities of the primary government and the School Component Unit for the year ended June 30, 2010:

(see schedule on next page)

Primary Government	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Governmental activities:					
General obligation bonds payable:					
Principal amount of bonds payable	$ 149,558,984	26,365,000	13,142,672	162,781,312	12,763,042
Premium	6,447,843	863,580	510,881	6,800,542	510,882
Deferred amount on refunding	(2,016,777)	-	(172,277)	(1,844,500)	(172,277)
Total bonds payable	153,990,050	27,228,580	13,481,276	167,737,354	13,101,647
Capital lease obligations	1,836,239	2,449,001	954,563	3,330,677	618,252
Compensated absences	5,286,260	4,923,076	4,880,940	5,328,396	4,639,459
Liability for landfill closure	2,542,011	-	82,254	2,459,757	77,215
Total governmental activities	163,654,560	34,600,657	19,399,033	178,856,184	18,436,573
Business-type activities:					
Public Utilities:					
Water and sewer revenue bonds payable:					
Principal amount of bonds payable	35,514,551	-	2,192,926	33,321,625	2,224,482
Premium	487,843	-	28,499	459,344	28,498
Deferred amount on refunding	(879,421)	-	(54,964)	(824,457)	(54,964)
Total bonds payable	35,122,973	-	2,166,461	32,956,512	2,198,016
Compensated absences	540,492	455,185	442,464	553,213	425,878
Deposits	217,139	328,338	181,362	364,115	-
Capacity fee credits	374,830	1,256,965	174,436	1,457,359	-
Contractual obligations	640,041	-	152,966	487,075	161,017
Total Public Utilities	36,895,475	2,040,488	3,117,689	35,818,274	2,784,911
Airport Fund:					
Taxable airport revenue bond payable	1,713,785	-	57,640	1,656,145	60,605
Compensated absences	4,681	4,381	4,098	4,964	4,345
Total Airport Fund	1,718,466	4,381	61,738	1,661,109	64,950
Total business-type activities	38,613,941	2,044,869	3,179,427	37,479,383	2,849,861
Total noncurrent liabilities - Primary government	$ 202,268,501	36,645,526	22,578,460	216,335,567	21,286,434
School Component Unit					
Compensated absences	$ 4,457,798	1,896,149	1,682,323	4,671,624	1,763,019
Early retirement program	582,082	-	582,082	-	-
Total noncurrent liabilities - School Component Unit	$ 5,039,880	1,896,149	2,264,405	4,671,624	1,763,019

Internal service funds primarily serve governmental funds. Their noncurrent liabilities are included in the preceding governmental activities totals, including $141,013 of compensated absences at year-end. Capital lease obligations, compensated absences and the liability for landfill closure reported as governmental activities liabilities of the primary government are liquidated by the General Fund.

Liability for landfill closure

State and federal laws and regulations required the County to place a final cover on its landfill site when it stopped accepting waste, and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill closed December 31, 2002 and a permanent cap was completed in 2003 over the 35-acre site. The $2,459,757 reported as landfill closure and post closure care liability at June 30, 2010 represents the remaining estimated cost of post closure care. These amounts are based on what it would cost to perform all closure and post closure care in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

General obligation bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds (including Virginia Public School Authority (VPSA) bonds and State Literary Fund loans) have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year.

On January 27, 2010, the primary government issued $26,365,000 of Series 2010 General Obligation Public Improvement Bonds (Series 2010 Bonds) consisting of $12,240,000 of Series 2010A General Obligation Public Improvement Bonds (Bank Qualified) with an average interest rate of 3.7% and $14,125,000 of Series 2010B General Obligation Public Improvement Bonds (Taxable – Build America Bonds) with an average interest rate of 5.6%. The Series 2010B Bonds were issued as Build America Bonds in accordance with the American Reinvestment and Recovery Act of 2009 (the Act). Pursuant to the Act, the County expects to receive a cash subsidy payment from the United States Treasury equal to 35 percent of the interest payable on the Series 2010B Bonds at each interest payment date, to lower the effective interest rate of the bonds to 3.63%. During fiscal year 2010, the County recognized $127,148 of direct Federal interest rate subsidies on the Build America Bonds, which is included in revenue from the Federal government in the General Fund. The Series 2010 Bonds were issued to finance certain capital improvements for schools, public safety, and parks and libraries.

On July 15, 2009, the County received a one-time credit of $11,034 against the debt service payment then due on the County's VPSA Series 1997A general obligation school bonds (the Related Local Bonds), in accordance with Section 22.1-167.1 of the Code of Virginia, from the Virginia Public School Authority (VPSA), representing the present value of Hanover County's share of the savings realized by the VPSA from refunding the VPSA's underlying 1997A bonds. The County's Related Local Bonds were deemed refunded and defeased by this transaction, but no further cash inflows or outflows occurred. The County's VPSA Series 1997A general obligation school bonds with outstanding principal of $1,280,000 were re-captioned as the VPSA Series 2009A Refunding bonds in the following schedule of outstanding bonds.

Revenue bonds

The County also issues bonds for which it pledges the income derived from the acquired or constructed assets to pay the debt service. Outstanding revenue bonds have been issued on behalf of the public utilities and airport functions.

The County has pledged the sum of its future Public Utilities Fund Operating Income or Loss, prior to depreciation expense, and its Public Utilities Fund Nonoperating Revenues (together "Net Available Revenues") in the approximate amount of $44,875,220 as of June 30, 2010, to secure the total remaining debt service requirements of the then-outstanding Public Utilities Water and Sewer Revenue Bonds (Bonds), which have financed various Public Utilities improvements. Based on an estimate of the average Net Available Revenues over the ten year period ended June 30, 2010 of approximately $11.1 million annually, it is estimated that approximately 18 percent of future Utility Net Available Revenues are pledged through fiscal 2032, and will expire in that fiscal year with the final maturity of the current Bonds. However, future water and sewer revenue bonds which may be issued to finance future utility improvements will likely contain similar pledges, and future annual Net Available Revenues may differ significantly from the average used in this estimate. During fiscal 2010, pledged Net Available Revenues totaled $6,862,769, and the water and sewer revenue bond debt service requirement was $3,626,972.

The County has also pledged future lease rental income from the airport's fixed base operator (FBO), or successor FBOs, in the approximate amount of $2,530,290 as of June 30, 2010, to secure the then-remaining debt service requirements on the Airport VRA Series 2007 revenue bond (Bond), which financed airport improvements completed in fiscal 2008. This pledge obligates substantially all future FBO rental income through July 1, 2027, and will expire on that date with the final maturity of the Bond. During fiscal 2010, pledged rental receipts totaled $152,748, and the debt service requirement was $143,977.

County debt and related interest to maturity

Outstanding general obligation bonds and revenue bonds are comprised of the following issues:

Purpose	Interest Rates (%)	Date Issued	Original Issue	Principal Outstanding
Governmental activities:				
General obligation bonds:				
County:				
Series 2006A Public Improvement	4.00 - 5.00	10-12-06	$ 7,440,000	$ 6,335,000
Series 2006A Refunding	3.50 - 4.00	10-12-06	3,965,000	2,765,000
Series 2009 Public Improvement	2.50 - 5.00	02-18-09	10,765,000	10,350,000
Series 2010A Public Improvement	2.00 - 5.00	01-14-10	5,655,000	5,655,000
Series 2010B Public Improvement	4.73 - 6.02	01-14-10	7,850,000	7,850,000
Total general obligation bonds - County				32,955,000
Schools:				
Series 2002 Public Improvement	2.00 - 4.875	06-01-02	20,000,000	2,000,000
Series 2002B Public Improvement	3.00 - 4.60	12-01-02	21,500,000	6,750,000
Series 2006A Public Improvement	4.00 - 5.00	10-12-06	13,710,000	11,460,000
Series 2006B Refunding	3.50 - 4.00	10-12-06	10,395,000	10,215,000
Series 2009 Public Improvement	2.50 - 5.00	02-18-09	9,450,000	8,675,000
Series 2009 Refunding	2.50 - 5.00	02-18-09	22,375,000	22,300,000
Series 2010A Public Improvement	2.00 - 5.00	01-14-10	6,585,000	6,585,000
Series 2010B Public Improvement	4.73 - 6.02	01-14-10	6,275,000	6,275,000
VPSA Series 1990B	6.40 - 7.10	08-30-90	6,040,000	365,000
VPSA Series 1991	4.85 - 6.60	07-31-91	2,069,507	243,621
VPSA Series 1992A	5.10 - 8.10	12-17-92	6,230,000	670,000
VPSA Series 1993A	4.475 - 5.00	11-18-93	3,620,000	155,000
VPSA Series 1994A Refunding	6.35 - 7.19	01-03-94	32,075,000	720,000
VPSA Series 1994A	6.10 - 6.30	05-05-94	4,900,000	1,005,000
VPSA Series 1994B	6.10 - 6.60	11-22-94	5,385,000	1,335,000
VPSA Series 1995A	5.20 - 5.75	12-21-95	1,580,000	460,000
VPSA Series 1996A	5.10 - 6.10	11-14-96	7,495,000	2,015,000
VPSA Series 1999A	5.10 - 6.10	11-18-99	5,630,000	2,800,000
VPSA Series 1999B	5.10 - 6.10	11-18-99	4,384,934	2,299,156
VPSA Series 2005A	3.10 - 5.10	05-12-05	16,105,000	12,880,000
VPSA Series 2005B	4.60 - 5.10	11-10-05	6,995,000	5,647,595
VPSA Series 2005C	4.60 - 5.10	11-10-05	6,967,658	5,595,000
VPSA Series 2007	4.10 - 5.10	11-08-07	13,838,206	12,543,190
VPSA Series 2009A Refunding	4.35 - 5.35	11-20-97	3,220,000	1,280,000
State Literary Fund loans	4.00	1997	5,000,000	2,000,000
State Literary Fund loans	4.00	1998	3,725,000	1,676,250
State Literary Fund loans	4.00	1999	1,275,000	637,500
State Literary Fund loans	4.00	2002	2,065,000	1,239,000
Total general obligation bonds - Schools				129,826,312
Total governmental activities - general obligation bonds				162,781,312
Business-type activities:				
Public Utilities:				
Water and sewer revenue bonds:				
Series 2002A	0.00	06-14-02	920,400	598,260
Series 2002B	3.75	10-25-02	977,031	768,780
Series 2003A Refunding	3.72	04-10-03	10,000,000	5,280,000
Series 2004	3.28	03-30-04	9,600,000	5,760,000
Series 2005A Refunding	3.10 - 4.64	01-31-05	14,065,000	11,980,000
Series 2006	3.63 - 4.98	05-08-06	9,000,000	8,380,000
Series 2007	0.00	07-19-07	616,206	554,585
Total Public Utilities				33,321,625
Airport Fund:				
Taxable airport revenue bond:				
VRA Series 2007	5.08	03-21-07	1,795,000	1,656,145
Total Airport Fund				1,656,145
Total Business-type activities				34,977,770
Total bond indebtedness - Primary government				$ 197,759,082

Principal and interest to maturity for the County's governmental activities general obligation bonds and business-type activities revenue bonds outstanding at June 30, 2010, are as follows:

	Governmental Activities		Business-type Activities					
	General Obligation Bonds		Water and Sewer Revenue Bonds		Taxable Airport Revenue Bond		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 12,763,042	7,017,552	2,224,482	1,297,719	60,605	83,372	15,048,129	8,398,643
2012	12,193,735	6,527,355	2,251,096	1,217,851	63,723	80,254	14,508,554	7,825,460
2013	12,403,018	6,024,803	2,297,771	1,131,655	67,001	76,976	14,767,790	7,233,434
2014	12,175,599	5,558,482	2,334,511	1,046,688	70,448	73,529	14,580,558	6,678,699
2015	11,454,759	5,046,556	2,371,315	960,464	74,072	69,905	13,900,146	6,076,925
2016-2020	52,306,982	18,012,111	10,616,135	3,467,328	431,596	298,981	63,354,713	21,778,420
2021-2025	33,375,489	7,896,665	7,338,885	1,752,289	554,639	165,247	41,269,013	9,814,201
2026-2030	16,108,688	1,840,474	2,702,430	619,919	334,061	25,881	19,145,179	2,486,274
2031-2032	-	-	1,185,000	59,682	-	-	1,185,000	59,682
Totals	$ 162,781,312	57,923,998	33,321,625	11,553,595	1,656,145	874,145	197,759,082	70,351,738

The County has no legal debt margin requirement. Any issuance of general obligation bonded debt, except State Literary Fund loans and Virginia Public School Authority (VPSA) bonds, must be approved by a voting majority of the qualified County voters. Revenue bonds, State Literary Fund loans and VPSA bonds may be issued by the adoption of a resolution by the Board of Supervisors.

In November, 2005 the County's voters authorized the issuance of general obligation bonds in the amount of $95,075,000. Of the total authorized, the County has issued $81,568,206 and has additional construction commitments totaling $11,436,121 for authorized projects as of June 30, 2010. The County plans to issue the remaining bonds in fiscal year 2011 to finance these commitments and complete the authorized capital projects.

The County has overlapping debt with the Town of Ashland, Virginia of $605,000, of which the share applicable to the County approximates $487,075. The County's applicable share is for water and sewer bonds for which the County assumed ownership January 1, 1996, under an annexation agreement. The County has a contractual obligation to reimburse the Town for water and sewer line debt in accordance with the agreement. The bonds expire on August 1, 2012.

Conduit debt obligations

The County's Economic Development Authority Component Unit (EDA) is empowered by the Commonwealth of Virginia to issue Industrial Revenue Bonds (IRBs) on behalf of businesses relocating to or expanding their operations within the County. Principal and interest on the IRBs are paid entirely by the businesses. Neither the EDA nor the County guarantees the repayment of principal or interest to the bondholders, and the debt is not a pledge of the faith and credit of the EDA or the County. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2010, the principal amounts outstanding on these IRBs totaled $185.5 million.

Defeasance of debt

In prior years, the County defeased certain outstanding bonds by placing the proceeds of newly issued bonds in irrevocable escrow funds to provide for all future debt service payments on the old bonds. Accordingly, the escrow fund assets and the liabilities for the defeased bonds are not included in the accompanying financial statements. During fiscal year 2010, the County's VPSA Series 1997A general obligation school bonds in the principal amount of $1,280,000 were deemed defeased, as discussed previously in this footnote under *General Obligation Bonds.* At June 30, 2010, the County had general obligation bonds that are outstanding but considered defeased totaling $19,330,000.

Capital leases

The County has financed the acquisition of office facilities and a communications system by entering into capital lease agreements. The balance of capital assets, net of accumulated depreciation, the minimum lease payments, and the present value of the minimum lease payments as of June 30, 2010, are as follows:

Asset Class	Primary Government - Governmental Activities
Land	$ 384,847
Buildings	13,173,013
Machinery and equipment	2,329,857
Total assets, at cost	15,887,717
Accumulated depreciation	(6,559,192)
Total assets, net	$ 9,328,525

Fiscal Year	Minimum Lease Payments
2011	$ 722,910
2012	451,336
2013	187,294
2014	174,972
2015	173,087
2016-2020	870,926
2021-2025	871,463
2026-2030	871,725
2031	174,424
Total minimum lease payments	4,498,137
Portion representing interest	(1,167,460)
Present value of minimum lease payments	$ 3,330,677

V. Other information

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries insurance through commercial carriers or through the Virginia Municipal Liability Pool. The County carries commercial insurance for all risks of loss including property, theft, auto liability, general liability and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the past three years. There was no reduction in insurance coverage during fiscal year 2010. All claims are paid in full at the time of damage. In addition, the County provides various surety bond coverages as required under regulations, generally at industry-recommended levels.

The County is a participating member in the Virginia Municipal League Insurance Program and the School Board is a participating member in the School Systems of Virginia Self Insurance Program. Both of these not-for-profit entities provide workers' compensation coverage in compliance with the Virginia Workers' Compensation code.

The County and School Board have chosen to retain the risk associated with the employee's health insurance plan. Risk is retained at 100% up to an individual stop loss amount of $150,000 for individual claims paid during the contract year and an aggregate plan stop loss of 125% of expected claims. All County and School Board full-time and benefited part-time employees are eligible to participate. Premiums are paid for participating employees to the Self Insurance Fund, which is reported in the County's financial statements as an internal service fund. An administrator selected by the County processes all claims, and is reimbursed based on actual claims processed. Net asset balances in the Self Insurance Fund are used as a reserve to offset rate increases and to fund losses in future years. The County's benefits consultant has actuarially determined an estimated liability for combined County and School Board healthcare claims that have been incurred but not reported (IBNR) at fiscal year end, substantially all of which is expected to be liquidated within the following fiscal year, and which is reported in the Self Insurance Fund. Changes in balances of combined health insurance claim liabilities and IBNR during the past three years are as follows:

Fiscal Year	Payable (Receivable) Beginning of Year	Claims and Other Charges Processed	Claim Payments	Payable (Receivable) End of Year	Incurred but not reported
2008	$ 207,217	21,400,163	21,825,404	(218,024)	2,295,000
2009	(218,024)	25,176,493	24,683,562	274,907	2,265,000
2010	274,907	24,882,216	25,157,123	-	2,178,000

B. Fund balance designated for specific purposes

Designated portions of fund balance are established to indicate tentative plans for financial resource utilization in a future period. Designation of fund balance by specific purpose at June 30, 2010 is as follows:

	Primary Government					
	General Fund	County Improvements Fund	School Improvements Fund	Other Governmental Funds	Total Primary Government	School Component Unit
Designated for:						
Capital Improvements - County	$ -	8,320,779	-	-	8,320,779	-
Capital Improvements - Schools	-	-	4,358,217	-	4,358,217	-
Economic development	500,000	-	-	-	500,000	-
Funding of subsequent fiscal year's budget	4,343,776	50,000	-	-	4,393,776	-
Funding of future School needs	2,000,000	-	-	-	2,000,000	-
Reappropriation of unencumbered balances	1,018,929	-	-	3,391	1,022,320	1,731,198
Revenue stabilization during periods of economic downturn	3,725,246	-	-	-	3,725,246	-
Total designated for specific purposes	$ 11,587,951	8,370,779	4,358,217	3,391	24,320,338	1,731,198

C. Commitments and contingent liabilities

Operating leases

The County leases office facilities and other equipment under various operating lease agreements, substantially all of which are subject to annual appropriation of funds. Total costs for such leases for the year ended June 30, 2010 are as follows, and are expected to remain at similar levels in future fiscal years, as expiring leases are generally renewed:

Governmental activities	$	803,509
Business-type activities		25,834
Total primary government		829,343
School component unit		98,882
Total reporting entity	$	928,225

Other commitments

At June 30, 2010, the primary government had commitments for capital projects totaling $22,431,485. Funding for the commitments will be provided by existing resources in the applicable funds, authorized but unissued bond proceeds, State and Federal grants and other resources, as follows:

	Primary Government					
		County Improvements Fund	School Improvements Fund	Public Utilities Fund	Airport Fund	Total Primary Government
Total capital commitments at June 30, 2010	$	12,966,821	4,226,842	5,178,805	59,017	22,431,485
Financed by use of:						
Fund balance reserved for encumbrances		1,206,859	4,226,842	-	-	5,433,701
Unrestricted net assets		-	-	5,178,805	32,371	5,211,176
Authorized but unissued general obligation bonds		11,436,121	-	-	-	11,436,121
State and federal grants		323,841	-	-	26,646	350,487
Total financing sources	$	12,966,821	4,226,842	5,178,805	59,017	22,431,485

Contingent liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantors cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The reporting entity is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government’s counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

D. Joint ventures

- **Capital Region Airport Commission:** The Capital Region Airport Commission (the Commission) was created under Chapter 380 as amended by Chapter 410 of the Code of Virginia. The Commission is governed by 14 Commissioners, with four members each being appointed by the City of Richmond, County of Henrico and County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The Commission generates its revenues from service charges to users of the Richmond International Airport (Airport) facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Commission submit an annual budget showing estimated revenues and estimated expenditures to the governing bodies of the localities for their approval. After approval of the proposed budget by the governing bodies, if the Commission’s budget contains estimated expenditures that exceed estimated revenues, the governing bodies are required to fund the deficit in proportion to their pro rata financial basis in the Commission. The pro rata basis is to be determined by the percentage of the population of each locality to the combined total population of all participating localities according to the most recent census, with Hanover County's pro rata share approximating 11.1%. If actual revenues are less than estimated revenues identified in the budget (resulting in a deficit), the localities may, at their discretion, appropriate funds necessary to fund the deficit. To date, the County has not been required to fund any deficit. Complete financial statements for the Commission can be obtained from the Chief Financial Officer, 1 Richard E. Byrd Terminal Drive, Richmond International Airport, VA 23250-2400, or at http://www.flyrichmond.com/Load.php?Content=Financials.

- **Greater Richmond Convention Center Authority:** The Greater Richmond Convention Center Authority (the GRCCA), a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998 pursuant to the Public Recreational Facilities Authorities Act, Chapter 56, Title 15.2 of the Code of Virginia. The political subdivisions participating in the incorporation of the GRCCA are the City of Richmond and the Counties of Chesterfield, Hanover and Henrico. The GRCCA is governed by a five member commission comprised of the chief administrative officer of each of the four incorporating political subdivisions and the President/CEO of the Retail Merchants Association of Greater Richmond.

  The GRCCA was created for the purpose of acquiring, constructing, equipping, maintaining, and operating a regional convention center facility. In August 1996, each locality designated future revenue from the transient occupancy tax for expansion of the convention center. The GRCCA has issued $158,415,000 in Hotel Tax Revenue Bonds, which are secured by an eight percent transient occupancy tax imposed and collected by the localities. The County made an expenditure of $636,792 for transient occupancy tax to the GRCCA during fiscal year 2010. Complete financial statements for the GRCCA can be obtained from the fiscal agent's office at Chesterfield County, Accounting Department, 9901 Lori Road, Chesterfield, Virginia 23832.

- **Dominion Resources GreenTech Incubator:** The Dominion Resources GreenTech Incubator (the DRGI), a Virginia non-profit, non-stock corporation, was created on September 9, 2009, under authority granted by the Virginia General Assembly to the Virginia Biotechnology Research Partnership Authority, pursuant to an Agreement between Hanover County, the Town of Ashland, their respective Economic Development Authorities (EDAs), the Virginia Biotechnology Research Partnership Authority (the Authority) and the Virginia Biosciences Development Center, Inc. (the Participants). The DRGI's governing structure consists of a board of directors of up to seven members, including the executive director of the Authority, a representative designated by each of Hanover County and the Town of Ashland, and up to four additional representatives as initially determined by the Authority, selected from a representative of the lead corporate sponsor, a representative of the other sponsors, and other outside directors.

  The DRGI was created to encourage new business formation primarily in the areas of clean, "green" and energy conservation technologies within Hanover County, by incubating member companies via the provision of affordable facilities, assistance with strategic business planning, access to business advisory boards, introduction to potential sources of investment capital, and other benefits. Under the Agreement and subject to annual appropriation, beginning in fiscal year 2010, Hanover County and its EDA have agreed to provide $80,000, prorated annually for each of the DRGI's first five years to cover start-up costs, and have also agreed to contribute amounts necessary to cover the costs of materials and labor for tenant improvements in the space leased by DRGI. The Participants are committed to ensuring the long-term financial viability of DRGI, without the requirement for major cash subsidies after the first five years of operation. However, under the Agreement, the Participants will reevaluate the progress of DRGI on July 1, 2011, and any of the Participants may discontinue their commitment at that time. During fiscal year 2010, the Hanover County EDA contributed $71,420 to DRGI. Neither the County nor its EDA have any ongoing financial interest in DRGI. Annual audited financial statements will be made available by DRGI.

E. Jointly governed organizations

- **Pamunkey Regional Library:** The Pamunkey Regional Library (Library) is a political subdivision of the Commonwealth of Virginia and is governed by a separate Board of Trustees, appointed for specific terms of office by the Boards of Supervisors of the counties to which it provides library services, including the Counties of Hanover, Goochland, King William and King and Queen. Management and accountability for fiscal matters rest with the Library's Board, of which Hanover County appoints four of the ten members. The Library receives contributions from the participating counties, but invests its own funds and formulates and approves its own budget. Hanover County does not bear any direct or indirect liabilities for the operation of the Library, and has no equity interest in it. In fiscal year 2010, Hanover County contributed a total of $2,740,347 to the Library's operations. Complete financial statements for the Library can be obtained from the Director's office at P.O. Box 119, Hanover, Virginia 23069.

- **Pamunkey Regional Jail Authority:** The Pamunkey Regional Jail Authority (Jail Authority) is a political subdivision of the Commonwealth of Virginia. The participating jurisdictions of the Authority are the Counties of Caroline and Hanover and the Town of Ashland. The Authority is governed by a five-member board comprised of two members each from the Counties of Caroline and Hanover and one from the Town of Ashland. Management and accountability for fiscal matters rest with the Jail Authority. The County serves as fiscal agent for the Jail Authority; however, the board formulates and approves its own budget. The County of Hanover does not bear any direct or indirect liabilities for the operation of the Jail Authority and has no equity interest in it.

  The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the County is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail. The County typically provides a majority of the inmates to the facility, and made per diem contributions totaling $3,983,122 in fiscal year 2010. Complete financial statements for the Jail can be obtained from the Superintendent's office at P.O. Box 510, Hanover, Virginia 23069.

- **Middle Peninsula Juvenile Detention Commission:** The Middle Peninsula Juvenile Detention Commission (Commission) is a political subdivision of the Commonwealth of Virginia and is governed by a separate board. The Commission was created by resolutions adopted in 1993 by its member jurisdictions, which include the Counties of Caroline, Charles City, Essex, Gloucester, Hanover, James City, King George, King and Queen, King William, Lancaster, Matthews, Middlesex, New Kent, Northumberland, Richmond, Westmoreland, and York and the Cities of Poquoson and Williamsburg. Each member jurisdiction appoints one member to the Commission. The County of Hanover does not bear any direct or indirect liabilities for the operation of this organization, and has no equity interest in it.

The Commission was created to enhance the protection of the region's citizens by the maintenance and operation of a juvenile detention facility (the Merrimac Center) to serve the member jurisdictions. The member jurisdictions have entered into a Service Agreement which is a long-term contract governing the parties' respective obligations. Under the Service Agreement, the County is obligated to pay a per diem rate to be determined annually by the Commission for each day a juvenile from the County is held at the Center or in another detention facility secured by the Commission. If the sum of all per diem rates paid during the fiscal year is below $2,500, the County shall pay the Commission the amount equal to the difference. During fiscal year 2010, the County's per diem payments to the Commission totaled $381,499. Complete financial statements for the Commission can be obtained from the fiscal agent's office at James City County, Department of Financial and Management Services, P.O. Box 8784, Williamsburg, Virginia 23187.

- **Central Virginia Waste Management Authority:** The Central Virginia Waste Management Authority (Waste Authority) was established under the provisions of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George; the Cities of Colonial Heights, Hopewell, Petersburg and Richmond; and the Town of Ashland. The 20 member board is comprised of no less than one and no more than three members from each of the participating jurisdictions, determined on a population basis. The County has two representatives serving on the Waste Authority's Board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Fifteen subdivisions in the County participate in the Waste Authority's curbside recycling program. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest in the Waste Authority. The County's fiscal year 2010 payments to the Waste Authority totaled $281,493. Complete financial statements can be obtained from the Waste Authority at 2100 West Laburnum Avenue, Suite 105, Richmond, Virginia 23227.

- **Greater Richmond Partnership:** The Greater Richmond Partnership, Inc. (GRP) serves the Counties of Chesterfield, Hanover and Henrico and the City of Richmond by seeking to enhance economic development in the participating localities. The County has one representative serving on GRP's Board of Directors. During fiscal year 2010, the County made payments to the GRP totaling $370,000. Complete financial statements can be obtained from Partnership's office at Riverfront Plaza, 901 East Byrd Street, Suite 801, Richmond, Virginia 23219.

- **Richmond Metropolitan Convention and Visitors Bureau:** The Richmond Metropolitan Convention and Visitors Bureau (RMCVB) serves the Counties of Chesterfield, Hanover and Henrico and the City of Richmond by promoting conventions and tourism in the participating localities. The County has two representatives serving on RMCVB's Board of Directors, and made fiscal year 2010 contributions to RMCVB totaling $152,128. Complete financial statements can be obtained from the Bureau's office at 401 North 3rd Street, Richmond, Virginia 23219.

- **Richmond Regional Planning District Commission**: The Richmond Regional Planning District Commission (the RRPDC) is a regional planning agency serving the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of

Richmond and the Town of Ashland. The primary functions of the RRPDC are to promote regional cooperation; coordinate the activities and policies of member local governments; resolve service delivery problems involving more than one government within the region and provide planning assistance to local governments. In accordance with its Charter, the RRPDC promotes the orderly physical, social and economic development of the region through planning and encouraging local governments to plan for the future. The County paid member dues to the RRPDC totaling $58,671 in fiscal year 2010. Complete financial statements can be obtained from the RRPDC at 9211 Forest Hill Avenue, Suite 200, Richmond, Virginia 23235.

F. Defined benefit pension plan – Virginia Retirement System

The County and the School Board contribute to the Virginia Retirement System (VRS), a mixed agent and cost-sharing multiple-employer defined benefit pension plan. The VRS requires periodic employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. The required employer contributions for County employees and for School Board non-professional employees are established annually by the VRS, by separate actuarial valuations specific to each group. The VRS establishes a separate annual contribution requirement for the School Board's professional employees, who participate in the VRS statewide teacher cost-sharing pool.

a. ***Plan Description*** – All full-time, salaried permanent employees of participating employers must participate in the Virginia Retirement System. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters and sheriffs) or at age 50 with 30 years of service if elected by the employer (age 50 with 25 years of service for participating local law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and, if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). The Hanover Board of Supervisors has elected to provide the higher retirement multiplier (1.85%) to all eligible employees in hazardous duty positions as described in the Code of Virginia, Section 51.1-138, and to provide the health insurance credit program as provided in Section 51.1-140-2 of the Code to all eligible current and future County retirees. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5 percent per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their web site at http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf, or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

b. ***Funding Policy*** - Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer, which the County and School Board have done. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial bases specified by the Code of Virginia and approved by the VRS Board of Trustees. The contribution rates for the County and for the School Board's non-professional employee group for the fiscal year ended June 30, 2010, were 8.09% and 7.21%, respectively, of their annual covered payrolls. The contribution rate for the School Board's professional employee group was 9.89% of covered payroll for July 2009 through March 2010 and zero (0.0%) for April through June 2010. For its professional employee group, the School Board's contributions to the teacher cost-sharing pool for the fiscal years ending 2010, 2009, and 2008 were $12,823,970, $15,077,404, and $14,589,691, respectively, and were equal to the actuarially determined required contributions for each year.

c. ***Annual Pension Cost -*** The following schedule shows the actuarially determined annual pension costs and the amounts contributed to the VRS for the current and preceding two fiscal years for the County employees and the School Board non-professional employee group:

Funds	Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Amount of APC Contributed	Percentage of APC Contributed	Net Pension Obligation
County employees					
Governmental	2010	$ 4,039,915	$ 4,039,915	100%	$ -
Enterprise	2010	354,701	354,701	100%	-
Governmental	2009	3,917,972	3,917,972	100%	-
Enterprise	2009	341,356	341,356	100%	-
Governmental	2008	3,581,804	3,581,804	100%	-
Enterprise	2008	307,022	307,022	100%	-
School Board - non-professional employee group					
Governmental	2010	$ 498,106	$ 498,106	100%	$ -
Governmental	2009	503,581	503,581	100%	-
Governmental	2008	454,739	454,739	100%	-

For the fiscal year 2010, the County's total annual pension cost of $4,394,616 was equal to the County's required and actual contribution, and the School Board non-professional group's annual pension cost of $498,106 was also equal to the required and actual contribution. The required contributions were each determined as part of the County and School Board's respective June 30, 2009 actuarial valuations, which both used the entry age actuarial cost method. The actuarial assumptions for both June 30, 2009 actuarial valuations included (a) an investment rate of return (net of administrative expenses) of 7.5%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial values of the County and School Board non-professional employee group pension assets are equal to the modified market value of those assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board non-professional employee group unfunded actuarial accrued liabilities are being amortized as a level percentage of their respective projected payrolls on open bases. The remaining amortization period at June 30, 2009 was 20 years.

d. ***Funded Status and Funding Progress*** **–** The following schedule presents information about the funded status of the County and School Board non-professional employee groups as of June 30, 2009, the date of the most recent actuarial valuations for both groups:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded ALL (UALL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
Primary Government						
Virginia Retirement System - County employee group						
6/30/2009	$ 125,028,726	$ 143,483,901	$ 18,455,175	87.1%	$ 55,549,937	33.2%
Component Unit - School Board						
Virginia Retirement System - non-professional employee group						
6/30/2009	$ 16,103,027	$ 16,784,912	$ 681,885	95.9%	$ 6,998,093	9.7%

The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of the County and School Board non-professional employee group's respective plan assets are increasing or decreasing over time relative to their respective actuarial accrued liabilities for benefits.

G. Postemployment healthcare plan and Other Postemployment Benefits (OPEB) Trust

In addition to the pension benefits described in note V-F, the County provides for optional participation by eligible retirees and their eligible spouses and dependents, in the medical and prescription drug healthcare benefit program available to employees. Pursuant to Code of Virginia Section 15.2-1544 et seq. the County has established the Hanover County, Virginia, Retiree Medical Benefits Plan (Plan), an agent multiple-employer defined benefit healthcare plan, and the Hanover County, Virginia, Retiree Medical Benefits Trust Agreement (Trust). The Plan covers only eligible retirees of the reporting entity, the Pamunkey Regional Library and the Pamunkey Regional Jail Authority, hereinafter referred to as Affiliates. The Trust provides the funding mechanism for the postemployment healthcare benefits established by the Plan. The Code of Virginia assigns the authority to administer the Plan, and to establish and amend the benefit provisions of the Plan, to the Hanover County Board of Supervisors (Board). The Plan provides for biennial reviews of benefit provisions based on actuarial analysis, but does not require any automatic or ad hoc benefit increases, although the Board may amend or terminate the Plan at any time. The Trust's accumulated assets may legally be used to pay all plan benefits provided to any of the plan's members or beneficiaries. The Trust is considered part of the County of Hanover's financial reporting entity and is included in the County's financial statements as an Other Postemployment Benefits Trust Fund. Accordingly, audited financial statements are not separately available.

a. Summary of significant accounting policies

Basis of accounting – The Trust's financial statements are prepared using the accrual basis of accounting. Employer contributions to the Trust (including cash contributions and actuarially estimated employer premium subsidies) are recognized when due and the employer has made a formal commitment to provide the contributions. Plan member contributions are recognized in the period in which the contributions and subsidies are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of investments – All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2010. Securities without an established market are reported at estimated fair value.

Plan description, contribution and funding information

Membership - The Plan covers all employees of the reporting entity and its Affiliates (Employers) who retire and meet certain eligibility requirements. At July 1, 2009, the date of the most recent biennial actuarial valuation, membership in the Plan consisted of the following:

	Primary Government and Affiliates	School Component Unit	Total
Retirees and beneficiaries receiving benefits	55	124	179
Terminated employees entitled to, but not yet receiving, benefits	-	-	-
Active employees	1,272	2,863	4,135
Total number of plan members	1,327	2,987	4,314
Number of participating employers	4	1	5

Plan description - The Plan provides that the Employers will provide certain subsidies toward the cost of the health benefit coverage of eligible retirees, spouses and dependents. In order to participate in the Plan, retirees must be enrolled in the health insurance program available to Hanover County employees at date of separation. In addition, participants must meet the Virginia Retirement System (VRS) retirement age and service retirement requirements, and, if hired after September 30, 2007, must have five years of service with an Employer, or retire pursuant to the disability requirements of Social Security or the VRS. The amount of monthly subsidy provided by the Plan is based on years of service and, as of June 30, 2010, ranged from $108 per month for employees with 10 but less than 15 years of service to $216 per month for 20 or more years of service. The subsidy for a retiree's spouse and dependents are equal to that of the retiree, with a limit of three subsidies per retiree. Retirees hired prior to October 1, 2007 have no years of service requirement, but must meet all other requirements for participation. In addition, retirees hired prior to October 1, 2007, who have at least ten years of service with an Employer and whose age and years of service equal at least 60 (grandfathered employees) will receive an initial subsidy of $251 per month. For employees retiring after September 30, 2008, subsidies will end with Medicare eligibility.

Retirees under the Plan may select from the health care plans offered to active employees and pay the health insurance premium rate established annually based on biennial actuarial analysis of the claims cost of the retiree group, net of the applicable subsidy established by the Plan. Depending upon the health care plan selected, the net retiree premium amounts range from $404 to $793 per month, and for those electing retiree and spouse coverage, from $889 to $2,380 per month. Costs of administering the Plan will be borne by the Trust or by the Employers.

Contributions - The Code of Virginia permits the County Board of Supervisors to make appropriations to fund the Trust, and to enter into agreement with its School Component Unit and its Affiliates to participate in and contribute to the Trust. Contributions to the Trust are irrevocable; however, continued participation in the Plan is voluntary, and any Employer may individually terminate future participation in the Plan.

Funding policy - The Board of Supervisors has adopted a resolution under which the Employers will contribute funds to the Trust periodically, as determined appropriate based on periodic actuarial analysis of the future obligations of the Employers.

Annual OPEB cost - The Employers' OPEB cost (expense) under the Plan is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of the Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the reporting entity's annual OPEB cost, the amount of employer contributions to the Plan, and changes in the reporting entity's net OPEB obligation (asset) for fiscal year 2010, and the reporting entity's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation (asset) for fiscal year 2010 and the two preceding fiscal years.

Fiscal Year Ended June 30:	2010
ARC, for the fiscal year ended June 30, 2010	$ 1,233,518
Interest on Net OPEB obligation (asset) from prior year	(58,315)
Actuarial adjustment	50,025
Annual OPEB cost	1,225,228
Employer contributions:	
Cash contribution to OPEB trust	(820,982)
Subsidies paid under Plan on behalf of retirees	(646,900)
Total Employer contributions	(1,467,882)
(Increase) decrease in the net OPEB obligation (asset), for the fiscal year ended June 30, 2010	(242,654)
Net OPEB obligation (asset), beginning of year	(833,065)
Net OPEB obligation (asset), end of year	$ (1,075,719)

Fiscal Year Ended June 30	2010	2009	2008
Annual OPEB cost	$ 1,225,228	$ 1,228,846	$ 1,157,094
Percentage of annual OPEB cost contributed by Employer:			
Cash contributions to OPEB Trust	67.0%	89.6%	63.1%
Subsidies paid under Plan on behalf of retirees	52.8%	58.9%	57.3%
Total percentage contributed	119.8%	148.5%	120.4%
Net OPEB obligation (asset) at end of fiscal year	$ (1,075,719)	$ (833,065)	$ (236,511)

Funded Status - The funded status of the Plan as July 1, 2009, the date of the most recent actuarial valuation, was as follows:

(see schedule on next page)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded ALL (UALL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	$ 1,756,769	$ 11,355,467	$ 9,598,698	15.5%	166,583,838	5.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 7.0 percent annual investment rate of return (net of administrative expenses), including an inflation assumption of 2.5% and an annual healthcare cost trend rate consisting of assumed growth in the retiree subsidies of 3.0 percent annually, until the maximum monthly subsidy of $753 is reached. The initial unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis over thirty years.

H. Special assessments and tax increment commitment

- **Bell Creek Community Development Authority**:
  The Bell Creek Community Development Authority (Authority) was created by an ordinance adopted by the Board of Supervisors on July 24, 2002. The creation of the Authority was a result of a petition filed with the Board of Supervisors by the owners of a majority of the land area within the Bell Creek Community Development Authority District (District). The District consists of approximately 325 acres of land within the County. The District encompasses a mixed-use development and is expected to provide commercial development with retail space including a shopping center known as *The Shoppes at Bell Creek*, a light industrial park, and a residential development on 167 acres known as *The Bluffs at Bell Creek.*

  On September 25, 2002, the Board of Supervisors adopted an ordinance authorizing the levy of Special Assessments on abutting property within the boundaries of the District. On November 12, 2002, the Bell Creek Community Development Authority authorized the issuance of its $12,135,000 Special Assessment Bonds, Series 2003A (the "2003A Bonds") and its $3,845,000

Special Assessment Bonds, Series 2003B (the "2003B Bonds" and together with the 2003A Bonds, the "2003 Bonds"). On February 5, 2003, the 2003 Bonds were issued in the total principal amount of $15,980,000, in accordance with the provision of Article 6 of Chapter 51 of Title 15.2 of the Code of Virginia of 1950, as amended. The 2003 Bonds were issued to finance the acquisition and construction of certain infrastructure improvements to benefit the District. Neither the faith and credit of the Authority, nor the faith and credit of Hanover County are pledged to the payment of the principal of or interest on the 2003 Bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2010, the total 2003 Bonds outstanding were $3,924,000. The Authority is obligated to make all debt service payments on the 2003 Bonds, in accordance with the debt service schedule published in their Limited Offering Memorandum dated January 22, 2003.

Pursuant to the terms of the Rate and Method of Apportionment of Special Assessments approved by the Board of Supervisors September 25, 2002 between the County and the Authority, the 2003 Bonds are payable by the Authority based on prepaid and annual Special Assessments imposed and collected by the County as agent for the Authority on taxable real property within the District. After collection, such Special Assessments are appropriated and paid (Payments) annually to the Authority for debt service payments. However, such Payments to the Authority are not deemed general obligations of Hanover County, but are appropriated and paid only to the extent the Special Assessments have been received by the County. The County has also agreed to pursue collection of delinquent special assessments, including, at its discretion, initiation of foreclosure procedures.

During fiscal 2010, special assessments on property within the District totaled $396,000, and payments to the Authority of special assessments collected totaled $438,986.

- **Lewistown Commerce Center Community Development Authority**:
  The Lewistown Commerce Center Community Development Authority (Authority) was created by an ordinance adopted by the Board of Supervisors on October 25, 2006. The creation of the Authority was a result of a petition filed with the Board of Supervisors by the owners of 100% of the land area within the Lewistown Commerce Center Community Development Authority District (District). The District consists of approximately 186.5 acres of land within the County. The District is part of a business complex that is expected to provide commercial and retail spaces, recreation and tourism facilities and other amenities that are expected to developed in phases by different entities. The overall development has been named *The Shops at Winding Brook* (hereinafter referred to as the Development).

  On May 9, 2007, the Board of Supervisors adopted an ordinance authorizing the levy of Special Assessments on abutting property within the bounds of the District. On June 28, 2007 the Authority authorized the issuance of the Lewistown Commerce Center Community Development Authority (Virginia), $37,675,000 Revenue Bonds, Series 2007 (2007 Bonds). On October 23, 2007, the 2007 Bonds were issued in the total principal amount of $37,675,000, in accordance with the provisions of Article 6 of Chapter 51 of Title 15.2 of the Code of Virginia of 1950, as amended. The 2007 Bonds were issued to finance (a) the acquisition of certain land and the construction of certain infrastructure improvements to benefit the District (b) the payment of initial administrative expenses estimated through March 1, 2010 (c) the payment of construction period interest through March 1, 2010 (d) the funding of a Debt Service Reserve Fund for the 2007 Bonds, and (e) certain costs of issuance. The principal of and the interest on the 2007 Bonds are not deemed to constitute a pledge of the faith and credit of Hanover County, and neither the faith nor credit of the Authority, nor the faith and credit of Hanover County are pledged to the payment of the principal of or interest on the 2007 bonds. At June 30, 2010, the Authority's 2007 Bonds outstanding were $37,675,000. The Authority is obligated to make all debt service payments on the 2007 Bonds, in accordance with the debt service schedule published in their Limited Offering Memorandum dated October 11, 2007.

Pursuant to the terms of a Special Assessment Agreement (Agreement) dated September 1, 2007 between the County, the Authority, and the Developers (identified in the Authority's Limited Offering Memorandum), the 2007 Bonds will be payable (Payments) from (1) a Special Real Property Tax, equal to $0.10 per $100 of the assessed or assessable value of taxable real and leasehold property, respectively, within the District, beginning with calendar year 2008, (2) Incremental Tax Revenues consisting of specified percentages of incremental real and personal property, hotel occupancy, and the County's portion of sales tax revenues collected beginning in 2007 over and above 2006 collections within the District, and (3) Special Assessments imposed and collected by the County, if necessary, at the request of the Authority pursuant to a Rate and Method agreement, on taxable real property within the District, in that order.

The County will function as an agent for the Authority by collecting and making the Payments to the Authority annually, and has agreed to pursue collection of delinquent special assessments, including, at its discretion, initiation of foreclosure procedures. However, the Payments described above to the Authority are not deemed general obligations of Hanover County, but will be dependent upon appropriation and paid only to the extent the Special Real Property Tax, Incremental Tax Revenues, or Special Assessments have been received by the County.

The 2010 Special Real Estate Property Tax levy was $31,754 and the 2010 Special Assessment was $1,514,524. The fiscal year 2010 incremental tax collections totaled $421,787.

REQUIRED

SUPPLEMENTARY INFORMATION

COUNTY OF HANOVER, VIRGINIA

Exhibit 12

Virginia Retirement System and Hanover County Retiree Medical Benefits Trust
Schedule of Funding Progress
June 30, 2010

Virginia Retirement System

Primary Government:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded ALL (UALL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	$ 125,028,726	$ 143,483,901	$ 18,455,175	87.1%	$ 55,549,937	33.2%
6/30/2008	117,271,164	130,477,444	13,206,280	89.9%	53,105,207	24.9%
6/30/2007	102,542,483	111,205,671	8,663,188	92.2%	49,112,131	17.6%
6/30/2006	87,492,414	97,333,495	9,841,081	89.9%	44,638,575	22.0%
6/30/2005	78,800,635	94,441,248	15,640,613	83.4%	42,335,010	36.9%
6/30/2004	73,223,629	79,165,006	5,941,377	92.5%	37,658,608	15.8%

Component Unit - School Board:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded ALL (UALL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	$ 16,103,027	$ 16,784,912	$ 681,885	95.9%	$ 6,998,093	9.7%
6/30/2008	15,163,247	15,340,091	176,844	98.8%	6,538,543	2.7%
6/30/2007	13,375,424	14,137,361	761,937	94.6%	6,372,884	12.0%
6/30/2006	11,563,505	12,177,081	613,576	95.0%	5,879,936	10.4%
6/30/2005	10,714,580	12,115,082	1,400,502	88.4%	5,876,415	23.8%
6/30/2004	10,225,351	10,697,623	472,272	95.6%	5,252,548	9.0%

Hanover County Retiree Medical Benefits Trust

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded ALL (UALL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	$ 1,756,769	$ 11,355,467	$ 9,598,698	15.5%	$ 166,583,838	5.8%
7/1/2007	-	10,010,245	10,010,245	-	156,195,205	6.4%

SUPPLEMENTARY INFORMATION

GENERAL FUND

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

Presents budget to actual comparison schedule by department for the General Fund.

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenues from local sources:				
General property taxes:				
Real property taxes	$ 102,591,000	102,591,000	99,803,064	(2,787,936)
Public service corporation property taxes	3,980,000	3,980,000	4,682,269	702,269
Personal property taxes	22,856,000	22,856,000	21,912,506	(943,494)
Machinery and tools taxes	1,432,000	1,432,000	1,555,557	123,557
Merchants' capital taxes	989,000	989,000	851,563	(137,437)
Delinquent taxes	1,204,000	1,204,000	2,301,149	1,097,149
Penalties and interest	911,000	911,000	1,054,366	143,366
Total general property taxes	133,963,000	133,963,000	132,160,474	(1,802,526)
Other local taxes:				
Local sales and use taxes	16,110,653	16,110,653	15,118,688	(991,965)
Consumer utility taxes	1,784,000	1,784,000	1,725,733	(58,267)
Contractor license taxes	465,000	465,000	330,592	(134,408)
Franchise license taxes	615,000	615,000	700,929	85,929
Motor vehicle licenses	26,000	26,000	33,819	7,819
Lodging taxes	763,198	763,198	636,792	(126,406)
Bank stock tax	377,000	377,000	425,457	48,457
Taxes on recordation and wills	1,826,000	1,826,000	1,730,678	(95,322)
Communication sales tax	5,761,000	5,761,000	5,374,649	(386,351)
Total other local taxes	27,727,851	27,727,851	26,077,337	(1,650,514)
Permits, privilege fees and regulatory licenses:				
Public Safety				
Animal licenses	108,000	108,000	110,528	2,528
Building permits	400,000	400,000	384,945	(15,055)
Heating and air conditioning	196,000	196,000	158,897	(37,103)
Electrical permits	167,000	167,000	134,523	(32,477)
Plumbing permits	92,000	92,000	70,280	(21,720)
Septic tank permits	6,500	6,500	2,744	(3,756)
Inspection fees	138,000	138,000	148,800	10,800
Public Works				
Erosion and sediment inspections	280,000	280,000	158,214	(121,786)
Stormwater management	154,000	154,000	154,000	-
Human Services				
Well and septic inspection	3,000	3,000	1,900	(1,100)
Community Development				
Planning fees	309,000	309,000	168,403	(140,597)
Total permits, privilege fees and regulatory licenses	1,853,500	1,853,500	1,493,234	(360,266)
Fines and Forfeitures:				
Public Works				
Erosion and sediment fines	2,000	3,706	13,500	9,794
Judicial Administration				
Court fines and forfeitures	1,053,500	1,053,500	971,450	(82,050)
Courthouse maintenance fees	54,000	54,000	88,034	34,034
Court appointed attorney fees	26,800	26,800	35,808	9,008
Public Safety				
Security alarm fines	45,000	45,000	36,300	(8,700)
Total fines and forfeitures	1,181,300	1,183,006	1,145,092	(37,914)
Revenues from use of money and property:				
Revenue from use of money	1,224,703	1,224,703	472,107	(752,596)
Revenue from use of property	197,000	197,000	244,601	47,601
Total revenues from use of money and property	1,421,703	1,421,703	716,708	(704,995)
Charges for services:				
EMS cost recovery	1,681,000	1,681,000	2,045,276	364,276
Landfill fees	491,000	491,000	501,422	10,422
Recreation fees	582,000	582,000	543,768	(38,232)
Other	206,788	206,788	248,834	42,046
Total charges for services	2,960,788	2,960,788	3,339,300	378,512

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Miscellaneous:				
Refunds	$ 149,000	167,744	307,659	139,915
Insurance recoveries	28,000	176,580	190,388	13,808
Gifts and donations	50,000	63,968	66,588	2,620
Other miscellaneous revenue	13,652	24,486	20,525	(3,961)
Reserve for revenue transfers	500,000	217,863	-	(217,863)
Total miscellaneous	740,652	650,641	585,160	(65,481)
Recovered costs:				
General Government Administration				
Pamunkey Regional Jail	370,826	370,826	370,826	-
Public Utilities Fund				
Cost allocation	1,066,991	1,066,991	1,066,991	-
Service assessment	285,494	285,494	285,494	-
Treasurer	21,000	71,714	74,784	3,070
General Services	85,000	85,000	42,601	(42,399)
Judicial Administration				
Clerk of Circuit Court	16,000	16,000	9,726	(6,274)
General District Court	13,300	13,300	14,339	1,039
Commonwealth Attorney	-	-	1,477	1,477
Public Safety				
Community Corrections	46,200	55,086	52,122	(2,964)
Sheriff	53,800	53,800	148,372	94,572
Building Inspector	5,000	5,000	-	(5,000)
Emergency Communications	-	-	5,400	5,400
Animal Control	-	2,197	3,220	1,023
Fire	68,000	68,000	71,436	3,436
Human Services				
Social Services	25,660	25,660	37,166	11,506
Community Resources	5,000	5,000	5,000	-
Public Works				
Solid Waste Management	174,400	174,400	318,879	144,479
Community Development				
Contributions: Greater Richmond Convention Center	457,800	457,800	385,206	(72,594)
Planning	-	2,000	1,600	(400)
CDA	24,000	24,000	24,000	-
Economic Development	185,905	185,905	185,905	-
Total recovered costs	2,904,376	2,968,173	3,104,544	136,371
Total revenues from local sources	172,753,170	172,728,662	168,621,849	(4,106,813)
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Vehicle rental tax	175,000	175,000	123,249	(51,751)
Personal property taxes (state remittance)	15,002,000	15,002,000	15,002,745	745
Rolling Stock Tax	50,424	50,424	71,004	20,580
Total non-categorical aid	15,227,424	15,227,424	15,196,998	(30,426)
Categorical aid:				
Shared expenses:				
Commissioner of the Revenue	268,000	268,000	234,632	(33,368)
Treasurer	248,000	248,000	220,852	(27,148)
Registrar	60,000	60,000	53,506	(6,494)
Clerk of Circuit Court	522,000	522,000	465,748	(56,252)
Commonwealth's Attorney	876,000	876,000	798,023	(77,977)
Sheriff	3,469,000	3,266,913	2,984,008	(282,905)
Total shared expenses	5,443,000	5,240,913	4,756,769	(484,144)
Other categorical aid:				
Social Services	1,118,892	1,123,032	1,249,187	126,155
Other	1,436,500	2,010,463	1,476,224	(534,239)
State Reversion Clearing Account	(248,187)	(248,187)	(248,187)	-
Total other categorical aid	2,307,205	2,885,308	2,477,224	(408,084)
Total categorical aid	7,750,205	8,126,221	7,233,993	(892,228)
Total revenue from the Commonwealth	22,977,629	23,353,645	22,430,991	(922,654)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue from the Federal government:				
Categorical aid:				
Department of Interior	$ 2,000	2,000	8,179	6,179
Build America Bonds (direct credit)	-	-	127,148	127,148
EEC Block Grant	-	409,400	-	(409,400)
FEMA Safer	283,000	283,000	337,993	54,993
Justice	8,000	8,000	5,041	(2,959)
Local law enforcement block grant	-	10,530	10,530	-
ARRA Edward Byrne	-	43,632	43,632	-
ARRA Comp Board	-	202,087	202,087	-
Justice	18,000	18,000	31,554	13,554
Health and Human Services	3,723,150	3,746,352	2,716,916	(1,029,436)
Total revenue from the Federal government	4,034,150	4,723,001	3,483,080	(1,239,921)
Total intergovernmental	27,011,779	28,076,646	25,914,071	(2,162,575)
Total revenues	199,764,949	200,805,308	194,535,920	(6,269,388)
EXPENDITURES				
General government administration:				
Legislative - Board of Supervisors	537,526	546,616	495,785	50,831
General and financial administration:				
County Administrator	1,195,070	1,214,492	997,251	217,241
Human Resources	850,742	854,722	788,241	66,481
County Attorney	1,183,907	1,184,765	1,141,475	43,290
Commissioner of the Revenue	1,260,022	1,284,936	1,203,419	81,517
Assessor	927,174	939,322	841,913	97,409
Treasurer	1,306,241	1,342,200	1,295,840	46,360
Finance	996,129	1,003,514	889,948	113,566
Management Services	273,486	273,731	270,935	2,796
Public Information Office	145,921	145,921	129,161	16,760
Purchasing	567,325	568,060	494,990	73,070
Information Technology	3,504,163	3,963,515	3,284,903	678,612
General Services	435,611	445,823	275,002	170,821
Total general and financial administration	12,645,791	13,221,001	11,613,078	1,607,923
Board of elections - Registrar and Electoral Board	352,012	371,257	314,733	56,524
Total general government administration	13,535,329	14,138,874	12,423,596	1,715,278
Judicial administration:				
Courts:				
Circuit Court	101,518	115,804	91,340	24,464
General District Court	102,320	107,706	100,146	7,560
Magistrates	3,199	3,199	2,967	232
Juvenile and Domestic Relations District Court	26,275	26,275	25,568	707
Clerk of the Circuit Court	1,400,107	1,436,682	1,335,230	101,452
Court Services	1,372,380	1,418,829	1,374,991	43,838
Total courts	3,005,799	3,108,495	2,930,242	178,253
Commonwealth's Attorney	1,585,532	1,592,323	1,494,461	97,862
Total judicial administration	4,591,331	4,700,818	4,424,703	276,115
Public safety:				
Sheriff	19,440,289	19,585,925	18,642,695	943,230
Fire and rescue services:				
Fire and Emergency Management Services	14,308,585	14,578,735	13,847,405	731,330
Total fire and rescue services	14,308,585	14,578,735	13,847,405	731,330
Correction and Detention:				
Pamunkey Regional Jail	4,457,455	4,457,455	3,983,122	474,333
Juvenile Court Services	650,702	713,792	709,199	4,593
Community Corrections	386,763	455,894	399,805	56,089
Total correction and detention	5,494,920	5,627,141	5,092,126	535,015
Inspections - Building Inspections	1,633,482	1,645,366	1,445,710	199,656
Other protection:				
Emergency Communications	3,742,434	3,941,428	3,415,055	526,373
Animal Control	1,061,621	1,158,703	1,072,456	86,247
Total other protection	4,804,055	5,100,131	4,487,511	612,620
Total public safety	45,681,331	46,537,298	43,515,447	3,021,851

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Public works:				
Sanitation and waste removal:				
Public Works	$ 1,818,392	1,928,574	1,666,322	262,252
Solid Waste Services	4,170,646	4,204,456	3,716,967	487,489
Recycling Service Districts	74,400	74,400	59,645	14,755
Total sanitation and waste removal	6,063,438	6,207,430	5,442,934	764,496
Maintenance of buildings, grounds and equipment:				
Facilities Management	1,919,523	2,207,842	1,778,912	428,930
Total maintenance of buildings, grounds and equip.	1,919,523	2,207,842	1,778,912	428,930
Total public works	7,982,961	8,415,272	7,221,846	1,193,426
Health and human services:				
Health	502,000	502,000	499,091	2,909
Human Services:				
Social Services	5,950,423	5,990,175	5,358,326	631,849
Community Resources	405,107	412,610	377,404	35,206
Tax Relief	1,783,621	1,783,621	1,721,642	61,979
Total human services	8,139,151	8,186,406	7,457,372	729,034
Total health and human services	8,641,151	8,688,406	7,956,463	731,943
Parks, recreation and cultural:				
Parks and Recreation	3,654,388	3,720,098	3,336,230	383,868
Pamunkey Regional Library	2,740,395	2,740,395	2,740,347	48
Total parks, recreation and cultural	6,394,783	6,460,493	6,076,577	383,916
Community development:				
Planning and community development:				
Planning	2,242,968	2,361,309	2,182,830	178,479
GIS	723,506	803,016	669,396	133,620
Economic development	2,078,371	2,088,984	1,472,501	616,483
Cannery	45,016	49,616	34,951	14,665
Community support	1,251,001	1,361,456	1,145,330	216,126
Total planning and community development	6,340,862	6,664,381	5,505,008	1,159,373
Environmental mgmt. - Soil and Water Conservation District	103,500	103,500	103,500	-
Cooperative extension program - VPI Extension	106,711	114,129	98,508	15,621
Total community development	6,551,073	6,882,010	5,707,016	1,174,994
Payments to component units:				
Community Development:				
Economic Development Fund	-	400,000	200,000	200,000
Total community development	-	400,000	200,000	200,000
Education:				
School Fund	95,062,617	95,062,617	89,229,786	5,832,831
Total education	95,062,617	95,062,617	89,229,786	5,832,831
Total payments to component units	95,062,617	95,462,617	89,429,786	6,032,831
Debt service:				
Principal retirement	2,205,673	2,155,086	2,155,086	-
Interest and fiscal charges	811,935	862,522	862,522	-
Total debt service	3,017,608	3,017,608	3,017,608	-
Total expenditures	191,458,184	194,303,396	179,773,042	14,530,354
Excess of revenues over expenditures	8,306,765	6,501,912	14,762,878	8,260,966
OTHER FINANCING USES				
Other financing uses:				
Transfers to governmental funds:				
County Improvements Fund	2,802,800	2,825,800	2,055,778	770,022
School Improvements Fund	1,008,000	1,008,000	1,008,000	-
Comprehensive Services Fund	2,854,681	2,854,681	2,473,795	380,886
Community Services Fund	4,919,870	4,896,870	4,392,501	504,369
Total transfers to governmental funds	11,585,351	11,585,351	9,930,074	1,655,277
Transfers to Airport Enterprise Fund	200,703	200,703	200,703	-
Total other financing uses	11,786,054	11,786,054	10,130,777	1,655,277
Net change in fund balance	(3,479,289)	(5,284,142)	4,632,101	9,916,243
Fund balance beginning	3,479,289	32,916,804	32,916,804	-
Fund balance ending	$ -	27,632,662	37,548,905	9,916,243

COUNTY IMPROVEMENTS FUND

***County Improvements* –** Accounts for the acquisition or construction of the County's capital assets

COUNTY OF HANOVER, VIRGINIA **Exhibit 14**

County Improvements Fund

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

For the Year Ended June 30, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenues from use of money and property	$ -	-	1,136	1,136
Charges for services	433,000	1,700,337	488,895	(1,211,442)
Recovered costs	-	3,348,421	-	(3,348,421)
Miscellaneous	-	-	4,287	4,287
Total revenue from local sources	433,000	5,048,758	494,318	(4,554,440)
Intergovernmental:				
Revenue from the Commonwealth	375,000	15,588,710	1,686,482	(13,902,228)
Revenue from the Federal government	-	144,084	65,283	(78,801)
Total intergovernmental	375,000	15,732,794	1,751,765	(13,981,029)
Total revenues	808,000	20,781,552	2,246,083	(18,535,469)
EXPENDITURES				
General government administration	671,800	859,708	641,579	218,129
Judicial administration	-	200,000	27,629	172,371
Public safety	1,481,000	27,245,581	13,461,768	13,783,813
Public works	1,425,000	25,257,728	3,165,175	22,092,553
Human services	150,000	2,201,658	2,101,673	99,985
Parks, recreation and cultural	1,774,000	3,848,441	1,154,887	2,693,554
Community development	-	733,850	453,366	280,484
Debt service:				
Interest and fiscal charges	67,500	370,000	177,906	192,094
Total expenditures	5,569,300	60,716,966	21,183,983	39,532,983
Excess (deficiency) of revenues over (under) expenditures	(4,761,300)	(39,935,414)	(18,937,900)	20,997,514
OTHER FINANCING SOURCES				
Transfers in	2,802,800	2,825,800	2,055,778	(770,022)
Issuance of general obligation bonds	1,774,000	24,553,002	13,505,000	(11,048,002)
Premium on general obligation bonds issued	-	400,000	399,065	(935)
Issuance of capital lease	-	2,634,500	2,449,001	(185,499)
Total other financing sources	4,576,800	30,413,302	18,408,844	(12,004,458)
Net change in fund balance	(184,500)	(9,522,112)	(529,056)	8,993,056
Fund balance - beginning	184,500	12,041,716	12,041,716	-
Fund balance - ending	$ -	2,519,604	11,512,660	8,993,056

SCHOOL IMPROVEMENTS FUND

School Improvements – Accounts for the acquisition or construction of capital assets used by the County's School Board Component Unit.

COUNTY OF HANOVER, VIRGINIA **Exhibit 15**

School Improvements Fund

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

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	$ 96,000	96,000	5,544	(90,456)
Charges for services:				
Proffers	700,000	700,000	543,437	(156,563)
Total revenue from local sources	796,000	796,000	548,981	(247,019)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Education	-	-	11,034	11,034
Total revenues	796,000	796,000	560,015	(235,985)
EXPENDITURES				
Capital outlay:				
Education	7,928,000	16,165,686	6,594,200	9,571,486
Debt service:				
Interest and fiscal charges	-	110,000	109,193	807
Total expenditures	7,928,000	16,275,686	6,703,393	9,572,293
Excess (deficiency) of revenues over (under) expenditures	(7,132,000)	(15,479,686)	(6,143,378)	9,336,308
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in	1,008,000	1,008,000	1,008,000	-
Issuance of general obligation bonds	6,124,000	13,321,425	12,860,000	(461,425)
Premium on general obligation bonds issued	-	635,000	464,515	(170,485)
Total other financing sources	7,132,000	14,964,425	14,332,515	(631,910)
Net change in fund balance	-	(515,261)	8,189,137	8,704,398
Fund balance - beginning	-	515,261	515,261	-
Fund balance - ending	$ -	-	8,704,398	8,704,398

NONMAJOR OTHER GOVERNMENTAL FUNDS

Nonmajor Other Governmental Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Comprehensive Services **-** Accounts for the operations of the Commonwealth of Virginia's Comprehensive Services Act for which a community policy and management team comprised of representatives of the School Board, Social Services, Community Services, Health, and Probation provide oversight.

Community Services **-** Accounts for the operation of mental health, mental retardation, and substance abuse services.

COUNTY OF HANOVER, VIRGINIA

Exhibit 16

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2010

	Other Governmental Funds		
	Comprehensive Services	Community Services	Total
ASSETS			
Cash, cash equivalents and investments	$ 379,957	466,387	846,344
Accounts receivable (net of allowance for uncollectible accounts)	-	253,432	253,432
Due from other governmental units	464,187	24,753	488,940
Total assets	$ 844,144	744,572	1,588,716
LIABILITIES			
Accounts payable	439,579	109,637	549,216
Accrued liabilities	4,565	330,288	334,853
Total liabilities	444,144	439,925	884,069
FUND BALANCES			
Reserved for:			
Encumbrances	-	64,218	64,218
Grant programs	-	37,038	37,038
Total reserved	-	101,256	101,256
Unreserved:			
Designated for specific purposes	-	3,391	3,391
Undesignated	400,000	200,000	600,000
Total fund balance	400,000	304,647	704,647
Total liabilities and fund balance	$ 844,144	744,572	1,588,716

COUNTY OF HANOVER, VIRGINIA **Exhibit 17**

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2010

	Other Governmental Funds		
	Comprehensive Services	Community Services	Total
REVENUES			
Revenue from local sources:			
Revenue from use of money and property	$ -	24,282	24,282
Charges for services	-	3,386,803	3,386,803
Recovered cost	110,448	151,244	261,692
Miscellaneous	-	31,641	31,641
Total revenue from local sources	110,448	3,593,970	3,704,418
Intergovernmental:			
Revenue from the Commonwealth	2,360,465	2,163,704	4,524,169
Revenue from the Federal government	-	538,848	538,848
Total intergovernmental	2,360,465	2,702,552	5,063,017
Total revenues	2,470,913	6,296,522	8,767,435
EXPENDITURES			
Human services	4,944,708	10,621,964	15,566,672
Total expenditures	4,944,708	10,621,964	15,566,672
Excess (deficiency) of revenues over (under) expenditures	(2,473,795)	(4,325,442)	(6,799,237)
OTHER FINANCING SOURCES			
Transfers in	2,473,795	4,392,501	6,866,296
Net change in fund balance	-	67,059	67,059
Fund balances - beginning	400,000	237,588	637,588
Fund balances - ending	$ 400,000	304,647	704,647

COUNTY OF HANOVER, VIRGINIA **Exhibit 18**

Comprehensive Services Fund

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

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources				
Recovered costs	$ 82,500	82,500	110,448	27,948
Total revenue from local sources	82,500	82,500	110,448	27,948
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid (State agency):				
Education	3,005,744	3,005,744	2,360,465	(645,279)
Total revenues	3,088,244	3,088,244	2,470,913	(617,331)
EXPENDITURES				
Human services:				
Comprehensive services	5,942,925	5,942,925	4,944,708	998,217
Total expenditures	5,942,925	5,942,925	4,944,708	998,217
Excess (deficiency) of revenues over (under) expenditures	(2,854,681)	(2,854,681)	(2,473,795)	380,886
OTHER FINANCING SOURCES				
Transfers in	2,854,681	2,854,681	2,473,795	(380,886)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	400,000	400,000	-
Fund balance - ending	$ -	400,000	400,000	-

COUNTY OF HANOVER, VIRGINIA **Exhibit 19**

Community Services Fund

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

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of money and property:				
Sale of materials and supplies	$ 45,000	45,000	24,282	(20,718)
Total revenue from use of money and property	45,000	45,000	24,282	(20,718)
Charges for services	3,203,000	3,203,000	3,386,803	183,803
Recovered cost	160,000	160,000	151,244	(8,756)
Miscellaneous	80,000	80,000	31,641	(48,359)
Total revenue from local sources	3,488,000	3,488,000	3,593,970	105,970
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid (State agency):				
Mental Health, Retardation and Substance Abuse	2,187,135	2,187,135	2,163,704	(23,431)
Total revenue from the Commonwealth	2,187,135	2,187,135	2,163,704	(23,431)
Revenue from the Federal government:				
Categorical aid (Federal agency):				
Health and Human Services	533,810	533,810	538,848	5,038
Total revenue from the Federal government	533,810	533,810	538,848	5,038
Total intergovernmental	2,720,945	2,720,945	2,702,552	(18,393)
Total revenues	6,208,945	6,208,945	6,296,522	87,577
EXPENDITURES				
Human services:				
Community services	11,128,815	11,143,403	10,621,964	521,439
Total expenditures	11,128,815	11,143,403	10,621,964	521,439
Excess (deficiency) of revenues over (under) expenditures	(4,919,870)	(4,934,458)	(4,325,442)	609,016
OTHER FINANCING SOURCES				
Transfers in	4,919,870	4,896,870	4,392,501	(504,369)
Net change in fund balance	-	(37,588)	67,059	104,647
Fund balance - beginning	-	237,588	237,588	-
Fund balance - ending	$ -	200,000	304,647	104,647

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and other government units, on a cost reimbursement basis.

Self-Insurance **-** Accounts for payment of health insurance premiums from departments and employee deductions and related claims.

Fleet Management – Accounts for preventative maintenance and repair service for vehicles, motorized equipment, radios and communications equipment.

COUNTY OF HANOVER, VIRGINIA **Exhibit 20**

Internal Service Funds

Combining Statement of Net Assets

June 30, 2010

		Self-Insurance	Fleet Management	Total
ASSETS				
Current Assets:				
Cash, cash equivalents and investments	$	6,164,469	-	6,164,469
Accounts receivable (net of allowance for uncollectibles)		10,000	20,291	30,291
Inventory		-	155,231	155,231
Total current assets		6,174,469	175,522	6,349,991
Noncurrent Assets:				
Capital assets:				
Machinery and equipment		-	1,162,951	1,162,951
Less accumulated depreciation		-	(968,677)	(968,677)
Total capital assets (net of accumulated depreciation)		-	194,274	194,274
Total noncurrent assets		-	194,274	194,274
Total assets		6,174,469	369,796	6,544,265
LIABILITIES				
Current Liabilities:				
Accounts payable		1,612	115,656	117,268
Incurred but not reported self-insurance claims		2,178,000	-	2,178,000
Accrued liabilities		15,418	53,712	69,130
Due to General Fund		-	100,748	100,748
Unearned revenue		1,445,756	-	1,445,756
Total current liabilities		3,640,786	270,116	3,910,902
Noncurrent Liabilities:				
Compensated absences		-	141,013	141,013
Total noncurrent liabilities		-	141,013	141,013
Total liabilities		3,640,786	411,129	4,051,915
NET ASSETS				
Invested in capital assets		-	194,274	194,274
Unrestricted (deficit)		2,533,683	(235,607)	2,298,076
Total net assets (deficit)	$	2,533,683	(41,333)	2,492,350

COUNTY OF HANOVER, VIRGINIA **Exhibit 21**

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

For the Year Ended June 30, 2010

	Self-Insurance	Fleet Management	Total
OPERATING REVENUES			
Charges for services	$ 27,118,696	1,384,624	28,503,320
Recovered cost	118,560	276,256	394,816
Miscellaneous revenue	-	11,520	11,520
Total operating revenues	27,237,256	1,672,400	28,909,656
OPERATING EXPENSES			
Health care claims and benefits	25,937,699	-	25,937,699
Personal services	25,000	1,147,661	1,172,661
Fringe benefits	3,744	403,400	407,144
Contractual services	62,869	57,370	120,239
Other charges	8,655	199,706	208,361
Depreciation	-	107,210	107,210
Total operating expenses	26,037,967	1,915,347	27,953,314
Operating income (loss)	1,199,289	(242,947)	956,342
NONOPERATING REVENUES			
Interest income	146,289	-	146,289
Gain on sale of capital assets	-	12,000	12,000
Total nonoperating revenues	146,289	12,000	158,289
Income before capital contributions	1,345,578	(230,947)	1,114,631
Capital contributions	-	8,262	8,262
Change in net assets	1,345,578	(222,685)	1,122,893
Total net assets - beginning	1,188,105	181,352	1,369,457
Total net assets (deficit) - ending	$ 2,533,683	(41,333)	2,492,350

COUNTY OF HANOVER, VIRGINIA

Exhibit 22

Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2010

	Self-Insurance	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	$ 27,339,598	1,671,526	29,011,124
Payments to suppliers and service providers	(106,509)	(186,999)	(293,508)
Payments to employees	(25,000)	(1,566,749)	(1,591,749)
Claims and benefits paid	(26,226,794)	-	(26,226,794)
Net cash provided (used) by operating activities	981,295	(82,222)	899,073
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance from General Fund	-	100,748	100,748
Net cash provided by noncapital and related financing activities	-	100,748	100,748
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(51,124)	(51,124)
Proceeds from sale of capital assets	-	16,674	16,674
Net cash (used) by capital and related financing activities	-	(34,450)	(34,450)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	146,289	-	146,289
Net cash provided by investing activities	146,289	-	146,289
Net increase (decrease) in cash and cash equivalents	1,127,584	(15,924)	1,111,660
Cash and cash equivalents at beginning of year	5,036,885	15,924	5,052,809
Cash and cash equivalents at end of year	$ 6,164,469	-	6,164,469
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 1,199,289	(242,947)	956,342
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	-	107,210	107,210
(Increase) decrease in:			
Accounts receivable	46,939	(874)	46,065
Inventory	-	47,812	47,812
Increase (decrease) in:			
Accounts payable	(281,773)	22,265	(259,508)
Incurred but not reported self-insurance claims	(87,000)	-	(87,000)
Accrued liabilities	1,498	(6,887)	(5,389)
Unearned revenue	102,342	-	102,342
Compensated absences	-	(8,801)	(8,801)
Total adjustments	(217,994)	160,725	(57,269)
Net cash provided (used) by operating activities	$ 981,295	(82,222)	899,073
Noncash capital and financing activities:			
Capital contributions	$ -	8,262	8,262

AGENCY FUNDS

Agency Funds are a type of Fiduciary Fund. Agency funds are custodial in nature, and are maintained to account for funds received and disbursed by the County on behalf of individuals, private organizations or other governments, as follows:

Bell Creek Community Development Authority (CDA) – Accounts for monies collected on behalf of, and subsequently remitted to the Bell Creek CDA.

Lewistown Community Development Authority (CDA) – Accounts for monies collected on behalf of, and subsequently remitted to the Lewistown Community Development CDA.

***Escrow* -** Accounts for monies held as security deposits for services provided by the County or for performance by contractors.

***Special Welfare* -** Accounts for monies received for and expenditures made on behalf of social service clients.

COUNTY OF HANOVER, VIRGINIA **Exhibit 23**

Agency Funds

Combining Balance Sheet

June 30, 2010

		Bell Creek Community Development Authority	Lewistown Community Development Authority	Escrow	Special Welfare	Total
ASSETS						
Cash, cash equivalents and investments	$	168,590	572,548	2,190,132	52,328	2,983,598
Accounts receivable		204,346	1,230,695	-	-	1,435,041
Total assets	$	372,936	1,803,243	2,190,132	52,328	4,418,639
LIABILITIES						
Accounts payable	$	168,590	572,548	692,624	-	1,433,762
Accrued liabilities		204,346	1,230,695	67,840	-	1,502,881
Deposits		-	-	1,429,668	52,328	1,481,996
Total liabilities	$	372,936	1,803,243	2,190,132	52,328	4,418,639

COUNTY OF HANOVER, VIRGINIA **Exhibit 24**

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Bell Creek Community Development Authority				
Assets:				
Cash, cash equivalents and investments	$ -	460,497	291,907	168,590
Accounts receivable	268,627	395,958	460,239	204,346
Total assets	268,627	856,455	752,146	372,936
Liabilities:				
Accounts payable	-	438,046	269,456	168,590
Accrued liabilities	268,627	395,958	460,239	204,346
Total liabilities	268,627	834,004	729,695	372,936
Lewistown Community Development Authority				
Assets:				
Cash, cash equivalents and investments	216,110	753,218	396,780	572,548
Accounts receivable	15,848	1,546,278	331,431	1,230,695
Total assets	231,958	2,299,496	728,211	1,803,243
Liabilities:				
Accounts payable	216,110	729,217	372,779	572,548
Accrued liabilities	15,848	1,546,416	331,569	1,230,695
Total liabilities	231,958	2,275,633	704,348	1,803,243
Escrow				
Assets:				
Cash, cash equivalents and investments	2,381,623	31,926,701	32,118,192	2,190,132
Accounts receivable	-	46,326	46,326	-
Total assets	2,381,623	31,973,027	32,164,518	2,190,132
Liabilities:				
Accounts payable	769,620	10,081,232	10,158,228	692,624
Accrued liabilities	63,967	31,053,925	31,050,052	67,840
Deposits	1,548,036	948,612	1,066,980	1,429,668
Total liabilities	2,381,623	42,083,769	42,275,260	2,190,132
Special Welfare				
Assets:				
Cash, cash equivalents and investments	54,766	113,676	116,114	52,328
Total assets	54,766	113,676	116,114	52,328
Liabilities:				
Deposits	54,766	113,676	116,114	52,328
Total liabilities	54,766	113,676	116,114	52,328
Total Agency Funds				
Assets:				
Cash, cash equivalents and investments	2,652,499	33,254,092	32,922,993	2,983,598
Accounts receivable	284,475	1,988,562	837,996	1,435,041
Total assets	2,936,974	35,242,654	33,760,989	4,418,639
Liabilities:				
Accounts payable	985,730	11,248,495	10,800,463	1,433,762
Accrued liabilities	348,442	32,996,299	31,841,860	1,502,881
Deposits	1,602,802	1,062,288	1,183,094	1,481,996
Total liabilities	$ 2,936,974	45,307,082	43,825,417	4,418,639

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Governmental Funds:

School – Accounts for the activities of primary and secondary education.

Textbook – Accounts for the distribution of textbooks to students.

Cafeteria – Accounts for the operations of school food services.

Discretely Presented Component Unit School Board
Combining Balance Sheet
June 30, 2010

	Governmental Funds			
	School	Textbook	Cafeteria	Totals
ASSETS				
Cash, cash equivalents and investments	$ 14,568,772	1,774,618	1,234,076	17,577,466
Accounts receivable	81,843	-	-	81,843
Due from other governmental units	5,195,957	-	94,201	5,290,158
Inventory	-	-	104,588	104,588
Total assets	$ 19,846,572	1,774,618	1,432,865	23,054,055
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,566,256	82,074	128,212	1,776,542
Accrued liabilities	14,169,060	-	436,267	14,605,327
Deferred revenue	102,604	-	-	102,604
Total liabilities	15,837,920	82,074	564,479	16,484,473
Fund balances:				
Reserved for:				
Encumbrances	2,027,175	18,616	-	2,045,791
Inventory	-	-	104,588	104,588
Unreserved:				
Designated for specific purposes	1,731,198	-	-	1,731,198
Undesignated	250,279	1,673,928	763,798	2,688,005
Total fund balances	4,008,652	1,692,544	868,386	6,569,582
Total liabilities and fund balances	$ 19,846,572	1,774,618	1,432,865	

Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		$ 102,517,856
Long-term liabilities and some accrued liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	$ (4,671,624)	
Accrued bond interest	(2,523,729)	(7,195,353)
Net assets of School Component Unit activities		$ 101,892,085

COUNTY OF HANOVER, VIRGINIA **Exhibit 26**

Discretely Presented Component Unit - School Board

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2010

	Governmental Funds			
	School	Textbook	Cafeteria	Totals
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	$ -	2,670	9,700	12,370
Charges for services - operating	618,728	-	5,391,955	6,010,683
Miscellaneous	616,706	5,132	24,645	646,483
Recovered costs	636,820	-	-	636,820
Payments from primary government	89,229,786	-	-	89,229,786
Revenue from the Commonwealth	78,598,495	-	64,000	78,662,495
Revenue from the Federal government	13,086,252	-	1,417,761	14,504,013
Total revenues	182,786,787	7,802	6,908,061	189,702,650
EXPENDITURES				
Current:				
Education	166,318,093	407,662	6,424,642	173,150,397
Debt service:				
Principal retirement	11,932,672	-	-	11,932,672
Interest and fiscal charges	5,495,314	-	-	5,495,314
Total expenditures	183,746,079	407,662	6,424,642	190,578,383
Net change in fund balance	(959,292)	(399,860)	483,419	(875,733)
Fund balances - beginning	4,967,944	2,092,404	400,403	7,460,751
Decrease in reserve for inventory	-	-	(15,436)	(15,436)
Fund balances - ending	$ 4,008,652	1,692,544	868,386	6,569,582

COUNTY OF HANOVER, VIRGINIA **Exhibit 27**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Discretely Presented School Component Unit to the Statement of Activities

For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds	$	(875,733)
The County's School Improvements Fund accounts for the construction and acquisition of School Board capital assets. As the School Improvements Fund makes capital outlay expenditures, the capital assets, and a corresponding increase in the "Payment from Hanover County" are recorded by the School Component Unit in the government-wide financial statements. After their completion, the cost of the capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense ($9,435,920) exceeded the increase in the Payment from Hanover County due to capital asset acquisitions ($7,868,873) in the current period.		(1,567,047)
Under Virginia law, the County has a tenancy in common for School Component Unit capital assets for which the County is obligated to repay outstanding "on-behalf" bonds. Under the tenancy in common, the County reports the net book value of School Component Unit capital assets up to the outstanding principal balance of "on-behalf" bonds at year end. This amount is the decrease in the net book value of School Component Unit capital assets reported by the County for the fiscal year, which resulted primarily from a decrease in school construction activity during the fiscal period.		2,888,672
Some expenses reported in this statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(137,145)
Changes in net assets of School Component Unit activities	$	308,747

COUNTY OF HANOVER, VIRGINIA **Exhibit 28**

School Fund - School Board

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Charges for services:				
Tuition and other charges for services	$ 813,158	820,768	618,728	(202,040)
Total charges for services	813,158	820,768	618,728	(202,040)
Miscellaneous:				
Sale of assets	2,000	2,000	-	(2,000)
Miscellaneous	1,013,000	731,301	616,706	(114,595)
Total miscellaneous revenue	1,015,000	733,301	616,706	(116,595)
Recovered costs:				
Recovered costs	848,880	866,325	636,820	(229,505)
Total recovered costs	848,880	866,325	636,820	(229,505)
Payments from primary government:				
General Fund	95,062,617	95,062,617	89,229,786	(5,832,831)
Total payments from primary government	95,062,617	95,062,617	89,229,786	(5,832,831)
Total revenue from local sources	97,739,655	97,483,011	91,102,040	(6,380,971)
Revenue from the Commonwealth:				
Non-categorical aid:				
Lottery proceeds and basic school aid	67,480,468	58,475,142	61,704,257	3,229,115
Total non-categorical aid	67,480,468	58,475,142	61,704,257	3,229,115
Categorical aid:				
Categorical aid programs	17,360,990	17,602,315	16,894,238	(708,077)
Total categorical aid	17,360,990	17,602,315	16,894,238	(708,077)
Total revenue from the Commonwealth	84,841,458	76,077,457	78,598,495	2,521,038
Revenue from the Federal government:				
Categorical aid:				
Department of Education	13,339,134	22,908,803	13,086,252	(9,822,551)
Total revenue from the Federal government	13,339,134	22,908,803	13,086,252	(9,822,551)
Total revenues	195,920,247	196,469,271	182,786,787	(13,682,484)
EXPENDITURES				
Education:				
General support	9,994,692	9,958,165	9,246,197	711,968
Pupil transportation	9,234,577	10,035,928	8,972,456	1,063,472
Operations and maintenance	13,651,727	13,808,253	11,970,569	1,837,684
Instruction	145,016,052	147,418,055	134,759,174	12,658,881
Facilities	1,695,112	2,541,393	1,369,697	1,171,696
Total education	179,592,160	183,761,794	166,318,093	17,443,701
Debt service:				
Principal retirement	11,932,672	11,932,672	11,932,672	-
Interest and fiscal charges	5,495,415	5,495,415	5,495,314	101
Total debt service	17,428,087	17,428,087	17,427,986	101
Total expenditures	197,020,247	201,189,881	183,746,079	17,443,802
Net change in fund balance	(1,100,000)	(4,720,610)	(959,292)	3,761,318
Fund balance - beginning	1,100,000	4,720,610	4,967,944	247,334
Fund balance - ending	$ -	-	4,008,652	4,008,652

COUNTY OF HANOVER, VIRGINIA **Exhibit 29**

Textbook Fund - School Board

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of property	$ -	-	2,670	2,670
Total revenue from use of property	-	-	2,670	2,670
Miscellaneous revenue:				
Miscellaneous	-	-	5,132	5,132
Total miscellaneous revenue	-	-	5,132	5,132
Total revenue from local sources	-	-	7,802	7,802
Revenue from the Commonwealth:				
Categorical aid:				
Textbook	256,211	256,211	-	(256,211)
Total revenue from the Commonwealth	256,211	256,211	-	(256,211)
Total revenues	256,211	256,211	7,802	(248,409)
EXPENDITURES				
Education:				
Textbook	256,211	438,876	407,662	31,214
Total expenditures	256,211	438,876	407,662	31,214
Net change in fund balance	-	(182,665)	(399,860)	(217,195)
Fund balance - beginning	-	182,665	2,092,404	1,909,739
Fund balance - ending	$ -	-	1,692,544	1,692,544

COUNTY OF HANOVER, VIRGINIA **Exhibit 30**

Cafeteria Fund - School Board

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	$ 10,000	10,000	9,700	(300)
Charges for services	6,428,188	6,428,188	5,391,955	(1,036,233)
Miscellaneous revenue	22,000	22,000	24,645	2,645
Total revenue from local sources	6,460,188	6,460,188	5,426,300	(1,033,888)
Revenue from the Commonwealth:				
Categorical aid:				
School food programs	67,000	67,000	64,000	(3,000)
Total revenue from the Commonwealth	67,000	67,000	64,000	(3,000)
Revenue from the Federal government:				
Categorical aid:				
USDA donated commodities	251,071	251,071	208,049	(43,022)
School food programs	868,536	868,536	992,727	124,191
Breakfast reimbursement	175,420	175,420	216,985	41,565
Total revenue from the Federal government	1,295,027	1,295,027	1,417,761	122,734
Total revenues	7,822,215	7,822,215	6,908,061	(914,154)
EXPENDITURES				
Education:				
Cafeteria	7,918,522	7,918,522	6,424,642	1,493,880
Total expenditures	7,918,522	7,918,522	6,424,642	1,493,880
Net change in fund balance	(96,307)	(96,307)	483,419	579,726
Fund balance - beginning	96,307	96,307	400,403	304,096
Decrease in reserve for inventory	-	-	(15,436)	(15,436)
Fund balance - ending	$ -	-	868,386	868,386

DISCRETELY PRESENTED COMPONENT UNIT –
ECONOMIC DEVELOPMENT AUTHORITY

Governmental Fund:

Economic Development Authority – Accounts for the operations of the Hanover County Economic Development Authority

COUNTY OF HANOVER, VIRGINIA **Exhibit 31**

Discretely Presented Component Unit - Economic Development Authority

Balance Sheet

June 30, 2010

ASSETS	
Cash, cash equivalents and investments	$ 393,389
Total assets	393,389
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	-
Total liabilities	-
Fund balances:	
Unreserved:	
Undesignated	393,389
Total fund balances	393,389
Total liabilities and fund balances	$ 393,389

COUNTY OF HANOVER, VIRGINIA

Exhibit 32

Discretely Presented Component Unit - Economic Development Authority

Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Charges for services:				
Economic development fees	$ 191,405	191,405	191,405	-
Payment from primary government	-	400,000	200,000	(200,000)
Total revenues	191,405	591,405	391,405	(200,000)
EXPENDITURES				
Community Development:				
Economic development	191,405	662,868	258,422	404,446
Total expenditures	191,405	662,868	258,422	404,446
Net change in fund balance	-	(71,463)	132,983	204,446
Fund balance - beginning of year	-	260,406	260,406	-
Fund balance - end of year	$ -	188,943	393,389	204,446

STATISTICAL SECTION

The Statistical Section of the County of Hanover's Comprehensive Annual Financial Report provides readers with additional detailed information as a context to assist in understanding what the information in the financial statements, accompanying notes, and required supplementary information indicates about the County's economic condition over an extended period of time. Information is presented in the following five categories:

COUNTY OF HANOVER, VIRGINIA

Table 1

Net Assets by Component

Last Nine Fiscal Years [1]

(accrual basis of accounting)

	Fiscal Year								
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Governmental activities: [2]									
Invested in capital assets, net of related debt	$ 62,039,422	60,564,926	62,499,667	64,429,211	67,583,618	61,976,094	65,019,988	75,900,088	76,120,457
Restricted	3,691,645	4,496,905	6,124,298	6,379,543	7,058,772	9,599,544	10,833,093	6,765,782	6,606,606
Unrestricted	26,940,856	21,566,419	20,741,027	20,659,883	29,453,112	41,592,279	41,446,839	38,277,590	49,631,805
Total net assets, governmental activities	$ 92,671,923	86,628,250	89,364,992	91,468,637	104,095,502	113,167,917	117,299,920	120,943,460	132,358,868
Business-type activities:									
Invested in capital assets, net of related debt	$ 108,226,473	115,034,367	123,953,003	130,259,289	136,220,116	144,494,562	154,625,394	163,313,856	171,366,224
Restricted	3,846,524	4,519,720	4,318,022	3,151,730	3,716,918	3,445,443	3,374,603	3,445,007	3,488,079
Unrestricted	15,394,925	16,840,408	14,229,206	13,975,727	13,986,263	24,492,963	33,756,282	30,802,106	23,610,692
Total net assets, business-type activities	$ 127,467,922	136,394,495	142,500,231	147,386,746	153,923,297	172,432,968	191,756,279	197,560,969	198,464,995
Primary government:									
Invested in capital assets, net of related debt	$ 170,265,895	175,599,293	186,452,670	194,688,500	203,803,734	206,470,656	219,645,382	239,213,944	247,486,681
Restricted	7,538,169	9,016,625	10,442,320	9,531,273	10,775,690	13,044,987	14,207,696	10,210,789	10,094,685
Unrestricted	42,335,781	38,406,827	34,970,233	34,635,610	43,439,375	66,085,242	75,203,121	69,079,696	73,242,497
Total net assets, primary government	$ 220,139,845	223,022,745	231,865,223	238,855,383	258,018,799	285,600,885	309,056,199	318,504,429	330,823,863

Notes: (1) The County began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2002.

(2) Beginning in fiscal year 2005, the School Improvements Fund was included as a major fund of the primary government.

COUNTY OF HANOVER, VIRGINIA

Table 2

Changes in Net Assets

Last Nine Fiscal Years [(1)]

(accrual basis of accounting)

	Fiscal Year 2002	2003	2004	2005 [(3)]	2006	2007	2008	2009	2010
Expenses									
Governmental activities:									
General government administration	$ 9,512,003	10,137,986	10,712,124	11,897,058	12,118,463	13,312,730	14,671,166	14,093,119	13,554,927
Judicial administration	2,728,140	2,952,076	3,057,632	3,663,672	3,978,959	3,930,945	4,385,408	4,785,034	4,420,920
Public safety	24,171,887	27,672,227	29,003,658	33,111,907	35,956,589	39,333,719	43,545,081	46,110,980	45,610,131
Public works	7,044,919	7,776,824	9,254,986	11,304,517	9,570,693	8,741,705	12,431,287	16,093,111	11,102,331
Human services	15,115,552	15,041,790	17,441,669	18,840,933	19,849,312	21,269,844	23,096,023	24,258,087	23,880,094
Parks, recreation and cultural	3,966,506	4,451,009	4,649,850	4,894,299	5,260,603	4,732,962	6,413,393	8,453,137	6,523,401
Community development	4,966,385	4,442,153	4,289,916	4,582,344	4,878,481	5,306,364	5,593,695	5,969,406	5,797,455
Education	63,752,188	66,451,732	73,124,850	78,974,707	83,003,947	81,203,331	100,925,769	92,993,766	86,294,322
Interest on long-term debt	761,641	694,615	590,519	462,760	314,867	627,078	503,177	772,402	836,290
Total governmental activities expenses	132,019,221	139,620,412	152,125,204	167,732,197	174,931,914	178,458,678	211,564,999	213,529,042	198,019,871
Business-type activities:									
Public utilities	14,975,753	16,415,587	17,142,203	20,491,371	21,848,595	22,688,647	23,823,738	25,318,192	26,625,112
Airport [(2)]	-	-	-	-	-	465,203	626,257	1,434,208	616,225
Total business-type activities expenses	14,975,753	16,415,587	17,142,203	20,491,371	21,848,595	23,153,850	24,449,995	26,752,400	27,241,337
Total expenses, primary government	$ 146,994,974	156,035,999	169,267,407	188,223,568	196,780,509	201,612,528	236,014,994	240,281,442	225,261,208
Program Revenues									
Governmental activities:									
Charges for services:									
General governmental administration	$ 1,588,567	1,597,896	1,826,275	2,391,346	2,489,994	2,313,953	1,614,956	1,664,898	1,798,980
Judicial administration	716,954	970,867	1,220,044	1,329,836	1,415,939	1,420,359	1,340,222	1,380,219	1,321,041
Public safety	1,284,663	1,246,926	1,359,546	2,079,389	3,375,762	2,954,680	3,716,157	3,274,434	3,354,180
Public works	340,635	404,414	556,516	674,414	695,494	899,047	1,232,908	1,226,498	1,132,817
Human services	2,182,424	2,365,348	2,947,057	2,889,334	3,493,429	3,550,827	3,283,721	3,778,613	3,748,484
Parks, recreation and cultural	184,772	248,158	269,206	302,452	401,075	547,094	553,811	531,639	543,768
Community development	1,246,849	1,258,422	1,631,596	2,509,039	2,825,277	2,147,341	1,028,076	888,838	789,276
Operating grants and contributions	12,693,308	11,880,071	15,127,498	14,390,381	14,310,471	15,408,252	16,589,245	16,736,272	16,020,098
Capital grants and contributions	6,761,367	2,649,711	4,819,588	7,417,338	7,205,048	5,902,858	9,696,499	7,814,843	4,474,879
Total governmental activities program revenues	26,999,539	22,621,813	29,757,326	33,983,529	36,212,489	35,144,411	39,055,595	37,296,254	33,183,523
Business-type activities:									
Charges for services:									
Public utilities	13,907,861	14,509,559	14,920,100	15,463,650	19,226,205	19,584,259	21,328,133	21,237,074	21,462,492
Airport [(2)]	-	-	-	-	-	33,861	46,658	109,168	170,730
Operating grants and contributions	1,350,759	589,689	471,777	451,600	75,300	-	-	-	-
Capital grants and contributions	9,994,220	9,793,850	7,824,732	8,901,655	8,495,258	10,776,808	20,831,594	9,781,068	5,961,957
Total business-type activities program revenues	25,252,840	24,893,098	23,216,609	24,816,905	27,796,763	30,394,928	42,206,385	31,127,310	27,595,179
Total program revenues, primary government	$ 52,252,379	47,514,911	52,973,935	58,800,434	64,009,252	65,539,339	81,261,980	68,423,564	60,778,702
Net (Expense) Revenue									
Governmental activities	$ (105,019,682)	(116,998,599)	(122,367,878)	(133,748,668)	(138,719,425)	(143,314,267)	(172,509,404)	(176,232,788)	(164,836,348)
Business-type activities	10,277,087	8,477,511	6,074,406	4,325,534	5,948,168	7,241,078	17,756,390	4,374,910	353,842
Total net expense, primary government	$ (94,742,595)	(108,521,088)	(116,293,472)	(129,423,134)	(132,771,257)	(136,073,189)	(154,753,014)	(171,857,878)	(164,482,506)

(continued)

COUNTY OF HANOVER, VIRGINIA
Changes in Net Assets
Last Nine Fiscal Years [1]
(accrual basis of accounting)

	Fiscal Year								
	2002	**2003**	**2004**	**2005 [3]**	**2006**	**2007**	**2008**	**2009**	**2010**
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes:									
Property taxes	$ 74,035,801	79,361,213	86,761,263	94,939,793	104,905,885	117,152,314	128,411,615	135,784,877	133,924,474
Sales taxes	11,657,146	10,315,156	12,354,866	14,361,323	16,235,682	17,352,664	17,903,788	15,831,268	15,118,688
Utility taxes	3,702,675	3,924,184	4,224,798	4,418,593	4,403,173	5,358,588	7,317,207	7,207,864	7,100,382
Motor vehicle licenses [4]	2,120,418	2,197,812	2,291,651	2,359,824	2,437,925	-	-	-	-
Recordation taxes	1,730,231	1,679,648	2,054,751	2,313,113	2,741,419	2,863,512	2,415,144	1,877,835	1,730,678
Other	2,134,144	2,002,815	2,133,494	2,022,926	2,371,936	2,378,024	2,317,560	2,133,154	2,127,589
Noncategorical State aid	13,073,783	13,524,847	14,289,391	14,066,416	15,674,963	14,895,053	15,419,398	14,985,990	14,948,811
Grants and contributions not restricted to specific programs	407,716	1,248,522	835,610	693,279	1,144,348	849,714	1,119,078	1,224,305	1,029,730
Unrestricted investment earnings	638,762	605,143	140,128	411,689	1,427,007	1,790,177	1,967,295	1,164,116	472,107
Gain (loss) on sale of capital assets	35,116	(268,063)	18,668	-	3,952	-	-	-	-
Transfers	-	-	-	-	-	(619,072)	(229,678)	(333,081)	(200,703)
Total general revenues and other changes in net assets, governmental activities	109,535,792	114,591,277	125,104,620	135,586,956	151,346,290	162,020,974	176,641,407	179,876,328	176,251,756
Business-type activities:									
Public utilities - unrestricted investment earnings	634,665	449,062	31,330	560,981	588,383	1,015,229	1,337,243	1,096,699	349,481
Transfers - Airport fund	-	-	-	-	-	619,072	229,678	333,081	200,703
Total general revenues and other changes in net assets, business-type activities	634,665	449,062	31,330	560,981	588,383	1,634,301	1,566,921	1,429,780	550,184
Total general revenues and other changes in net assets, primary government	$ 110,170,457	115,040,339	125,135,950	136,147,937	151,934,673	163,655,275	178,208,328	181,306,108	176,801,940
Change in Net Assets									
Governmental activities	$ 4,516,110	(2,407,322)	2,736,742	1,838,288	12,626,865	18,706,707	4,132,003	3,643,540	11,415,408
Business-type activities	10,911,752	8,926,573	6,105,736	4,886,515	6,536,551	8,875,379	19,323,311	5,804,690	904,026
Total change in net assets, primary government	$ 15,427,862	6,519,251	8,842,478	6,724,803	19,163,416	27,582,086	23,455,314	9,448,230	12,319,434

Notes: (1) The County began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2002.

(2) The County began to report its airport activities in a nonmajor airport fund beginning in fiscal year 2007.

(3) Beginning in fiscal year 2005, the School Improvements Fund was included as a major fund of the primary government.

(4) Motor vehicle license decal fees were eliminated in fiscal year 2007, corresponding with a change in assessed values from loan to trade value.

COUNTY OF HANOVER, VIRGINIA **Table 3**

Fund Balances, Governmental Funds

Last Ten Fiscal Years [1]

(modified accrual basis of accounting)

	Fiscal Year Ended June 30, 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund:										
Reserved	$ 857,379	1,173,716	527,273	354,572	553,033	715,857	1,069,762	899,660	695,386	1,466,750
Unreserved										
Designated	18,792,947	6,446,327	4,830,429	4,186,764	6,203,575	7,517,340	12,668,077	12,425,409	7,727,214	11,587,951
Undesignated	7,120,851	12,728,680	13,630,537	15,223,546	16,157,585	21,274,693	22,459,100	24,126,843	24,494,204	24,494,204
Total General Fund	$ 26,771,177	20,348,723	18,988,239	19,764,882	22,914,193	29,507,890	36,196,939	37,451,912	32,916,804	37,548,905
All other governmental funds: [2]										
Reserved	$ 8,474,397	16,178,578	9,347,203	2,424,192	11,197,000	6,868,451	9,297,392	10,922,248	9,260,250	5,534,957
Unreserved, reported in:										
Capital projects funds:										
County Improvements Fund	3,607	6,243,027	7,098,191	7,308,317	6,482,013	7,434,188	11,671,975	8,117,903	3,584,494	10,305,801
School Improvements Fund [3]	970,579	1,295,175	1,885,982	248,064	1,297,717	2,446,894	1,380,260	(2,054,242)	(252,310)	4,477,556
Special revenue funds	374,012	429,140	376,132	133,375	339,445	415,457	583,364	500,000	602,131	603,391
Total All Other Governmental Funds	$ 9,822,595	24,145,920	18,707,508	10,113,948	19,316,175	17,164,990	22,932,991	17,485,909	13,194,565	20,921,705

Notes: (1) Source: County of Hanover, Virginia Comprehensive Annual Financial Reports for fiscal years indicated.

(2) Beginning in fiscal year 2005, the School Improvements Fund was included as a major fund of the primary government. Fiscal years 2001 through 2004 above also include the School Improvements Fund to be consistent with fiscal 2005 and subsequent presentation.

(3) At fiscal years ended June 30, 2008 and 2009, reserved fund balances exceeded total fund balance in the School Improvements Fund , reflecting commitments of current financial resources for capital projects in excess of amounts available at each respective fiscal year end. Such commitments were funded primarily by subsequent bond proceeds, grant commitments, proffers and general fund transfers, as more fully described in the County's Comprehensive Annual Financial Report for each applicable year.

COUNTY OF HANOVER, VIRGINIA

Changes in Fund Balances, Governmental Funds (3), (4)
Last Ten Fiscal Years
(modified accrual basis of accounting)

Primary Government:		2001	2002	2003	2004	2005
		Fiscal Year				
REVENUES						
General property taxes	$	72,440,101	73,623,307	79,536,223	87,102,894	94,604,793
Other local taxes		19,819,431	21,344,614	20,119,615	23,059,560	25,475,779
Permits, privilege fees and regulatory licenses		1,785,941	1,971,098	2,031,537	2,382,618	2,723,338
Fines and forfeitures		393,703	402,496	535,613	755,612	900,479
Revenues from use of money and property		2,714,304	1,062,549	1,158,711	469,494	739,604
Charges for services		4,333,964	5,640,273	6,364,983	6,808,704	7,763,532
Miscellaneous		1,329,609	748,276	755,405	651,467	341,392
Recovered costs		2,126,294	2,646,507	1,801,326	3,465,357	4,025,895
Intergovernmental (state and federal)		22,702,302	30,298,996	27,205,814	31,953,115	30,661,978
Total revenues		127,645,649	137,738,116	139,509,227	156,648,821	167,236,790
EXPENDITURES						
General governmental administration		7,767,247	9,422,694	9,046,646	9,996,622	10,820,949
Judicial administration		2,453,645	2,801,675	2,790,441	2,904,596	3,417,726
Public safety		25,159,954	22,890,619	28,218,865	28,867,772	33,448,190
Public works		12,996,826	11,469,558	8,867,259	11,347,662	10,121,770
Human services		13,001,788	15,336,213	14,840,637	17,409,953	18,643,912
Parks, recreation and cultural		3,263,939	3,801,167	4,446,149	4,314,220	4,780,299
Community development		4,075,473	4,654,911	4,360,063	4,254,248	4,507,798
Education expenditures, for:						
Instruction, operations and administration		47,894,364	52,238,183	54,046,905	59,586,631	60,195,699
Capital outlay		18,084,088	18,234,347	26,255,738	11,261,499	9,924,452
Debt service:						
Principal retirement		7,072,242	7,727,463	8,193,484	8,055,740	8,873,194
Interest and fiscal charges		4,445,218	5,138,804	5,015,871	5,794,545	5,268,461
Total education, primary government		77,495,912	83,338,797	93,511,998	84,698,415	84,261,806
Debt service:						
Principal retirement		1,612,463	1,579,260	1,561,108	1,527,625	1,448,913
Interest and fiscal charges		849,329	774,420	692,568	605,076	476,297
Bond issuance costs		-	-	-	-	-
Total expenditures		148,676,576	156,069,314	168,335,734	165,926,189	171,927,660
Excess of revenues over (under) expenditures		(21,030,927)	(18,331,198)	(28,826,507)	(9,277,368)	(4,690,870)
OTHER FINANCING SOURCES (USES)						
Transfers in		11,930,446	15,408,658	6,063,542	7,742,528	9,472,429
Transfers out		(11,649,042)	(14,217,374)	(5,535,931)	(6,282,077)	(9,527,429)
Bonds issued		18,245,000	22,065,000	21,500,000	-	17,097,408
Refunding bonds issued		-	-	-	-	-
Payments to escrow agent		-	-	-	-	-
Capital leases		269,085	-	-	-	-
Total other financing sources (uses)		18,795,489	23,256,284	22,027,611	1,460,451	17,042,408
Net change in fund balances	$	(2,235,438)	4,925,086	(6,798,896)	(7,816,917)	12,351,538
County capital outlay (other than for education) contained in functional expenditure categories, above	$	13,589,067	8,092,149	5,452,015	5,722,320	3,651,890
GASB 44 debt service disclosure (primary government): (2)						
Debt service as a percentage of noncapital expenditures, primary government, governmental funds		11.9%	11.7%	11.3%	10.7%	10.1%
Self-imposed debt margin compliance (total reporting entity): (1)						
Noncapital expenditures - total reporting entity	$	172,838,681	184,410,271	195,661,023	214,131,882	232,429,030
Debt service as a percent of noncapital expenditures - total reporting entity		8.1%	8.3%	7.9%	7.5%	6.9%

Notes: **(1)** **Self-imposed debt limit information**
The Commonwealth of Virginia does not impose a legal debt limit on the amount of long-term indebtedness the County can incur or have outstanding. The Board of Supervisors, however, has imposed limits in the County's Debt Policy. For example, the County's debt policy provides that the annual debt service will not exceed ten percent of noncapital expenditures for the governmental funds of the reporting entity as a whole. For this purpose, capital outlay consists of total expenditures of the County and School Improvements Funds (Capital Projects Funds), and noncapital expenditures consist of total expenditures of the reporting entity, exclusive of the Capital Projects Funds. This table shows how the County has met this self-imposed debt limit for each of the past ten fiscal years. Information about additional self-imposed debt limits is presented on Table 9.

(2) **GASB 44 debt service disclosure**
This table also shows debt service as a percent of noncapital expenditures for the governmental funds of the primary government only (excluding component units), as required by GASB Statement No. 44. For this purpose, capital outlay is defined in accordance with GASB 44 as the amount of capital assets constructed or acquired during the fiscal year in accordance with the County's asset capitalization policy.

(3) Certain estimates and reclassifications have been made to conform with the presentations required by GASB Statements No. 34 and 44. In addition, bond issuance costs have been presented separately from Interest and Fiscal Charges beginning in fiscal year 2007.

(4) Beginning in fiscal year 2005, the School Improvements Fund was included as a major fund of the primary government. To be consistent with subsequent presentation, amounts for fiscal years 2001 - 2004 have been restated to include revenues, expenditures and other financing sources (uses) of the School Improvements Fund.

COUNTY OF HANOVER, VIRGINIA
Changes in Fund Balances, Governmental Funds (3), (4)
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year 2006	2007	2008	2009	2010	
					REVENUES
104,909,885	116,138,314	127,752,615	134,631,877	132,160,474	General property taxes
28,190,135	27,952,788	29,953,700	27,050,122	26,077,337	Other local taxes
2,741,893	2,840,734	2,570,668	1,756,291	1,493,234	Permits, privilege fees and regulatory licenses
922,784	979,511	967,867	1,111,383	1,145,092	Fines and forfeitures
1,778,603	2,948,143	2,507,279	1,386,151	747,670	Revenues from use of money and property
9,799,667	9,163,731	8,165,843	7,982,604	7,758,435	Charges for services
902,337	534,902	654,065	839,426	621,088	Miscellaneous
4,938,320	4,901,798	6,824,257	6,677,511	3,366,236	Recovered costs
31,784,408	31,601,395	34,398,123	33,571,769	32,739,887	Intergovernmental (state and federal)
185,968,032	197,061,316	213,794,417	215,007,134	206,109,453	Total revenues
					EXPENDITURES
11,842,572	12,998,848	13,604,057	13,221,357	13,065,175	General governmental administration
3,797,463	3,864,913	4,342,825	5,603,761	4,452,332	Judicial administration
36,508,483	40,357,437	47,391,988	61,749,637	56,977,215	Public safety
8,691,474	8,361,994	12,212,146	15,502,385	10,387,021	Public works
20,000,898	21,453,342	22,960,809	24,195,148	25,624,808	Human services
5,393,280	6,564,538	9,221,302	10,083,714	7,231,464	Parks, recreation and cultural
4,920,539	5,313,263	5,547,312	5,940,549	6,360,382	Community development
					Education expenditures, for:
65,364,031	67,881,714	75,940,541	79,411,219	70,527,127	Instruction, operations and administration
23,847,050	21,461,655	22,020,675	9,706,041	7,868,873	Capital outlay
					Debt service:
8,666,075	10,064,060	10,888,261	11,336,693	11,932,672	Principal retirement
5,389,377	5,592,647	5,936,066	6,061,070	5,495,314	Interest and fiscal charges
103,266,533	105,000,076	114,785,543	106,515,023	95,823,986	Total education, primary government
					Debt service:
1,185,722	1,220,185	1,578,504	1,697,930	2,155,086	Principal retirement
408,199	292,753	696,081	514,194	862,522	Interest and fiscal charges
-	160,802	31,161	360,492	287,099	Bond issuance costs
196,015,163	205,588,151	232,371,728	245,384,190	223,227,090	Total expenditures
(10,047,131)	(8,526,835)	(18,577,311)	(30,377,056)	(17,117,637)	Excess of revenues over (under) expenditures
					OTHER FINANCING SOURCES (USES)
12,732,206	12,970,459	16,327,577	16,039,580	9,930,074	Transfers in
(12,982,206)	(13,589,531)	(16,557,255)	(16,372,661)	(10,130,777)	Transfers out
14,739,643	21,487,759	14,614,880	21,679,548	27,228,580	Bonds issued
-	14,653,901	-	24,962,676	-	Refunding bonds issued
-	(14,538,703)	-	(24,758,539)	-	Payments to escrow agent
-	-	-	-	-	Capital leases
14,489,643	20,983,885	14,385,202	21,550,604	27,027,877	Total other financing sources (uses)
4,442,512	12,457,050	(4,192,109)	(8,826,452)	9,910,240	**Net change in fund balances**
4,724,911	7,706,846	11,459,039	22,252,664	18,214,702	County capital outlay (other than for education) contained in functional expenditure categories, above
					GASB 44 Debt Service Disclosure (primary government): (2)
9.3%	9.8%	9.6%	9.4%	10.5%	Debt service as a percentage of noncapital expenditures, primary government, governmental funds
					Self-imposed debt margin compliance (total reporting entity): (1)
249,296,596	273,302,713	292,793,745	307,559,903	296,946,733	Noncapital expenditures - total reporting entity
6.3%	6.3%	6.5%	6.5%	7.0%	Debt service as a percent of noncapital expenditures - total reporting entity

To assist the reader, the fiscal year 2010 percentages, calculated in accordance with the County's self-imposed debt margin, and with GASB 44, respectively, are as follows:

Debt Margin Information (1), (2)

Fiscal Year 2010	Self-imposed Total Reporting Entity (Note 1)	GASB 44 Primary Government (Note 2)
Total expenditures	$ 324,834,109	223,227,090
Less:		
Capital Outlay	(27,887,376)	(26,083,575)
Noncapital expenditures	$ 296,946,733	197,143,515
Debt service expenditures	$ 20,732,693	20,732,693
As a % of noncapital expenditures	7.0%	10.5%

COUNTY OF HANOVER, VIRGINIA **Table 5**

Assessed Value and Estimated Actual Value of Taxable Property (1,2)

Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools (3)	Merchant's Capital	Public Service Corporations (4,5)	Total Taxable Assessed Value	Total Direct Tax Rate (6)	Estimated Actual Taxable Value (7)	Taxable Assessed Value as a % of Actual Taxable Value
2001	$ 6,170,352,700	912,405,216	71,543,965	36,233,425	292,677,312	7,483,212,618	-	8,634,189,299	86.7%
2002	6,707,526,800	979,968,718	72,243,695	37,515,940	372,231,447	8,169,486,600	1.18	9,375,815,313	87.1%
2003	7,637,172,050	1,011,227,278	44,844,800	37,327,513	650,801,107	9,381,372,748	1.14	10,437,673,444	89.9%
2004	7,911,038,250	1,052,222,261	43,715,905	37,951,150	618,887,688	9,663,815,254	1.16	10,734,661,024	90.0%
2005	8,602,251,150	1,104,271,432	44,360,770	42,696,180	599,353,434	10,392,932,966	1.17	11,517,095,356	90.2%
2006	9,642,919,834	1,207,102,828	43,255,420	45,487,432	557,153,154	11,495,918,668	1.16	12,689,954,469	90.6%
2007	10,887,416,600	1,360,895,130	51,135,605	48,916,675	398,554,972	12,746,918,982	1.14	13,888,502,922	91.8%
2008	12,406,058,400	1,394,357,395	47,647,920	51,861,300	570,955,157	14,470,880,172	1.08	15,673,250,517	92.3%
2009	13,125,005,050	1,437,119,361	43,260,613	50,228,645	664,757,197	15,320,370,866	1.07	16,533,565,376	92.7%
2010	13,200,604,700	1,289,239,482	49,736,420	53,188,390	710,146,172	15,302,915,164	1.05	16,555,688,273	92.4%
% Change	0.6%	-10.3%	15.0%	5.9%	6.8%	-0.1%		0.1%	
% Ch. Since 2001	113.9%	41.3%	-30.5%	46.8%	142.6%	104.5%		91.7%	
% of Total	86.3%	8.4%	0.3%	0.3%	4.6%	100.0%			

Notes: (1) Assessed values of all classes of property approximate market value as of assessment date, unless otherwise noted, and is shown for each period for which taxes are levied.

(2) Real property is assessed as of January 1 each year, with the resulting taxes being payable in two equal installments, on June 5 and October 5. Personal property is assessed as of January 1 each year, with payment due on February 5 of the following year.

(3) Machinery and tools are assessed at 10% of cost.

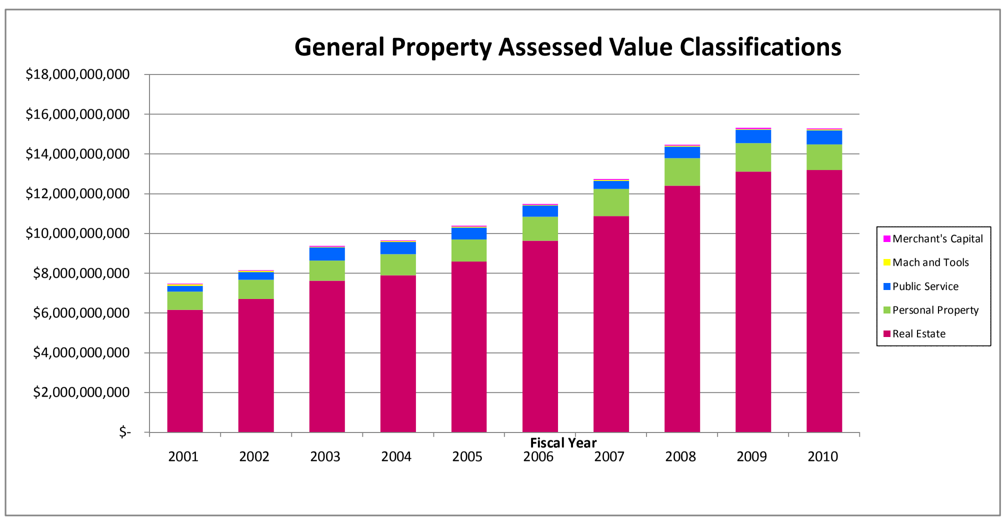
(4) The assessed values of Public Service Corporation real and personal property are determined by the State Corporation Commission.

(5) During fiscal year 2003, a major taxpayer was reclassified from the Machinery and Tools to the Public Service category resulting from the deregulation of electric power generating companies.

(6) The total direct tax rate for each fiscal year is per $100 of assessed valuation, calculated on the weighted average basis. Not available in this format prior to 2002.

(7) Market valuation estimates include: machinery and tools estimated at 90% of cost, real estate (including Public Service Corporation real estate) based on traditional 105% sales/assessment ratio, personal property based on 112% trade to book ratio.

Source: County of Hanover, Virginia Treasurer's Office



COUNTY OF HANOVER, VIRGINIA **Table 6**

Direct and Overlapping Property Tax Rates

Last Ten Calendar (Tax) Years

Calendar (Tax) Year (1)	County of Hanover, Virginia Direct Rates (1,2): Real Property	Power Generating Equipment	Personal Property	Fire and Rescue Volunteers	Aircraft	Machinery and Tools	Merchant's Capital	County Total Direct Tax Rate For each *Fiscal* Year Shown (3)	Town of Ashland (Overlapping Rates) (4): Real Property	Personal Property	Machinery and Tools
2001	$ 0.82	-	3.64	1.82	1.00	3.64	1.90	-	0.09	0.77	0.77
2002	0.82	-	3.64	1.82	1.00	3.64	1.90	1.18	0.09	0.77	0.77
2003	0.82	0.45	3.64	1.82	1.00	3.64	1.90	1.14	0.09	0.77	0.77
2004	0.86	0.49	3.64	1.82	1.00	3.64	1.90	1.16	0.09	0.77	0.77
2005	0.86	0.49	3.64	1.82	1.00	3.64	1.90	1.17	0.09	0.77	0.77
2006	0.86	0.55	3.57	1.78	1.00	3.57	1.90	1.16	0.07	0.77	0.77
2007	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.14	0.07	0.77	0.77
2008	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2009	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.07	0.09	0.77	0.77
2010	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.05	0.09	0.77	0.77
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.9%	0.0%	0.0%	0.0%
% Ch. Since 2001	-1.2%	n/a	-1.9%	-2.2%	-50.0%	-1.9%	0.0%	n/a	0.0%	0.0%	0.0%

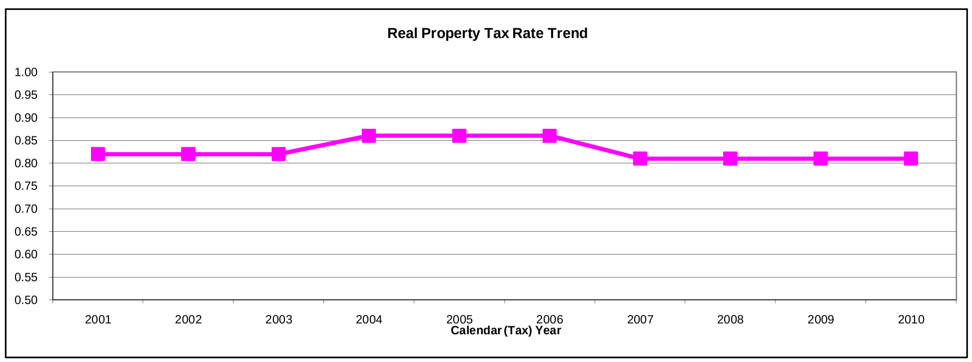
Notes: (1) The individual tax rates are per $100 of assessed value, which is generally determined as of January 1 of each year, and are used to determine tax payments due within the same calendar (tax) year.

(2) Real property taxes are payable in two equal installments, on June 5 and October 5. Personal property taxes are due on February 5 of the following calendar year.

(3) The County prepares its budgets and its Comprehensive Annual Financial Report on a fiscal year basis (July 1 through June 30), as required by Section 15.2-2500 of the Code of Virginia, and levies taxes to support County activities for the fiscal year in which the tax payments are due. Accordingly, the Total Direct Tax Rates are applicable to the fiscal year for which the taxes are levied and due. The total direct tax rates are calculated per $100 of assesed valuation, caluclated on the weighted average basis, and are not available for fiscal years prior to 2002.

(4) These overlapping rates are in addition to the County rates, but only apply to taxpayers owning property within the borders of the Town of Ashland, Virginia, which lies within the County.

Source: Hanover County Commissioner of the Revenue's Office and Treasurer's Office and Town of Ashland



COUNTY OF HANOVER, VIRGINIA

Table 7

Principal Property Tax Payers (1)
Current Year and Nine Years Ago

Taxpayer	Type of Business	2010 General Property Taxable Assessed Value	2010 Rank	2010 Percentage of Total Taxable Assessed Value	2001 General Property Taxable Assessed Value	2001 Rank	2001 Percentage of Total Taxable Assessed Value
Doswell Limited Partnership (2)	Power generation facility	$ 327,710,641	1	2.1%	$ 47,961,230	7	0.6%
Virginia Electric and Power Company	Electric company	132,289,548	2	0.9%	101,296,088	1	1.4%
Memorial Regional Medical Center	Hospital/medical center	119,736,190	3	0.8%	65,386,100	3	0.9%
Paramount Parks, Inc.	Entertainment	81,373,970	4	0.5%	63,387,405	4	0.8%
Verizon Virginia (2010)/ Bell Atlantic-Virginia (2001)	Telecommunications	58,647,773	5	0.4%	60,234,352	5	0.8%
SuperValu (2010)/Richfood, Inc. (2001)	Food distributor	46,460,790	6	0.3%	51,597,590	6	0.7%
Richmond Newspapers, Inc./Media General, Inc.	Newspaper publisher	46,010,680	7	0.3%	74,829,060	2	1.0%
Bear Island Paper Company	Paper mill	45,697,755	8	0.3%	46,019,180	8	0.6%
Covenant Woods	Nursing home	39,077,850	9	0.3%	-	n/a	-
Rappahannock Electric Coop	Electric company	36,930,808	10	0.2%	-	n/a	-
Virginia Natural Gas	Natural gas distributor	-	n/a	-	24,607,331	9	0.3%
AMF, Inc.	Bowling manufacture	-	n/a	-	22,980,700	10	0.3%
		$ 933,936,005		6.1%	$ 558,299,036		7.5%
Total taxable assessed values		$ 15,302,915,164			$ 7,483,212,618		

Notes: (1) Source: Hanover County Commissioner of the Revenue's Office
(2) As a result of the deregulation of electric power generating companies, this taxpayer was reclassified from Machinery and Tools to the Public Service Corporation assessment category in 2003.
(3) n/a = not applicable (taxpayer not in top 10 taxpayers of applicable year)

COUNTY OF HANOVER, VIRGINIA **Table 8**

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year (3)	General Property Taxes Levied for the Fiscal Year (1,2)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	$ 79,780,410	$ -	-	$ -	$ -	-
2002	85,936,924	83,891,211	97.6%	2,038,999	85,930,210	100.0%
2003	90,962,517	86,678,830	95.3%	4,258,939	90,937,769	100.0%
2004	98,276,555	95,328,641	97.0%	2,919,203	98,247,844	100.0%
2005	106,293,313	102,152,923	96.1%	3,911,079	106,064,002	99.8%
2006	117,153,995	113,003,453	96.5%	3,797,003	116,800,456	99.7%
2007	128,606,341	123,943,881	96.4%	3,659,346	127,603,227	99.2%
2008	139,951,410	134,776,945	96.3%	2,996,605	137,773,550	98.4%
2009	146,731,880	140,814,064	96.0%	2,497,000	143,311,064	97.7%
2010	142,757,714	137,896,486	96.6%	-	137,896,486	96.6%

Notes: (1) Source: Hanover County, Virginia Treasurer's Office

(2) Total tax levies include the Commonwealth of Virginia's personal property tax relief reimbursements, and are net of supplemental levies for prior fiscal years, abatements, land use deferrals and tax relief in each fiscal year. The levies exclude special assessments on behalf of the Bell Creek and Lewistown Community Development Authorities and curbside recycling districts.

(3) Property tax levies and collections amounts for fiscal years prior to 2002 are not available in this format.

COUNTY OF HANOVER, VIRGINIA **Table 9**

Ratios of Outstanding Debt by Type, and
Self-Imposed Debt Limit Information (3)
Last Ten Fiscal Years

Governmental Activities

General Bonded Debt Outstanding (1)

Fiscal Year	General Obligation Bonds	Virginia Public School Authority Bonds	State Literary Fund Loans	Total General Bonded Debt	Estimated Actual Value of Taxable Property	Percent of General Bonded Debt to Estimated Actual Value of Taxable Property	Population (2)	General Bonded Debt per Capita	Capital Leases
2001	$ 34,820,000	$ 53,048,590	$ 10,804,500	$ 98,673,090	$ 8,634,189,299	1.1%	89,284	$ 1,105	$ 9,723,514
2002	52,925,000	47,821,877	11,868,750	112,615,627	9,375,815,313	1.2%	91,807	1,227	8,571,225
2003	71,530,000	43,158,143	10,839,000	125,527,143	10,437,673,444	1.2%	93,880	1,337	7,405,117
2004	68,635,000	38,532,153	9,909,250	117,076,403	10,734,661,024	1.1%	95,774	1,222	5,456,935
2005	64,740,000	50,093,709	9,079,500	123,913,209	11,517,095,356	1.1%	97,606	1,270	5,218,579
2006	60,745,000	59,820,042	8,249,750	128,814,792	12,689,954,469	1.0%	99,174	1,299	4,427,857
2007	78,260,000	54,136,732	7,519,000	139,915,732	13,888,502,922	1.0%	100,721	1,389	3,602,672
2008	73,085,000	62,277,427	6,788,250	142,150,677	15,673,250,517	0.9%	102,071	1,393	2,739,169
2009	87,370,000	56,032,984	6,156,000	149,558,984	16,533,565,376	0.9%	103,025	1,452	1,836,239
2010	107,215,000	48,733,562	5,552,750	161,501,312	16,555,688,273	1.0%	103,871	1,555	3,330,677
% Change	22.7%	-13.0%	-9.8%	8.0%	0.1%	7.8%	0.8%	7.1%	81.4%
% Ch. Since 2001	207.9%	-8.1%	-48.6%	63.7%	91.7%	-14.6%	16.3%	40.7%	-65.7%

	Business-type Activities	Total Primary Government						Self-Imposed Debt Limit Information (3)			
			Demographic Information								
Fiscal Year	Revenue Bonds	Total Primary Government	Total Personal Income (2) (000's)	Per Capita Personal Income (2)	Total Primary Government Debt as a Percentage of Personal Income	Total Primary Government Debt Per Capita		Outstanding Debt Funded by General Governmental Expenditures (4)	Ratio of Outstanding Debt Funded by General Governmental Expenditures to Assessed Value (4)	Outstanding Debt Funded by General Governmental Expenditures per Capita (5)	Ratio of Total General Bonded Debt per Per Capita Income (6)
2001	$ 16,550,000	$ 124,946,604	$ 3,112,335	$ 34,859	4.0%	$ 1,399		$ 108,396,604	1.4%	$ 1,214	$ 2,831
2002	16,505,000	137,691,852	3,190,663	34,754	4.3%	1,500		121,186,852	1.5%	1,320	3,240
2003	26,597,684	159,529,944	3,354,793	35,735	4.8%	1,699		132,932,260	1.4%	1,416	3,513
2004	36,205,779	158,739,117	3,533,976	36,899	4.5%	1,657		122,533,338	1.3%	1,279	3,173
2005	33,868,168	162,999,956	3,758,826	38,510	4.3%	1,670		129,131,788	1.2%	1,323	3,218
2006	41,051,727	174,294,376	4,008,893	40,423	4.3%	1,757		133,242,649	1.2%	1,344	3,187
2007	40,953,945	184,472,349	4,263,747	42,332	4.3%	1,832		143,518,404	1.1%	1,425	3,305
2008	39,324,531	184,214,377	4,324,527	42,368	4.3%	1,805		144,889,846	1.0%	1,420	3,355
2009	37,228,336	188,623,559	4,369,300	42,410	4.3%	1,831		151,395,223	1.0%	1,469	3,526
2010	34,977,770	199,809,759	4,409,500	42,452	4.5%	1,924		164,831,989	1.1%	1,587	3,804
% Change	-6.0%	5.9%	0.9%	0.1%	5.0%	5.1%		8.9%	9.0%	8.0%	7.9%
% Ch. Since 2001	111.3%	59.9%	41.7%	21.8%	12.9%	37.5%		52.1%	-25.6%	30.7%	34.4%

Notes:

(1) Bond amounts are reported gross, excluding premiums and/or discounts and deferred amounts on refundings. See Financial Statement Note IV-E for additional information on outstanding debt.

(2) Population estimates at June 30th for each year from Hanover County Planning Department. Per Capita Personal Income is calculated by dividing Personal Income by the population estimate for each fiscal year. Personal income data for 2001 through 2008 is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce. Per Capita Personal Income and Personal Income amounts for 2009 and 2010 are estimated based on the rate of increase in Per Capita Personal Income for 2008 (0.1% increase), the latest year for which Personal Income data is available from the U.S. Department of Commerce.

(3) **Self-imposed debt limit information:**
The Commonwealth of Virginia does not impose a legal limit on the amount of long-term indebtedness the County can incur or have outstanding. The Board of Supervisors, however, has imposed limits in the County's Debt Policy. These limits, and relevant information pertaining to them are described in this table, and on Table 4 of this Statistical Section.

(4) The County's debt policy provides that outstanding debt funded by general government expenditures as a percentage of Assessed Value will not exceed 2.5 percent.
Outstanding debt funded by general governmental expenditures includes general bonded debt and governmental activity capital lease obligations, both presented above.

(5) The County's debt policy provides that outstanding debt funded by general government expenditures per Capita will not exceed $1,900 at June 30, 2007, growing at two percent annually ($2,017 for year 2010). The policy ceiling was $1,400 through 2005, and $1,800 for 2006.

(6) The County's debt policy provides that general bonded debt per Per Capita Income will not exceed $5,000.

COUNTY OF HANOVER, VIRGINIA **Table 10**

Direct and Overlapping Governmental Activities Debt
June 30, 2010

	Governmental Unit	General Bonded Debt Outstanding	Estimated Percentage Applicable to County of Hanover	Estimated Share of Direct and Overlapping Debt	Legal Debt Margin
Overlapping debt (2)	Town of Ashland	$ 605,000	80.5%	$ 487,075	
Direct debt (1)	County of Hanover	161,501,312		161,501,312	(3)
Total direct and overlapping debt				$ 161,988,387	

Notes:

(1) Amounts for bonds are reported gross, excluding premiums and/or discounts and deferred amounts on refunding.

(2) The estimated percentage of the Town of Ashland's net general bonded debt outstanding applicable to the County is based upon a 1996 agreement under which the County assumed ownership of the Town's water and sewer system, and agreed to reimburse the Town for 80.5 percent of the debt service on the applicable water and sewer bonds.

(3) Counties in the State of Virginia are not subject to a legal debt margin. See information on self-imposed debt limits on Tables 4 and 9 in this Statistical Section.

COUNTY OF HANOVER, VIRGINIA

Pledged Revenue Coverage (1)

Last Ten Fiscal Years

Utility - Water and Sewer Revenue Bonds

Fiscal Year	Utility Revenues (3,8)	Less: Operating Expenses (4)	Net Available Revenues	Debt Service Requirements Principal	Debt Service Requirements Interest	Net Available Revenues Coverage (5)	Utility - Debt Covenant Coverage Ratio (1,2,6) Debt Service: Senior Debt Service	Debt Service: Subordinate Debt Service	Debt Covenant Coverage Test
2001	$ 22,390,288	9,675,260	12,715,028	1,375,213	1,142,682	5.0	1,200,484	1,317,411	4.7
2002	22,862,743	9,738,936	13,123,807	1,125,068	1,107,767	5.9	1,315,060	917,775	5.4
2003	22,019,995	10,739,603	11,280,392	1,194,006	979,335	5.2	1,221,541	951,800	4.8
2004	20,204,934	11,575,054	8,629,880	1,804,612	1,178,264	2.9	1,996,845	986,031	2.6
2005	22,269,236	13,583,502	8,685,734	2,380,906	1,487,739	2.2	3,076,445	792,200	2.0
2006	24,926,132	14,357,272	10,568,860	1,595,163	1,350,519	3.6	2,750,338	195,344	3.1
2007	24,793,867	14,376,026	10,417,841	2,033,671	1,680,484	2.8	3,513,740	200,415	2.5
2008	34,519,573	15,127,475	19,392,098	2,254,088	1,572,342	5.1	3,622,625	203,805	4.4
2009	25,584,480	16,429,026	9,155,454	2,304,393	1,328,738	2.5	3,461,496	171,635	2.2
2010	24,194,254	17,331,485	6,862,769	2,257,626	1,369,346	1.9	3,459,711	167,261	1.7
% Change			-25.0%	-2.0%	3.1%	-24.9%	-0.1%	-2.5%	-24.9%
% Ch. Since 2001			-46.0%	64.2%	19.8%	-62.5%	188.2%	-87.3%	-64.9%

Airport Revenue Bond

Fiscal Year	Rent received from Airport Fixed Base Operator	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements Principal	Debt Service Requirements Interest	Available Revenues Coverage (5)	Airport - Debt Covenant Coverage Ratio (1,7) Rent Received	Restricted cash - (used during current FY or available at FYE for debt service)	Lessee irrevocable letter of credit pledged for satisfaction of debt covenant ratio	Debt Covenant Coverage Test
2008	$ 61,039	-	61,039	26,396	70,922	0.6	61,039	156,081	36,000	2.6
2009	88,093	-	88,093	54,820	89,158	0.6	88,093	156,081	36,000	1.9
2010	152,748	-	152,748	57,640	86,337	1.1	152,748	12,361	36,000	1.4
% Change			73.4%	5.1%	-3.2%	73.4%	73.4%	-92.1%	0.0%	-28.2%
% Ch. Since 2008			150.2%	118.4%	21.7%	69.1%	150.2%	-92.1%	0.0%	-46.3%

Notes: (1) Further information on the County's revenue bonds can be found in Note IV-E to the accompanying basic financial statements.

(2) For comparability, the utility debt covenant coverage test for 2001 through 2005 has been restated to comply with current water and sewer system revenue bond covenants. The County was in compliance with all utility debt coverage ratios applicable to those years before restatement, as demonstrated in the statistical sections of the Comprehensive Annual Financial Reports for those years.

(3) Utility revenues exclude donated capital assets.

(4) Utility operating expenses exclude depreciation.

(5) The net available revenues coverage equals net available revenues divided by total debt service requirements.

(6) The utility debt covenant coverage ratios assist users to assess the County's legal compliance with its utility debt service covenant requirements. The County's water and sewer revenue bonds debt covenant requires the ratio of utilities net available revenues divided by the sum of 115% of senior debt service and 100% of subordinate debt service to exceed 1.0.

(7) During fiscal 2007, the County issued an airport revenue bond, secured by rent from the airport's fixed base operator. The airport bond had no debt service requirement or debt covenant requirement for fiscal 2007. Beginning in fiscal year 2008, the County's airport debt covenant required the ratio of the sum of rent received from the airport's fixed base operator, restricted cash used during the fiscal year (FY) or available at fiscal year-end (FYE) for airport bond debt service, and the amount of any lessee irrevocable letter of credit, divided by the airport bond principal and interest paid during the fiscal year to equal or exceed 1.25. The lease agreement with the airport's fixed base operator contains scheduled rent increases consistent with the availability of the property to the lessee, designed to meet the debt covenant coverage requirement during the lease term.

(8) Utility revenues do not include exercise of oversize credits, which are reported as capital contributions on Exhibit 8 of the financial statements.

COUNTY OF HANOVER, VIRGINIA **Table 12**

Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (1) *(000's)*	Per Capita Personal Income (1)	Median Age (2)	Unemployment Rate (3)	School Enrollment (4)	School Instructional Positions (5)	School Enrollment to Instructional Positions Ratio
2001	89,284	$ 3,112,335	34,859	37.4	2.5%	16,633	1,210	13.7
2002	91,807	3,190,663	34,754	37.4	3.3%	17,198	1,245	13.8
2003	93,880	3,354,793	35,735	37.4	3.2%	17,580	1,315	13.4
2004	95,774	3,533,976	36,899	37.4	3.0%	17,979	1,381	13.0
2005	97,606	3,758,826	38,510	39.5	2.9%	18,150	1,434	12.7
2006	99,174	4,008,893	40,423	39.2	2.5%	18,518	1,485	12.5
2007	100,721	4,263,747	42,332	38.9	2.4%	18,844	1,563	12.1
2008	102,071	4,324,527	42,368	40.4	3.4%	18,686	1,577	11.8
2009	103,025	4,369,300	42,410	40.4	6.5%	18,566	1,614	11.5
2010	103,871	4,409,500	42,452	40.4	6.6%	18,420	1,569	11.7
% Change	0.8%	0.9%	0.1%	0.0%	1.5%	-0.8%	-2.8%	2.1%
% Ch. Since 2001	16.3%	41.7%	21.8%	8.0%	164.0%	10.7%	29.7%	-14.6%

Notes:

(1) Population estimates at June 30th for each year from Hanover County Planning Department. Per Capita Personal Income is calculated by dividing Personal Income by the population estimate for each fiscal year. Personal income data for 2001 through 2008 is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce. Per Capita Personal Income and Personal Income amounts for 2009 and 2010 are estimated based on the rate of increase in Per Capita Personal Income for 2008 (0.1% increase), the latest year for which Personal Income data is available from the U.S. Department of Commerce.

(2) U. S. Department of Commerce, Bureau of Census.

(3) Virginia Employment Commission.

(4) Hanover County School Board (30th day enrollment from school fiscal year).

(5) Hanover County School Board (instructional positions include teachers, guidance counselors, librarians and other instructional-related positions).

COUNTY OF HANOVER, VIRGINIA **Table 13**

Principal Employers (1)

Current Year and Nine Years Ago

		2009			2000		
Employer	Type of Business	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Hanover County Schools	Education	2,973	1	5.7%	2,029	1	4.4%
Bon Secours Memorial Regional Medical	Hospital/Medical Center	1,375	2	2.6%	1,152	3	2.5%
County of Hanover	Government	1,181	3	2.3%	768	6	1.7%
Supervalu Eastern Region	Food Distributor	1,103	4	2.1%	1,167	2	2.5%
Paramount Kings Dominion	Entertainment	930	5	1.8%	965	5	2.1%
Tyson Foods	Poultry Processing	890	6	1.7%	987	4	2.1%
Wal-Mart Stores	Retail	660	7	1.3%	342	8	0.7%
Owens & Minor	Distributor of Medical/Surgical Supplies	639	8	1.2%	-	n/a	0.0%
Sheltering Arms	Physical Rehabilitation Center	350	9	0.7%	-	n/a	0.0%
Qubica/AMF	Corporate Headquarters/Manufacturing	315	10	0.6%	570	7	1.2%
Randolph Macon College	Education	-	n/a	0.0%	298	9	0.6%
Media General	Newspaper Print	-	n/a	0.0%	290	10	0.6%
		10,416		19.9%	8,568		18.5%

Notes: (1) Sources: County and Schools employment levels provided by the Hanover County Department of Human Resources and the School Board Administration.
Other data provided by the Virginia Employment Commission and the Hanover County Economic Development Department.
Employment levels represent full-time equivalents. The most recent year for which this data is available is 2009.

COUNTY OF HANOVER, VIRGINIA

Full-time Equivalent Government Employees by Function (1)

Last Ten Fiscal Years

Table 14

	Full-time Equivalent Employees as of June 30									
Function/Program	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Primary government:										
General governmental administration	117	122	124	126	131	135	138	140	145	141
Judicial administration	37	44	47	49	52	54	54	57	59	59
Public safety	294	317	341	345	381	415	433	457	472	474
Public works	50	53	60	61	64	66	71	73	73	73
Human services	154	173	211	214	220	230	235	221	227	226
Parks, recreation and cultural	40	42	42	42	45	46	47	49	50	50
Community development	30	32	31	31	32	31	33	34	31	35
Public utilities	82	84	88	88	92	92	93	95	96	96
Fleet management	25	26	26	26	26	26	27	28	29	29
Totals - Primary government	829	893	970	982	1,043	1,095	1,131	1,154	1,181	1,183
Component Unit:										
School Board	2,131	2,227	2,373	2,548	2,673	2,713	2,827	2,903	2,973	2,854
Total:	2,960	3,120	3,343	3,530	3,716	3,808	3,958	4,057	4,154	4,037

Notes: (1) Source: School Board administration and Hanover County Department of Finance, Budget Division.

COUNTY OF HANOVER, VIRGINIA
Operating Indicators by Function (1,2)
Last Ten Fiscal Years

Table 15

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Primary government:										
General governmental administration										
Number of registered voters	54,086	54,086	56,000	56,000	58,741	62,960	63,059	65,290	67,322	67,472
Number of real estate transfers	3,142	3,907	4,024	4,024	3,689	3,490	3,293	3,564	2,173	3,122
State income tax returns processed	33,000	25,000	25,000	25,000	12,529	10,200	12,225	10,790	8,038	8,958
Judicial administration										
Judgments docketed	3,139	3,139	2,230	2,540	2,513	3,104	3,330	3,330	3,388	3,740
Public safety										
Sheriff incidents	43,137	43,748	47,089	49,788	49,783	46,259	42,340	42,928	41,863	40,189
Number of sworn officers	148	153	158	160	170	180	189	196	201	201
Fire/EMS incidents	8,670	8,678	9,151	8,725	8,789	9,401	10,712	7,954	10,735	11,705
Animal control incidents	6,487	7,272	6,946	6,169	6,720	6,866	8,018	7,881	8,508	7,029
Commercial building plan reviews	201	301	303	358	532	467	517	624	414	439
Residential building plan reviews	925	1,763	1,727	1,643	1,518	1,608	1,427	1,330	1,051	1,025
Public works										
Tons of solid waste received	37,000	35,500	34,600	34,600	37,714	37,710	37,086	39,306	38,243	37,736
Tons of solid waste recycled	-	-	-	-	14,342	13,716	14,000	13,300	17,000	18,436
Human services										
Communicable disease visits/investigations	-	317	300	300	585	873	689	533	969	429
Immunization visits (3)	3,319	3,088	3,300	3,300	1,650	1,005	693	501	358	9,454
Restaurant inspection visits	248	248	330	330	689	590	1,068	1,449	1,024	944
Social services lobby visits	-	8,288	9,866	9,866	9,764	9,425	10,150	12,143	16,271	15,377
Social services telephone calls received	-	29,995	43,288	43,288	35,950	30,521	28,206	22,413	25,679	24,089
Number of Hanover Youth Service Council (HYSC) projects	28	25	38	29	30	26	30	36	34	39
HYSC Volunteer hours reported	316	407	602	594	618	508	762	711	780	1,406
County employees United Way contribution	38,583	53,401	45,943	45,943	51,958	55,344	60,115	64,896	60,294	60,945
Parks, recreation and cultural										
Active Library borrowers	30,125	33,476	37,641	37,641	45,422	49,311	52,657	50,149	56,968	65,558
Internet sessions	28,640	33,409	41,765	41,765	61,023	66,218	70,189	72,130	84,423	114,945
Library reference questions answered	-	-	-	-	148,470	169,834	193,942	214,409	240,776	295,810
Community development										
Economic development services to existing/prospective businesses	295	295	410	410	455	423	350	350	311	301
Public utilities										
Water customers	16,500	17,241	17,918	18,389	18,825	19,260	19,472	19,742	19,930	20,125
Wastewater customers	14,600	15,678	16,143	16,597	17,001	17,384	17,661	17,931	18,178	18,367
Daily average water distributed (million gallons/day)	7.96	6.35	6.20	6.52	6.35	7.30	8.80	8.50	8.20	8.70
Maximum daily water capacity (million gallons/day)	12.00	10.93	16.00	16.00	19.95	19.95	19.95	19.95	19.95	19.95
Daily average wastewater treatment (million gallons/day)	5.23	5.29	5.80	6.06	6.29	5.43	6.20	5.60	6.70	6.93
Maximum daily capacity of wastewater treatment plant (mg/d)	8.40	6.78	8.48	8.48	13.48	13.48	13.50	13.50	13.50	15.50
Fleet management										
School buses serviced	237	250	261	261	302	305	302	301	309	311
Public safety vehicles serviced	333	350	371	371	410	420	425	434	433	430
Fleet availability	-	-	96%	96%	97%	96.5%	96.8%	96.7%	97.0%	97.0%

Notes:
(1) Source: County Departments as identified above.
(2) Information not available prior to first year reported. Operating indicators for the School Component Unit are presented on the Demographic Information schedule.
(3) Increase in immunization visits for 2010 due to H1N1 immunizations.

COUNTY OF HANOVER, VIRGINIA
Capital Asset Statistics by Function (1)
Last Ten Fiscal Years

Table 16

	Fiscal Year									
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Function/Program										
Primary government:										
General governmental administration										
Estimated square feet- all general administrative office space	42,552	42,552	42,552	42,552	42,552	42,552	42,552	43,436	43,436	43,436
Judicial administration										
Estimated square feet - all judicial buildings	40,796	40,796	40,796	40,796	40,796	40,796	58,460	58,460	58,460	58,460
Public safety										
Estimated square feet - all public safety buildings	177,577	177,577	177,577	177,577	177,577	177,577	177,577	177,577	200,804	208,804
Number of sheriff's stations	1	1	1	1	1	1	1	1	1	1
Correctional facility inmate capacity	429	429	429	429	429	429	437	437	437	437
Number of fire/EMS stations	16	16	16	16	16	16	16	16	16	16
Public works										
Estimated square feet - all public works	17,565	17,565	17,565	17,565	17,565	17,565	17,565	17,565	17,565	17,565
Number of solid waste convenience centers	6	6	6	6	6	6	6	6	6	6
County Airport - acres in facility	202	202	210	210	210	232	232	232	232	232
Aircraft hanger spaces - County Airport	40	40	40	40	40	40	46	54	54	54
Aircraft tie-down spaces	56	56	56	56	56	56	56	56	56	56
Length of runway (ft)	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400
Human services										
Estimated square feet of facilities	53,120	53,120	53,120	53,120	53,120	53,120	53,120	53,120	52,939	52,939
Parks, recreation and cultural										
Number of County parks/boat launch	11	11	11	11	11	11	12	14	14	14
Park acreage	705	705	705	705	756	756	809	1,081	1,116	1,116
Public utilities										
Miles of water mains	287	225	310	351	354	355	366	380	387	389
Number of fire hydrants	1,825	1,825	1,825	1,826	1,915	1,941	2,041	2,162	2,245	2,309
Miles of sanitary sewers	257	302	303	333	346	348	347	356	360	362
Number of wastewater treatment plants	3	3	3	4	4	4	4	4	4	4
Fleet management										
Number of vehicles maintained	915	955	969	982	1,075	1,085	1,100	1,145	1,200	1,200
School Board Component Unit:										
Number of elementary schools	12	13	13	13	13	13	14	14	15	15
Number of secondary schools	7	7	7	8	8	8	8	8	8	8
Alternative Education Facility	-	-	-	-	-	-	-	1	1	1
Number of Technology Centers	-	-	-	-	-	-	-	-	1	1

Notes: (1) Source: County Departments as identified above.

COMPLIANCE SECTION

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Members of the Board of Supervisors
County of Hanover, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia (the "County") as of and for the year ended June 30, 2010, and have issued our report thereon dated November 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the finance committee, the Board of Supervisors, School Board, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, LLP

Richmond, Virginia
November 3, 2010

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditors' Report On Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Honorable Members of the Board of Supervisors
County of Hanover, Virginia

Compliance

We have audited the compliance of the County of Hanover, Virginia, (the "County"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that that there is a possibility material compliance with a type of compliance requirement of a federal program will not be prevented detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.This report is intended for the information of the finance committee, the Board of Supervisors, School Board, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert + Holland, LLP

Richmond, Virginia
November 3, 2010

COUNTY OF HANOVER, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	Program Clusters	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Direct Payments:			
Child and Adult Care Food Program	10.558		$ 25,717
Pass-through Payments:			
Department of Agriculture and Consumer Services:			
National School Lunch Program - Cafeteria (commodities)	10.555	$ 208,049	
Department of Education:			
School Breakfast Program	10.553	216,985	
National School Lunch Program	10.555	992,726	
Total Child Nutrition Cluster			1,417,760
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		588,670
DEPARTMENT OF DEFENSE:			
Direct Payments:			
JROTC	12.000		200,338
DEPARTMENT OF THE INTERIOR:			
Direct Payments:			
Payments in Lieu of Taxes (PILT)	15.226		8,179
DEPARTMENT OF JUSTICE:			
Direct Payments:			
Bulletproof Vest Partnership Program	16.607		5,041
Edward Byrne Memorial Justice Assistance Grant Program	16.738		10,530
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.804		43,632
Pass-through Payments:			
Department of Criminal Justice Services:			
Juvenile Justice and Delinquency Prevention_Allocation to States (09-B5430JJ08)	16.540		57,379
Title V_Delinquency Prevention Program (10-A6158TV08)	16.548		4,300
Crime Victim Assistance (SVC-09-038-28)	16.575		31,554
DEPARTMENT OF LABOR:			
Pass-through Payments:			
Virginia Community College System:			
WIA-Dislocated Workers	17.260		10,000
ENVIRONMENTAL PROTECTION AGENCY:			
Pass-through Payments:			
Virginia Department of Environmental Quality:			
ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		16,454
DEPARTMENT OF EDUCATION:			
Pass-through Payments:			
Department of Education:			
Adult Education - Basic Grants to States (V002A080046)	84.002		44,305
Title I Grants to Local Educational Agencies (S010A080046)	84.010		549,980
Career and Technical Education - Basic Grants to States (V0488A080046)	84.048		148,604
Special Education_Grants to States (H027A080107; H027A090107/FFY09)	84.027	3,246,605	
Special Education_Preschool Grants (H173A080112)	84.173	78,284	
Total Special Education Cluster (IDEA)			3,324,889
Safe and Drug-Free Schools and Communities_State Grants (Q186A080048)	84.186		31,595
Education Technology State Grants (S318X080046)	84.318		11,048
English Language Acquisition Grants	84.365		24,200
Improving Teacher Quality State Grants (S367A080044)	84.367		303,394
ARRA - Special Education Grants to States, Recovery Act (H391A090107)	84.391		1,622,772
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	5,607,561	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	202,087	
Total State Fiscal Stabilization Fund Cluster			5,809,648
Department of Behavioral Health & Developmental Services:			
Special Education - Grants for Infants & Families (720C-04118-07-13)	84.181	129,511	
ARRA - Special Education - Grants for Infants & Families, Recovery Act	84.393	8,761	
Total Early Intervention Services (IDEA) Cluster			138,272

COUNTY OF HANOVER, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	Program Clusters	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Payments:			
Head Start (03CH0337)	93.600		$ 846,316
ARRA - Head Start	93.708		66,739
Pass-through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		26,141
Temporary Assistance for Needy Families	93.558		390,603
Refugee & Entrant Assistance_State Administered Programs	93.566		2,104
Low-Income Home Energy Assistance	93.568		13,768
Child Care and Development Block Grant	93.575	$ 386,406	
ARRA - Child Care and Development Block Grant	93.713	138,460	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	254,181	
ARRA - Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	19,704	
Total CCDF Cluster			798,752
Chafee Education and Training Vouchers Program (ETV)	93.599		5,125
Adoptive Incentive Payments	93.603		976
Child Welfare Services_State Grants	93.645		1,295
Foster Care_Title IV-E	93.658		360,307
ARRA - Foster Care_Title IV-E	93.658		45,318
Adoption Assistance	93.659		181,424
ARRA - Title IV-E Adoption Assistance	93.659		17,397
Social Services Block Grant	93.667		113,120
Chafee Foster Care Independence Program	93.674		7,552
Children's Health Insurance Program	93.767		89,933
Department of Medical Assistance Services:			
Medical Assistance Program	93.778		191,874
Department of Behavioral Health and Developmental Services:			
National Bioterrorism Hospital Preparedness Program	93.889		875
Block Grants for Community Mental Health Services (44506-50138)	93.958		72,527
Block Grants for Prevention and Treatment of Substance Abuse (44501-50148 & 50178; 720C-04220-09M06)	93.959		388,749
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
Direct Payments:			
AmeriCorps	94.006		10,076
DEPARTMENT OF HOMELAND SECURITY:			
Direct Payments:			
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083		337,993
Pass-through Payments:			
United Way:			
Emergency Food and Shelter National Board Program	97.024		7,065
ARRA - Emergency Food and Shelter National Board Program	97.114		11,361
Department of Emergency Management:			
Hazard Mitigation Grant (HMGP VA 1544-085-004)	97.039		65,283
			$18,480,933

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule or SEFA) includes all federal grant activity of the County of Hanover, Virginia (the County), and its component units. The County's reporting entity is defined in Note 1 of the County's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies or not-for-profit organizations, is included on the Schedule.

2. BASIS OF ACCOUNTING

The Schedule is presented using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds, as described in Note I. C. to the County's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. This fiscal year, the County participated in the following federal programs in which non-cash benefits were provided through the state to eligible participants:

National School Lunch Program – Cafeteria (Commodities) (CFDA Number 10.555) – The value of food commodities was calculated using the U.S. Department of Agriculture's Food and Nutrition Service commodity price lists.

Supplemental Nutrition Assistance Program (CFDA Number 10.551) – The Virginia Department of Social Services uses an Electronic Benefits Transfer (EBT) process for Supplemental Nutrition Assistance benefit distribution. Due to the State administration of the EBT process, those benefits are not included in the Schedule.

3. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

The American Recovery and Reinvestment Act of 2009 (ARRA, or Act) was signed into law on February 17, 2009. As of June 30, 2010, the County has been both a direct recipient and a sub-recipient of ARRA funds, and has separately identified the expenditure of these Federal awards on the accompanying Schedule of Expenditure of Federal Awards by inclusion of the prefix "ARRA" in the grant program name.

Pursuant to the Act, the County is required to report all direct ARRA awards received and expended on a cumulative basis, to www.FederalReporting.gov, by the 10th day after each calendar quarter. Citizens may access the ARRA reports at www.Recovery.gov.

4. RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

GASB 33 provides that grant revenue should be recognized when all applicable eligibility requirements are met, and, under modified accrual accounting, when the resources are available. Therefore, the proceeds of grants which do not specify time requirements, and for which all other eligibility requirements have been met, are recognized as revenues in the current fiscal year. Expenditures, however, are recognized in the fiscal year spent for the required purpose. In addition, direct Federal interest rate subsidies related to the County's Build America Bonds totaling $127,148 are included in revenues from the Federal government in the General Fund, but are not subject to the Single Audit Act or reportable on the SEFA. The following schedule reconciles revenue from the Federal government per the basic financial statements to Federal expenditures per the Schedule.

Revenue from the Federal government - financial statements	$	18,607,678
Less: Direct Federal interest rate subsidies		(127,148)
Add (subtract) Federal awards revenue recognized:		
In prior fiscal years, spent this fiscal year		100,370
In current fiscal years, but not spent		(99,967)
Expenditures of Federal awards	$	18,480,933

5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree with amounts reported in the related federal financial reports, except that certain federal financial reports are prepared on the cash basis of accounting and the Schedule is prepared on the basis of accounting described in the preceding note 2.

COUNTY OF HANOVER, VIRGINIA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

A. Summary of Auditors' Results

1. The type of report issued on the basic financial statements: **UNQUALIFIED OPINION**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **NONE REPORTED**
3. Material weaknesses in internal control disclosed by the audit of the financial statements: **NO**
4. Noncompliance, which is material to the financial statements: **NO**
5. Significant deficiencies in internal control over major programs: **NONE REPORTED**
6. Material weaknesses in internal control over major programs: **NO**
7. The type of report issued on compliance for major programs: **UNQUALIFIED OPINION**
8. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **NO**
9. The programs tested as major programs were:

Name of Federal Program or Cluster	CFDA Numbers
State Administrative Matching Grants for the Supplemental Nutrition Program	10.561
ARRA - Special Education Grants to States Recovery Act	84.391
Head Start Cluster	93.600 and 93.708
CCDF Cluster	93.575, 93.596, and 93.713
Total State Fiscal Stabilization Fund Cluster	84.394 and 84.397
Improving Teacher Quality State Grants	84.367
Foster Care Title IV-E and ARRA - Foster Care Title IV-E	93.658
Medical Assistance Program	93.778

10. Dollar threshold to distinguish between Types A and B Programs: **$554,428**
11. The County of Hanover was determined to be a low risk auditee.

B. Findings - Financial Statement Audit

NONE

C. Findings and Questioned Costs - Major Federal Awards

NONE

D. Resolution of Prior Year's Findings

There were no findings reported in the prior year.

HANOVER COUNTY FINANCE DEPARTMENT

Kathleen T. Seay, CPA, CISA
Director of Finance and Management Services

FINANCIAL REPORTING

Craig D. Eastman, CPA, Accounting Division Director
Barbara J. Horlacher, CPA, Accountant
Nancy M. Mancuso, Account Clerk
Donna B. Neely, Technician

BUDGET

Shelly H. Wright, Budget Division Director
Les E. Beasley, Analyst
Amanda L. Lickey, Analyst

FINANCIAL OPERATIONS

Howard W. Eckstein, Accountant
Pamela J. Hawkins, Technician
Connie L. Mills, Account Clerk
Christina M. Burton, Administrative Assistant

Hanover: People, Tradition and Spirit

HANOVER COUNTY

OUR VISION STATEMENT

Hanover- where a family of communities, inspired by its people, traditions, spirit and history, is the foundation for its future

OUR MISSION STATEMENT

The mission of Hanover government is to provide a superior quality of life that is defined, encouraged and supported by the community itself,

- Where government focuses efficiently and effectively on the general well-being, education and safety of the people, and
- Where service delivery is based on sound financial management practices, and
- Where growth is managed in creative and innovative ways

OUR VALUE STATEMENTS

- Commitment to Hanover Vision and Mission
- Open and Responsive Leadership that Promotes Trust
- Effective and Compassionate Government Focused on Citizen Needs
- Accountability for Results, Actions and Outcomes
- Mutual Respect that Fosters Civility
- Encouragement of Pride, Dedication and Integrity
- Foster an Environment that Encourages Citizen Participation in their Government and Community

Hanover: People, Tradition and Spirit