



*County of
Hanover, Virginia*

COUNTY OF HANOVER, VIRGINIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2011



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 fms@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 Department of Finance and Management Services home page).



COUNTY OF HANOVER, VIRGINIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

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INTRODUCTORY SECTION

BOARD OF SUPERVISORS

DEBORAH B. WINANS, CHAIRMAN
MECHANICSVILLE DISTRICT

AUBREY M. STANLEY, VICE-CHAIRMAN
BEAVERDAM DISTRICT

JOHN E. GORDON, JR.
SOUTH ANNA DISTRICT

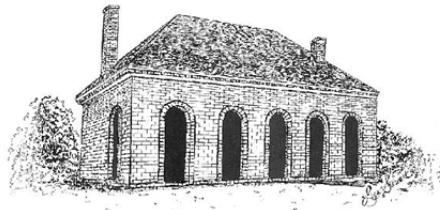
CHARLES D. MCGEE
HENRY DISTRICT

ROBERT R. SETLIFF
CHICKAHOMINY DISTRICT

G.E. "ED" VIA, III,
ASHLAND 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 16, 2011

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

Honorable Members of the Board of Supervisors and Residents 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, 2011. 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, 2011, 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, 2011 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.

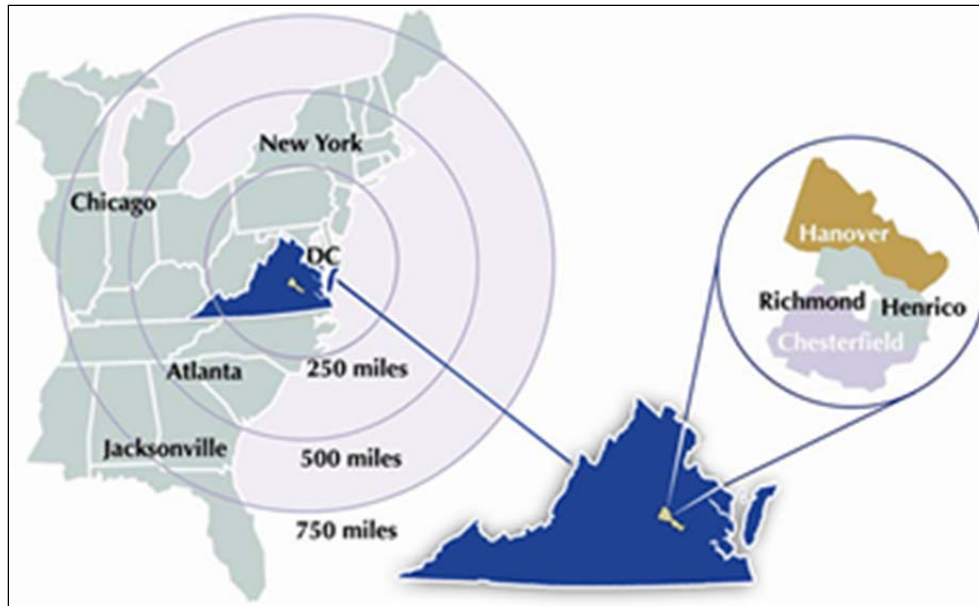
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's 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 and supervised living services. Hanover is served by the Regional Health District of Hanover, Goochland, New Kent, and Charles City. Also included within human services expenditures is tax relief provided under the Tax Relief for the Elderly and Disabled Program and expenditures for services 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 20,381 water and 18,604 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). In accordance with GASB pronouncements, these agencies have been classified as discretely presented component units in the accompanying financial statements because 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 school 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 on behalf of qualifying enterprises wishing to utilize that form of financing, as well as to finance County facilities. Those bonds do not constitute a debt or pledge of the faith and credit of the County or the EDA, but represent limited obligations of the EDA payable solely from the revenue and receipts derived from the projects funded with the proceeds.

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.

The County's adopted budget policy also requires Board of Supervisors approval of any budget transfer between departments 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 governmental 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

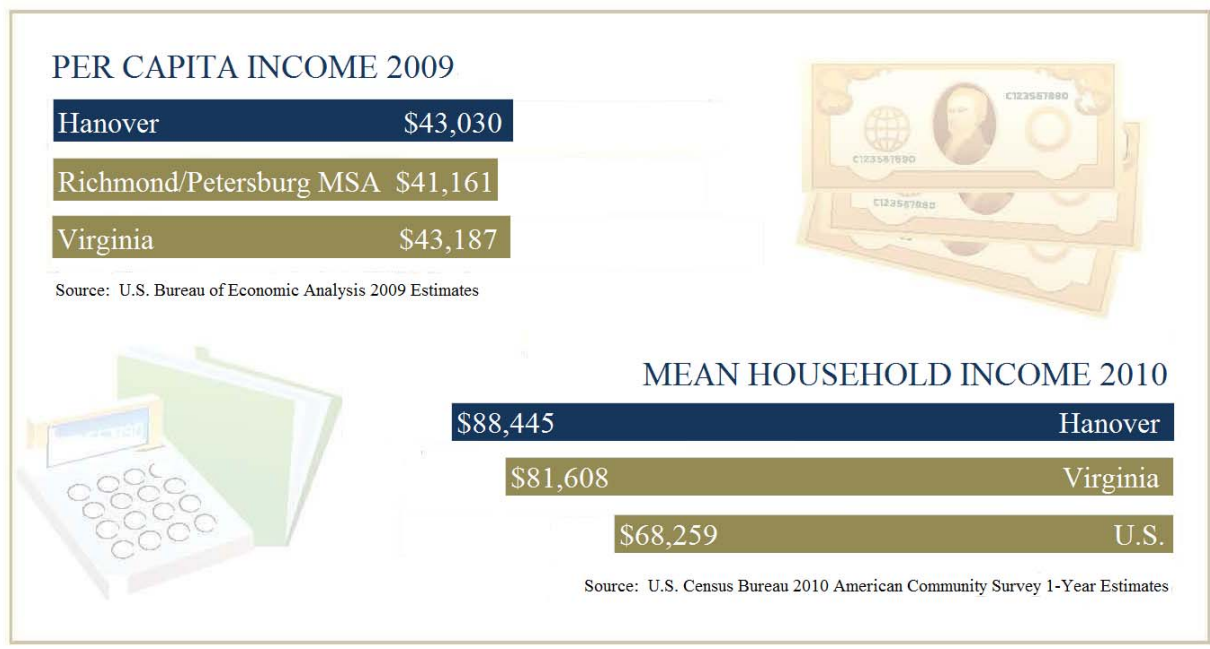
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

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 2011, 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 County's experience during the last three fiscal years of the recession, recent economic indicators and favorable demographics, Hanover County has consistently experienced, and expects to continue to experience a buffered impact, due to the financial strength and diversification of the County's economy, its low reliance on federal jobs or procurement, and the County's close proximity to the Richmond MSA's economic base.

For example, as the following chart illustrates, based on the most recent estimates available, Hanover enjoys a high per capita income and a mean (average) household income higher than the national and state averages. Comparatively, Hanover's per capita income of \$43,030 is 10.8% above the United States' per capita income of \$38,846 and only 0.4% below the Commonwealth's, while its mean household income (shown below) is 8.3% above the Commonwealth's and 30% above the national average. In addition, the U.S. Census Bureau's estimate of Hanover's median (mid-point) household income of \$71,891 in 2010 is 18.5% higher than the Commonwealth's of \$60,674 and 54.0% higher than the United States' of \$46,677. Per the U.S. Office of Personnel Management, Hanover also has a low reliance on federal jobs, with only 177 federal employees resident within the County.

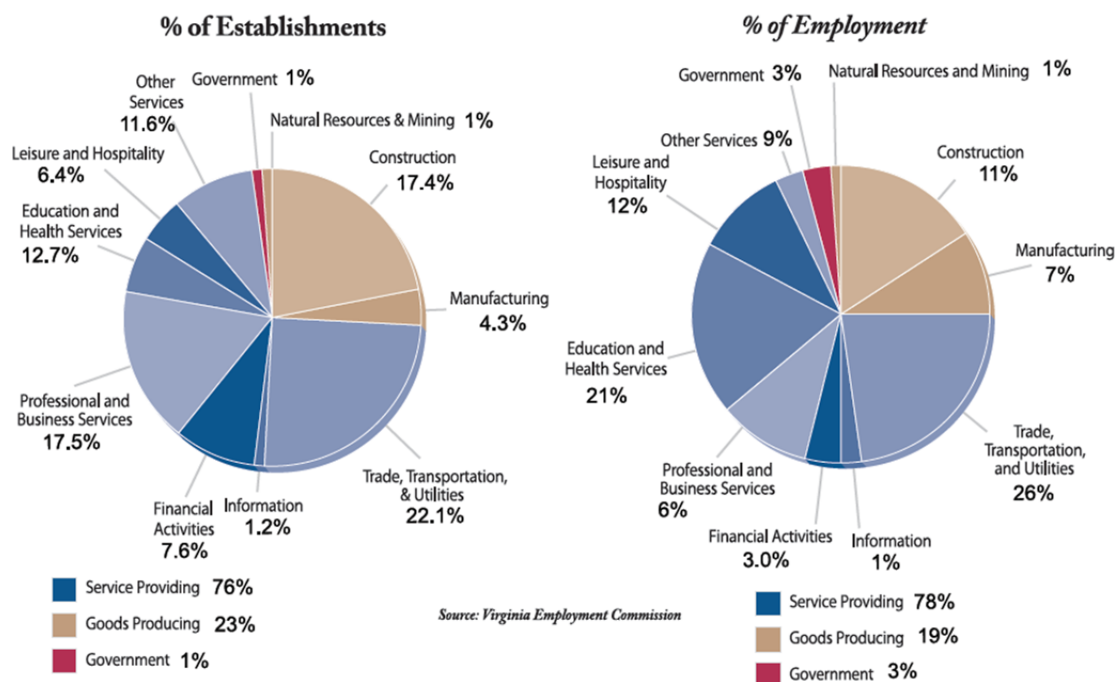


The County also continues to attract and maintain diverse sectors of employment. Historically, the County's major employment sectors have been in services, retail and wholesale trade, and construction. The County has benefited from the stability each of these sectors has maintained in terms of each sector's 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 2011.

	Hanover County	Virginia	United States
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	2.5%	3.0%	4.6%
2008	3.5%	4.0%	5.8%
2009	6.6%	6.8%	9.3%
2010	6.5%	6.9%	9.6%

Source: Virginia Employment Commission,
Local Area Unemployment Statistics.

Percentage of Business Establishments by Industry Sector - Fourth Quarter Ave. 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 45.2% and per capita taxable sales increased 29.0% between 2001 and 2010, with the recession's impact factored in.

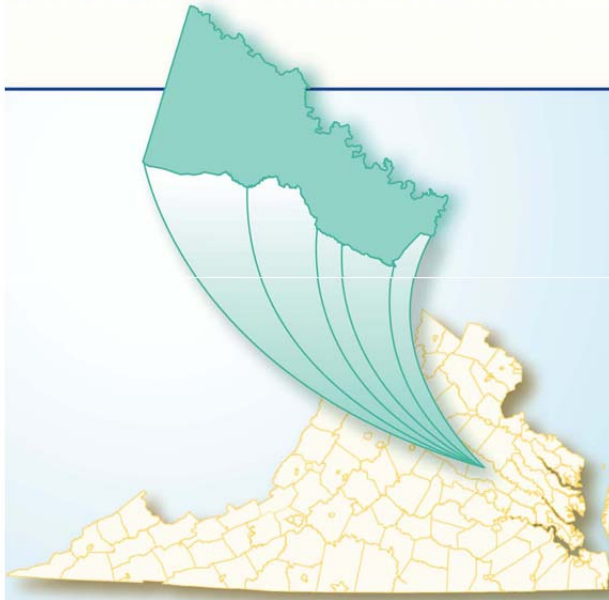
Hanover County Taxable Sales (\$000)			% Increase	Per Capita Taxable Sales
2001	\$	1,005,513	1.5%	\$ 11,262
2002		1,022,980	1.7%	11,178
2003		1,131,363	10.6%	12,081
2004		1,247,286	10.2%	13,066
2005		1,316,798	5.6%	13,643
2006		1,524,937	15.8%	15,541
2007		1,677,157	10.0%	16,933
2008		1,605,944	-4.2%	16,106
2009		1,438,741	-10.4%	14,380
2010		1,459,792	1.5%	14,539
<i>Source: Commonwealth of Virginia, Department of Taxation</i>				

Although the impact of the recession is clearly seen in the above numbers for calendar years 2008 and 2009, the County's 2010 taxable sales showed a 1.5% increase, and on a fiscal year basis, 2010 and 2011 sales tax revenues increased 5.7% and 5.8%, respectively. As discussed under *Economic Factors and Next Year's Budgets and Rates* in the accompanying *Management's Discussion and Analysis*, as of August 2011, sales tax receipts have exceeded the same-month receipts in the prior year in 14 of the most recent 18 months, and management currently expects a 3.0% increase in fiscal year 2012's sales tax revenue.

To foster employment growth and good jobs for its citizens, Hanover County continues to place a strong focus on economic development opportunities as it has for many years. As part of that effort, in fiscal year 2011, the County conducted a local business outreach program, Business First Hanover, aimed at supporting local companies and ensuring that they are provided every opportunity to grow right here in Hanover County. As part of the local business outreach effort, the Business First team conducted face-to-face interviews with business owners and CEO's representing 54 Hanover companies with 1,138 jobs in the County in a variety of sectors including manufacturing, wholesale trade, and transportation and warehousing. The average firm interviewed had 21 employees, but employment ranged from 1 to 196 with 87 percent of companies having fewer than 50 employees. More than half of interviewed Hanover businesses consider themselves to be emerging or growing. Despite lingering concerns about the future health of the national economy, many of the Hanover businesses indicated that they were ready to hire additional staff. In fact, 30 percent of the firms anticipated adding new jobs in the coming year, creating approximately 90 new positions, more than half of which are anticipated to be in the manufacturing sector. The data revealed no individual sector of employment vulnerable to significant job losses. In addition, more than 30 percent of interviewed firms indicated that overall investment in their facility had increased over the past 18 months and nearly 50 percent reported increased investment in equipment. And of the 13 participating businesses with plans for expansion, 31 percent indicated they will require additional square footage. Hanover County is pleased that its Business First Hanover outreach has generated positive feedback and helped foster productive relationships with many local business owners.

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. 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	39
4th Qtr. 2009	26
1st Qtr. 2010	42
2nd Qtr. 2010	34
3rd Qtr. 2010	49
4th Qtr. 2010	30
1st Qtr. 2011	38

Note: The following criteria was used to define new startup firms:

- 1.) Setup and liability date both occurred during 1st Quarter (January, February, March) 2011
- 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) 2011.

Most recently, Barricade Building Products, a division of Specialty Coating & Laminating, LLC (SC&L) of Doswell, Virginia, announced it had completed the acquisition of Berry Plastics' housewrap division on November 1, 2011. The company expects to add 15-20 new jobs by March 2012, and anticipates that the building products division will expand significantly in the future with the addition of new products for their customers.

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 fiscal 2010 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. These ratings were reaffirmed by all three ratings agencies in fiscal year 2011 in connection with the County's final issuance of bonds under the 2005 voter-approved referendum.

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 2011 real property tax base remained only 2.2% lower than the prior year's level, and initial assessment data currently forecast a comparatively modest 5.4% overall decline in the 2012 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 in other parts of the State, and most prominently in Northern Virginia. As a result of the County's continual focus on timely revenue forecasting, conservative budgeting practices and proactive management of expenditures, the decline did not have any impact on the general fund's unassigned fund balance at the end of fiscal year 2011, is not expected to have any significant impact on the general fund's unassigned fund balance or service levels in fiscal year 2012, and will be factored into the County's fiscal year 2013 budget.

Despite now being three years into the downturn in the nation's 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 2011 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 was completed in fiscal 2011, finishing all seven major station projects.
- The County is well insulated from any potential downturn in federal spending, having only 171 federal employees resident within the County, no planned closures of County post offices, and with a low reliance by County businesses on federal procurement.

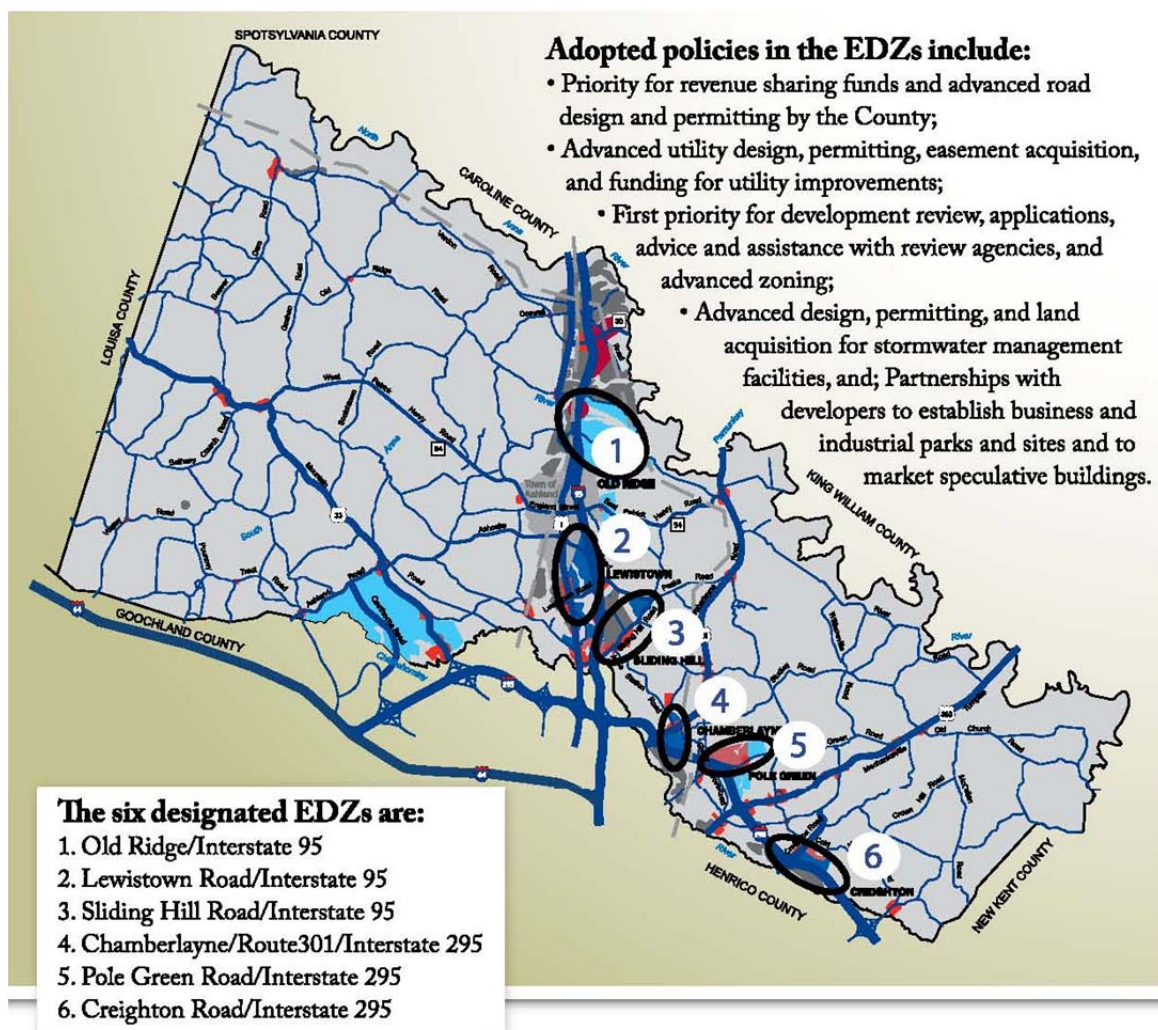
Economic development update:

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.



In addition to the initiatives just described, the County's Dominion Resources GreenTech Incubator, established in fiscal year 2010 to foster the development of new "clean and green" industries in Hanover County, announced in August 2011 that its first incubator tenant, Eastlight Renewable Ventures, had successfully established solar energy contracts with major corporations, an important step in its transformation from a start-up venture to a successful solar energy company. In addition, in September 2011 the Incubator saw its first tenant, Marz Industries, obtain funding to perform "fleet validation" testing of its new hydrogen fuel cell technology with select Virginia trucking companies. The County is pleased the Incubator's efforts throughout fiscal year 2011 have helped to foster these opportunities, and is committed to continue to work with local businesses to promote economic growth and job opportunities for the benefit of all County residents.

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. The headquarters of Owens & Minor, a Fortune 500 company, is located at the Atlee Station Office Park and employs approximately 500 people. In addition to owning 50 acres surrounding its corporate offices for future expansion, in July 2011 Owens and Minor expanded operations at its distribution facility in the Enterchange @ Northlake Business Park by taking an additional 37,851 square feet in that facility. Also in September 2011, Country Inn and Suites opened its newest hotel at Winding Brook in the Lewistown Commerce Center, continuing Winding Brook's development which began with the opening of Bass Pro Shops' 158,000 square foot retail store there in September 2008. The Atlee/Elmont interchange area contains over 350 acres planned for retail, hotel, commercial, and industrial development. The County's Bell Creek Business Park and Rutland, a mixed use community, also continue to expand. Commercial and industrial development has accounted for 33 percent of the total value of building permits issued in Hanover between 2003 and 2011.

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 2012 capital budget for County, School and Public Utility projects is \$22.0 million, including \$11.9 million of school projects to be funded by Virginia Public School Authority debt. 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 2012 Five-Year CIP includes 33% 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, \$81.6 million was issued through June 30, 2010 and \$12.5 million was issued in January, 2011. Due to use of bond premiums, the County does not plan to issue the remaining \$1.0 million.
- **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:

In August 2010 the County's new Emergency Communications Center was completed and began full operations, and all remaining school and park projects funded by the 2005 referendum were completed. In April 2011 the Board of Supervisors voted to eliminate the County decals, in favor of free landfill stickers for newly registered vehicles, and on May 11, 2011 the Board of Supervisors adopted the 2011 Redistricting Plan. Also in fiscal 2011 the Board established an initiative to develop the model for an overall County Strategic Plan, and began work on new vision and mission statements, definition of mission focus areas, and development of a process by which individual area strategic plans will be developed, monitored and updated. A key milestone in this process was met with the adoption in July, 2011 of new vision, mission and value statements for the County, which can be seen on the last page of this report.

A world-class education system is one of the County's top priorities, and the following list highlights a few of Hanover Schools' achievements of which all citizens of Hanover are most proud:

Academic Excellence

- Preliminary reports from the Virginia Department of Education indicate that 100% of Hanover schools earned full accreditation based on the 2011 Virginia Standards of Learning assessments. Hanover has achieved this for the past ten consecutive years.
- The average elementary student-to-classroom teacher ratio is 21.5:1.
- The rigorous International Baccalaureate (IB) Diploma Program is in place in all four high schools.
- Hanover high schools are among only two percent of American high schools which offer AP (Advanced Placement), IB (International Baccalaureate) and dual enrollment options to their students.
- Junior Reserve Officer Training Corps (JROTC) programs are in place in our high schools.
- 99.6% of Core Academic classes are taught by teachers meeting the federal definition of Highly Qualified.
- A total of 73 Hanover teachers have earned National Board Certification since the inception of the program.
- A Graduate Warranty Program assures that students are prepared for post-secondary education or entry-level employment.

Awards/Accomplishments

- Hanover County Public Schools is accredited by the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS CASI) and AdvancED.
- Hanover County was named one of the Top 100 Communities in America for Music Education.

- Forbes Magazine ranked HCPS among the top 50 school districts in the nation comparing student achievement vs. cost per pupil.
- Hanover received the SchoolMatch “What Parents Want” designation for six consecutive years. This recognition is reserved for those school districts in the nation that demonstrate high levels of student achievement and maintain emphasis on small class size.
- Hanover was the first Virginia school district to receive the U.S. Senate Productivity and Quality Award for Continuing Excellence.
- Hanover ranks first among Virginia’s 132 school systems for the percentage of its budget invested toward classroom instruction.

Awards and Acknowledgements

Hanover County continued to be recognized for excellent management during fiscal year 2011. 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, 2010. 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 2012. 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.

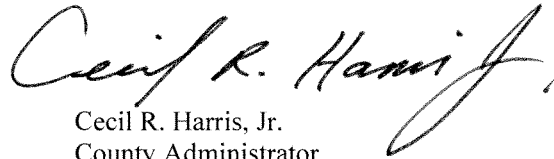
Also in 2011, the Department of Public Works received a Virginia Association of Counties’ (VACo) Achievement Award for its organic waste diversion program. The program was the statewide winner in the Environmental category. VACo also named Hanover County as one of the 10 recipients of the 2010 Go Green Award. The Go Green Initiative is a partnership between the VACo and the Virginia Municipal League recognizing local governments that have implemented practical actions that improve energy efficiency and reduce carbon emissions.

Also in 2011, the Sheriff’s Office also received a National Association of Counties’ (NACo) Achievement Award for its newly-formed Motorists Assistance Program.

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 2011 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 and Management Services. 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,

A handwritten signature in black ink, reading "Cecil R. Harris, Jr." in a cursive script.

Cecil R. Harris, Jr.
County Administrator

A handwritten signature in black ink, reading "Kathleen T. Seay" in a cursive script.

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, 2010

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.



Linda C. Sandison

President

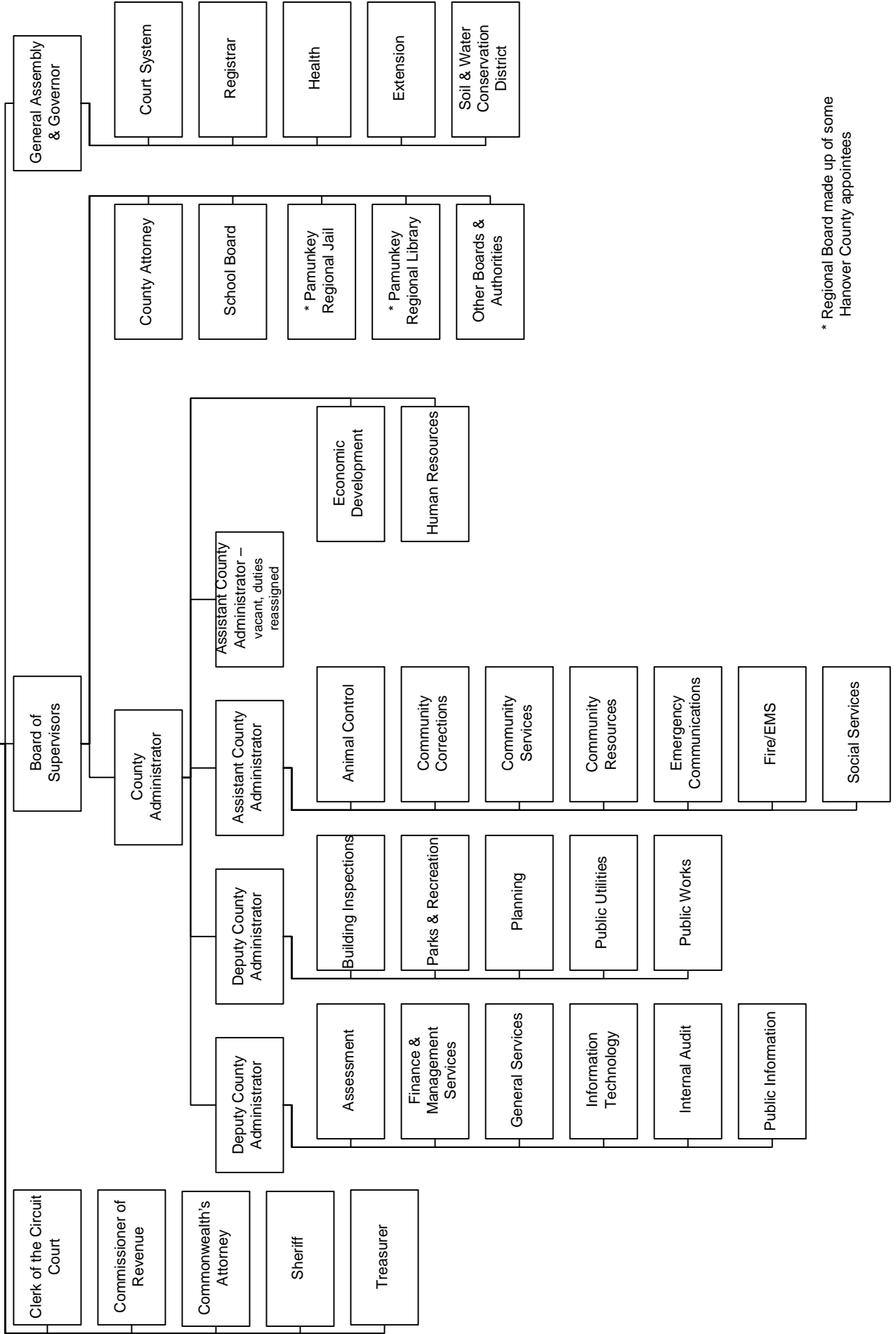
Jeffrey R. Emer

Executive Director



Hanover County

Citizens of Hanover County



* Regional Board made up of some Hanover County appointees

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2011

Board of Supervisors

Deborah B. Winans, Chairman
Aubrey M. Stanley, Vice-Chairman
John E. Gordon, Jr.
Charles D. McGhee
Robert R. Setliff
G. E. Via, III
Elton J. Wade, Sr.

Mechanicsville District
Beaverdam District
South Anna District
Henry District
Chickahominy District
Ashland District
Cold Harbor District

Constitutional Officers

T. Scott Harris
M. Scott Miller
Trip Chalkley
Col. David Hines
Frank D. Hargrove, Jr.

Commissioner of Revenue
Treasurer
Commonwealth's Attorney
Sheriff
Clerk of the Circuit Court

County Administrative Officials

Cecil R. Harris, Jr.
Sterling E. Rives, III
Joseph P. Casey
Frank W. Harksen
James P. Taylor
Kathleen T. Seay

County Administrator
County Attorney
Deputy County Administrator
Deputy County Administrator
Assistant County Administrator
Director of Finance & Management Services

School Board

John F. Axselle, III, Chairman
Ann F. H. Gladstone, Vice Chairman
Sue Forbes Watson
Robert L. Wood
Earl J. Hunter, Jr.
Glenn T. Millican, Jr.
Robert L. Hundley, Jr.

Beaverdam District
South Anna District
Ashland District
Cold Harbor District
Henry District
Mechanicsville District
Chickahominy District

School Administrative Officials

Dr. Jamelle S. Wilson
Dr. Michael E. Thornton
Dr. Daryl H. Chesley
Charla S. Cordle
Dr. Wade A. Valentino
Terry S. Stone

Superintendent of Schools
Asst. Superintendent for Business and Operations
Asst. Superintendent of Instructional Leadership
Asst. Superintendent of Human Resources
Asst. Superintendent of Policy and Administration
Director of Financial Operations



FINANCIAL SECTION



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, 2011, 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, 2011, 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 16, 2011, 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.

Cheng Beckert + Holland, L.L.P.

Richmond, Virginia
November 16, 2011

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, 2011. 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 2011 by \$338.7 million (*net assets*). Of this amount, \$60.4 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 \$7.9 million, of which the governmental activities increased by \$5.8 million and business-type activities increased by \$2.1 million.
- As of the close of fiscal year 2011, the County's governmental funds reported combined ending fund balances of \$66.0 million, an increase of \$7.5 million from prior year. Of the \$66.0 million total, 89.7% (\$59.2 million) is available for spending at the County's discretion (sum of *committed*, *assigned* and *unassigned fund balances*), while *unspendable* and *restricted fund balances* were 10.3% or \$6.8 million of the total.
- The General Fund's unassigned fund balance increased \$0.1 million to \$24.6 million, and remained at 12.6% of total General Fund revenues. This exceeds the County's unassigned fund balance policy minimum of 10% of total General Fund revenues. In addition, the General Fund's assigned fund balance increased \$9.7 million to \$19.6 million. The \$9.7 million increase includes an additional \$6.5 million assigned to education, an additional \$1.6 million assigned to fund subsequent five-year financial plans, \$0.3 million assigned to capital projects, and \$1.3 million for other County services.
- The County's total debt decreased by \$702,000 (0.34%) during fiscal year 2011. Two new debt transactions included (1) the issuance by the County of \$17.8 million of general obligation and refunding bonds to finance the final \$12.3 million of public safety, parks and libraries and school capital projects approved by the County's November 2005 referendum and to refund \$5.5 million of prior general obligation debt at a net present value savings of \$120,375, and (2) the issuance of \$17.3 million of revenue and refunding bonds by the Economic Development Authority of Hanover County to provide \$2.3 million to finance the acquisition of a building to be used by the Community Services Board, the Social Services Department, and the Registrar's Office, to refund \$9.8 million of Utility revenue bonds and to refinance \$5.2 million of Literary Fund (School) loans, for a net present value savings of \$720,000. The bonds are limited obligations of the Authority payable from the payments to be made by the County pursuant to a \$17.9 million support agreement with the Authority, of which \$7.4 million is payable by the General Fund and \$10.6 million is payable by the Public Utilities Fund.

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

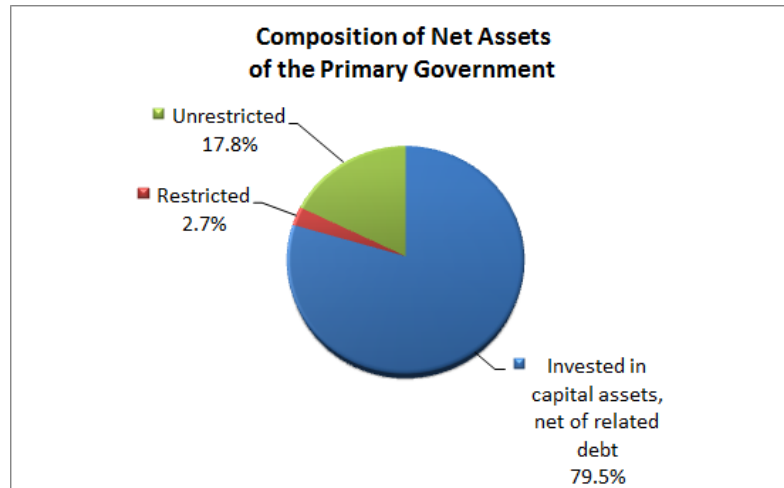
Table 1 summarizes the Statements of Net Assets for the primary government as of June 30, 2011 and 2010:

Table 1	County of Hanover, Virginia					
	Summary of Net Assets					
	(\$ in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 136.4	\$ 130.0	26.1	30.7	162.5	160.7
Capital assets	243.7	242.9	211.4	207.9	455.1	450.8
Total assets	380.1	372.9	237.5	238.6	617.6	611.5
Long-term liabilities outstanding	180.5	178.9	35.0	37.5	215.5	216.4
Other liabilities	61.5	61.7	1.9	2.6	63.4	64.3
Total liabilities	242.0	240.6	36.9	40.1	278.9	280.7
Net assets:						
Invested in capital assets, net of related debt	81.2	76.1	188.0	171.4	269.2	247.5
Restricted	5.6	6.6	3.5	3.5	9.1	10.1
Unrestricted	51.3	49.6	9.1	23.6	60.4	73.2
Total net assets	\$ 138.1	132.3	200.6	198.5	338.7	330.8

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 \$338.7 million at the close of fiscal year 2011, representing an increase of \$7.9 million from the net assets at June 30, 2010.

As the following graph shows, by far the largest portion of the County's net assets (\$269.2 million, 79.5% 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 (\$9.1 million, 2.7% 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 (\$60.4 million, 17.8% of total) may be used to meet the County's ongoing obligations to citizens and creditors.



Statement of Activities

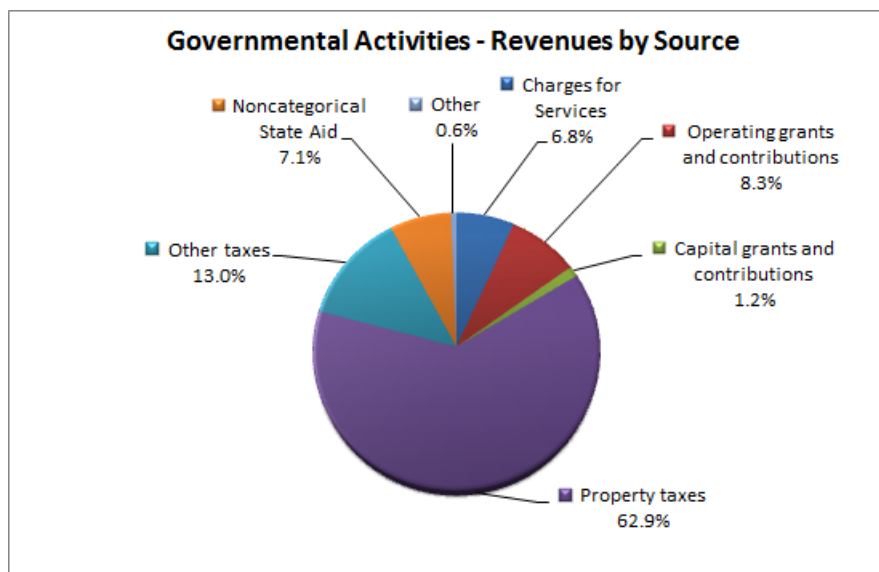
Table 2 summarizes the Statements of Activities of the primary government for the fiscal years ended June 30, 2011 and 2010:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 13.9	12.7	22.1	21.6	36.0	34.3
Operating grants and contributions	17.1	16.0	-	-	17.1	16.0
Capital grants and contributions	2.5	4.5	5.3	6.0	7.8	10.5
General revenues:						
Property taxes	129.6	133.9	-	-	129.6	133.9
Other taxes	26.8	26.1	-	-	26.8	26.1
Noncategorical State aid	14.7	14.9	-	-	14.7	14.9
Grants and contributions	1.2	1.0	-	-	1.2	1.0
Other	0.4	0.5	0.1	0.3	0.5	0.8
Total revenues	206.2	209.6	27.5	27.9	233.7	237.5
Expenses:						
General government	13.7	13.6	-	-	13.7	13.6
Judicial administration	4.4	4.4	-	-	4.4	4.4
Public safety	48.0	45.6	-	-	48.0	45.6
Public works	9.9	11.1	-	-	9.9	11.1
Human services	24.2	23.9	-	-	24.2	23.9
Parks, recreation and cultural	6.4	6.5	-	-	6.4	6.5
Community development	5.3	5.8	-	-	5.3	5.8
Education	86.8	86.3	-	-	86.8	86.3
Interest on long-term debt *	1.5	0.8	-	-	1.5	0.8
Public utilities	-	-	24.9	26.6	24.9	26.6
Airport	-	-	0.7	0.6	0.7	0.6
Total expenses	200.2	198.0	25.6	27.2	225.8	225.2
Increase in net assets before transfers	6.0	11.6	1.9	0.7	7.9	12.3
Transfers	(0.2)	(0.2)	0.2	0.2	-	-
Increase in net assets	5.8	11.4	2.1	0.9	7.9	12.3
Net assets - beginning of year	132.3	120.9	198.5	197.6	330.8	318.5
Net assets - end of year	\$ 138.1	132.3	200.6	198.5	338.7	330.8

* 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 \$5.8 million for fiscal year 2011. Generally, net asset changes are the result of the difference between revenues and expenses. Fiscal year 2011 revenues of \$206.2 million represent a decrease of \$3.4 million or 1.7% in comparison to the prior year, while expenses of \$200.2 million represent an increase of \$2.2 million or 1.1% compared to the prior year.

The following chart illustrates the County's fiscal year 2011 governmental revenues by source as a percentage of total governmental revenues:



Taxes are the largest source of County revenues, totaling \$156.4 million for fiscal year 2011, a decrease of \$3.6 million, or 2.2%, in comparison to fiscal year 2010, primarily due to general property taxes, which fell by \$4.4 million, or 3.3%, largely attributable to lower real property taxes resulting from lower assessed values. This decrease was partially offset by an increase in sales tax revenue of \$0.87 million, or 5.8%. General property taxes totaled \$129.6 million for fiscal year 2011, and represent 82.9% of total taxes and 62.9% of all revenues.

Also in fiscal year 2011, \$33.5 million, or 16.3% of total revenues, consisted of program revenues, including \$13.9 million in charges for services, \$17.1 million of operating grants and contributions, and \$2.5 million of capital grants and contributions. General revenues, including \$14.7 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 2011 were \$200.2 million, which represents an increase of \$2.2 million, or 1.1% higher than fiscal year 2010, primarily attributable to increased public safety expenses, including an increase of \$0.6 million in the County's contribution to the Pamunkey Regional Jail due to increased per diem rates, and an increase of \$0.6 million in depreciation expense due to the completion of the County's new Emergency Communications Center in August 2011, acquisition of emergency communication and dispatch system upgrades and completion of the Ashland and Farrington replacement fire stations in fiscal 2010, and acquisition of replacement fire engine and ambulance vehicles in fiscal years 2010 and 2011. As the following chart indicates, education continues to be the County's largest program and highest priority, with education expenses totaling \$86.8 million in fiscal year 2011. Public

safety is also a high County priority and the County's second largest expense, totaling \$48.0 million in fiscal year 2011.

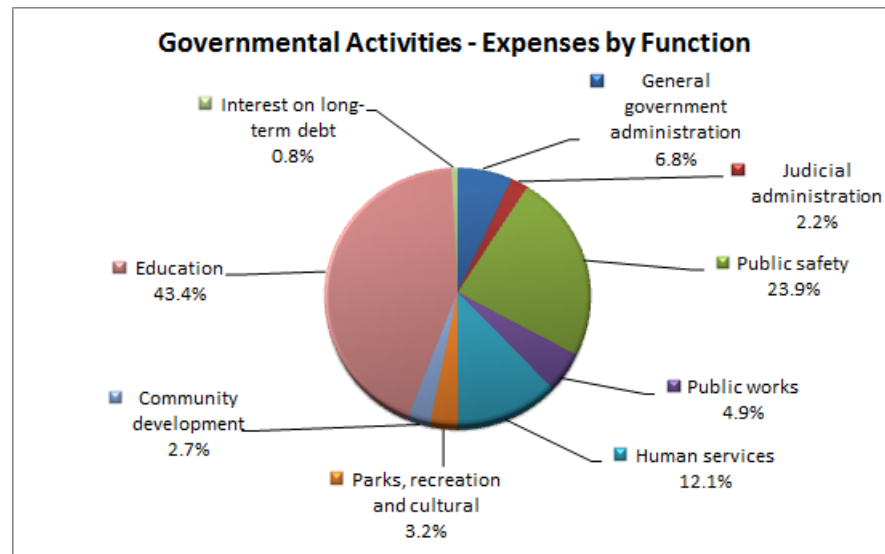


Table 3 presents the total cost of the County's governmental activities by function, as well as the net cost of each function (total cost less fees generated by each function and program-specific intergovernmental aid):

Table 3 Net Cost of Hanover County's Governmental Activities For the Fiscal Years Ended June 30 (\$ in millions)				
Functions/Programs	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General government	\$ 13.7	\$ 13.6	\$ 10.8	\$ 11.1
Judicial administration	4.4	4.4	1.8	1.6
Public safety	48.0	45.6	38.8	37.4
Public works	9.9	11.1	6.9	6.3
Human services	24.2	23.9	10.6	11.0
Parks, recreation and cultural	6.4	6.5	5.6	5.9
Community development	5.3	5.8	4.5	5.0
Education	86.8	86.3	86.2	85.7
Interest on long-term debt	1.5	0.8	1.5	0.8
Total	\$ 200.2	\$ 198.0	\$ 166.7	\$ 164.8

A portion of the \$200.2 million cost of the County's governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of \$13.9 million), and other governments and organizations that subsidized certain programs (i.e., operating and capital grants and contributions of \$19.6 million). These combined program revenues of \$33.5 million reduced the total fiscal year 2011 cost of services from \$200.2 million to the net cost of services of \$166.7 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 \$2.1 million for fiscal year 2011, consisting of a \$1.9 million increase attributable to Public Utilities water and wastewater treatment activities, and a \$0.2 million increase attributable to airport activities.

Public Utilities revenues totaled \$26.8 million, of which \$22.0 million, or 82.0%, was generated from charges for services and user fees, up from 77.3% last year, due primarily to lower capital contributions in 2011. Nonoperating capacity fee revenue increased to \$3.6 million from \$2.7 million last year, due to completion of existing projects and new construction. Public Utilities expenses totaled \$24.9 million, compared to \$26.6 million for fiscal year 2010, a decrease of \$1.7 million, or 6.4%. This decrease was primarily due to favorable water and sewer cost of service adjustments received in 2011.

Airport operating revenues totaled \$178,000 in fiscal year 2011, compared to \$171,000 last year, primarily due to increased rental revenue on existing airport facilities. The airport's nonoperating revenues totaled \$622,000 in fiscal year 2011, compared to \$27,000 in fiscal year 2010, primarily due to nonrecurring Federal Airport Improvement Program grant revenue received in 2011 for land acquisition and improvements. Airport nonoperating expenses were \$82,000 and 85,000 in fiscal year 2011 and 2010, respectively.

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 addition, the County's *fund balance classifications* are useful to identify the extent to which the County's fund balances are constrained and how binding those constraints are.

As of the end of fiscal year 2011, the County's governmental funds reported combined ending fund balances of \$66.0 million (Exhibit 3), as compared to \$58.5 million at June 30, 2010, an increase of \$7.5 million. Of the \$66.0 million fiscal year 2011 fund balance, \$144,000 is classified as *nonspendable* because it is invested in inventories and therefore is not in spendable form, \$6.6 million (10.0%) is classified as *restricted* to indicate that it can only be spent for specific purposes as stipulated by external resource providers (for example, through debt covenants, grant agreements, or by laws or regulations of other governments), \$2.5 million is classified as *committed* to indicate that it has been set aside for specific purposes by resolution of the County's Board of Supervisors, \$32.1 million is *assigned* to indicate that county administration has identified specific purposes for the use of those funds, and the remaining \$24.6 million is *unassigned*. Unassigned fund balances are technically available for any purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The General Fund is the primary operating fund of the County (Exhibits 3 through 6). The General Fund's fund balance increased \$9.8 million (25.9%) during fiscal year 2011, to \$47.3 million, of which \$2.5 million is restricted, \$19.6 million is assigned and \$24.6 million is unassigned. As one measure of the General Fund's liquidity, it is useful to compare the total of the County's committed, assigned and unassigned fund balances to total fund revenues. At the end of fiscal year 2011, the General Fund's committed, assigned and unassigned fund balances of \$46.6 million represents 23.9% of total General Fund revenues of \$195.0 million. In addition General Fund's unassigned fund balance totaled \$24.6 million, up from \$24.5 million at the end of fiscal year 2010, which represents 12.6% of total General Fund revenues in both years, and continues to exceed the 10% minimum set by the County's fund balance

policy. The \$9.8 million fiscal year 2011 increase in the General Fund's fund balance resulted from General Fund revenues of \$195.0 million less expenditures of \$175.7 million and other financing uses of \$9.5 million, and was primarily the result of across-the-board expenditure savings as shown on Exhibit 6 to the financial statements.

The fund balance in the County Improvements Fund (Exhibit 4) increased by \$3.6 million to \$15.1 million during fiscal year 2011 primarily as a result of bond proceeds authorized in the 2005 referendum and other financing sources received in advance of related County capital expenditures.

The fund balance in the School Improvements Fund (Exhibit 4) decreased by \$5.9 million to \$2.8 million during fiscal year 2011, primarily as a result of completion of school capital projects for which funding had been received in prior years.

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 \$2.5 million or 1.2% between the originally-adopted fiscal year 2011 budget appropriation for expenditures and transfers out and the final budget, with \$2.1 million of the increase resulting from reappropriation of fiscal year 2010 budget commitments for completion of ongoing projects in fiscal year 2011. Significant reappropriations included:

- \$328,000 for Data Center energy efficient modifications, of which \$312,000 was funded by the American Recovery and Reinvestment Act;
- \$99,000 for Information Technology contingencies;
- \$97,000 for replacement boilers for Judicial Administration buildings;
- \$241,000 for Facilities Management to fund anticipated increases in electrical rates and to fund upgrades to the County phone system;
- \$116,000 for Emergency Communications to continue regional interoperability studies funded by grant revenue;
- \$103,000 for GIS, primarily for data enhancement to the GIS website.

The remaining \$300,000 in budget amendments were funded by various revenue sources or unassigned fund balance. Significant amendments included:

- \$160,000 for firefighter salaries, funded by the Federal SAFER grant;
- \$102,000 for Emergency Communications expenditures related to the award of a Virginia Interoperability Grant to identify and resolve issues related to regional interoperability.

Capital Assets and Debt Administration

Capital assets: The County's investment in capital assets as of June 30, 2011, totals \$455.2 million, net of accumulated depreciation. This represents an increase of \$4.4 million, or 0.9% over fiscal year 2010. Capital assets, net of accumulated depreciation, are illustrated in the following table:

	(\$ in millions)			
	Governmental Activities	Business-type Activities	Totals at June 30	
			2011	2010
Land	\$ 8.8	10.9	19.7	19.1
Intangible assets	0.7	-	0.7	0.5
Buildings	168.8	59.9	228.7	236.2
Improvements other than buildings	6.4	134.8	141.2	129.8
Machinery and equipment	24.1	2.4	26.5	17.7
Infrastructure	15.0	-	15.0	16.0
Construction in progress	19.9	3.5	23.4	31.5
Total	<u>\$ 243.7</u>	<u>211.5</u>	<u>455.2</u>	<u>450.8</u>

Major capital asset activity during fiscal year 2011 included the following:

- The completion costs of the County's emergency communication and dispatch system upgrades totaling \$10.7 million, funded primarily through the 2005 bond referendum.
- The completion costs of several of the County's park improvement projects totaling \$3.6 million, funded primarily through the 2005 bond referendum.
- The costs of fire apparatus, ambulance and landfill equipment replacement, technology infrastructure, stormwater mitigation and facility renovations totaling \$1.5 million, funded through general revenues.
- The costs of completed and in-progress water and wastewater infrastructure projects reported in the Public Utilities Fund totaling \$11.7 million, funded by water and sewer user fees and capacity fees.
- Developers' contributions of water and wastewater lines totaled \$0.7 million, and developers' conveyance or purchase of drainage, stormwater and access easements totaled \$0.2 million.
- The costs of school facility improvements and equipment acquisition by the School Component Unit totaled \$13.9 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.

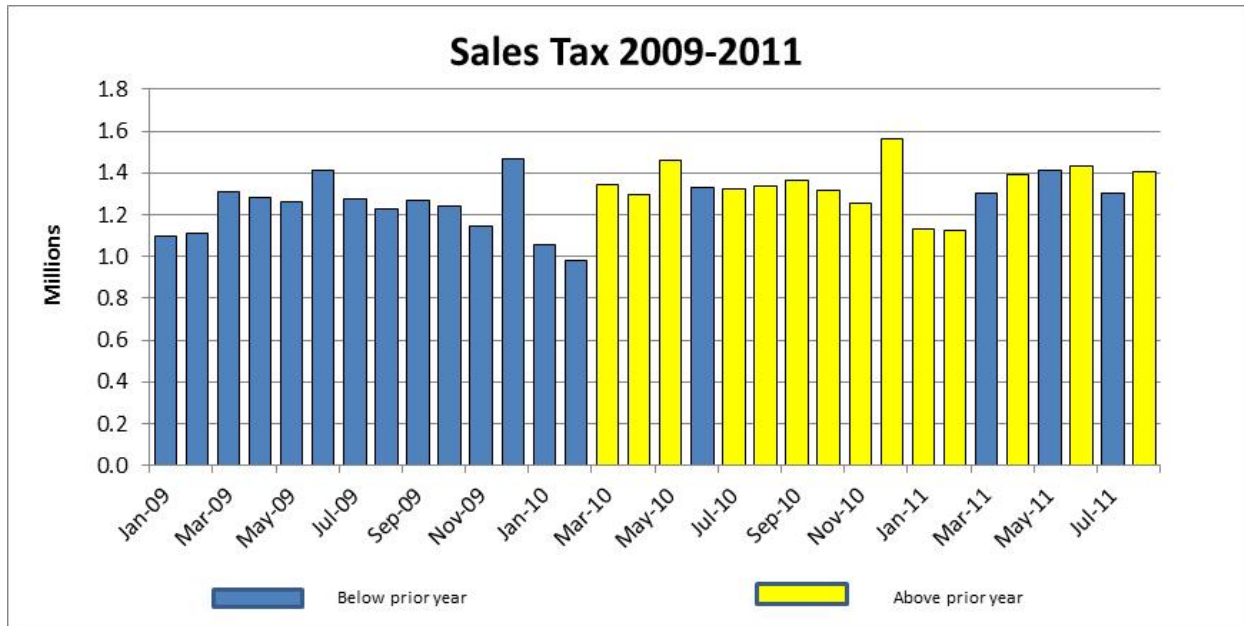
Long-term debt: In the Commonwealth of Virginia, there is no State statute that limits the amount of general obligation debt a County may issue. However, with limited exceptions as described under General Obligation Bonds in Note IV.E to the accompanying financial statements, general obligation bonded 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, 2011. The following table illustrates the County's outstanding debt at June 30, 2011:

	(\$ in millions)		
	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 162.5	-	162.5
Revenue bonds	-	21.9	21.9
Support agreement	7.3	10.6	17.9
Capital lease obligations	2.7	-	2.7
Total	\$ 172.5	32.5	205.0

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

Although with a more modest impact than most of the U.S., during fiscal year 2011 and into 2012, Hanover County has continued to experience, and continues to proactively respond to the effects of the national recession. Throughout fiscal year 2011, the County's unemployment rate continued to show modest but steady improvement over the prior year. In September 2011, the County's unemployment rate was 6.0%, which was 0.2% improved (lower) than the same month a year ago, and which continues to compare favorably to the State's average unemployment rate of 6.4% and the national average rate of 8.8%. Throughout fiscal year 2011, real estate assessment values continued a general decline nationwide. For the four quarters ended June 30, 2011, the Federal Housing Finance Agency's purchase-only house price index, calculated using home sales price information from Fannie Mae- and Freddie Mac-acquired mortgages fell 5.9% for the U.S. and 5.0% for Virginia. In addition, by a measure of total assessed value of real estate, Hanover has fared better in comparison to its regional triple AAA rated peers, experiencing a small increase in its total assessed value of all real estate of 0.9% in fiscal year 2010, compared to drops of 3.8% to 8.1% reported by neighboring triple AAA rated counties. Nevertheless, Hanover has shared in the decline in total real estate assessed valuations in fiscal 2011 and expects to again in 2012, but with comparatively modest declines of 2.2% and 5.4%, respectively. Sales tax revenues have offset a portion of this decline, with actual and expected increases of 5.8% and 3.0% in fiscal years 2011 and 2012, respectively. Indicative of the continuing positive trend in sales tax revenue, the following chart shows that sales tax receipts have exceeded the same-month receipts in the prior year in fourteen of the most recent eighteen months. Personal property tax revenues are also expected to offset a portion of the decline in real property tax revenues, with fiscal year 2012's personal property tax expected to increase by 0.8% over fiscal year 2011 actual revenues due to higher than anticipated new vehicle purchases and moderate vehicle depreciation. State and Federal revenues are budgeted to remain substantially the same in fiscal year 2012. With these factors in mind, net of the use of \$9.0 million of prior year fund balance, the County's adopted fiscal year 2012 General Fund budget was set at \$193.7 million, a decrease of \$0.6 million or 0.3% in comparison to the fiscal year 2011 figure of \$194.3 million. In addition, the County closely monitors and forecasts its revenues on a continual basis, and incorporates any significant changes in its current and subsequent year's budget plans in order to mitigate their impact and maintain the County's sound financial condition.



The County recognizes the value of properly illustrating year-end assignments of fund balance. Accordingly, at June 30, 2011, the County has assigned \$4.4 million of 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 assigning amounts as deemed necessary to meet future needs. Accordingly, the County has assigned an additional \$15.2 million to meet other specifically identified future needs, including \$7.5 million to fund future school budgets, \$0.6 million for public safety, \$5.4 million to fund a portion of the County's subsequent five-year financial plans, \$0.3 million to fund capital projects, and \$1.4 million to fund other specific purposes. In fiscal year 2010 and prior years, by formal resolution, the Board of Supervisors also committed another \$2.0 million for future school needs and \$0.5 million for economic development, which remains on hand at the end of fiscal year 2011 to fund those additional future needs. All commitments and assignments of fund balance are illustrated in footnote V.B to the accompanying financial statements.

All County general property tax rates remained unchanged for calendar year 2011. In fiscal year 2012, Public Utilities' user fee increases included a 3.0% rate increase for water, and a 2.0% 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

Statement of Net Assets

June 30, 2011

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School	Economic Development Authority
ASSETS					
Current Assets:					
Cash, cash equivalents and investments	\$ 71,083,491	18,045,419	89,128,910	15,112,454	288,869
Receivables (net of allowance for uncollectibles)	61,954,751	4,579,802	66,534,553	5,950,015	29,575
Inventories	147,333	-	147,333	112,171	-
Total current assets	133,185,575	22,625,221	155,810,796	21,174,640	318,444
Noncurrent Assets:					
Cash, cash equivalents and investments - restricted	2,805,512	3,454,766	6,260,278	-	-
Prepaid postemployment healthcare benefits	379,243	-	379,243	-	-
Capital assets (net of accumulated depreciation):					
Land	8,826,159	10,845,829	19,671,988	7,400,682	-
Intangible assets	701,904	-	701,904	-	-
Buildings	168,746,142	59,911,189	228,657,331	82,946,181	-
Improvements other than buildings	6,377,705	134,818,275	141,195,980	2,111,959	-
Machinery and equipment	24,139,571	2,424,726	26,564,297	8,335,482	-
Infrastructure	15,016,911	-	15,016,911	-	-
Construction in progress	19,918,677	3,433,539	23,352,216	5,863,927	-
Total capital assets	243,727,069	211,433,558	455,160,627	106,658,231	-
Total noncurrent assets	246,911,824	214,888,324	461,800,148	106,658,231	-
Total assets	380,097,399	237,513,545	617,610,944	127,832,871	318,444
LIABILITIES					
Current Liabilities:					
Accounts payable	5,107,353	1,360,846	6,468,199	1,495,829	-
Incurred but not reported self-insurance claims	2,030,000	-	2,030,000	-	-
Accrued liabilities	2,668,853	216,651	2,885,504	13,909,186	-
Accrued bond interest	412,663	351,638	764,301	2,391,473	-
Unearned revenue	51,318,168	-	51,318,168	86,245	-
Current portion of bonds payable	12,147,145	944,088	13,091,233	-	-
Current portion of capital lease obligations	451,337	-	451,337	-	-
Current portion of compensated absences	4,923,378	476,927	5,400,305	1,531,644	-
Current portion of landfill closure	73,363	-	73,363	-	-
Current portion of contractual obligations	-	161,016	161,016	-	-
Current portion of support agreement	620,000	1,335,000	1,955,000	-	-
Total current liabilities	79,752,260	4,846,166	84,598,426	19,414,377	-
Noncurrent Liabilities:					
Bonds payable	150,354,999	20,943,819	171,298,818	-	-
Capital lease obligations	2,261,087	-	2,261,087	-	-
Compensated absences	745,625	122,585	868,210	3,130,222	-
Deposits	-	391,100	391,100	-	-
Capacity fee credits	-	1,172,675	1,172,675	-	-
Liability for landfill closure	2,172,736	-	2,172,736	-	-
Long-term contractual obligations	-	165,043	165,043	-	-
Support agreement	6,694,184	9,227,075	15,921,259	-	-
Total noncurrent liabilities	162,228,631	32,022,297	194,250,928	3,130,222	-
Total liabilities	241,980,891	36,868,463	278,849,354	22,544,599	-
NET ASSETS					
Invested in capital assets, net of related debt	81,246,238	188,046,917	269,293,155	106,658,231	-
Restricted for:					
Grant programs	1,107,324	-	1,107,324	-	-
Capital projects	4,036,716	-	4,036,716	-	-
Debt covenants	70,810	3,454,766	3,525,576	-	-
Postemployment healthcare benefits	379,243	-	379,243	-	-
Unrestricted (deficit)	51,276,177	9,143,399	60,419,576	(1,369,959)	318,444
Total net assets	\$ 138,116,508	200,645,082	338,761,590	105,288,272	318,444

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

COUNTY OF HANOVER, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2011

Exhibit 2

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	School	Economic Development Authority		
					Governmental Activities	Business-type Activities					
Primary government:											
Governmental activities:											
General governmental administration	\$ 13,686,641	1,919,228	991,999	-	(10,775,414)	-	(10,775,414)	-	-	-	-
Judicial administration	4,447,352	1,295,959	1,391,675	-	(1,759,718)	-	(1,759,718)	-	-	-	-
Public safety	47,946,531	4,170,594	4,910,228	87,643	(38,778,066)	-	(38,778,066)	-	-	-	-
Public works	9,891,396	1,347,446	17,353	1,559,168	(6,967,429)	-	(6,967,429)	-	-	-	-
Human services	24,165,944	3,876,950	9,716,360	-	(10,572,634)	-	(10,572,634)	-	-	-	-
Parks, recreation and cultural	6,444,651	571,427	-	248,782	(5,624,442)	-	(5,624,442)	-	-	-	-
Community development	5,318,097	725,907	47,510	19,198	(4,525,482)	-	(4,525,482)	-	-	-	-
Education	86,779,122	-	-	607,149	(86,171,973)	-	(86,171,973)	-	-	-	-
Interest on long-term debt	1,536,631	-	-	-	(1,536,631)	-	(1,536,631)	-	-	-	-
Total governmental activities	200,216,365	13,907,511	17,075,125	2,521,940	(166,711,789)	-	(166,711,789)	-	-	-	-
Business-type activities:											
Public utilities	24,915,456	21,981,551	-	4,666,934	-	1,733,029	1,733,029	-	-	-	-
Airport	696,323	178,080	-	622,200	-	103,957	103,957	-	-	-	-
Total business-type activities	25,611,779	22,159,631	-	5,289,134	-	1,836,986	1,836,986	-	-	-	-
Total primary government	\$ 225,828,144	36,067,142	17,075,125	7,811,074	(166,711,789)	1,836,986	(164,874,803)	-	-	-	-
Component Units:											
School	\$ 173,960,531	7,482,584	88,872,959	-	-	-	-	(77,604,988)	-	-	-
Economic Development Authority	289,350	214,405	-	-	-	-	-	-	-	-	(74,945)
Total component units	\$ 174,249,881	7,696,989	88,872,959	-	-	-	-	(77,604,988)	-	-	(74,945)
General revenues:											
Taxes:											
General property taxes					129,565,022	-	129,565,022	-	-	-	-
Sales taxes					15,981,340	-	15,981,340	-	-	-	-
Utility taxes					6,939,774	-	6,939,774	-	-	-	-
Recordation taxes					1,556,422	-	1,556,422	-	-	-	-
Other					2,378,684	-	2,378,684	-	-	-	-
Noncategorical State aid					14,716,447	-	14,716,447	-	-	-	-
Grants and contributions not restricted to specific programs					1,165,499	-	1,165,499	-	-	-	-
Payment from Hanover County					356,297	153,045	509,342	80,986,805	-	-	-
Unrestricted investment earnings					(190,056)	190,056	-	14,370	-	-	-
Transfers					172,469,429	343,101	172,812,530	81,001,175	-	-	-
Total general revenues and transfers					5,757,640	2,180,087	7,937,727	3,396,187	-	-	-
Change in net assets					132,358,868	198,464,995	330,823,863	101,892,085	-	-	(74,945)
Net assets - beginning					\$ 138,116,508	200,645,082	338,761,590	105,288,272	-	-	393,389
Net assets - ending											318,444

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, 2011

		Capital Funds		Other	Total
		County	School	Governmental	Governmental
	General	Improvements	Improvements	Funds	Funds
ASSETS					
Cash, cash equivalents and investments	\$ 45,494,383	12,792,862	5,040,496	1,263,222	64,590,963
Receivables (net of allowances for uncollectibles)	61,165,169	46,223	-	674,293	61,885,685
Inventories	147,333	-	-	-	147,333
Cash, cash equivalents and investments - restricted	70,810	2,733,737	965	-	2,805,512
Total assets	<u>\$ 106,877,695</u>	<u>15,572,822</u>	<u>5,041,461</u>	<u>1,937,515</u>	<u>129,429,493</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	1,559,421	439,647	2,279,895	828,397	5,107,360
Accrued liabilities	2,317,593	-	-	336,617	2,654,210
Deferred revenue	55,702,221	-	-	-	55,702,221
Total liabilities	<u>59,579,235</u>	<u>439,647</u>	<u>2,279,895</u>	<u>1,165,014</u>	<u>63,463,791</u>
Fund Balances:					
Nonspendable	147,333	-	-	-	147,333
Restricted	532,845	6,048,439	-	55,489	6,636,773
Committed	2,500,000	-	-	-	2,500,000
Assigned	19,552,419	9,084,736	2,761,566	717,012	32,115,733
Unassigned	24,565,863	-	-	-	24,565,863
Total fund balances	<u>47,298,460</u>	<u>15,133,175</u>	<u>2,761,566</u>	<u>772,501</u>	<u>65,965,702</u>
Total liabilities and fund balances	<u>\$ 106,877,695</u>	<u>15,572,822</u>	<u>5,041,461</u>	<u>1,937,515</u>	

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.	\$ 243,727,069
Receivables on the statement of net assets that do not provide current financial resources are not reported in the funds.	5,842,198
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.	379,243
The Self-Insurance Fund is an Internal Service Fund used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Self-Insurance Fund are included in governmental activities in the statement of net assets.	3,058,813
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(180,856,517)
Net assets of governmental activities	<u>\$ 138,116,508</u>

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, 2011

	General	County Improvements	School Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Revenue from local sources:					
General property taxes	\$ 130,806,022	-	-	-	130,806,022
Other local taxes	26,856,220	-	-	-	26,856,220
Permits, privilege fees and regulatory licenses	1,771,735	-	-	-	1,771,735
Fines and forfeitures	1,234,619	-	-	-	1,234,619
Revenues from use of money and property	655,398	4,709	3,761	-	663,868
Charges for services	3,225,294	361,552	603,388	3,543,789	7,734,023
Miscellaneous	651,197	10,008	-	67,545	728,750
Recovered costs	3,474,847	266,047	-	198,983	3,939,877
Revenue from the Commonwealth	22,252,411	947,774	-	5,031,054	28,231,239
Revenue from the Federal government	4,039,426	234,065	-	476,870	4,750,361
Total revenues	194,967,169	1,824,155	607,149	9,318,241	206,716,714
EXPENDITURES					
Current:					
General governmental administration	12,538,269	726,608	-	-	13,264,877
Judicial administration	4,234,501	4,173	-	-	4,238,674
Public safety	44,662,823	7,608,514	-	-	52,271,337
Public works	7,162,008	1,886,280	-	-	9,048,288
Human services	8,118,380	2,082,661	-	15,916,902	26,117,943
Parks, recreation and cultural	6,008,905	1,558,678	-	-	7,567,583
Community development	5,295,128	179,779	-	-	5,474,907
Education	84,083,310	-	7,862,399	-	91,945,709
Debt service:					
Principal retirement	2,065,489	-	-	-	2,065,489
Interest and fiscal charges	1,518,217	286,485	39,959	-	1,844,661
Total expenditures	175,687,030	14,333,178	7,902,358	15,916,902	213,839,468
Excess (deficiency) of revenues over (under) expenditures	19,280,139	(12,509,023)	(7,295,209)	(6,598,661)	(7,122,754)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	2,129,800	400,000	6,666,515	9,196,315
Transfers out	(9,530,584)	-	-	-	(9,530,584)
Issuance of general obligation bonds	-	11,452,000	1,048,000	-	12,500,000
Premium on general obligation bonds issued	-	283,158	25,913	-	309,071
Issuance of general obligation refunding bonds	-	-	5,340,000	-	5,340,000
Premium on general obligation refunding bonds issued	-	-	320,579	-	320,579
Issuance of support agreement	-	2,264,580	5,062,456	-	7,327,036
Payments to refunded bonds escrow agents	-	-	(10,844,571)	-	(10,844,571)
Total other financing sources (uses)	(9,530,584)	16,129,538	1,352,377	6,666,515	14,617,846
Net change in fund balance	9,749,555	3,620,515	(5,942,832)	67,854	7,495,092
Fund balances - beginning	37,548,905	11,512,660	8,704,398	704,647	58,470,610
Fund balances - ending	\$ 47,298,460	15,133,175	2,761,566	772,501	65,965,702

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, 2011

Net change in fund balance - total governmental funds	\$ 7,495,092
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.	6,610,841
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.	291,765
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.	(6,183,664)
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).	(850,302)
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 (\$25,796,686), exceeded the sum of principal payments (\$2,315,137), payments to escrow agents to refund bonds (\$10,585,750), and payments of \$11,111,792 to the School Component Unit for debt principal reduction.	(1,784,007)
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.	(516,627)
Internal service funds are used by management to charge the costs of fleet management and self-insurance to individual funds. The change in internal service fund net assets, net of the reassignment of the Fleet Management Fund's net assets to the General Fund, is reported with governmental activities.	694,542
Change in net assets of governmental activities	<u>\$ 5,757,640</u>

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Revenue from local sources:				
General property taxes	\$ 130,517,875	130,517,875	130,806,022	288,147
Other local taxes	26,316,000	26,316,000	26,856,220	540,220
Permits, privilege fees and regulatory licenses	1,645,600	1,645,600	1,771,735	126,135
Fines and forfeitures	1,205,100	1,205,100	1,234,619	29,519
Revenues from use of money and property	1,509,000	1,509,000	655,398	(853,602)
Charges for services	3,606,953	3,606,953	3,225,294	(381,659)
Miscellaneous	752,152	663,940	651,197	(12,743)
Recovered costs	3,013,961	3,110,610	3,474,847	364,237
Revenue from the Commonwealth	22,099,809	22,413,777	22,252,411	(161,366)
Revenue from the Federal government	3,617,728	4,075,810	4,039,426	(36,384)
Total revenues	194,284,178	195,064,665	194,967,169	(97,496)
EXPENDITURES				
General governmental administration	13,017,243	13,845,626	12,538,269	1,307,357
Judicial administration	4,463,331	4,511,784	4,234,501	277,283
Public safety	45,084,087	46,064,588	44,662,823	1,401,765
Public works	7,308,220	8,015,933	7,162,008	853,925
Human services	8,378,620	8,417,537	8,118,380	299,157
Parks, recreation and cultural	6,118,472	6,350,691	6,008,905	341,786
Community development	5,808,088	6,059,114	5,295,128	763,986
Education	93,017,000	93,017,000	84,083,310	8,933,690
Debt service:				
Principal retirement	2,192,376	2,192,376	2,065,489	126,887
Interest and fiscal charges	3,153,943	2,344,989	1,518,217	826,772
Total debt service	5,346,319	4,537,365	3,583,706	953,659
Total expenditures	188,541,380	190,819,638	175,687,030	15,132,608
Excess of revenues over expenditures	5,742,798	4,245,027	19,280,139	15,035,112
OTHER FINANCING USES				
Transfers out	10,210,574	10,403,374	9,530,584	872,790
Total other financing uses	10,210,574	10,403,374	9,530,584	872,790
Net change in fund balance	(4,467,776)	(6,158,347)	9,749,555	15,907,902
Fund balances - beginning	4,467,776	37,548,905	37,548,905	-
Fund balances - ending	\$ -	31,390,558	47,298,460	15,907,902

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

COUNTY OF HANOVER, VIRGINIA
Proprietary Funds
Statement of Net Assets
June 30, 2011

Exhibit 7

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Public Utilities	Airport	Total	
ASSETS				
Current Assets:				
Cash, cash equivalents and investments	\$ 17,686,089	359,330	18,045,419	6,492,528
Receivables (net of allowances for uncollectibles)	4,003,026	576,776	4,579,802	69,066
Total current assets	21,689,115	936,106	22,625,221	6,561,594
Noncurrent Assets:				
Cash, cash equivalents and investments - restricted	3,454,766	-	3,454,766	-
Capital assets:				
Land	6,354,137	4,491,692	10,845,829	-
Buildings and system	83,164,409	3,669,137	86,833,546	-
Improvements other than buildings	203,853,386	8,090,789	211,944,175	-
Machinery and equipment	8,318,856	29,783	8,348,639	-
Construction in progress	3,348,056	85,483	3,433,539	-
Less accumulated depreciation	(105,946,251)	(4,025,919)	(109,972,170)	-
Total capital assets (net of accumulated depreciation)	199,092,593	12,340,965	211,433,558	-
Total noncurrent assets	202,547,359	12,340,965	214,888,324	-
Total assets	224,236,474	13,277,071	237,513,545	6,561,594
LIABILITIES				
Current Liabilities:				
Accounts payable	1,331,415	29,431	1,360,846	-
Incurred but not reported self-insurance claims	-	-	-	2,030,000
Accrued liabilities	212,926	3,725	216,651	14,643
Accrued bond interest	311,111	40,527	351,638	-
Unearned revenue	-	-	-	1,458,138
Current portion of bonds payable	880,365	63,723	944,088	-
Current portion of compensated absences	472,996	3,931	476,927	-
Current portion of contractual obligations	161,016	-	161,016	-
Current portion of support agreement	1,335,000	-	1,335,000	-
Total current liabilities	4,704,829	141,337	4,846,166	3,502,781
Noncurrent Liabilities:				
Bonds payable	19,412,002	1,531,817	20,943,819	-
Compensated absences	118,392	4,193	122,585	-
Deposits	391,100	-	391,100	-
Capacity fee credits	1,172,675	-	1,172,675	-
Long-term contractual obligations	165,043	-	165,043	-
Support agreement	9,227,075	-	9,227,075	-
Total noncurrent liabilities	30,486,287	1,536,010	32,022,297	-
Total liabilities	35,191,116	1,677,347	36,868,463	3,502,781
NET ASSETS				
Invested in capital assets, net of related debt	177,301,492	10,745,425	188,046,917	-
Restricted for debt covenants	3,454,766	-	3,454,766	-
Unrestricted	8,289,100	854,299	9,143,399	3,058,813
Total net assets	\$ 189,045,358	11,599,724	200,645,082	3,058,813

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 8

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Public Utilities	Airport	Total	
OPERATING REVENUES				
Revenue from use of money and property	\$ -	178,080	178,080	-
Charges for services	21,625,903	-	21,625,903	29,264,651
Capacity fees	146,951	-	146,951	-
Recovered cost	-	-	-	312,120
Miscellaneous	208,697	-	208,697	48,271
Total operating revenues	21,981,551	178,080	22,159,631	29,625,042
OPERATING EXPENSES				
Personal services	4,509,538	76,645	4,586,183	989,228
Fringe benefits	1,495,202	22,264	1,517,466	363,868
Health care claims and benefits	-	-	-	27,465,709
Contractual services	1,807,374	73,999	1,881,373	101,709
Internal services	1,453,412	-	1,453,412	-
Other charges	5,979,709	43,209	6,022,918	272,625
Depreciation	8,383,983	398,373	8,782,356	106,870
Total operating expenses	23,629,218	614,490	24,243,708	29,300,009
Operating income (loss)	(1,647,667)	(436,410)	(2,084,077)	325,033
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues:				
Revenue from the Commonwealth	-	81,598	81,598	-
Revenue from the Federal government	405,956	540,602	946,558	-
Capacity fees - nonoperating	3,596,197	-	3,596,197	-
Interest income	153,045	-	153,045	84,496
Gain on sale of capital assets	-	-	-	134,917
Total nonoperating revenues	4,155,198	622,200	4,777,398	219,413
Nonoperating expenses:				
Interest expense and fiscal charges:				
Senior debt	1,276,529	81,833	1,358,362	-
Subordinate debt and fiscal charges	9,709	-	9,709	-
Interest expense and fiscal charges	1,286,238	81,833	1,368,071	-
Net nonoperating revenues (expenses)	2,868,960	540,367	3,409,327	219,413
Income before capital contributions and transfers	1,221,293	103,957	1,325,250	544,446
Capital contributions	664,781	-	664,781	10,985
Special item - Fleet Management Fund reassigned to General Fund	-	-	-	(133,181)
Transfers in	-	190,056	190,056	144,213
Change in net assets	1,886,074	294,013	2,180,087	566,463
Total net assets - beginning	187,159,284	11,305,711	198,464,995	2,492,350
Total net assets - ending	\$ 189,045,358	11,599,724	200,645,082	3,058,813

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

COUNTY OF HANOVER, VIRGINIA
Exhibit 9

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Public Utilities	Airport	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 22,333,345	178,080	22,511,425	-
Receipts from interfund services provided	-	-	-	29,657,715
Payments to suppliers and service providers	(11,436,457)	(78,139)	(11,514,596)	(335,534)
Payments to employees	(4,487,221)	(114,050)	(4,601,271)	(1,547,821)
Claims and benefits paid	-	-	-	(27,674,387)
Net cash provided (used) by operating activities	6,409,667	(14,109)	6,395,558	99,973
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to General Fund - operating	-	-	-	(133,181)
Transfers from other funds - operating	-	130,056	130,056	144,213
Repayment of advance from General Fund	-	-	-	(100,748)
Net cash provided by noncapital financing activities	-	130,056	130,056	(89,716)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Revenue bonds issued	-	-	-	-
Transfers from other funds - capital	-	60,000	60,000	-
Intergovernmental revenue received - capital grants	405,956	58,307	464,263	-
Capacity fees received	3,311,513	-	3,311,513	-
Developer oversize credits	-	-	-	-
Acquisition and construction of capital assets	(10,988,473)	(570,036)	(11,558,509)	(149,313)
Payments on long-term contractual obligations	(161,017)	-	(161,017)	-
Principal payments on revenue bonds	(2,500,609)	(60,605)	(2,561,214)	-
Interest payments on revenue bonds	(986,327)	(83,372)	(1,069,699)	-
Proceeds from sale of capital assets	-	-	-	382,619
Net cash provided (used) by capital and related financing activities	(10,918,957)	(595,706)	(11,514,663)	233,306
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	153,045	-	153,045	84,496
Net cash provided by investing activities	153,045	-	153,045	84,496
Net increase (decrease) in cash and cash equivalents	(4,356,245)	(479,759)	(4,836,004)	328,059
Cash and cash equivalents at beginning of year	25,497,100	839,089	26,336,189	6,164,469
Cash and cash equivalents at end of year	\$ 21,140,855	359,330	21,500,185	6,492,528
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,647,667)	(436,410)	(2,084,077)	325,033
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	8,383,983	398,373	8,782,356	106,870
(Increase) decrease in:				
Receivables	324,809	-	324,809	(38,775)
Inventory	-	-	-	155,231
(Increase) decrease in deferred revenue	-	-	-	-
Increase (decrease) in:				
Customer deposits	26,985	-	26,985	-
Accounts payable	(700,757)	20,770	(679,987)	(117,268)
Incurred but not reported self-insurance claims	-	-	-	(148,000)
Accrued liabilities	(15,860)	(2)	(15,862)	(54,487)
Unearned revenue	-	-	-	12,382
Compensated absences	38,174	3,160	41,334	(141,013)
Total adjustments	8,057,334	422,301	8,479,635	(225,060)
Net cash provided (used) by operating activities	\$ 6,409,667	(14,109)	6,395,558	99,973
Noncash investing, capital, and financing activities:				
Capital contributions	\$ 664,781	-	664,781	10,985
Capitalized interest	\$ 69,310	-	69,310	-

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, 2011

	Retiree Medical Benefits Trust	Agency Funds
ASSETS		
Cash, cash equivalents and investments	\$ -	\$ 1,691,090
Receivables	2,998	304,172
Investments, at fair value (mutual funds):		
Money market	17,901	-
Domestic equity	1,474,006	-
International equity	486,772	-
Fixed income	1,099,391	-
Other	196,935	-
Total assets	<u>3,278,003</u>	<u>\$ 1,995,262</u>
LIABILITIES		
Accounts payable	-	\$ 959,792
Accrued liabilities	-	388,573
Deposits	-	646,897
Total liabilities	<u>-</u>	<u>\$ 1,995,262</u>
NET ASSETS		
Held in trust for other postemployment benefits	<u>\$ 3,278,003</u>	

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, 2011**

	Retiree Medical Benefits Trust
ADDITIONS	
Contributions	
Employer	\$ 577,420
Plan member	1,069,144
Total contributions	<u>1,646,564</u>
Investment earnings	560,009
Total additions	<u>2,206,573</u>
DEDUCTIONS	
Benefits	<u>1,646,564</u>
Net increase in plan net assets	560,009
Net assets held in trust for other postemployment benefits	
Beginning	2,717,994
Ending	<u>\$ 3,278,003</u>

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2011

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

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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

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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 obligations, which are reported by the primary government up to the amount of outstanding obligation.

The County also reports two nonmajor *special 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.

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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, 2011, 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 nonspendable fund balance 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, 2010, and the first installment (June 5) of the levy on assessed value at January 1, 2011.

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.

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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 2010 tax bills, payable in fiscal year 2011, included a sixty-four 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, 2011 of \$6,260,278, which consists of \$70,810, maintained in the General Fund as a debt service reserve, and unexpended bond proceeds and accumulated interest of \$2,734,702 restricted for capital projects in the School and County Improvements Funds. Business-type activities report restricted cash, cash equivalents and investments of \$3,454,766 maintained as reserves required by water and sewer revenue bond covenants.

5. Capital assets

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires that intangible assets acquired since July 1, 2009, including easements, 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 2011 totaling \$202,524. 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.

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<u>Assets</u>	<u>Years</u>
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 and other 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 balances*

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.

Effective in fiscal year 2011, the Governmental Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). Under GASB 54, fund balances are required to be reported according to the following classifications:

Nonspendable fund balance – Consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. This classification includes inventories, prepaid amounts, assets held for resale, and long-term receivables.

Restricted fund balance – Consists of amounts for which constraints are imposed on their use; either externally by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or by law through constitutional provisions or enabling legislation.

Committed fund balance – Consists of amounts that can only be used for specific purposes pursuant to constraints imposed by a formal policy, resolution or ordinance adopted by the Board of

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Supervisors, the County's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned fund balance – Consists of amounts which the County intends to use for specific purposes, but which are neither restricted nor committed as previously defined. The County's Fund Balance Policy adopted by the Board of Supervisors delegates the authority to assign fund balances for specific purposes to the County Administrator. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County. For all other governmental funds, any positive residual fund balances that are neither nonspendable, restricted or committed are considered to be assigned for the purposes of the respective funds. Therefore, with the exception of the General Fund, assigned fund balance is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Under GASB 54, positive unassigned fund balances are only reported in the General Fund. However, in governmental funds other than the General Fund, expenditures incurred for a specific purpose might exceed the amount restricted, committed, or assigned to that purpose, and a negative residual amount for that purpose may result (for example, if capital project fund expenditures are made prior to receipt of bond proceeds). If that occurs, any negative residual is offset to the extent of any other assigned amounts in that fund, and any remaining negative residual amount is classified as a negative unassigned fund balance in the applicable governmental fund.

Resources, whether restricted or unrestricted, are available for use only when appropriated by the Board of Supervisors in accordance with the adopted budget. In determining the classification of ending fund balances, when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available and have been appropriated for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. When amounts in any of the three unrestricted fund balance classifications are available and have been appropriated for use, expenditures are made from committed amounts first, followed by assigned amounts, and then by unassigned amounts.

The Board of Supervisors has adopted a minimum fund balance policy that states that the General Fund's unassigned fund balance shall be at least equal to ten percent of its total revenues.

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:

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Bonds payable, net	\$ 162,502,144
Accrued bond interest	412,663
Capital leases payable	2,712,424
Support agreement payable	7,314,184
Compensated absences (excludes internal services)	5,669,003
Liability for landfill closure	<u>2,246,099</u>
Net adjustment to reduce total fund balances - total governmental funds to arrive at net assets - governmental activities	 <u><u>\$ 180,856,517</u></u>

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	\$ 13,245,961
Depreciation expense (excludes internal services)	<u>(6,635,120)</u>
Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net assets of governmental activities	 <u><u>\$ 6,610,841</u></u>

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)	\$ (351,012)
Landfill closure and postclosure costs	213,658
Other postemployment benefit (OPEB) costs	(696,476)
Accrued interest	181,715
Amortization of bond premiums	589,169
Amortization of deferred amount on refunding	<u>(453,681)</u>
Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net assets of governmental activities	 <u><u>\$ (516,627)</u></u>

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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.

IV. Detailed notes on all funds

A. Deposits and investments

As of June 30, 2011, the reporting entity's pooled cash and investments, including \$1,691,090 held on behalf of agency funds, and amounts separately invested by the Retiree Medical Benefits Trust's Finance Board, were as follows:

Investment Type	Fair Value	Credit Quality Rating			
		AAA/AAAm	AA	N/R	N/A
Pooled Investments:					
Cash on hand	\$ 3,400	-	-	-	3,400
Cash deposits	16,856,951	-	-	-	16,856,951
Demand and time deposits	1,167,605	-	-	-	1,167,605
Money market mutual funds (AAAm ratings)	18,546,159	18,546,159	-	-	-
U.S. government and agency bonds	67,399,788	20,036,835	-	47,362,953	-
Corporate notes and bonds	7,927,335	4,291,633	3,635,702	-	-
Municipal bonds	580,363	-	580,363	-	-
Total pooled deposits and investments	\$ 112,481,601	42,874,627	4,216,065	47,362,953	18,027,956

Retiree Medical Benefits Trust:	Fair Value	Fund Credit Quality Rating		
		AAAm	N/R	N/A
Mutual funds:				
Money market	\$ 17,901	17,901	-	-
Domestic equity	1,474,006	-	-	1,474,006
International equity	486,772	-	-	486,772
Fixed income	1,099,391	-	1,099,391	-
Other	196,935	-	-	196,935
Total trust investments	\$ 3,275,005	17,901	1,099,391	2,157,713

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Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 *et seq.* of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon the choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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 2a-7 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 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’s 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 2.2-4000 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 (Trust Policy) restricts investment in stocks and REITs to readily-marketable securities that are actively

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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 Class	Fair Value	Trust Asset Weightings		
		Range	Target	Actual
Liquidity assets:				
Cash equivalent	\$ 17,901	0 - 100%	100%	100.0%
Investment assets:				
Domestic equity	1,474,006	26 - 46%	36%	45.3%
International equity	486,772	13 - 33%	23%	14.9%
REITs	101,477	0 - 12%	6%	3.1%
Inflation hedged	95,458	0 - 10%	0%	2.9%
Fixed income	1,099,391	20 - 60%	35%	33.8%
Cash equivalent	-	0 - 20%	0%	0.0%
Total investment assets	3,257,104		100%	100.0%
Total trust investments	\$ 3,275,005			

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 state 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, 2011, deposits and fixed income investments are summarized at fair value and maturity as follows:

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Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 3	More than 3
Pooled Investments:				
Cash on hand	\$ 3,400	3,400	-	-
Cash deposits	16,856,951	16,856,951	-	-
Demand and time deposits	1,167,605	1,167,605	-	-
Money market mutual funds	18,546,159	18,546,159	-	-
U.S. Government and agency bonds	67,399,788	44,916,911	19,432,929	3,049,948
Corporate notes and bonds	7,927,335	3,933,976	3,922,938	70,421
Municipal bonds	580,363	-	580,363	-
Total pooled deposits and investments	\$ 112,481,601	85,425,002	23,936,230	3,120,369

Retiree Medical Benefits Trust:	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 5	More than 5
Money market mutual fund	\$ 17,901	17,901	-	-
Fixed Income	1,099,391	-	219,104	880,286
Total trust deposits and investments	<u>\$ 1,117,292</u>	<u>17,901</u>	<u>219,104</u>	<u>880,286</u>

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, 2011 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.

On August 5, 2011, Standard & Poor's lowered the long-term sovereign credit rating of U.S. Government debt obligations from AAA to AA+. On August 8, 2011, S&P also downgraded the long-term credit ratings of U.S. government-sponsored enterprises (GSEs). S&P affirmed the U.S. Treasury's short-term credit rating of A-1+ indicating that the short-term capacity of the United States to meet its financial commitment on its outstanding obligations remained strong. As of the date of this report the two other major rating agencies, Moody's and Fitch, continued to have U.S. sovereign debt on their watch lists but had not downgraded U.S. sovereign debt from their highest credit rating classifications. Because of the unprecedented nature of S&P's negative credit rating actions with respect to U.S. government obligations, the global and domestic financial markets may continue to

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2011

react for some time, and the ultimate impacts on the County's operations, financial condition, and liquidity are therefore uncertain. Generally, however, fixed-income debt securities that receive one of the two highest ratings given by a recognized ratings agency continue to be considered by the financial markets to be high quality, and the obligor's capacity to meet its obligations on such securities continues to be considered strong. In addition, as of the date of this report, the County does not expect that the value of its U.S. Treasury of GSE securities have been other than temporarily impaired.

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, 2011, investments in the following issuers exceeded five percent of the pooled investments: Federal Home Loan Mortgage Corporation (22%), Federal National Mortgage Association (17%), and Federal Home Loan Bank (9%).

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, 2011 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, 2011, 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, 2011.

B. Receivables

Receivables and allowances for uncollectible receivables of the primary government and School Component Unit, excluding fiduciary funds, at June 30, 2011, are as follows:

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2011

	Primary Government							School Component Unit
	General Fund	County Improvements Fund	Other Governmental Funds	Public Utilities	Airport Fund	Internal Services Funds	Total Primary Government	
Receivables:								
Interest	\$ 202,142	-	-	-	-	-	202,142	-
Taxes	56,146,230	-	-	-	-	-	56,146,230	-
Accounts	1,518,780	61	311,917	4,326,862	-	69,066	6,226,686	114,190
Commonwealth of Virginia	4,217,897	9,232	417,823	-	39,789	-	4,684,741	2,909,626
Federal government	309,891	36,930	1,825	-	536,987	-	885,633	2,926,199
Gross receivables	62,394,940	46,223	731,565	4,326,862	576,776	69,066	68,145,432	5,950,015
Allowance for uncollectibles	(1,229,771)	-	(57,272)	(323,836)	-	-	(1,610,879)	-
Net total receivables	\$ 61,165,169	46,223	674,293	4,003,026	576,776	69,066	66,534,553	5,950,015

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 2010 real property tax levy, due on October 5, 2011, is reported as unearned revenue at June 30, 2011 in the government-wide financial statements, and as deferred revenue in the governmental fund financial statements. At June 30, 2011, 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	\$ 49,860,030	\$ 49,860,030
Past due taxes (net of allowance for uncollectibles)	5,103,000	-
EMS transport fees	739,191	-
Unearned health insurance premiums - Self Insurance Fund	-	1,458,138
Total deferred/unearned revenue - primary government	\$ 55,702,221	\$ 51,318,168

C. Capital assets

Capital asset activity for the primary government for the year ended June 30, 2011 was as follows:

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2011

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	202,524	-	701,904
Construction in progress	23,581,153	12,776,382	(16,438,858)	19,918,677
Total capital assets, not being depreciated	32,906,692	12,978,906	(16,438,858)	29,446,740
Capital assets, being depreciated:				
Buildings	243,659,282	2,022,092	(6,273,966)	239,407,408
Improvements other than buildings	7,159,601	3,611,004	-	10,770,605
Machinery and equipment	42,813,245	11,529,507	(2,007,235)	52,335,517
Infrastructure	29,801,796	102,540	-	29,904,336
Total capital assets, being depreciated	323,433,924	17,265,143	(8,281,201)	332,417,866
Less accumulated depreciation for:				
Buildings	(69,144,178)	(1,607,391)	90,303	(70,661,266)
Improvements other than buildings	(4,060,655)	(332,245)	-	(4,392,900)
Machinery and equipment	(26,410,204)	(3,696,795)	1,911,053	(28,195,946)
Infrastructure	(13,781,866)	(1,105,559)	-	(14,887,425)
Total accumulated depreciation	(113,396,903)	(6,741,990)	2,001,356	(118,137,537)
Total capital assets, being depreciated, net	210,037,021	10,523,153	(6,279,845)	214,280,329
Governmental activities capital assets, net	\$ 242,943,713	23,502,059	(22,718,703)	243,727,069

Business-type activities:

Public Utilities:

Capital assets, not being depreciated:				
Land	\$ 6,354,137	-	-	6,354,137
Construction in progress	7,860,370	10,933,033	(15,445,347)	3,348,056
Total capital assets, not being depreciated	14,214,507	10,933,033	(15,445,347)	9,702,193
Capital assets, being depreciated:				
Buildings	82,546,653	617,756	-	83,164,409
Improvements other than buildings	189,742,684	14,110,702	-	203,853,386
Machinery and equipment	6,887,814	1,506,419	(75,377)	8,318,856
Total capital assets, being depreciated	279,177,151	16,234,877	(75,377)	295,336,651
Less accumulated depreciation for:				
Buildings	(24,198,915)	(2,267,559)	-	(26,466,474)
Improvements other than buildings	(67,888,342)	(5,687,460)	-	(73,575,802)
Machinery and equipment	(5,550,388)	(428,964)	75,377	(5,903,975)
Total accumulated depreciation	(97,637,645)	(8,383,983)	75,377	(105,946,251)
Total capital assets, being depreciated, net	181,539,506	7,850,894	-	189,390,400
Public Utilities capital assets, net	\$ 195,754,013	18,783,927	(15,445,347)	199,092,593

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2011

	Balance July 1	Increases	Decreases	Balance June 30
Airport Fund:				
Capital assets, not being depreciated:				
Land	\$ 3,932,827	558,865	-	4,491,692
Construction in progress	74,312	11,171	-	85,483
Total capital assets, not being depreciated	4,007,139	570,036	-	4,577,175
Capital assets, being depreciated:				
Buildings	3,669,137	-	-	3,669,137
Improvements other than buildings	8,090,789	-	-	8,090,789
Machinery and equipment	38,136	-	(8,353)	29,783
Total capital assets, being depreciated	11,798,062	-	(8,353)	11,789,709
Less accumulated depreciation for:				
Buildings	(337,804)	(118,079)	-	(455,883)
Improvements other than buildings	(3,272,482)	(277,616)	-	(3,550,098)
Machinery and equipment	(25,613)	(2,678)	8,353	(19,938)
Total accumulated depreciation	(3,635,899)	(398,373)	8,353	(4,025,919)
Total capital assets, being depreciated, net	8,162,163	(398,373)	-	7,763,790
Airport capital assets, net	\$ 12,169,302	171,663	-	12,340,965
Business-type activities capital assets, net	\$ 207,923,315	18,955,590	(15,445,347)	211,433,558
Total capital assets, net - Primary government	\$ 450,867,028	42,457,649	(38,164,050)	455,160,627

Capital assets activity for the School Component Unit for the year ended June 30, 2011 was as follows:

School Component Unit activities:				
Capital assets, not being depreciated:				
Land	\$ 7,400,682	-	-	7,400,682
Construction in progress	3,286,190	8,376,141	(5,798,404)	5,863,927
Total capital assets, not being depreciated	10,686,872	8,376,141	(5,798,404)	13,264,609
Capital assets, being depreciated:				
Buildings	106,690,602	10,937,160	-	117,627,763
Improvements other than buildings	3,719,744	20,528	-	3,740,272
Machinery and equipment	22,309,853	452,940	(369,055)	22,393,738
Total capital assets, being depreciated	132,720,199	11,410,628	(369,055)	143,761,773
Less accumulated depreciation for:				
Buildings	(26,774,611)	(7,906,971)	-	(34,681,582)
Improvements other than buildings	(1,441,126)	(187,187)	-	(1,628,313)
Machinery and equipment	(12,673,478)	(1,739,587)	354,809	(14,058,256)
Total accumulated depreciation	(40,889,215)	(9,833,745)	354,809	(50,368,151)
Total capital assets, being depreciated, net	91,830,984	1,576,883	(14,246)	93,393,622
School Component Unit capital assets, net	\$ 102,517,856	9,953,024	(5,812,650)	106,658,231

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2011

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

Primary government:

Governmental activities:

General governmental administration	\$ 886,753
Judicial administration	177,035
Public safety	3,559,142
Public works	1,387,008
Human services	157,612
Parks, recreation and cultural	456,867
Community development	10,703
Education	5,868,530
Depreciation of capital assets held by the internal service funds is charged to various functions based on their usage of the assets	106,870
Total depreciation expense - governmental activities	<u>12,610,520</u>

Business-type activities:

Public Utilities	8,383,983
Airport	398,373
Total depreciation expense - business-type activities	<u>8,782,356</u>

Total depreciation expense - primary government \$ 21,392,876

School Component Unit \$ 3,874,912

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 for which the County is financially obligated is reported by the County in the amount of outstanding obligations. At June 30, 2011, the County had outstanding financial obligations related to the construction of school buildings totaling \$123,291,592. Accordingly, school buildings with a net book value of that amount are reported in the governmental activities of the Primary Government at June 30, 2011. During fiscal year 2011, the County's financial obligations related to school buildings decreased by a net amount of \$6,183,665, and, accordingly, the net book value of school buildings reported by the Primary Government decreased, and the net book value of buildings reported by the School Component Unit increased by the same amount. Depreciation expense on school buildings is allocated to the Primary Government and the School Component Unit in proportion to the relative cost of the buildings reported by each entity. Accordingly, depreciation of School Component Unit capital assets totaled \$9,743,442 in fiscal year 2011, of which \$5,868,530 is reported by the Primary Government and \$3,874,912 is reported by the School Component Unit.

D. Interfund transfers

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, 2011 are as follows:

COUNTY OF HANOVER
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June 30, 2011

Primary Government	Transfers In	Transfers Out
General Fund	\$ -	9,530,584
County Improvements Fund	2,129,800	-
School Improvements Fund	400,000	-
Other Governmental Funds	6,666,515	-
Fleet Management Fund	144,213	-
Airport Fund	190,056	-
Total primary government	\$ 9,530,584	9,530,584

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, 2011:

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	\$ 162,781,312	17,840,000	23,162,542	157,458,770	11,805,485
Premium	6,800,542	629,650	589,169	6,841,023	547,840
Deferred amount on refunding	(1,844,500)	(406,830)	(453,681)	(1,797,649)	(206,180)
Total bonds payable	167,737,354	18,062,820	23,298,030	162,502,144	12,147,145
Capital lease obligations	3,330,677	-	618,253	2,712,424	451,337
Compensated absences	5,328,396	5,039,476	4,698,869	5,669,003	4,923,378
Liability for landfill closure	2,459,757	-	213,658	2,246,099	73,363
Support Agreement	-	7,327,036	12,852	7,314,184	620,000
Total governmental activities	178,856,184	30,429,332	28,841,662	180,443,854	18,215,223
Business-type activities:					
Public Utilities:					
Water and sewer revenue bonds payable:					
Principal amount of bonds payable	33,321,625	-	12,690,610	20,631,015	906,831
Premium	459,344	-	28,499	430,845	28,498
Deferred amount on refunding	(824,457)	-	(54,964)	(769,493)	(54,964)
Total bonds payable	32,956,512	-	12,664,145	20,292,367	880,365
Compensated absences	553,213	480,639	442,464	591,388	472,996
Deposits	364,115	222,534	195,549	391,100	-
Capacity fee credits	1,457,359	-	284,684	1,172,675	-
Contractual obligations	487,075	-	161,016	326,059	161,016
Support Agreement	-	10,614,620	52,545	10,562,075	1,335,000
Total Public Utilities	35,818,274	11,317,793	13,800,403	33,335,664	2,849,377
Airport Fund:					
Taxable airport revenue bond payable	1,656,145	-	60,605	1,595,540	63,723
Compensated absences	4,964	5,562	2,402	8,124	3,931
Total Airport Fund	1,661,109	5,562	63,007	1,603,664	67,654
Total business-type activities	37,479,383	11,323,355	13,863,410	34,939,328	2,917,031
Total noncurrent liabilities - Primary government	\$ 216,335,567	41,752,688	42,705,072	215,383,182	21,132,254
School Component Unit					
Compensated absences	\$ 4,671,624	1,525,092	1,534,850	4,661,866	1,531,644
Total noncurrent liabilities - School Component Unit	\$ 4,671,624	1,525,092	1,534,850	4,661,866	1,531,644

Capital lease obligations, support agreements, compensated absences and the liability for landfill closure reported as governmental activities liabilities of the primary government are liquidated by the General Fund.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2011

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 \$2,246,099 reported as landfill closure and post closure care liability at June 30, 2011 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 2011. 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) 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 20, 2011, the primary government issued \$17,840,000 of Series 2011A General Obligation Public Improvement and Refunding Bonds (Series 2011A Bonds) with an average interest rate of 4.5%. The Series 2011 Bonds were issued to finance certain capital improvements for schools, public safety, and parks and libraries, and to refund existing bonds. Of the total issued, \$12,500,000 consisted of new general obligation debt for the purposes just described, \$1,015,000 was issued to current refund \$1,000,000 of outstanding Series 2002 bonds, and \$4,325,000 was issued to advance refund \$4,450,000 of outstanding Series 2002B bonds, which had average interest rates of 4.0% and 4.7% respectively. The refunding net proceeds of \$5,602,586 were used to purchase full faith and credit U.S. Government securities which were deposited in an irrevocable escrow account to provide the resources to pay all principal and interest on the refunded bonds when due from the date of issuance of the Series 2011A Bonds and to redeem the Series 2002 bonds on March 8, 2011 and the Series 2002B bonds on July 15, 2011. The reacquisition price exceeded the net carrying amount of the refunded bonds by \$422,587, and this amount is being amortized over the remaining life of the refunded bonds.

The County completed the refundings described above to reduce its total debt service payments over the next 12 years by approximately \$152,086 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and the new debt) of \$120,375.

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 \$29,372,994 as of June 30, 2011, 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, 2011 of approximately \$10.8 million annually, it is estimated that approximately 13 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

COUNTY OF HANOVER
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2011, pledged Net Available Revenues totaled \$10,047,831, and the water and sewer revenue bond debt service requirement was \$3,671,737.

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 \$2,375,621 as of June 30, 2011, 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 2011, pledged rental receipts totaled \$157,330, and the debt service requirement was \$143,977.

County General Obligation Bonds and Revenue Bonds

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

(See schedule on following page)

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June 30, 2011

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	\$ 5,945,000
Series 2006A Refunding	3.50 - 4.00	10-12-06	3,965,000	2,355,000
Series 2009 Public Improvement	2.50 - 5.00	02-18-09	10,765,000	9,935,000
Series 2010A Public Improvement	2.00 - 5.00	01-14-10	5,655,000	5,405,000
Series 2010B Public Improvement	4.73 - 6.02	01-14-10	7,850,000	7,850,000
Series 2011A Public Improvement	2.00 - 5.25	01-20-11	11,452,000	11,452,000
Total general obligation bonds - County				42,942,000
Schools:				
Series 2002B Public Improvement	3.00 - 4.60	12-01-02	21,500,000	1,150,000
Series 2006A Public Improvement	4.00 - 5.00	10-12-06	13,710,000	10,710,000
Series 2006B Refunding	3.50 - 4.00	10-12-06	10,395,000	9,145,000
Series 2009 Public Improvement	2.50 - 5.00	02-18-09	9,450,000	7,895,000
Series 2009 Refunding	2.50 - 5.00	02-18-09	22,375,000	21,795,000
Series 2010A Public Improvement	2.00 - 5.00	01-14-10	6,585,000	6,295,000
Series 2010B Public Improvement	4.73 - 6.02	01-14-10	6,275,000	6,275,000
Series 2011A Public Improvement	2.00 - 5.25	01-20-11	1,048,000	1,048,000
Series 2011A Refunding	2.00 - 5.25	01-20-11	5,340,000	5,340,000
VPSA Series 1991	4.85 - 6.60	07-31-91	2,069,507	123,330
VPSA Series 1992A	5.10 - 8.10	12-17-92	6,230,000	425,000
VPSA Series 1993A	4.475 - 5.00	11-18-93	3,620,000	85,000
VPSA Series 1994A Refunding	6.35 - 7.19	01-03-94	32,075,000	60,000
VPSA Series 1994A	6.10 - 6.30	05-05-94	4,900,000	755,000
VPSA Series 1994B	6.10 - 6.60	11-22-94	5,385,000	1,065,000
VPSA Series 1995A	5.20 - 5.75	12-21-95	1,580,000	380,000
VPSA Series 1996A	5.10 - 6.10	11-14-96	7,495,000	1,730,000
VPSA Series 1999A	5.10 - 6.10	11-18-99	5,630,000	2,520,000
VPSA Series 1999B	5.10 - 6.10	11-18-99	4,384,934	2,083,150
VPSA Series 2005A	3.10 - 5.10	05-12-05	16,105,000	12,075,000
VPSA Series 2005B	4.60 - 5.10	11-10-05	6,995,000	5,311,510
VPSA Series 2005C	4.60 - 5.10	11-10-05	6,967,658	5,245,000
VPSA Series 2007	4.10 - 5.10	11-08-07	13,838,206	11,885,780
VPSA Series 2009A Refunding	4.35 - 5.35	11-20-97	3,220,000	1,120,000
Total general obligation bonds - Schools				114,516,770
Total governmental activities - general obligation bonds				157,458,770
Business-type activities:				
Public Utilities:				
Water and sewer revenue bonds:				
Series 2002A	0.00	06-14-02	920,400	552,240
Series 2005A Refunding	3.10 - 4.64	01-31-05	14,065,000	11,400,000
Series 2006	3.63 - 4.98	05-08-06	9,000,000	8,155,000
Series 2007	0.00	07-19-07	616,206	523,775
Total Public Utilities				20,631,015
Airport Fund:				
Taxable airport revenue bond:				
VRA Series 2007	5.08	03-21-07	1,795,000	1,595,540
Total Airport Fund				1,595,540
Total Business-type activities				22,226,555
Total bond indebtedness - Primary government				\$ 179,685,325

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Principal and interest to maturity for the County's governmental activities general obligation bonds and business-type activities revenue bonds outstanding at June 30, 2011, are as follows:

Fiscal Year	Governmental Activities		Business-type Activities				Total	
	General Obligation Bonds		Water and Sewer Revenue Bonds		Taxable Airport Revenue Bond			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 11,805,485	6,778,884	906,831	868,311	63,723	80,254	12,776,039	7,727,449
2013	12,174,768	6,337,603	951,831	829,335	67,001	76,976	13,193,600	7,243,914
2014	12,237,349	5,897,725	986,831	791,650	70,448	73,529	13,294,628	6,762,904
2015	11,516,509	5,394,966	1,021,831	752,775	74,072	69,905	12,612,412	6,217,646
2016	11,247,200	4,909,138	1,071,831	709,167	77,883	66,094	12,396,914	5,684,399
2017-2021	50,652,247	17,500,322	6,039,155	2,848,351	453,799	266,086	57,145,201	20,614,759
2022-2026	33,856,102	7,698,016	6,361,095	1,436,666	583,172	136,713	40,800,369	9,271,395
2027-2031	13,969,110	1,627,535	2,686,610	490,647	205,442	10,524	16,861,162	2,128,706
2032	-	-	605,000	15,077	-	-	605,000	15,077
Totals	\$ 157,458,770	56,144,189	20,631,015	8,741,979	1,595,540	780,081	179,685,325	65,666,249

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 \$94,068,206, and does not plan to issue the remainder. The final issuance of the 2005 bond referendum debt was the Series 2011A Bonds issued in January 2011 and described above. The County plans to complete all authorized capital projects in fiscal year 2012.

The County has overlapping debt with the Town of Ashland, Virginia of \$405,000, of which the share applicable to the County approximates \$326,059. 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, 2011, the principal amounts outstanding on these IRBs totaled \$182.6 million.

To assist Covenant Woods, a not-for-profit Virginia nonstock corporation that owns and operates a residential and health care facility for the aged in Hanover County, on December 22, 2010, the EDA issued \$29,575,000 of Residential Care Facility Refunding Revenue Bonds (Covenant Woods), Series 2010 to refund the EDA's Residential Care Facility Revenue Bonds (Covenant Woods), Series 1999 (the "Refunding Bonds") and to refinance a related promissory note issued by Covenant Woods to the purchaser of the bonds. The Refunding Bonds are limited obligations of the EDA payable solely from revenues pledged therefore pursuant to a loan agreement between Covenant Woods, the purchaser of the bonds and the EDA. As neither the County nor the EDA are otherwise obligated to pay the

COUNTY OF HANOVER
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principal or interest on the bonds, the related transactions, including the liability for the bonds, are not recorded in the County's or EDA's financial statements.

Support Agreement

On March 23, 2011 the EDA issued Revenue and Refunding Bonds, Series 2011 (EDA Bonds) in the amount of \$17,260,000, to provide financing to the County for the acquisition and build-out of a building to be used by the Community Services Board, the Social Services Department, and the Registrar's Office and to refund existing County general obligation school bonds and water and sewer revenue bonds. Of the total issued, \$2,205,000 consisted of new debt for acquisition and build-out of the building just described, \$10,190,000 was issued to current refund \$10,792,128 of outstanding Taxable Water and Sewer System Revenue Bond, Series 2002B, Water and Sewer System Revenue Bond, Series 2003A, and Water and Sewer System Revenue Bond, Series 2004, and \$4,856,000 was issued to refinance \$5,135,750 of Literary Fund Loans made to the Hanover County School Board by the Commonwealth of Virginia on May 5, 1997, June 8, 1999, January 14, 2000 and February 1, 2002. The County completed the refundings described above to reduce its total debt service over the next 12 years by approximately \$694,583 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and the new debt) of \$720,226. On March 1, 2011, the County and the EDA entered into a Support Agreement which obligates the County to make support payments on behalf of the EDA on a periodic basis in an amount equal to the debt service on the bonds. The EDA Bonds are limited obligations of the EDA, payable solely from payments made by the County, pursuant to the Support Agreement. Neither the EDA Bonds nor the Support Agreement are general obligation debt of the County, and payments made pursuant to the Support Agreement are subject to annual appropriation by the Board of Supervisors. No support payments were due or paid by the County during the fiscal year.

The Support Agreement annual debt service requirements to maturity are as follows:

Fiscal Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 620,000	233,692	1,340,000	307,024	1,960,000	540,717
2013	705,000	216,213	1,330,000	273,550	2,035,000	489,763
2014	700,000	202,113	1,310,000	246,950	2,010,000	449,063
2015	690,000	181,113	1,305,000	207,650	1,995,000	388,763
2016	690,000	160,413	1,305,000	161,500	1,995,000	321,913
2017-2021	2,290,000	500,025	3,410,000	240,650	5,700,000	740,675
2022-2026	745,000	242,175	190,000	15,400	935,000	257,575
2027-2031	630,000	80,750	-	-	630,000	80,750
Totals	\$ 7,070,000	1,816,494	10,190,000	1,452,724	17,260,000	3,269,218

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, 2011, are as follows:

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Asset Class	Primary Government - Governmental Activities
Land	\$ 384,847
Buildings	13,804,580
Machinery and equipment	2,245,950
Total assets, at cost	16,435,377
Accumulated depreciation	(6,879,685)
Total assets, net	<u>\$ 9,555,692</u>

Fiscal Year	Minimum Lease Payments
2012	451,337
2013	187,295
2014	174,973
2015	173,088
2016	175,148
2017-2021	869,768
2022-2026	869,954
2027-2031	873,663
Total minimum lease payments	3,775,226
Portion representing interest	(1,062,800)
Present value of minimum lease payments	<u>\$ 2,712,426</u>

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. At June 30, 2011, the County had general obligation bonds that were outstanding but considered defeased totaling \$13,620,000, of which \$12,500,000 was paid off on July 15, 2011.

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 2011. 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.

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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
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
2011	-	25,522,957	25,592,023	(69,066)	2,030,000

B. Fund Balance Classifications

The accompanying financial statements display nonspendable, restricted, committed and assigned fund balance classifications in the aggregate using GASB 54 criteria. Specific purpose information for these fund balance classifications follows:

	Primary Government				Total Primary Government	School Component Unit	Economic Development Authority
	General Fund	County Improvements Fund	School Improvements Fund	Other Governmental Funds			
Fund Balances							
Nonspendable:							
Inventory	\$ 147,333	-	-	-	147,333	112,171	-
Restricted for:							
Debt Service Reserve	70,810	-	-	-	70,810	-	-
Public safety	38,008	-	-	-	38,008	-	-
Judicial Administration	376,507	-	-	-	376,507	-	-
Public works	38,629	-	-	-	38,629	-	-
Health and human services	8,891	-	-	55,489	64,380	-	-
Education	-	-	-	-	-	589,800	-
Capital improvements	-	6,048,439	-	-	6,048,439	-	-
Committed to:							
Funding of future school needs	2,000,000	-	-	-	2,000,000	-	-
Economic development	500,000	-	-	-	500,000	-	-
Assigned to:							
Education	7,461,111	-	-	-	7,461,111	4,821,514	-
Public safety	609,195	-	-	-	609,195	-	-
Other services	1,460,823	-	-	-	1,460,823	-	-
Funding of subsequent fiscal year's adopted budget	4,364,510	-	-	-	4,364,510	-	80,000
Funding of subsequent five-year financial plans	5,356,780	-	-	-	5,356,780	-	-
Health and human services	-	-	-	717,012	717,012	-	-
Capital improvements	300,000	9,084,736	2,761,566	-	12,146,302	-	-
Unassigned Fund Balance	24,565,863	-	-	-	24,565,863	159,895	238,444
Total fund balances	\$ 47,298,460	15,133,175	2,761,566	772,501	65,965,702	5,683,380	318,444

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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, 2011 are as follows, and are expected to remain at similar levels in future fiscal years, as expiring leases are renewed:

Governmental activities	\$ 606,349
Business-type activities	25,230
Total primary government	631,579
School component unit	92,145
Total reporting entity	<u>\$ 723,724</u>

Other commitments

At June 30, 2011, the primary government had commitments for capital projects totaling \$19,510,791 as follows:

	Primary Government				Total Primary Government
	County	School	Public	Airport	
	Improvements Fund	Improvements Fund	Utilities Fund	Fund	
Total capital commitments at June 30, 2011	\$ 8,124,644	2,787,807	8,561,033	37,307	19,510,791

These commitments will be funded by existing resources within the respective funds and by future bond issues and appropriations.

Encumbrances

Encumbrance accounting, under which purchase orders for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in governmental funds. In accordance with the County's adopted Budget Policy, encumbered funds are reappropriated annually by the Board of Supervisors in the succeeding year's budget resolution. Encumbrances represent the estimated amount of expenditures that will ultimately result if open purchase orders are paid. Encumbrances outstanding at the end of the fiscal year are disclosed below, in accordance with GASB 54. However, encumbered amounts are already included within the restricted, committed or assigned fund balances, as appropriate, and are not in addition thereto.

	Primary Government - Governmental Funds					Schools Component Unit
	General	County	School	Other	Total	
	Fund	Improvements Fund	Improvements Fund	Governmental Funds	Primary Government	
Encumbrances outstanding at fiscal year-end	\$ 712,557	4,349,962	2,787,807	63,121	7,913,447	1,009,960

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

COUNTY OF HANOVER
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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 (Commission) was established in 1975 by an Act of the Virginia General Assembly. The Commission owns and operates Richmond International Airport (Airport). 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 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 10.8%. 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, Richmond, VA 23250, or at <http://www.flyrichmond.com/Load.php?Content=Financials>.

- **Greater Richmond Convention Center Authority:** The Greater Richmond Convention Center Authority (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 \$679,376 for transient occupancy tax to the GRCCA during fiscal year 2011. Complete financial statements for the GRCCA can be obtained from Chesterfield County, Accounting Department, 9901 Lori Road, Chesterfield, Virginia 23832.

- **Dominion Resources GreenTech Incubator:** The Dominion Resources GreenTech Incubator (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

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Biotechnology Research Partnership Authority, pursuant to an Agreement between Hanover County, the Town of Ashland, their respective Economic Development Authorities (EDA), the Virginia Biotechnology Research Partnership Authority (Authority) and the Virginia Biosciences Development Center, Inc. (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. During fiscal year 2011, the Hanover County EDA contributed \$108,937 to DRGI including \$80,000 for start-up costs as agreed upon under the agreement. Neither the County nor its EDA have any ongoing financial interest in DRGI. Annual audited financial statements are available from 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 2011, Hanover County contributed a total of \$2,722,328 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 Jail Authority are the Counties of Caroline and Hanover and the Town of Ashland. The Jail 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.

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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 \$4,608,143 in fiscal year 2011. 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 2011, the County's per diem payments to the Commission totaled \$324,043. 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. Seventeen 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 2011 payments to the Waste Authority totaled \$264,297. Complete financial statements can be obtained from the Waste Authority at 2100 West Laburnum Avenue, Suite 105, Richmond, Virginia 23227.

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- **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 2011, 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 2011 contributions to RMCVB totaling \$147,530. 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 (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 \$55,737 in fiscal year 2011. 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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

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- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

The Hanover Board of Supervisors has elected to continue contributing the 5% employee contribution amount for all eligible Plan 1 and Plan 2 employees. The Hanover Board of Supervisors has also 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.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. 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 (CAFR) that includes financial statements and required supplementary information VRS. A copy of the report may be obtained from the VRS web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2011

- 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 compensation toward their retirement. All or part of the 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 basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The contribution rates for the County employee group and for the School Board's non-professional employee group for the fiscal year ended June 30, 2011, were 8.82% and 6.74%, respectively, of their annual covered payrolls. The contribution rate for the School Board's professional employee group was 3.93% of covered payroll for the fiscal year ended June 30, 2011. For its professional group, the School Board's contributions to the teacher cost-sharing pool for the fiscal years ending 2011, 2010, and 2009 were \$8,340,187, \$12,823,970, and \$15,077,404, respectively, equal to the required contributions for each year.
- c. **Annual Pension Cost** - The following schedule shows the 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	2011	\$ 4,420,928	\$ 4,420,928	100%	\$ -
Enterprise	2011	379,766	379,766	100%	-
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%	-
School Board - non-professional employee group					
Governmental	2011	\$ 460,352	\$ 460,352	100%	\$ -
Governmental	2010	498,106	498,106	100%	-
Governmental	2009	503,581	503,581	100%	-

For the fiscal year ended June 30, 2011, the County's annual pension cost of \$4,800,694 was equal to the required and actual contributions, and the School Board's non-professional group's annual pension cost of \$460,352 was also equal to the required and actual contribution. The fiscal year 2011 required contributions were determined as part of the previous actuarial valuations for each group performed as of June 30, 2009 using the entry age actuarial cost method. The actuarial assumptions for each group at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year 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 employee group's pension assets and the School Board non-professional

COUNTY OF HANOVER
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June 30, 2011

employee group's pension assets are equal to the modified market values 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's and the School Board's non-professional employee group unfunded actuarial accrued liabilities are being amortized as a level percentage of their respective projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued liability (UAAL) was 20 years.

- d. **Funded Status and Funding Progress** – The following schedule presents information about the funded status of the County's employee group and the School Board's non-professional employee group as of June 30, 2010, 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)
<u>Primary Government</u>						
Virginia Retirement System - County employee group						
6/30/2010	\$ 130,362,535	\$ 164,550,752	\$ 34,188,217	79.2%	\$ 54,117,586	63.2%
<u>Component Unit - School Board</u>						
Virginia Retirement System - non-professional employee group						
6/30/2010	\$ 16,764,772	\$ 18,981,992	\$ 2,217,220	88.3%	\$ 6,786,343	32.7%

The June 30, 2010 actuarial valuations were computed consistently with the June 30, 2009 valuations in that there were no significant changes in benefit provisions or actuarial methods or assumptions for either group, except that the projected investment rate of return was revised downward from 7.50% to 7.00% in the June 30, 2010 valuations. The schedule of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) 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

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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, 2011. 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, 2011, ranged from \$111 per month for employees with 10 but less than 15 years of service to \$222 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.

COUNTY OF HANOVER
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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 \$875 per month, and for those electing retiree and family coverage, from \$1,039 to \$2,625 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 2011 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 2011 and the two preceding fiscal years.

Fiscal Year Ended June 30:		2011			
ARC, for the fiscal year ended June 30, 2011		\$ 1,284,600			
Interest on Net OPEB obligation (asset) from prior year		(75,300)			
Actuarial adjustment		64,596			
Annual OPEB cost		1,273,896			
Employer contributions:					
Cash contribution to OPEB trust		-			
Subsidies paid under Plan on behalf of retirees		(577,420)			
Total Employer contributions		(577,420)			
(Increase) decrease in the net OPEB obligation (asset), for the fiscal year ended June 30, 2011		696,476			
Net OPEB obligation (asset), beginning of year		(1,075,719)			
Net OPEB obligation (asset), end of year		\$ (379,243)			
Fiscal Year Ended June 30		2011	2010	2009	
Annual OPEB cost		\$ 1,273,896	\$ 1,225,228	\$ 1,228,846	
Percentage of annual OPEB cost contributed by Employer:					
Cash contributions to OPEB Trust		0.0%	67.0%	89.6%	
Subsidies paid under Plan on behalf of retirees		45.3%	52.8%	58.9%	
Total percentage contributed		45.3%	119.8%	148.5%	
Net OPEB obligation (asset) at end of fiscal year		\$ (379,243)	\$ (1,075,719)	\$ (833,065)	

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (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 February 5, 2003, the Bell Creek Community Development Authority issued its \$12,135,000 Special

COUNTY OF HANOVER
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June 30, 2011

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”), 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, 2011, the total 2003 Bonds outstanding were \$3,161,000. The Authority is obligated to make all debt service payments on the 2003 Bonds.

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 2011, special assessments on property within the District totaled \$374,000, and payments to the Authority of special assessments collected totaled \$285,181.

- **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 planned 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).

By ordinances adopted by the Board of Supervisors on May 9, 2007 and March 23, 2011, the Board of Supervisors authorized the levy of Special Assessments on abutting property within the bounds of the District. On October 23, 2007 the Authority issued the Lewistown Commerce Center Community Development Authority (Virginia), \$37,675,000 Revenue Bonds, Series 2007 (2007 Bonds) 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 the acquisition of certain land and the construction of certain infrastructure improvements to benefit the District, in accordance with a Development/Acquisition Agreement dated September 1, 2007 and amended March 23, 2011. Also in March 2011, pursuant to a revised Indenture of Trust, the 2007 Bonds were exchanged for Amended 2007 Bonds to extend their maturity, revise the schedule for sinking fund redemptions, and allow interest on the bonds to be paid by the bond’s debt service reserve fund through March 1, 2014, dependent upon the developer meeting agreed-upon construction milestones. At June 30, 2011, the Authority’s Amended 2007 Bonds outstanding totaled \$37,675,000. The Authority is obligated to make all debt service payments on the

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2011

Amended 2007 Bonds, in accordance with the revised Indenture of Trust. The principal of and the interest on the Amended 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 Amended 2007 bonds.

Pursuant to the terms of an Amended Special Assessment Agreement (Agreement) dated March 23, 2011 between the County, the Authority, and the Developers, the Amended 2007 Bonds are payable (Payments) from (1) a Special Real Property Tax, (2) Incremental Tax Revenues, and, if necessary, (3) Special Assessments imposed and collected by the County pursuant to an Amended Rate and Method Agreement on taxable real property within the District.

The County functions 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 are 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.

There was no special assessment during fiscal year 2011. The 2011 Special Real Estate Property Tax levy was \$32,415 and incremental tax collections totaled \$407,946. Incremental taxes are payable to the Authority semiannually by February 1 and May 1 of each year.

I. Reassignment of Fleet Management Fund to General Fund

In fiscal 2011 and prior years, the County reported its Fleet Management activities as an Internal Service Fund. For operating efficiency, at June 30, 2011, the County reassigned Fleet Management to the General Fund, and transferred its end-of-year assets, liabilities and net assets to the General Fund at book value. Accordingly, all Fleet Management assets, liabilities and fund balances are included in the General Fund as of June 30, 2011.

J. Subsequent Event

On October 26, 2011, the County sold Virginia Public School Authority (VPSA) General Obligation School Bonds, Series 2011B, issued through the VPSA Subsidy Program, in the aggregate principal amount of \$5,855,000. The proceeds of the Bonds will be used for a financing of a portion of the costs of various facility and mechanical improvements including without limitation new roofs, HVAC system upgrades, new lighting, wireless infrastructure and parking improvements at numerous schools in the County. The bonds mature on July 15th in each of the years 2012 through 2031, and have an effective interest rate of 3.2 percent.



**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, 2011

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)
6/30/2010	\$ 130,362,535	\$ 164,550,752	\$ 34,188,217	79.2%	\$ 54,117,586	63.2%
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%

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)
6/30/2010	\$ 16,764,772	\$ 18,981,992	\$ 2,217,220	88.3%	\$ 6,786,343	32.7%
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%

Hanover County Retiree Medical Benefits Trust

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (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)
7/1/2011	\$ 3,278,003	\$ 12,046,156	\$ 8,768,153	27.2%	\$ 153,707,760	5.7%
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.

COUNTY OF HANOVER, VIRGINIA

Exhibit 13

General Fund

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Revenues from local sources:				
General property taxes:				
Real property taxes	\$ 99,000,000	99,000,000	98,095,259	(904,741)
Public service corporation property taxes	4,219,000	4,219,000	4,418,488	199,488
Personal property taxes	22,348,875	22,348,875	22,315,443	(33,432)
Machinery and tools taxes	1,489,000	1,489,000	1,632,348	143,348
Merchants' capital taxes	907,000	907,000	880,974	(26,026)
Delinquent taxes	1,504,000	1,504,000	2,382,546	878,546
Penalties and interest	1,050,000	1,050,000	1,080,964	30,964
Total general property taxes	130,517,875	130,517,875	130,806,022	288,147
Other local taxes:				
Local sales and use taxes	15,112,000	15,112,000	15,981,340	869,340
Consumer utility taxes	1,784,000	1,784,000	1,752,924	(31,076)
Contractor license taxes	479,000	479,000	312,371	(166,629)
Franchise license taxes	538,000	538,000	741,791	203,791
Motor vehicle licenses	110,000	110,000	138,957	28,957
Lodging taxes	706,000	706,000	679,376	(26,624)
Bank stock tax	386,000	386,000	506,189	120,189
Taxes on recordation and wills	1,727,000	1,727,000	1,556,422	(170,578)
Communication sales tax	5,474,000	5,474,000	5,186,850	(287,150)
Total other local taxes	26,316,000	26,316,000	26,856,220	540,220
Permits, privilege fees and regulatory licenses:				
Public Safety				
Animal licenses	111,000	111,000	134,021	23,021
Building permits	408,000	408,000	614,390	206,390
Heating and air conditioning	174,000	174,000	171,141	(2,859)
Electrical permits	140,000	140,000	128,181	(11,819)
Plumbing permits	74,000	74,000	71,431	(2,569)
Septic tank permits	3,600	3,600	2,888	(712)
Inspection fees	140,000	140,000	171,150	31,150
Public Works				
Erosion and sediment inspections	181,000	181,000	165,063	(15,937)
Stormwater management	161,000	161,000	161,000	-
Refuse disposal permits	-	-	1,870	1,870
Human Services				
Well and septic inspection	3,000	3,000	1,775	(1,225)
Community Development				
Planning fees	250,000	250,000	148,825	(101,175)
Total permits, privilege fees and regulatory licenses	1,645,600	1,645,600	1,771,735	126,135
Fines and Forfeitures:				
Public Works				
Erosion and sediment fines	2,100	2,100	10,000	7,900
Judicial Administration				
Court fines and forfeitures	1,005,000	1,005,000	953,026	(51,974)
Courthouse maintenance fees	125,000	125,000	140,226	15,226
Court appointed attorney fees	28,000	28,000	37,733	9,733
Public Safety				
Criminal Justice Academy training fees	-	-	50,834	50,834
Security alarm fines	45,000	45,000	42,800	(2,200)
Total fines and forfeitures	1,205,100	1,205,100	1,234,619	29,519
Revenues from use of money and property:				
Revenue from use of money	1,204,000	1,204,000	356,297	(847,703)
Revenue from use of property	305,000	305,000	299,101	(5,899)
Total revenues from use of money and property	1,509,000	1,509,000	655,398	(853,602)
Charges for services:				
EMS cost recovery	2,000,000	2,000,000	1,927,815	(72,185)
Landfill fees	500,000	500,000	550,153	50,153
Recreation fees	693,500	693,500	571,427	(122,073)
Other	413,453	413,453	175,899	(237,554)
Total charges for services	3,606,953	3,606,953	3,225,294	(381,659)

COUNTY OF HANOVER, VIRGINIA

Exhibit 13

General Fund

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

For the Year Ended June 30, 2011

2 of 4

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Miscellaneous:				
Refunds	\$ 152,000	168,381	398,078	229,697
Insurance recoveries	29,000	140,031	151,170	11,139
Gifts and donations	50,000	62,054	65,163	3,109
Other miscellaneous revenue	21,152	85,877	36,786	(49,091)
Reserve for revenue transfers	500,000	207,597	-	(207,597)
Total miscellaneous	752,152	663,940	651,197	(12,743)
Recovered costs:				
General Government Administration				
Pamunkey Regional Jail	396,000	396,000	396,000	-
Public Utilities Fund				
Cost allocation	1,075,000	1,075,000	1,075,000	-
Service assessment	378,254	378,254	378,254	-
Treasurer	125,050	179,752	88,862	(90,890)
General Services	77,000	77,000	40,871	(36,129)
Judicial Administration				
Clerk of Circuit Court	12,000	12,000	10,731	(1,269)
General District Court	14,099	14,099	11,646	(2,453)
Commonwealth Attorney	-	-	941	941
Public Safety				
Community Corrections	56,500	56,500	54,383	(2,117)
Sheriff	42,000	42,000	110,757	68,757
Emergency Communications	-	25,000	31,069	6,069
Animal Control	2,000	3,858	3,948	90
Fire	69,000	69,000	168,720	99,720
Human Services				
Social Services	25,660	25,660	26,408	748
Community Resources	5,000	5,000	5,000	-
Health Department	-	-	33,450	33,450
Public Works				
Solid Waste Management	224,998	224,998	452,345	227,347
Erosion and sediment charges	-	15,089	15,089	-
Community Development				
Contributions: Greater Richmond Convention Center	306,500	306,500	367,973	61,473
Planning	1,500	1,500	-	(1,500)
CDA	24,720	24,720	24,720	-
Economic Development	178,680	178,680	178,680	-
Total recovered costs	3,013,961	3,110,610	3,474,847	364,237
Total revenues from local sources	168,566,641	168,575,078	168,675,332	100,254
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Vehicle rental tax	129,000	129,000	119,153	(9,847)
Personal property taxes (state remittance)	15,002,000	15,002,000	15,002,745	745
Rolling Stock Tax	71,000	71,000	69,256	(1,744)
Total non-categorical aid	15,202,000	15,202,000	15,191,154	(10,846)
Categorical aid:				
Shared expenses:				
Commissioner of the Revenue	216,000	216,000	221,792	5,792
Treasurer	192,000	192,000	197,393	5,393
Registrar	48,667	48,667	47,719	(948)
Clerk of Circuit Court	494,000	494,000	509,157	15,157
Commonwealth's Attorney	783,900	783,900	791,230	7,330
Sheriff	3,135,000	3,135,000	3,220,012	85,012
Total shared expenses	4,869,567	4,869,567	4,987,303	117,736
Other categorical aid:				
Social Services	1,118,596	1,122,736	1,267,711	144,975
Other	1,349,646	1,659,474	1,280,950	(378,524)
State Reversion Clearing Account	(440,000)	(440,000)	(474,707)	(34,707)
Total other categorical aid	2,028,242	2,342,210	2,073,954	(268,256)
Total categorical aid	6,897,809	7,211,777	7,061,257	(150,520)
Total revenue from the Commonwealth	22,099,809	22,413,777	22,252,411	(161,366)

COUNTY OF HANOVER, VIRGINIA

Exhibit 13

General Fund

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

For the Year Ended June 30, 2011

3 of 4

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenue from the Federal government:				
Categorical aid:				
Department of Interior	\$ 2,000	2,000	8,189	6,189
Build America Bonds (direct credit)	263,377	263,377	272,459	9,082
EEC Block Grant	-	291,303	252,636	(38,667)
FEMA Safer	317,000	477,779	362,640	(115,139)
Justice	28,000	28,000	35,033	7,033
FEMA snow removal	-	-	36,305	36,305
Department of Transportation	-	-	84,991	84,991
Interoperable Emergency Communications	-	-	115,981	115,981
Health and Human Services	3,007,351	3,013,351	2,871,192	(142,159)
Total revenue from the Federal government	3,617,728	4,075,810	4,039,426	(36,384)
Total intergovernmental	25,717,537	26,489,587	26,291,837	(197,750)
Total revenues	194,284,178	195,064,665	194,967,169	(97,496)
EXPENDITURES				
General government administration:				
Legislative - Board of Supervisors	496,914	535,114	487,301	47,813
General and financial administration:				
County Administrator	1,014,300	1,021,300	1,001,835	19,465
Human Resources	854,962	858,428	783,866	74,562
County Attorney	1,149,968	1,149,968	1,121,631	28,337
Commissioner of the Revenue	1,248,337	1,316,051	1,219,817	96,234
Assessor	857,420	857,420	856,183	1,237
Treasurer	1,365,866	1,393,216	1,382,967	10,249
Finance	980,023	981,908	942,197	39,711
Management Services	276,670	277,700	205,157	72,543
Public Information Office	192,354	192,354	193,529	(1,175)
Purchasing	507,368	508,067	394,768	113,299
Information Technology	3,431,933	4,059,302	3,495,522	563,780
General Services	291,476	282,346	143,908	138,438
Total general and financial administration	12,170,677	12,898,060	11,741,380	1,156,680
Board of elections - Registrar and Electoral Board	349,652	412,452	309,588	102,864
Total general government administration	13,017,243	13,845,626	12,538,269	1,307,357
Judicial administration:				
Courts:				
Circuit Court	92,889	101,207	65,371	35,836
General District Court	112,303	112,303	78,974	33,329
Magistrates	2,991	2,991	3,044	(53)
Juvenile and Domestic Relations District Court	22,367	22,367	19,863	2,504
Clerk of the Circuit Court	1,323,494	1,357,373	1,258,668	98,705
Court Services	1,329,221	1,334,396	1,313,457	20,939
Total courts	2,883,265	2,930,637	2,739,377	191,260
Commonwealth's Attorney	1,580,066	1,581,147	1,495,124	86,023
Total judicial administration	4,463,331	4,511,784	4,234,501	277,283
Public safety:				
Sheriff	19,101,924	19,358,459	18,679,125	679,334
Fire and rescue services:				
Fire and Emergency Management Services	13,824,517	14,260,267	14,060,383	199,884
Total fire and rescue services	13,824,517	14,260,267	14,060,383	199,884
Correction and Detention:				
Pamunkey Regional Jail	4,750,176	4,750,176	4,608,143	142,033
Juvenile Court Services	686,213	661,413	576,965	84,448
Community Corrections	447,744	452,744	449,368	3,376
Total correction and detention	5,884,133	5,864,333	5,634,476	229,857
Inspections - Building Inspections	1,392,613	1,379,573	1,338,608	40,965
Other protection:				
Emergency Communications	3,862,980	4,145,537	3,938,183	207,354
Animal Control	1,017,920	1,056,419	1,012,048	44,371
Total other protection	4,880,900	5,201,956	4,950,231	251,725
Total public safety	45,084,087	46,064,588	44,662,823	1,401,765

COUNTY OF HANOVER, VIRGINIA

Exhibit 13

General Fund

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

For the Year Ended June 30, 2011

4 of 4

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Public works:				
Sanitation and waste removal:				
Public Works	\$ 1,740,082	1,951,426	1,655,084	296,342
Solid Waste Services	3,793,988	3,814,845	3,659,300	155,545
Recycling Service Districts	74,998	74,998	60,942	14,056
Total sanitation and waste removal	5,609,068	5,841,269	5,375,326	465,943
Maintenance of buildings, grounds and equipment:				
Facilities Management	1,699,152	2,174,664	1,786,682	387,982
Total maintenance of buildings, grounds and equip.	1,699,152	2,174,664	1,786,682	387,982
Total public works	7,308,220	8,015,933	7,162,008	853,925
Health and human services:				
Health	476,900	476,900	476,900	-
Human Services:				
Social Services	5,630,710	5,652,710	5,528,135	124,575
Community Resources	398,210	415,127	386,230	28,897
Tax Relief	1,872,800	1,872,800	1,727,115	145,685
Total human services	7,901,720	7,940,637	7,641,480	299,157
Total health and human services	8,378,620	8,417,537	8,118,380	299,157
Parks, recreation and cultural:				
Parks and Recreation	3,396,191	3,628,410	3,286,577	341,833
Pamunkey Regional Library	2,722,281	2,722,281	2,722,328	(47)
Total parks, recreation and cultural	6,118,472	6,350,691	6,008,905	341,786
Community development:				
Planning and community development:				
Planning	2,147,028	2,264,043	1,994,322	269,721
GIS	576,224	621,998	605,510	16,488
Economic development	1,696,915	1,708,916	1,355,407	353,509
Cannery	41,810	49,510	43,256	6,254
Community support	1,157,920	1,225,531	1,122,793	102,738
Total planning and community development	5,619,897	5,869,998	5,121,288	748,710
Environmental mgmt. - Soil and Water Conservation District	98,500	98,500	98,500	-
Cooperative extension program - VPI Extension	89,691	90,616	75,340	15,276
Total community development	5,808,088	6,059,114	5,295,128	763,986
Education:				
School Fund	93,017,000	93,017,000	84,083,310	8,933,690
Total education	93,017,000	93,017,000	84,083,310	8,933,690
Total payments to component units	93,017,000	93,017,000	84,083,310	8,933,690
Debt service:				
Principal retirement	2,192,376	2,192,376	2,065,489	126,887
Interest and fiscal charges	3,153,943	2,344,989	1,518,217	826,772
Total debt service	5,346,319	4,537,365	3,583,706	953,659
Total expenditures	188,541,380	190,819,638	175,687,030	15,132,608
Excess of revenues over expenditures	5,742,798	4,245,027	19,280,139	15,035,112
OTHER FINANCING SOURCES (USES)				
Other financing uses:				
Transfers to governmental funds:				
County Improvements Fund	1,981,000	2,129,800	2,129,800	-
School Improvements Fund	400,000	400,000	400,000	-
Comprehensive Services Fund	2,936,767	2,936,767	2,548,114	388,653
Community Services Fund	4,602,538	4,602,538	4,118,401	484,137
Total transfers to governmental funds	9,920,305	10,069,105	9,196,315	872,790
Transfers to Proprietary Funds:				
Fleet Management Fund	100,213	144,213	144,213	-
Airport Fund	190,056	190,056	190,056	-
Total other financing uses	10,210,574	10,403,374	9,530,584	872,790
Net change in fund balance	(4,467,776)	(6,158,347)	9,749,555	15,907,902
Fund balance beginning	4,467,776	37,548,905	37,548,905	-
Fund balance ending	\$ -	31,390,558	47,298,460	15,907,902



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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenues from use of money and property	\$ -	-	4,709	4,709
Charges for services	440,000	1,092,610	361,552	(731,058)
Recovered costs	500,000	4,563,453	266,047	(4,297,406)
Miscellaneous	-	6,008	10,008	4,000
Total revenue from local sources	940,000	5,662,071	642,316	(5,019,755)
Intergovernmental:				
Revenue from the Commonwealth	500,000	17,434,522	947,774	(16,486,748)
Revenue from the Federal government	-	225,111	234,065	8,954
Total intergovernmental	500,000	17,659,633	1,181,839	(16,477,794)
Total revenues	1,440,000	23,321,704	1,824,155	(21,497,549)
EXPENDITURES				
General government administration	750,000	1,014,128	726,608	287,520
Judicial administration	-	172,369	4,173	168,196
Public safety	856,000	14,660,554	7,608,514	7,052,040
Public works	1,865,000	28,671,127	1,886,280	26,784,847
Human services	-	2,172,985	2,082,661	90,324
Parks, recreation and cultural	-	2,667,306	1,558,678	1,108,628
Community development	-	280,484	179,779	100,705
Debt service:				
Interest and fiscal charges	-	375,000	286,485	88,515
Total expenditures	3,471,000	50,013,953	14,333,178	35,680,775
Excess (deficiency) of revenues over (under) expenditures	(2,031,000)	(26,692,249)	(12,509,023)	14,183,226
OTHER FINANCING SOURCES				
Transfers in	1,981,000	2,129,800	2,129,800	-
Issuance of general obligation bonds	-	13,976,435	11,452,000	(2,524,435)
Premium on general obligation bonds issued	-	175,000	283,158	108,158
Issuance of support agreement	-	2,273,000	2,264,580	(8,420)
Total other financing sources	1,981,000	18,554,235	16,129,538	(2,424,697)
Net change in fund balance	(50,000)	(8,138,014)	3,620,515	11,758,529
Fund balance - beginning	50,000	11,512,660	11,512,660	-
Fund balance - ending	\$ -	3,374,646	15,133,175	11,758,529

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, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	\$ 94,000	94,000	3,761	(90,239)
Charges for services:				
Proffers	700,000	700,000	603,388	(96,612)
Total charges for services	700,000	700,000	603,388	(96,612)
Total revenues	794,000	794,000	607,149	(186,851)
EXPENDITURES				
Capital outlay:				
Education	6,646,000	16,217,484	7,862,399	8,355,085
Debt service:				
Interest and fiscal charges	-	110,000	39,959	70,041
Total expenditures	6,646,000	16,327,484	7,902,358	8,425,126
Excess (deficiency) of revenues over (under) expenditures	(5,852,000)	(15,533,484)	(7,295,209)	8,238,275
OTHER FINANCING SOURCES (USES)				
Other financing sources:				
Transfers in	400,000	400,000	400,000	-
Issuance of general obligation bonds	5,452,000	5,913,425	1,048,000	(4,865,425)
Premium on general obligation bonds issued	-	635,000	25,913	(609,087)
Issuance of general obligation refunding bonds	-	5,340,000	5,340,000	-
Premium on general obligation refunding bonds issued	-	519,000	320,579	(198,421)
Issuance of support agreement	-	4,865,000	5,062,456	197,456
Payment to refunded bonds escrow agents	-	(10,724,000)	(10,844,571)	(120,571)
Total other financing sources	5,852,000	6,948,425	1,352,377	(5,596,048)
Net change in fund balance	-	(8,585,059)	(5,942,832)	2,642,227
Fund balance - beginning	-	8,704,398	8,704,398	-
Fund balance - ending	\$ -	119,339	2,761,566	2,642,227

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, 2011

	Other Governmental Funds		
	Comprehensive Services	Community Services	Total
ASSETS			
Cash, cash equivalents and investments	\$ 716,761	546,461	1,263,222
Accounts receivable (net of allowance for uncollectible accounts)	-	254,644	254,644
Due from other governmental units	404,957	14,692	419,649
Total assets	<u>\$ 1,121,718</u>	<u>815,797</u>	<u>1,937,515</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	717,122	111,275	828,397
Accrued liabilities	4,596	332,021	336,617
Total liabilities	<u>721,718</u>	<u>443,296</u>	<u>1,165,014</u>
Fund balances:			
Restricted	-	55,489	55,489
Assigned	400,000	317,012	717,012
Total fund balance	<u>400,000</u>	<u>372,501</u>	<u>772,501</u>
Total liabilities and fund balance	<u>\$ 1,121,718</u>	<u>815,797</u>	<u>1,937,515</u>

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, 2011

	Other Governmental Funds		
	Comprehensive Services	Community Services	Total
REVENUES			
Revenue from local sources:			
Charges for services	\$ -	3,543,789	3,543,789
Recovered cost	120,697	78,286	198,983
Miscellaneous	-	67,545	67,545
Total revenue from local sources	120,697	3,689,620	3,810,317
Intergovernmental:			
Revenue from the Commonwealth	2,739,332	2,291,722	5,031,054
Revenue from the Federal government	-	476,870	476,870
Total intergovernmental	2,739,332	2,768,592	5,507,924
Total revenues	2,860,029	6,458,212	9,318,241
EXPENDITURES			
Human services	5,408,143	10,508,759	15,916,902
Total expenditures	5,408,143	10,508,759	15,916,902
Excess (deficiency) of revenues over (under) expenditures	(2,548,114)	(4,050,547)	(6,598,661)
OTHER FINANCING SOURCES			
Transfers in	2,548,114	4,118,401	6,666,515
Net change in fund balance	-	67,854	67,854
Fund balances - beginning	400,000	304,647	704,647
Fund balances - ending	\$ 400,000	372,501	772,501

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, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources				
Recovered costs	\$ 82,500	82,500	120,697	38,197
Total revenue from local sources	82,500	82,500	120,697	38,197
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid (State agency):				
Education	3,131,200	3,131,200	2,739,332	(391,868)
Total revenues	3,213,700	3,213,700	2,860,029	(353,671)
EXPENDITURES				
Human services:				
Comprehensive services	6,150,467	6,150,467	5,408,143	742,324
Total expenditures	6,150,467	6,150,467	5,408,143	742,324
Excess (deficiency) of revenues over (under) expenditures	(2,936,767)	(2,936,767)	(2,548,114)	388,653
OTHER FINANCING SOURCES				
Transfers in	2,936,767	2,936,767	2,548,114	(388,653)
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, 2011

	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	\$ 19,000	19,000	-	(19,000)
Total revenue from use of money and property	19,000	19,000	-	(19,000)
Charges for services	3,527,792	3,527,792	3,543,789	15,997
Recovered cost	192,000	192,000	78,286	(113,714)
Miscellaneous	107,100	107,100	67,545	(39,555)
Total revenue from local sources	3,845,892	3,845,892	3,689,620	(156,272)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid (State agency):				
Mental Health, Retardation and Substance Abuse	2,190,916	2,190,916	2,291,722	100,806
Total revenue from the Commonwealth	2,190,916	2,190,916	2,291,722	100,806
Revenue from the Federal government:				
Categorical aid (Federal agency):				
Health and Human Services	530,532	530,532	476,870	(53,662)
Total revenue from the Federal government	530,532	530,532	476,870	(53,662)
Total intergovernmental	2,721,448	2,721,448	2,768,592	47,144
Total revenues	6,567,340	6,567,340	6,458,212	(109,128)
EXPENDITURES				
Human services:				
Community services	11,169,878	11,274,525	10,508,759	765,766
Total expenditures	11,169,878	11,274,525	10,508,759	765,766
Excess (deficiency) of revenues over (under) expenditures	(4,602,538)	(4,707,185)	(4,050,547)	656,638
OTHER FINANCING SOURCES				
Transfers in	4,602,538	4,602,538	4,118,401	(484,137)
Net change in fund balance	-	(104,647)	67,854	172,501
Fund balance - beginning	-	304,647	304,647	-
Fund balance - ending	\$ -	200,000	372,501	172,501



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, 2011

	Self-Insurance	Fleet Management	Total
ASSETS			
Current Assets:			
Cash, cash equivalents and investments	\$ 6,492,528	-	6,492,528
Accounts receivable (net of allowance for uncollectibles)	69,066	-	69,066
Total current assets	6,561,594	-	6,561,594
Total assets	6,561,594	-	6,561,594
LIABILITIES			
Current Liabilities:			
Incurred but not reported self-insurance claims	2,030,000	-	2,030,000
Accrued liabilities	14,643	-	14,643
Unearned revenue	1,458,138	-	1,458,138
Total current liabilities	3,502,781	-	3,502,781
Total liabilities	3,502,781	-	3,502,781
NET ASSETS			
Unrestricted	3,058,813	-	3,058,813
Total net assets	\$ 3,058,813	-	3,058,813

Note - At June 30, 2011 the Fleet Management Fund's assets, liabilities, and net assets were reassigned to the General Fund.

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, 2011

	<u>Self-Insurance</u>	<u>Fleet Management</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 27,949,427	1,315,224	29,264,651
Recovered cost	46,618	265,502	312,120
Miscellaneous revenue	-	48,271	48,271
Total operating revenues	<u>27,996,045</u>	<u>1,628,997</u>	<u>29,625,042</u>
OPERATING EXPENSES			
Health care claims and benefits	27,465,709	-	27,465,709
Personal services	24,163	965,065	989,228
Fringe benefits	2,115	361,753	363,868
Contractual services	27,453	74,256	101,709
Other charges	35,971	236,654	272,625
Depreciation	-	106,870	106,870
Total operating expenses	<u>27,555,411</u>	<u>1,744,598</u>	<u>29,300,009</u>
Operating income (loss)	<u>440,634</u>	<u>(115,601)</u>	<u>325,033</u>
NONOPERATING REVENUES			
Interest income	84,496	-	84,496
Gain on sale of capital assets	-	134,917	134,917
Total nonoperating revenues	<u>84,496</u>	<u>134,917</u>	<u>219,413</u>
Income before capital contributions, special items, and transfer	<u>525,130</u>	<u>19,316</u>	<u>544,446</u>
Capital contributions	-	10,985	10,985
Special item - Fleet Management Fund reassigned to General Fund	-	(133,181)	(133,181)
Transfers in	-	144,213	144,213
Change in net assets	<u>525,130</u>	<u>41,333</u>	<u>566,463</u>
Total net assets (deficit) - beginning	<u>2,533,683</u>	<u>(41,333)</u>	<u>2,492,350</u>
Total net assets - ending	<u>\$ 3,058,813</u>	<u>-</u>	<u>3,058,813</u>

COUNTY OF HANOVER, VIRGINIA
Exhibit 22

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2011

	Self-Insurance	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 28,008,427	1,649,288	29,657,715
Payments to suppliers and service providers	(64,199)	(271,335)	(335,534)
Payments to employees	(26,278)	(1,521,543)	(1,547,821)
Claims and benefits paid	(27,674,387)	-	(27,674,387)
Net cash provided by operating activities	243,563	(143,590)	99,973
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from General Fund - operating	-	144,213	144,213
Transfer to General Fund - operating	-	(133,181)	(133,181)
Repayment of advance from General Fund	-	(100,748)	(100,748)
Net cash provided by noncapital financing activities	-	(89,716)	(89,716)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(149,313)	(149,313)
Proceeds from sale of capital assets	-	382,619	382,619
Net cash (used) by capital and related financing activities	-	233,306	233,306
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	84,496	-	84,496
Net cash provided by investing activities	84,496	-	84,496
Net increase in cash and cash equivalents	328,059	-	328,059
Cash and cash equivalents at beginning of year	6,164,469	-	6,164,469
Cash and cash equivalents at end of year	\$ 6,492,528	-	6,492,528
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 440,634	(115,601)	325,033
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	-	106,870	106,870
(Increase) decrease in:			
Accounts receivable	(59,066)	20,291	(38,775)
Inventory	-	155,231	155,231
Increase (decrease) in:			
Accounts payable	(1,612)	(115,656)	(117,268)
Incurred but not reported self-insurance claims	(148,000)	-	(148,000)
Accrued liabilities	(775)	(53,712)	(54,487)
Unearned revenue	12,382	-	12,382
Compensated absences	-	(141,013)	(141,013)
Total adjustments	(197,071)	(27,989)	(225,060)
Net cash provided by operating activities	\$ 243,563	(143,590)	99,973
Noncash capital and financing activities:			
Capital contributions	\$ -	10,985	10,985

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, 2011

	<u>Bell Creek Community Development Authority</u>	<u>Lewistown Community Development Authority</u>	<u>Escrow</u>	<u>Special Welfare</u>	<u>Total</u>
ASSETS					
Cash, cash equivalents and investments	\$ 390	138,125	1,522,514	30,061	1,691,090
Accounts receivable	287,965	16,207	-	-	304,172
Total assets	<u>\$ 288,355</u>	<u>154,332</u>	<u>1,522,514</u>	<u>30,061</u>	<u>1,995,262</u>
LIABILITIES					
Accounts payable	\$ 390	138,125	821,277	-	959,792
Accrued liabilities	287,965	16,207	84,401	-	388,573
Deposits	-	-	616,836	30,061	646,897
Total liabilities	<u>\$ 288,355</u>	<u>154,332</u>	<u>1,522,514</u>	<u>30,061</u>	<u>1,995,262</u>

COUNTY OF HANOVER, VIRGINIA
Exhibit 24

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Bell Creek Community Development Authority				
Assets:				
Cash, cash equivalents and investments	\$ 168,590	459,190	627,390	390
Accounts receivable	204,346	578,279	494,660	287,965
Total assets	372,936	1,037,469	1,122,050	288,355
Liabilities:				
Accounts payable	168,590	285,699	453,899	390
Accrued liabilities	204,346	578,279	494,660	287,965
Total liabilities	372,936	863,978	948,559	288,355
Lewistown Community Development Authority				
Assets:				
Cash, cash equivalents and investments	572,548	2,343,627	2,778,050	138,125
Accounts receivable	1,230,695	1,279,741	2,494,229	16,207
Total assets	1,803,243	3,623,368	5,272,279	154,332
Liabilities:				
Accounts payable	572,548	389,326	823,749	138,125
Accrued liabilities	1,230,695	32,838	1,247,326	16,207
Total liabilities	1,803,243	422,164	2,071,075	154,332
Escrow				
Assets:				
Cash, cash equivalents and investments	2,190,132	33,519,116	34,186,734	1,522,514
Accounts receivable	-	47,826	47,826	-
Total assets	2,190,132	33,566,942	34,234,560	1,522,514
Liabilities:				
Accounts payable	692,624	10,457,975	10,329,322	821,277
Accrued liabilities	67,840	30,878,057	30,861,496	84,401
Deposits	1,429,668	566,161	1,378,993	616,836
Total liabilities	2,190,132	41,902,193	42,569,811	1,522,514
Special Welfare				
Assets:				
Cash, cash equivalents and investments	52,328	118,454	140,721	30,061
Total assets	52,328	118,454	140,721	30,061
Liabilities:				
Deposits	52,328	118,454	140,721	30,061
Total liabilities	52,328	118,454	140,721	30,061
Total Agency Funds				
Assets:				
Cash, cash equivalents and investments	2,983,598	36,440,387	37,732,895	1,691,090
Accounts receivable	1,435,041	1,905,846	3,036,715	304,172
Total assets	4,418,639	38,346,233	40,769,610	1,995,262
Liabilities:				
Accounts payable	1,433,762	11,133,000	11,606,970	959,792
Accrued liabilities	1,502,881	31,489,174	32,603,482	388,573
Deposits	1,481,996	684,615	1,519,714	646,897
Total liabilities	\$ 4,418,639	43,306,789	45,730,166	1,995,262



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.

COUNTY OF HANOVER, VIRGINIA
Discretely Presented Component Unit School Board
Combining Balance Sheet
June 30, 2011

Exhibit 25

	Governmental Funds			
	School	Textbook	Cafeteria	Totals
ASSETS				
Cash, cash equivalents and investments	\$ 12,120,501	1,720,417	1,271,536	15,112,454
Accounts receivable	114,190	-	-	114,190
Due from other governmental units	5,755,344	-	80,481	5,835,825
Inventory	-	-	112,171	112,171
Total assets	<u>\$ 17,990,035</u>	<u>1,720,417</u>	<u>1,464,188</u>	<u>21,174,640</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,380,427	32,859	82,543	1,495,829
Accrued liabilities	13,468,659	2,531	437,996	13,909,186
Deferred revenue	86,245	-	-	86,245
Total liabilities	<u>14,935,331</u>	<u>35,390</u>	<u>520,539</u>	<u>15,491,260</u>
Fund balances:				
Nonspendable	-	-	112,171	112,171
Restricted	589,800	-	-	589,800
Assigned	2,305,009	1,685,027	831,478	4,821,514
Unassigned	159,895	-	-	159,895
Total fund balances	<u>3,054,704</u>	<u>1,685,027</u>	<u>943,649</u>	<u>5,683,380</u>
Total liabilities and fund balances	<u>\$ 17,990,035</u>	<u>1,720,417</u>	<u>1,464,188</u>	
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.				\$ 106,658,231
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			\$ (4,661,866)	
Accrued bond interest			(2,391,473)	(7,053,339)
Net assets of School Component Unit activities				<u>\$ 105,288,272</u>

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, 2011

	Governmental Funds			
	School	Textbook	Cafeteria	Totals
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	\$ -	6,654	7,716	14,370
Charges for services - operating	796,275	-	5,377,859	6,174,134
Miscellaneous	553,417	-	29,388	582,805
Recovered costs	725,645	-	-	725,645
Payments from primary government	84,083,310	-	-	84,083,310
Revenue from the Commonwealth	74,095,723	256,211	66,195	74,418,129
Revenue from the Federal government	12,902,060	-	1,552,770	14,454,830
Total revenues	173,156,430	262,865	7,033,928	180,453,223
EXPENDITURES				
Current:				
Education	157,452,284	270,382	6,966,248	164,688,914
Debt service:				
Principal retirement	11,111,792	-	-	11,111,792
Interest and fiscal charges	5,546,302	-	-	5,546,302
Total expenditures	174,110,378	270,382	6,966,248	181,347,008
Excess (deficiency) of revenues over (under) expenditures	(953,948)	(7,517)	67,680	(893,785)
Net change in fund balance	(953,948)	(7,517)	67,680	(893,785)
Fund balances - beginning	4,008,652	1,692,544	868,386	6,569,582
Increase in nonspendable fund balance-inventory	-	-	7,583	7,583
Fund balances - ending	\$ 3,054,704	1,685,027	943,649	5,683,380

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, 2011**

Net change in fund balances - total governmental funds \$ (893,785)

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 (\$9,743,442) exceeded the increase in the Payment from Hanover County due to capital asset acquisitions (\$7,700,153) in the current period. (2,043,289)

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. 6,183,664

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. 149,597

Changes in net assets of School Component Unit activities \$ 3,396,187

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, 2011

	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	\$ 890,000	896,000	796,275	(99,725)
Total charges for services	890,000	896,000	796,275	(99,725)
Miscellaneous:				
Sale of assets	2,000	2,000	-	(2,000)
Miscellaneous	1,141,421	651,696	553,417	(98,279)
Total miscellaneous revenue	1,143,421	653,696	553,417	(100,279)
Recovered costs:				
Recovered costs	788,880	815,035	725,645	(89,390)
Total recovered costs	788,880	815,035	725,645	(89,390)
Payments from primary government:				
General Fund	93,017,000	93,017,000	84,083,310	(8,933,690)
Total payments from primary government	93,017,000	93,017,000	84,083,310	(8,933,690)
Total revenue from local sources	95,839,301	95,381,731	86,158,647	(9,223,084)
Revenue from the Commonwealth:				
Non-categorical aid:				
Lottery proceeds and basic school aid	55,946,973	50,600,141	55,481,478	4,881,337
Total non-categorical aid	55,946,973	50,600,141	55,481,478	4,881,337
Categorical aid:				
Categorical aid programs	17,318,755	17,508,222	18,614,245	1,106,023
Total categorical aid	17,318,755	17,508,222	18,614,245	1,106,023
Total revenue from the Commonwealth	73,265,728	68,108,363	74,095,723	5,987,360
Revenue from the Federal government:				
Categorical aid:				
Department of Education	9,902,322	16,391,061	12,902,060	(3,489,001)
Total revenue from the Federal government	9,902,322	16,391,061	12,902,060	(3,489,001)
Total revenues	179,007,351	179,881,155	173,156,430	(6,724,725)
EXPENDITURES				
Education:				
General support	9,526,297	9,596,823	8,880,913	715,910
Pupil transportation	9,072,110	9,214,645	8,671,630	543,015
Operations and maintenance	12,973,804	12,919,616	11,841,182	1,078,434
Instruction	129,562,840	132,870,630	126,419,220	6,451,410
Facilities	955,300	1,770,508	1,639,339	131,169
Total education	162,090,351	166,372,222	157,452,284	8,919,938
Debt service:				
Principal retirement	16,917,000	16,917,000	11,111,792	5,805,208
Interest and fiscal charges	-	-	5,546,302	(5,546,302)
Total debt service	16,917,000	16,917,000	16,658,094	258,906
Total expenditures	179,007,351	183,289,222	174,110,378	9,178,844
Net change in fund balance	-	(3,408,067)	(953,948)	2,454,119
Fund balance - beginning	-	3,408,067	4,008,652	600,585
Fund balance - ending	\$ -	-	3,054,704	3,054,704

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, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of property	\$ -	-	6,654	6,654
Total revenue from local sources	-	-	6,654	6,654
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	262,865	6,654
EXPENDITURES				
Education:				
Textbook	256,211	274,828	270,382	4,446
Total expenditures	256,211	274,828	270,382	4,446
Net change in fund balance	-	(18,617)	(7,517)	11,100
Fund balance - beginning	-	18,617	1,692,544	1,673,927
Fund balance - ending	\$ -	-	1,685,027	1,685,027

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, 2011

	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	7,716	(2,284)
Charges for services	5,582,200	5,582,200	5,377,859	(204,341)
Miscellaneous revenue	20,000	20,000	29,388	9,388
Total revenue from local sources	5,612,200	5,612,200	5,414,963	(197,237)
Revenue from the Commonwealth:				
Categorical aid:				
School food programs	57,000	57,000	66,195	9,195
Total revenue from the Commonwealth	57,000	57,000	66,195	9,195
Revenue from the Federal government:				
Categorical aid:				
USDA donated commodities	233,649	233,649	270,459	36,810
School food programs	948,552	948,552	1,035,644	87,092
Breakfast reimbursement	219,740	219,740	246,667	26,927
Total revenue from the Federal government	1,401,941	1,401,941	1,552,770	150,829
Total revenues	7,071,141	7,071,141	7,033,928	(37,213)
EXPENDITURES				
Education:				
Cafeteria	7,071,141	7,071,141	6,966,248	104,893
Total expenditures	7,071,141	7,071,141	6,966,248	104,893
Net change in fund balance	-	-	67,680	67,680
Fund balance - beginning	-	-	868,386	868,386
Increase in nonspendable fund balance-inventory	-	-	7,583	7,583
Fund balance - ending	\$ -	-	943,649	943,649

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, 2011

ASSETS

Cash, cash equivalents and investments	\$ 288,869
Accounts receivable (net of allowance for uncollectible)	<u>29,575</u>
Total assets	<u><u>318,444</u></u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	<u>-</u>
Total liabilities	<u>-</u>

Fund balances:

Assigned	80,000
Unassigned	<u>238,444</u>
Total fund balances	<u>318,444</u>
Total liabilities and fund balances	<u><u>\$ 318,444</u></u>

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Charges for services:				
Economic development fees	\$ 184,080	210,080	214,405	4,325
Total revenues	184,080	210,080	214,405	4,325
EXPENDITURES				
Community Development:				
Economic development	264,080	290,080	289,350	730
Total expenditures	264,080	290,080	289,350	730
Net change in fund balance	(80,000)	(80,000)	(74,945)	5,055
Fund balance - beginning of year	-	393,389	393,389	-
Fund balance - end of year	<u>\$ (80,000)</u>	<u>313,389</u>	<u>318,444</u>	<u>5,055</u>

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:

	<u>Pages</u>
Financial trends information	125 - 131
Financial trends information is intended to help the reader understand and assess how the County's financial position has changed over time.	
Revenue capacity information	132 - 135
Revenue capacity information is intended to help the reader understand and assess the County's ability to generate its most significant local revenue source, the property tax.	
Debt capacity information	136 - 138
Debt capacity information is intended to help the reader understand and assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	
Demographic and economic information	139 - 140
Demographic and economic information is intended to help the reader understand the socioeconomic environment within which the County's financial activities take place.	
Operating information	141 - 143
Operating information is intended to provide information about the County's services and capital asset resources to help the reader understand how the information in the financial report relates to the services the County provides and the activities it performs.	

COUNTY OF HANOVER, VIRGINIA

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting)

Table 1

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities: ⁽¹⁾										
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	\$ 81,246,238
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	5,594,093
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	51,276,177
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	\$ 138,116,508
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	\$ 188,046,917
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	3,454,766
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	9,143,399
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	\$ 200,645,082
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	\$ 269,293,155
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	9,048,859
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	60,419,576
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	\$ 338,761,590

Notes: (1) Beginning in fiscal year 2005, the School Improvements Fund was included as a major fund of the primary government.

COUNTY OF HANOVER, VIRGINIA

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2

Page 1 of 2

	Fiscal Year									
	2002	2003	2004	2005 ⁽²⁾	2006	2007	2008	2009	2010	2011
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	13,686,641
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	4,447,352
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	47,946,531
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	9,891,396
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	24,165,944
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	6,444,651
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	5,318,097
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	86,779,122
Interest on long-term debt	761,641	694,615	590,519	462,760	314,867	627,078	503,177	772,402	836,290	1,536,631
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	200,216,365
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	24,915,456
Airport ⁽¹⁾	-	-	-	-	-	465,203	626,257	1,434,208	616,225	696,323
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	25,611,779
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	225,828,144
Program Revenues										
Governmental activities:										
Charges for services:										
General government 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	1,919,228
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	1,295,959
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	4,170,594
Public works	340,635	404,414	556,516	674,414	695,494	899,047	1,232,908	1,226,498	1,132,817	1,347,446
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	3,876,950
Parks, recreation and cultural	184,772	248,158	269,206	302,452	401,075	547,094	553,811	531,639	543,768	571,427
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	725,907
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	17,075,125
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	2,521,940
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	33,504,576
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	21,981,551
Airport ⁽¹⁾	-	-	-	-	-	33,861	46,658	109,168	170,730	178,080
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	5,289,134
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	27,448,765
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	60,953,341
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)	(166,711,789)
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	1,836,986
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)	(164,874,803)

(continued)

COUNTY OF HANOVER, VIRGINIA

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2

Page 2 of 2

	Fiscal Year									
	2002	2003	2004	2005 ⁽²⁾	2006	2007	2008	2009	2010	2011
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	129,565,022
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	15,981,340
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	6,939,774
Motor vehicle licenses ⁽³⁾	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	1,556,422
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	2,378,684
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	14,716,447
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	1,165,499
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	356,297
Gain (loss) on sale of capital assets	35,116	(268,063)	18,668	-	3,952	-	-	-	-	-
Transfers	-	-	-	-	-	(619,072)	(229,678)	(333,081)	(200,703)	(190,056)
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	172,469,429
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	153,045
Transfers - Airport fund	-	-	-	-	-	619,072	229,678	333,081	200,703	190,056
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	343,101
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	172,812,530
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	5,757,640
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	2,180,087
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	7,937,727

Notes: (1) The County began to report its airport activities in a nonmajor airport fund beginning in fiscal year 2007.

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

(3) 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

Fund Balances, Governmental Funds

Last Ten Fiscal Years ⁽¹⁾

(modified accrual basis of accounting)

Table 3

	2002	2003	2004	2005	2006	Fiscal Year Ended June 30, 2007	2008	2009	2010
General Fund:									
Reserved	\$ 1,173,716	527,273	354,572	553,033	715,857	1,069,762	899,660	695,386	1,466,750
Unreserved									
Designated	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	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	\$ 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	\$ 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	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⁾	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	429,140	376,132	133,375	339,445	415,457	583,364	500,000	602,131	603,391
Total All Other Governmental Funds	\$ 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 2002 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.

	Fiscal Year Ended June 30, (see note 1 below)	2011
General Fund:		
Nonspendable	\$ 147,333	
Restricted	532,845	
Committed	2,500,000	
Assigned	19,552,419	
Unassigned	24,565,863	
Total General Fund	\$ 47,298,460	
All other governmental funds: (2)		
Nonspendable	\$ -	
Restricted	6,103,928	
Committed	-	
Assigned	12,563,314	
Unassigned	-	
Total All Other Governmental Funds	\$ 18,667,242	

Notes: (1) GASB 54 classification of fund balances was implemented in fiscal year 2011.
(2) Includes the County Improvements Fund, the School Improvement Fund and the special revenue funds of the primary government.



COUNTY OF HANOVER, VIRGINIA

Table 4

1 of 2

Changes in Fund Balances, Governmental Funds ^{(3), (4)}

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
Primary Government:					
REVENUES					
General property taxes	\$ 73,623,307	79,536,223	87,102,894	94,604,793	104,909,885
Other local taxes	21,344,614	20,119,615	23,059,560	25,475,779	28,190,135
Permits, privilege fees and regulatory licenses	1,971,098	2,031,537	2,382,618	2,723,338	2,741,893
Fines and forfeitures	402,496	535,613	755,612	900,479	922,784
Revenues from use of money and property	1,062,549	1,158,711	469,494	739,604	1,778,603
Charges for services	5,640,273	6,364,983	6,808,704	7,763,532	9,799,667
Miscellaneous	748,276	755,405	651,467	341,392	902,337
Recovered costs	2,646,507	1,801,326	3,465,357	4,025,895	4,938,320
Intergovernmental (state and federal)	30,298,996	27,205,814	31,953,115	30,661,978	31,784,408
Total revenues	137,738,116	139,509,227	156,648,821	167,236,790	185,968,032
EXPENDITURES					
General governmental administration	9,422,694	9,046,646	9,996,622	10,820,949	11,842,572
Judicial administration	2,801,675	2,790,441	2,904,596	3,417,726	3,797,463
Public safety	22,890,619	28,218,865	28,867,772	33,448,190	36,508,483
Public works	11,469,558	8,867,259	11,347,662	10,121,770	8,691,474
Human services	15,336,213	14,840,637	17,409,953	18,643,912	20,000,898
Parks, recreation and cultural	3,801,167	4,446,149	4,314,220	4,780,299	5,393,280
Community development	4,654,911	4,360,063	4,254,248	4,507,798	4,920,539
Education expenditures, for:					
Instruction, operations and administration	52,238,183	54,046,905	59,586,631	60,195,699	65,364,031
Capital outlay	18,234,347	26,255,738	11,261,499	9,924,452	23,847,050
Debt service:					
Principal retirement	7,727,463	8,193,484	8,055,740	8,873,194	8,666,075
Interest and fiscal charges	5,138,804	5,015,871	5,794,545	5,268,461	5,389,377
Total education, primary government	83,338,797	93,511,998	84,698,415	84,261,806	103,266,533
Debt service:					
Principal retirement	1,579,260	1,561,108	1,527,625	1,448,913	1,185,722
Interest and fiscal charges	774,420	692,568	605,076	476,297	408,199
Bond issuance costs	-	-	-	-	-
Total expenditures	156,069,314	168,335,734	165,926,189	171,927,660	196,015,163
Excess of revenues over (under) expenditures	(18,331,198)	(28,826,507)	(9,277,368)	(4,690,870)	(10,047,131)
OTHER FINANCING SOURCES (USES)					
Transfers in	15,408,658	6,063,542	7,742,528	9,472,429	12,732,206
Transfers out	(14,217,374)	(5,535,931)	(6,282,077)	(9,527,429)	(12,982,206)
Bonds issued	22,065,000	21,500,000	-	17,097,408	14,739,643
Refunding bonds issued	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-
Support agreement	-	-	-	-	-
Total other financing sources (uses)	23,256,284	22,027,611	1,460,451	17,042,408	14,489,643
Net change in fund balances	\$ 4,925,086	(6,798,896)	(7,816,917)	12,351,538	4,442,512
County capital outlay (other than for education) contained in functional expenditure categories, above	\$ 8,092,149	5,452,015	5,722,320	3,651,890	4,724,911
GASB 44 debt service disclosure (primary government): (2)					
Debt service as a percentage of noncapital expenditures, primary government, governmental funds	11.7%	11.3%	10.7%	10.1%	9.3%
Self-imposed debt margin compliance (total reporting entity): (1)					
Noncapital expenditures - total reporting entity	\$ 184,410,271	195,661,023	214,131,882	232,429,030	249,296,596
Debt service as a percent of noncapital expenditures - total reporting entity	8.3%	7.9%	7.5%	6.9%	6.3%

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 2002 - 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)

Table 4 2 of 2

Fiscal Year					
2007	2008	2009	2010	2011	
116,138,314	127,752,615	134,631,877	132,160,474	130,806,022	REVENUES
27,952,788	29,953,700	27,050,122	26,077,337	26,856,220	General property taxes
2,840,734	2,570,668	1,756,291	1,493,234	1,771,735	Other local taxes
979,511	967,867	1,111,383	1,145,092	1,234,619	Permits, privilege fees and regulatory licenses
2,948,143	2,507,279	1,386,151	747,670	663,868	Fines and forfeitures
9,163,731	8,165,843	7,982,604	7,758,435	7,734,023	Revenues from use of money and property
534,902	654,065	839,426	621,088	728,750	Charges for services
4,901,798	6,824,257	6,677,511	3,366,236	3,939,877	Miscellaneous
31,601,395	34,398,123	33,571,769	32,739,887	32,981,600	Recovered costs
197,061,316	213,794,417	215,007,134	206,109,453	206,716,714	Intergovernmental (state and federal)
					Total revenues
12,998,848	13,604,057	13,221,357	13,065,175	13,264,877	EXPENDITURES
3,864,913	4,342,825	5,603,761	4,452,332	4,238,674	General governmental administration
40,357,437	47,391,988	61,749,637	56,977,215	52,271,337	Judicial administration
8,361,994	12,212,146	15,502,385	10,387,021	9,048,288	Public safety
21,453,342	22,960,809	24,195,148	25,624,808	26,117,943	Public works
6,564,538	9,221,302	10,083,714	7,231,464	7,567,583	Human services
5,313,263	5,547,312	5,940,549	6,360,382	5,474,907	Parks, recreation and cultural
					Community development
					Education expenditures, for:
67,881,714	75,940,541	79,411,219	70,527,127	67,587,462	Instruction, operations and administration
21,461,655	22,020,675	9,706,041	7,868,873	7,700,153	Capital outlay
					Debt service:
10,064,060	10,888,261	11,336,693	11,932,672	11,111,792	Principal retirement
5,592,647	5,936,066	6,061,070	5,495,314	5,546,302	Interest and fiscal charges
105,000,076	114,785,543	106,515,023	95,823,986	91,945,709	Total education, primary government
					Debt service:
1,220,185	1,578,504	1,697,930	2,155,086	2,065,489	Principal retirement
292,753	696,081	514,194	862,522	1,518,217	Interest and fiscal charges
160,802	31,161	360,492	287,099	326,444	Bond issuance costs
205,588,151	232,371,728	245,384,190	223,227,090	213,839,468	Total expenditures
(8,526,835)	(18,577,311)	(30,377,056)	(17,117,637)	(7,122,754)	Excess of revenues over (under) expenditures
12,970,459	16,327,577	16,039,580	9,930,074	9,196,315	OTHER FINANCING SOURCES (USES)
(13,589,531)	(16,557,255)	(16,372,661)	(10,130,777)	(9,530,584)	Transfers in
21,487,759	14,614,880	21,679,548	27,228,580	12,809,071	Transfers out
14,653,901	-	24,962,676	-	5,660,579	Bonds issued
(14,538,703)	-	(24,758,539)	-	(10,844,571)	Refunding bonds issued
-	-	-	-	7,327,036	Payments to escrow agent
20,983,885	14,385,202	21,550,604	27,027,877	14,617,846	Support agreement
					Total other financing sources (uses)
12,457,050	(4,192,109)	(8,826,452)	9,910,240	7,495,092	Net change in fund balances
7,706,846	11,459,039	22,252,664	18,214,702	13,066,182	County capital outlay (other than for education) contained in functional expenditure categories, above
9.8%	9.6%	9.4%	10.5%	10.7%	GASB 44 Debt Service Disclosure (primary government): (2)
					Debt service as a percentage of noncapital expenditures, primary government, governmental funds
273,302,713	292,793,745	307,559,903	296,946,733	289,156,980	Self-imposed debt margin compliance (total reporting entity): (1)
6.3%	6.5%	6.5%	7.0%	7.1%	Noncapital expenditures - total reporting entity
					Debt service as a percent of noncapital expenditures - total reporting entity

To assist the reader, the fiscal year 2011 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 2011	Self-imposed	GASB 44
	Total	
	Reporting Entity	Primary Government
	(Note 1)	(Note 2)
Total expenditures	\$ 311,392,516	213,839,468
Less:		
Capital Outlay	(22,235,536)	(20,766,335)
Noncapital expenditures	\$ 289,156,980	193,073,133
Debt service expenditures	\$ 20,568,244	20,568,244
As a % of noncapital expenditures	7.1%	10.7%

COUNTY OF HANOVER, VIRGINIA

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

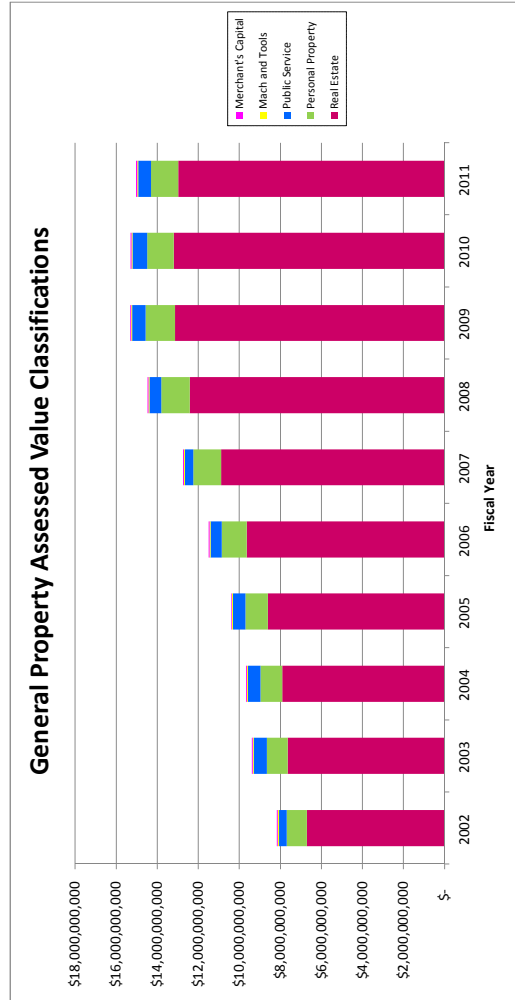
Last Ten Fiscal Years

Table 5

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
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%
2011	12,976,492,850	1,317,726,666	46,767,920	56,331,127	636,154,791	15,033,473,354	1.06	16,251,114,190	92.5%
% Change	-1.7%	2.2%	-6.0%	5.9%	-10.4%	-1.8%			-1.8%
% Ch. Since 2002	93.5%	34.5%	-35.3%	50.2%	70.9%	84.0%			73.3%
% of Total	86.3%	8.8%	0.3%	0.4%	4.2%	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.
(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



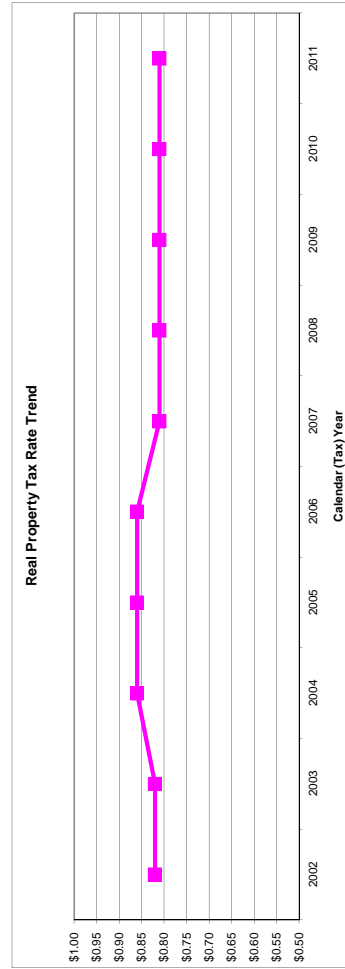
COUNTY OF HANOVER, VIRGINIA
Direct and Overlapping Property Tax Rates
Last Ten Calendar (Tax) Years

Table 6

Calendar (Tax) Year (1)	County of Hanover, Virginia Direct Rates (1,2)										County Total Direct Tax Rate For each			Town of Ashland (Overlapping Rates) (4)			
	Real Property	Power Generating Equipment	Personal Property	Fire and Rescue Volunteers		Aircraft	Machinery and Tools	Merchant's Capital	Fiscal Year Shown (3)	Real Property	Personal Property	Machinery and Tools					
2002	\$	0.82	\$	3.64	\$	1.82	\$	1.00	\$	1.90	1.18	\$	0.09	\$	0.77	\$	0.77
2003		0.82	0.45	3.64	1.82	1.00	3.64	1.00	3.64	1.90	1.14	0.09	0.09	0.77	0.77	0.77	0.77
2004		0.86	0.49	3.64	1.82	1.00	3.64	1.00	3.64	1.90	1.16	0.09	0.09	0.77	0.77	0.77	0.77
2005		0.86	0.49	3.64	1.82	1.00	3.64	1.00	3.64	1.90	1.17	0.09	0.09	0.77	0.77	0.77	0.77
2006		0.86	0.55	3.57	1.78	1.00	3.57	1.00	3.57	1.90	1.16	0.07	0.07	0.77	0.77	0.77	0.77
2007		0.81	0.55	3.57	1.78	0.50	3.57	0.50	3.57	1.90	1.14	0.07	0.07	0.77	0.77	0.77	0.77
2008		0.81	0.55	3.57	1.78	0.50	3.57	0.50	3.57	1.90	1.08	0.09	0.09	0.77	0.77	0.77	0.77
2009		0.81	0.55	3.57	1.78	0.50	3.57	0.50	3.57	1.90	1.07	0.09	0.09	0.77	0.77	0.77	0.77
2010		0.81	0.55	3.57	1.78	0.50	3.57	0.50	3.57	1.90	1.05	0.09	0.09	0.77	0.77	0.77	0.77
2011		0.81	0.55	3.57	1.78	0.50	3.57	0.50	3.57	1.90	1.06	0.09	0.09	0.77	0.77	0.77	0.77
% Change		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Ch. Since 2002		-1.2%	n/a	-1.9%	-2.2%	-50.0%	-1.9%	-10.2%	0.0%	0.0%	-10.2%	0.0%	0.0%	0.0%	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 assessed valuation and calculated on the weighted average basis.
- (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

Principal Property Tax Payers (1)

Current Year and Nine Years Ago

Table 7

Taxpayer	Type of Business	2011			2002		
		General Property Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Rank	General Property Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Doswell Limited Partnership (2)	Power generation facility	\$ 309,014,379	2.1%	1	\$ 47,961,230	7	0.6%
Virginia Electric and Power Company	Electric company	142,837,079	1.0%	2	106,685,391	1	1.3%
Memorial Regional Medical Center	Hospital/medical center	114,712,595	0.8%	3	65,422,430	4	0.8%
Paramount Parks, Inc.	Entertainment	80,373,875	0.5%	4	66,328,475	3	0.8%
Verizon Virginia	Telecommunications	54,740,491	0.4%	5	61,958,820	5	0.8%
SuperValu	Food distributor	45,027,285	0.3%	6	51,072,450	6	0.6%
Bear Island Paper Company	Paper mill	44,847,015	0.3%	7	46,551,325	8	0.6%
Richmond Newspapers, Inc./Media General, Inc.	Newspaper publisher	43,544,735	0.3%	8	72,468,415	2	0.9%
Rappahannock Electric Coop	Electric company	39,608,980	0.3%	9	-	n/a	-
Covenant Woods	Nursing home	38,851,905	0.3%	10	-	n/a	-
Virginia Natural Gas	Natural gas distributor	-	-	n/a	26,659,238	9	0.3%
RMH Property Company II, LLC	Real estate holding company	-	-	n/a	25,698,400	10	0.3%
		<u>\$ 913,558,339</u>	<u>6.1%</u>		<u>\$ 570,806,174</u>		<u>7.0%</u>
Total taxable assessed values		<u>\$ 15,033,473,354</u>			<u>\$ 8,169,486,600</u>		

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
2002	\$ 85,936,924	\$ 83,891,211	97.6%	\$ 2,039,379	\$ 85,930,590	100.0%
2003	90,962,517	86,678,830	95.3%	4,260,015	90,938,845	100.0%
2004	98,276,555	95,328,641	97.0%	2,922,896	98,251,537	100.0%
2005	106,293,313	102,152,923	96.1%	4,107,414	106,260,337	100.0%
2006	117,153,995	113,003,453	96.5%	3,869,199	116,872,652	99.8%
2007	128,606,341	123,943,881	96.4%	4,266,051	128,209,932	99.7%
2008	139,951,410	134,776,945	96.3%	4,239,239	139,016,184	99.3%
2009	146,731,880	140,814,064	96.0%	4,029,313	144,843,377	98.7%
2010	142,757,714	137,896,486	96.6%	1,753,375	139,649,861	97.8%
2011	141,464,681	136,643,777	96.6%	-	136,643,777	96.6%

Notes: (1) Source: County of Hanover, 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.

COUNTY OF HANOVER, VIRGINIA

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

Table 9

Fiscal Year	Governmental Activities										
	General Bonded Debt Outstanding (1)										
	General Obligation Bonds	Virginia Public School Authority Bonds	State Lottery Fund Loans	Total Bonded Debt	Estimated Actual Value of Taxable Property	Bonded Debt to Estimated Actual Value of Taxable Property	Percent of General Population (2)	General Bonded Debt per Capita	Capital Leases	Support Agreement	
2002	\$ 52,925,000	\$ 47,821,877	\$ 11,868,750	\$ 112,615,627	\$ 9,375,815,313	1.2%	91,521	\$ 1,230	\$ 8,571,125	\$ -	
2003	71,530,000	43,158,143	10,839,000	125,527,143	10,437,673,444	1.2%	95,647	1,340	7,405,117	-	
2004	68,635,000	38,532,153	9,909,250	117,076,403	10,734,661,024	1.1%	95,459	1,226	5,456,935	-	
2005	64,740,000	50,093,709	9,079,500	123,913,209	11,517,095,356	1.1%	96,520	1,284	5,218,579	-	
2006	60,745,000	59,820,042	8,249,750	128,814,792	12,689,954,469	1.0%	98,126	1,313	4,427,857	-	
2007	78,260,000	54,136,732	7,519,000	139,915,732	13,888,502,922	1.0%	99,047	1,413	3,602,672	-	
2008	73,085,000	62,277,427	6,788,250	142,150,677	15,673,250,517	0.9%	99,713	1,426	2,739,169	-	
2009	87,370,000	56,032,984	6,156,000	149,558,984	16,533,565,376	0.9%	100,051	1,495	1,836,239	-	
2010	107,215,000	50,013,562	5,552,750	162,781,312	16,555,688,273	1.0%	100,408	1,621	3,330,677	-	
2011	112,595,000	44,863,770	-	157,458,770	16,251,114,190	1.0%	100,822	1,562	2,712,424	7,314,184	
% Change	5.0%	-10.3%	-100.0%	-3.3%	-1.8%	-1.5%	0.4%	-3.7%	-18.6%	100.0%	
% Ch. Since 2002	112.7%	-6.2%	-100.0%	39.8%	73.3%	-19.3%	10.2%	26.9%	-68.4%	100.0%	
Fiscal Year	Business-type Activities										
	Total Primary Government										
	Revenue Bonds	Support Agreement	Total Primary Government Income (000's)	Total Personal Income (2)	Per Capita Personal Income (2)	Total Primary Government Debt as a Percentage of Personal Income	Total Primary Government Debt	Outstanding Debt by General Governmental Expenditures (4)	Ratio of Outstanding Debt by General Governmental Expenditures (4) to Total General Governmental Expenditures (5)	Ratio of Outstanding Debt by General Governmental Expenditures (4) to Total General Governmental Expenditures (5) per Capita (6)	Ratio of Outstanding Debt by General Governmental Expenditures (4) to Total General Governmental Expenditures (5) per Capita (6)
2002	\$ 16,505,000	\$ -	\$ 137,691,852	\$ 3,190,693	\$ 34,863	4.3%	1,504	\$ 121,186,852	1.5%	\$ 1,324	\$ 3,230
2003	26,597,684	-	159,529,944	3,354,845	35,824	4.8%	1,704	132,932,260	1.4%	1,420	3,504
2004	36,205,779	-	158,739,117	3,334,059	37,022	4.5%	1,663	122,533,338	1.3%	1,284	3,162
2005	33,868,168	-	162,999,956	3,758,827	38,944	4.3%	1,689	129,131,788	1.2%	1,338	3,182
2006	41,051,727	-	174,294,376	4,008,876	40,854	4.3%	1,776	133,242,649	1.2%	1,358	3,153
2007	40,953,945	-	184,472,349	4,306,337	43,478	4.3%	1,862	143,518,404	1.1%	1,449	3,218
2008	39,324,531	-	184,214,377	4,399,549	44,122	4.2%	1,847	144,889,846	1.0%	1,453	3,222
2009	37,228,336	-	188,623,559	4,300,069	42,979	4.4%	1,885	151,395,223	1.0%	1,513	3,480
2010	34,977,770	-	201,089,759	4,315,435	42,979	4.7%	2,003	166,111,989	1.1%	1,654	3,787
2011	22,226,555	10,562,075	200,274,008	4,333,228	42,979	4.6%	1,986	167,485,378	1.1%	1,661	3,664
% Change	-36.5%	100.0%	-0.4%	0.4%	0.0%	-0.8%	-0.8%	0.8%	2.6%	0.4%	-3.3%
% Ch. Since 2002	34.7%	100.0%	45.5%	35.8%	23.3%	7.1%	32.0%	38.2%	-24.9%	25.5%	13.4%

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 2002 through 2009 (the last year available) is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce.

Per Capita Personal Income for 2010 and 2011 is assumed to be equal to 2009, the last year for which Personal Income data is available from the U.S. Department of Commerce. Personal Income amounts for 2010 and 2011 are calculated by multiplying the population estimates by the Per Capita Personal Income estimates for each year.

(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, governmental activity capital lease obligations, and governmental activities support agreements 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 (\$2,057 for fiscal year 2011). 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

Direct and Overlapping Governmental Activities Debt

June 30, 2011

Table 10

	<u>Governmental Unit</u>	<u>General Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable to County of Hanover</u>	<u>Estimated Share of Direct and Overlapping Debt</u>	<u>Legal Debt Margin</u>
Overlapping debt (2)	Town of Ashland	\$ 405,000	80.5%	\$ 326,059	
Direct debt (1)	County of Hanover	157,458,770		157,458,770	(3)
Total direct and overlapping debt				<u>\$ 157,784,829</u>	

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

Table 11

Utility - Water and Sewer Revenue Bonds

Fiscal Year	Utility Revenues (3,8)	Less: Operating Expenses (4)	Net Available Revenues	Debt Service Requirements		Net Available Revenues Coverage (5)	Utility - Debt Covenant Coverage Ratio (1.2,6)		Debt Covenant Coverage Test
				Principal	Interest		Senior Debt Service	Subordinate Debt Service	
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
2011	25,293,064	15,245,233	10,047,831	2,385,498	1,286,239	2.7	3,501,011	170,726	2.4
% Change			46.4%	5.7%	-6.1%	44.6%	1.2%	2.1%	44.6%
% Ch. Since 2002			-23.4%	112.0%	16.1%	-53.4%	166.2%	-81.4%	-55.7%

Airport Revenue Bond

Fiscal Year	Rent received from Airport Fixed Base Operator	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Available Revenues Coverage (5)	Airport - Debt Covenant Coverage Ratio (1.7)		Debt Covenant Coverage Test
				Principal	Interest		Rent Received	Restricted cash - (used during current FY or available at FYE for debt service)	
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
2011	157,330	-	157,330	60,605	83,372	1.1	157,330	-	36,000 1.3
% Change			3.0%	5.1%	-3.4%	3.0%	3.0%	-100.0%	0.0%
% Ch. Since 2008			157.8%	129.6%	17.6%	74.2%	157.8%	-100.0%	-48.4%

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 2002 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

Demographic Statistics
Last Ten Fiscal Years

Table 12

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
2002	91,521	\$ 3,190,693	\$ 34,863	37.4	3.3%	17,198	1,245	13.8
2003	93,647	3,354,845	35,824	37.4	3.2%	17,580	1,315	13.4
2004	95,459	3,534,059	37,022	37.4	3.0%	17,979	1,381	13.0
2005	96,520	3,758,827	38,944	39.5	2.9%	18,150	1,434	12.7
2006	98,126	4,008,876	40,854	39.2	2.5%	18,518	1,485	12.5
2007	99,047	4,306,337	43,478	38.9	2.5%	18,844	1,563	12.1
2008	99,713	4,399,549	44,122	40.4	3.5%	18,686	1,577	11.8
2009	100,051	4,300,069	42,979	41.1	6.6%	18,566	1,614	11.5
2010	100,408	4,315,435	42,979	41.1	6.5%	18,420	1,569	11.7
2011	100,822	4,333,228	42,979	41.1	6.0%	18,191	1,489	12.2
% Change	0.4%	0.4%	0.0%	0.0%	-7.7%	-1.2%	-5.1%	4.1%
% Ch. Since 2002	10.2%	35.8%	23.3%	9.9%	81.8%	5.8%	19.6%	-11.6%

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 2002 through 2009 (the last year available) is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce. Per Capita Personal Income for 2010 and 2011 is assumed to be equal to 2009, the last year for which Personal Income data is available from the U.S. Department of Commerce. Personal Income amounts for 2010 and 2011 are calculated by multiplying the population estimates by the Per Capita Personal Income estimates for each year.

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

(3) Virginia Employment Commission.

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

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

COUNTY OF HANOVER, VIRGINIA

Principal Employers (1)

Current Year and Nine Years Ago

Table 13

Employer	Type of Business	2010			2001		
		Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
Hanover County Schools	Education	2,678	1	5.2%	2,131	1	4.5%
Bon Secours Memorial Regional Medical	Hospital/Medical Center	1,000-2,999	2	3.9%	1,000-2,999	2	4.2%
County of Hanover	Government	1,182	3	2.3%	829	5	1.8%
Randolph Macon College	Education	500-999	4	1.5%	500-999	6	1.6%
Tyson Foods	Food Manufacturing	500-999	5	1.5%	1,000-2,999	3	4.2%
Supervalu Eastern Region	Food Distributor	500-999	6	1.5%	1,000-2,999	4	4.2%
Paramount Kings Dominion	Entertainment	500-999	7	1.5%	500-999	8	1.6%
Wal-Mart Stores	Retail	250-499	8	0.7%	500-999	7	1.6%
Sales Mark	Wholesale Electronic Markets	250-499	9	0.7%		n/a	
Kroger	Food and Beverage Stores	250-499	10	0.7%		n/a	
Culpeper Star Exponent	Newspaper Publisher		n/a		250-499	9	0.8%
Ukrops	Food and Beverage Stores		n/a		250-499	10	0.8%
Totals				19.9%			25.3%

Total County Employment (3)

51,529

47,272

Notes:

- (1) Sources: County and Schools employment levels provided by the Hanover County Department of Finance and Management Services, Budget Division. Other data provided by the Virginia Employment Commission (VEC) and the Hanover County Economic Development Department. Employment levels represent full-time equivalents. The most recent year for which this data is available is 2010.
- (2) Employment ranges for the private sector are as published by the VEC to ensure confidentiality. Percentages are based on the midpoint of the employment range.
- (3) VEC Annual not Seasonally Adjusted Labor Force

Function/Program	Full-time Equivalent Employees as of June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Primary government:										
General governmental administration	122	124	126	131	135	138	140	145	141	138
Judicial administration	44	47	49	52	54	54	57	59	59	59
Public safety	317	341	345	381	415	433	457	472	474	470
Public works	53	60	61	64	66	71	73	73	73	68
Human services	173	211	214	220	230	235	221	227	226	223
Parks, recreation and cultural	42	42	42	45	46	47	49	50	50	49
Community development	32	31	31	32	31	33	34	31	35	30
Public utilities	84	88	88	92	92	93	95	96	96	95
Fleet management	26	26	26	26	26	27	28	29	29	29
Totals - Primary government	893	970	982	1,043	1,095	1,131	1,154	1,181	1,183	1,161
Component Unit:										
School Board	2,227	2,373	2,548	2,673	2,713	2,827	2,903	2,973	2,678	2,544
Total:	3,120	3,343	3,530	3,716	3,808	3,958	4,057	4,154	3,861	3,705

Notes: (1) Source: Hanover County Department of Finance and Management Services, Budget Division.

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

Table 15

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Primary government:										
General governmental administration										
Number of registered voters	54,086	56,000	56,000	58,741	62,960	63,059	65,290	67,322	68,294	68,426
Number of real estate transfers	3,907	4,024	4,024	3,689	3,490	3,293	3,564	2,173	2,874	3,061
State income tax returns processed	25,000	25,000	25,000	12,529	10,200	12,225	10,790	8,038	7,757	6,670
Judicial administration										
Judgments docketed	3,139	2,230	2,540	2,513	3,104	3,330	3,330	3,388	3,740	4,321
Public safety										
Sheriff incidents	43,748	47,089	49,788	49,783	46,259	42,340	42,928	41,863	40,189	41,546
Number of sworn officers	153	158	160	170	180	189	196	201	201	201
Fire/EMS incidents	8,678	9,151	8,725	8,789	9,401	10,712	7,954	10,735	11,705	13,381
Animal control incidents	7,272	6,946	6,169	6,720	6,866	8,018	7,881	8,508	7,029	6,720
Commercial building plan reviews	301	303	358	532	467	517	624	414	439	380
Residential building plan reviews	1,763	1,727	1,643	1,518	1,608	1,427	1,330	1,051	1,025	1,093
Public works										
Tons of solid waste received	35,500	34,600	34,600	37,714	37,710	37,086	39,306	38,243	37,700	37,685
Tons of solid waste recycled	-	-	-	14,342	13,716	14,000	13,300	17,000	18,000	18,604
Human services										
Communicable disease visits/investigations	317	300	300	585	873	689	533	969	429	264
Immunization visits (3)	3,088	3,300	3,300	1,650	1,005	693	501	358	9,454	1,208
Restaurant inspection visits	248	330	330	689	590	1,068	1,449	1,024	560	792
Social services lobby visits	8,288	9,866	9,866	9,764	9,425	10,150	12,143	16,271	15,377	17,632
Social services telephone calls received	29,995	43,288	43,288	35,950	30,521	28,206	22,413	25,679	24,089	25,997
Number of Hanover Youth Service Council (HYSC) projects	25	38	29	30	26	30	36	34	39	48
HYSC Volunteer hours reported	407	602	594	618	508	762	711	780	1,406	1,793
County employees United Way contribution	53,401	45,943	45,943	51,958	55,344	60,115	64,896	60,294	60,945	56,816
Parks, recreation and cultural										
Active Library borrowers	33,476	37,641	37,641	45,422	49,311	52,657	50,149	56,968	65,558	74,382
Internet sessions	33,409	41,765	41,765	61,023	66,218	70,189	72,130	84,423	114,945	112,562
Library reference questions answered	-	-	-	148,470	169,834	193,942	214,409	240,776	295,810	262,127
Community development										
Economic development services to existing/prospective businesses	295	410	410	455	423	350	350	311	311	250
Public utilities										
Water customers	17,241	17,918	18,389	18,825	19,260	19,472	19,742	19,930	20,125	20,381
Wastewater customers	15,678	16,143	16,597	17,001	17,384	17,661	17,931	18,178	18,367	18,604
Daily average water distributed (million gallons/day)	6.35	6.20	6.35	6.35	7.30	8.80	8.50	8.20	8.70	9.04
Maximum daily water capacity (million gallons/day)	10.93	16.00	16.00	19.95	19.95	19.95	19.95	19.95	19.95	19.95
Daily average wastewater treatment (million gallons/day)	5.29	5.80	6.06	6.29	5.43	6.20	5.60	6.70	6.93	6.94
Maximum daily capacity of wastewater treatment plant (mg/d)	6.78	8.48	8.48	13.48	13.48	13.50	13.50	13.50	15.50	15.50
Fleet management										
School buses serviced	250	261	261	302	305	302	301	309	311	303
Public safety vehicles serviced	350	371	371	410	420	425	434	433	442	428
Fleet availability	-	96%	96%	97%	96.5%	96.8%	96.7%	97.0%	97.0%	96.2%

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.

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	43,436	43,436	43,436	47,436
Judicial administration										
Estimated square feet - all judicial buildings	40,796	40,796	40,796	40,796	40,796	58,460	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	200,804	208,804	213,447
Number of sheriff's stations	1	1	1	1	1	1	1	1	1	1
Correctional facility inmate capacity	429	429	429	429	429	437	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	210	210	210	232	232	232	232	232	280
Aircraft hanger spaces - County Airport	40	40	40	40	40	46	54	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	52,939	52,939	62,939
Parks, recreation and cultural										
Number of County parks/boat launch (2)	11	11	11	11	11	12	14	14	14	13
Park acreage	705	705	705	756	756	809	1,081	1,116	1,116	1,190
Public utilities										
Miles of water mains	225	310	351	354	355	366	380	387	389	398
Number of fire hydrants	1,825	1,825	1,826	1,915	1,941	2,041	2,162	2,245	2,309	2,367
Miles of sanitary sewers	302	303	333	346	348	347	356	360	362	369
Number of wastewater treatment plants	3	3	4	4	4	4	4	4	4	4
Fleet management										
Number of vehicles maintained	955	969	982	1,075	1,085	1,100	1,145	1,200	1,220	1,200
School Board Component Unit:										
Number of elementary schools	13	13	13	13	13	14	14	15	15	15
Number of secondary schools	7	7	8	8	8	8	8	8	8	8
Alternative Education Facility	-	-	-	-	-	-	1	1	1	1
Number of Technology Centers	-	-	-	-	-	-	-	1	1	1

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



COMPLIANCE SECTION



**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, 2011, and have issued our report thereon dated November 16, 2011. 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

Management of the County is responsible for establishing and maintaining effective 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.

Cheng Eckert + Holland, L.L.P.

Richmond, Virginia
November 16, 2011



**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, 2011. 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, 2011.

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.

Cheng Beckert + Holland, L.L.P.

Richmond, Virginia
November 16, 2011

COUNTY OF HANOVER, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	Program Clusters	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Passed Through the Commonwealth of Virginia:			
Department of Agriculture and Consumer Services:			
National School Lunch Program - Cafeteria (commodities)	10.555	\$ 270,459	
Department of Education:			
School Breakfast Program	10.553	246,667	
National School Lunch Program	10.555	<u>1,035,644</u>	
Total Child Nutrition Cluster			\$ 1,552,771
Department of Health:			
Child & Adult Care Food Program	10.558		29,251
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	531,164	
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>51,037</u>	
Total SNAP Cluster			582,200
DEPARTMENT OF DEFENSE:			
Direct Payments:			
JROTC	12.000		197,394
DEPARTMENT OF THE INTERIOR:			
Direct Payments:			
Payments in Lieu of Taxes (PILT)	15.226		8,189
DEPARTMENT OF JUSTICE:			
Direct Payments:			
Bulletproof Vest Partnership Program	16.607		4,700
Passed Through the Commonwealth of Virginia:			
Department of Criminal Justice Services:			
Title V_Delinquency Prevention Program (10-A6158TV08)	16.548		2,603
Department of Social Services:			
Crime Victim Assistance (SVC-09-038-28)	16.575		30,333
DEPARTMENT OF TRANSPORTATION:			
Direct Payments:			
Department of Aviation:			
Airport Improvement Program	20.106		540,601
Passed Through the Commonwealth of Virginia:			
Department of Transportation:			
Highway Planning and Construction	20.205	<u>274,427</u>	
Total Highway Planning and Construction Cluster			274,427
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607		44,629
ENVIRONMENTAL PROTECTION AGENCY:			
Direct Payments:			
Congressional Mandated Projects	66.202		63,681
Passed Through the Commonwealth of Virginia:			
Virginia Department of Environmental Quality:			
ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		342,275
DEPARTMENT OF ENERGY:			
Direct Payments:			
ARRA - Energy Efficiency & Conservation Block Grant Program (EECBG)	81.128		252,636
DEPARTMENT OF EDUCATION:			
Passed Through the Commonwealth of Virginia:			
Department of Education:			
Adult Education - Basic Grants to States (V002A080046)	84.002		96,380
Title I Grants to Local Educational Agencies (S010A080046)	84.010	<u>628,082</u>	
Total Title I, Part A Cluster			628,082
Career and Technical Education - Basic Grants to States (V0488A080046)	84.048		165,680
Special Education_Grants to States (H027A080107; H027A090107/FFY09)	84.027	2,680,670	
Special Education_Preschool Grants (H173A080112)	84.173	78,291	
ARRA - Special Education Grants to States, Recovery Act (H391A090107)	84.391	1,610,318	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	<u>110,100</u>	
Total Special Education Cluster (IDEA)			4,479,379
Education Technology State Grants (S318X080046)	84.318	<u>8,089</u>	
Total Educational Technology State Grants Cluster			8,089
English Language Acquisition Grants	84.365		13,575
Improving Teacher Quality State Grants (S367A080044)	84.367		305,729
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	<u>5,399,991</u>	
Total State Fiscal Stabilization Fund Cluster			5,399,991

COUNTY OF HANOVER, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	Program Clusters	Federal Expenditures
DEPARTMENT OF EDUCATION, CONTINUED:			
Department of Behavioral Health & Developmental Services:			
Special Education - Grants for Infants & Families (720C-04118-07-13)	84.181	\$ 51,161	
ARRA - Special Education - Grants for Infants & Families, Recovery Act	84.393	95,479	
Total Early Intervention Services (IDEA) Cluster			\$ 146,640
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Payments:			
Head Start (03CH0337)	93.600	944,967	
Total Head Start Cluster			944,967
Passed Through the Regional Drug Free Alliance:			
Drug-Free Communities Support Program Grants	93.276		547
Passed Through the Commonwealth of Virginia:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		28,714
Temporary Assistance for Needy Families	93.558	337,538	
Total TANF Cluster			337,538
Refugee & Entrant Assistance, State Administered Programs	93.566		1,079
Low-Income Home Energy Assistance	93.568		12,677
Child Care and Development Block Grant	93.575	412,366	
ARRA - Child Care and Development Block Grant	93.713	32,431	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	248,570	
ARRA - Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	4,826	
Total CCDF Cluster			698,193
Chafee Education and Training Vouchers Program (ETV)	93.599		12,600
Stephanie Tubbs Jones Child Welfare Services Program	93.645		1,422
Foster Care, Title IV-E	93.658		428,436
ARRA - Title IV-E Foster Care	93.658		14,939
Adoption Assistance	93.659		174,787
ARRA - Title IV-E Adoption Assistance	93.659		11,318
Social Services Block Grant	93.667		193,712
Chafee Foster Care Independence Program	93.674		6,586
Department of Medical Assistance Services:			
Children's Health Insurance Program	93.767		140,555
Medical Assistance Program	93.778	396,891	
Total Medicaid Cluster			396,891
Department of Behavioral Health and Developmental Services:			
Block Grants for Community Mental Health Services (44506-50138)	93.958		67,025
Block Grants for Prevention and Treatment of Substance Abuse (44501-50148 & 50178; 720C-04220-09M06)	93.959		386,392
DEPARTMENT OF HOMELAND SECURITY:			
Direct Payments:			
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083		362,640
Passed Through the United Way:			
Emergency Food and Shelter National Board Program	97.024	10,000	
Total Emergency Food and Shelter Program Cluster			10,000
Passed Through the Commonwealth of Virginia:			
Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		36,305
Interoperable Emergency Communications	97.055		115,981
			<u>\$19,552,538</u>

COUNTY OF HANOVER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

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, 2011, 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.

COUNTY OF HANOVER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

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 \$272,459 are included in revenues from the Federal government in the General Fund, but are not subject to the Single Audit Act and are not reported 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	\$	20,151,749
Less: Direct Federal interest rate subsidies		(272,459)
Add (subtract) Federal awards revenue recognized:		
In prior fiscal years, spent this fiscal year		99,967
In current fiscal years, but not spent		(426,719)
Expenditures of Federal awards	\$	<u>19,552,538</u>

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, 2011

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:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
Child Nutrition Cluster	10.553 and 10.555
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805
Special Education Cluster (IDEA)	84.027, 84.173, and 84.391
Energy Efficiency & Conservation Block Grant Program (EECBG)	81.128
Title I Grants to Local Educational Agencies	84.010
State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act	84.394

10. Dollar threshold to distinguish between Types A and B Programs: **\$599,209**
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 DEPARTMENT OF FINANCE AND MANAGEMENT SERVICES

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

ACCOUNTING/FINANCIAL REPORTING

Craig D. Eastman, CPA, Accounting Division Director
Barbara J. Horlacher, CPA, Accountant
Howard W. Eckstein, Accountant
Nancy M. Mancuso, Account Clerk
Connie L. Mills, Account Clerk
Pamela J. Hawkins, Technician
Donna B. Neely, Technician

BUDGET

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

PURCHASING

Alan Wright, Purchasing Division Director
Trena Ponton, Purchasing Officer
Patti Beasley, Purchasing Officer
Kristin St. Germain, Administrative Assistant

Hanover: People, Tradition and Spirit

HANOVER COUNTY



PEOPLE, TRADITION AND SPIRIT

OUR VISION

A place inspired by its people, tradition and spirit, which will be the premier community for people and businesses to achieve their full potential

OUR MISSION

To be a premier community by providing superior service through creativity, innovation and sound financial practices

OUR VALUES

Integrity

Accountability

Respect

Inclusiveness