

**COUNTY OF HENRICO**

**VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For The Fiscal Year Ended  
June 30, 2013**

**Prepared By  
The Director of Finance**



**COUNTY OF HENRICO, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**for the Fiscal Year Ended June 30, 2013**

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## **INTRODUCTORY SECTION**





John A. Vithoulkas  
County Manager

COMMONWEALTH OF VIRGINIA  
COUNTY OF HENRICO

November 20, 2013

The Honorable Board of Supervisors  
County of Henrico  
Virginia

Honorable Members of the Board:

We are pleased to present the County of Henrico's (County) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This report is intended to provide informative and relevant financial data for the residents of the County, the Board of Supervisors, investors, creditors and any other interested readers. It includes all financial statements and disclosures necessary for the reader to obtain a thorough understanding of the County's financial activities. The reader should pay particular attention to the Management's Discussion and Analysis, a required supplemental narrative overview of the financial statements included in this document. Any individual with comments or questions concerning this report is encouraged to contact the County's Department of Finance at (804) 501-5200. This report may also be found online at [www.co.henrico.va.us](http://www.co.henrico.va.us).

The financial statements included in this report conform to the U.S. generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB). The County's management is responsible for the establishment and maintenance of accounting and other internal controls to accomplish three purposes: ensuring compliance with applicable laws and County policies, safeguarding assets, and properly recording reliable financial information for the preparation of the County's financial statements and related notes thereto in accordance with GAAP. Because their cost should not outweigh their benefits, the County's comprehensive framework of internal controls is designed to provide reasonable assurance that financial statements will be free from material misstatement rather than absolute assurance. County management is responsible for the accuracy and fairness of the presentation of the financial statements and other information as presented herein and, to the best of management's knowledge, the data presented in this report are complete and accurate in all material respects.

KPMG LLP, a certified public accounting firm, audited the County's financial statements as of and for the fiscal year ended June 30, 2013. The independent auditors planned and performed the audit to obtain reasonable assurance about whether the financial statements of the County are free of material misstatement. KPMG LLP has formed and expressed unmodified opinions stating that the County's financial statements as of and for the fiscal year ended June 30, 2013, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report on the County's financial statements is presented as the first

component of the Financial Section of this report. The independent audit of the financial statements of the County is 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 auditors to report not only on the fair presentation of the financial statements, but also on the audited government’s compliance with federal requirements that could have a direct and material effect on each of its major federal programs and on internal control over compliance in accordance with the U.S. Office of Management and Budget Circular A-133. This “Single Audit” information is available in a separately issued report, which is available upon request from the County’s Department of Finance.

### **Profile of the Government**

The County of Henrico is located in central Virginia and surrounds the City of Richmond on the north side of the James River and constitutes approximately a third of the Richmond Metropolitan area. The County’s location in the middle of the eastern seaboard is within 750 miles of two-thirds of the nation’s population and is ideal for commerce due to the intersection of Interstate-95 and Interstate-64 as well as its accessibility along Interstate-295, from Route 895 and Route 288, major rail lines and the James River, which is home to an international port. It is also home to Richmond International Airport, the primary airport for the Richmond Metropolitan Area. Henrico County is also convenient to nearby oceanic ports in the Tidewater region of Virginia. Currently, based on the recent county population estimates, 318,158 Henrico County residents (approximately one third of the Richmond Metropolitan area) live in a well-planned community of approximately 244 square miles that consists of highly developed urban and suburban areas, as well as undeveloped agricultural and forest land.

Henrico’s history as a community dates back to 1607 when Captain Christopher Newport and a band of adventurers from Jamestown (consisting of Captain John Smith, George Percy and others) rowed ashore at the foot of the James River. Captain Newport erected a cross and claimed the land for God and England. Four years after the discovery and exploration, Sir Thomas Dale, Deputy Governor of Virginia, founded Henrico and named it for Prince Henry Frederick, eldest son of King James I. In another four months, it was a bustling community as John Rolfe successfully cultivated a Spanish-type of tobacco similar to that produced in Varinas, Spain, giving birth to America’s tobacco industry. In 1614, Rolfe married Princess Pocahontas, daughter of the Great Indian King Powhatan. Her profile now appears on the Henrico County Seal as a symbol of Henrico’s place in our nation’s history. In 1634, Henrico became one of the original eight shires in the Virginia Colony. Since it was adopted by its voters in 1934, the County of Henrico has operated under the County Manager form of government with five voter-elected members on the Board of Supervisors who serve four-year terms and represent five distinct magisterial districts. The Chairman of the Board of Supervisors is elected annually by the members of the Board, and the Board also hires the County Manager who serves at their pleasure. The duties of the County Manager include implementing the approved ordinances and policies of the Board of Supervisors, appointing the County’s Department Directors, and managing the day-to-day operations of the County government. Henrico County’s Manager is



also the Director of Public Safety for the County. The County government is responsible for providing a wide array of public services including public safety (fire and police protection, as well as building code enforcement), a full service water and sewer system, the maintenance of the third largest road system in the Commonwealth of Virginia, and an array of recreational and cultural services. The County government also provides the majority of the funding for a nationally recognized public school system, though the schools are operated by a legally distinct entity and a separately elected School Board.

The financial reporting entity includes all of the funds of the County, the primary government, as well as all of its component units. Two discretely presented component units, the County of Henrico School Board (School Board) and the James River Juvenile Detention Commission (JRJDC), are included in the reporting entity because of the County's financial accountability for these organizations. These component units are reported in separate columns in the County's basic financial statements. Additional information concerning these legally separate organizations can be found in the notes to the financial statements.

The annual budget serves as the foundation for the County's financial planning and control. The County Manager presents his proposed budget request to the Board in early March of each year. That body then undertakes an intensive review of that budget in a series of public meetings. Those meetings are referred to as the "Legislative Budget Reviews." The Board then holds a public hearing on the proposed budget in April prior to adopting the final budget. Legal budgetary restrictions are established at the governmental function level (i.e., Division of Police), with effective administrative controls maintained through detailed line-item budgets. It is County policy that the County Manager is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total budgeted amounts and/or appropriations of any fund must be approved by the Board of Supervisors. Budget to actual comparisons are provided in this report for governmental funds where an appropriated annual budget has been adopted. These comparisons are presented in the Other Required Supplementary Information Section of the financial statements.

### **Economic Overview**

As the nation approaches the 7<sup>th</sup> year of the protracted economic downturn, Henrico County continues to adapt and respond to its fiscal challenges, avoiding severely reducing or interrupting services during this time. Despite the many issues faced by a sluggish economy that is uniquely challenging in terms of depth and duration, Henrico County continues to exemplify excellence in local government finance and administration.

Because Henrico County residents live and work in a low-tax, high-quality community with one of the premier public school systems in the nation, the local economy is well positioned to continue to persevere through these tough economic conditions better than most localities. The Board of Supervisors has fostered this environment through consistently demanding innovation, effective planning and financial prudence when allocating public resources, while also

incrementally reducing tax rates when economically feasible, and also exploring less burdensome revenue enhancements when necessary. With an emphasis on superior customer service, sound financial management, and sustainable economic development, Henrico County has been and will continue to be a community of choice.

The Richmond metro region continues to garner recognition and accolades regarding its financial strength, talented workforce, and pro-business conducive environment. For example, in April 2013, the Wall Street Journal's MarketWatch recently named the Richmond area among the top 100 metro areas for business growth, while in September 2013, Forbes recognized Richmond and the surrounding region as one of ten up and coming cities for entrepreneurs. Acknowledgements such as these would not be possible without a strong infrastructure to support the existing large businesses in the area - such as the 11 Fortune 1000 companies located in the region - as well as the small businesses and entrepreneurial endeavors that drive our diverse local economy. Henrico County is home to 4 of the region's 11 Fortune 1000 companies, and serves as the corporate headquarters for two Fortune 500 companies; Altria, and Genworth, while The Brink's Company and Markel Corporation are both within the Fortune 1000. In addition to these companies, Henrico County is also home to Phillip Morris U.S.A. (a subsidiary of Altria), Alfa Laval, Hamilton Beach-Proctor Silex, Southern States Cooperative, along with over fifty companies based in twelve nations outside the United States that maintain offices in Henrico County. All of these companies have invested heavily in the County, and the Richmond Metropolitan Area has benefitted from their presence.

In addition, the Richmond International Raceway (RIR) located in Henrico County, hosts NASCAR races that attract nearly 95,000 fans per race from across the U.S. and over 12 foreign countries. A unique feature of RIR's strategic placement within Henrico is that it is accessible within a day's travel to 50 percent of the country's population, which, along with NASCAR's loyal fan base and growing popularity, makes it a popular destination for race enthusiasts. As a result, the economic impact to the local area is significant, with each race generating an estimated \$41.5 million in tax revenue and income generated through the fan's patronage of local stores, restaurants and hotels.

Despite the continuing tough economic climate, and the loss of jobs attributable to the recession, employment statistics for Henrico County exhibit a better picture when compared to national averages. According to the Virginia Employment Commission, as of August 2013 the County's unemployment rate (not seasonally adjusted) of 5.4 percent is below Virginia's overall rate of 5.6 percent. This rate is considerably lower than the National rate of 7.3 percent. This relatively low unemployment rate is indicative of the fundamental economic strength of the County, as well as the resiliency and perseverance of state and local employers and the County's educated, talented workforce. Reinforcing this assumption is the strength of wages in Henrico County relative to both the state and the nation. The average weekly wage in Henrico County increased by 0.9 percent from Q1 2012 to Q1 2013, rising to \$1,041, and has increased by 9.9 percent since Q1 2009. The Q1 2013 figure is 1.3 percent higher than the State average weekly wage of \$1,028, and 26.7 percent higher than the U.S. figure of \$821.45 for the same period.

The economic downturn has also affected the real estate market in Henrico in both the residential and commercial sectors. Residential foreclosures increased sharply each year from 2008 to 2010 as compared to the average for the previous seven years, which has had a direct impact on residential values. In 2011, foreclosures began to decline slightly, and in 2012 totaled 778, representing 9.3 percent of total sales transactions. Through the first two quarters of calendar year 2013, the number of foreclosures as a percentage of total sales transactions is about level with the prior year, representing about 9.0 percent of total transactions. As evidenced by these statistics, foreclosures continue to cause distress in the local residential housing market.

As of January 1, 2013, the total taxable assessed value of the County was approximately \$30.8 billion, representing a modest increase of 0.36 percent, or about \$109 million compared to January 1, 2012. While Henrico experienced a slight decline in residential assessed values, dropping by 1.53 percent for 2013, this was offset by an increase in commercial values of approximately \$390 million, or 4.2 percent, yielding the net positive increase in the County's tax base. This increase in commercial values represents a significant improvement from the prior year's modest increase of 0.7 percent, which had followed two preceding years of declines. While the total year-over-year increase of 0.36 percent is small, it is a significant improvement from the prior year, in which the real estate tax base fell by approximately 3.3 percent and is much improved from the 7.98 percent drop recognized in 2010. Despite the increase in the 2013 tax base, values still remain significantly below 2008 levels. However, for the fiscal year ended June 30, 2013, total construction permit data, including permits for the construction of single family, residential and commercial dwellings, was at a five year high, indicative of a slowly recovering market. Henrico's business friendly environment, combined with a well educated workforce, should position the County for a healthy economic recovery and corresponding housing recovery.

Henrico County is still one of the Commonwealth's leaders in retail sales as it ranks second behind only Fairfax County in total annual taxable sales. The most recent annual data from the Virginia Department of Taxation shows that Henrico County's annual taxable sales for 2012 were \$5.04 billion, a 3.6 percent increase from 2011, and nearly equal to the \$5.1 billion of taxable sales for 2007, prior to the onset of the recession. In addition, Henrico continues to be one of the strongest economically performing localities in the Commonwealth. Henrico County's 2012 total taxable sales per capita is among the Commonwealth's top 15 localities in total annual taxable sales, another indication that the County has grown to be a destination for shoppers locally, regionally and statewide. Henrico was able to establish itself as a destination for shoppers starting with Regency Square, built in the 1970s, and more recently with Short Pump Town Center, White Oak Village in Eastern Henrico, and Short Pump Station in Western Henrico.

The presence of these business and corporate entities would not be possible were it not for the favorable business environment that Henrico County has fostered throughout the years. Since 1978, the Board of Supervisors has prudently decreased the Real Estate Tax Rate six times. In addition to these decreases, Henrico is also the lowest taxing metropolitan locality in Virginia

when compared to the 15 largest localities. The low tax burden combined with a record of prudent fiscal management and excellent services creates an enticing environment for businesses that are looking to relocate their operations.

### **Financial Guidelines**

The following informal guidelines represent principles and practices that guide the County and help to foster the County's financial stability. These are not the only financial guidelines, but are those that have had a major impact in recent years or will have a major impact on Henrico's future financial position. For a complete listing of the County's Financial Guidelines, please see the County's Annual Fiscal Plan at <http://www.co.henrico.va.us/finance/divisions/office-of-management-and-budget/>.

#### **General Guidelines:**

The County of Henrico will strive to maintain its (AAA/Aaa/AAA) General Obligation Bond ratings with Standard and Poor's, Moody's Investor Service and Fitch IBCA, respectively. These excellent bond ratings mean two things for our residents. First, our financial management has been examined by three separate agencies that analyze local government finances on a daily basis and they have awarded Henrico County the highest possible scores. Second, the County's high credit rating allows us to obtain the most competitive interest rates when financing long-term capital improvement projects.

The County of Henrico will utilize technological advances as a means of increasing employee productivity and reducing the need for new positions.

The County of Henrico will allocate new dollars (after meeting fixed commitments such as debt service requirements and benefits changes) to the areas of Education and Public Safety first.

The County of Henrico will attempt to utilize benefits of new economic development successes as a means of maintaining the low tax rate environment our residents currently enjoy. In addition, the County will maintain a balance between the need for real estate tax relief for our residents with the long-term operational needs of the County.

#### **Capital Improvement Program Guidelines:**

The County will develop a Five-Year Capital Improvement Program annually, inclusive of the capital needs of the Henrico County Public Schools. The Board of Supervisors approves a "Capital Budget" after legal advertising and public hearing requirements have been met.

The County's Capital Improvement Program will utilize debt financing as a funding source only after it has been determined that the County can afford to service this debt and associated operating costs in subsequent years. The County will attempt to maximize the use of pay-as-

you-go financing for capital projects.

The County will ensure that all operating costs arising from approved capital projects are accounted for in the operating budget, through the compilation of an annual crosswalk analysis that captures all such costs.

The County will maintain its physical assets at a level adequate to protect the County's capital investment and minimize future maintenance and replacement costs. The operating budget will provide for the adequate maintenance of these facilities and infrastructure.

### **Debt Guidelines:**

A long-term debt affordability analysis will be completed on an annual basis as a means of ensuring that the County does not exceed its ability to service current and future debt requirements. This analysis will verify that the County is maintaining the following prescribed ratios and will be performed in conjunction with the County's Capital Improvement Program Process. The guidelines that are utilized are as follows:

- Debt Service as a Percentage of General Fund Expenditures: 7.75%
- Debt Service as a Percentage of Assessed Value: 1.49%
- General Obligation Bonded Debt per Capita: \$1,650

The County will adopt annual water and sewer rates that will generate sufficient revenues to meet the legal requirements of Enterprise Fund bond covenants. These rates will also allow for adequate capital replacement in the water and sewer systems.

### **Revenues:**

Multi-Year revenue and expenditure forecasts for all County funds will be included as a part of the Adopted Annual Fiscal Plan.

The County of Henrico will attempt to maintain a stable but diversified revenue base as a means of protecting it from fluctuations in the economy.

The County will continue to strive to maintain a 70% residential – 30% commercial real estate tax base. Maintaining a healthy commercial/residential ratio will help the County maintain current tax rates while continuing to enhance service delivery efforts – particularly in the area of Education.

While revenues are monitored continually, a report is compiled quarterly that depicts current year trends, receipts, and explains any unanticipated revenue variances.

### **Fund Balance Guidelines:**

The County has, over time, maintained a healthy unassigned fund balance – as compared to similar sized Virginia localities. As a percentage of actual General Fund expenditures, the County’s unassigned fund balance has been:

FY04: 18.0%	FY09: 18.0%
FY05: 18.0%	FY10: 18.0%
FY06: 18.0%	FY11: 18.0%
FY07: 18.0%	FY12: 15.0%
FY08: 18.0%	FY13: 15.0%

During the FY06 budget process, the Board of Supervisors (the Board) agreed with a policy recommendation to maintain the unassigned fund balance at a level of 18.0 percent of General Fund expenditures effective June 30, 2006. This policy was reviewed during the annual budget process for FY13 and it was recommended that the Board approve a reduction in the percentage. The percentage of unassigned fund balance was reduced to 15.0 percent of General Fund expenditures, effective June 30, 2012. The County will continue to monitor this percentage during the annual budget process for future fiscal years. The County will not use its unassigned fund balance to subsidize current operations.

### **Major Initiatives and Accomplishments**

In response to the economic challenges presented by the recession, Henrico County has engaged in an ongoing effort to make substantive reforms to the way it operates in order to yield both short and long term spending reductions and greater operational efficiencies. In pursuit of these cost saving and efficiency objectives, during the development of the FY2010-11 and FY2011-12 budgets, a committee was established whose purpose was to change the way Henrico County does business. The efforts of the County Manager, the Committee and the collective contribution of both General Government and Schools staff culminated in the “Changing the Way Henrico Does Business” document, which outlined a list of strategies that cumulatively generated \$56.5 million in sustainable cost savings without any personnel layoffs or reductions in essential services. It was also emphasized by the County Manager that the severity and longevity of the economic downturn would necessitate a continuous reevaluation of the County’s operating practices. The “Changing the Way Henrico County Does Business” document has been revised and updated to acknowledge all efforts taken between FY2009-10 and the FY2013-14 approved budget, including every budget reduction strategy, cost absorption and efficiency measure conceptualized and implemented during this time. Collectively, these efforts have amounted to over \$115 million in expenditure cuts, and tens of millions of dollars more in innovative efficiency and service delivery initiatives. Henrico County maintains one of the leanest governmental and educational systems in the country, and the level of cooperation exercised between Henrico County’s General Government and Public Schools is certainly not the norm among other localities throughout the country. In order to capitalize on the unique, highly

collaborative relationship between these two entities, as well as to continue to expand upon the cost savings efforts previously established, the Resource Conservation Initiatives Program (RCIP) Committee was formed in January 2012, and continues to meet through October 2013. The Committee's objective is to capture and memorialize many of the budget reduction strategies developed throughout the development of the "Changing the Way Henrico Does Business" document, as well as propose new cost saving and efficiency maximizing practices that have been, or can be, achieved through the consolidation of County resources or the utilization of operational best practices. The Committee's efforts, with the support of the County Manager and Boards of both General Government and Schools, are ongoing and many of the initiatives identified have collectively yielded millions of dollars in savings.

Despite fewer available resources, the County has also continued its commitment to delivering the quality and quantity of services that Henrico's citizens expect. Henrico has continued to issue debt and expand its infrastructure to meet the growing needs of the County, and in doing so has saved millions of dollars in debt service costs and low construction prices, due in part to the prevailing economic environment, and also to the County's AAA bond rating.

In August 2011, shortly after Standard and Poor's had downgraded the U.S.'s long-term credit rating, Henrico County reaffirmed its AAA rating from the three primary bond rating agencies - Moody's, Standard and Poor's, and Fitch - maintaining its position as one of the best financially managed localities in the nation. Furthermore, it is believed that Henrico County was the first municipality in the country to achieve this AAA reaffirmation by all three rating agencies following the historic downgrade of the U.S. As of this writing, fewer than 40 counties in the nation enjoy the triple AAA distinction, which represents just over 1 percent of all localities nationwide. Despite the poor economic conditions that exist, Henrico County has capitalized on its premier credit rating by taking advantage of extremely low interest rates. Henrico County has been proactive in capitalizing on its AAA bond rating and the attractive interest rate environment by refunding existing debt to realize significant cost savings. Most recently, in September 2012, Henrico County refunded \$37.5 million in Series 2005 and 2006 general obligation bond debt, achieving a remarkably low True Interest Cost of 2.2 percent, and a savings of \$2.3 million. Also, in February 2013, the County refunded \$68.4 million in water and sewer revenue bonds at a True Interest Cost of 2.9 percent, yielding savings of \$8.9 million. Since 2009, the County has refunded over \$366 million in debt, averaging a True Interest Cost of 2.91 percent and achieving \$29 million in debt service cost savings.

In times of economic difficulty, shoring up the current revenue base is a top priority. To this end, the 2008 initiative to change County mailing addresses from "Richmond, VA" to "Henrico, VA", whereby "Henrico, VA" became the primary mailing address for most County residents and businesses, has continued to help the County stop the loss of an estimated \$5 million annually in County tax revenues. These are revenues that were and continue to be mistakenly paid to the City of Richmond due to the prevalence of "Richmond, VA" addresses in the County. This misallocation of revenue has been substantially mitigated, as "Henrico, VA" is now the primary mailing address for over 84,000 residences and businesses in the County, and is now recognized

on many websites internationally. Henrico continues to comprise approximately 40 percent of total taxable retail sales in the region, including the City of Richmond and Counties of Chesterfield, Henrico and Hanover.

On January 1, 2008, Henrico County's health care program transitioned to a self-insurance program from a fully insured program. This transition involves the County paying claims and third party administrative fees. Self-insurance allows the County to more fully control all aspects of the plan, including setting rates to smooth out the impact of increases on employees and the County, while maintaining adequate funding to cover claims, expenses and reserves. Fiscal Year 2014 represents the sixth full fiscal year under the self-insurance program. Since the transition to the self-insurance program, the County's healthcare cost increases have been well below the growth trend experienced nationally, resulting in significant savings, relative to the national average. For example, in 2013 the national cost of healthcare coverage increased by 9.5 percent, while Henrico County recognized an increase of 5.5 percent, resulting in an estimated savings of \$3.4 million.

### **Future Challenges**

The impact of the recession and the slow pace of growth have had a significant impact on the County's finances, as the two largest sources of revenue – state aid and real estate taxes – have declined dramatically since the economic downturn began. The Approved Annual Fiscal Plan for FY2013-14 projects state aid at approximately \$305 million, or 36.4 percent of General Fund revenues, reflecting an increase of approximately \$14.3 million or 4.9 percent from the FY2012-13 allocation. However, despite the increase from the previous fiscal year, budgeted estimates remain \$9.0 million below actual State revenues collected in FY2006-07. While state aid is currently far below what it was seven fiscal years ago, it comprises a larger portion of the General Fund budget than it has historically. This is due to the steep declines in other locally generated revenues and the unprecedented budget reductions that have been required since the onset of the recession. With state aid now comprising over 36 percent of total general fund revenues, there is concern over Henrico's growing dependency on this revenue source, as economic volatility, and the political dynamic in Washington could potentially have severe repercussions on the state's fiscal situation, and correspondingly, Henrico County's budgetary resources.

While in FY2012-13 the state recorded its second consecutive year of revenue surpluses since the recession began, the significant underfunding of various programs has created a structural imbalance that will likely create significant funding obstacles in the coming fiscal years. These include, among other things, obligations to education, as well as the restoration of payments to the Virginia Retirement System, which will have significant implications for localities with respect to state aid and VRS contribution rate levels.

For the fiscal year ended 2013, the State recognized a \$585 million surplus – the largest since 2005 -which included \$264.3 million in revenue above budgeted levels, as well as \$320.7 million



in targeted general fund programmatic and higher education expenditure savings. However, the majority of the surplus is already dedicated, having been allocated to water quality improvements, the state's rainy day fund and transportation fund and other mandatory re-appropriations, as well as to augment a federal budget reduction contingency fund. After these earmarked allocations, just 17 percent, or \$100 million is available for discretionary use, an amount that is far less than what is needed to restore funding for education, VRS and other programs to prior year funding levels.

Another issue of importance is the pending increase in VRS rates, particularly for teachers that will occur in FY2014-15. In FY2015, the state legislature will, for the first time, be statutorily obligated to fund a fixed percentage of the actuarial rate for teachers, which will be 80 percent in the next biennium. While the approved employer contribution rate for teacher pensions in FY2013 and FY2014 was 11.66 percent, the estimated employer contribution rate for teachers to be adopted by the General Assembly for FY2015 and FY2016 is 14.5 percent, which represents 80 percent of the VRS Board certified rate, and reflects a 24.3 percent increase in each fiscal year. On a similar note, beginning in fiscal year 2015, a new GASB pronouncement – known as GASB 68 – will require the reporting of an entity's net unfunded pension liability on the statement of net position. This requirement will have a significant impact on Henrico and its School Board component unit, due in large part to the state's underfunding of teacher pensions. The effect of requiring school boards to report a net unfunded pension liability will, in Henrico's case, result in its liabilities exceeding its assets and for the first time result in a negative total net position being reported. The net unfunded pension liability cannot be reduced without significant future cost increases, which may have significant budgetary impacts for Henrico well into the future.

Real Estate valuations will continue to present significant revenue challenges over the next several years, but by monitoring market conditions on a regular basis, Henrico will be in a position to adjust revenue estimates accordingly. Currently, real estate values in Henrico are experiencing slow to negative growth. As of January 2013, the assessed value of real property in the County totaled \$30.8 billion, which represents an increase of 0.36 percent, or approximately \$109 million compared to January 1, 2012. The overall increase in the tax base is attributable to 4.2 percent, or \$390 million increase in the assessed value of the commercial market, which was offset by the local residential valuation declining by 1.53 percent for 2013. While the increase in commercial real estate is encouraging, it does not make up for the \$1.5 billion decrease in commercial assessments experienced during 2010 and 2011. Since 2009, the County's overall real estate tax base has decreased \$4 billion, or 11.4 percent, while real estate tax collections have declined by \$35.7 million. Like the rest of the nation, the severity and duration of the economic downturn has had a severe impact on the local real estate market.

Reducing unemployment is a vital step toward improving the economy. Nationally, unemployment was at 7.3 percent in August 2013 while the State was at 5.6 percent and the County's unemployment rate was at 5.4 percent. While Henrico's unemployment rate remains lower than both the State rate and the national average, the loss of several large employers the

past few years through bankruptcy has pushed the County's unemployment rate to levels not seen in many years. However, there are some positives occurring in the local economy that serve as an indication that Henrico is recovering, and poised to return to an unemployment rate that more mirrors pre-recession historical averages in the not-too-distant future.

Like the rest of the country, Henrico County's businesses have struggled to operate in this economic environment, and some businesses have been forced into bankruptcy and/or closure as a result. However, some companies have sought to capitalize on the unique opportunity to position themselves in Henrico County to take advantage of its high quality infrastructure, talented and diverse workforce and business friendly atmosphere. In August 2013, Lumber Liquidators, a Toano, Virginia based flooring retailer with over 300 stores in 46 states and Canada, announced plans to build and operate a 1 million square foot distribution center at White Oak Technology Park in eastern Henrico County. The \$46 million project, which includes \$5 million for 110 acres of previously undeveloped land upon which the facility will be built, is expected to be finished in the third quarter of 2014. The new distribution center will not only create jobs locally, but will also provide additional tax revenue to the County.

Because economic indicators having the greatest impact on the County's revenues often lag during an economic recovery, Henrico County's leadership is continuing to examine opportunities to redefine the way Henrico does business. The efficiencies and savings identified as a result of this effort, combined with the conservative fiscal management routinely employed by Henrico will allow the County to continue to provide services to our citizens at the level they have come to expect.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Henrico, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the thirty-second consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles 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.


### **Acknowledgements**

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Department of Finance. We would like

The Honorable Board of Supervisors  
November 20, 2013  
Page 13


to express our particular appreciation to all members of the Accounting Division who directly assisted and contributed to its preparation. We would also like to thank the Board of Supervisors for their interest, guidance and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



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John A. Vithoulkas  
County Manager



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Eugene H. Walter  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**County of Henrico  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**



Executive Director/CEO

**COUNTY OF HENRICO, VIRGINIA**  
**Directory of Officials**  
**June 30, 2013**

**BOARD OF SUPERVISORS**

David A. Kaechele, Chairman .....	Three Chopt District
Patricia S. O'Bannon, Vice Chairman .....	Tuckahoe District
Richard W. Glover .....	Brookland District
Frank J. Thornton .....	Fairfield District
Tyrone E. Nelson .....	Varina District

**ADMINISTRATIVE OFFICIALS**

John A. Vithoukas .....	County Manager
Jane D. Crawley .....	Deputy County Manager for Community Services
Randall R. Silber .....	Deputy County Manager for Community Development
Joseph P. Casey .....	Deputy County Manager for Administration
Timothy A. Foster .....	Deputy County Manager for Community Operations
Eugene H. Walter .....	Director of Finance
Joseph P. Rapisarda, Jr. ....	County Attorney

**ELECTED SCHOOL BOARD**

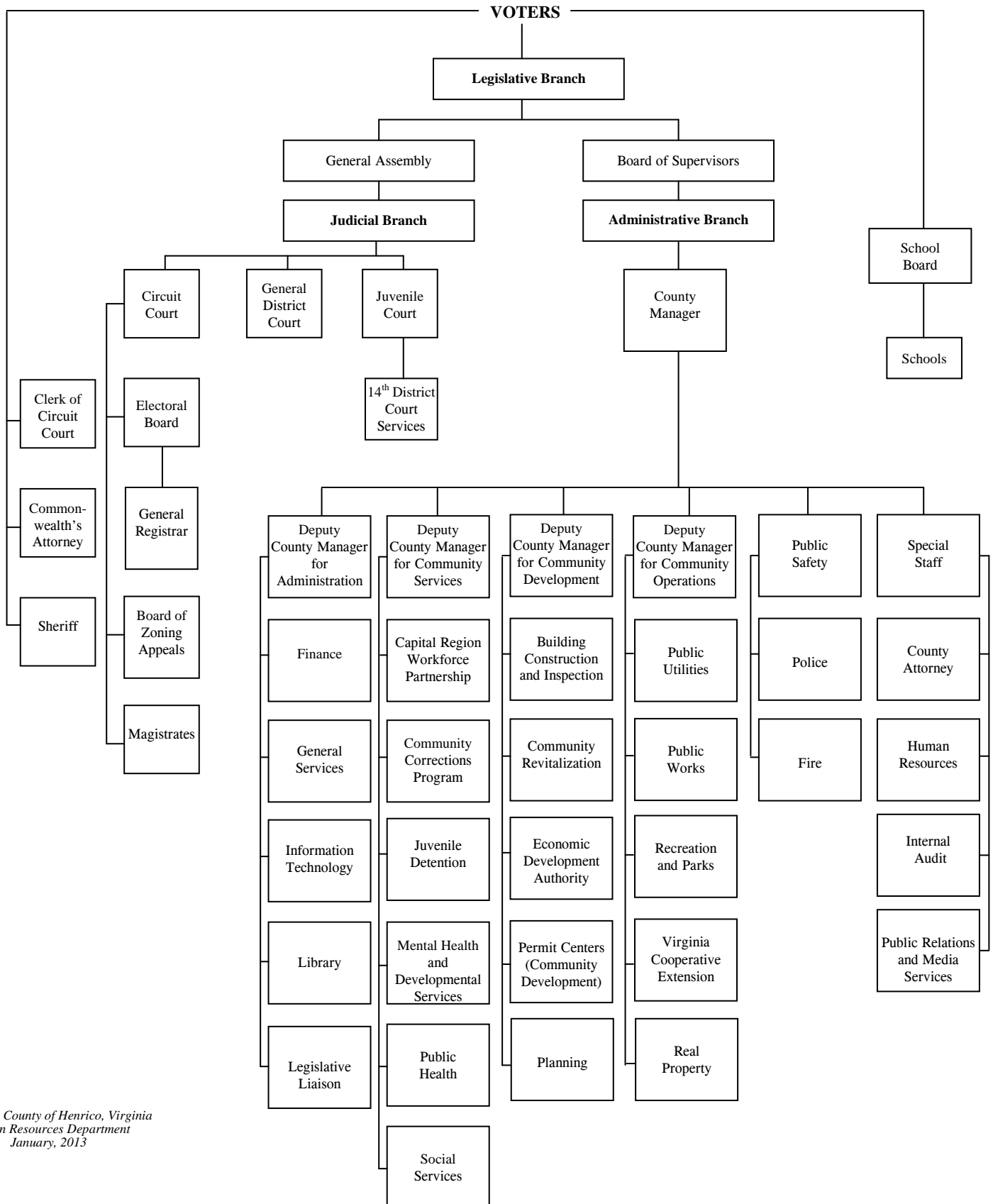
Beverly L. Cocke, Chair .....	Brookland District
Lisa A. Marshall, Vice Chair .....	Tuckahoe District
Lamont Bagby .....	Fairfield District
John W. Montgomery, Jr. ....	Varina District
Diana Winston .....	Three Chopt District

**ADMINISTRATIVE OFFICIALS - SCHOOLS**

Dr. Patrick J. Russo .....	Superintendent of Schools
Dr. Patrick C. Kinlaw .....	Deputy Superintendent
Dr. David A. Myers .....	Assistant Superintendent for Secondary Education
Al Ciarochi .....	Assistant Superintendent for Operations
Kevin Smith .....	Assistant Superintendent for Finance
Dr. Bondy Shay Gibson .....	Assistant Superintendent for Elementary Education



# County of Henrico, Virginia Organization Chart



## **FINANCIAL SECTION**







KPMG LLP  
Suite 2000  
1021 East Cary Street  
Richmond, VA 23219-4023

## **Independent Auditors' Report**

The Honorable Members of the Board of Supervisors  
County of Henrico, Virginia:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Henrico, Virginia (the County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Henrico, Virginia as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## ***Other Matters***

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 12, the budgetary comparison information on pages 69 through 77, and the schedules of funding progress on pages 58 and 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information and Schedule of Expenditures of Federal Awards***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information listed as Other Supplemental Information in the table of contents, the Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, listed in the Single Audit Section in the table of contents, and the Introductory Section and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplemental Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplemental Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.



The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 on our consideration of the County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

**KPMG LLP**

November 20, 2013

## **COUNTY OF HENRICO, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of the County of Henrico's (County) financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2013 (FY 2013). Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS FOR FY 2013**

The General Fund, on a current financial resource basis, reported expenditures and other financial sources and uses in excess of revenues by \$19.2 million (Exhibit 4) after making transfers out of \$108.1 million, which include transfers to the Capital Projects Fund for \$31.9 million, Special Revenue Fund for \$18.5 million and Debt Service Fund for \$58.6 million. In addition, the General Fund contributed \$174.8 million to the County's component units.

On a government-wide basis for governmental activities, the County had expenses net of program revenues of \$524 million. The general revenues of \$537.9 million exceeded expenses net of program revenues by \$14 million (Exhibit 2).

The County's total net position, excluding component units, on the government-wide basis totaled \$2,360.3 million at June 30, 2013 (Exhibit 1).

On September 19, 2012, the County issued General Obligation Public Improvement Refunding Bonds, Series 2012, in the amount of \$37,500,000. The proceeds of these bonds were used to refund and defease portions of General Obligation Public Improvement Bonds, Series 2005, Series 2006 and Series 2010A.

### **OVERVIEW OF THE ANNUAL FINANCIAL REPORT**

The County's Comprehensive Annual Financial Report (CAFR) is comprised of three sections: Introductory, Financial and Statistical. The Financial Section, which includes the audited basic financial statements, is comprised of four components: 1) the independent auditors' report, 2) management's discussion and analysis, 3) the basic financial statements, and 4) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

The primary focus of the basic governmental financial statements is on both the County as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the County's overall financial status. The fund financial statements focus on the individual components of the County government, reporting the County's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund statements) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the County's financial accountability.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the County's finances is, "Is the County as a whole in better financial condition or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities,

which are the government-wide financial statements, report information about the County as a whole and about its activities in a way that helps answer this question. These financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two financial statements report the County's net position and the changes in net position. One can think of the County's net position – the difference between assets and liabilities – as one way to measure the County's financial position. Over time, increases or decreases in the County's net position is one indicator of whether its financial position is improving or deteriorating. Other nonfinancial factors should also be considered; such as, changes in the County's property tax base and the condition of the County's infrastructure, to assess the overall financial position of the County.

In the Statement of Net Position and the Statement of Activities, we divide the County into three types of activities:

**Governmental Activities** – Most of the County's basic services are reported here: Police, Fire, Public Works, Recreation and Parks, and general administration. Property taxes, other local taxes, and state and federal grants finance most of these activities.

**Business-Type Activities** – The County's operation, maintenance and construction of the County-owned water and wastewater (sewer) utility and the County-owned golf course are reported here as the County charges a fee to customers to cover all or most of the cost of the services these operations provide.

**Component Units** – The County includes two separate legal entities in its report – the County of Henrico School Board (School Board) and the James River Juvenile Detention Commission (JRJDC). Although legally separate, these "component units" are important because the County is financially accountable for them, and provides operating and capital funding.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more information about the County's most significant funds, not the County as a whole.

The County has three types of funds:

**Governmental Funds** – The County's basic services are included in four major governmental funds. The general fund, special revenue fund, debt service fund and capital projects fund financial information is presented separately in the governmental fund balance sheet and within the governmental fund statement of revenues, expenditures, and changes in fund balance.

The governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as, *balances of spendable resources* available at the end of the fiscal year. The governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the County's programs. Since this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided at the bottom of the governmental funds financial statements that explains the relationship (or reconciles the differences) between the two types of statements. (Exhibits 3 and 4)

**Proprietary Funds** – Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide financial statements, provide both long and short-term financial information.

In fact, the County's Enterprise Fund (one type of proprietary fund) is the same as the business-type activities included in the government-wide financial statements, but the fund financial statements provide more detail and additional information, such as cash flow. The County's Enterprise Fund accounts for the operation of the County's water and sewer utility and the County-owned golf course.

The County uses Internal Service Funds (the other kind of proprietary fund) to report activities that provide supplies and services for the County's other programs and activities. The Internal Service Funds account for the County's Central Automotive Maintenance operations, the Technology Replacement Fund and the self insured Healthcare Fund. Resources for these Funds come from interdepartmental charges.

**Fiduciary Funds** – The County is the trustee, or fiduciary, for Agency Funds. The County is responsible for ensuring that the assets reported in these Funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its own operations.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

### Schedule of Net Position

The following table reflects a summary of the County's net position at June 30, 2012 and 2013 (in millions):

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Units</b>	
	2012	2013	2012	2013	2012	2013	2012	2013
Current and Other Assets	\$ 631.1	\$ 597.2	\$ 122.4	\$ 113.5	\$ 753.5	\$ 710.7	\$ 44.4	\$ 39.1
Capital Assets	<u>1,409.2</u>	<u>1,422.5</u>	<u>1,111.5</u>	<u>1,131.3</u>	<u>2,520.7</u>	<u>2,553.8</u>	<u>246.1</u>	<u>241.5</u>
<b>Total Assets</b>	<u>2,040.3</u>	<u>2,019.7</u>	<u>1,233.9</u>	<u>1,244.8</u>	<u>3,274.2</u>	<u>3,264.5</u>	<u>290.5</u>	<u>280.6</u>
Long-term Liabilities	625.2	587.0	175.2	165.7	800.4	752.7	25.9	23.6
Other Liabilities	<u>117.6</u>	<u>121.2</u>	<u>31.1</u>	<u>30.3</u>	<u>148.7</u>	<u>151.5</u>	<u>12.2</u>	<u>13.4</u>
<b>Total Liabilities</b>	<u>742.8</u>	<u>708.2</u>	<u>206.3</u>	<u>196.0</u>	<u>949.1</u>	<u>904.2</u>	<u>38.1</u>	<u>37.0</u>
Net Position:								
Net Investment in Capital Assets	1,009.0	1,029.3	946.6	969.3	1,955.6	1,998.6	232.0	232.3
Restricted	159.3	171.5	16.5	15.0	175.8	186.5	5.4	7.3
Unrestricted	<u>129.2</u>	<u>110.7</u>	<u>64.5</u>	<u>64.5</u>	<u>193.7</u>	<u>175.2</u>	<u>15.0</u>	<u>4.0</u>
<b>Total Net Position</b>	<u>\$ 1,297.5</u>	<u>\$ 1,311.5</u>	<u>\$ 1,027.6</u>	<u>\$ 1,048.8</u>	<u>\$ 2,325.1</u>	<u>\$ 2,360.3</u>	<u>\$ 252.4</u>	<u>\$ 243.6</u>

The County's combined net position increased by 1.5 percent, or \$35.2 million to \$2,360.3 million from \$2,325.1 million, an overall improvement resulting from the increase in net assets in both the Governmental and Business-Type Activities (Exhibit 1).

Net position of the County's governmental activities increased 1.1 percent, or \$14 million to \$1,311.5 million (Exhibit 1). Net Investment in Capital Assets increased by \$20.3 million due to capital assets acquired and debt payments made for both bonds and capital leases. Restricted net position increased by \$12.2 million due to additional funds reserved for capital projects, debt service and grants. The governmental activities unrestricted net position, the portion of net position that can be used to finance day-to-day operations; decreased by \$18.5 million to \$110.7 million at June 30, 2013 (Exhibit 1).

Net position of governmental activities increased mainly due to capital outlay expenditures of \$66.1 million, which are added back to net position for capital assets capitalized during the year, and \$39.4 million in debt service activities. This was offset by depreciation expense of \$48.6 million and a decrease of \$39.7 million in the total governmental fund balance. Other significant activities effecting net position are activities which are not reported in the governmental funds that provide current financial resources of \$0.5 million and the use of current financial resources of \$3.7 million.

The net position of business-type activities increased 2.0 percent, or \$21.2 million from \$1,027.6 million to \$1,048.8 million. Unrestricted net position available for the continuing operation of the water and sewer and golf course activities was \$64.5 million as of June 30, 2013.

The component units' net position decreased 3.5 percent, or \$8.8 million from \$252.4 million to \$243.6 million. This decrease was due primarily to a reduction in contributions received from the County.

### Schedule of Activities

The following chart shows the revenues and expenses of the governmental activities for the fiscal years ended June 30, 2012 and 2013 (in millions):

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Units</b>	
	2012	2013	2012	2013	2012	2013	2012	2013
<b>Revenues:</b>								
<b>Program Revenues:</b>								
Charges for Services	\$ 46.6	\$ 47.8	\$ 98.3	\$ 101.8	\$ 144.9	\$ 149.6	\$ 13.1	\$ 13.3
Operating Grants and Contributions	113.0	109.4	-	-	113.0	109.4	261.9	275.7
Capital Grants and Contributions	-	-	6.9	7.8	6.9	7.8	.1	.1
<b>General Revenues:</b>								
Property Taxes	355.1	355.2	-	-	355.1	355.2	-	-
Other Taxes	130.6	128.2	-	-	130.6	128.2	-	-
Other	57.2	54.5	.5	2.6	57.7	57.1	1.0	1.0
Payment from Primary Government	-	-	-	-	-	-	196.3	178.7
<b>Total Revenues</b>	<u>\$ 702.5</u>	<u>\$ 695.1</u>	<u>\$ 105.7</u>	<u>\$ 112.2</u>	<u>\$ 808.2</u>	<u>\$ 807.3</u>	<u>\$ 472.4</u>	<u>\$ 468.8</u>

**Expenses:**

General Government	\$ 96.7	\$ 96.1	\$ -	\$ -	\$ 96.7	\$ 96.1	\$ -	\$ -
Judicial Administration	11.1	10.9	-	-	11.1	10.9	-	-
Public Safety	172.5	173.2	-	-	172.5	173.2	5.3	5.4
Public Works	75.3	70.3	-	-	75.3	70.3	-	-
Health and Welfare	60.6	57.7	-	-	60.6	57.7	-	-
Education	205.6	188.0	-	-	205.6	188.0	466.5	472.2
Parks, Recreation and Cultural	35.0	34.8	-	-	35.0	34.8	-	-
Community Development	27.9	28.9	-	-	27.9	28.9	-	-
Interest on Long-term Debt	19.2	21.3	-	-	19.2	21.3	-	-
Water and Sewer	-	-	90.8	89.8	90.8	89.8	-	-
Golf Course	-	-	1.2	1.2	1.2	1.2	-	-
<b>Total Expenses</b>	<u>\$ 703.9</u>	<u>\$ 681.2</u>	<u>\$ 92.0</u>	<u>\$ 91.0</u>	<u>\$ 795.9</u>	<u>\$ 772.2</u>	<u>\$ 471.8</u>	<u>\$ 477.6</u>
<b>Change in Net Position</b>	<u>(1.4)</u>	<u>13.9</u>	<u>13.7</u>	<u>21.2</u>	<u>12.3</u>	<u>35.1</u>	<u>.6</u>	<u>(8.8)</u>
<b>Net Position at beginning of year</b>	<u>1,298.9</u>	<u>1,297.5</u>	<u>1,013.9</u>	<u>1,027.6</u>	<u>2,312.8</u>	<u>2,325.1</u>	<u>251.8</u>	<u>252.4</u>
<b>Net Position at end of year</b>	<u>\$ 1,297.5</u>	<u>\$ 1,311.4</u>	<u>\$ 1,027.6</u>	<u>\$ 1,048.8</u>	<u>\$ 2,325.1</u>	<u>\$ 2,360.2</u>	<u>\$ 252.4</u>	<u>\$ 243.6</u>

**REVENUES**

For the fiscal year ended June 30, 2013, revenues from governmental activities totaled \$695.1 million, a decrease of \$7.4 million from fiscal year 2012. Real Estate Tax Revenues, the County's largest revenue source, which reflects the recognition of the second half calendar year 2012 and the first half of calendar year 2013 real property tax, collected during fiscal year 2013 totaled \$269.1 million a decrease of \$4.3 million, or 1.6 percent from fiscal 2012. The County Board of Supervisor maintained the Real Estate Tax Rate at the current amount of 87 cents per \$100 of assessed value for calendar year 2013.

During fiscal year 2013, the County collected \$68.4 million in personal property tax revenue from County residents, and received Personal Property Tax Relief from the Commonwealth of Virginia (the Commonwealth) of \$37.0 million for a total personal property tax related receipts of \$105.4 million. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the Commonwealth's share of the local personal property tax payment for a calendar year was frozen at 70 percent for qualified vehicles. During the 2004 General Assembly, the Commonwealth's obligation for car tax relief was capped at \$950 million annually. Each jurisdiction's share of the \$950 million is based on the total 2004 reimbursement as of December 31, 2005. The County's share for 2013 of \$37.0 million will be paid in three installments beginning in July 2013. At June 30, 2013, the County accrued \$18.4 million for the first half of the 2013 calendar year.

Business-type activities produced total revenues of \$112.2 million, an increase of \$6.5 million from fiscal year 2012. The largest business-type source of revenue is the County's Water and Sewer activity, which produced \$101.8 million in charges for services and \$7.8 million in capital grants and contributions. (Exhibit 2)

**EXPENSES**

For the fiscal year ended June 30, 2013, expenses for governmental activities totaled \$681.2 million, a decrease of \$22.7 million from fiscal year 2012. Included in this activity are employee compensation and benefits, payments for educational expenses to the School Board, and the cost of general governmental activities such as public safety, recreation, and libraries.



Education continues to be one of the County's highest priorities and commitments. Major items contributed by the County include \$174.8 million for School operations and \$3.2 million for School capital improvement projects (Exhibit 4).

The expenses of business-type activities, which result from the operations of the County's Water and Sewer activity and Golf Course activity, totaled \$91.0 million, a decrease of \$ 1.0 or 0.1 percent over fiscal year 2012 (Exhibit 2). The Water and Sewer activity accounts for \$89.8 million of the total expenses of \$90.9 million.

## **FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

For the fiscal year ended June 30, 2013, the governmental funds reflect a combined fund balance of \$430.0 million, a decrease of \$39.7 million from fiscal year 2012 (Exhibit 3). The General Fund accounts for \$194.4 million (Exhibit 3) of the total combined balance. This is a decrease of \$19.2 million or 9.0 percent from the General Fund balance of \$213.6 million recorded at June 30, 2012. The current General Fund Balance was impacted by General Fund Revenues, which decreased by \$5.9 million from fiscal year 2012. The most significant decreases occurred in the major revenue categories of Other Local Taxes, which decreased \$3.6 million and Intergovernmental Revenues, which decreased 3.7 million; some of this decrease was offset by increases in Miscellaneous Revenues which increased \$1.6 million. At the same time, General Fund Expenditures decreased by \$22.7 million or 4.0 percent from fiscal year 2012. Other Financing Uses, net increased by \$27.5 million or 34.1 percent over fiscal year 2012. Finally, the following items affected the fund balance and should be noted:

- The General Fund contributed \$31.9 million to the Capital Projects Fund to finance various capital projects, \$18.5 million to the Special Revenue Fund and \$58.6 million for debt service.
- The General Fund contributed \$174.8 million to fund the fiscal year 2013 School Board operations, a decrease of \$18.1 million or 9.4 percent from the fiscal 2012 contribution.

Highlights of other Governmental Funds are as follows:

- The Special Revenue Fund Balance of \$43.6 million (Exhibit 4) increased \$2.9 million over fiscal year 2012. The increase is due to revenues of \$56.6 million and other financing sources and uses of \$17.6 million which exceeded expenditures of \$71.3 million. The major function of the Special Revenue Fund is to account for State and Federal grants received by the County and solid waste operations. State and Federal grants accounted for \$26.0 million in revenues and \$25.9 million in expenditures during fiscal year 2013. The County's solid waste function accounted for \$14.1 million in revenues and \$10.2 million in expenditures during fiscal year 2013.
- The Debt Service Fund Balance decreased by \$2.0 million to \$0.8 million (Exhibit 4) during fiscal year 2013. The decrease is due to expenditures exceeding revenues and other financing sources by \$2.0 million. During the fiscal year, expenditures for debt service were \$60.9 million and the Fund received transfers from the General Fund of \$58.6 million.
- The Capital Projects Fund Balance of \$191.3 million (Exhibit 4) is a decrease of \$21.3 million, or 10.0 percent in comparison to fiscal year 2012. During the fiscal year, expenditures for capital projects were \$55.0 million, and transfers in totaled \$32.0 million, \$30.9 million from the General Fund and \$1.0 million the Special Revenue Fund.

## GENERAL FUND BUDGETARY HIGHLIGHTS

### General Fund Budget (in millions)

	<u>Original</u>	<u>Revised</u>	<u>Actual</u>
<b>Revenues:</b>			
Taxes	\$ 459.2	\$ 460.7	\$ 472.9
Intergovernmental	119.5	123.7	128.6
Other	24.8	25.9	25.6
Total Revenues	<u>\$ 603.5</u>	<u>\$ 610.3</u>	<u>\$ 627.1</u>
<b>Expenditures and Other Financing Uses:</b>			
Expenditures	\$ 521.7	\$ 551.7	\$ 538.3
Other Financing Uses	<u>95.5</u>	<u>108.1</u>	<u>108.0</u>
Total Expenditures and Other Financing Uses	<u>617.2</u>	<u>659.8</u>	<u>646.3</u>
<b>Change in Fund Balance</b>	<u>\$ (13.7)</u>	<u>\$ (49.5)</u>	<u>\$ (19.2)</u>

Expenditures and other financing uses exceeded revenues by \$19.2 million in the General Fund for fiscal year 2013.

Actual General Fund revenues were more than the original budgeted revenues by \$23.6 million during fiscal year 2013. Actual revenue collections exceeded the revised budget by \$16.8 million. This increase is attributable in part to collections of general property taxes such as real property and personal property taxes which exceeded the revised budget by \$6.5 million and other local taxes, such as bank franchise taxes, which exceeded the revised budget by \$5.8 million. Actual General Fund expenditures were more than the original budget by \$16.6 million, and less than the revised budget by \$13.4 million.

During fiscal year 2013, the County Board of Supervisors amended the budget five times. These budget amendments or supplemental appropriation resolutions were primarily for the following purposes:

- To reappropriate monies to pay for continuing programs whose fiscal year extended beyond June 30, 2012.
- To reappropriate grant revenues authorized in fiscal year 2012 or earlier, but not expended or encumbered as of June 30, 2012.
- To appropriate grants or donations accepted or adjusted in fiscal year 2013.
- To appropriate funds for program enhancements, small-scale capital projects or other operational needs that were not anticipated in the original fiscal year 2013 budget.

## CAPITAL ASSETS

At the end of fiscal year 2013, the County's governmental activities (including Internal Service Funds) had net capital assets totaling \$1,422.5 million, which represents a net increase of \$13.3 million or 1.0 percent over the previous fiscal year-end balance. In the County of Henrico, infrastructure assets include roads, bridges, and water and wastewater systems.

**Capital Assets**  
**(in millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Component Units</b>	
	2012	2013	2012	2013	2012	2013	2012	2013
<b>Non-Depreciable Assets:</b>								
Land	\$ 357.6	\$ 364.9	\$ 17.3	\$ 17.3	\$ 374.9	\$ 382.2	\$ 41.9	\$ 42.0
Construction in Progress	147.2	127.6	55.1	77.9	202.3	205.5	14.6	15.7
<b>Other Capital Assets:</b>								
Building	759.2	773.2	359.5	360.0	1,118.7	1,133.2	273.5	275.3
Infrastructure	603.3	650.3	992.8	1,017.2	1,596.1	1,667.5	-	-
Equipment	193.1	200.9	116.5	116.6	309.6	317.5	130.5	140.0
Improvements other than Buildings	55.2	57.1	3.7	3.7	58.9	60.8	28.3	28.7
Accumulated Depreciation								
On Other Capital Assets	<u>(706.4)</u>	<u>(751.5)</u>	<u>(433.3)</u>	<u>(461.4)</u>	<u>(1,139.7)</u>	<u>(1,212.9)</u>	<u>(242.6)</u>	<u>(260.3)</u>
<b>Total</b>	<u>\$ 1,409.2</u>	<u>\$ 1,422.5</u>	<u>\$ 1,111.6</u>	<u>\$ 1,131.3</u>	<u>\$ 2,520.8</u>	<u>\$ 2,553.8</u>	<u>\$ 246.2</u>	<u>\$ 241.4</u>

The business-type activities capital assets grew by \$19.7 million to \$1,131.3 million, an increase of 1.8 percent over the previous fiscal year. The County's business-type activities are made up of the County's water and sewer activities and the County-owned golf course.

The component units' capital assets decreased by \$4.8 million to \$241.4 million, a decrease of 2.0 percent from the previous fiscal year. The School Board accounted for the major portion of the net decrease. More detailed information about the County's capital assets is presented in Note 6 of the notes to the financial statements.

## **LONG-TERM DEBT**

On September 19, 2012, the County issued General Obligation Public Improvement Refunding Bonds, Series 2012, in the amount of \$37,500,000. The proceeds of the Bonds were used to (i) advance refund and defease \$19,450,000 of the outstanding principal of the General Obligation Public Improvement Bonds, Series 2005, (ii) advance refund and defease \$17,975,000 of the outstanding principal of the General Obligation Public Improvement Bonds, Series 2006, and (iii) to advance refund and defease General Obligation Public Improvement Bonds, series 2010A. In connection with the issuance of the refunding bonds, Moody's Investors Services, Inc., Standard & Poor's (S&P) and Fitch rating agencies, again all reaffirmed the County of Henrico's triple-AAA bonding rating.

In March 2005, the County voters authorized the issuance of \$349.3 million of general obligation bonds. Proceeds from the issuance of these bonds provide financing for future public improvements, including County and School facilities. To date, the County has issued \$339.7 million of the voter approved bonds, which reduced the amount of approved but not issued to \$9.6 million as of June 30, 2013.

At the end of fiscal year 2013, the County had \$459.6 million in outstanding General Obligation Bonds, a decrease of \$37.5 million, or 7.5 percent, over last fiscal year. More detailed information about the County's long-term liabilities is presented in Note 7 of the notes to the financial statements.

During FY 2013, Moody's Investors Services, Inc., Standard & Poor's (S&P) and Fitch rating agencies, all reaffirmed the County of Henrico's triple-AAA bond rating, in connection with the issuance of the general obligation public improvement bonds previously described. The County received AAA bond ratings from both Moody's and S&P for the first time in 1977. In 1998, Fitch IBCA bestowed a AAA rating on the County.

## **ECONOMIC FACTORS**

According to the Virginia Employment Commission, as of June 30, 2013, the County had a net increase of 22,968 jobs since 2003, resulting in total employment of 174,159. The County's unemployment rate, which was reported at 5.6 percent as of June 30, 2013, was slightly lower than that posted for the state (5.9 percent) and well below the federal rate (7.6 percent) as of June 30, 2013. As of 2011 (the latest data available from the U.S. Bureau of Economic Analysis), the County's per capita income of \$45,104 registered higher than the national average of \$41,560 and less than the Commonwealth of Virginia average of \$46,107.

## **OTHER INFORMATION**

During fiscal year 2008, the County joined the Virginia Pooled OPEB Trust Fund, an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. For the year ended June 30, 2013, the County contributed \$7.7 million, which did not fully fund the Annual Required Contribution (ARC) of \$9.9 million and resulted in a reduction of the Net OPEB Asset of \$2.2 million down to a balance of \$2.4 million. More detailed information about the County's OPEB Plan is presented in Note 11 of the notes to the financial statements.

Funds of the Primary Government are invested in accordance with the County's Investment Guidelines which were created by the Director of Finance to ensure the effective management of the day-to-day investment activity of the County. The objective of these guidelines is to obtain the highest possible yield on available financial resources, within the constraints imposed by safety objectives, cash flow considerations and the laws of the Commonwealth of Virginia that restrict the placement of public funds.

At June 30, 2013, the County's investment portfolio amounted to \$345.9 million, and contained obligations of the United States and agencies thereof, high quality municipal bonds and prime commercial paper. The County's investment strategy has remained unchanged during fiscal 2013. While this strategy has resulted in reduced yields, which impacted investment earnings available for operations in fiscal year 2013, the County has not experienced any significant adverse decline in the fair value of the County's investments and cash equivalents. More detailed information about the County's investments is presented in Note 2 of the notes to the financial statements.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our residents, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, P.O. Box 90775, Henrico, VA 23273-0775. Additional financial information can be found on our web-site [www.co.henrico.va.us](http://www.co.henrico.va.us).

**COUNTY OF HENRICO, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2013**

**Exhibit 1**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets:</b>				
Cash and temporary investments	\$ 534,704,662	\$ 48,899,271	\$ 583,603,933	\$ 12,239,871
Receivables, net	22,789,543	19,285,682	42,075,225	-
Due from other governments	34,916,710	-	34,916,710	16,719,784
Internal balances	(3,490,393)	3,490,393	-	-
Due from component unit	694,743	-	694,743	-
Due from Primary Government	-	-	-	10,135,043
Inventories	848,332	1,635,266	2,483,598	-
Prepays	-	20,000	20,000	-
Other assets	6,718,212	7,006,733	13,724,945	24,507
Restricted cash	-	33,185,889	33,185,889	45,846
Capital assets:				
Land and construction in progress	492,515,529	95,176,374	587,691,903	57,660,796
Other capital assets, net	929,970,371	1,036,150,337	1,966,120,708	183,748,250
Capital assets, net	1,422,485,900	1,131,326,711	2,553,812,611	241,409,046
<b>Total Assets</b>	<b>2,019,667,709</b>	<b>1,244,849,945</b>	<b>3,264,517,654</b>	<b>280,574,097</b>
<b>Liabilities:</b>				
Accounts payable	52,394,706	11,390,809	63,785,515	3,466,759
Deposits payable	-	879,611	879,611	-
Accrued liabilities	31,000,224	2,969,697	33,969,921	1,714,305
Amounts held for others	7,554,295	-	7,554,295	83,738
Unearned revenues	20,106,693	15,035,564	35,142,257	7,463,579
Due to Primary Government	-	-	-	694,743
Due to component units	10,135,043	-	10,135,043	-
Long-term liabilities due within one year	69,245,914	9,164,054	78,409,968	15,088,150
Long-term liabilities due in more than one year	517,758,742	156,560,794	674,319,536	8,468,498
<b>Total Liabilities</b>	<b>708,195,617</b>	<b>196,000,529</b>	<b>904,196,146</b>	<b>36,979,772</b>
<b>Net Position:</b>				
Net Investment in Capital Assets	1,029,263,116	969,304,286	1,998,567,402	232,300,720
Restricted for:				
Highways, Streets and Buildings	93,239,317	-	93,239,317	-
Debt service	34,667,411	15,069,891	49,737,302	-
Grants	43,597,581	-	43,597,581	7,349,511
Unrestricted	110,704,667	64,475,239	175,179,906	3,944,094
<b>Total Net Position</b>	<b>\$ 1,311,472,092</b>	<b>\$ 1,048,849,416</b>	<b>\$ 2,360,321,508</b>	<b>\$ 243,594,325</b>

The accompanying notes to the financial statements are an integral part of these financial statements.

**COUNTY OF HENRICO, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 96,107,810	\$ 11,094,268	\$ 1,127,044	\$ -
Judicial administration	10,907,442	105,833	5,303,779	-
Public safety	173,219,276	3,464,497	27,518,667	-
Public works	70,303,206	15,076,553	41,561,229	-
Health and welfare	57,699,955	10,233,611	25,802,447	-
Education	188,025,114	-	-	-
Parks, recreation and culture	34,781,044	1,493,817	184,592	-
Community development	28,869,251	6,328,193	7,927,852	-
Interest on long-term debt	21,288,654	-	-	-
Total Governmental Activities	681,201,752	47,796,772	109,425,610	-
<b>Business-type activities:</b>				
Water and Sewer	89,813,146	100,998,295	-	7,791,265
Belmont Park Golf Course	1,166,347	843,678	-	-
Total Business-type Activities	90,979,493	101,841,973	-	7,791,265
<b>Total Primary Government</b>	<u>\$ 772,181,245</u>	<u>\$ 149,638,745</u>	<u>\$ 109,425,610</u>	<u>\$ 7,791,265</u>
<b>Component Units:</b>				
School Board	\$ 472,256,551	\$ 8,120,336	\$ 275,658,749	\$ -
James River Juvenile Detention Commission	5,415,759	5,179,718	-	130,010
<b>Total Component Units</b>	<u>\$ 477,672,310</u>	<u>\$ 13,300,054</u>	<u>\$ 275,658,749</u>	<u>\$ 130,010</u>

**General Revenues:**

Taxes:  
Property  
Local sales and use  
Business licenses  
Hotel and motel  
Bank franchise  
Other  
Interest and investment earnings  
Grants and contributions  
Recovered costs  
Miscellaneous  
Payment from Primary Government  
Total general revenues

Change in net position

**Net Position at June 30, 2012**

**Net Position at June 30, 2013**

The accompanying notes to the financial statements are an integral part of these financial statements.

Exhibit 2

Net (Expenses) Revenues and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (83,886,498)	\$ -	\$ (83,886,498)	\$ -
(5,497,830)	-	(5,497,830)	-
(142,236,112)	-	(142,236,112)	-
(13,665,424)	-	(13,665,424)	-
(21,663,897)	-	(21,663,897)	-
(188,025,114)	-	(188,025,114)	-
(33,102,635)	-	(33,102,635)	-
(14,613,206)	-	(14,613,206)	-
(21,288,654)	-	(21,288,654)	-
(523,979,370)	-	(523,979,370)	-
-	18,976,414	18,976,414	-
-	(322,669)	(322,669)	-
-	18,653,745	18,653,745	-
<u>\$ (523,979,370)</u>	<u>\$ 18,653,745</u>	<u>\$ (505,325,625)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (188,477,466)
-	-	-	(106,031)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (188,583,497)</u>
\$ 355,171,160	\$ -	\$ 355,171,160	\$ -
55,852,004	-	55,852,004	-
29,640,707	-	29,640,707	-
10,850,617	-	10,850,617	-
11,740,111	-	11,740,111	-
20,158,375	-	20,158,375	-
1,519,569	1,024,146	2,543,715	11,722
51,425,948	435,975	51,861,923	-
883,921	-	883,921	397,547
707,924	1,171,922	1,879,846	630,577
-	-	-	178,644,339
<u>\$ 537,950,336</u>	<u>\$ 2,632,043</u>	<u>\$ 540,582,379</u>	<u>\$ 179,684,185</u>
\$ 13,970,966	\$ 21,285,788	\$ 35,256,754	\$ (8,899,312)
<u>1,297,501,126</u>	<u>1,027,563,628</u>	<u>2,325,064,754</u>	<u>252,493,637</u>
<u>\$ 1,311,472,092</u>	<u>\$1,048,849,416</u>	<u>\$ 2,360,321,508</u>	<u>\$ 243,594,325</u>

**COUNTY OF HENRICO, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

**Exhibit 3**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Cash and temporary investments	\$ 237,299,605	\$ 46,315,589	\$ 757,411	\$ 211,441,641	\$ 495,814,246
Receivables, net	20,119,795	2,662,268	-	-	22,782,063
Due from other governmental units	32,175,785	2,691,130	-	49,795	34,916,710
Due from component unit	509,875	-	-	-	509,875
Due from other funds	806,481	-	-	-	806,481
Advance to other fund	112,500	-	-	-	112,500
<b>Total Assets</b>	<b>\$ 291,024,041</b>	<b>\$ 51,668,987</b>	<b>\$ 757,411</b>	<b>\$ 211,491,436</b>	<b>\$ 554,941,875</b>
<b>Liabilities:</b>					
Accounts payable	\$ 49,001,485	1,073,293	\$ -	\$ 1,494,735	\$ 51,569,513
Accrued liabilities	11,315,778	1,805,948	-	4,098,137	17,219,863
Amounts held for others	7,449,259	105,036	-	-	7,554,295
Unearned revenues	27,997,025	4,963,553	-	-	32,960,578
Due to component units	-	-	-	10,135,043	10,135,043
Due to other funds	847,747	123,576	-	4,488,861	5,460,184
<b>Total liabilities</b>	<b>96,611,294</b>	<b>8,071,406</b>	<b>-</b>	<b>20,216,776</b>	<b>124,899,476</b>
<b>Fund Balances:</b>					
Unspendable	112,500	-	-	-	112,500
Restricted	5,026,461	28,447,913	-	-	33,474,374
Committed	2,920,000	-	-	191,274,660	194,194,660
Assigned	72,183,928	15,149,668	757,411	-	88,091,007
Unassigned	114,169,858	-	-	-	114,169,858
<b>Total fund balances</b>	<b>194,412,747</b>	<b>43,597,581</b>	<b>757,411</b>	<b>191,274,660</b>	<b>430,042,399</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 291,024,041</b>	<b>\$ 51,668,987</b>	<b>\$ 757,411</b>	<b>\$ 211,491,436</b>	

**Adjustments for the Statement of Net Position:**

Capital assets used in government activities are not current financial resources and therefore are not reported as assets in the governmental funds. (Note 6)	\$ 1,410,006,450
Deferred revenue that has not been recognized as revenue in the current period and therefore is reported as liabilities in the governmental funds. (Note 3)	12,853,885
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. (Note 7)	(578,974,121)
Accrued interest on bonds payable, is not due and payable in the current period and therefore is not reported as liabilities in the governmental funds.	(8,016,026)
Other assets reported in governmental activities are not deferred and recorded as assets in the governmental funds.	5,168,650
Internal service funds are used by management to charge the costs of equipment replacement; and, therefore, the assets and liabilities of the internal service fund are included in government activities in the Statement of Net Position.	38,854,884
Internal service fund net profit allocation to business-type activities and component units is included in the Statement of Net Position as accounts receivable, but is not included in the governmental funds.	1,535,971
<b>Net Position of Governmental Activities</b>	<b>\$ 1,311,472,092</b>

The accompanying notes to the financial statements are an integral part of these financial statements.



**COUNTY OF HENRICO, VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Exhibit 4**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
General property taxes	\$ 349,424,833	\$ 2,850,344	\$ -	\$ -	\$ 352,275,177
Other local taxes	123,489,491	2,382,524	-	-	125,872,015
Licenses and permits	3,177,444	-	-	-	3,177,444
Fines and forfeitures	3,414,841	-	-	-	3,414,841
Revenue from use of money and property	2,037,514	337,366	-	371,616	2,746,496
Charges for services	4,039,667	23,406,535	-	-	27,446,202
Miscellaneous	7,505,338	768,966	-	364,283	8,638,587
Recovered costs	5,393,763	836,748	-	-	6,230,511
Intergovernmental	128,582,871	26,038,542	-	968,533	155,589,946
<b>Total Revenues</b>	<b>627,065,762</b>	<b>56,621,025</b>	<b>-</b>	<b>1,704,432</b>	<b>685,391,219</b>
<b>Expenditures:</b>					
Current operating:					
General government	64,070,896	6,442,146	-	-	70,513,042
Judicial administration	9,900,571	910,984	-	-	10,811,555
Public safety	163,376,659	7,124,935	-	-	170,501,594
Public works	40,941,464	10,402,234	-	-	51,343,698
Health and welfare	19,098,636	38,270,274	-	-	57,368,910
Parks, recreation, and culture	30,496,493	11,450	-	-	30,507,943
Community development	20,561,422	8,125,423	-	-	28,686,845
Education	174,770,145	-	-	3,197,316	177,967,461
Miscellaneous	14,682,146	-	281,491	-	14,963,637
Debt service:					
Principal	336,848	21,801	38,510,000	-	38,868,649
Interest and other charges	47,319	4,012	22,111,115	-	22,162,446
Capital outlay	-	-	-	51,801,050	51,801,050
<b>Total Expenditures</b>	<b>538,282,599</b>	<b>71,313,259</b>	<b>60,902,606</b>	<b>54,998,366</b>	<b>725,496,830</b>
Excess (deficiency) of revenues over (under) expenditures	88,783,163	(14,692,234)	(60,902,606)	(53,293,934)	(40,105,611)
<b>OTHER FINANCING (USES) SOURCES:</b>					
Transfers in	-	18,479,844	58,644,890	31,952,478	109,077,212
Transfers out	(108,135,212)	(939,888)	-	(2,112)	(109,077,212)
Issuance of bonds	-	-	37,500,000	-	37,500,000
Bond premium on bonds issued	-	-	7,566,274	-	7,566,274
Capital lease obligations incurred	113,535	12,085	-	-	125,620
Payment to escrow agent	-	-	(44,808,557)	-	(44,808,557)
Total other financing (uses) sources, net	(108,021,677)	17,552,041	58,902,607	31,950,366	383,337
Net change in fund balance	(19,238,514)	2,859,807	(1,999,999)	(21,343,568)	(39,722,274)
<b>Fund Balances - June 30, 2012</b>	<b>213,651,261</b>	<b>40,737,774</b>	<b>2,757,410</b>	<b>212,618,228</b>	<b>469,764,673</b>
<b>Fund Balances - June 30, 2013</b>	<b>\$ 194,412,747</b>	<b>\$ 43,597,581</b>	<b>\$ 757,411</b>	<b>\$ 191,274,660</b>	<b>\$ 430,042,399</b>

**Adjustments for the Statement of Activities:**

Net change in fund balances - total governmental funds	\$ (39,722,274)
Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	38,868,649
Revenues not in governmental funds that do provide current financial resources are reported as revenues in the Statement of Activities. (Note 3)	513,459
Governmental funds report capital outlays as expenditures while governmental activities capitalize those outlays to allocate those expenditures over the asset life.	66,085,970
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.	(3,668,177)
Depreciation expense is reported in the Statement of Activities but is not reported as an expense in the governmental funds. (Note 6)	(48,562,945)
Interest expense on bonds payable, is not due and payable in the current period and therefore is not reported as expenses in the governmental funds. (Note 7)	873,792
Debt proceeds are recorded as revenues in governmental funds, but are not reported as revenues in the Statement of Activities	(45,191,894)
Payment to escrow is recorded as an expenditure in the governmental funds, but are not reported as an expense in the Statement of Activities	44,808,557
Internal service funds charge the costs of maintenance and healthcare services to governmental funds and are a reduction of expenses in the Statement of Activities	(467,431)
Internal service fund revenues not recorded in the governmental funds.	433,260
Change in Net Position of Governmental Activities	<u>\$ 13,970,966</u>

The accompanying notes to the financial statements are an integral part of these financial statements.

**COUNTY OF HENRICO, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**

**Exhibit 5**

	<b>Business Type Activities - Enterprise Funds</b>			<b>Internal</b>
	<b>Water and</b>	<b>Belmont Park</b>	<b>Total</b>	<b>Service</b>
	<b>Sewer Revenue</b>	<b>Golf Course</b>		<b>Funds</b>
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 48,899,271	\$ -	\$ 48,899,271	\$ 38,890,416
Receivables, net	19,285,682	-	19,285,682	7,480
Due from other funds	4,488,861	-	4,488,861	1,070,119
Due from component unit	-	-	-	184,868
Inventories	1,635,266	-	1,635,266	848,332
Other assets	20,000	-	20,000	13,591
Restricted cash and cash equivalents	33,185,889	-	33,185,889	-
Total current assets	107,514,969	-	107,514,969	41,014,806
Noncurrent assets:				
Other assets	7,006,490	243	7,006,733	-
Capital assets:				
Land and construction in progress	94,925,883	250,491	95,176,374	-
Other capital assets, net	1,034,713,533	1,436,804	1,036,150,337	12,479,450
Capital assets, net	1,129,639,416	1,687,295	1,131,326,711	12,479,450
Total non-current assets	1,136,645,906	1,687,538	1,138,333,444	12,479,450
Total assets	1,244,160,875	1,687,538	1,245,848,413	53,494,256
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 11,318,898	\$ 71,911	\$ 11,390,809	\$ 825,193
Deposits payable	879,611	-	879,611	-
Due to other funds	77,454	808,514	885,968	19,309
Accrued liabilities	2,946,130	23,567	2,969,697	5,764,335
Unearned revenues	15,035,564	-	15,035,564	-
Long-term liabilities due within one year	9,142,133	21,921	9,164,054	5,305,739
Total current liabilities	39,399,790	925,913	40,325,703	11,914,576
Noncurrent liabilities:				
Advance from other fund	-	112,500	112,500	-
Long-term liabilities due in more than one year	156,524,384	36,410	156,560,794	2,724,796
Total non-current liabilities	156,524,384	148,910	156,673,294	2,724,796
Total liabilities	195,924,174	1,074,823	196,998,997	14,639,372
<b>NET POSITION:</b>				
Net investment in capital assets	967,616,991	1,687,295	969,304,286	12,476,635
Restricted for debt service	15,069,891	-	15,069,891	-
Unrestricted	65,549,819	(1,074,580)	64,475,239	26,378,249
Total net position	\$ 1,048,236,701	\$ 612,715	\$ 1,048,849,416	\$ 38,854,884

The accompanying notes to the financial statements are an integral part of these financial statements.

**COUNTY OF HENRICO, VIRGINIA  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Exhibit 6**

	<b>Business Type Activities - Enterprise Funds</b>			<b>Internal Service Funds</b>
	<b>Water and Sewer Revenue</b>	<b>Belmont Park Golf Course</b>	<b>Total</b>	
<b>Operating Revenues:</b>				
Charges for services:				
Water system	\$ 45,693,810	\$ -	\$ 45,693,810	\$ -
Sewer system	46,645,946	-	46,645,946	-
Golf course fees	-	843,678	843,678	-
Interdepartmental charges	-	-	-	20,140,383
Contributions	-	-	-	79,476,001
Other	1,098,202	63,820	1,162,022	291,638
<b>Total operating revenues</b>	<b>93,437,958</b>	<b>907,498</b>	<b>94,345,456</b>	<b>99,908,022</b>
<b>Operating Expenses:</b>				
Purchased services	11,142,150	33,322	11,175,472	-
Utility charges	5,259,745	47,737	5,307,482	114,811
Personnel services and benefits	16,629,603	567,694	17,197,297	82,023,517
Professional services	10,724,206	136,200	10,860,406	68,786
Materials and supplies	6,373,098	181,627	6,554,725	14,651,812
Maintenance and repairs	1,990,970	27,424	2,018,394	2,464,893
Other expenses	3,150,511	58,813	3,209,324	1,828,142
Depreciation	28,864,497	113,530	28,978,027	2,015,230
<b>Total operating expenses</b>	<b>84,134,780</b>	<b>1,166,347</b>	<b>85,301,127</b>	<b>103,167,191</b>
Operating income (loss)	9,303,178	(258,849)	9,044,329	(3,259,169)
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	1,024,146	-	1,024,146	73,859
Connection fees	8,658,539	-	8,658,539	-
Contributions	435,975	-	435,975	-
Interest expense	(5,574,871)	-	(5,574,871)	-
Gain on sale of equipment	-	-	-	250,044
Other	(103,495)	9,900	(93,595)	93,597
<b>Total nonoperating revenues, net</b>	<b>4,440,294</b>	<b>9,900</b>	<b>4,450,194</b>	<b>417,500</b>
Income (loss) before capital contributions	13,743,472	(248,949)	13,494,523	(2,841,669)
Capital contributions - donated assets	7,791,265	-	7,791,265	15,760
Change in net position	21,534,737	(248,949)	21,285,788	(2,825,909)
<b>Total net position - June 30, 2012</b>	<b>1,026,701,964</b>	<b>861,664</b>	<b>1,027,563,628</b>	<b>41,680,793</b>
<b>Total net position - June 30, 2013</b>	<b>\$ 1,048,236,701</b>	<b>\$ 612,715</b>	<b>\$ 1,048,849,416</b>	<b>\$ 38,854,884</b>

The accompanying notes to the financial statements are an integral part of these financial statements.

**COUNTY OF HENRICO, VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Exhibit 7**

	<b>Business Type Activities - Enterprise Funds</b>			<b>Internal Service Funds</b>
	<b>Water and Sewer Revenue</b>	<b>Belmont Park Golf Course</b>	<b>Total</b>	
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers	\$ 95,420,788	\$ 907,255	\$ 96,328,043	\$ 99,877,657
Payments to suppliers	(40,677,733)	(324,637)	(41,002,370)	(91,684,868)
Payments to employees	(19,236,522)	(560,417)	(19,796,939)	(3,957,011)
Net cash provided by (used in) operating activities	<u>35,506,533</u>	<u>22,201</u>	<u>35,528,734</u>	<u>4,235,778</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Purchase of capital assets	(36,395,959)	(22,201)	(36,418,160)	(1,207,554)
Proceeds from sale of capital assets	67,804	-	67,804	344,063
Connection fees paid by contractors	8,682,370	-	8,682,370	-
Proceeds from the issuance of long-term debt	68,410,000	-	68,410,000	-
Refunding/refinancing of debt principle	(68,479,674)	-	(68,479,674)	-
Cost of issuance - refunding	(421,075)	-	(421,075)	-
Debt service contributions	435,975	-	435,975	-
Virginia nutrient removal credits	540,493	-	540,493	-
Interest paid on bonds	(6,979,882)	-	(6,979,882)	-
Principal paid on debt	(8,280,000)	-	(8,280,000)	(1,280)
Net cash (used in) provided by capital and related financing activities	<u>(42,419,948)</u>	<u>(22,201)</u>	<u>(42,442,149)</u>	<u>(864,771)</u>
<b>Cash Flows From Investing Activities:</b>				
Investment income received	1,024,146	-	1,024,146	73,859
<b>Net (Decrease) Increase in Cash</b>	<u>(5,889,269)</u>	<u>-</u>	<u>(5,889,269)</u>	<u>3,444,866</u>
<b>Total Cash and Cash Equivalents - June 30, 2012</b>	<u>87,974,429</u>	<u>-</u>	<u>87,974,429</u>	<u>35,445,550</u>
<b>Total Cash and Cash Equivalents - June 30, 2013</b>	<u>\$ 82,085,160</u>	<u>\$ -</u>	<u>\$ 82,085,160</u>	<u>\$ 38,890,416</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:</b>				
Operating income (loss)	\$ 9,303,178	\$ (258,849)	\$ 9,044,329	\$ (3,259,169)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	28,864,497	113,530	28,978,027	2,015,230
Decrease (increase) in accounts receivable	2,697,083	(243)	2,696,840	(1,567)
Increase in inventories	(64,155)	-	(64,155)	(102,069)
Increase in due from other funds	-	-	-	(22,610)
Increase in due from component unit	-	-	-	(6,188)
(Increase) decrease in other assets	(1,694)	-	(1,694)	2,047
(Decrease) increase in accounts payable	(4,328,454)	32,550	(4,295,904)	208,233
Increase in deposits payable	20,245	-	20,245	-
Increase in due to other fund	-	127,866	127,866	386
Decrease in deferred revenues	(982,422)	-	(982,422)	-
Increase (decrease) increase in other liabilities	(1,745)	7,347	5,602	5,401,485
Decrease in deferred revenues	-	-	-	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 35,506,533</u>	<u>\$ 22,201</u>	<u>\$ 35,528,734</u>	<u>\$ 4,235,778</u>
<b>Reconciliation to Cash and Cash Equivalents on the Statement of Net Assets:</b>				
Cash and cash equivalents	\$ 48,899,271	\$ -	\$ 48,899,271	\$ 38,890,416
Restricted cash and cash equivalents	<u>33,185,889</u>	<u>-</u>	<u>33,185,889</u>	<u>-</u>
<b>Total Cash and Cash Equivalents - June 30, 2013</b>	<u>\$ 82,085,160</u>	<u>\$ -</u>	<u>\$ 82,085,160</u>	<u>\$ 38,890,416</u>

**Supplemental disclosure of noncash investing and financing activities:**

The Water and Sewer Fund received donated infrastructure assets from developers of new subdivisions throughout the County. The value of the assets received during the fiscal year ended June 30, 2013 was \$7,791,265. Interest costs capitalized during the fiscal year ended June 30, 2013 was \$1,510,156. Belmont Golf Course received a donated vehicle valued at \$9,900 during the fiscal year ended June 30, 2013.

The accompanying notes to the financial statements are an integral part of these financial statements.

**COUNTY OF HENRICO, VIRGINIA  
STATEMENT OF FIDUCIARY  
NET POSITION  
JUNE 30, 2013**

**Exhibit 8**

	<b>Agency Funds</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 836,930
<b>Total Assets</b>	<u>\$ 836,930</u>
<b>Liabilities:</b>	
Amounts held for others	\$ 836,775
Accounts payable	155
<b>Total Liabilities</b>	<u>\$ 836,930</u>

The accompanying notes to the financial statements are an integral part of these financial statements.

**COUNTY OF HENRICO, VIRGINIA  
STATEMENT OF NET POSITION  
COMPONENT UNITS  
JUNE 30, 2013**

**Exhibit 9**

	<b>School Board</b>	<b>James River Juvenile Detention Commission</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 8,781,056	\$ 3,458,815	\$ 12,239,871
Restricted cash	-	45,846	45,846
Due from Primary Government	10,135,043	-	10,135,043
Due from other governmental units	16,589,492	130,292	16,719,784
Other assets	15,158	9,349	24,507
Total current assets	<u>35,520,749</u>	<u>3,644,302</u>	<u>39,165,051</u>
Capital assets:			
Land and construction in progress	57,587,695	73,101	57,660,796
Other capital assets, net	176,947,175	6,801,075	183,748,250
Capital assets, net	<u>234,534,870</u>	<u>6,874,176</u>	<u>241,409,046</u>
Total assets	<u>270,055,619</u>	<u>10,518,478</u>	<u>280,574,097</u>
<b>Liabilities:</b>			
Accounts payable	\$ 3,265,700	\$ 201,059	\$ 3,466,759
Accrued liabilities	1,714,305	-	1,714,305
Amounts held for others	83,738	-	83,738
Unearned revenues	7,460,217	3,362	7,463,579
Due to Primary Government	168,944	525,799	694,743
Long-term liabilities due within one year	14,329,518	758,632	15,088,150
Total current liabilities	<u>27,022,422</u>	<u>1,488,852</u>	<u>28,511,274</u>
Long-term liabilities due in more than one year	<u>7,198,498</u>	<u>1,270,000</u>	<u>8,468,498</u>
Total liabilities	<u>34,220,920</u>	<u>2,758,852</u>	<u>36,979,772</u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	227,287,941	5,012,779	232,300,720
Restricted grants	7,280,206	69,305	7,349,511
Unrestricted	1,266,552	2,677,542	3,944,094
Total net position	<u>\$ 235,834,699</u>	<u>\$ 7,759,626</u>	<u>\$ 243,594,325</u>

The accompanying notes to the financial statements are an integral part of these financial statements.

**COUNTY OF HENRICO, VIRGINIA  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Exhibit 10**

Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	JRJDC	Total

**Governmental Activities:**

School Board:

Instructional	\$ 472,256,551	\$ 8,120,336	\$ 275,658,749	\$ -	\$(188,477,466)	\$ -	\$(188,477,466)
Total School Board	472,256,551	8,120,336	275,658,749	-	(188,477,466)	-	(188,477,466)

**Business-Type Activities:**

James River Juvenile

Detention Commission	5,415,759	5,179,718	-	130,010	-	(106,031)	(106,031)
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<b>Total Component Units</b>	<u>\$ 477,672,310</u>	<u>\$ 13,300,054</u>	<u>\$ 275,658,749</u>	<u>\$ 130,010</u>	<u>\$(188,477,466)</u>	<u>\$ (106,031)</u>	<u>\$(188,583,497)</u>
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**General revenues:**

Interest and investment earnings	\$ -	\$ 11,722	\$ 11,722
Recovered costs	397,547	-	397,547
Miscellaneous	630,577	-	630,577
Payment from Primary Government	177,967,461	676,878	178,644,339
Total general revenues	<u>\$ 178,995,585</u>	<u>\$ 688,600</u>	<u>\$ 179,684,185</u>

Change in net position	\$ (9,481,881)	\$ 582,569	\$ (8,899,312)
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<b>Net Position at June 30, 2012</b>	245,316,580	7,177,057	252,493,637
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<b>Net Position at June 30, 2013</b>	<u>\$ 235,834,699</u>	<u>\$ 7,759,626</u>	<u>\$ 243,594,325</u>
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The accompanying notes to the financial statements are an integral part of these financial statements.

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the County of Henrico, Virginia ("County") conform to U.S. generally accepted accounting principles ("GAAP") applicable to governmental units promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the County's more significant accounting policies:

A. Reporting Entity

As required by GAAP, the County's financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The County has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each of the County's discretely presented component unit has a June 30 fiscal year-end.

In accordance with GAAP, the County has presented those entities which comprise the reporting entity (the primary government and discretely presented component units) in the government-wide statements.

Discretely Presented Component Units:

School Board

The County of Henrico School Board ("School Board") is a legally separate organization providing elementary and secondary public education to residents within the County's jurisdiction and is fiscally dependent on the County, receiving more than 50 percent of its funding from the County. The nature and significance of the relationship between the County and the School Board is such that excluding the School Board would cause the County's financial statements to be misleading and incomplete. The School Board does not prepare a separate financial report.

James River Juvenile Detention Commission

The James River Juvenile Detention Commission ("JRJDC" or "Commission") is a separate organization established to provide a juvenile detention facility for the Counties of Goochland, Henrico and Powhatan. There are five voting members of the Commission, of which three members represent the County and one each represents the Counties of Goochland and Powhatan. Their respective county boards appoint the five Commission members. The Commission is financially dependent on the member jurisdictions. The operating costs are allocated among the member jurisdictions based on proportionate usage. Complete financial statements for the Commission may be obtained from the JRJDC Chairman, P.O. Box 90775, Henrico, VA 23273.

Joint Ventures:

Capital Region Airport Commission

The Capital Region Airport Commission is an intergovernmental joint venture and issues separate financial statements. The required information for the joint venture is presented in Note 18.



**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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Greater Richmond Convention Center Authority

The Greater Richmond Convention Center Authority is an intergovernmental joint venture and issues separate financial statements. The required information for the joint venture is presented in Note 18.

**B. Government-wide and Fund Accounting Statements**

In accordance with GAAP, the County's financial statements are comprised of the following components:

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. The County reports all capital assets, including infrastructure, net of accumulated depreciation in the government-wide Statement of Net Position and reports depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net position of the County is broken down into three categories: 1) net investment in capital assets; 2) restricted net position; and 3) unrestricted net position.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of the County's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Fund financial Statements - The Fund financial statements organize and report the financial transactions and balances of the County on the basis of fund categories. Separate statements for each of the County's three fund categories – Governmental (General, Capital Projects), Proprietary (e.g., water and sewer) and Fiduciary are presented. 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. For the governmental funds, the financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances, which are presented on current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

For the proprietary funds, the financial statements consist of a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. For the fiduciary funds, the financial statements consist of a Statement of Fiduciary Net Position.

Reconciliation of Government-wide and Fund Financial Statements - Since the Governmental funds' financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds' Balance Sheet and total Governmental activities net position as shown on the Government-wide Statement of Net Position is presented in Exhibit 3. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances and the change in net position of Governmental activities as shown on the Government-wide Statement of Activities is presented in Exhibit 4.

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The Statement of Net Position presents the County's net investment in capital assets, restricted net position and unrestricted net position. Net investment in capital assets, consists of net capital assets less related long-term liabilities. Restricted net position consists of amounts restricted by external sources related to capital projects, debt service and amounts received in the Special Revenue Fund. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources, as they are needed.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (e.g., public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues (e.g., property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions to determine net costs by function. The program revenues must be directly associated with the function (e.g., public safety, public works, health and welfare, etc.) or the business-type activity.

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds' financial statements are presented on a current financial resource measurement focus and the modified accrual basis of accounting, which is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements with the government-wide financial statements.

The County's fiduciary funds, which consist of agency funds, are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party (e.g., private parties, long-term disability participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the government-wide model is on the County as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds which are considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and

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expenditures, or expenses, as appropriate. The funds are grouped in the fund financial statements in fund types as follows:

Governmental Funds:

General Fund

The General Fund accounts for all revenues and expenditures of the County which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, local sales taxes, license and permit fees, and revenues received from the Commonwealth of Virginia ("Commonwealth" or "State").

A significant part of the General Fund's revenues is used to maintain and operate the general government or is transferred to other funds principally to fund debt service requirements and capital projects. General Fund revenues are used to reduce long-term liabilities including claims payable, accrued compensated absences and pension liabilities. Expenditures include, among other things, those for public safety, highways and streets, welfare, culture and recreation. The General Fund is considered a major fund for reporting purposes.

Special Revenue Fund

The Special Revenue Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Fund consists mainly of state and federal grants that have specific grant restrictions imposed. A portion of the revenues received in this fund is used to reduce the landfill liability each year. The Special Revenue Fund is considered a major fund for reporting purposes.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on all governmental funds' long-term debt except for accrued compensated absences and capital lease obligations for equipment, which are paid by the fund incurring such expenditures. Debt Service Fund resources are derived from transfers from the General Fund. The Debt Service Fund is considered a major fund for reporting purposes.

Capital Projects Fund

The Capital Projects Fund includes activity for all general government and school related capital projects which are financed through a combination of proceeds from general obligation bonds and transfers from the General Fund. The Capital Projects Fund is considered a major fund for reporting purposes.

Proprietary Funds:

Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the County is that the cost of providing services to the general public be financed or recovered through charges to users of such services. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through these funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services and are used to pay for compensated absences, pension costs and other operating expenses. Operating expenses include costs of services, as

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well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

These funds include the operation, maintenance and construction of the County-owned water and wastewater ("sewer") utility (considered a single segment for financial reporting purposes) and the County-owned Belmont Park Golf Course. These funds are considered to be business-type activities in the government-wide financial statements.

Internal Service Funds

The Internal Service Funds accounts for the County's Central Automotive Maintenance operations, Technology Replacement operations and self-funded health insurance fund. Resources for these funds come from interdepartmental charges. The effect of the interdepartmental activity has been eliminated from the government-wide financial statements using a net profit allocation method. The excess revenue for the fund is allocated to the appropriate functional activity within governmental, business-type and component unit activities. The Internal Service Funds are included in governmental activities for government-wide reporting purposes. Inter-fund services that are provided and used are not eliminated in the process of consolidation. External revenues received are reported within governmental activities for government-wide reporting purposes.

Fiduciary Funds:

Agency Funds

Agency Funds account for fiduciary funds administered by the County and are custodial in nature (assets equal liabilities) and have no measurement focus.

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance ("net current assets") is considered a measure of "available resources to be spent". Governmental Fund operating statements present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available expendable resources" during a period. Capital assets and long-term liabilities are not recorded in the fund financial statements; however, a reconciliation of the fund balance to the Statement of Net Assets for the governmental activities in the government-wide financial statements is provided to account for the differences between the two statements and measurement focuses (e.g., capital assets and long-term liabilities, etc.).

All Proprietary Funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported net assets are segregated into invested in capital assets net of related debt, restricted and unrestricted net assets. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

C. Capital Assets and Long-Term Liabilities

Capital outlays are recorded as expenditures of the General, Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold of \$5,000 for land and equipment and \$25,000 for buildings, improvements and infrastructure are met. In accordance with GAAP, infrastructure has been capitalized retroactively to 1980. Depreciation is recorded on general capital

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assets on a governmental-wide basis using the straight-line method. The estimated useful lives are as follows:

Buildings	25 - 50 years
Improvements	20 - 50 years
Equipment	4 - 30 years
Infrastructure	10 - 65 years

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Estimated historical cost was primarily used for land costs (for which the historical assessment records of the County were used). Donated capital assets are valued at their estimated fair value on the date donated. When capital assets are sold or retired, their costs are removed from the accounts and the gain or loss for the disposal is reflected in current revenues.

The County adopted Senate Bill 276 that was added to the Code of Virginia in 2002, which revised the reporting of local school capital assets and related debt for financial statement purposes. Under the law, local governments have a “tenancy in common” with the School Board whenever the locality incurs any financial obligation for any school property, which is payable over more than one fiscal year. This legislation permits the County to report the portion of the school property related to general obligation bonds outstanding eliminating any potential deficit from capitalizing assets financed with debt.

Proprietary Funds

Capital assets for the Proprietary Funds are stated at cost, net of accumulated depreciation. Gifts or contributions of capital assets are recorded at their fair value at date of receipt and are recorded as contribution revenue.

Depreciation of all exhaustible capital assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported as a contra-asset account on the Proprietary Funds' statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Buildings	25 - 50 years
Improvements	20 - 50 years
Equipment	4 - 30 years
Infrastructure	10 - 65 years

When Proprietary Fund assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts and the gains or losses are reflected in the statement of revenues, expenses and changes in net assets.

D. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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Government-Wide Financial Statements

The government-wide financial statements consist of separate statements of net position and of activities. Government-wide 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met and amounts are measurable. Assets and all liabilities associated with the operation of these activities are included on the Statement of Net Position.

Governmental Funds' Financial Statements

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related assets are recorded when susceptible to accrual, (i.e., both measurable and available to finance operations during the year.) Accordingly, real and personal property taxes are recorded as receivables when billed and recognized as revenues when available and collected, net of allowances for un-collectible amounts. As required by Virginia statute, property taxes not collected within 60 days after year end are reflected as deferred revenues - uncollected property taxes. Sales and utility taxes, which are collected by the State and public utilities and subsequently remitted to the County, are recognized as revenues and receivables when collected by the State and the utility (generally in the month preceding receipt by the County). Licenses, permits, and fines are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants used for the purpose of funding specific expenditures, are recognized when earned (i.e., fiscal year in which all eligibility requirements, including time requirements, if any, have been satisfied) or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which are recorded when paid.

Proprietary Funds

The accrual basis of accounting is used for the Enterprise and Internal Service Funds. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

Fiduciary Funds

Agency Funds utilize the accrual basis of accounting.

F. Budgets and Budgetary Accounting

Required Supplementary Information - Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of the County's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. In accordance with GASB reporting requirements, governments provide budgetary comparison information in their annual reports by disclosing the government's original budget to the current comparison of final budget and actual results.

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The County adheres to the following procedures in establishing the budgetary data reflected in the supplementary financial information and schedules:

In January, the Superintendent of Schools submits a proposed budget to the School Board, which conducts public hearings to obtain taxpayer comments. The School Board will then adopt a School Budget and submit it to the County Board of Supervisors before March 1<sup>st</sup>.

Prior to April 1, the County Manager submits to the County Board of Supervisors (the "Board") a proposed operating budget for the fiscal year commencing July 1, which includes the proposed school budget. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. The Board will hold a public hearing on the total County budget (including Schools) and then adopt the County budget before the end of April. Prior to May 1, the budget is legally enacted through passage of a resolution. Prior to July 1, the Board approves the Appropriations Resolution (the "Resolution"). The Resolution places legal restrictions on expenditures at the function level.

The County Manager is authorized to transfer budgeted amounts between departments within any fund; however, the Board must approve any revisions that alter the total budgeted amounts and/or appropriations of any fund. Although legal restrictions on expenditures are established at the function level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets.

Budgets are adopted on a basis consistent with GAAP. Annual operating budgets are adopted for all Governmental Funds (including Schools) except for the Capital Projects Fund, in which effective budgetary control is achieved on a project-by-project basis when funding sources become available. Budgeted amounts shown are as amended by the Board during the course of the fiscal year.

All appropriations lapse at year-end, except those for the Capital Projects Fund. It is the intention of the Board that appropriations for Capital Projects continue until completion of the project. The Board, in an appropriation Board paper, reaffirms this each year.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Fund and Capital Projects Fund. While appropriations lapse at the end of the fiscal year for the General Fund and Special Revenue Fund, the succeeding year's budget ordinance specifically provides for the re-appropriation of year-end encumbrances

H. Inventories and Prepaid Expenses

Proprietary Funds

Inventories consist mainly of supplies and spare parts held for consumption, which are valued by methods, which approximate average cost. Prepaid expenses represent a deposit made to an outside company for postage for the weekly mailing of utility bills. Amounts are expensed under the consumption method as the bills are mailed.

I. Interest Costs

In accordance with GAAP, the cost of properties for the Water and Wastewater Enterprise Fund includes net interest costs incurred during the construction period on funds borrowed to finance the acquisition or construction of major facilities. For the year ended June 30, 2013, the Water and Sewer Enterprise Fund incurred interest costs of \$7,085,027, of which \$1,510,156 was capitalized.

J. Bond Issuance Costs

Bond issuance costs are deferred and amortized using the straight-line method over the term of the related bond issues. For the year ended June 30, 2013, the County had \$2,802,753 in unamortized bond issuance costs.

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**K. Accrued Compensated Absences**

Annual leave is granted to all permanent County employees and certain permanent County School System ("School") employees. County and School employees can earn annual leave at the rate of 4 hours for every 80 standard hours worked up to a maximum of 9 hours for every 80 standard hours after 25 years of service. While there is no requirement that annual leave be taken, the maximum permissible accumulation is 468 hours for County employees and 52 days for School employees. Accumulated annual leave vests and the County is obligated to make payment even if the employee terminates. The current and non-current liability for unused and unpaid annual leave attributable to the County's Governmental Funds is recorded in the government-wide financial statements. The amounts attributable to the Proprietary Funds (Enterprise and Internal Service Funds) are charged to expense and corresponding liabilities established in the applicable Proprietary Funds.

County and School Board employees can earn sick leave at the rate of 4 hours for every 80 standard hours worked and 13 days per year, respectively, without limitation on accumulation. Sick leave is non-vesting with the exception of employees retiring from service. Retiring employees are vested at a rate of \$2.50 for every hour of sick leave earned with a maximum payment of \$5,000. In accordance with GAAP, the liability has been recorded using the termination payment method.

**L. Nonspendable, Restricted, Committed Assigned and Unassigned Fund Balance**

The County's governmental fund balance classifications are categorized as nonspendable, restricted, committed assigned and unassigned based on the constraints placed on those resources by various levels of authority both within and external to the County. The County spends restricted fund balance amounts first, then committed fund balance amounts, then assigned fund balance amounts and then unassigned fund balance amounts.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories, long-term loans and notes receivable. The County has nonspendable fund balance of \$112,500, which is a long-term loan to Belmont Park Golf Course.

Restricted fund balances are amounts that are restricted for specific purposes by external parties such as creditors, grantors, constitutional provisions or through enabling legislation. Enabling legislation authorizes the government to levy, assess, or charge external resource providers and includes a legally enforceable requirement that the resources be used for a particular purpose specified in the legislation.

Committed fund balances are amounts that can only be used for specific purposes pursuant to formal action of the government's highest level of decision-making authority (i.e., the County's Board of Supervisors). Committed amounts cannot be used for any other purpose unless the commitment is changed by similar action of the Board of Supervisors and the committing action must be taken prior to year-end although the exact dollar amount may be determined in a subsequent period. The highest level of formal action approved by the County's Board of Supervisors to establish, modify, or rescind a fund balance commitment is either a resolution or ordinance.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by the governing body itself, or subordinate high-level body or official possessing such authority in accordance with government's policy. The expression of intent does not have to be made prior to year-end. Intent is stipulated by actions taken by a majority vote of the County's Board of Supervisors where those actions provide the County Manager and the Director of Finance the authority to assign fund balances.

Unassigned fund balance is the residual fund balance amount 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. Unassigned fund balance is only shown in the County's and School's General Fund balances. Effective with the implementation of GAAP relating to unassigned fund balances, the County's previous policy related to "unreserved fund balance" was redefined to be a policy for "unassigned fund balance." Unassigned fund balance is maintained at a level of 15.0 percent of General Fund expenditures. The policy of maintaining this reserve is examined on an annual basis during the annual budget process.



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The County's fund balance consists of the following balances:

	<u><b>General Fund</b></u>	<u><b>Special Revenue Fund</b></u>	<u><b>Debt Service Fund</b></u>	<u><b>Capital Projects Fund</b></u>
<b>Fund balances:</b>				
<b>Non-spendable</b>				
Advance to Fund	\$ 112,500	\$ -	\$ -	\$ -
<b>Restricted for:</b>				
Road Construction	4,760,963	-	-	-
Imaging System Upgrades	265,498	-	-	-
Work Training Programs	-	42,967	-	-
Community Development	-	5,256,103	-	-
Drug Enforcement	-	1,817,104	-	-
Mental Health Programs	-	13,719,378	-	-
Social Service Programs	-	7,612,361	-	-
<b>Committed to:</b>				
Public Works	850,000	-	-	157,873
Technology Improvements	-	-	-	3,317,250
Building and Grounds	-	-	-	18,896,299
Road Maintenance	-	-	-	57,962,288
Community Development	-	-	-	744,200
Landfill Expansion	-	-	-	6,475,710
Public Safety Projects	2,000,000	-	-	11,957,892
Parks and Recreation	70,000	-	-	9,466,258
Judicial Administration	-	-	-	832,776
Libraries	-	-	-	33,858,996
Education Projects	-	-	-	47,605,118
<b>Assigned to:</b>				
Public Works	3,990,504	15,149,668	-	-
General Government	37,019,708	-	-	-
Capital projects	31,173,716	-	-	-
Debt Service	-	-	757,411	-
<b>Unassigned</b>	<u>114,169,858</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Fund Balance</b>	<u><u>\$194,412,747</u></u>	<u><u>\$43,597,581</u></u>	<u><u>\$ 757,411</u></u>	<u><u>\$ 191,274,660</u></u>

Schools have restricted fund balance for various education program grants of \$7,280,206 in the Schools Special Revenue Fund. Schools also have committed fund balance in the Schools Capital Projects Fund of \$13,590,967 for various high school, middle school and elementary school construction and renovation projects. Schools also have \$3,121,330 in assigned and \$5,445 in unassigned fund balance in the Schools General Fund.

M. Statement of Cash Flows

The County has presented a statement of cash flows for the Proprietary Funds. For purposes of this statement, cash and cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and investments with original maturities of 90 days or less.

N. New Accounting Pronouncements

The County adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, during 2013. The objective of this Statement is to improve financial reporting by establishing recognition, measurement, and disclosure requirements for service concession arrangements for both transferors and governmental operators. This Statement did not have an impact on the financial statements.

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The County adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, during 2013. The objective of this Statement is to improve financial reporting for governmental entities by amending the requirements of GASB Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet user needs. This Statement amends the criteria for blending and will improve information presented about the financial reporting entity. This Statement did not have an impact on the financial statements.

The County adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, during 2013. The objective of this Statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements.

The County adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during 2013. This objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The County retroactively implemented the provisions of GASB Statement No. 63 in fiscal year 2013 by replacing the previous term "net assets" with the new term "net position."

**O. Future Accounting Pronouncements**

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2014.

In March 2012, GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No.62*. This objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted for the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pension by State and Local Government Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2015.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government

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combinations and disposals for government operations. Government combinations include mergers, acquisitions, and transfers of operations. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2015.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2014.

**NOTE 2. DEPOSITS AND INVESTMENTS**

The County utilizes a pooled cash and investments approach where each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed based on average monthly balances. Use of current banking processes provides for daily sweeps of deposits made to County accounts, resulting in an instantaneous transfer to the investment account. Thus, the majority of funds in the County's general account are invested at all times. Exceptions to this are funds in the JRJDC checking account and the School Student Activity Fund, which are not under County control. The County's pooled portfolio also excludes pension plans, maintained by the Virginia Retirement System ("VRS"), and Bond proceeds maintained in the State Non-Arbitrage Pool, an SEC-registered money market fund.

The County maintains a cash and temporary investment pool that is available for use by all funds, except School Activity Agency Funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and temporary investments". In addition, cash and investments are separately held for several of the County's funds. Highly liquid investments with maturities of 90 days or less from date of purchase are considered cash equivalents. In accordance with GAAP, investments are shown at fair value except for commercial paper, banker's acceptances, Treasury and Agency obligations that have a remaining maturity at the time of purchase of one year or less, which are shown at amortized cost. As of June 30, 2013, the difference between amortized cost and the fair value of those securities held at amortized cost is immaterial to the basic financial statements. Fair value is based on quoted market prices, which are provided by the County's Investment Manager, Sterling Capital, as of June 30, 2013. The net increase in fair value of investments during the year ended June 30, 2013, was \$265,101. This amount takes into account all changes in fair value that occurred during the fiscal year.

**Deposits - Bank**

At June 30, 2013, the carrying value of the County's deposits with banks was \$108,117,941 and the bank balance was \$111,517,397. All of the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool.

The carrying amount of deposits for the School Board, a discretely presented component unit, was \$2,030,269 and the bank balance was \$2,114,800. All of the bank balance was covered by Federal Depository Insurance or collateralized in

**COUNTY OF HENRICO, VIRGINIA**  
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accordance with the Virginia Security for Public Deposits Act. The carrying amount of deposits for the James River Juvenile Detention Commission, a discretely presented component unit, was \$2,868,206, and the bank balance was \$2,868,206. All of the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Deposits – Fiscal Agent

At June 30, 2013, the County had deposits of \$9,099,718 with fiscal agents representing funds to meet debt service requirements in accordance with various bond resolutions and trust indentures. These deposits were collateralized in accordance with the provision of the Act.

Investments

State statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of any city, county, or town situated in any one of the states of the United States, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, money market mutual funds that invest exclusively in securities specifically permitted under the State Code, and the State Treasurer's Local Government Investment Pool (LGIP). The County's current investment guidelines do not permit the investment of funds in repurchase agreements. During the fiscal year, the County had investments in municipal bonds, money market mutual funds, obligations of the United States and agencies thereof.

The County's investment guidelines establish limitations on holdings, in order to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury Securities). The maximum percentage of the portfolio permitted in each security is as follows:

U.S. Treasury Obligations (bills, notes and bonds)	100%
U.S. Government Agency Securities and Instrumentalities	70%
Banker's Acceptance (BA's)	40%
Money Market	40%
Certificates of Deposit (CD's) Commercial Banks	90%
Certificates of Deposit (CD's) Savings & Loan Associations	10%
Commercial Paper	35%
Local Government Investment Pool (maximum \$50 million)	75%
Municipal Bonds	70%

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The County further limits a maximum 5 percent of the portfolio for any single Banker's Acceptance or Commercial Paper issuer. The County's total investment percentages in comparison to the investment guidelines are as follows:

**Primary Government**

	<u>Fair Value</u>	<u>Policy</u>	<u>Percent of Portfolio</u>
Municipal Bonds	\$ 41,967,404	70%	8.39 %
U.S Government Agencies	207,373,978	70%	41.45%
Commercial Paper	96,597,852	35%	19.31%
U.S. Government Money Market Funds	154,306,958	40%	30.85%
Total Investments	<u>\$ 500,246,192</u>		<u>100.00%</u>

**Component Units**

	<u>Fair Value</u>	<u>Percent of Policy</u>	<u>Portfolio</u>
Municipal Bonds	\$ 795,863	70%	10.78%
U.S Government Agencies	3,932,606	70%	53.25%
Commercial Paper	1,831,866	35%	24.80%
U.S. Government Money Market Funds	825,407	40%	11.18%
Total Investments	<u>\$ 7,385,742</u>		<u>100.00%</u>

The County's portfolio manager, Sterling Capital, provided the day-to-day management of investments during fiscal year 2013. In addition, the County's contract with the portfolio manager requires that at the time funds are invested, collateral will be received and held in the County's name in the Trust Department of the County's independent third-party custodian, Branch Banking and Trust (BB&T) Bank. The County and its discretely presented component units' investments are subject to interest rate, credit and custodial risk as described below:

*Interest Rate Risk* – As a means of limiting exposure to fair value losses arising from rising interest rates, the County's investment guidelines establish a limit of 55 percent of the County's investment portfolio to maturities of less than one year. The guidelines further limit investments of longer than one year to a maximum 45 percent of the portfolio, and the maximum permissible maturity for any individual security is five years.

*Credit Risk* – State Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, obligations of any city, county, or town situated in one of the states of the United States, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, money market mutual funds and State Treasurers Local Government Investment Pool. During the fiscal year, the County made investments in obligations of the United States and agencies thereof, municipal bonds, commercial paper and money market funds. All investments were in compliance with the State Statutes governing investments of Public funds. The credit quality of obligations of U.S. government agencies held in the portfolio for the Federal National Mortgage Association (FNMA), the Federal Home Loan Banks (FHLB), and the Federal Home Loan Mortgage Corporation (FHLMC), received AAA ratings from Moody's and AA+ ratings from Standard & Poor. The credit quality of the municipal bonds held in the portfolio received ratings from Moody's and Standard & Poor's ranged from Aa2 to AAA. The commercial paper held in the portfolio received ratings from Moody's and Standard & Poor's of P-1 and A-1. The County used one money market mutual funds during the fiscal year, the State Non-Arbitrage Pool is rated AAAM by Standard and Poor's, and BB&T Collateralized Deposit Program for Virginia Public Depositors.

*Custodial Risk* – For an investment, custodial risk is the risk that in the event of the failure of the counterparty, the County 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's investment guidelines require that at the time funds are invested, collateral will be received and held in the County's name in the Trust Department of the County's independent third-party custodian, BB&T Bank.

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As of June 30, 2013, the County had the following investments and maturities:

**Primary Government**

	<b>Investment Maturities (in years)</b>		
	<b>Fair Value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>
Municipal Bonds	\$ 41,967,404	\$ 9,764,801	\$ 32,202,603
U.S. Government Agencies	207,373,978	20,264,901	187,109,077
Commercial Paper	96,597,852	96,597,852	-
W&S Reserve	7,124,661	7,124,661	-
U.S. Government Money Market Funds	147,182,297	147,182,297	-
Total Investments	<u>\$ 500,246,192</u>	<u>\$ 280,934,512</u>	<u>\$ 219,311,680</u>
Total Deposits	108,117,941		
Total Held By Fiscal Agent	9,099,718		
Total Cash on Hand	113,279		
Total Deposits and Investments	<u>\$ 617,577,130</u>		

**Component Units:**

**School Board**

	<b>Investment Maturities (in years)</b>		
	<b>Fair Value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>
Municipal Bonds	\$ 795,863	\$ 185,178	\$ 610,685
U.S. Government Agencies	3,932,606	384,300	3,548,306
Commercial Paper	1,831,866	1,831,866	-
U.S. Government Money Market Funds	189,452	189,452	-
Total Investments	<u>\$ 6,749,787</u>	<u>\$ 2,590,796</u>	<u>\$ 4,158,991</u>
Total Deposits	2,030,269		
Total Cash on Hand	1,000		
Total Deposits and Investments	<u>\$ 8,781,056</u>		

**James River Juvenile Detention Commission**

	<b>Investment Maturities (in years)</b>		
	<b>Fair Value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>
U.S. Government Money Market Funds	\$ 635,955	<u>\$ 635,955</u>	<u>\$ -</u>
Total Deposits	2,868,206		
Total Cash on Hand	500		
Total Deposits and Investments	<u>\$ 3,504,661</u>		

Total Deposit and Investments-Reporting Entity \$ 629,862,847

The School Activity Funds' cash of \$4,902,620 and Mental Health and Developmental Services Fund cash of \$49,622, not under the control of the Director of Finance, is not pooled with the Reporting Entity cash and investments, and therefore, is not included in the above presentation. These deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

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**NOTE 3. RECEIVABLES**

Receivables at June 30, 2013 consist of the following:

**Primary Government**

	<u><b>Governmental Activities</b></u>		<u><b>Business-Type Activities</b></u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Funds</u>	<u>Total</u>
<u>Receivables:</u>				
Interest	\$ 1,072,802	\$ -	\$ -	\$ 1,072,802
Taxes	22,801,358	-	-	22,801,358
Accounts	<u>3,793,513</u>	<u>3,145,319</u>	<u>19,569,582</u>	<u>26,508,414</u>
Gross Receivables	27,667,673	3,145,319	19,569,582	50,382,574
Less: Allowances for				
Doubtful Accounts	<u>7,547,878</u>	<u>483,051</u>	<u>283,900</u>	<u>8,314,829</u>
Receivables, net	<u>\$ 20,119,795</u>	<u>\$ 2,662,268</u>	<u>\$ 19,285,682</u>	<u>\$ 42,067,745</u>

Central Automotive Maintenance has a receivable of \$7,480 as of June 30, 2013 which is included on a government-wide basis. Long-term assets on a government-wide basis also include taxes receivable of \$12,853,885 that is not available to pay for current period expenditures and, therefore, are included in unearned revenues for the governmental funds. Tax revenue reported in the government-wide statements includes \$513,459 of revenue that does not provide current financial resources, and therefore, is not included in the governmental funds.

**Component Units**

	<u>School Board</u>	<u>JRJDC</u>	<u>Total</u>
<u>Receivables:</u>			
Intergovernmental	<u>\$ 16,589,492</u>	<u>\$ 130,292</u>	<u>\$ 16,719,784</u>

Receivables are presented net of appropriate allowances for doubtful accounts. The County calculates its allowances using historical collection data, specific account analysis and management's judgment. All of the Component Units' receivables are considered to be collectible.

**NOTE 4. PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in April and are payable in two installments on June 5th and December 5th. Installments due on June 5, 2013, are levied for fiscal year 2013 and installments due on December 5, 2013, are levied for fiscal year 2014. The County bills and collects its own property taxes. Property taxes levied are recorded as receivables, net of allowance for estimated uncollectible accounts, to the extent that they are currently due.

The Virginia General Assembly passed SB 4005, the Personal Property Tax Relief Act ("PPTRA") in April 1998. The bill provides for the State to reimburse a portion of the tangible Personal Property Tax levied on personal use cars, motorcycles and trucks. In 1998, the reimbursement was 12.5 percent of the tax on the first \$20,000 of the value of the qualifying vehicle. The reimbursement rate was 27.5 percent for tax year 1999, and increased to 47.5 percent for tax year 2000 and 70.0 percent for tax years 2001 through 2005. The reimbursement rate for 2006 and thereafter is determined by each locality based upon their share of the \$950 million allocated by the Commonwealth for personal property tax relief on qualifying vehicles. For tax year 2013, the State reimbursement receivable is reflected as a due from other governments. Revenue for the State reimbursement is recorded as non-categorical aid from the State. Localities will continue to assess and administer the Personal Property Tax Relief program.

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS**

Amounts due from other governmental units for Governmental Funds at June 30, 2013 include:

	<u><b>General</b></u>	<u><b>Special Revenue</b></u>	<u><b>Capital Projects</b></u>
<b>Commonwealth of Virginia:</b>			
<b>Non-categorical aid for:</b>			
Local Sales and Use Tax	\$ 4,788,544	\$ -	\$ -
PPTRA	18,460,463	-	-
Rolling Stock Tax	165,319	-	-
State Recordation Fees	343,434	-	-
Richmond Center	2,712,654	-	-
<b>Categorical aid for:</b>			
Public Works	-	-	41,217
Public Safety	912,604	2,305	-
Social Services	1,375,490	623,911	-
Treasurer	2,429,784	-	-
Correction & Detention	627,046	94,163	-
Finance	65,127	-	-
Mental Health & Development Services	-	79,463	-
Circuit Court	136,071	-	-
Library	5,250	-	-
Commonwealth's Attorney	<u>153,999</u>	<u>11,681</u>	<u>-</u>
Total due from the Commonwealth of Virginia	<u>32,175,785</u>	<u>811,523</u>	<u>41,217</u>
<b>Federal Government:</b>			
<b>Categorical aid:</b>			
Work Training Grants (CATC)	-	1,686,997	-
Public Safety	-	60,212	-
Public Works	-	-	8,578
Correction & Detention	-	11,401	-
Commonwealth Attorney	-	1,529	-
Community Development Block Grant	<u>-</u>	<u>119,468</u>	<u>-</u>
Total due from the Federal government	<u>-</u>	<u>1,879,607</u>	<u>8,578</u>
Total due from other governmental units	<u>\$ 32,175,785</u>	<u>\$ 2,691,130</u>	<u>\$ 49,795</u>

Amounts due from other governmental units for the School Board Component Unit at June 30, 2013 include:

	<u><b>School Board</b></u>
<b>Commonwealth of Virginia:</b>	
<b>Non-categorical aid for:</b>	
State Sales and Use Tax	\$ 3,902,985
<b>Categorical aid for:</b>	
Education	<u>578,877</u>
Total due from the Commonwealth of Virginia	<u>4,481,862</u>
<b>Federal Government Categorical Aid:</b>	
Education	<u>12,107,630</u>
Total due from the Federal government	<u>12,107,630</u>
Total due from other governmental units	<u>\$ 16,589,492</u>



**COUNTY OF HENRICO, VIRGINIA**  
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**NOTE 6. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2013 follows:

<b>Governmental Activities</b>	<b><u>Balance June 30, 2012</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balance June 30, 2013</u></b>
Capital Assets Not Being Depreciated:				
Land	\$ 357,572,895	\$ 7,539,439	\$ 190,410	\$ 364,921,924
Construction in progress	147,190,084	36,326,773	55,923,252	127,593,605
Total Capital Assets Not Being Depreciated	<u>\$ 504,762,979</u>	<u>\$ 43,866,212</u>	<u>\$ 56,113,662</u>	<u>\$ 492,515,529</u>
Other Capital Assets:				
Buildings	\$ 759,221,469	\$ 13,933,814	\$ -	\$ 773,155,283
Infrastructure	603,338,400	46,998,344	-	650,336,744
Equipment	193,134,621	13,817,466	6,054,783	200,897,304
Improvements other than buildings	<u>55,221,752</u>	<u>1,884,393</u>	<u>-</u>	<u>57,106,145</u>
Total Other Capital Assets	<u>\$1,610,916,242</u>	<u>\$ 76,634,017</u>	<u>\$ 6,054,783</u>	<u>\$1,681,495,476</u>
Less Accumulated Depreciation for:				
Buildings	\$ (168,358,835)	\$ (15,316,340)	\$ -	\$ (183,675,175)
Infrastructure	(385,184,545)	(18,234,702)	-	(403,419,247)
Equipment	(129,696,960)	(14,558,733)	(5,521,980)	(138,733,713)
Improvements other than buildings	<u>(23,228,570)</u>	<u>(2,468,400)</u>	<u>-</u>	<u>(25,696,970)</u>
Total Accumulated Depreciation	<u>\$ (706,468,910)</u>	<u>\$ (50,578,175)</u>	<u>\$ (5,521,980)</u>	<u>\$ (751,525,105)</u>
Total Net of Depreciation	<u>\$1,409,210,311</u>	<u>\$ 69,922,054</u>	<u>\$ 56,646,465</u>	<u>\$1,422,485,900</u>

Government activities capital assets net of accumulated depreciation at June 30, 2013 are comprised of the following:

General Capital Assets, Net	\$1,422,485,900
Internal Service Fund Capital Assets, Net	(12,479,450)
Combined Adjustment	<u>\$1,410,006,450</u>

Depreciation for the fiscal year ended June 30, 2013 was charged to governmental functions as follows:

General Government Administration	\$ 7,637,129
Judicial Administration	93,106
Public Safety	7,576,564
Public Works	20,234,058
Education	10,057,653
Health and Welfare	285,193
Parks and Recreation	4,501,703
Community Development	192,769
Total Depreciation	<u>\$ 50,578,175</u>
Internal Service Fund Depreciation	<u>(2,015,230)</u>
Combined Adjustment	<u>\$ 48,562,945</u>

**COUNTY OF HENRICO, VIRGINIA**  
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**Business Type Activities**

	<u>Balance</u> <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Water and Sewer:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 16,990,313	\$ -	\$ -	\$ 16,990,313
Construction in progress	55,113,126	40,827,691	18,005,247	77,935,570
Total Capital Assets Not Being Depreciated	<u>\$ 72,103,439</u>	<u>\$ 40,827,691</u>	<u>\$ 18,005,247</u>	<u>\$ 94,925,883</u>
Other Capital Assets:				
Buildings	\$ 357,633,500	\$ 487,715	\$ -	\$ 358,121,215
Equipment	115,604,381	819,414	802,255	115,621,540
Improvements	1,426,652	-	-	1,426,652
Infrastructure	992,776,840	24,963,025	493,505	1,017,246,360
Total Other Capital Assets	<u>\$ 1,467,441,373</u>	<u>\$ 26,270,154</u>	<u>\$ 1,295,760</u>	<u>\$ 1,492,415,767</u>
Less Accumulated Depreciation for:				
Buildings	\$ (91,748,122)	\$ (7,075,771)	\$ -	\$ (98,823,893)
Equipment	(66,961,840)	(6,595,714)	(521,662)	(73,035,892)
Improvements	(958,496)	(39,671)	-	(998,167)
Infrastructure	(270,130,742)	(15,153,341)	(439,801)	(284,844,282)
Total Accumulated Depreciation	<u>\$ (429,799,200)</u>	<u>\$ (28,864,497)</u>	<u>\$ (961,463)</u>	<u>\$ (457,702,234)</u>
Total Net of Depreciation	<u>\$ 1,109,745,612</u>	<u>\$ 38,233,348</u>	<u>\$ 18,339,544</u>	<u>\$ 1,129,639,416</u>
	<u>Balance</u> <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Belmont Park Golf Course:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 250,491	\$ -	\$ -	\$ 250,491
Total Capital Assets Not Being Depreciated	<u>\$ 250,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,491</u>
Other Capital Assets:				
Buildings	\$ 1,907,587	\$ -	\$ -	\$ 1,907,587
Equipment	872,449	32,101	2,600	901,950
Improvements	2,341,902	-	-	2,341,902
Total Other Capital Assets	<u>\$ 5,121,938</u>	<u>\$ 32,101</u>	<u>\$ 2,600</u>	<u>\$ 5,151,439</u>
Less Accumulated Depreciation for:				
Buildings	\$ (894,052)	\$ (30,365)	\$ -	\$ (924,417)
Equipment	(526,272)	(46,736)	(2,600)	(570,408)
Improvements	(2,183,381)	(36,429)	-	(2,219,810)
Total Accumulated Depreciation	<u>\$ (3,603,705)</u>	<u>\$ (113,530)</u>	<u>\$ (2,600)</u>	<u>\$ (3,714,635)</u>
Total Net of Depreciation	<u>\$ 1,768,724</u>	<u>\$ (81,429)</u>	<u>\$ -</u>	<u>\$ 1,687,295</u>

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Component Units**

<u>School Board:</u>	<u>Balance June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Capital Assets Not Being Depreciated:				
Land	\$ 41,897,236	\$ 34,041	\$ -	\$ 41,931,277
Construction in progress	14,577,233	3,527,685	2,448,500	15,656,418
Total Capital Assets Not Being Depreciated	<u>\$ 56,474,469</u>	<u>\$ 3,561,726</u>	<u>\$ 2,448,500</u>	<u>\$ 57,587,695</u>
Other Capital Assets:				
Buildings	\$ 264,176,164	\$ 1,933,394	\$ -	\$ 266,109,558
Equipment	130,304,212	10,607,298	1,383,233	139,528,277
Improvements	27,806,120	720,499	-	28,526,619
Total Other Capital Assets	<u>\$ 422,286,496</u>	<u>\$ 13,261,191</u>	<u>\$ 1,383,233</u>	<u>\$ 434,164,454</u>
Accumulated Depreciation	<u>(239,708,081)</u>	<u>(18,873,673)</u>	<u>(1,364,475)</u>	<u>(257,217,279)</u>
Total Net of Depreciation	<u>\$ 239,052,884</u>	<u>\$ (2,050,756)</u>	<u>\$ 2,467,258</u>	<u>\$ 234,534,870</u>

All depreciation for the fiscal year ended June 30, 2013 was charged to the education function.

<u>James River Juvenile Detention Center:</u>	<u>Balance June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Capital Assets Not Being Depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Construction in progress	-	43,101	-	43,101
Total Capital Assets Not Being Depreciated	<u>\$ 30,000</u>	<u>\$ 43,101</u>	<u>\$ -</u>	<u>\$ 73,101</u>
Other Capital Assets:				
Building	\$ 9,243,433	\$ -	\$ -	\$ 9,243,433
Improvements	237,874	-	-	237,874
Equipment	476,603	29,912	-	506,515
Total Other Capital Assets	<u>\$ 9,957,910</u>	<u>\$ 29,912</u>	<u>\$ -</u>	<u>\$ 9,987,822</u>
Accumulated Depreciation	<u>(2,896,701)</u>	<u>(290,046)</u>	<u>\$ -</u>	<u>(3,186,747)</u>
Total Net of Depreciation	<u>\$ 7,091,209</u>	<u>\$ (217,033)</u>	<u>\$ -</u>	<u>\$ 6,874,176</u>

**NOTE 7. LONG-TERM DEBT**

**Governmental Activities**

The following is a summary of the changes in the total long-term liabilities for the year ended June 30, 2013:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
General obligation (GO) bonds	\$ 497,070,000	\$ 37,500,000	\$ 74,960,000	\$ 459,610,000
Capital lease obligations	35,011,636	125,620	3,489,129	31,648,127
Accrued claims payable	24,212,473	11,051,367	11,757,125	23,506,715
Accrued compensated absences	19,600,966	19,792,313	19,096,341	20,296,938
Pension liabilities	3,444,453	49,600	-	3,494,053
Landfill post-closure costs	9,122,683	917,838	101,706	9,938,815
Total	<u>\$ 588,462,211</u>	<u>\$ 69,436,738</u>	<u>\$ 109,404,301</u>	<u>\$ 548,494,648</u>

**COUNTY OF HENRICO, VIRGINIA**  
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	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Premium on bonds	36,711,559	7,566,274	5,767,825	38,510,008
Total long-term debt	\$ 625,173,770			\$ 587,004,656
Current maturities	<u>(68,465,142)</u>			<u>(69,245,914)</u>
Net long-term liabilities	<u>\$ 556,708,628</u>			<u>\$ 517,758,742</u>

The current maturity of long-term liabilities at June 30, 2013 consists of the following:

General obligation bonds	\$ 33,910,000
Capital lease obligations	4,068,066
Accrued claims payable	11,382,648
Accrued compensated absences	19,774,395
Landfill post-closure costs	110,805
Total current maturities	<u>\$ 69,245,914</u>

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

All liabilities, both current and long-term, are reported in the Statement of Net Assets. The adjustment from modified accrual to full accrual is as follows:

Balances at June 30, 2013 were:

Long-term liabilities (detail above)	\$ 587,004,656
Internal Service Fund long-term liabilities	(8,030,535)
Combined adjustment	<u>\$ 578,974,121</u>

In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. The adjustment from modified accrual to full accrual is \$334,524, which represents the change in accrued interest on bonds payable as of June 30, 2013.

In November 2000 and March 2005, the County's voters authorized the issuance of general obligation bonds. In 2000, voters authorized \$237,000,000, of which \$236,948,800 has been issued as of June 30, 2013. In 2005, voters authorized an additional \$349,300,000 in bonds, of which \$339,700,000 has been issued as of June 30, 2013. The County plans to issue the remaining bonds in future fiscal years.

In January 2003, the County issued \$107,545,000 General Obligation Refunding Bonds to provide funding for certain School capital improvements, fire stations, recreation and park facilities, road projects and the refunding of existing bonds. Of the total issued, \$50,230,000 was new general obligation debt, \$16,650,000 was issued to refund, prior to maturity, \$16,000,000 of the 1993 VPSA bond issue, and \$40,665,000 was issued to refund, prior to maturity, \$42,085,000 of the 1993 Refunding issue. The interest rate on the 2003 bond issue is between 2 percent and 5 percent and the final maturity will occur on January 15, 2023. The principal payments range from \$1,610,000 to \$8,335,000. The County reduced its aggregate debt service payments by approximately \$4.1 million over the next 11 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$3.9 million.

In June 2004, the County issued \$38,920,000 General Obligation Public Improvement Bonds, Series 2004 to provide funding for certain School capital improvements, fire stations, recreation and park facilities and road construction projects. The interest rates on these bonds range between 4 percent and 5.25 percent. The principal payments range from \$1,945,000 to \$1,950,000 and the final maturity will be on July 15, 2024.

On August 2, 2005, the County issued General Obligation Public Improvement Bonds, Series 2005 in the aggregate principal amount of \$77,815,000 to provide funding for certain school capital improvement projects, library facilities, fire stations, recreation and park facilities improvements and various road projects in the County, pursuant to the voter authorizations at elections held in the County on November 7, 2000 and March 8, 2005. The Bonds mature on July 15<sup>th</sup> in each of the years 2006 through 2025.

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On November 3, 2006, the County issued General Obligation Public Improvement Bonds, Series 2006 in the aggregate principal amount of \$71,915,000 to provide funding for certain school capital improvements, library facilities, fire stations and facilities and recreation and park facilities improvements in the County, pursuant to the voter authorizations at elections held in the County on November 7, 2000 and March 8, 2005. The Bonds mature on December 1<sup>st</sup> in each of the years 2007 through 2026.

On January 10, 2008, the County issued General Obligation Public Improvement Bonds, Series 2008 in the aggregate principal amount of \$29,810,000 to provide funding for certain school capital improvement projects, fire stations and facilities in the County, pursuant to the voter authorization at an election held on March 8, 2005. The Bonds mature on December 1 in each of the years 2008 through 2027.

On July 2, 2008, the County issued Virginia Public School Authority (VPSA) Special Obligation School Financing Bonds, Series 2008, in the aggregate principal amount of \$44,440,000 to provide funding for various school capital improvement projects. The interest rates on these bonds range between 3.5 percent and 5.0 percent. The bonds mature on July 15<sup>th</sup> in each of the years 2009 through 2028.

On November 13, 2008, the County issued County of Henrico, Virginia General Obligation Public Improvement Bonds, Series 2008A, in the aggregate principal amount of \$93,090,000 to provide funding for various county and school capital improvement projects. The interest rates on these bonds range between 3.5 percent and 5.0 percent. The bonds mature on December 1<sup>st</sup> in each of the years 2009 through 2028.

On May 13, 2009, the County issued \$33,785,000 General Obligation Public Improvement Refunding Bonds – Series 2009 to advance refund, \$20,010,000 of the County's Series 2001 General Obligation Public Improvement Bonds and \$13,320,000 of the County's Series 2002 General Obligation Public Improvement Bonds. The interest rate on the 2009 bond issue is between 2 percent and 5 percent and the final maturity will occur on March 1, 2022. The principal payments range from \$100,000 to \$3,110,000. The County reduced its aggregate debt service payments by approximately \$ 1.8 million over the next 13 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$5.23 million. The proceeds of the 2009 Refunding Issue were deposited in a trust fund and were used to purchase U.S. Government Obligations that will mature and bear interest payable at times and in amounts sufficient to pay interest when due on the Refunded Bonds to their respective redemption dates and to pay the redemption prices of the Refunded Bonds on such dates. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (of which \$0 remained outstanding at June 30, 2013) nor the assets placed in the trust fund are reflected in the County's financial statements.

On May 3, 2010, the County issued \$119,735,000 General Obligation Public Improvement Refunding Bonds – Series 2010 to refund, prior to maturity, portions of the following bonds: General Obligation Public Improvement Bonds Series 2004, 2005, 2006, 2008 and 2008A and General Obligation Public Improvement and Refunding Bonds Series 2003. The interest rate on the 2010 bond issue is between 3 percent and 5 percent and the final maturity will occur on July 15, 2025. The principal payments range from \$475,000 to \$18,040,000. The County reduced its aggregate debt service payments by approximately \$3.9 million over the next 15 years and obtained an economic gain of (difference between the present value of the old and new debt service payments) of \$6.5 million. The proceeds of the 2010 Refunding Issue were deposited in a trust fund and were used to purchase U. S. Government Obligations that will mature and bear interest payable at times and in amounts sufficient to pay interest when due on the Refunded Bonds to their respective redemption dates and to pay the redemption prices of the Refunded Bonds on such dates. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (of which \$95,420,000 remained outstanding at June 30, 2013) nor the assets placed in the trust fund are reflected in the County's financial statements.

On July 20, 2010, the County issued General Obligation Public Improvement Bonds, Series 2010A in the aggregate principal amount of \$72,205,000. The proceeds of the Bonds will be used to finance capital school improvement projects, library facilities, fire stations, recreation and park facilities improvements and various road projects in the County, pursuant to the voter authorizations at elections held in the County on March 8, 2005. The Bonds mature on August 1st in each of the years 2011 through 2030. The interest rate ranges from 2 percent to 5 percent.

On September 1, 2011, the County issued General Obligation Public Improvement Bonds, Series 2011 in the aggregate principal amount of \$66,075,000. The proceeds of the Bonds will be used to finance capital school improvement projects, library facilities, fire stations, recreation and park facilities improvements and various road projects in the County, pursuant to the voter authorizations at elections held in the County on March 8, 2005. The Bonds mature on August 1st in each of the years 2012 through 2031. The interest rate ranges from 2 percent to 5 percent.

On September 19, 2012, the County issued General Obligation Public Improvement Refunding Bonds, Series 2012 in the aggregate principal amount of \$37,500,000. The proceeds of the Bonds will be applied (i) to advance refund and defease

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\$19,450,000 outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series 2005, dated August 17, 2005 and maturing on July 15<sup>th</sup> in each of the years 2021 through 2025, which are subject to redemption and are to be redeemed on July 15, 2015, (ii) to advance refund and defease \$17,975,000 outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series 2006, dated November 15, 2006 and maturing on December 1<sup>st</sup> in each of the years 2022 through 2026, which are subject to redemption and are to be redeemed on December 1, 2016, and (iii) to advance refund and defease \$2,155,000 outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series 2010A, dated August 10, 2010 and maturing on August 1, 2013, which are to be paid at their stated maturity on August 1, 2103. The Bonds mature on February 1, 2013 and on August 1<sup>st</sup> in each of the years 2014 through 2026. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (of which \$39,580,000 remained outstanding at June 30, 2013) nor the assets placed in the trust fund are reflected in the County's financial statements.

As of June 30, 2013, the County's bonds are subject to the provisions of the Internal Revenue Service Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The County has recorded an estimated arbitrage rebate liability in the Governmental activities of \$288,734 at June 30, 2013. The Water and Sewer Fund has recorded an estimated arbitrage rebate liability of \$1,307,731 at June 30, 2013.

**General Obligation Bonds**

Details of general obligation bonds for the County at June 30, 2013 are as follows:

	<b><u>Interest Rates</u></b>	<b><u>Date Issued</u></b>	<b><u>Final Maturity Date</u></b>	<b><u>Amount of Original Issue</u></b>	<b><u>Balance</u></b>
VPSA 1996 Bonds	5.00-6.00	11/01/96	07/15/16	\$ 30,595,000	\$ 6,115,000
VPSA 1999A Bonds	4.35-5.23	05/01/99	07/15/19	35,740,000	12,495,000
VPSA 2000 Bonds	5.00-6.25	05/01/00	07/15/20	15,215,000	6,080,000
VPSA 2008 Bonds	4.00-5.00	07/02/08	07/15/28	44,440,000	35,540,000
2003 G.O. Bonds	2.00-5.00	01/15/03	01/15/23	107,545,000	1,610,000
2004 G.O. Bonds	4.00-5.25	05/15/04	07/15/24	38,920,000	3,890,000
2005 G.O. Bonds	3.25-5.00	08/17/05	07/15/25	77,815,000	11,670,000
2006 G.O. Bonds	4.00-5.00	11/15/06	12/01/26	71,915,000	14,380,000
2008 G.O. Bonds	3.25-5.00	1/31/08	12/01/27	29,810,000	16,400,000
2008A G.O. Bonds	3.50-5.00	11/14/08	12/01/28	93,090,000	41,885,000
2009 G.O. Bonds	2.00-5.00	05/13/09	03/01/22	33,785,000	27,535,000
2010 G.O. Bonds	3.00-5.00	05/27/10	07/15/25	119,735,000	119,260,000
2010A G.O. Bonds	2.00-5.00	07/20/10	08/01/30	72,205,000	62,825,000
2011 G.O. Bonds	2.00-5.00	09/01/11	08/01/31	66,075,000	62,775,000
2012 G.O. Bonds	2.00-5.00	10/03/12	08/01/26	37,500,000	<u>37,150,000</u>
<b>TOTAL</b>					<b><u>\$ 459,610,000</u></b>

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Debt service for the County on the foregoing bonds is payable during future fiscal years ending June 30 as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2014	\$33,910,000	\$19,878,931
2015	34,430,000	18,463,162
2016	34,425,000	16,935,077
2017	34,390,000	15,350,471
2018	32,900,000	13,739,435
2019-2023	152,615,000	46,363,140
2024-2028	106,030,000	16,862,350
2029-2031	<u>30,910,000</u>	<u>1,727,631</u>
<b>TOTAL</b>	<b><u>\$ 459,610,000</u></b>	<b><u>\$ 149,320,197</u></b>

General obligation bonds are backed by the full faith and credit of the County and are issued primarily for construction in progress for various purposes. The County has no sinking fund or legal debt margin requirements. All general obligation bonds, except VPSA bonds, have been authorized by public referendum. The VPSA bonds have been issued by the adoption of a resolution by the County Board of Supervisors. The County is independent of any city, town or other political jurisdiction; therefore, there is no overlapping debt or taxing power.

**Business-Type Activities**

A summary of the Water and Sewer Fund ("Fund") and the Belmont Park Golf Course, long-term debt and the individual components of long-term debt at June 30, 2013 are as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
<b>Water and Sewer Revenue Bonds:</b>				
2002 Refunding Bonds – 17,345,000 3.0% to 4.625%	\$ 1,230,000	\$ -	\$ 1,230,000	\$ -
2006 Revenue and Refunding Bonds - \$86,265,000, 4.25% to 5.00%	74,315,000	-	68,215,000	6,100,000
2009 Refunding Bonds - \$70,360,000, 2.25% to 5.00%	60,130,000	-	4,780,000	55,350,000
2010 Refunding Bonds - \$22,915,000, 2.25% to 5.00%	22,915,000	-	-	22,915,000
2010 Build America Bonds - \$9,800,000, 2.25% to 5.00%	9,800,000	-	-	9,800,000
2013 Refunding Bonds - \$68,410,000, 2.00% to 5.00%	-	68,410,000	-	68,410,000
Total bonds payable	<u>\$ 168,390,000</u>	<u>\$ 68,410,000</u>	<u>\$ 74,225,000</u>	<u>\$ 162,575,000</u>

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**Other Liabilities:**

Capital lease obligations	\$ 20,562	\$ 12,794	\$ 11,637	\$ 21,719
Accrued compensated absences	1,235,182	1,135,603	1,132,478	1,238,307
Pension liabilities	<u>242,031</u>	<u>3,485</u>	<u>-</u>	<u>245,516</u>
Total long-term liabilities	\$ 169,887,775	\$ 69,561,882	\$ 75,369,115	\$ 164,080,542
Premium on bonds payable	<u>4,476,644</u>	<u>8,458,196</u>	<u>11,290,534</u>	<u>1,644,306</u>
Total long-term debt	\$ 174,364,419			\$ 165,724,848
Current maturities	<u>(9,657,464)</u>			<u>(9,164,054)</u>
Net long-term liabilities	<u>\$ 164,706,955</u>			<u>\$ 156,560,794</u>

Current maturities of long-term debt at June 30, 2013 consist of the following:

Revenue bonds	\$ 8,025,000
Capital lease obligations	6,213
Accrued compensated absences	<u>1,132,841</u>
Total current maturities	<u>\$ 9,164,054</u>

In prior years, the County defeased certain Water and Sewer Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not reflected in the County's financial statements. At June 30, 2013 \$65,945,000 Water and Sewer System Revenue Bonds, which were considered defeased, remained outstanding.

The Fund may issue additional bonds payable, which may be collateralized equally with the outstanding bonds for any purpose connected with or pertaining to the Fund, upon compliance with the following conditions, among others:

- One-half of the net operating revenues of the Fund, as defined, during any 24 consecutive months out of the 30 months immediately preceding the issuance of the additional bonds, shall have been not less than 1.25 times the maximum annual debt service requirement on all bonds then outstanding and the proposed additional bonds; and the
- Net operating revenues of the Fund, as defined, during the first full fiscal year following the date upon which the project or undertaking for which the proposed additional bonds are being issued is anticipated to be completed, shall be estimated by a nationally recognized consulting engineer to be not less than 2.18 times the annual debt service requirement on account of all bonds then outstanding and the proposed additional bonds.

Net operating revenues were 2.50 times the annual debt service requirements for the year ended June 30, 2013.

On March 15, 2002, the County issued \$17,345,000 of Water and Sewer Refunding Bonds to refund the entire outstanding balance of the 1992 bond series. The interest rate on these bonds is between 3% and 4.625% and the final maturity will occur on May 1, 2013. The principal payments range from \$1,230,000 to \$1,740,000. Although the advance refunding resulted in the recognition of an accounting loss of \$213,595 for the year ended June 30, 2002, the Fund reduced its aggregate debt service payments by approximately \$2.3 million over the next 12 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$1.7 million. The interest due on the bonds as of July 1 has been accrued as of June 30, in accordance with the related covenants. Cash has been restricted for these accruals. In addition, net assets have been restricted and cash has been restricted in an amount equal to the maximum annual debt service requirement for the bonds.

On July 6, 2006, the County issued Revenue Bonds Series 2006A \$81,470,000 of new money Bonds and Series 2006B \$4,795,000 of refunding Bonds. Series 2006B refunded the County's outstanding Series 1994 Bonds. The proceeds of the Bonds were used to finance capital additions and extensions to the Water and Sewer System. The bonds mature on May 1<sup>st</sup> in each of the years 2007 through 2036. The Water and Sewer Revenue Fund reduced its aggregate debt service payments by approximately \$400,000 over the next 7.5 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately \$341,000.



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On February 19, 2009, the County issued \$70,360,000 of Water and Sewer Refunding Bonds to refund the entire outstanding balance of the 1999 bond series. The interest rate on these bonds is between 2.25% and 5% and the final maturity will occur on May 1, 2028. The principal payments range from \$315,000 to \$5,065,000. The advance refunding resulted in the recognition of an accounting gain of \$2,150,208 for the year ended June 30, 2010. The Fund reduced its aggregate debt service payments by approximately \$5,650,606 over the next 20 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$5,406,608. The interest due on the bonds as of July 1 has been accrued as of June 30, in accordance with the related covenants. Cash has been restricted for these accruals. In addition, net assets have been restricted and cash has been restricted in an amount equal to the maximum annual debt service requirement for the bonds.

On December 22, 2009, the County issued \$22,915,000 of Water and Sewer Refunding Bonds to refund the entire outstanding balance of the Variable Rate Series 1997 VRA Bonds. The interest rate on these bonds is between 2% and 5% and the final maturity will occur on May 1, 2028. The principal payments range from \$1,175,000 to \$2,050,000. The Water and Sewer Revenue Fund reduced its aggregate debt service payments by \$44,418,268 over the next 20 years.

The County also issued \$9,800,000 of Taxable-Recovery Zone Economic Development Bonds (RZEDB). Pursuant to the American Recovery and Investment Act of 2009, the County will receive a cost subsidy payment from the United States Treasury equal to 45% of the interest payable on the Series 2009B Bonds on each interest payment date. These bonds were issued at a taxable interest rate of between 5.853% and 6.153% and the final maturity will occur on May 1, 2036.

On February 20, 2013, the County issued \$68,410,000 of Water and Sewer Refunding Revenue Bonds to refund \$65,945,000 outstanding principle amount of the 2006A Series Water and Sewer System Revenue Bonds. The interest rate on these bonds is between 2% and 5% and the final maturity will occur on May 1, 2036. The principal payments range from \$100,000 to \$4,800,000. The Water and Sewer Revenue Fund reduced its aggregate debt service payments by \$44,418,268 over the next 20 years.

Principal and interest payment on the Bonds for the five fiscal years subsequent to June 30, 2013 and thereafter follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 8,025,000	\$ 6,775,790
2015	5,915,000	6,533,652
2016	6,200,000	6,256,301
2017	6,410,000	6,038,965
2018	6,615,000	5,831,590
2019-2023	37,620,000	24,613,859
2024-2028	47,510,000	14,707,997
2029-2033	25,750,000	6,100,600
2034-2036	<u>18,530,000</u>	<u>607,530</u>
<b>Total</b>	<b><u>\$ 162,575,000</u></b>	<b><u>\$ 77,466,284</u></b>

**Component Units**

**School Board:**

The Board of Supervisors has authorized the School Board to borrow funds from the Literary Fund of the Commonwealth of Virginia (the "Literary Fund") to finance repairs to eligible educational facilities. For each facility qualifying for a loan, the School Board borrowed funds from the Literary Fund in the form of a demand note with interest ranging from 3.00 percent to 5.00 percent with maturities through May 1, 2009, to cover the repair costs incurred. Once the repair of a facility has been

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completed, the demand note was converted into a 20-year note payable with annual installments due on the anniversary date of the note. There were no outstanding Literary Fund loans at June 30, 2013.

The School Board's outstanding debt as of June 30, 2013 is as follows:

	<u><b>Balance June 30, 2012</b></u>	<u><b>Additions</b></u>	<u><b>Deletions</b></u>	<u><b>Balance June 30, 2013</b></u>
Capital lease obligations	\$ 11,606,052	\$ 3,937,677	\$ 8,296,800	\$ 7,246,929
Accrued claims payable	6,030,824	6,369,243	4,031,777	8,368,290
Accrued compensated absences	<u>5,672,569</u>	<u>4,841,877</u>	<u>4,601,649</u>	<u>5,912,797</u>
Total School Board Current Maturities	\$ 23,309,445 (16,005,944)	<u>\$ 15,148,797</u>	<u>\$ 16,930,226</u>	\$ 21,528,016 (14,329,518)
Net long-term liabilities	<u>\$ 7,303,501</u>			<u>\$ 7,198,498</u>

Current maturities of long-term debt at June 30, 2013, consist of the following:

Capital lease obligations	\$ 3,938,555
Accrued claims payable	5,594,439
Accrued compensated absences	<u>4,796,524</u>
Total current maturities	<u>\$ 14,329,518</u>

James River Juvenile Detention Commission:

On November 15, 2000, JRJDC issued a \$7,125,000 Facility Revenue Bond, Series 2000, having an interest rate of 4.91 percent. The bond proceeds provided permanent financing to JRJDC, debt repayment and additional construction funds.

JRJDC's outstanding debt as of June 30, 2013 is as follows:

	<u><b>Balance June 30, 2012</b></u>	<u><b>Additions</b></u>	<u><b>Deletions</b></u>	<u><b>Balance June 30, 2013</b></u>
Facility revenue bond	\$ 2,425,000	\$ -	\$ 565,000	\$ 1,860,000
Capital lease obligations	3,906	-	2,509	1,397
Accrued compensated absences	<u>152,431</u>	<u>203,339</u>	<u>188,535</u>	<u>167,235</u>
Total JRJDC	\$ 2,581,337	<u>\$ 203,339</u>	<u>\$ 756,044</u>	2,028,632
Current Maturities	<u>(719,940)</u>			<u>(758,632)</u>
Net long-term liabilities	<u>\$ 1,861,397</u>			<u>\$ 1,270,000</u>

Current maturities of long-term debt at June 30, 2012, consist of the following:

Revenue bonds	\$ 590,000
Capital lease obligations	1,397
Accrued compensated absences	<u>167,235</u>
Total current maturities	<u>\$ 758,632</u>

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Principal and interest payments for future fiscal years subsequent to June 30, 2013 are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 590,000	\$ 78,106
2015	620,000	47,964
2016	<u>650,000</u>	<u>16,327</u>
<b>Total</b>	<b><u>\$ 1,860,000</u></b>	<b><u>\$ 142,397</u></b>

Capital Leases

The County has entered into agreements for the leasing of buildings, computer hardware, automotive vehicles and equipment. These leases meet the criteria of a capital lease as defined by GAAP, which states a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. As such, \$20,069,873 of equipment and \$36,425,000 of buildings has been capitalized as of June 30, 2013. The acquisition of capital assets through capital lease obligations is reflected as expenditure and other financing source in the General or Capital Projects Funds when the obligations are incurred. Payments to satisfy capital lease obligations are recorded as debt service expenditure in the General or Debt Service Funds when the cash outlays are made. Capital assets capitalized under these lease agreements are pledged as collateral on the obligations.

The County and the Economic Development Authority of the County of Henrico, Virginia (“EDA” or “Authority”) have entered into several lease agreements. The first was a \$28,765,000 Lease Revenue Bond for construction of a new Fire and Police building for training and communications, computer equipment and renovation of the current public safety building issued on November 1, 1996. The second was a \$24,765,000 Lease Revenue Bond for construction of a parking deck and computer equipment issued on February 1, 1998. The County is required to pay rent in an amount sufficient to pay the principal and interest. The County has recorded lease obligations for these agreements. Also, on October 1, 1999, the County entered into a \$39,605,000 Public Facility lease Revenue Refunding Bond agreement with the EDA. These bonds were sold November 1, 1999.

The bond proceeds along with \$27,743,200 from the Commonwealth of Virginia were used to refund the EDA’s Public Facility Lease Revenue Bond (Henrico County Regional Jail Project) series 1994, in the aggregate outstanding principal amount of \$62,695,000 maturing through 2021. The proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be paid and the liability has been removed from the County’s financial statements. This advanced refunding was undertaken to reduce the total debt service payments over 22 years by \$5,525,405 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$1,623,790.

On August 27, 2009, the EDA issued \$10,210,000 Governmental Projects Lease Revenue Refunding Bonds, Series 2009A to refund a portion of the Authority’s Series 1996 and Series 1998 Lease Revenue Bonds and \$26,215,000 Public Facility Lease Revenue Refunding Bonds, Series 2009B to refund a portion of the Authority’s Series 1999 Public Lease Revenue Refunding Bonds. The interest rate on the 2009A Refunding Bonds is between 2% and 3.25%. The principal payments range from \$80,000 to \$1,740,000 with the final maturity on June 1, 2018. The interest rate on the 2009B Refunding Bonds is between 3% and 5%. The principal payments range from \$1,035,000 to \$2,935,000 with the final maturity on June 1, 2018.

The Schools have entered into agreements for the leasing of computer hardware and equipment. These leases meet the criteria of a capital lease as defined by GAAP. As such, \$3,937,677 of equipment and has been capitalized as of June 30, 2013.

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Future minimum lease payments under these capital leases for fiscal years ending June 30 are as follows:

<u>Years</u>	<u>Equipment Lease Obligations</u>	<u>EDA Lease Obligations</u>	<u>Schools</u>	<u>Total Future Minimum Lease Payments</u>
2013	\$ 410,686	\$ 4,947,150	\$ 4,008,374	\$ 9,366,210
2014	361,254	4,951,675	716,840	6,029,769
2015	259,237	4,950,650	705,984	5,915,871
2016	129,656	4,965,250	703,406	5,798,312
2017	7,471	3,961,825	703,406	4,672,702
2018-2022	<u>-</u>	<u>12,566,063</u>	<u>703,406</u>	<u>13,269,469</u>
Total minimum lease payments	\$ 1,168,304	\$ 36,342,613	\$ 7,541,416	\$ 45,052,333
Less amount representing interest	<u>75,177</u>	<u>5,787,613</u>	<u>294,487</u>	<u>6,157,277</u>
Present value of future minimum lease payments	<u>\$ 1,093,127</u>	<u>\$ 30,555,000</u>	<u>\$ 7,246,929</u>	<u>\$ 38,895,056</u>

JRJDC entered into a capital lease agreement for \$8,400 during fiscal year 2010 for the leasing of copier equipment. Future minimum lease payments under this capital lease for fiscal years ending June 30 are as follows:

<u>Years</u>	<u>Equipment Lease Obligations</u>
2014	\$ 1,456
Total minimum lease payments	1,456
Less amount representing interest	<u>59</u>
Present value of future minimum lease payments	<u>\$ 1,397</u>

The Water and Sewer Fund entered into capital lease agreements for copier equipment for \$24,123 and \$12,794 during fiscal year 2010 and fiscal year 2013, respectively. Future minimum lease payments under this capital lease for fiscal years ending June 30, 2013 are as follows:

<u>Years</u>	<u>Equipment Lease Obligations</u>
2014	\$ 8,951
2015	8,950
2016	6,128
2017	<u>3,112</u>
Total minimum lease payments	27,141
Less amount representing interest	<u>5,422</u>
Present value of future minimum lease payments	<u>\$ 21,719</u>

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**NOTE 8. CONTINGENCIES AND COMMITMENTS**

A. Litigation

The County and School Board are named as defendants in several cases including tax assessment, construction contract, personal injury, special education, civil rights and other contract cases. The maximum exposure amount that can be reasonably estimated is \$4,013,286 for these cases and potential counterclaims where the County is the plaintiff. It is probable that approximately \$2,153,000 of these claims will result in an unfavorable outcome for the County. These claims are covered under the County's self-insurance program as discussed in note 8C. The County intends to defend its position in these claims vigorously. It is the opinion of County management, based on the advice of the County Attorney, that any losses incurred as a result of claims existing as of June 30, 2013 will not be material to the County's financial statements.

B. Federal Grant Awards

The County and School Board participate in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2013 have not yet been completed. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, will not be material to the County's financial statements.

C. Risk Management

The County and School Board maintain a self-insurance program ("Program") for workers' compensation claims, certain property and casualty risks, health care and other claims. Insurance carriers cover workers' compensation claims in excess of \$1,000,000 per occurrence. VaCOR, through the Travelers Insurance Company, covers property claims in excess of \$1,000,000 per occurrence. VaCOR, through Genesis Insurance Company covers liability claims between \$2,000,000 and \$7,000,000 per occurrence. The County's estimated and recorded liability for claims payable at June 30, 2013 includes actuarial estimates of probable losses on claims received and claims incurred but not reported. The liability also includes non-incremental claims adjustment expenses. The County has recorded expenditures of \$1,117,099 in the General Fund to reflect the liability for the estimated settlement value of all reported workers' compensation and property and casualty claims covered by the Program at June 30, 2013, that are expected to be liquidated with current resources. The amount of settlements has not exceeded insurance coverage in each of the past three years.

Effective January 1, 2008, the County began participating in a self-funded health care program covering medical and prescription drug costs. The County pays all covered claims up to \$500,000 per individual per year. Individual claims that exceed \$500,000 per year are covered by specific excess risk insurance. Additionally, claims in the aggregate that exceed 125% of projected claims for the year are covered by aggregate excess risk insurance. The carrier of the excess risk policy is Coventry Health and Life Insurance Company. The County has recorded \$7,713,000 for health care claims incurred but not reported in the Health Care Fund at June 30, 2013.

In addition, the County has recorded \$15,793,715 for the County and \$8,368,290 for the School Board in the Government-wide Statement of Net Assets to reflect the liability for the estimated settlement value of workers' compensation and property and casualty claims covered by the Program at June 30, 2013 that are not expected to be liquidated with current resources. Also, the County has assigned \$10,000,000 of the June 30, 2013 General Fund's Fund balance as a self-insurance reserve.

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At June 30, 2013, the County and Schools had an outstanding claims liability as follows:

	<b>FY 2013</b>		<b>FY 2012</b>	
	<b>County</b>	<b>Schools</b>	<b>County</b>	<b>Schools</b>
Balance, July 1	\$ 24,212,473	\$ 6,030,824	\$ 24,157,204	\$ 5,197,181
Current year claims and changes in estimates	11,051,367	6,369,243	10,644,436	3,504,739
Claim payments	<u>(11,757,125)</u>	<u>(4,031,777)</u>	<u>(10,589,167)</u>	<u>(2,671,096)</u>
Balance, June 30	<u>\$ 23,506,715</u>	<u>\$ 8,368,290</u>	<u>\$ 24,212,473</u>	<u>\$ 6,030,824</u>

**D. Commitments**

At June 30, 2013, the County had contractual commitments for the construction of various projects as follows:

	<b>Primary Government</b>	<b>Component Unit-Schools</b>
Capital Projects Funds:		
Computer and Technology Improvements	\$ 3,317,250	\$ -
Buildings and Grounds	18,896,299	-
Road Maintenance and Drainage	57,962,288	-
Community Development	744,200	-
Landfill Expansion and Development	6,475,710	-
Public Safety Projects	11,957,892	-
Parks and Recreation	9,466,258	-
Judicial Administration	832,776	-
Libraries	33,858,996	-
Other Projects	157,873	-
Education Projects	47,605,118	13,590,967
<b>Total</b>	<u>\$ 191,274,660</u>	<u>\$ 13,590,967</u>
Enterprise Funds:		
Wastewater Treatment Projects	\$ 18,641,312	
Water Plant Projects	38,921,308	
Computer and Information Systems	644,218	
<b>Total</b>	<u>\$ 58,206,838</u>	

**E. Operating Leases**

The County leases real estate, certain data processing equipment and other equipment under various long-term operating lease agreements for which rent expenditures aggregated \$2,750,749 for fiscal year 2013.

At June 30, 2013, the approximate annual long-term commitments for these operating leases were as follows:

	<b>County</b>		<b>School Board</b>		
<b>Years</b>	<b>Real Property</b>	<b>Other Equipment</b>	<b>Real Property</b>	<b>Other Equipment</b>	<b>Total</b>
2014	\$ 2,687,291	\$ 579	\$ 550,787	\$ 9,523	\$ 3,248,180
2015	2,246,092	193	443,072	2,993	2,692,350
2016	1,778,710	-	451,867	-	2,230,577
2017	1,286,730	-	436,911	-	1,723,641
2018	826,789	-	88,188	-	914,977
2019-2023	1,342,272	-	-	-	1,342,272
2024 & After	<u>303,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>303,353</u>
<b>Total</b>	<u>\$10,471,237</u>	<u>\$ 772</u>	<u>\$1,970,825</u>	<u>\$ 12,516</u>	<u>\$12,455,350</u>

All lease obligations (both capital and operating) are contingent upon the Board of Supervisors appropriating funds for each year's payments.

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F. Capital Asset Leasing

The County is the lessor of real estate and other equipment under various operating lease agreements for periods ranging from one to fifty years. The cost and accumulated depreciation on leased property at June 30, 2013, was \$ 10,856,491 and \$ 356,633, respectively.

At June 30, 2013, minimum rentals receivable for these existing leases were as follows:

<u>Years</u>	<u>Total</u>
2014	\$ 604,210
2015	377,443
2016	315,921
2017	279,857
2018	249,212
2019-2023	717,430
2024-2028	339,073
2029-2032	<u>299,487</u>
Total	<u>\$ 3,182,633</u>

The Water and Sewer Fund is the lessor of real estate and other equipment under various operating lease agreements for periods ranging from one to thirty years. The cost and accumulated depreciation on leased property at June 30, 2013, was \$ 3,248,691 and \$ 966,191, respectively.

At June 30, 2013, minimum rentals receivable for these existing leases were as follows:

<u>Years</u>	<u>Total</u>
2014	\$ 53,128
2015	35,580
2016	36,044
2017	36,044
2018	36,856
2019-2023	91,976
2024-2028	<u>47,136</u>
Total	<u>\$ 336,764</u>

The School Board is the lessor of real estate under an operating lease agreement for a period of twenty-five years. The cost of the leased property at June 30, 2013, was \$ 2,977,811.

At June 30, 2013, minimum rentals receivable for these existing leases were as follows:

<u>Years</u>	<u>Total</u>
2014	\$ 19,144
2015	19,718
2016	20,310
2017	20,919
2018	21,127
2019-2023	113,214
2024-2028	136,592
2029-2032	<u>262,077</u>
Total	<u>\$ 613,101</u>

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G. Contingent Liabilities

Capital Region Airport Commission

See Note 18, "Joint Ventures" for a discussion of the County's contingent liability relating to the Capital Region Airport Commission.

Environmental Risk

The County is the owner of closed landfills, underground storage tanks, sewage lagoons and other potential sources of toxic substances. Ownership of these properties exposes the County to risk of third party pollution liability. At this time, no claim exists nor is there knowledge of any condition which impairs a third party's property or person.

**NOTE 9. DEFINED BENEFIT PENSION PLAN – AGENT MULTIPLE-EMPLOYER**

A. Plan Description

The County and School Board Non-Professional Group contribute to an agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System ("VRS"). All full-time, salaried permanent employees must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation ("AFC") for each year of credited service (1.85 percent to Sheriffs and if the employer elects, to other employees in hazardous positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2011-Annual-Report.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual salary to the VRS. In addition, the County and School Board Non-Professional Group are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board Non-Professional Group's contribution rates for the fiscal year ended 2013 were 14.98 percent and 39.52 percent, respectively, of annual covered payroll.

C. Annual Pension Cost

For 2013, the County annual pension cost of \$37,635,742 was not equal to the required and actual contributions; the School Board Non-Professional Group's cost of \$127,028 was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.0 percent investment rate of return, (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year for general government employees and 3.50 percent to 4.75 percent for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) 2.5 percent per year cost-of-living adjustment for prior plan members and 2.25 percent per year cost-of-living adjustment for new plan members. Both (a) and (b) included an inflation component of 2.5 percent. The actuarial value of the County and School



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Board Non-Professional assets is equal to the modified market value of 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 unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2012 was 29 years.

**NET PENSION OBLIGATION (NPO)**

Annual Required Contribution (ARC)	\$ 45,084,723
Interest on NPO	258,054
Adjustment to the ARC	<u>(204,969)</u>
Annual Pension Cost	45,137,808
Contributions made	<u>(45,084,723)</u>
Increase in NPO	53,085
NPO beginning of year	<u>3,686,484</u>
NPO end of year	<u><u>\$ 3,739,569</u></u>

The Net Pension Obligation at June 30, 2013 consists of \$3,494,053 for Governmental Activities and \$245,516 for Business-Type Activities as presented in Note 7.

**TREND INFORMATION FOR COUNTY**

<b><u>FISCAL YEAR ENDED</u></b>	<b><u>ANNUAL PENSION COST (APC)</u></b>	<b><u>PERCENTAGE OF APC CONTRIBUTED</u></b>	<b><u>NET PENSION OBLIGATION</u></b>
June 30, 2011	\$37,374,749	99.9%	\$ 3,631,514
June 30, 2012	\$37,635,742	99.9%	\$ 3,686,484
June 30, 2013	\$45,137,808	99.9%	\$ 3,739,569

**TREND INFORMATION FOR SCHOOL BOARD NON-PROFESSIONAL**

<b><u>FISCAL YEAR ENDED</u></b>	<b><u>ANNUAL PENSION COST (APC)</u></b>	<b><u>PERCENTAGE OF APC CONTRIBUTED</u></b>	<b><u>NET PENSION OBLIGATION</u></b>
June 30, 2011	\$ 106,615	100.00%	\$ 0
June 30, 2012	\$ 127,028	100.00%	\$ 0
June 30, 2013	\$ 265,410	100.00%	\$ 0

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**D. Funded Status and Funding Progress**

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 assumption about future employment and mortality. The amounts determined from the actuarial study regarding the funded status of the Plan and annual pension cost of the County are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**SCHEDULE OF FUNDING PROGRESS FOR COUNTY**

<b><u>Actuarial Valuation Date</u></b>	<b><u>Actuarial Value of Assets</u></b>	<b><u>Actuarial Accrued Liability</u></b>	<b><u>Un-funded Actuarial Accrued Liability (UAAL)</u></b>	<b><u>Ratio Funded Obligation</u></b>	<b><u>Covered Payroll</u></b>	<b><u>UAAL as a Percentage of Covered Payroll</u></b>
June 30, 2010	\$796,236,438	\$1,070,264,240	\$274,027,802	74.40%	\$221,394,928	123.77%
June 30, 2011	\$818,539,851	\$1,115,413,687	\$296,873,836	73.38%	\$217,173,997	136.70%
June 30, 2012	\$820,238,489	\$1,167,012,673	\$346,774,184	70.29%	\$218,635,705	158.61%

**SCHEDULE OF FUNDING PROGRESS FOR SCHOOL BOARD NON-PROFESSIONAL**

<b><u>Actuarial Valuation Date</u></b>	<b><u>Actuarial Value of Assets</u></b>	<b><u>Actuarial Accrued Liability</u></b>	<b><u>Un-funded Actuarial Accrued Liability (UAAL)</u></b>	<b><u>Ratio Funded Obligation</u></b>	<b><u>Covered Payroll</u></b>	<b><u>UAAL as a Percentage of Covered Payroll</u></b>
June 30, 2010	\$6,165,206	\$7,347,070	\$ 1,181,864	83.91%	\$ 593,051	199.29%
June 30, 2011	\$5,729,701	\$8,930,153	\$ 3,200,452	64.16%	\$ 551,917	579.88%
June 30, 2012	\$5,222,052	\$8,934,344	\$ 3,712,292	58.45%	\$ 512,727	724.03%

**NOTE 10. DEFINED BENEFIT PENSION PLAN – COST-SHARING MULTIPLE-EMPLOYER**

**A. Plan Description**

The School Board contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the “VRS”). All full-time, salaried permanent employees must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (‘AFC’) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2011-Annual-Report.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual salary to the VRS. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia (1950) and approved by the VRS Board of Trustees. The School Board’s contribution rate for the fiscal year ended

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2013 was 16.66 percent of covered payroll. The School Board's contributions to VRS for the years ending 2013, 2012, and 2011 were \$40,074,413, \$26,519,992, and \$20,491,886, respectively, and are equal to the required contributions for each year.

**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

In addition to the pension benefits described in Notes 9 and 10, the County provides two types of other postemployment health care benefits ("OPEB") for retired employees through a single-employer defined benefit plan ("Plan"). The benefit levels, employee contributions and employer contributions are governed by the County and can be amended by the County.

The County participates in the Virginia Pooled OPEB Trust Fund ("Trust Fund"), an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League ("VML") at P.O. Box 12164, Richmond, Virginia 23241.

Plan Provisions

The County provides health and dental care benefits during retirement for retirees and their dependents. Employees who wish to have County sponsored health and dental care coverage must enroll within 31 days of the date their employment coverage ends. Employees retiring with an immediate VRS monthly retirement payment may elect to be covered under the County sponsored medical and dental plan at the time they retire.

Eligible retirees under the age of 65 and their dependents can remain in the County's health and dental plans. Medicare eligible retirees at age 65, move to a Medicare carve-out plan which is coordinated with Medicare. Upon the death of the retiree, surviving spouses may elect to remain in the County's plan.

Current Henrico County retirees who qualify for health benefits receive an implicit rate subsidy by participating in the active employee health care risk pool. The County also provides a retiree health care supplement for retirees who meet the following eligibility conditions:

1. Retirees who are not eligible for the VRS health care credit.
2. Retirees must have a minimum of 20 full years of VRS service, 10 of which must be with the County.
3. The supplement will be paid only to eligible retirees who choose to remain in the County's group plan.
4. Employees retiring on a VRS disability will receive the monthly supplement for the greater of 30 years or their actual years of VRS service.

Effective January 1, 2006, the monthly supplement is \$3.00 for each full year of service. The plan is not capped; therefore, all VRS service will be recognized for the supplement.

Membership

At June 30, 2013, membership consisted of:

Retirees and beneficiaries	1,548
Active employees	<u>10,466</u>
Total participants	<u>12,014</u>

Funding Policy

The County currently plans to contribute amounts to the Virginia Pooled OPEB Trust Fund sufficient to fully fund the Annual Required Contribution ("ARC"), an actuarially determined contribution amount in accordance with the parameters of GAAP.

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**Annual OPEB Cost and Net OPEB Obligation (Asset)**

In accordance with GAAP, an actuarial study was prepared calculating the postemployment healthcare cost as of June 30, 2013. The actuarial evaluation estimated the Unfunded Actuarial Accrued Liability ("UAAL") at \$61,590,777 and an ARC of \$9,949,731. The postemployment healthcare cost was determined under the Projected Unit Credit Actuarial Cost Method. The calculation was based on a 7.0 percent discount rate and the amortization of the UAAL over 30 years. This represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and the amortization of the UAAL over 30 years. The actuarial evaluation was calculated using a level percentage of projected payroll amortization method and an open amortization period. An inflation rate assumption was not applicable to the actuarial evaluation. The current ARC of \$9,949,731 is 2.13 percent of annual covered payroll. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for the year ended June 30, 2013.

**NET OPEB OBLIGATION (ASSET)**

Annual Required Contribution (ARC)	\$ 9,949,731
Interest on Net OPEB Asset	(320,874)
Adjustment to the ARC	<u>275,264</u>
Annual OPEB Cost	9,904,121
Contributions made	<u>(7,686,103)</u>
Decrease in Net OPEB Asset	2,218,018
Net OPEB Asset beginning of year	<u>(4,583,915)</u>
Net OPEB Asset end of year	<u><u>\$ (2,365,897)</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the fiscal year ended June 30, 2013 is as follows:

**TREND INFORMATION FOR COUNTY**

<b><u>FISCAL YEAR ENDED</u></b>	<b><u>ANNUAL OPEB COST</u></b>	<b><u>PERCENTAGE OF OPEB CONTRIBUTED</u></b>	<b><u>NET OPEB ASSET</u></b>
June 30, 2011	\$9,689,500	95.23%	\$ (6,152,855)
June 30, 2012	\$9,252,073	83.04%	\$ (4,583,915)
June 30, 2013	\$9,904,121	77.61%	\$ (2,365,897)

The Net OPEB Asset and bond issuance costs are included in the Statement of Net Assets. The adjustment from modified accrual to full accrual is as follows:

Balances at June 30, 2013 were:	
Net OPEB Asset (detail above)	\$ 2,365,897
Bond Issuance Costs (Note 1)	<u>2,802,753</u>
Combined adjustment	<u><u>\$ 5,168,650</u></u>

**Funded Status and Funding Progress**

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 assumption about future employment, mortality, and health care cost trends. The amounts determined from the actuarial study regarding the funded status of the Plan and annual required contributions of the County are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress

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below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**SCHEDULE OF FUNDING PROGRESS**

<b><u>Actuarial Valuation Date</u></b>	<b><u>Actuarial Value of Assets</u></b>	<b><u>Actuarial Accrued Liability (AAL)</u></b>	<b><u>Unfunded Actuarial Accrued Liability (UAAL)</u></b>	<b><u>Ratio Funded Obligation</u></b>	<b><u>Covered Payroll</u></b>	<b><u>UAAL as a Percentage of Covered Payroll</u></b>
June 30, 2011	\$25,006,703	\$86,752,386	\$61,745,683	28.83%	\$447,799,793	13.79%
June 30, 2012	\$27,448,869	\$93,258,737	\$65,809,868	29.43%	\$453,649,907	13.79%
June 30, 2013	\$32,336,432	\$93,927,209	\$61,590,777	34.43%	\$466,788,116	13.19%

**Actuarial Methods and Assumptions**

The 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 benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included 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 calculation.

In the June 30, 2013 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 7.00 percent rate of return and an annual healthcare cost trend rate of 8.00 percent trending down over the next five years to a rate of 5.00 percent for future years. The remaining amortization period at June 30, 2013 for the UAAL was 25 years.

**NOTE 12. DEFINED COMPENSATION PLAN**

The School Board participates in an Early Retirement Program (the "Program") for eligible employees. All full time employees of the School Board are eligible to participate in the Program at age 50 up to their full Social Security retirement age. Retirees must have at least 10 years of employment with Henrico County Public Schools and at least 16 years of coverage under the Virginia Retirement System or 25 years of total teaching experience. Eligible retirees can be involuntarily taken out of the Program for disability or performance issues. The Program can be terminated for lack of funds.

Eligible retirees receive 24 percent of their final compensation annually for a period not to exceed 7 years or until they reach full, unreduced Social Security retirement age, whichever occurs first. Retirees' final compensation includes regular pay, including supplements but does not include overtime. Retirement compensation is adjusted pro-rata for the cost of living increases or decreases that are approved by the School Board. As a condition of the Program, participants are required to work 20 days per year. The total maximum days worked is limited to 140 days over a 7-year period. During the fiscal year ended June 30, 2013, an expenditure of \$4,930,955 was recognized in the government-wide financial statements for the compensation paid under the Early Retirement Program during the current year.

**NOTE 13. INTERFUND AND COMPONENT UNIT OBLIGATIONS**

The General Fund has an advance due from Belmont Park Golf Course for \$112,500 for a loan. The General Fund also has a receivable due from Belmont Park Golf Course for \$806,481 for a loan. The Water and Sewer Fund has a receivable due from the Capital Projects Fund for a loan. The Health Care Fund has a receivable due from each of the funds listed below for health care contributions due as of June 30, 2013.

Receivables and payables balances at June 30, 2013 were as follows:

	<b><u>Receivables</u></b>	<b><u>Payables</u></b>
General Fund	\$ 806,481	\$ 847,747
Special Revenue Fund	-	123,576
Water and Sewer Fund	4,488,861	77,454
Capital Projects Fund	-	4,488,861
Belmont Park Golf Course	-	808,514
Central Automotive Maintenance	-	19,309
Health Care Fund	1,070,119	-
	<u>\$ 6,365,461</u>	<u>\$ 6,365,461</u>

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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The General Fund has a receivable due from JRJDC for operating expenses paid by the General Fund. The Capital Projects Fund has a payable to Schools for a loan.

Component unit receivables and payables balances at June 30, 2013 were as follows:

	<u><b>Receivables</b></u>	<u><b>Payables</b></u>
General Fund	\$ 509,875	\$ -
Capital Projects Fund	-	10,135,043
Component Unit – School Board	10,135,043	168,944
Component Unit – JRJDC	-	525,799
Health Care Fund	184,868	-
	<u>\$ 10,829,786</u>	<u>\$ 10,829,786</u>

**NOTE 14. FUND TRANSFERS**

Transfers within the County are made between the General Fund, Special Revenue Fund, Debt Service Fund and the Capital Projects Fund. The transfers are made primarily for the payment of debt and interest, construction in progress and to support educational and special revenue activities.

Inter-fund transfers for the year ended June 30, 2013 were as follows:

	<u><b>Transfers Out</b></u>	<u><b>Transfers In</b></u>
Governmental Funds:		
General Fund	\$108,135,212	\$ -
Special Revenue Fund	939,888	18,479,844
Debt Service Fund	-	58,644,890
Capital Projects Fund	2,112	31,952,478
	<u>\$109,077,212</u>	<u>\$109,077,212</u>

**NOTE 15. RELATED-PARTY TRANSACTIONS**

During fiscal year 2013, the County contributed \$1,446,248 to the Economic Development Authority, to foster economic development within the County, and the County received \$229,220 from the Capital Region Airport Commission for water and sewer services.

**NOTE 16. UNEARNED REVENUES**

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue related to the County's governmental funds and the School Board component unit, including advance property tax collections, totaling \$40,420,795 is comprised of the following:

A. Advance Grant Funding

This represents a liability incurred by the County for monies accepted from a grantor using an advancement method for payments. The liability is reduced and revenue is recorded when expenditures are made in accordance with the grantor's requirements. Advanced grant funding at June 30, 2013 totaled \$4,963,553 and \$7,445,059 in the Special Revenue Funds for the County and the School Board respectively.

B. Unearned Property Tax Revenue

Unearned revenue representing uncollected tax billings not available for funding of current expenditures totaled \$12,853,885 at June 30, 2013.

C. Advance Property Tax Collections

Property taxes due subsequent to June 30, 2013, but paid in advance by the taxpayers, totaled \$14,805,721 at June 30, 2013.

D. Other Unearned Revenue

This represents grant monies that the County is entitled to but is not yet an available resource at June 30, 2012. The County recorded \$337,419 in the General Fund for monies received in advance of expenditures

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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being made as of June 30, 2013. Unearned grant revenues for the Schools Special Revenue Fund totaled \$15,158 for USDA donated food inventory on hand at June 30, 2013.

Also, the Water and Sewer Enterprise Fund recorded unearned revenue in the amount of \$15,035,564, which consists of an advance payment from a customer of \$8,772,706 for water capacity, an advance from a customer of \$520,685 for sewer capacity and amounts held for contractors of \$5,742,173.

**NOTE 17. SURETY BONDS**

Surety bonds covered the following constitutional officers and County employees at June 30, 2013:

Constitutional Officers - Self-Insurance Plan, Commonwealth of Virginia

Yvonne Smith – Clerk of the Circuit Court and Employees of the Clerk of the Circuit Court	\$ 1,120,000
Eugene H. Walter – Director of Finance and Employees of the Director of Finance	\$ 1,000,000
Michael L. Wade – Sheriff and Employees of the Sheriff's Office	\$ 30,000

Travelers Casualty and Surety Company of America

All County positions	\$ 1,000,000
All School positions	\$ 1,000,000

Fidelity and Deposit Company of Maryland

John Vithoulkas – County Manager	\$ 100,000
John H. Neal – Director of Department of General Services	\$ 100,000
Joseph P. Casey – Deputy County Manager	\$ 100,000
Randall R. Silber – Deputy County Manager	\$ 100,000
Jane D. Crawley – Deputy County Manager	\$ 100,000
Timothy A. Foster – Deputy County Manager	\$ 100,000
Cynthia Steinhauer – Director of Department of Social Services	\$ 100,000
Mark J. Coakley – Registrar	\$ 100,000
Debra Hargrave – School Board Deputy Agent	\$ 10,000
Deborah N. Ward – School Board Deputy Clerk	\$ 10,000
Debra Sue M. Largen – School Board Clerk	\$ 10,000
Patrick Russo – School Superintendent and Deputy Agent	\$ 10,000
Kevin D. Smith – School Board Agent	\$ 10,000

**NOTE 18. JOINT VENTURES**

**A. The Capital Region Airport Commission**

The Capital Region Airport Commission (the "Commission") was created in 1975 pursuant to Virginia statute. On January 1, 1976, the County and the City of Richmond entered into an intergovernmental joint venture for the operation of the Richmond International Airport (the "Airport") by the Commission. As part of the venture, the City of Richmond conveyed the Airport property to the Commission and the Commission in turn agreed to reimbursement of the outstanding debt of the City relating to the property. The County also made a contribution to the Commission for a 40 percent interest in the venture. The Counties of Chesterfield and Hanover became Commission participants in fiscal year 1984 and fiscal year 1986, respectively.

The Commission is comprised of a fourteen-member board of directors, with four members each being appointed by the City of Richmond, the County of Henrico and the 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 statute requires that the Commission annually submit a budget showing estimated revenues and expenditures to the governing bodies of the City of Richmond and the three counties for their approval. After

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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approval of the proposed budget by the governing bodies, if the Commission's budget contains estimated expenditures which exceed estimated revenues, then the governing bodies are required to fund the deficit in proportion to their financial interests in the Commission. If, however, actual revenues are less than estimated revenues (resulting in a deficit), the City of Richmond and the three counties may, at their discretion, appropriate funds necessary to fund the deficit. The County has agreed to fund its portion of the deficit, if any.

The percentage shares of the jurisdictions involved include the following:

City of Richmond	29.27%
County of Henrico	31.44%
County of Chesterfield	30.17%
County of Hanover	9.12%
	<u>100.00%</u>

This financial interest is determined by applying the percentage of the total approximate population of each jurisdiction to the combined total population of all jurisdictions. The above percentages are based on the final 1990 census figures provided by the Richmond Regional Planning District Commission.

Complete financial statements for the Capital Region Airport Commission can be obtained from its administrative office at South Airport Drive, Richmond, Virginia 23231.

**B. The Greater Richmond Convention Center Authority**

The Greater Richmond Convention Center Authority ("Convention Authority"), a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998 pursuant to the Public Recreational Facilities Authorities Act, Chapter 56 of Title 15.2 of the Code of Virginia (1950). The political subdivisions participating in the incorporation of the Convention Authority are the City of Richmond and the Counties of Henrico, Chesterfield and Hanover. The Convention Authority 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 Convention Authority was created to acquire, finance, expand, renovate, construct, lease, operate and maintain the facility and grounds of a visitors and convention center or centers including the facility and grounds currently known as the Richmond Centre. The primary purpose of the Convention Authority is to issue revenue bonds to finance the expansion of the Richmond Centre facility and to construct access, streetscape, or other on-site/off-site improvements. Once the expansion is complete, the Convention Authority will have responsibility for the operation and maintenance of the convention center.

The Convention Authority has issued \$158,415,000 in Hotel Tax Revenue Bonds, which are secured by an 8 percent transient occupancy tax imposed and collected by the localities. The County recorded an expenditure of \$10,871,087 for transient occupancy tax to the Convention Authority during the year ended June 30, 2013.

Complete financial statements for the Convention Authority can be obtained from the Chesterfield County Accounting Department, P.O. Box 40, Chesterfield, VA 23832.

**NOTE 19. LANDFILL CLOSURE AND POSTCLOSURE CARE LIABILITY**

State and Federal laws and regulations require the County to place a final cover on each phase of its Springfield Road landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the Springfield and Charles City Road Landfill site for thirty years after closure. In accordance with GAAP, \$9,938,815 has been reported as landfill closure and post-closure care liability in the County's financial statements at June 30, 2013. The balance represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the Eastern Phase and Phase I, 98.9 percent of Phase II's estimated capacity, and 97.8 percent of Phase III's and 87.3 percent of Phase IV's estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of \$387,903 of Phase II and Phase III as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County plans to meet all Federal laws, regulations, and tests of financial assurance related to the financing of closure and post-closure care. The County estimates that the remaining life of the landfill is approximately 1 year and will be closed in September 2014.



**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 20. SPECIAL ASSESSMENT**

On September 26, 2000, the Board of Supervisors, by resolution, created the Short Pump Town Center Community Development Authority (SPTC Authority). The creation of the SPTC Authority was the result of a petition filed with the Board of Supervisors by the landowners within the Short Pump Town Center Community Development District (SPTC District). The District consists of approximately 120 acres of land within the County. The Short Pump Town Center consists of an approximately 1.18 million square foot open-air two-level regional style retail mall and certain out-parcel development.

On October 24, 2000, the Board of Supervisors adopted an ordinance authorizing the levy of the Special Assessments on the abutting properties within the SPTC District. On October 20, 2000 the Authority authorized the issuance of the Short Pump Town Center Community Development Authority, \$25,495,000 Taxable Special Assessment Bonds, Series 2003 (2003 Bonds). On September 24, 2003, the 2003 bonds were issued 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 2003 bonds financed (a) the cost of certain infrastructure improvements to benefit the District (b) the payment of capitalized interest through February 1, 2004 (c) funded the Debt Service Reserve Fund and (d) paid certain costs of issuance. Neither the faith and credit of the Commonwealth of Virginia (the Commonwealth), nor the faith and credit of the SPTC Authority, any county, city, town or other subdivision of the Commonwealth, including the County, are pledged to the payment of the principal or interest on the 2003 bonds. The final principal payment on the 2003 bonds of \$5,650,000 was paid on February 1, 2009, and the bonds were paid in full.

On March 14, 2006, the Board of Supervisors, by resolution, created the Reynolds Crossing Community Development Authority (RCC Authority). The creation of the RCC Authority was the result of a petition by the landowners of the Reynolds Crossing Community Development District (RCC District). The RCC District consists of approximately 71 acres, of which approximately 51 acres can be developed. The District is located in the western portion of the County. The District will include retail, office and hotel development, a four-lane road connector, wetland areas and a storm-water pond.

On October 10, 2006, the Board of Supervisors adopted an ordinance authorizing the levy of the Special Assessments on the properties within the RCC District. On January 7, 2007, the Authority authorized the issuance of the Reynolds Crossing Community Development Authority, \$14,594,000, Special Assessment Revenue bonds, Series 2007 (2007 Bonds). On June 19, 2007, the 2007 bonds were issued in accordance with provisions of the Virginia Water and Waste Authorities Act, Chapter 51, Section 15.2-5100 of the Code of Virginia, 1950, as amended. The 2007 bonds will finance (a) the cost of certain infrastructure improvements to benefit the RCC District (b) the payment of capitalized interest (c) fund the Debt Service Reserve fund and (d) pay certain costs of issuance. Neither the faith nor credit of the Commonwealth, or the RCC Authority, or any political subdivision thereof, including the County, is pledged to the payment of the principal or interest on the 2007 bonds. At June 30, 2013, the total Bonds outstanding were \$6,207,000. As of June 30, 2013, \$618,120 of interest was paid from the Debt Service Reserve Fund. A principal payment of \$973,000 and a principal pre-payment of \$4,940,000 were paid March 1, 2013.

By memorandum of understanding between the County and the RCC District, dated November 1, 2006, the County will collect and pay to the District the Special Assessments levied on the District. The Special Assessments for 2013 and 2012 were \$912,000 and \$1,634,000, respectively. As of June 30, 2013, the County has collected \$456,000 for the 2013 first half special assessment and \$817,000 for the 2012 second half special assessments. These special assessment collections were paid to the RCC District on August 15, 2013 and February 15, 2013, respectively.

On December 12, 2006, the Board of Supervisors, by resolution created The Shops at White Oak Village Community Development Authority (SWOV Authority). The creation of the SWOV Authority was the result of a petition filed October 19, 2006 with the Board of Supervisors by the landowners within The Shops at White Oak Village Community Development Authority District (SWOV District). The SWOV District is located within an 136 acre commercial and retail development known as "The Shops at White Oak Village." The SWOV District consists of approximately 87 acres of land within the County. The SWOV District consists of an open-air regional retail center and outparcel development, with four major anchor stores.

On October 17, 2007, the SWOV Authority issued \$23,870,000 Special Assessment Revenue Bonds, Series 2007 (Bonds) which were used to finance the cost of infrastructure improvements within the SWOV District. Neither the

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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faith nor the credit of the Commonwealth, or the SWOV Authority, or any political subdivision thereof, including the County, is pledged to the payment of principal or interest on the Bonds.

At June 30, 2013, the total Bonds outstanding were \$13,684,000 and interest of \$884,358 was paid out of the Debt Service Reserve Fund. A principal payment of \$3,002,000 was paid on March 1, 2013. By memorandum of understanding, between the County and the SWOV District, dated September 1, 2007, the County will collect and pay to the SWOV District the Special Assessments levied on the SWOV District. The Special Assessments for 2013 and 2012 were \$3,806,000 and \$3,774,000, respectively. As of June 30, 2013, the County has collected \$1,903,000 for the 2013 first half special assessment and \$1,887,000 for the 2012 second half special assessments. These special assessment collections were paid to the SWOV District on August 15, 2013 and February 15, 2013, respectively.

**NOTE 21. JOINTLY GOVERNED ORGANIZATIONS**

A. Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (the "CVWM Authority") was established under the provision of the Virginia Water and Sewer Authorities Act. The CVWM 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, Petersburg and Richmond, and the Town of Ashland. The 20-member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has three representatives serving. The CVWM 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. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest or responsibility in the Waste Authority. The County's contribution and direct payments for special projects for the year ended June 30, 2013 were \$2,736,979.

B. Greater Richmond Partnership

The Greater Richmond Partnership is comprised of members from the City of Richmond and the Counties of Chesterfield, Hanover, and Henrico. Together in partnership with the business leadership of the area, the Greater Richmond Partnership's purpose is to further economic development of the metropolitan area. The County has one representative serving on the Greater Richmond Partnership's Board of Directors and the County contributed \$320,000 for the year ended June 30, 2013.

C. Richmond Metropolitan Convention and Visitors Bureau

The Richmond Metropolitan Convention and Visitors Bureau ("RMCVB") serves the City of Richmond and the Counties of Chesterfield, Hanover and Henrico by promoting conventions, tourism and development in the metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved. The County has six representatives serving on RMCVB's Board of Directors and contributed \$2,054,110 to RMCVB for the year ended June 30, 2013.

D. Richmond Regional Planning District Commission

The Richmond Regional Planning District Commission ("RRPDC") is comprised of members from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The major 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 has six representatives serving on the RRPDC and paid total dues of \$186,445 for the year ended June 30, 2013.

**REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**



**COUNTY OF HENRICO, VIRGINIA**  
**EXHIBIT OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Exhibit 11**  
**Page 1 of 3**

<b>Fund, Major and Minor Revenue Sources</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Primary Government:</b>				
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Current real property taxes	\$ 269,800,000	\$ 269,800,000	\$ 269,148,814	\$ (651,186)
Current personal property taxes	68,143,217	68,143,217	68,381,425	238,208
Delinquent real property taxes	3,500,000	3,500,000	4,905,502	1,405,502
Delinquent personal property taxes	1,200,000	1,200,000	6,676,467	5,476,467
Interest	275,000	275,000	312,625	37,625
Land redemption	55,000	55,000	-	(55,000)
Total general property taxes	342,973,217	342,973,217	349,424,833	6,451,616
Other local taxes:				
County recordation taxes	3,400,000	3,400,000	4,008,826	608,826
Local sales and use taxes	58,400,000	58,400,000	55,852,004	(2,547,996)
Consumer utility taxes	2,600,000	2,600,000	2,724,604	124,604
Business and professional license taxes	28,600,000	28,600,000	29,640,707	1,040,707
Motor vehicle license taxes	6,325,000	6,325,000	6,472,365	147,365
Hotel and motel taxes	9,660,000	11,160,000	10,850,617	(309,383)
Bank franchise taxes	5,000,000	5,000,000	11,740,111	6,740,111
Grantor's taxes	900,000	900,000	935,650	35,650
Daily rental tax	150,000	150,000	135,859	(14,141)
Consumption tax	1,200,000	1,200,000	1,128,748	(71,252)
Total other local taxes	116,235,000	117,735,000	123,489,491	5,754,491
Permits, privilege fees and regulatory licenses:				
Municipal library court fees	155,000	155,000	146,160	(8,840)
Transfer fees	10,800	10,800	7,471	(3,329)
Zoning application fees	150,000	150,000	110,056	(39,944)
Structure and equipment permits	2,000,000	2,000,000	2,156,605	156,605
Septic tank permits	5,000	5,000	26,900	21,900
Taxi cab certificates	8,500	8,500	18,390	9,890
Permits to purchase precious metal	5,000	5,000	15,205	10,205
Dog licenses	200,000	200,000	141,929	(58,071)
Other	459,600	488,548	554,728	66,180
Total permits, privilege fees and regulatory licenses	2,993,900	3,022,848	3,177,444	154,596
Fines and forfeitures:				
False alarm penalties	65,000	65,000	71,385	6,385
Traffic violations	2,300,000	2,300,000	3,321,422	1,021,422
Parking violations	25,000	25,000	22,034	(2,966)
Total fines and forfeitures	2,390,000	2,390,000	3,414,841	1,024,841
Revenue from use of money and property:				
Sale of equipment and publications	99,300	99,300	327,379	228,079
Rented county property	519,000	519,000	645,177	126,177
Use of money	7,139,000	7,139,000	1,064,958	(6,074,042)
Total revenue from use of money and property	7,757,300	7,757,300	2,037,514	(5,719,786)
Charges for services:				
Public works	150,000	150,000	177,450	27,450
Library	389,200	389,200	502,469	113,269
Sheriff fees	1,091,000	1,091,000	1,424,637	333,637
Commonwealth's Attorney fees	12,000	12,000	33,896	21,896
Public safety	15,000	15,000	23,808	8,808
Finance charges	510,000	510,000	296,391	(213,609)
Recreation	633,200	633,200	824,516	191,316
Information technology	750,000	750,000	756,500	6,500
Total charges for services	3,550,400	3,550,400	4,039,667	489,267

continued

**COUNTY OF HENRICO, VIRGINIA**  
**EXHIBIT OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Exhibit 11**  
**Page 2 of 3**

<b>Fund, Major and Minor Revenue Sources</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Primary Government:</b>				
<b>General Fund, continued:</b>				
Miscellaneous	\$ 3,652,000	\$ 4,677,225	\$ 7,505,338	\$ 2,828,113
Total miscellaneous	3,652,000	4,677,225	7,505,338	2,828,113
Recovered costs:				
Finance	2,241,370	2,241,370	2,299,699	58,329
General services	799,403	799,403	1,448,638	649,235
Public health	55,000	55,000	-	(55,000)
Public works	378,000	378,000	415,042	37,042
Sheriff	1,000,000	1,000,000	1,229,830	229,830
Public safety	5,000	5,000	554	(4,446)
Total recovered costs	4,478,773	4,478,773	5,393,763	914,990
Total revenue from local sources	484,030,590	486,584,763	498,482,891	11,898,128
<b>Intergovernmental:</b>				
<b>Revenue from the Commonwealth:</b>				
<b>Non-categorical aid:</b>				
Rolling stock	125,000	125,000	310,684	185,684
Recovery of central costs	475,000	475,000	472,582	(2,418)
Mobile home sales and use tax	12,500	12,500	13,063	563
Motor vehicle rental tax	2,600,000	2,600,000	3,955,994	1,355,994
PPTRA revenue	37,001,783	37,001,783	37,001,783	-
Communications sales and use tax - HB568	14,500,000	14,500,000	13,455,632	(1,044,368)
Overweight truck citations	1,000	1,000	-	(1,000)
Total non-categorical aid	54,715,283	54,715,283	55,209,738	494,455
<b>Shared expenses:</b>				
Sheriff	10,175,000	10,175,000	10,517,617	342,617
Commonwealth's Attorney	1,560,000	1,820,000	1,817,870	(2,130)
Election commission	84,400	84,400	68,820	(15,580)
Finance	560,000	655,000	687,464	32,464
Circuit court	2,550,000	2,775,413	2,999,034	223,621
Total shared expenses	14,929,400	15,509,813	16,090,805	580,992
<b>Categorical aid:</b>				
Library	175,000	175,000	179,832	4,832
Public safety	10,835,000	11,259,182	11,866,078	606,896
Social services	2,613,955	4,162,923	3,429,379	(733,544)
Public works	28,745,000	28,745,000	32,678,962	3,933,962
Juvenile and domestic relations	481,500	481,500	496,187	14,687
Total categorical aid	42,850,455	44,823,605	48,650,438	3,826,833
Total revenue from the Commonwealth	112,495,138	115,048,701	119,950,981	4,902,280
<b>Revenue from the Federal government:</b>				
Social services	7,003,280	8,633,383	8,548,034	(85,349)
Public safety	27,000	27,000	83,856	56,856
Total revenue from the Federal government	7,030,280	8,660,383	8,631,890	(28,493)
Total intergovernmental	119,525,418	123,709,084	128,582,871	4,873,787
<b>Total General Fund</b>	<b>\$ 603,556,008</b>	<b>\$ 610,293,847</b>	<b>\$ 627,065,762</b>	<b>\$ 16,771,915</b>

continued

**COUNTY OF HENRICO, VIRGINIA**  
**EXHIBIT OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Exhibit 11**  
**Page 3 of 3**

<b>Fund, Major and Minor Revenue Sources</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Primary Government:</b>				
<b>Special Revenue Fund:</b>				
Revenue from local sources:				
General property taxes:				
Current real property taxes	\$ -	\$ 5,408,000	\$ 2,308,436	\$ (3,099,564)
Current personal property taxes	-	-	541,908	541,908
Total general property taxes	-	5,408,000	2,850,344	(2,557,656)
Other local taxes:				
Local sales and use taxes	-	-	1,883,910	1,883,910
Business and professional license taxes	-	-	498,614	498,614
Total other local taxes	-	-	2,382,524	2,382,524
Revenue from use of money and property	264,216	264,216	337,366	73,150
Charges for services:				
Miscellaneous charges for services	9,667,807	10,279,522	9,758,138	(521,384)
Refuse collection billing	7,000,000	7,000,000	7,318,082	318,082
Landfill weighing fees	1,141,354	1,141,354	1,178,535	37,181
Recycle fees	217,077	217,077	190,711	(26,366)
Bulky waste collection fees	1,597,039	1,597,039	1,822,882	225,843
Leaf collection	3,064,001	3,064,001	3,064,001	-
Charges for street lights	83,100	83,100	74,186	(8,914)
Total charges for services	22,770,378	23,382,093	23,406,535	24,442
Miscellaneous revenues	1,339,943	1,461,712	768,966	(692,746)
Recovered costs:				
Recovered costs	534,431	581,107	502,286	(78,821)
Recoveries and rebates	1,300	-	334,462	334,462
Total recovered costs	535,731	581,107	836,748	255,641
Total revenue from local sources	24,910,268	31,097,128	30,582,483	(514,645)
Intergovernmental:				
Revenue from the Commonwealth:				
Division of litter control	25,000	25,000	47,487	22,487
Social services	4,140,865	4,154,338	3,325,121	(829,217)
Mental health and developmental services	7,234,246	7,068,499	7,079,911	11,412
Virginia department of corrections	1,319,515	1,451,236	1,443,624	(7,612)
Commonwealth's Attorney	210,173	210,173	215,773	5,600
Miscellaneous state grants	1,257,237	2,594,524	1,610,261	(984,263)
Total revenue from the Commonwealth	14,187,036	15,503,770	13,722,177	(1,781,593)
Revenue from the Federal government:				
Workforce investment	5,063,258	5,880,368	6,070,543	190,175
Community development block grants	-	2,007,943	1,857,309	(150,634)
Public safety	-	491,240	1,941,501	1,450,261
Mental health and developmental services	1,931,370	2,001,211	1,978,416	(22,795)
Miscellaneous federal grants	296,320	758,217	468,596	(289,621)
Total revenue from the Federal government	7,290,948	11,138,979	12,316,365	1,177,386
Total intergovernmental	21,477,984	26,642,749	26,038,542	(604,207)
<b>Total Special Revenue Fund</b>	<b>\$ 46,388,252</b>	<b>\$ 57,739,877</b>	<b>\$ 56,621,025</b>	<b>\$ (1,118,852)</b>
<b>Grand Total Revenues - Primary Government</b>	<b>\$ 649,944,260</b>	<b>\$ 668,033,724</b>	<b>\$ 683,686,787</b>	<b>\$ 15,653,063</b>

**COUNTY OF HENRICO, VIRGINIA**  
**EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Exhibit 12**  
**Page 1 of 4**

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
<b>Primary Government:</b>				
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of Supervisors	\$ 1,097,781	\$ 1,157,033	\$ 998,689	\$ 158,344
Total legislative	1,097,781	1,157,033	998,689	158,344
General and financial administration:				
County Manager	3,681,327	3,947,895	3,903,670	44,225
County Attorney	2,002,158	2,038,079	2,021,890	16,189
Human resources	5,003,086	4,801,302	4,586,965	214,337
Finance	11,754,015	11,873,072	11,227,001	646,071
General services	20,841,224	28,390,783	27,619,915	770,868
Internal audit	395,367	430,479	425,677	4,802
Real property agent	587,745	642,464	607,632	34,832
Information technology	12,458,607	11,797,215	11,200,750	596,465
Total general and financial administration	56,723,529	63,921,289	61,593,500	2,327,789
Board of elections:				
Election commission	1,292,871	1,494,254	1,478,707	15,547
Total board of elections	1,292,871	1,494,254	1,478,707	15,547
Total general government administration	59,114,181	66,572,576	64,070,896	2,501,680
Judicial administration:				
Courts:				
Circuit Court	2,960,352	3,424,189	3,029,537	394,652
General District Court	214,556	241,812	238,059	3,753
Juvenile and Domestic Relations Court	2,331,268	2,306,451	2,238,454	67,997
Total Courts	5,506,176	5,972,452	5,506,050	466,402
Commonwealth's Attorney:				
Commonwealth's Attorney	4,362,490	4,549,474	4,394,521	154,953
Total Commonwealth's Attorney	4,362,490	4,549,474	4,394,521	154,953
Total judicial administration	9,868,666	10,521,926	9,900,571	621,355
Public safety:				
Law enforcement:				
Police department	61,367,954	66,733,974	65,755,825	978,149
Total law enforcement	61,367,954	66,733,974	65,755,825	978,149
Fire services:				
Fire department	49,254,470	52,078,107	51,120,880	957,227
Total fire services	49,254,470	52,078,107	51,120,880	957,227
Correction and detention:				
Sheriff	33,960,713	36,790,383	36,481,455	308,928
Juvenile and Domestic Relations District Court	3,271,174	3,271,174	3,263,460	7,714
Total correction and detention	37,231,887	40,061,557	39,744,915	316,642
Inspections:				
Building	4,091,527	4,126,424	3,800,236	326,188
Total inspections	4,091,527	4,126,424	3,800,236	326,188
Other protection:				
Office of emergency services	392,676	379,411	374,911	4,500
Animal protection	1,468,562	1,299,728	1,281,471	18,257
Building security	1,439,293	1,444,417	1,298,421	145,996
Total other protection	3,300,531	3,123,556	2,954,803	168,753
Total public safety	155,246,369	166,123,618	163,376,659	2,746,959

continued



**COUNTY OF HENRICO, VIRGINIA**  
**EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Exhibit 12**  
**Page 2 of 4**

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
<b>Primary Government:</b>				
<b>General Fund, continued:</b>				
Public works:				
Maintenance of highways and streets:				
General administration	\$ 1,331,982	\$ 1,430,404	\$ 1,351,920	\$ 78,484
Mass transit	5,168,983	5,900,420	6,109,842	(209,422)
Design	1,904,611	1,981,448	1,848,745	132,703
Construction and maintenance	22,218,040	27,078,664	24,387,763	2,690,901
Traffic engineering	3,239,348	3,039,598	2,543,932	495,666
Miscellaneous	1,641,333	1,817,823	1,635,261	182,562
Total maintenance of highways and streets	35,504,297	41,248,357	37,877,463	3,370,894
Sanitation and waste removal:				
Leaf collection	3,064,001	3,064,001	3,064,001	-
Total sanitation and waste removal	3,064,001	3,064,001	3,064,001	-
Total public works	38,568,298	44,312,358	40,941,464	3,370,894
Health and social services:				
Health:				
Public health department	1,653,542	1,734,819	1,734,713	106
Total health	1,653,542	1,734,819	1,734,713	106
Social services:				
Service staff	5,439,125	5,181,045	5,006,530	174,515
Service/Eligibility Administration	5,480,862	5,119,326	4,879,169	240,157
Welfare programs	1,934,928	3,792,971	3,626,329	166,642
Public assistance	1,742,234	4,000,799	3,851,895	148,904
Total social services	14,597,149	18,094,141	17,363,923	730,218
Total health and social services	16,250,691	19,828,960	19,098,636	730,324
Parks, recreation and cultural:				
Parks and recreation:				
Department of recreation and parks	17,372,798	17,804,591	16,568,219	1,236,372
Sandston Community House	14,000	14,000	11,619	2,381
Total parks and recreation	17,386,798	17,818,591	16,579,838	1,238,753
Library:				
Library public services	15,059,497	15,100,323	13,916,655	1,183,668
Total library	15,059,497	15,100,323	13,916,655	1,183,668
Total parks, recreation and cultural	32,446,295	32,918,914	30,496,493	2,422,421
Community development:				
Planning and community development:				
Economic development	15,635,319	16,862,066	16,644,517	217,549
Planning and rezoning	3,772,313	3,866,190	3,589,869	276,321
Total planning and community development	19,407,632	20,728,256	20,234,386	493,870
Cooperative extension program:				
Agriculture	354,492	355,285	327,036	28,249
Total cooperative extension program	354,492	355,285	327,036	28,249
Total community development	19,762,124	21,083,541	20,561,422	522,119
Education:				
School Board	174,770,145	174,770,145	174,770,145	-
Total education	174,770,145	174,770,145	174,770,145	-

continued

**COUNTY OF HENRICO, VIRGINIA**  
**EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Exhibit 12**  
**Page 3 of 4**

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
<b>Primary Government:</b>				
<b>General Fund, continued:</b>				
Miscellaneous:				
Cooperative projects	\$ 15,249,918	\$ 15,196,955	\$ 14,682,146	\$ 514,809
Total miscellaneous	15,249,918	15,196,955	14,682,146	514,809
Debt service:				
Capital lease principal	336,848	336,848	336,848	-
Capital lease interest	47,319	47,319	47,319	-
Total debt service	384,167	384,167	384,167	-
<b>Total General Fund</b>	<b>\$ 521,660,854</b>	<b>\$ 551,713,160</b>	<b>\$ 538,282,599</b>	<b>\$ 13,430,561</b>
<b>Special Revenue Fund:</b>				
General government administration:				
General and financial administration:				
Workforce investment	\$ 5,485,944	\$ 10,169,952	\$ 6,442,146	\$ 3,727,806
Total general government administration	5,485,944	10,169,952	6,442,146	3,727,806
Judicial administration:				
Commonwealth's Attorney	873,837	1,341,784	910,984	430,800
Total judicial administration	873,837	1,341,784	910,984	430,800
Public safety:				
Law enforcement:				
Traffic accident investigation	1,486,924	6,170,740	4,351,642	1,819,098
Total law enforcement	1,486,924	6,170,740	4,351,642	1,819,098
Fire	-	494,200	278,767	215,433
Correction and detention:				
Community Diversion Program	1,758,065	2,000,394	1,685,752	314,642
Juvenile and Domestic Relations District Court	900,115	1,049,478	808,774	240,704
Total correction and detention	2,658,180	3,049,872	2,494,526	555,346
Total public safety	4,145,104	9,714,812	7,124,935	2,589,877
Public works:				
General administration	897,000	1,230,386	66,084	1,164,302
Maintenance of highways and streets	83,100	83,100	70,573	12,527
Solid waste collection and disposal	12,331,964	12,688,866	10,265,577	2,423,289
Total public works	13,312,064	14,002,352	10,402,234	3,600,118
Health and social services:				
Social services	7,743,396	10,835,014	7,092,654	3,742,360
Mental health and developmental services:				
Related services	4,657,126	5,370,752	4,111,285	1,259,467
Mental health	10,869,630	11,491,185	10,214,207	1,276,978
Developmental Services	10,005,671	10,730,602	9,610,229	1,120,373
Substance abuse	2,478,337	2,616,979	2,407,413	209,566
MH/DS administration	4,815,132	5,126,706	4,834,486	292,220
Total mental health and developmental services	32,825,896	35,336,224	31,177,620	4,158,604
Total health and social services	40,569,292	46,171,238	38,270,274	7,900,964
Parks, recreation and culture:				
Parks and recreation grants	-	12,233	11,450	783
Total parks, recreation and culture	-	12,233	11,450	783

continued

**COUNTY OF HENRICO, VIRGINIA**  
**EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Exhibit 12**  
**Page 4 of 4**

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
<b>Primary Government:</b>				
<b>Special Revenue Fund, continued:</b>				
Community development:				
Planning and community development	\$ -	\$ 3,833,164	\$ 2,017,423	\$ 1,815,741
Economic development	100,201	7,556,894	6,108,000	1,448,894
Total community development	100,201	11,390,058	8,125,423	3,264,635
Debt service:				
Capital lease principal	21,801	21,801	21,801	-
Capital lease interest	4,012	4,012	4,012	-
Total debt service	25,813	25,813	25,813	-
<b>Total Special Revenue Fund</b>	<b>\$ 64,512,255</b>	<b>\$ 92,828,242</b>	<b>\$ 71,313,259</b>	<b>\$ 21,514,983</b>
<b>Grand Total Expenditures - Primary Government</b>	<b>\$ 586,173,109</b>	<b>\$ 644,541,402</b>	<b>\$ 609,595,858</b>	<b>\$ 34,945,544</b>



**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTARY**  
**INFORMATION**  
**JUNE 30, 2013**

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Budgets are adopted on a basis consistent with GAAP. Annual operating budgets are adopted for all Governmental Funds (including Schools) except for the Capital Projects Fund, in which effective budgetary control is achieved on a project-by-project basis when funding sources become available. Budgeted amounts shown are as amended by the Board during the course of the fiscal year.



## **OTHER SUPPLEMENTAL INFORMATION**





**COUNTY OF HENRICO**  
**VIRGINIA**

**DEBT SERVICE FUND**

Debt Service Fund - To account for the accumulation of financial resources for payment of interest and principal on long-term governmental debt. Provided here to demonstrate compliance at the legal level of budgetary control.

**COUNTY OF HENRICO, VIRGINIA**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Schedule 1**

Function, Activity, Element	Original	Revised	Actual	Variance
<b>Primary Government:</b>				
<b>Debt Service Fund:</b>				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Total Debt Service Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**COUNTY OF HENRICO, VIRGINIA**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Schedule 2**

<b>Function, Activity, Element</b>	<b>Original</b>	<b>Revised</b>	<b>Actual</b>	<b>Variance</b>
<b>Primary Government:</b>				
<b>Debt Service Fund:</b>				
Miscellaneous	\$ 50,000	\$ 176,982	\$ 281,491	\$ (104,509)
Debt Service:				
Principal payments	38,160,000	38,523,488	38,510,000	13,488
Interest payments	22,772,784	22,282,315	22,111,115	171,200
Total Debt Service	60,932,784	60,805,803	60,621,115	184,688
<b>Total Debt Service Fund</b>	<u>\$ 60,982,784</u>	<u>\$ 60,982,785</u>	<u>\$ 60,902,606</u>	<u>\$ 80,179</u>



**COUNTY OF HENRICO**  
**VIRGINIA**

**INTERNAL SERVICE FUNDS**

**Financial Statements**

Central Automotive Maintenance Fund - To account for the operating activities of the Central Motor Pool and Central Automotive Maintenance of County vehicles.

Technology Replacement Fund - To centralize the purchasing of computer equipment for participating County Agencies.

**COUNTY OF HENRICO, VIRGINIA**  
**COMBINING STATEMENTS OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2013**

Schedule 3

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 7,616,896	\$ 6,524,143	\$ 24,749,377	\$ 38,890,416
Receivables, net	7,480	-	-	7,480
Due from other funds	-	-	1,070,119	1,070,119
Due from component unit	-	-	184,868	184,868
Inventories	848,332	-	-	848,332
Other assets	-	-	13,591	13,591
Total current assets	8,472,708	6,524,143	26,017,955	41,014,806
Capital Assets:				
Other capital assets, net	12,479,450	-	-	12,479,450
Capital assets, net	12,479,450	-	-	12,479,450
<b>Total Assets</b>	<b>\$ 20,952,158</b>	<b>\$ 6,524,143</b>	<b>\$ 26,017,955</b>	<b>\$ 53,494,256</b>
<b>Liabilities:</b>				
Accounts payable	\$ 822,239	\$ 2,954	\$ -	\$ 825,193
Accrued liabilities	-	-	5,764,335	5,764,335
Due to other funds	19,309	-	-	19,309
Long-term liabilities due within one year	229,360	-	5,076,379	5,305,739
Total current liabilities	1,070,908	2,954	10,840,714	11,914,576
Long-term liabilities due in more than one year	88,175	-	2,636,621	2,724,796
Total liabilities	1,159,083	2,954	13,477,335	14,639,372
<b>Net Position:</b>				
Net investment in capital assets	12,476,635	-	-	12,476,635
Unrestricted	7,316,440	6,521,189	12,540,620	26,378,249
Total net position	19,793,075	6,521,189	12,540,620	38,854,884
<b>Total Liabilities and Net Position</b>	<b>\$ 20,952,158</b>	<b>\$ 6,524,143</b>	<b>\$ 26,017,955</b>	<b>\$ 53,494,256</b>

**COUNTY OF HENRICO, VIRGINIA  
COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Schedule 4

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
<b>Operating Revenues:</b>				
Charges for services:				
Interdepartmental charges	\$ 20,140,383	\$ -	\$ -	\$ 20,140,383
Contributions:				
Employer	-	-	60,117,252	60,117,252
Employee	-	-	16,084,273	16,084,273
Retiree	-	-	3,173,624	3,173,624
Disabled	-	-	100,852	100,852
Other	9,064	192	282,382	291,638
<b>Total operating revenues</b>	<b>20,149,447</b>	<b>192</b>	<b>79,758,383</b>	<b>99,908,022</b>
<b>Operating Expenses:</b>				
Utility charges	114,811	-	-	114,811
Personnel services and benefits	3,951,454	-	78,072,063	82,023,517
Professional services	68,786	-	-	68,786
Materials and supplies	12,319,770	2,332,042	-	14,651,812
Maintenance and repairs	2,464,893	-	-	2,464,893
Other expenses	219,755	-	1,608,387	1,828,142
Depreciation	2,015,230	-	-	2,015,230
<b>Total operating expenses</b>	<b>21,154,699</b>	<b>2,332,042</b>	<b>79,680,450</b>	<b>103,167,191</b>
Operating (loss) income	(1,005,252)	(2,331,850)	77,933	(3,259,169)
<b>Nonoperating (Expenses) Revenues:</b>				
Gain on sale of equipment	250,044	-	-	250,044
Other income	93,597	-	-	93,597
Investment income	-	-	73,859	73,859
<b>Total nonoperating revenues, net</b>	<b>343,641</b>	<b>-</b>	<b>73,859</b>	<b>417,500</b>
Loss before capital contributions	(661,611)	(2,331,850)	151,792	(2,841,669)
Capital contributions - donated assets	15,760	-	-	15,760
Change in net position	(645,851)	(2,331,850)	151,792	(2,825,909)
<b>Total Net Position - June 30, 2012</b>	<b>20,438,926</b>	<b>8,853,039</b>	<b>12,388,828</b>	<b>41,680,793</b>
<b>Total Net Position - June 30, 2013</b>	<b>\$ 19,793,075</b>	<b>\$ 6,521,189</b>	<b>\$ 12,540,620</b>	<b>\$ 38,854,884</b>

**COUNTY OF HENRICO, VIRGINIA  
COMBINING STATEMENTS OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Schedule 5

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers	\$ 20,147,880	\$ 192	\$ 79,729,585	\$ 99,877,657
Payments to suppliers	(15,082,999)	(2,329,801)	(74,272,068)	(91,684,868)
Payments to employees	(3,957,011)	-	-	(3,957,011)
Net cash provided by (used in) operating activities	1,107,870	(2,329,609)	5,457,517	4,235,778
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Purchase of capital assets	(1,207,554)	-	-	(1,207,554)
Payment for capital lease obligations	(1,280)	-	-	(1,280)
Proceeds from sale of capital assets	344,063	-	-	344,063
Net cash used in capital and related financing activities	(864,771)	-	-	(864,771)
<b>Cash Flows From Investing Activities:</b>				
Investment income received	-	-	73,859	73,859
<b>Net increase (decrease) in Cash</b>	243,099	(2,329,609)	5,531,376	3,444,866
<b>Cash and cash equivalents - June 30, 2012</b>	7,373,797	8,853,752	19,218,001	35,445,550
<b>Cash and cash equivalents - June 30, 2013</b>	<u>\$ 7,616,896</u>	<u>\$ 6,524,143</u>	<u>\$ 24,749,377</u>	<u>\$ 38,890,416</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash Provided by (Used In) Operating Activities:</b>				
Operating (loss) income	\$ (1,005,252)	\$ (2,331,850)	\$ 77,933	\$ (3,259,169)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	2,015,230	-	-	2,015,230
Change in assets and liabilities:				
Receivables	(1,567)	-	-	(1,567)
Inventories	(102,069)	-	-	(102,069)
Due from other funds	-	-	(22,610)	(22,610)
Due from component unit	-	-	(6,188)	(6,188)
Other assets	-	-	2,047	2,047
Accounts payable	205,992	2,241	-	208,233
Due to other funds	386	-	-	386
Accrued liabilities	(4,850)	-	5,406,335	5,401,485
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 1,107,870</u>	<u>\$ (2,329,609)</u>	<u>\$ 5,457,517</u>	<u>\$ 4,235,778</u>

**Supplemental disclosures for noncash investing and financing activities:**

Central Automotive Maintenance received donated equipment during the fiscal year end June 30, 2013 valued at \$15,760.



**COUNTY OF HENRICO**  
**VIRGINIA**

**AGENCY FUNDS**

**Financial Statements**

Long-Term Disability - To account for the receipt of contributions by County employees and the disbursement of disability payments related to the County's Long-Term Disability Plan.

Special Welfare - To account for receipts and disbursements of monies maintained in individual accounts for certain County welfare recipients.

Mental Health and Developmental Services - To account for receipts and disbursements of monies maintained for individual clients.

**COUNTY OF HENRICO, VIRGINIA**  
**COMBINING STATEMENTS OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2013**

**Schedule 6**

	Agency Funds			
	Long-Term Disability	Special Welfare	Mental Health and Retardation	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 686,907	\$ 100,401	\$ 49,622	\$ 836,930
<b>Total Assets</b>	<u>\$ 686,907</u>	<u>\$ 100,401</u>	<u>\$ 49,622</u>	<u>\$ 836,930</u>
<b>Liabilities:</b>				
Amounts due to others	\$ 686,907	\$ 100,246	\$ 49,622	\$ 836,775
Accounts payable	-	155	-	155
<b>Total Liabilities</b>	<u>\$ 686,907</u>	<u>\$ 100,401</u>	<u>\$ 49,622</u>	<u>\$ 836,930</u>

**COUNTY OF HENRICO, VIRGINIA**  
**COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Schedule 7

	Balance July 1	Additions	Deletions	Balance June 30
<b>Long Term Disability:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 473,649	\$ 674,635	\$ 461,377	\$ 686,907
<b>Total assets</b>	<u>\$ 473,649</u>	<u>\$ 674,635</u>	<u>\$ 461,377</u>	<u>\$ 686,907</u>
<b>Liabilities:</b>				
Amounts due to others	\$ 473,649	\$ 674,635	\$ 461,377	\$ 686,907
<b>Total liabilities</b>	<u>\$ 473,649</u>	<u>\$ 674,635</u>	<u>\$ 461,377</u>	<u>\$ 686,907</u>
<b>Special Welfare:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 96,683	\$ 172,755	\$ 169,037	\$ 100,401
<b>Total assets</b>	<u>\$ 96,683</u>	<u>\$ 172,755</u>	<u>\$ 169,037</u>	<u>\$ 100,401</u>
<b>Liabilities:</b>				
Amounts due to others	\$ 96,528	\$ 172,635	\$ 168,917	\$ 100,246
Accounts payable	155	119	119	155
<b>Total liabilities</b>	<u>\$ 96,683</u>	<u>\$ 172,754</u>	<u>\$ 169,036</u>	<u>\$ 100,401</u>
<b>Mental Health and Retardation:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 45,278	\$ 301,876	\$ 297,532	\$ 49,622
<b>Total assets</b>	<u>\$ 45,278</u>	<u>\$ 301,876</u>	<u>\$ 297,532</u>	<u>\$ 49,622</u>
<b>Liabilities:</b>				
Amounts due to others	\$ 45,278	\$ 301,876	\$ 297,532	\$ 49,622
<b>Total liabilities</b>	<u>\$ 45,278</u>	<u>\$ 301,876</u>	<u>\$ 297,532</u>	<u>\$ 49,622</u>
<b>Totals:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 615,610	\$ 1,149,266	\$ 927,946	\$ 836,930
<b>Total assets</b>	<u>\$ 615,610</u>	<u>\$ 1,149,266</u>	<u>\$ 927,946</u>	<u>\$ 836,930</u>
<b>Liabilities:</b>				
Amounts due to others	\$ 615,455	\$ 1,149,146	\$ 927,826	\$ 836,775
Accounts payable	155	119	119	155
<b>Total liabilities</b>	<u>\$ 615,610</u>	<u>\$ 1,149,265</u>	<u>\$ 927,945</u>	<u>\$ 836,930</u>



**COUNTY OF HENRICO**

**VIRGINIA**

**DISCRETELY PRESENTED COMPONENT UNIT -**  
**SCHOOL BOARD**

School Board - The School Board is a legally separate organization providing educational services to residents within the government's jurisdiction, whose board is elected and fiscally dependent on the County. The School Board does not prepare a separate financial report at this time.

**COUNTY OF HENRICO, VIRGINIA  
COMBINING BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
JUNE 30, 2013**

**Schedule 8**

	<b>Governmental Funds</b>			
	<b>School General Fund</b>	<b>School Special Revenue Fund</b>	<b>School Capital Projects Fund</b>	<b>Totals</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,244,844	\$ 3,513,734	\$ 4,022,478	\$ 8,781,056
Other assets	-	15,158	-	15,158
Due from Primary Government	-	-	10,135,043	10,135,043
Due from other governmental units	3,903,441	12,686,051	-	16,589,492
<b>Total Assets</b>	<u>\$ 5,148,285</u>	<u>\$ 16,214,943</u>	<u>\$ 14,157,521</u>	<u>\$ 35,520,749</u>
<b>Liabilities:</b>				
Accounts payable	\$ 718,974	\$ 1,361,618	\$ 15,005	\$ 2,095,597
Accrued liabilities	1,055,197	107,559	551,549	1,714,305
Amounts held for others	83,738	-	-	83,738
Due to Primary Government	163,601	5,343	-	168,944
Unearned revenues	-	7,460,217	-	7,460,217
<b>Total liabilities</b>	<u>2,021,510</u>	<u>8,934,737</u>	<u>566,554</u>	<u>11,522,801</u>
<b>Fund balances:</b>				
Restricted	-	7,280,206	-	7,280,206
Committed	-	-	13,590,967	13,590,967
Assigned	3,121,330	-	-	3,121,330
Unassigned	5,445	-	-	5,445
<b>Total fund balances</b>	<u>3,126,775</u>	<u>7,280,206</u>	<u>13,590,967</u>	<u>23,997,948</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,148,285</u>	<u>\$ 16,214,943</u>	<u>\$ 14,157,521</u>	

**Adjustments for the Statement of Net Position:**

Internal service fund net profit allocation to the School Board is included in the Statement of Net Position as other assets, but is not included in the governmental funds.	\$ (1,170,103)
Capital assets used in School Board activities are not current financial resources and therefore are not reported as assets in the governmental funds.	234,534,870
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	<u>(21,528,016)</u>
<b>Net Position of Discretely Presented Component Unit - School Board</b>	<u>\$ 235,834,699</u>

**COUNTY OF HENRICO, VIRGINIA  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Schedule 9**

	Governmental Funds			Total
	School General Fund	School Special Revenue Fund	School Capital Projects Fund	
<b>Revenues:</b>				
Permits, privilege fees and regulatory licenses	\$ 459,018	\$ -	\$ -	\$ 459,018
Charges for services	138,752	7,981,584	-	8,120,336
Miscellaneous	-	171,559	-	171,559
Recovered costs	397,547	-	-	397,547
Intergovernmental:				
Federal	6,593,062	35,902,779	-	42,495,841
State	223,935,709	9,227,199	-	233,162,908
Total revenues	<u>231,524,088</u>	<u>53,283,121</u>	<u>-</u>	<u>284,807,209</u>
<b>Expenditures:</b>				
Education	406,776,850	51,279,064	-	458,055,914
Capital projects	-	-	6,059,291	6,059,291
Debt service:				
Principal retirement	8,296,800	-	-	8,296,800
Interest	18,838	-	-	18,838
Total expenditures	<u>415,092,488</u>	<u>51,279,064</u>	<u>6,059,291</u>	<u>472,430,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(183,568,400)</u>	<u>2,004,057</u>	<u>(6,059,291)</u>	<u>(187,623,634)</u>
<b>Other Financing Sources:</b>				
Capital lease obligations incurred	3,937,677	-	-	3,937,677
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Payment from Primary Government	<u>174,770,145</u>	<u>-</u>	<u>3,197,316</u>	<u>177,967,461</u>
Total other financing sources	<u>178,707,822</u>	<u>-</u>	<u>3,197,316</u>	<u>181,905,138</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(4,860,578)</u>	<u>2,004,057</u>	<u>(2,861,975)</u>	<u>(5,718,496)</u>
<b>Fund Balances - June 30, 2012</b>	<u>7,987,353</u>	<u>5,276,149</u>	<u>16,452,942</u>	<u>29,716,444</u>
<b>Fund Balances - June 30, 2013</b>	<u>\$ 3,126,775</u>	<u>\$ 7,280,206</u>	<u>\$ 13,590,967</u>	<u>\$ 23,997,948</u>

**Adjustments for the Statement of Activities:**

Deficiency of revenues and other sources under expenditures and other uses	\$ (5,718,496)
Repayment of debt principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	8,296,800
Depreciation expense is reported in the Statement of Activities but is not reported as an expense in the governmental funds.	(18,873,673)
Governmental funds report capital outlays as expenditures while School Board activities capitalize those outlays to allocate those expenditures over the life of the assets.	14,355,659
Capital lease proceeds are recorded as revenues in governmental funds, but are not reported as revenues in the Statement of Activities	(3,937,677)
Internal service funds are used to charge the costs of maintenance to governmental funds and are a reduction of related expenses in the Statement of Activities.	(1,026,800)
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.	<u>(2,577,694)</u>
Change in Net Position of Discretely Presented Component Unit - School Board	<u>\$ (9,481,881)</u>





**COUNTY OF HENRICO**

**VIRGINIA**

**DISCRETELY PRESENTED COMPONENT UNIT -**  
**SCHOOL BOARD**

**AGENCY FUND**

**Financial Statements**

School Activity Fund - To account for the receipt of funds received from various School activities.

**COUNTY OF HENRICO, VIRGINIA  
STATEMENT OF FIDUCIARY NET POSITION  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
AGENCY FUNDS  
JUNE 30, 2013**

Schedule 10

	<b>Agency Funds</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 4,902,620
<b>Total Assets</b>	<u>\$ 4,902,620</u>
<b>Liabilities:</b>	
Amounts held for others	\$ 4,902,620
<b>Total Liabilities</b>	<u>\$ 4,902,620</u>

**COUNTY OF HENRICO, VIRGINIA**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Schedule 11

	<b>Balance July 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30</b>
<b>School Activity Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 4,851,195</u>	<u>\$ 15,253,281</u>	<u>\$ 15,201,856</u>	<u>\$ 4,902,620</u>
<b>Total assets</b>	<u><u>\$ 4,851,195</u></u>	<u><u>\$ 15,253,281</u></u>	<u><u>\$ 15,201,856</u></u>	<u><u>\$ 4,902,620</u></u>
<b>Liabilities:</b>				
Amounts due to others	<u>\$ 4,851,195</u>	<u>\$ 15,253,281</u>	<u>\$ 15,201,856</u>	<u>\$ 4,902,620</u>
<b>Total liabilities</b>	<u><u>\$ 4,851,195</u></u>	<u><u>\$ 15,253,281</u></u>	<u><u>\$ 15,201,856</u></u>	<u><u>\$ 4,902,620</u></u>

**COUNTY OF HENRICO, VIRGINIA**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**COMPONENT UNIT - SCHOOL BOARD**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Schedule 12**  
**Page 1 of 2**

<b>Fund, Major and Minor Revenue Sources</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Component Unit - School Board:</b>				
<b>General Fund:</b>				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
High school parking fees	\$ 100,000	\$ 100,000	\$ 106,630	\$ 6,630
Facilities rental	350,000	350,000	352,388	2,388
Total permits, privilege fees and regulatory licenses	<u>450,000</u>	<u>450,000</u>	<u>459,018</u>	<u>9,018</u>
Charges for services:				
School fees and tuitions	160,000	160,000	138,752	(21,248)
Total charges for services	<u>160,000</u>	<u>160,000</u>	<u>138,752</u>	<u>(21,248)</u>
Recovered cost:				
Sale of vehicles, textbooks and equipment	115,000	115,000	73,081	(41,919)
Lost/damaged textbook payments	22,000	22,000	9,226	(12,774)
Payment for services - parks and recreation	175,000	175,000	144,865	(30,135)
Recovered cost - student activities	170,000	170,000	170,375	375
Total recovered cost	<u>482,000</u>	<u>482,000</u>	<u>397,547</u>	<u>(84,453)</u>
Total revenue from local sources	<u>1,092,000</u>	<u>1,092,000</u>	<u>995,317</u>	<u>(96,683)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Talented and gifted program	1,278,000	1,278,000	1,288,198	10,198
English as a second language	1,300,000	1,300,000	1,567,220	267,220
General appropriation - basic aid	119,000,000	119,000,000	122,043,212	3,043,212
Foster child reimbursement	152,000	152,000	-	(152,000)
Textbooks	2,000,000	2,000,000	2,512,826	512,826
Social security reimbursement	7,110,000	7,110,000	7,169,100	59,100
Retirement reimbursement	11,800,000	11,800,000	11,957,835	157,835
Life insurance reimbursement	440,000	440,000	448,069	8,069
Remedial education	2,775,000	2,775,000	2,800,430	25,430
Share of State sales tax - schools	47,000,000	47,000,000	48,152,814	1,152,814
SOQ - basic special education	14,560,000	14,560,000	14,674,252	114,252
Special education - homebound	165,000	165,000	163,128	(1,872)
Vocational education - local administrative and supervisory	500,000	500,000	583,308	83,308
Vocational education - adult education	-	-	211,326	211,326
Vocational education - SOQ occupational	1,580,000	1,580,000	1,596,245	16,245
Handicapped - foster home	850,000	850,000	354,347	(495,653)
Salary incentive K-3	2,525,000	2,525,000	3,094,418	569,418
R.O.T.C.	300,000	300,000	437,721	137,721
Adult basic aid	-	-	73,987	73,987
At risk	2,000,000	2,000,000	2,388,898	388,898
Preschool	-	3,902,500	2,244,737	(1,657,763)
Other categorical aid	110,000	110,000	173,638	63,638
Total categorical aid	<u>215,445,000</u>	<u>219,347,500</u>	<u>223,935,709</u>	<u>4,588,209</u>
Total revenue from the Commonwealth	<u>215,445,000</u>	<u>219,347,500</u>	<u>223,935,709</u>	<u>4,588,209</u>
Revenue from the Federal government:				
Jobs Funds	5,500,000	6,593,062	6,593,062	-

continued

**COUNTY OF HENRICO, VIRGINIA**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**COMPONENT UNIT - SCHOOL BOARD**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Schedule 12**  
**Page 2 of 2**

<b>Fund, Major and Minor Revenue Sources</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Component Unit - School Board:</b>				
<b>General Fund, continued:</b>				
Total revenue from the Federal government	5,500,000	6,593,062	6,593,062	-
Total intergovernmental	220,945,000	225,940,562	230,528,771	4,588,209
<b>Total Component Unit - General Fund</b>	<b>\$ 222,037,000</b>	<b>\$ 227,032,562</b>	<b>\$ 231,524,088</b>	<b>\$ 4,491,526</b>
<b>Special Revenue Fund:</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria receipts	\$ 9,208,473	\$ 9,208,473	\$ 7,981,584	\$ (1,226,889)
Total charges for services	9,208,473	9,208,473	7,981,584	(1,226,889)
Miscellaneous:				
Miscellaneous	-	-	2,485	2,485
Recoveries and rebates	127,293	127,293	169,074	41,781
Total miscellaneous	127,293	127,293	171,559	44,266
Total revenue from local sources	9,335,766	9,335,766	8,153,143	(1,182,623)
Intergovernmental:				
Revenue from the Commonwealth:				
Juvenile detention center	1,291,624	1,291,624	1,306,307	14,683
Technology	1,818,000	1,818,000	1,557,475	(260,525)
Summer school	1,607,789	1,607,789	385,355	(1,222,434)
General adult education	464,943	464,943	892,031	427,088
State SOL	492,147	492,147	410,658	(81,489)
School lunch program	468,137	468,137	436,147	(31,990)
Other state educational grants	6,669,537	6,669,537	4,239,226	(2,430,311)
Total revenue from the Commonwealth	12,812,177	12,812,177	9,227,199	(3,584,978)
Revenue from the Federal Government:				
Title I	8,272,376	8,272,376	8,055,668	(216,708)
Title VI-B	9,944,554	9,944,554	9,006,642	(937,912)
Vocational federal act	-	-	538,555	538,555
Head start	1,720,080	1,720,080	1,357,524	(362,556)
Pre-school	259,901	259,901	166,189	(93,712)
School lunch program	8,834,326	8,834,326	8,169,023	(665,303)
School breakfast program	-	-	2,484,846	2,484,846
Other Federal educational grants	10,032,555	10,032,555	6,124,332	(3,908,223)
Total revenue from the Federal government	39,063,792	39,063,792	35,902,779	(3,161,013)
Total intergovernmental	51,875,969	51,875,969	45,129,978	(6,745,991)
<b>Total Component Unit - Special Revenue Fund</b>	<b>\$ 61,211,735</b>	<b>\$ 61,211,735</b>	<b>\$ 53,283,121</b>	<b>\$ (7,928,614)</b>
<b>Grand Total Revenues - Component Unit - School Board</b>	<b>\$ 283,248,735</b>	<b>\$ 288,244,297</b>	<b>\$ 284,807,209</b>	<b>\$ (3,437,088)</b>

**COUNTY OF HENRICO, VIRGINIA**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**COMPONENT UNIT - SCHOOL BOARD**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Schedule 13**

<b>Function, Activity, Element</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Component Unit - School Board:</b>				
<b>General Fund:</b>				
Education:				
Administration of schools:				
Administration	\$ 45,165,747	\$ 47,570,217	\$ 44,187,848	\$ 3,382,369
Instructional	278,210,230	287,635,856	289,346,211	(1,710,355)
Educational programs and services	5,094,012	5,177,477	4,923,294	254,183
Transportation	23,516,809	27,008,372	26,858,143	150,229
Operation and maintenance	43,747,564	41,998,194	41,461,354	536,840
Total administration of schools	<u>395,734,362</u>	<u>409,390,116</u>	<u>406,776,850</u>	<u>2,613,266</u>
Debt Service:				
Principal retirement	8,296,800	8,296,800	8,296,800	-
Interest	18,838	18,838	18,838	-
Total debt service	<u>8,315,638</u>	<u>8,315,638</u>	<u>8,315,638</u>	<u>-</u>
Total education	<u>404,050,000</u>	<u>417,705,754</u>	<u>415,092,488</u>	<u>2,613,266</u>
<b>Total Component Unit - General Fund</b>	<u><u>\$ 404,050,000</u></u>	<u><u>\$ 417,705,754</u></u>	<u><u>\$ 415,092,488</u></u>	<u><u>\$ 2,613,266</u></u>
<b>Special Revenue Fund:</b>				
Education:				
Instruction	\$ 41,841,234	\$ 69,528,096	\$ 32,275,751	\$ 37,252,345
Other educational programs	732,272	830,241	309,844	520,397
Total education	<u>42,573,506</u>	<u>70,358,337</u>	<u>32,585,595</u>	<u>37,772,742</u>
School food service	<u>18,638,229</u>	<u>19,801,935</u>	<u>18,693,469</u>	<u>1,108,466</u>
<b>Total Component Unit - Special Revenue Fund</b>	<u><u>\$ 61,211,735</u></u>	<u><u>\$ 90,160,272</u></u>	<u><u>\$ 51,279,064</u></u>	<u><u>\$ 38,881,208</u></u>
<b>Grand Total Expenditures - Component Unit - School Board</b>	<u><u>\$ 465,261,735</u></u>	<u><u>\$ 507,866,026</u></u>	<u><u>\$ 466,371,552</u></u>	<u><u>\$ 41,494,474</u></u>

## **Statistical Section**

This component of the County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the basic financial statements, note disclosures, and required supplementary information indicate about the County's financial health over an extended period of time.

The goal of the statistical section is to be the chief source of information regarding the County's economic condition. For a more complete understanding of the data summarized herein, please refer to the County's previous Comprehensive Annual Financial Reports as well as the accompanying transmittal letter, management's discussion and analysis and the aforementioned basic financial statements, in their entirety (including the note disclosures and required supplementary information).

## **Contents**

### **Financial Trends**

**Tables I - IV**

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

### **Revenue Capacity**

**Tables V - VIII**

These schedules contain information to help the reader assess the County's most significant local revenue sources, the real and personal property tax.

### **Debt Capacity**

**Tables IX - X**

These schedules present information to help the reader 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**

**Tables XI - XII**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

### **Operating Information**

**Tables XIII - XV**

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

**COUNTY OF HENRICO, VIRGINIA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(accrual basis of accounting)  
(\$ in thousands)

Table I

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 618,680	\$ 660,171	\$ 734,506	\$ 795,307	\$ 846,377	\$ 917,136	\$ 921,623	\$ 946,772	\$ 1,009,019	\$ 1,029,263
Restricted For:										
Capital Projects	39,903	45,800	42,176	83,043	87,472	73,835	86,705	94,717	80,728	93,239
Debt Service	24,589	28,288	27,293	30,881	32,847	40,667	38,006	35,199	37,787	34,667
Special Revenue	20,589	18,937	19,422	22,060	26,128	25,768	29,488	39,207	40,738	43,598
Unrestricted	101,333	114,439	143,902	161,949	184,450	214,984	203,684	182,965	129,229	110,705
Total Governmental Activities Net Position	\$ 805,094	\$ 867,635	\$ 967,299	\$1,093,240	\$1,177,273	\$1,272,390	\$1,279,506	\$1,298,860	\$ 1,297,501	\$ 1,311,472
<b>Business-type Activities:</b>										
Net Investment in Capital Assets	\$ 725,502	\$ 773,417	\$ 815,710	\$ 826,625	\$ 863,944	\$ 885,430	\$ 909,604	\$ 923,622	\$ 946,577	\$ 969,304
Debt Service	11,590	11,470	11,453	15,885	15,699	15,129	16,704	16,516	16,516	15,070
Unrestricted	69,539	51,800	54,911	73,696	74,206	78,038	76,418	73,779	64,471	64,475
Total Business-Type Activities Net Position	\$ 806,631	\$ 836,687	\$ 882,074	\$ 916,205	\$ 953,849	\$ 978,597	\$1,002,727	\$1,013,917	\$ 1,027,564	\$ 1,048,849
<b>Primary Government:</b>										
Net Investment in Capital Assets	\$ 1,344,182	\$ 1,433,588	\$ 1,550,216	\$1,621,931	\$1,710,321	\$1,802,566	\$1,831,227	\$1,870,394	\$ 1,955,596	\$ 1,998,567
Restricted For:										
Highways, Streets, and Buildings	39,903	45,800	42,176	83,043	87,472	73,835	86,705	94,717	80,728	93,239
Debt Service	24,589	28,288	27,293	30,881	32,847	55,796	54,710	51,715	54,303	49,737
Restricted Grants	32,179	30,407	30,875	37,945	41,827	25,768	29,488	39,207	40,738	43,598
Unrestricted	170,872	166,239	198,813	235,645	258,656	293,022	280,102	256,744	193,700	175,180
Total Primary Government Net Position	\$ 1,611,725	\$ 1,704,322	\$ 1,849,373	\$2,009,446	\$2,131,122	\$2,250,987	\$2,282,233	\$2,312,777	\$ 2,325,065	\$ 2,360,321

Table may not foot due to rounding  
**Source:** County of Henrico, Virginia Comprehensive Annual Financial Reports Exhibit 1



**COUNTY OF HENRICO, VIRGINIA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(accrual basis of accounting)  
(\$ in thousands)

Table II

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b><u>Expenses</u></b>										
Governmental Activities:										
General Government	\$ 66,700	\$ 72,848	\$ 67,016	\$ 79,015	\$ 100,488	\$ 97,244	\$ 102,595	\$ 88,351	\$ 96,745	\$ 96,108
Judicial Administration	5,950	6,475	6,835	7,585	8,053	8,493	10,943	11,100	11,158	10,908
Public Safety	119,776	128,215	142,050	151,289	161,509	167,439	165,026	169,856	172,498	173,219
Public Works	65,727	53,711	54,640	60,957	61,590	65,154	77,785	71,986	75,272	70,303
Health and Welfare	47,945	50,924	54,016	57,777	60,903	62,145	67,543	60,937	60,572	57,700
Education	172,148	176,443	182,180	180,070	196,102	190,186	193,146	209,564	205,558	188,025
Parks, Recreation and Culture	22,731	24,497	26,090	28,748	33,624	34,829	35,204	34,329	34,987	34,781
Community Development	23,141	29,639	26,838	29,359	30,083	26,080	25,428	26,692	27,903	28,869
Interest and Long-term Debt	15,023	13,755	16,804	17,171	17,522	23,609	27,698	18,520	19,177	21,289
Total Government Activities Expenses	539,141	556,507	576,469	611,971	669,874	675,178	705,368	691,335	703,870	681,202
Business-Type Activities:										
Water and Sewer	59,275	65,604	71,522	81,415	84,792	86,688	87,290	92,028	90,830	89,813
Belmont Park Golf Course	1,322	1,642	1,129	1,122	1,106	1,200	1,237	1,227	1,241	1,166
Total Business-Type Activities Expenses	60,597	67,246	72,651	82,537	85,898	87,888	88,527	93,255	92,071	90,979
<b>Total Primary Government Expenses</b>	<b>\$ 599,738</b>	<b>\$ 623,753</b>	<b>\$ 649,120</b>	<b>\$ 694,508</b>	<b>\$ 755,772</b>	<b>\$ 763,066</b>	<b>\$ 793,895</b>	<b>\$ 784,590</b>	<b>\$ 795,941</b>	<b>\$ 772,181</b>
<b><u>Program Revenues</u></b>										
Governmental Activities:										
Charges for services:										
General Government	\$ 20,189	\$ 18,509	\$ 18,439	\$ 18,941	\$ 16,298	\$ 18,208	\$ 15,207	\$ 11,461	\$ 12,212	\$ 11,094
Judicial Administration	114	126	101	113	103	104	81	88	90	106
Public Safety	5,070	4,826	4,770	4,107	2,160	2,129	2,765	3,153	3,190	3,464
Public Works	10,452	9,844	10,313	10,566	11,601	12,738	13,741	15,760	13,667	15,077
Health and Welfare	5,875	6,283	8,303	8,062	8,436	9,059	9,645	9,507	10,225	10,234
Parks, Recreation and Culture	1,051	1,240	1,148	1,285	1,395	1,351	1,444	1,439	1,497	1,494
Community Development	545	586	528	691	605	472	547	4,901	5,749	6,328
Operating grants and contributions	104,191	115,674	125,012	143,668	120,155	141,967	111,874	-	-	109,426
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Revenues	147,487	157,088	168,614	187,433	160,753	186,027	155,304	46,309	46,630	157,223
Business-Type Activities:										
Water and Sewer	66,119	92,605	113,022	108,688	116,085	110,179	106,220	91,827	97,318	100,998
Belmont Park Golf Course	729	691	943	931	986	964	868	867	979	844
Total Business-Type Activities Revenues	66,848	93,296	113,965	109,619	117,071	111,143	107,088	92,694	98,297	101,842
<b>Total Primary Government Revenues</b>	<b>\$ 214,335</b>	<b>\$ 250,384</b>	<b>\$ 282,579</b>	<b>\$ 297,052</b>	<b>\$ 277,824</b>	<b>\$ 297,170</b>	<b>\$ 262,392</b>	<b>\$ 139,003</b>	<b>\$ 144,927</b>	<b>\$ 259,065</b>

Table may not foot due to rounding

Source: County of Henrico, Virginia Comprehensive Annual Financial Reports Exhibit 2

**COUNTY OF HENRICO, VIRGINIA**  
**SCHEDULE OF CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(accrual basis of accounting)  
(\$ in thousands)

Table II (Cont'd)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b><u>Net (Expense) Revenue</u></b>										
Governmental Activities:										
General Government	\$ (45,656)	\$ (53,265)	\$ (46,055)	\$ (59,019)	\$ (83,011)	\$ (77,796)	\$ (86,579)	\$ (75,510)	\$ (83,065)	\$ (83,886)
Judicial Administration	(47)	445	703	(1,081)	(1,445)	(2,398)	(5,795)	(5,874)	(5,869)	(5,498)
Public Safety	(90,688)	(97,640)	(109,490)	(112,189)	(126,924)	(136,612)	(135,030)	(137,288)	(139,818)	(142,236)
Public Works	(26,759)	3,083	11,465	18,264	(4,879)	17,121	(26,246)	(12,395)	(20,548)	(13,665)
Health and Welfare	(15,467)	(17,429)	(17,912)	(20,361)	(20,980)	(20,828)	(25,890)	(21,057)	(21,047)	(21,664)
Education	(172,148)	(176,443)	(182,180)	(180,070)	(196,102)	(190,186)	(193,146)	(209,564)	(205,558)	(188,025)
Parks, Recreation and Culture	(20,818)	(23,023)	(24,706)	(27,140)	(31,998)	(33,158)	(33,555)	(32,711)	(33,296)	(33,103)
Community Development	(5,049)	(21,392)	(22,875)	(25,770)	(26,260)	(21,685)	(16,125)	(14,153)	(15,847)	(14,613)
Interest and Long-term Debt	(15,023)	(13,755)	(16,804)	(17,171)	(17,522)	(23,609)	(27,698)	(18,520)	(19,177)	(21,289)
Total Governmental Activities Net Expense	(391,655)	(399,419)	(407,854)	(424,537)	(509,121)	(489,151)	(550,064)	(527,072)	(544,225)	(523,979)
Business-Type Activities:										
Water and Sewer	6,844	27,001	41,500	27,273	31,293	23,491	18,929	8,137	13,392	18,977
Belmont Park Golf Course	(593)	(951)	(186)	(191)	(120)	(236)	(369)	(360)	(262)	(323)
Total Business-Type Activities Net Revenue	6,251	26,050	41,314	27,082	31,173	23,255	18,560	7,777	13,130	18,654
<b>Total Primary Government Net Expense</b>	<b><u>\$ (385,404)</u></b>	<b><u>\$ (373,369)</u></b>	<b><u>\$ (366,540)</u></b>	<b><u>\$ (397,455)</u></b>	<b><u>\$ (477,948)</u></b>	<b><u>\$ (465,896)</u></b>	<b><u>\$ (531,504)</u></b>	<b><u>\$ (519,295)</u></b>	<b><u>\$ (531,095)</u></b>	<b><u>\$ (505,325)</u></b>
<b><u>General Revenues and Other Changes in Net Position</u></b>										
Governmental Activities:										
Taxes										
Property	\$ 264,499	\$ 288,230	\$ 312,238	\$ 350,196	\$ 377,200	\$ 383,557	\$ 366,203	\$ 356,285	\$ 355,138	\$ 355,171
Local Sales and Use	47,446	50,213	53,254	54,472	53,742	54,109	53,256	55,342	55,913	55,852
Business License	24,042	25,510	28,628	31,173	30,848	29,849	27,313	27,525	28,487	29,641
Hotel and Motel	8,108	8,308	9,139	10,305	10,489	9,640	9,006	9,389	10,627	10,851
Bank Franchise	10,654	7,901	4,904	5,120	11,114	17,220	14,579	18,906	17,440	11,740
Other	26,192	29,570	33,151	33,992	35,570	31,658	17,069	16,931	18,075	20,158
Interest and Investment Earnings	2,583	7,695	14,032	22,818	25,520	12,849	4,656	2,689	2,225	1,519
Grants and Contributions	42,134	43,063	50,635	39,482	47,612	43,735	61,238	57,854	54,053	51,426
Miscellaneous/Donated Assets	5,852	1,469	1,537	2,919	1,059	1,651	3,861	1,505	908	1,592
Total Governmental Activities	431,511	461,960	507,518	550,478	593,154	584,268	557,181	546,426	542,866	537,950
Business-Type Activities:										
Interest and Investment Earnings	692	788	1,079	5,811	4,788	1,015	646	714	1,051	1,024
Grants and Contributions	1,056	1,427	1,185	1,332	1,187	983	661	436	492	436
Miscellaneous/Donated Assets	29,378	1,790	1,810	(94)	495	(505)	4,262	2,264	(1,026)	1,172
Total Business-Type Activities	31,125	4,005	4,074	7,049	6,471	1,493	5,569	3,414	517	2,632
<b>Total Primary Government</b>	<b><u>\$ 462,636</u></b>	<b><u>\$ 465,965</u></b>	<b><u>\$ 511,591</u></b>	<b><u>\$ 557,527</u></b>	<b><u>\$ 599,625</u></b>	<b><u>\$ 585,761</u></b>	<b><u>\$ 562,750</u></b>	<b><u>\$ 549,840</u></b>	<b><u>\$ 543,383</u></b>	<b><u>\$ 540,582</u></b>
<b><u>Change in Net Position</u></b>										
Government Activities	\$ 39,856	\$ 62,541	\$ 99,664	\$ 125,941	\$ 84,033	\$ 95,116	\$ 7,117	\$ 19,354	\$ (1,359)	\$ 13,971
Business Activities	37,376	30,055	45,388	34,131	37,644	24,748	24,129	11,191	13,647	21,286
<b>Total Primary Government Net Position</b>	<b><u>\$ 77,232</u></b>	<b><u>\$ 92,596</u></b>	<b><u>\$ 145,051</u></b>	<b><u>\$ 160,072</u></b>	<b><u>\$ 121,677</u></b>	<b><u>\$ 119,865</u></b>	<b><u>\$ 31,246</u></b>	<b><u>\$ 30,545</u></b>	<b><u>\$ 12,288</u></b>	<b><u>\$ 35,257</u></b>

Table may not foot due to rounding

**COUNTY OF HENRICO, VIRGINIA**  
**FUND BALANCES-GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)  
(\$ in thousands)

Table III

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Fund:</b>										
Unspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113	\$ 113	\$ 113
Restricted	-	-	-	-	-	-	-	4,512	4,532	5,026
Committed	-	-	-	-	-	-	-	5,000	10,000	2,920
Assigned	-	-	-	-	-	-	-	79,631	89,409	72,184
Unassigned	-	-	-	-	-	-	-	133,005	109,597	114,170
<b>Total General Fund</b>	<b>135,249</b>	<b>156,001</b>	<b>194,614</b>	<b>203,279</b>	<b>234,792</b>	<b>247,327</b>	<b>242,864</b>	<b>222,261</b>	<b>213,651</b>	<b>194,413</b>
<b>All Other Governmental Funds:</b>										
Unspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	26,738	28,532	28,448
Committed	-	-	-	-	-	-	-	208,320	212,618	191,275
Assigned	-	-	-	-	-	-	-	15,238	14,964	15,907
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b>143,240</b>	<b>122,734</b>	<b>176,926</b>	<b>220,633</b>	<b>217,357</b>	<b>282,424</b>	<b>214,957</b>	<b>250,296</b>	<b>256,114</b>	<b>235,630</b>
<b>Total Fund Balances</b>	<b>\$ 278,489</b>	<b>\$ 278,735</b>	<b>\$ 371,540</b>	<b>\$ 423,912</b>	<b>\$ 452,149</b>	<b>\$ 529,751</b>	<b>\$ 457,822</b>	<b>\$ 472,557</b>	<b>\$ 469,765</b>	<b>\$ 430,043</b>
<b>General Fund:</b>										
Reserved for:										
Advance to Other Funds	\$ 135	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113			
Encumbrances	7,704	8,335	4,398	5,823	6,076	7,116	4,298			
Unreserved, reported in:										
Designated	25,058	40,111	76,912	74,614	98,599	100,889	101,927			
Undesignated	102,352	107,442	113,191	122,729	130,004	139,209	136,526			
<b>Total General Fund</b>	<b>135,249</b>	<b>156,001</b>	<b>194,614</b>	<b>203,279</b>	<b>234,792</b>	<b>247,327</b>	<b>242,865</b>			
<b>All Other Governmental Funds:</b>										
Reserved for:										
Encumbrances	33,794	34,090	87,000	70,168	70,725	96,054	69,556			
Unreserved, reported in:										
Designated:										
Special Revenue Fund	20,338	16,240	18,154	21,324	24,859	24,373	24,333			
Debt Service Fund	7,569	7,602	4,067	4,606	5,216	7,422	6,496			
Capital Project Fund	81,539	64,802	67,705	124,535	116,557	154,575	114,572			
Undesignated	-	-	-	-	-	-	-			
<b>Total All Other Governmental Funds</b>	<b>143,240</b>	<b>122,734</b>	<b>176,926</b>	<b>220,633</b>	<b>217,357</b>	<b>282,424</b>	<b>214,957</b>			
<b>Total Fund Balances</b>	<b>\$ 278,489</b>	<b>\$ 278,735</b>	<b>\$ 371,540</b>	<b>\$ 423,912</b>	<b>\$ 452,149</b>	<b>\$ 529,751</b>	<b>\$ 457,822</b>			

Notes: The Governmental Funds Fund Balances do not include the School Board or JRDC component units to be consistent with the CAFR Financial Section.

**COUNTY OF HENRICO, VIRGINIA**  
**CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)  
(\$ in thousands)

Table IV

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues:</b>										
General Property Taxes	\$ 264,120	\$ 287,165	\$ 316,998	\$ 346,403	\$ 371,556	\$ 377,532	\$ 367,444	\$ 353,555	\$ 351,142	\$ 352,275
Other Local Taxes	116,443	121,502	129,075	129,919	127,268	126,270	119,791	127,013	129,354	125,872
Licenses and Permits	3,756	4,421	4,345	4,596	4,202	3,032	2,665	2,963	3,486	3,177
Fines and Forfeitures	1,818	2,150	2,445	2,640	2,404	2,333	2,480	3,187	2,958	3,415
Use of Money and Property	3,050	8,236	14,459	23,310	26,502	13,761	7,185	3,673	3,117	2,746
Charges for Services	25,740	25,328	27,798	25,026	22,105	23,825	25,928	25,993	26,279	27,446
Miscellaneous	9,744	6,586	4,207	7,360	7,451	9,075	7,191	8,545	6,861	8,639
Recovered Costs	4,044	5,261	5,416	5,928	5,455	6,392	6,246	6,319	6,908	6,231
Intergovernmental Revenue	144,817	137,462	148,376	148,941	176,600	164,086	168,695	165,370	160,862	155,590
<b>Total Government Revenues</b>	<b>573,532</b>	<b>598,111</b>	<b>653,119</b>	<b>694,123</b>	<b>743,343</b>	<b>726,306</b>	<b>707,625</b>	<b>696,818</b>	<b>690,967</b>	<b>685,391</b>
<b>Expenditures:</b>										
General Government	53,719	58,125	61,718	62,556	66,566	65,526	68,009	66,831	67,384	70,513
Judicial Administration	5,897	6,429	6,847	7,527	8,210	8,609	10,933	10,872	11,055	10,811
Public Safety	119,168	125,721	141,916	149,915	159,842	167,650	161,797	166,872	168,379	170,502
Public Works	52,558	40,558	42,139	45,339	47,226	50,799	52,693	47,941	54,071	51,344
Health and Welfare	47,897	50,789	53,855	57,681	61,420	62,776	61,632	60,487	60,342	57,369
Parks, Recreation and Culture	21,354	23,230	24,742	27,298	30,377	31,698	30,639	29,873	30,826	30,508
Community Development	23,086	29,600	26,800	29,358	30,076	26,134	25,615	26,416	27,711	28,687
Education	169,678	174,162	179,897	176,899	188,503	184,328	192,895	200,633	195,626	177,967
Miscellaneous	8,752	9,387	13,507	13,507	20,092	21,545	21,209	16,072	17,821	14,964
Debt Service - Principal	23,258	22,747	26,442	29,306	32,890	30,452	35,155	32,477	32,542	38,869
- Interest	14,267	14,471	15,576	18,578	18,996	22,384	20,125	19,260	22,610	22,162
Capital Outlay	42,565	42,676	59,510	97,470	82,761	118,776	100,066	82,574	80,574	51,801
<b>Total Government Expenditures</b>	<b>582,199</b>	<b>597,895</b>	<b>641,293</b>	<b>715,134</b>	<b>746,959</b>	<b>790,677</b>	<b>780,768</b>	<b>760,308</b>	<b>768,941</b>	<b>725,497</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,667)	216	11,826	(21,311)	(3,616)	(64,371)	(73,143)	(63,490)	(77,974)	(40,106)
<b>Other Financing Sources (Uses):</b>										
Transfers-in	73,257	89,401	105,108	146,445	108,134	115,122	96,503	96,801	84,029	109,077
Transfers-out	(73,257)	(89,401)	(105,108)	(146,445)	(108,134)	(115,122)	(96,503)	(96,801)	(84,029)	(109,077)
Issuance of Bonds	38,920	-	77,815	71,915	29,810	171,315	156,160	72,205	66,075	37,500
Issuance of Bond Premium	2,031	-	3,096	1,664	1,335	7,389	21,307	5,714	7,885	7,566
Issuance of Capital Lease Obligations	-	29	69	104	709	67	140	306	1,222	126
Payment to Escrow Agent	-	-	-	-	-	(36,799)	(176,393)	-	-	(44,809)
Total Other Financing Sources, Net	40,951	29	80,980	73,683	31,854	141,972	1,214	78,225	75,182	383
Net Change in Fund Balances	\$ 32,284	\$ 245	\$ 92,806	\$ 52,372	\$ 28,238	\$ 77,601	\$ (71,929)	\$ 14,735	\$ (2,792)	\$ (39,723)
Debt service as a percentage of noncapital expenditures	7.14%	7.07%	7.76%	8.31%	8.12%	8.28%	8.23%	7.94%	8.17%	9.18%

Table may not foot due to rounding

Source: County of Henrico Comprehensive Annual Financial Reports Exhibit 4

**COUNTY OF HENRICO, VIRGINIA**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
(\$ in thousands)

Table V

Year	Real Property				Personal Property				Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value of Taxable Property
	Residential Property	Commercial Property (1)	Public (3) Service Corp.	Total Real Property	Real Property Tax Rate (2)	Personal Property	Public (3) Service Corp.	Total Personal Property			
2004	14,820,557	7,482,898	889,991	23,193,446	0.94	2,792,062	7,090	2,799,152	25,992,598	4.44	25,992,598
2005	17,046,539	8,288,217	797,890	26,132,646	0.92	3,030,117	5,487	3,035,604	29,168,250	4.42	29,168,250
2006	20,093,473	9,188,028	801,743	30,083,244	0.90	3,721,480	3,789	3,725,269	33,808,513	4.40	33,808,513
2007	22,769,740	10,017,942	850,902	33,638,584	0.87	3,807,727	3,419	3,811,146	37,449,730	4.37	37,449,730
2008	24,247,110	10,492,965	851,142	35,591,217	0.87	4,022,204	3,803	4,026,007	39,617,224	4.37	39,617,224
2009	24,154,886	10,820,982	913,716	35,889,584	0.87	3,789,013	2,763	3,791,776	39,681,360	4.37	39,681,360
2010	22,613,681	9,403,294	976,312	32,993,287	0.87	3,068,020	3,704	3,071,724	36,065,011	4.37	36,065,011
2011	22,439,661	9,262,487	988,146	32,690,294	0.87	3,208,453	3,324	3,211,777	35,902,071	4.37	35,902,071
2012	21,340,606	9,326,319	980,339	31,647,264	0.87	3,432,535	3,433	3,435,968	35,083,232	4.37	35,083,232
2013	21,059,811	9,716,301	938,957	31,715,069	0.87	3,586,164	3,143	3,589,307	35,304,376	4.37	35,304,376

**Source:** County of Henrico Director of Finance

**Notes:** The County assesses property annually. Property is assessed at market value in accordance with State law, except as noted below in Virginia's Land Use Code.

(1) Includes commercial, industrial, manufacturing and agriculture

(2) Per \$100 of assessed value

(3) Source: State Corporation Commission and Department of Taxation

Title 58.1-3201 of the Code of Virginia provides for the assessment of real property at 100% of fair market value.

Title 58.1-3230 through 3244 of the Code of Virginia provides for the assessment of land based on use value rather than market value.

Use value is the assessment of the land for a specific purpose and is generally lower than market value. This is a local option statute adopted by Henrico County in 1976.

**COUNTY OF HENRICO, VIRGINIA**  
**DIRECT TAX RATES**  
**LAST TEN FISCAL YEARS**  
*(rate per \$100 of assessed value)*

Table VI

Tax Year	Real Property	Tangible Personal Property	Machinery and Tools	Aircraft	Semi- Conductor	Total Direct Rate
2013	\$ 0.87	\$ 3.50	\$ 1.00	\$ 1.60	\$ 0.40	\$ 7.37
2012	0.87	3.50	1.00	1.60	0.40	7.37
2011	0.87	3.50	1.00	1.60	0.40	7.37
2010	0.87	3.50	1.00	1.60	0.40	7.37
2009	0.87	3.50	1.00	1.60	0.40	7.37
2008	0.87	3.50	1.00	1.60	0.40	7.37
2007	0.87	3.50	1.00	1.60	0.55	7.52
2006	0.90	3.50	1.00	1.60	0.55	7.55
2005	0.92	3.50	1.00	1.60	0.55	7.57
2004	0.94	3.50	1.00	1.60	1.00	8.04

**Source:** County of Henrico Director of Finance

**Notes:** There are no overlapping tax rates within County of Henrico.

Qualifying volunteer rescue squad and fire department vehicles are taxed at the rate of \$1.00 per \$100 of assessed value.

Specially equipped vehicles for disabled veterans and for the handicapped are taxed at the rate of \$.01 per \$100 of assessed value.

**COUNTY OF HENRICO, VIRGINIA  
PRINCIPAL PROPERTY TAX PAYERS  
LAST TWO and TEN YEARS AGO**

Table VII

<b>Taxpayer</b>	<b>Type of Business</b>	<b>Calendar Year 2013</b>			<b>Calendar Year 2012</b>			<b>Calendar Year 2004</b>		
		<b>Real/Personal Property Assessed Valuation</b>	<b>Percent of Total Valuation</b>	<b>Rank</b>	<b>Real/Personal Property Assessed Valuation</b>	<b>Percent of Total Valuation</b>	<b>Rank</b>	<b>Real/Personal Property Assessed Valuation</b>	<b>Percent of Total Valuation</b>	<b>Rank</b>
Virginia Power Company	Utility	486,322,607	1.38%	1	480,779,926	1.37%	1	359,597,047	1.39%	1
Forest City (Short Pump TC, White Oak, etc)	Retail and Offices	271,182,400	2.77%	2	327,201,300	2.93%	2	170,288,900	6.66%	6
Highwoods Properties	Offices and Warehouses	247,842,800	3.70%	3	239,462,800	4.68%	4	197,797,800	4.77%	4
Verizon	Utility	246,657,830	4.70%	4	275,747,131	3.79%	3	222,116,917	3.86%	3
The Wilton Companies	Office, Retail & Warehouse	219,226,700	5.62%	5	217,046,500	6.62%	6	128,496,300	8.50%	8
General Services Corporation	Apartments	218,288,900	6.62%	6	225,270,600	5.64%	5	-	N/A	-
HCA Health Services of VA	Hospital	176,048,778	7.50%	7	169,321,052	7.48%	7	116,773,486	10.45%	10
Weinstein Family	Apartments	172,613,600	8.49%	8	159,713,700	8.46%	8	-	N/A	-
Excel Realty Holdings (West Broad Village)	Offices	127,464,700	9.36%	9	-	N/A	N/A	-	N/A	-
United Dominion Realty Trust	Apartments	123,893,600	10.35%	10	120,251,000	9.34%	9	128,069,000	9.50%	9
Lingerfelt Companies	Offices	-	N/A	N/A	117,284,400	10.33%	10	-	N/A	-
Liberty Property, LP	Warehouses and Offices	-	N/A	N/A	-	N/A	N/A	175,946,400	5.68%	5
Gumenick	Apartments	-	N/A	N/A	-	N/A	N/A	-	N/A	-
Qimonda AG (Infineon Technologies)	Industrial	-	N/A	N/A	-	N/A	N/A	352,906,800	2.137%	2
Sovran Bank, as Trustee	Regency Shopping Center	-	N/A	N/A	-	N/A	N/A	-	N/A	-
VAC Limited	Apartments	-	N/A	N/A	-	N/A	N/A	133,985,400	7.52%	7
Circuit City Stores, Inc.	Retail Distribution Center & Stores	-	N/A	N/A	-	N/A	N/A	-	N/A	-
North Park Associates	Virginia Center Commons	-	N/A	N/A	-	N/A	N/A	-	N/A	-
Totals		\$ 2,289,541,915	6.49%		\$ 2,332,078,409	6.65%		\$ 1,985,978,050	7.70%	
<b>Total Assessed Values</b>		\$ 35,304,375,594			\$ 35,083,231,701			\$ 25,850,516,232		

Source: County of Henrico Director of Finance

**COUNTY OF HENRICO, VIRGINIA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Table VIII

Year	Original Fiscal Year Levy	Collections within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2004	296,552,199	284,758,490	96.0%	11,562,088	296,320,578	99.9%
2005	324,711,836	310,097,233	95.5%	9,581,896	319,679,129	98.5%
2006	339,091,487	323,450,975	95.4%	8,538,873	331,989,848	97.9%
2007	352,305,000 (1)	331,949,276	94.2%	7,810,096	339,759,372	96.4%
2008	369,929,993	364,474,006	98.5%	4,881,310	369,355,316	99.8%
2009	380,661,375	371,078,746	97.5%	9,305,798	380,384,544	99.9%
2010	365,521,825	357,859,027	97.9%	7,479,652	365,338,679	99.9%
2011	349,268,894	336,136,985	96.2%	5,970,478	342,107,463	97.9%
2012	347,803,213	341,709,567	98.2%	5,359,194	347,068,761	99.8%
2013	357,613,295	351,926,258	98.4%	N/A (2)	351,926,258	98.4%

**Note:** The percentage of the original and adjusted levy's collected is not available for fiscal years prior to 2003.

(1) PPTRA amounts are no longer included in Levy or Collections as of FY2007.

(2) Fiscal year 2012 collections in subsequent years will be available as of the next reporting period.



**COUNTY OF HENRICO, VIRGINIA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE (1)**  
**LAST TEN FISCAL YEARS**

Table IX

Fiscal Year	General Bonded Debt				Percentage of Personal Income (3)	Percentage of Estimated Actual Value of Taxable Property	Per Capita Debt	Capital Leases	
	General Obligation Bonds (2)	Less, Amounts Designated for Principal Payments	Net Bonded Debt						
2004	261,087,588	7,568,786	253,518,802	2.3%	1.0%	878.03	68,127,765		
2005	243,361,502	7,602,585	235,758,917	2.0%	0.8%	803.59	61,436,460		
2006	302,815,368	4,067,585	298,747,783	2.4%	0.9%	997.68	55,748,161		
2007	352,206,984	4,606,347	347,600,637	2.6%	0.9%	1,149.02	49,771,138		
2008	356,022,994	5,216,511	350,806,483	2.5%	0.9%	1,148.00	43,865,892		
2009	472,480,255	7,421,544	465,058,711	3.6%	1.2%	1,510.75	41,106,810		
2010	451,492,866	6,496,004	444,996,862	3.4%	1.2%	1,427.53	36,568,194		
2011	494,358,769	4,768,994	489,589,775	3.5%	1.4%	1,553.48	35,902,455		
2012	533,781,559	2,757,410	531,024,149	3.8%	1.5%	1,669.06	35,011,636		
2013	498,120,008	757,411	497,362,597	3.5%	1.4%	1,545.24	31,648,127		
Fiscal Year	Business-Type Activities			Percentage of Personal Income (3)	Percentage of Estimated Actual Value of Taxable Property	Per Capita Debt	Component Units		
	Water & Sewer Revenue Bonds	Capital Leases	Total Primary Government				School Board		JR/JDC
							Capital Leases	Facility Bond	Capital Leases
2004	139,484,724	-	468,700,077	4.2%	1.8%	1,623.29	10,563,008	6,080,000	-
2005	132,718,365	-	437,516,327	3.7%	1.5%	1,491.29	5,261,503	5,695,000	-
2006	125,784,456	-	484,347,985	3.8%	1.4%	1,617.50	15,453,321	5,290,000	13,343
2007	201,471,701	12,444	603,462,267	4.5%	1.6%	1,994.80	19,268,975	4,870,000	9,661
2008	193,498,758	7,718	593,395,362	4.3%	1.5%	1,941.87	21,733,285	4,425,000	5,780
2009	184,941,553	2,729	698,531,347	5.4%	1.8%	2,269.20	11,963,471	3,960,000	1,688
2010	187,913,854	23,332	675,998,246	5.1%	1.9%	2,168.57	20,337,101	3,470,000	7,549
2011	181,293,222	16,110	711,570,556	5.1%	2.0%	2,257.83	21,698,861	2,960,000	5,963
2012	172,866,644	20,562	741,680,401	5.3%	2.1%	2,331.17	11,606,052	2,425,000	3,906
2013	164,219,306	21,719	694,009,160	4.8%	2.0%	2,156.20	7,246,929	1,860,000	1,397

**Notes:** Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) There are no limitations imposed by State Law or Local Ordinance on the amount of general obligation debt that may be issued either directly or indirectly.

However, with certain exceptions, all debt, which is secured by the general obligation of a county, must be approved at public referendum prior to issuance.

(2) The County's GO Bond (plus Literary Loans, if applicable), net of related premium and discounts.

(3) Calculations based on calculated trend (see Table XI Sources).

**COUNTY OF HENRICO, VIRGINIA  
PLEDGED REVENUE COVERAGE <sup>(1)</sup>  
LAST TEN FISCAL YEARS**

Table X

Fiscal Year	Operating Revenue	Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2004	68,286,629	40,437,572	27,849,057	6,630,000	5,898,343	12,528,343	2.22
2005	71,356,235	41,407,841	29,948,394	6,910,000	5,890,723	12,800,723	2.34
2006	81,934,311	41,915,291	40,019,020	7,070,000	5,980,027	13,050,027	3.07
2007	82,750,017	44,816,131	37,933,886	8,470,000	9,708,681	18,178,681	2.09
2008	86,691,475	52,062,041	34,629,434	8,205,000	9,252,708	17,457,708	1.98
2009	87,194,067	54,609,318	32,584,749	8,680,000	7,302,706	15,982,706	2.04
2010	83,321,061	54,265,948	29,055,113	6,780,000	8,162,621	14,942,621	1.94
2011	88,550,725	57,029,837	31,520,888	6,260,000	8,471,819	14,731,819	2.14
2012	91,838,857	55,519,463	36,319,394	8,070,000	8,582,853	16,652,853	2.18
2013	93,653,734	55,270,283	38,383,451	8,280,000	7,085,027	15,365,027	2.50

**Notes:** Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) Water and Sewer Fund only.

(2) The calculation of bond coverage operating expenses has been reduced by depreciation.

**COUNTY OF HENRICO, VIRGINIA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

Table XI

Year	County Population (1)	Total Personal Income (2) (\$000)	Per Capita Income (2)	Average Daily Student Enrollment (3)	Unemployment Rate (4)
2004	288,735	11,089,421	39,564	44,637	3.7%
2005	293,382	11,954,001	41,733	46,030	3.6%
2006	299,443	12,641,949	43,375	46,910	3.0%
2007	302,518	13,348,887	45,036	47,537	2.8%
2008	305,580	13,839,779	46,102	48,226	3.9%
2009	307,832	12,832,954	42,108	48,822	7.6%
2010	311,726	13,137,352	42,735	48,230	7.0%
2011	315,157	13,823,694	44,529	48,431	6.2%
2012	318,158 (5)	14,088,857 (6)	44,816 (6)	49,769	5.9%
2013	321,867 (5)	14,359,107 (6)	45,104 (6)	49,871	5.6%

**Sources:**

- (1) Henrico County 3-C Reports. Estimates from these reports are as of December 31 of the respective year.
- (2) U.S. Department of Commerce (Bureau of Economic Analysis in Henrico County, Annual)
- (3) Commonwealth of Virginia Superintendent's Annual Report
- (4) Virginia Employment Commission (Henrico County Economic Profile 10/30/2012)
- (5) Based on a trend average 2006-2010
- (6) Calculation based on trend average 2007 - 2011

**COUNTY OF HENRICO, VIRGINIA  
TOP TWENTY PRINCIPAL EMPLOYERS  
LAST FIVE FISCAL YEARS**

Table XII

<b>Employer</b>	2013 (1)			2012			2011			2010			2009		
	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment
Henrico County School Board	5,000-9,999	1	3.8%	5,000-9,999	1	3.9%	5,000-9,999	1	4.2%	5,000-9,999	1	4.3%	5,000-9,999	1	4.3%
Capital One Bank	1,000-4,999	2	2.5%	1,000-4,999	2	2.5%	1,000-4,999	3	2.5%	1,000-4,999	3	2.5%	1,000-4,999	3	2.5%
County of Henrico	1,000-4,999	3	1.9%	1,000-4,999	3	2.4%	1,000-4,999	2	2.5%	1,000-4,999	2	2.6%	1,000-4,999	2	2.6%
Bon Secours Richmond Health System(2)	1,000-4,999	4	1.8%	1,000-4,999	4	1.8%	1,000-4,999	4	1.9%	1,000-4,999	4	1.9%	1,000-4,999	4	2.0%
Henrico Doctors' Hospital (HCA)	1,000-4,999	5	1.8%	1,000-4,999	5	1.8%	1,000-4,999	6	1.9%	1,000-4,999	6	1.9%	1,000-4,999	6	2.0%
Admiral Security Services	1,000-4,999	6	1.8%	1,000-4,999	6	1.8%	1,000-4,999	7	1.9%	1,000-4,999	8	1.9%	1,000-4,999	9	2.0%
Bank of America	1,000-4,999	7	1.8%	1,000-4,999	8	1.8%	1,000-4,999	8	1.9%	1,000-4,999	7	1.9%	1,000-4,999	7	2.0%
Anthem (Blue Cross & Blue Shield)	1,000-4,999	8	1.8%	1,000-4,999	7	1.8%	1,000-4,999	5	1.9%	1,000-4,999	5	1.9%	1,000-4,999	5	2.0%
Wells Fargo Bank NA	1,000-4,999	9	1.8%	1,000-4,999	9	1.8%	1,000-4,999	9	1.9%	1,000-4,999	9	1.9%	-	-	-
United States Postal Service	1,000-4,999	10	1.8%	1,000-4,999	10	1.8%	1,000-4,999	10	1.9%	1,000-4,999	12	1.9%	-	-	-
Walmart	1,000-4,999	11	1.8%	1,000-4,999	11	1.8%	1,000-4,999	11	1.9%	1,000-4,999	11	1.9%	1,000-4,999	12	2.0%
Martin's Food Market	1,000-4,999	12	1.8%	1,000-4,999	13	1.8%	1,000-4,999	12	1.9%	500-999	15	0.5%	-	-	-
GNA Corporation	1,000-4,999	13	1.8%	1,000-4,999	12	1.8%	1,000-4,999	13	1.9%	1,000-4,999	10	1.9%	1,000-4,999	11	2.0%
SunTrust Bank	1,000-4,999	14	1.8%	500-999	19	0.5%	500-999	19	0.5%	-	-	-	-	-	-
Kroger	500-999	15	0.5%	500-999	15	1.8%	500-999	15	0.5%	500-999	17	0.5%	500-999	20	0.5%
Markel Service, Inc.	500-999	16	0.5%	500-999	17	0.5%	500-999	18	0.5%	500-999	20	0.5%	500-999	19	0.5%
Apex Systems, Inc.	500-999	17	0.5%	-	N/A	-	-	N/A	-	-	N/A	-	-	-	-
Dominion Resources	500-999	18	0.5%	500-999	19	0.5%	500-999	16	0.5%	500-999	14	0.5%	500-999	16	0.5%
Virginia Department of Social Services	500-999	19	0.5%	500-999	20	0.5%	-	N/A	-	500-999	18	0.5%	500-999	18	0.5%
Verizon Virginia, Inc.	500-999	20	0.5%	-	N/A	-	500-999	20	0.5%	500-999	16	0.5%	500-999	17	0.5%
Altria Corporate Services Inc				500-999	14	1.8%	500-999	14	0.5%	1,000-4,999	13	1.9%	1,000-4,999	13	2.0%
Access America				500-999	16	0.5%	500-999	17	0.5%	-	N/A	-	-	-	-
Ukrops				-	N/A	-	-	-	-	500-999	19	0.5%	1,000-4,999	10	2.0%
Circuit City Stores				-	N/A	-	-	-	-	-	N/A	-	1,000-4,999	8	2.0%
First Union National Bank				-	N/A	-	-	-	-	-	N/A	-	1,000-4,999	14	2.0%
Qimonda North America Corp				-	N/A	-	-	-	-	-	N/A	-	1,000-4,999	15	2.0%
Totals						32.6%			31.9%			32.2%			35.3%
<b>Total County Employment (3)</b>	<b>164,450</b>			<b>166,525</b>			<b>155,163</b>			<b>154,233</b>			<b>153,486</b>		

**Source:** Virginia Employment Commission  
Employees and percentage of employment based on size code as published by VEC  
(1) 2013 Data as of 1st Qtr 2013  
(2) Non-Resident Employer of Henrico County Citizens  
(3) VEC Monthly (June) Not Seasonally Adjusted Labor Force

**COUNTY OF HENRICO, VIRGINIA  
GOVERNMENT EMPLOYEES BY DEPARTMENT <sup>(1)</sup>  
LAST TEN FISCAL YEARS**

Table XIII

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Agriculture & Home Extension	5	5	5	3	3	3	3	3	2	2
Belmont Golf Course	9	9	9	9	9	9	9	9	9	9
Board of Supervisors	5	5	5	5	5	5	5	5	5	5
Building Inspections	55	55	59	59	61	61	58	58	56	54
Central Automotive Maintenance	61	61	64	65	65	65	65	65	67	67
Circuit Court Services	6	7	7	8	8	8	8	8	8	8
Commonwealth's Attorney	43	45	45	50	56	56	54	54	56	56
Community Corrections	2	2	2	2	2	2	2	2	2	2
Community Revitalization	-	17	17	19	19	19	18	18	17	17
County Attorney	18	18	18	18	18	18	18	18	18	19
County Manager	13	13	13	13	13	13	13	13	13	13
Electoral Board	9	9	10	10	9	9	9	9	8	8
Finance	159	160	160	166	166	167	159	159	157	153
Fire	462	477	491	522	531	540	539	539	539	539
General Services	149	149	150	157	160	161	156	156	155	147
Human Resources	55	51	50	55	57	56	53	53	52	48
Hold Complement (2)	-	-	-	-	-	-	-	-	19	43
Information Technology	84	85	85	91	90	89	83	83	85	89
Internal Audit	4	4	4	4	4	4	4	4	4	4
Juvenile Detention & VJCCCA	29	31	31	31	33	33	33	33	33	33
Library	118	131	144	178	178	183	173	173	168	164
Mental Health	223	223	223	224	225	225	220	220	220	218
Permit Centers	17	17	17	19	19	19	18	18	17	17
Planning	57	43	46	50	50	50	49	49	46	43
Police	756	763	785	810	799	799	797	799	798	798
Public Relations & Media Services	17	19	19	20	20	20	19	19	19	19
Public Utilities	310	310	310	316	320	320	308	309	307	306
Public Works	258	259	259	265	266	266	258	258	254	254
Real Property	7	7	7	7.5	7.5	7.5	7	7	7	7
Recreation & Parks	140	144	152	167	172	172	168	178	178	177
Sheriff	358	360	360	362	378	377	371	371	371	371
Social Services	142	146	149	154	157	168	168	168	168	168
Solid Waste	69	69	78	78	75	75	70	69	69	69
<b>Sub-total General Government</b>	<b>3,640</b>	<b>3,694</b>	<b>3,774</b>	<b>3,938</b>	<b>3,976</b>	<b>4,000</b>	<b>3,915</b>	<b>3,927</b>	<b>3,927</b>	<b>3,927</b>
<b>Education</b>	<b>5,599</b>	<b>5,908</b>	<b>6,081</b>	<b>6,231</b>	<b>6,422</b>	<b>6,588</b>	<b>6,634</b>	<b>6,567</b>	<b>6,564</b>	<b>6,564</b>
<b>Total Government Employees</b>	<b>9,239</b>	<b>9,602</b>	<b>9,855</b>	<b>10,168</b>	<b>10,397</b>	<b>10,587</b>	<b>10,549</b>	<b>10,494</b>	<b>10,491</b>	<b>10,491</b>

Source: County of Henrico, Department of Human Resources (Education complement verified by School Finance Office)

(1) The County's personnel complement reflected here includes only those positions funded either wholly or in part with County funds. Positions funded 100% by non-County funds (294 as of March 5, 2012) are not included. General Government positions are based on headcount while Education positions are measured using FTE.

(2) Certain approved, vacant and frozen positions have been removed from the department where previously assigned and are being held in the Hold Complement until reassignment is made.

**COUNTY OF HENRICO, VIRGINIA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

Table XIV

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Government</b>										
<b>Finance:</b>										
Standard & Poor G.O. Bond Rating	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Moody's G.O. Bond Rating	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Fitch G.O. Bond Rating	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Land Parcels Reviewed	101,686	103,487	105,742	107,533	109,333	109,970	110,369	112,383	112,490	113,085
Vehicles Assessed	326,000	339,000	347,000	348,862	349,306	328,204	347,913	347,790	354,721	350,000
GFOA Award CAFR - # of Years	22	23	24	25	26	27	28	29	30	31
GFOA Award Budget - # of Years	15	16	17	18	19	20	21	22	23	24
<b>General Services:</b>										
Fleet Annual Miles Driven	21,455,860	22,135,909	22,170,727	22,601,564	24,000,000	24,594,634	25,112,408	24,681,815	24,553,438	24,366,836
Gallons of Fuel Consumed	2,554,269	2,595,253	2,649,446	2,723,080	2,867,559	2,963,209	3,007,474	2,955,906	2,940,537	2,918,184
Total Work Orders Completed	16,661	19,247	26,963	28,301	30,490	24,589	20,361	22,308	24,550	23,000
<b>Information Technology</b>										
Internet Pages Accessed	12,846,893	8,840,785	8,840,785	12,207,405	13,861,882	16,629,902	19,212,527	19,121,527	6,365,812	6,944,024
Internet Site Visits	-	1,870,150	1,870,150	2,637,719	2,744,028	2,280,415	2,269,242	2,269,242	1,857,899	2,125,382
Central Computer Average Uptime	99.4%	99.2%	99.1%	99.6%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%
<b>Judicial Administration</b>										
<b>Clerk of Circuit Court:</b>										
Deed Book Entries	101,478	75,432	82,426	76,146	67,768	50,160	50,440	37,682	48,972	48,926
Civil Cases	2,838	2,947	2,831	2,881	3,001	2,852	3,104	3,034	3,113	3,135
Criminal Cases	7,208	8,196	8,113	8,613	8,001	6,971	7,133	6,431	5,616	5,833
<b>General District Courts:</b>										
New Criminal Cases Filed	8,663	9,271	10,422	10,475	7,878	10,386	10,620	15,196	13,057	13,312
New Civil Cases Filed	38,436	38,855	39,095	37,502	33,134	43,284	42,329	40,411	40,011	42,508
New Traffic Cases Filed	55,243	63,727	68,642	72,102	62,073	66,924	76,218	80,481	71,329	73,728
<b>Commonwealth Attorney:</b>										
Criminal Cases	21,602	26,163	25,980	25,532	26,000	25,084	25,038	34,061	34,227	35,225
Traffic Cases	82,402	98,664	99,567	96,553	97,000	94,356	107,397	109,152	99,262	110,000
<b>Public Safety</b>										
<b>Police:</b>										
Calls for Service	222,614	202,244	200,158	205,189	209,292	197,808	193,173	192,726	198,373	202,340
Criminal Arrests	18,747	21,132	21,925	24,815	25,311	21,399	20,330	20,716	19,989	20,389
Traffic Arrests	43,614	51,945	56,811	51,496	52,525	53,051	63,009	65,481	59,062	60,243
<b>Fire Protection:</b>										
Calls For Service	34,086	34,192	35,365	37,962	39,043	36,931	37,575	39,120	40,963	41,563
EMS and Rescue Calls	21,534	23,114	24,229	25,722	27,100	27,293	28,028	29,114	30,189	31,082
Fire Incidents	1,221	1,092	1,223	1,204	1,183	1,025	915	1,110	983	939
<b>Sheriff:</b>										
Civil Papers Served	123,344	119,079	120,370	121,201	123,098	115,186	120,746	116,434	115,948	120,000
Annual Commitments to Jail	10,882	11,610	12,201	12,588	12,600	13,605	16,888	17,623	12,157	13,000
Average Daily Inmate Population	1,062	1,005	1,169	1,234	1,300	1,164	1,140	1,167	1,138	1,180
<b>Building Inspections:</b>										
Total Permits Issued	20,535	21,928	20,907	18,509	20,000	12,819	11,975	12,208	13,771	13,750
Total Inspections	88,631	98,185	95,661	86,130	85,500	59,795	51,495	51,351	56,236	67,075
<b>Public Works</b>										
<b>Public Works:</b>										
Lane Miles Maintained	3,138	3,212	3,277	3,231	3,310	3,348	3,385	3,402	3,433	3,434
Traffic Signals Maintained	126	131	136	138	130	138	140	144	144	151
Development Plans Reviewed	1,654	1,420	1,415	1,630	1,536	1,026	776	653	691	778
<b>Health and Social Services</b>										
<b>Public Health:</b>										
Patient Visits	24,623	25,190	25,700	26,000	26,050	26,308	28,545	27,531	27,153	27,153
Water/Sewer Inspection Applications	305	400	397	350	350	195	179	179	243	243

**COUNTY OF HENRICO, VIRGINIA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

Table XIV

<b>Function/Program</b>	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>Health and Social Services cont.</i>										
<b>Social Services:</b>										
Clients Entering Employment	372	476	369	531	525	545	609	483	632	650
Clients Employed After 90 Days	282	319	277	409	404	436	493	367	512	527
<b>Education</b>										
<b>Schools:</b>										
Cost Per Student	\$ 7,235	\$ 7,642	\$ 7,832	\$ 8,485	\$ 8,957	\$ 9,369	\$ 9,485	\$ 9,015	\$ 9,041	\$ 9,205
Teaching Positions	3,154	3,394	3,489	3,554	3,657	3,791	3,815	3,720	3,737	3,719
Student/Teacher Ratio	14.2	13.6	13.4	13.4	13.2	12.7	13.0	13.0	13.0	13.4
<b>Parks, Recreation and Cultural:</b>										
<b>Recreation:</b>										
Park Visitation	3,098,697	3,253,600	3,595,204	3,401,181	3,500,000	3,537,272	4,001,371	3,951,571	3,829,590	4,100,000
Program Participants	475,226	267,912	264,393	306,575	350,000	306,498	396,900	397,000	397,000	397,000
Recreation Programs	2,273	13,604	13,514	16,364	16,550	17,234	15,848	16,400	16,400	16,400
<b>Library:</b>										
Customer Visits	1,389,948	1,487,188	1,447,124	1,446,004	1,632,666	1,865,118	1,904,924	2,046,163	2,040,073	2,063,468
Annual Circulation of Materials	2,606,087	2,637,910	2,637,296	2,695,776	2,690,534	3,584,375	3,786,229	3,905,151	3,860,738	3,899,345
Customer Visits	1,389,948	1,487,188	1,447,124	1,446,004	1,632,666	1,865,118	1,904,924	2,046,163	2,040,073	2,063,468
<b>Community Development</b>										
<b>Economic Development:</b>										
Prospects Available	95	95	95	95	95	95	95	95	95	95
Retention Calls	690	690	690	464	580	690	650	650	650	650
Successful Prospects	30	30	38	36	38	30	38	38	35	35
<b>Planning:</b>										
Reviews Completed	490	604	490	537	289	326	256	300	260	300
Petitions and Permits Processed	275	300	275	262	122	110	85	87	87	90
Maps Prepared	2,200	2,591	2,200	1,603	1,588	848	743	1,036	1,048	1,000
<b>Community Development (con't)</b>										
<b>Community Revitalization:</b>										
Community Maintenance Cases	7,960	8,861	8,882	8,996	9,075	10,985	11,345	11,004	10,421	10,400
Inspections Completed	17,345	21,903	21,304	22,133	22,500	27,513	29,138	27,499	26,626	27,000
Volunteers Hours Worked	7,580	4,903	7,423	7,154	7,511	5,024	6,242	2,488	4,076	4,500
<b>Permit Center:</b>										
Permit Applications Received	7,519	7,500	6,886	6,298	5,873	4,253	4,225	4,519	4,734	5,508
Permit Applications Reviewed	13,401	14,010	13,675	11,605	11,307	6,954	7,156	7,113	7,191	6,739
Permits Issued	3,430	4,775	4,229	5,763	5,151	4,168	4,035	4,447	4,646	5,424
Inquires	20,890	21,621	24,184	23,348	20,404	15,248	14,072	13,295	12,793	12,554
<b>Public Utilities</b>										
<b>Solid Waste:</b>										
Number of Customers	29,657	31,085	32,346	34,364	36,000	37,647	39,117	39,862	41,121	41,700
Tons of Waste Collected	88,531	78,561	100,079	108,614	97,800	91,855	81,785	83,264	90,495	85,700
Tons Deposited in Public Use Areas	40,552	39,539	32,346	37,078	30,000	40,272	32,212	29,700	29,888	31,000
<b>Water and Sewer:</b>										
Number of Water Customers	86,400	88,200	90,000	91,482	92,800	94,886	91,776	92,243	92,946	93,300
Number of Sewer Customers	84,900	86,600	88,391	89,790	91,000	91,631	88,854	89,355	90,068	90,400
Fire Hydrants in Service	9,972	10,264	10,561	11,054	11,200	11,567	11,799	11,969	12,167	12,300

Source: Approved County Budget

(1) FY2012 column data is revised budget not actual, where actual data is not yet available

**COUNTY OF HENRICO, VIRGINIA  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

Table XV

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Government</b>										
Vehicles	313	337	340	410	533	728	487	575	559	534
Building Square Footage	2,065,008	2,079,633	2,132,633	2,182,633	2,194,808	2,194,808	2,203,193	2,225,054	2,669,214	2,691,018
Food Service Facilities	1	1	1	1	1	1	1	1	1	1
<b>Public Safety</b>										
<b>Police:</b>										
Police Stations	2	2	2	2	2	2	2	2	2	2
Police Field Offices	2	2	2	2	2	2	2	3	3	3
Vehicles	659	636	648	650	638	651	711	740	734	808
<b>Sheriff:</b>										
Vehicles	57	55	54	55	55	55	60	59	61	61
Prisoner Facilities	2	2	2	2	2	2	2	2	2	2
<b>Juvenile &amp; Domestic Relations</b>										
Juvenile Detention Facilities	2	2	2	2	2	2	2	2	2	2
<b>Fire Protection:</b>										
Stations	18	19	19	20	20	20	20	20	20	20
Vehicles	181	193	164	169	168	168	175	177	177	175
<b>Public Works:</b>										
Miles of Maintained Roads	1,272	1,279	1,298	1,311	1,317	1,327	1,338	1,339	1,349	1,354
Miles of Storm Drainage	1,033	1,042	1,062	1,078	1,093	1,102	1,116	1,116	1,116	959
Vehicles	272	298	311	306	299	323	323	315	333	333
<b>Education</b>										
<b>Schools:</b>										
School Facilities	68	68	68	70	70	71	71	71	73	73
Vehicles	947	911	1,033	1,070	1,096	1,158	1,131	1,137	1,173	1,183
<b>Recreation and Cultural</b>										
<b>Recreation:</b>										
Recreation/Community Centers	15	15	17	17	17	20	17	20	20	20
Developed Park Acreage	1772	1772	1800	1897	1900	2505	2505	2505	2505	2515
Athletic Fields/Courts	374	403	407	417	419	419	423	410	410	187
County Golf Courses	1	1	1	1	1	1	1	1	1	1
<b>Library:</b>										
Number of Libraries	10	10	10	10	10	11	10	11	11	11
Titles in Collection	285,423	275,065	298,528	326,326	331,242	327,455	329,141	324,527	314,907	321,108
Volumes in Collection	702,895	656,680	823,864	895,954	1,042,188	901,837	924,076	860,640	863,149	899,266
<b>Public Utilities</b>										
<b>Water and Sewer:</b>										
Miles of Water Mains	1,370	1,403	1,431	1,463	1,495	1,515	1,528	1,548	1,558	1,572
Miles of Sewer Mains	1,324	1,345	1,364	1,391	1,420	1,445	1,443	1,450	1,456	1,463
Vehicles	327	328	341	341	347	354	353	358	358	358
Landfills	1	1	1	1	1	1	1	1	1	1

Source: Approved County Budget

(1) FY2012 column data is revised budget not actual, where actual data is not yet available



## **SINGLE AUDIT SECTION**





KPMG LLP  
Suite 2000  
1021 East Cary Street  
Richmond, VA 23219-4023

**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***

The Honorable Members of the Board of Supervisors  
County of Henrico, Virginia:

We have audited, in accordance with the 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* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Henrico, Virginia (the County), as of and for the year ended June 30, 2013, and the notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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, and certain provisions of other laws and regulations specified in the Specifications, Chapters Two and Three. 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*. The results of our tests disclosed instances of noncompliance that are required to be reported under the *Specifications* and which are described in the accompanying schedule of findings and questioned costs as item 2013-003.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Specifications in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

November 20, 2013



KPMG LLP  
Suite 2000  
1021 East Cary Street  
Richmond, VA 23219-4023

**Independent Auditors' Report on Compliance for Each Major Program and  
Report on Internal Control Over Compliance Required by OMB Circular A-133,  
*Audits of States, Local Governments, and Non-Profit Organizations***

The Honorable Members of the Board of Supervisors  
County of Henrico, Virginia:

**Report on Compliance for Each Major Federal Program**

We have audited the County of Henrico, Virginia's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of County's compliance.

***Basis for Qualified Opinion on Teacher Incentive Fund CFDA No. 84.374***

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the Teacher Incentive Fund (CFDA No. 84.374) as described in finding numbers 2013-001 and 2013-002 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.



### ***Qualified Opinion on Teacher Incentive Fund CFDA No. 84.374***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Teacher Incentive Fund (CFDA 84.374) for the year ended June 30, 2013.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2013.

### ***Other Matter***

The County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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 there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

November 20, 2013

**COUNTY OF HENRICO, VIRGINIA**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

**(1) Summary of Auditors' Results**

- (a) The type of report issued on the financial statements: **Unmodified opinions**
- (b) Significant deficiencies in internal control over financial reporting disclosed by the audit of the financial statements: **None reported**
- (c) Material weaknesses in internal control over financial reporting disclosed by the audit of the financial statements: **None**
- (d) Noncompliance which is material to the financial statements: **None**
- (e) Significant deficiencies in internal control over major programs: **Yes, items 2013-001 and 2013-002**
- (f) Material weaknesses in internal control over major programs: **Yes, items 2013-001 and 2013-002**
- (g) The type of report issued on compliance for major programs: **Qualified Opinion on Teacher Incentive Fund (CFDA 84.374), Unmodified Opinion on Each of the Other Major Federal Programs**
- (h) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes; items 2013-001 and 2013-002**
- (i) Major programs:
  - **Child Nutrition Cluster (CFDA No. 10.553 and 10.555)**
  - **Special Education Cluster (CFDA No. 84.027, 84.173)**
  - **Teacher Incentive Fund (CFDA No. 84.374)**
  - **Edward Byrne Memorial Justice Assistance Grant (CFDA No. 16.738, ARRA No. 16.804)**
  - **Education Jobs Fund (CFDA No. 84.410)**
  - **Temporary Assistance for Needy Families (CFDA No. 93.558)**
- (j) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,963,737**
- (k) Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133: **No**

(Continued)



## COUNTY OF HENRICO, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(2) **Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

(3) **Findings and Questioned Costs Relating to Federal Awards**

**2013-001: Allowable Costs**

**Program:** Teacher Incentive Fund (CFDA 84.374 – U.S. Department of Education – Community Training and Assistance Center, Incorporated; Federal Award Year 2012)

**Condition:** For a sample of 40 participants selected for testing, seven participants did not have the minimum number of formal review evaluations performed, seven participants did not have the minimum number of informal review evaluations performed, and nine participants did not have the minimum number of walkthrough evaluations performed. These evaluations were required by the County to support the classroom observation incentive award calculation for eligible teachers.

**Criteria:** Per OMB Circular A-133, as a condition of receiving Federal awards, non-Federal entities agree to maintain internal control to provide reasonable assurance of compliance with the compliance requirements of allowable costs. Per 34 CFR Subtitle B, Chapter II, a local educational agency's (LEA) performance based compensation system (PBCS) must include an evaluation process that provides for observations of each teacher or principal at least twice during the school year by individuals (who may include peer reviewers) who are provided specialized training. The County's PBCS requires a minimum of two formal evaluations, two informal evaluations and four walkthrough evaluations during the school year.

**Cause:** This was a new program for the County. Management review controls for this program were not adequate to ensure the timely completion of classroom observation evaluations, the results of which are used in the calculation of classroom observation incentive awards for teacher participants. The exceptions identified above occurred predominantly by three of five administrators from one of eight schools included in the sample selected. Additionally, the County's PBCS requires a minimum total of eight evaluations during the school year, which is more restrictive than the applicable Federal regulations.

**Effect:** Noncompliance with allowable cost requirements may result in program funding being disallowed by the grantor or reduced future funding.

**Questioned Cost:** \$18,221

**Recommendation:** The County should initiate internal controls to ensure the timely completion of the required minimum classroom observation evaluations.

**Views of responsible officials:** Currently, management has refined existing protocols for the processes in question and has assured that all staff receives regular and adequate training. Additional procedures documented in the management responses will clearly define more accurate compliance with the Federal TIF program and documentation will be disseminated to ALL Teacher Incentive Fund (TIF) participants (teachers and administrators).

(Continued)

**COUNTY OF HENRICO, VIRGINIA**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

In addition, the School's Principal is the designated administrator who will maintain the status of classroom evaluations. A status report will be submitted to the Program Manager by December 1<sup>st</sup> and March 30<sup>th</sup>, with a deadline of May 30<sup>th</sup> for all observations to be completed and status report submitted. The status reports will be signed and dated by the Program Manager, who will also send confirmation/needs improvement emails to each administrator. The assigned Instructional Director or Assistant Superintendent will be copied on each email.

An external Data Support team will confirm the scores with the observations posted in each teacher's folder in TalentEd and sign off on the accuracy of the score chart of each administrator. The designated Instructional Director or Assistant Superintendent will review the Program Managers calculations of the scores from each school team and will sign off on the accuracy of the scores. In addition, this process will confirm the percentage (%) of time subtracted from earned incentive for teachers who are on leave, late hires, or Structured Growth/Intensive Support.

***2013-002: Allowable Costs***

**Program:** Teacher Incentive Fund (CFDA 84.374 – U.S. Department of Education – Community Training and Assistance Center, Incorporated; Federal Award Year 2012)

**Condition:** For a sample of 40 participants selected for testing, three participants did not have supporting documentation for actual student test scores for the student learning target incentive award calculation. Additionally, the student learning target incentive award calculation did not have evidence of management approval of student learning target goals.

**Criteria:** Per OMB Circular A-133, as a condition of receiving Federal awards, non-Federal entities agree to maintain internal control to provide reasonable assurance of compliance with the compliance requirements of allowable costs.

**Cause:** This was a new program for the County. Management review controls for this program were not adequate to ensure the accuracy and completeness of data included in the student learning target incentive calculation used to determine incentive awards for teacher participants.

**Effect:** Ineffective internal controls may result in noncompliance with allowable cost requirements, thus resulting in program funding being disallowed by the grantor or reduced future funding.

**Questioned Cost:** The three errors that we identified in our sample resulted in an aggregate questioned cost amount totaling \$8,523. However, due to the lack of evidence of management approval of student learning target goals, the estimated total questioned cost is indeterminable.

**Recommendation:** The County should maintain formal documentation of management's approval of student learning target goals and supporting documentation for actual student test scores used in the calculation of the student learning target incentive calculation.

(Continued)

## COUNTY OF HENRICO, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Views of responsible officials:** Management has designated an administrator for each teacher that will submit all student learning target/goal worksheets in the designated folder within School Space portal. This electronic record of submission will date and time stamped along with the submitters name. In December, once received and reviewed by the Program Manager and Data Support team, the target/goal columns will be locked with a password and available for teachers to adjust for the final March 20<sup>th</sup> target/goal adjustments. These columns will also be locked to assure they cannot be changed when the teacher lists final explanations for student performance. Throughout the entire process the designated administrator will be responsible for uploading all documents.

All standardized assessment scores will be uploaded on the charts by Research and Planning personnel. Teachers will submit all TIF, Advanced Placement (AP), History Aptitude Test (HAT) pre and post assessment documents to their designated administrator. The Program Manager will receive these documents from the designated administrator for the final upload in May.

The Data Support team will review all student learning target charts and indicate the percentage of achievement by notes, then sign and date the charts. The Program Manager will review all notes, checking for accuracy then sign and date the charts. The designated Instructional Director or Assistant Superintendent will review the Program Manager's calculations of the student learning target scores from each teacher and will sign off on the accuracy of the scores.

The school will maintain the teacher evaluation folder containing copies of the teacher observations, in addition to access to the electronic records in TalendEd. The Program Manager will maintain access to digital observation records of each participant's observation records and calculations of incentive. In addition, the Program Manager will maintain the digital and print record for achievement calculation of student learning targets/goals. Copies of student learning target/goal spreadsheets will be given to the Principal for their records.

(Continued)

## COUNTY OF HENRICO, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2013

#### (4) Findings and Questioned Costs Relating to Commonwealth of Virginia Compliance

##### *2013-003: Conflict of Interest*

**Condition:** For a sample of 68 members, seven members did not submit a signed financial disclosure statement to the County on or before January 15, 2013.

**Criteria:** As described in Section 2.2-3115 of the Code of Virginia, the members of the governing body of any authority established in any county or city, or part or combination thereof, and having the power to issue bonds or expend funds in excess of \$10,000 in any fiscal year, shall file, as a condition to assuming office, a disclosure statement of their personal interests and other information as is specified on the form set forth in Section 2.2-3118 and thereafter shall file such a statement annually on or before January 15, unless the governing body of the jurisdiction that appoints the members requires that the members file the form set forth in Section 2.2-3117.

**Cause:** Noncompliance resulted from management oversight for two members and clarification of the Code of Virginia requirements for five members.

**Effect:** Noncompliance with Commonwealth's requirements may result in state sanctions.

**Recommendation:** The County should establish procedures to ensure that disclosure forms for all officials required to comply with the Commonwealth's disclosure requirements are filed accurately and timely.

**Views of responsible officials:** Correction: The two members who submitted unsigned disclosure forms in January 2013 (one member filed a Statement of Economic Interests form pursuant to Section 2.2-3115(A) and 2.2-3117 of the Code of Virginia and the other filed a Disclosure of Real Estate Holdings form pursuant to Section 2.2-3715(F) of the Code of Virginia) were notified of this oversight after the annual audit and have signed the forms. The five members who did not file a Statement of Economic Interests form prior to the January 15, 2013, deadline (pursuant to Section 2.2-5201 and Section 2.2-3117 of the Code of Virginia) submitted forms in March 2013 prior to the annual audit when the oversight was discovered.

**Actions Implemented to Enhance Internal Controls:** A second staff member from the County Manager's Office will in the future monitor the disclosure forms when they are received to ensure that they are properly signed and dated. The names of the five members who did not file prior to the January 15, 2013, deadline have been added to the Clerk's master list of members who are required to file and have been notified to file a new form prior to the January 15, 2014, deadline. As forms are received, they will be checked off against the master list.

The corrections and corrective actions were implemented as of November 18, 2013.

COUNTY OF HENRICO, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AS OF JUNE 30, 2013

FEDERAL GRANTING AGENCY/RECIPIENT STATE AGENCY/ GRANT PROGRAM/GRANT NUMBER	FEDERAL CATALOG NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED-THROUGH TO SUBRECIPIENTS
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
PASS-THROUGH AWARDS:			
STATE DEPARTMENT OF EDUCATION:			
SCHOOL BREAKFAST PROGRAM	* 10.553	\$ 2,484,846	\$ -
NATIONAL SCHOOL LUNCH PROGRAM	* 10.555	8,169,023	-
SUBTOTAL PASS-THROUGH STATE DEPARTMENT OF EDUCATION		10,653,869	-
STATE DEPARTMENT OF SOCIAL SERVICES:			
STATE ADMIN MATCHING GRANT FOR THE SUPPLEMENTAL NUTRITION ASSIST PRGM	10.561	1,839,537	-
SUBTOTAL PASS-THROUGH STATE DEPARTMENT OF SOCIAL SERVICES		1,839,537	-
STATE DEPARTMENT OF JUVENILE JUSTICE:			
SCHOOL BREAKFAST PROGRAM	* 10.553	30,198	-
NATIONAL SCHOOL LUNCH PROGRAM	* 10.555	91,511	-
SUBTOTAL PASS-THROUGH STATE DEPARTMENT OF JUVENILE JUSTICE		121,709	-
NON-CASH AWARDS:			
STATE DEPARTMENT OF AGRICULTURE:			
NATIONAL SCHOOL LUNCH PROGRAM	* 10.555	1,072,546	-
SUBTOTAL NON-CASH AWARDS STATE DEPARTMENT OF AGRICULTURE		1,072,546	-
TOTAL NATIONAL SCHOOL LUNCH PROGRAM	* 10.555	9,333,080	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b>\$ 13,687,661</b>	<b>\$ -</b>
<b>U.S. DEPARTMENT OF EDUCATION:</b>			
DIRECT AWARDS:			
FEDERAL PELL GRANT PROGRAM	84.063	\$ 234,387	\$ -
TOTAL DIRECT AWARDS		234,387	-
PASS-THROUGH AWARDS:			
STATE DEPARTMENT OF EDUCATION:			
EDUCATIONAL CONSOLIDATION AND IMPROVEMENT ACT OF 1981:			
ADULT EDUCATION BASIC GRANTS TO STATES	84.002	264,157	-
TITLE I GRANTS TO LOCAL EDUCATION AGENCIES	84.010	8,083,780	-
TITLE I PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	84.013	158,658	-
TOTAL EDUCATIONAL CONSOLIDATION AND IMPROVEMENT ACT OF 1981		8,506,595	-
TITLE VI:			
ASSISTANCE TO STATES FOR EDUCATION OF HANDICAPPED CHILDREN:			
SPECIAL EDUCATION GRANTS TO STATES	* 84.027	9,021,881	-
SPECIAL EDUCATION PRESCHOOL-GRANT	* 84.173	166,189	-
TOTAL TITLE VI		9,188,070	-
TITLE VI-B:			
VOCATIONAL EDUCATION:			
CAREER AND TECHNICAL EDUCATION-BASIC GRANTS TO STATES	84.048	1,227,895	-
TOTAL VOCATIONAL EDUCATION:		1,227,895	-

COUNTY OF HENRICO, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AS OF JUNE 30, 2013

FEDERAL GRANTING AGENCY/RECIPIENT STATE AGENCY/ GRANT PROGRAM/GRANT NUMBER	FEDERAL CATALOG NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED-THROUGH TO SUBRECIPIENTS
SPECIAL PROJECTS:			
EDUCATION ASSISTANCE	84.000	1,046	-
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	75,631	-
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	64,089	-
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	66,429	-
FOREIGN LANGUAGE ASSISTANCE	84.293	77,804	-
EDUCATION TECHNOLOGY STATE GRANTS	84.318	51,766	-
ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	294,654	-
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	1,153,901	-
TEACHER INCENTIVE FUND	* # 84.374	2,700,895	-
<b>ARRA-SCHOOL IMPROVEMENT GRANTS</b>	<b>84.388</b>	<b>21,430</b>	-
EDUCATION JOBS FUND	* 84.410	6,593,062	-
TOTAL SPECIAL PROJECTS		11,100,707	-
SUBTOTAL PASS-THROUGH STATE DEPARTMENT OF EDUCATION		30,023,267	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b>\$ 30,257,654</b>	<b>\$ -</b>
U.S. DEPARTMENT OF ENERGY:			
DIRECT AWARDS:			
ARRA-ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT	81.128	\$ 123,764	\$ -
TOTAL U.S. DEPARTMENT OF ENERGY		\$ 123,764	\$ -
U.S. DEPARTMENT OF FOUNDATION ON THE ARTS AND HUMANITIES:			
DIRECT AWARDS:			
VIRGINIA COMMISSION FOR THE ARTS:			
PROMOTION OF THE HUMANITIES CHALLENGE GRANTS	45.130	\$ 5,000	\$ -
TOTAL U.S. DEPARTMENT OF FOUNDATION ON THE ARTS AND HUMANITIES		\$ 5,000	\$ -
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
DIRECT AWARDS:			
ADMINISTRATION FOR CHILDREN, YOUTH & FAMILIES - HEAD START	93.600	\$ 1,357,524	\$ -
TOTAL DIRECT AWARDS		1,357,524	-
PASS- THROUGH AWARDS:			
STATE DEPARTMENT OF MENTAL HEALTH AND MENTAL RETARDATION:			
SPECIAL EDUCATION GRANTS FOR INFANTS AND FAMILIES	84.181	357,539	-
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	567,243	-
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	1,053,634	-
SUBTOTAL PASS-THROUGH STATE DEPARTMENT OF MENTAL HEALTH AND MENTAL RETARDATION		1,978,416	-
STATE DEPARTMENT OF SOCIAL SERVICES:			
PASS- THROUGH AWARDS:			
PROMOTING SAFE AND STABLE FAMILIES	93.556	112,099	-
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	* 93.558	2,841,913	-
REFUGEE AND ENTRANT ASSISTANCE-STATE ADMINISTERED PROGRAMS	93.566	40,265	-
LOW-INCOME HOME ENERGY ASSISTANCE	93.568	81,502	-
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOP FUND	93.596	197,855	-

COUNTY OF HENRICO, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AS OF JUNE 30, 2013

FEDERAL GRANTING AGENCY/RECIPIENT STATE AGENCY/ GRANT PROGRAM/GRANT NUMBER	FEDERAL CATALOG NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED-THROUGH TO SUBRECIPIENTS
FOSTER CARE-TITLE IV-E	93.658	857,255	-
TOTAL FOSTER CARE		857,255	-
ADOPTION ASSISTANCE	93.659	490,720	-
TOTAL ADOPTION ASSISTANCE		490,720	-
SOCIAL SERVICES BLOCK GRANT	93.667	1,020,704	-
CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	93.674	36,477	-
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767	42,887	-
MEDICAL ASSISTANCE PROGRAM	93.778	1,108,628	-
SUBTOTAL PASS-THROUGH STATE DEPARTMENT OF SOCIAL SERVICES		6,830,305	-
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b>\$ 10,166,245</b>	<b>\$ -</b>
<b>DEPARTMENT OF HOMELAND SECURITY:</b>			
DIRECT AWARDS:			
PUBLIC ASSISTANCE GRANTS	97.036	14,521	-
TOTAL DIRECT AWARDS		14,521	-
PASS THROUGH AWARDS:			
STATE DEPARTMENT OF EMERGENCY SERVICES:			
METROPOLITAN MEDICAL RESPONSE SYSTEM GRANT	90.071	90,000	-
URBAN AREAS SECURITY INITIATIVE	97.008	127,331	-
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	35,008	-
STATE HOMELAND SECURITY PROGRAM (SHSP)	97.073	1,217,565	-
BUFFER ZONE PROTECTION PROGRAM	97.078	33,350	-
SUBTOTAL STATE DEPARTMENT OF EMERGENCY SERVICES		1,503,254	-
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>		<b>\$ 1,517,775</b>	<b>\$ -</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			
DIRECT AWARDS:			
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	\$ 1,188,698	\$ 571,034
HOME INVESTMENT PARTNERSHIPS PROGRAM	14.239	87,965	548,406
<b>TOTAL U.S OF HOUSING AND URBAN DEVELOPMENT</b>		<b>\$ 1,276,663</b>	<b>\$ 1,119,440</b>
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
DIRECT AWARDS:			
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606	34,258	-
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	* 16.738	160,397	-
<b>ARRA-EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT (JAG) PROGRAM</b>	<b>* 16.804</b>	<b>92,500</b>	<b>-</b>
TOTAL DIRECT AWARDS		287,155	-
PASS- THROUGH AWARDS:			
STATE DEPARTMENT OF CRIMINAL JUSTICE SERVICES:			
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANTS	16.523	42,408	-
JUVENILE JUSTICE AND DELINQUENCY PREVENTION TITLE II GRANT	16.540	34,327	-
CRIME VICTIM ASSISTANCE	16.575	271,102	-
SUBTOTAL STATE DEPARTMENT OF CRIMINAL JUSTICE SERVICES		347,837	-
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>		<b>\$ 634,992</b>	<b>\$ -</b>
<b>U. S. DEPARTMENT OF LABOR:</b>			
PASS- THROUGH AWARDS:			
STATE GOVERNOR'S EMPLOYMENT AND TRAINING COUNCIL:			
WIA ADULT PROGRAM	17.258	456,352	852,919
TOTAL WIA ADULT PROGRAM		456,352	852,919
WIA YOUTH ACTIVITIES	17.259	667,992	2,008,577
TOTAL WIA YOUTH ACTIVITIES		667,992	2,008,577

COUNTY OF HENRICO, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AS OF JUNE 30, 2013

FEDERAL GRANTING AGENCY/RECIPIENT STATE AGENCY/ GRANT PROGRAM/GRANT NUMBER	FEDERAL CATALOG NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED-THROUGH TO SUBRECIPIENTS
WIA DISLOCATED WORKERS	17.278	1,097,402	953,043
TOTAL WIA DISLOCATED WORKERS PROGRAM		1,097,402	953,043
WORKFORCE INNOVATION FUND	17.283	15,425	18,833
TOTAL WORKFORCE INNOVATION FUND		15,425	18,833
SUBTOTAL STATE GOVERNOR'S EMPLOYMENT AND TRAINING COUNCIL		2,237,171	3,833,372
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>		<b>\$ 2,237,171</b>	<b>\$ 3,833,372</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>			
PASS- THROUGH AWARDS:			
STATE DEPARTMENT OF MOTOR VEHICLES:			
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	\$ 217,326	\$ -
STATE DEPARTMENT OF TRANSPORTATION:			
HIGHWAY PLANNING AND CONSTRUCTION	20.205	381,392	-
SUBTOTAL STATE DEPARTMENT OF TRANSPORTATION		381,392	-
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>		<b>\$ 598,718</b>	<b>\$ -</b>
<b>TOTAL FEDERAL EXPENDITURES</b>		<b>\$ 60,505,643</b>	<b>\$ 4,952,812</b>

NOTES:

\* DENOTES MAJOR FEDERAL PROGRAM

# AWARD WAS PASSED THROUGH BY "COMMUNITY TRAINING AND ASSISTANCE CENTER, INC." FUNDS USED TO INCENTIVIZE TEACHERS FOR THE FY12 SCHOOL YEAR

(A) BASIS OF ACCOUNTING-THE SUPPLEMENTARY SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE IS PREPARED ON THE MODIFIED ACCRUAL BASIS. EXPENDITURES ARE RECOGNIZED WHEN THEY BECOME A DEMAND ON CURRENT AVAILABLE FINANCIAL RESOURCES. CERTAIN FEDERAL FINANCIAL ASSISTANCE PROGRAMS ARE IN THE FORM OF NONCASH AWARDS(SEE NOTE D). FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENT IS TREATED AS AN EXPENDITURE WHEN IT IS PAID TO THE SUBRECIPIENT.

(B) REPORTING ENTITY-THE COUNTY OF HENRICO, VIRGINIA, FOR PURPOSE OF THE SUPPLEMENTARY SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE INCLUDES ALL THE FUNDS OF THE PRIMARY GOVERNMENT AS DEFINED BY GASB STATEMENT 14, THE FINANCIAL REPORTING ENTITY. THE COUNTY OF HENRICO, VIRGINIA, ADMINISTERS CERTAIN FEDERAL FINANCIAL ASSISTANCE PROGRAMS THROUGH SUBRECIPIENTS. THOSE SUBRECIPIENT ARE ALSO NOT CONSIDERED PART OF THE COUNTY OF HENRICO, VIRGINIA, REPORTING ENTITY.

(C) PASS-THROUGH AWARDS-THE COUNTY OF HENRICO, VIRGINIA, RECEIVES CERTAIN FEDERAL FINANCIAL ASSISTANCE FROM PASS-THROUGH AWARDS OF THE COMMONWEALTH OF VIRGINIA. THE AMOUNTS RECEIVED ARE SEPERATELY IDENTIFIED.

(D)NONCASH AWARDS-CERTAIN FEDERAL FINANCIAL ASSISTANCE PROGRAMS DO NOT INVOLVE CASH AWARDS TO THE COUNTY OF HENRICO, VIRGINIA. THESE PROGRAMS ARE DONATED COMMODITIES AND FOOD STAMPS AS FOLLOWS:

U. S. DEPARTMENT OF AGRICULTURE:

DONATED COMMODITIES CFDA # 10.555 (MAJOR)

VALUE OF COMMODITIES ISSUED \$9,132

VALUE OF COMMODITIES ON HAND \$4,200

DONATED COMMODITIES CFDA # 10.555 (MAJOR)

VALUE OF COMMODITIES ISSUED \$1,063,415

VALUE OF COMMODITIES ON HAND \$15,158

Totals by Clusters:

Child Nutrition Cluster (CFDA 10.553, 10.555)	11,848,124
Special Education Cluster IDEA (CFDA 84.027, 84.173, 84.391, 84.392)	9,188,070
Title I, Part A Cluster (CFDA 84.010, 84.389)	8,083,780
Early Intervention Services (IDEA) Cluster (CFDA 84.181, 84.393)	357,539
Child Care Development Fund Cluster (CFDA 93.575, 93.596, 93.713)	197,855
Head Start Cluster (CFDA 93.600, 93.708)	1,357,524
Community Development Block Grant Entitlement (CFDA 14.218, 14.253)	1,759,732
WIA Cluster (CFDA 17.258, 17.259, 17.278)	6,070,543
Edward Byrne Memorial Justice Assistance Grant (JAG) Cluster (CFDA 16.738, 16.803, 16.804)	252,897
Education for Homeless Children and Youth Cluster (CFDA 84.196, 84.387)	75,631