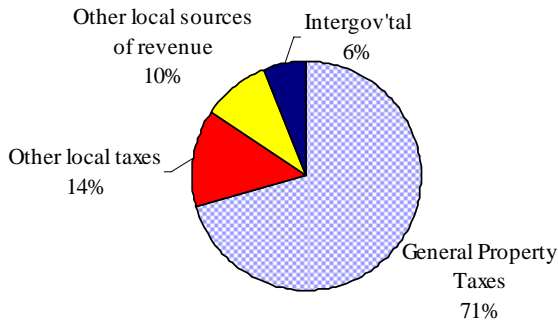


General Fund Revenue Information

The General Fund is the general operating fund of the County. Revenue for the General Fund is divided into four major categories:

1. General property taxes;
2. Other local taxes;
3. Other local sources of revenue; and
4. Intergovernmental.



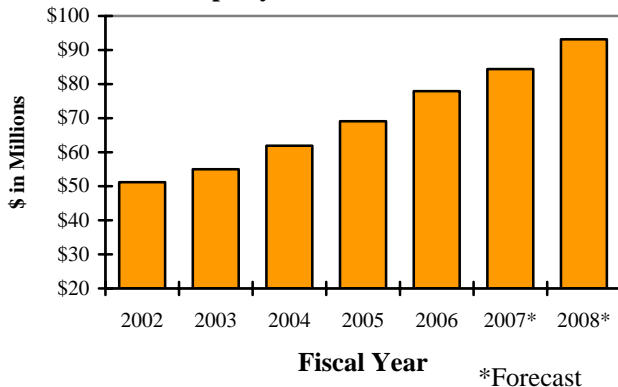
General Property Taxes

As reflected in the above pie chart, the majority of the County's General Fund revenue is generated through general property taxes, which refers to real property and personal property. The general property tax category refers to tax revenues received directly from taxpayers. In FY08 Hanover expects to receive \$125,950,000 in general property taxes.

Real Property Tax

The *Code of Virginia* §§ 58.1-3200 through 58.1-3389, authorizes localities to levy taxes on the assessed value of real estate property owned by businesses, individuals and public service corporations. Real property is defined as land and improvements, including buildings, and other structures.

**County of Hanover, Virginia
Real Property Tax - Seven Year Trend**



Section 58.1-3201 provides that all general reassessments or annual assessments shall be at 100% of fair market value. The projection of real property tax revenue is contingent upon the accuracy of estimates of the real property tax base. In developing these estimates, the County Assessor incorporates a combination of factors, including historical trends, the current year's tax base, the cumulative effect of parcel reassessments, the value of land in the County's land use program, and an estimate of new construction during the upcoming year. The Assessor's Office appraises all real property annually.

The Board of Supervisors adopted an ordinance allowing property tax relief for elderly and disabled persons. The applicant for tax relief must be either disabled or not less than 65 years of age and must be the owner of the property for which relief is sought. The property must be the sole dwelling of the applicant. The maximum income level is \$50,000, maximum net worth is \$125,000, and the maximum annual exemption is \$1,150.

Real property taxes are levied in April and are collected semiannually on June 5th and December 5th. Supplemental prorated levies are performed throughout the year for construction occurring during the year. Collection rates have recently averaged 98.9%. The impact of this year's higher than projected assessment provides us with an opportunity to reduce the tax rate five cents from \$0.86 to \$0.81 per \$100 of assessed value. The County expects to generate \$93,125,000, a \$9,436,000 or 11.3% increase. Assumptions for 2007 are 13.6% growth in reassessments, 2.8% growth in new construction.

Public Service Corporation Taxes

Public service corporation taxes are the real estate and personal property tax rate for companies whose purpose is to provide utilities for the public. An example is a railroad line or telephone company. The County receives annual assessments from the State Corporation Commission (SCC) and Department of Taxation. The County expects to generate \$3,488,000, a \$211,000 or 5.7% decrease. This decrease is attributable to depreciation on 30 businesses that have not made

General Fund Revenue Information

offsetting investments in their equipment. The current tax rate is \$0.55.

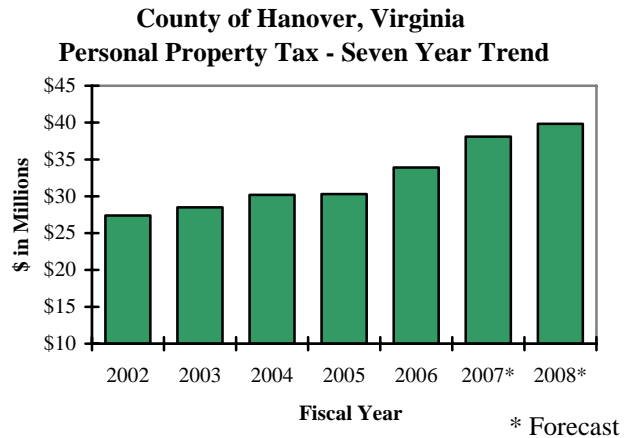
Personal Property Tax

Pursuant to the *Code of Virginia* §§ 58.1-3500 through 58.1-3536, counties may levy a tax on tangible personal property. Included in this category are such items as motor vehicles, farming equipment, and a variety of motorized vehicles, including boats, aircraft, recreational vehicles, campers, and trailers. Taxes are levied on 100% of assessed value, which are based on published market guides. In 2006, Hanover County Commissioner of Revenue began using the trade-in value of a vehicle, as opposed to the loan value, as determined by the National Automobile Dealers' Association's (NADA) Official Used Car Guide as its primary valuation guide. Personal property projections incorporate historical analysis, estimates of future growth, and information regarding tangible property market values.

In 1999, the State began a phased reduction of personal property taxes on the first \$20,000 in value of private vehicles. In 2004 the reduction was held to 70% of the tax eliminated, with the foregone revenue reimbursed to localities from the State. In FY07, the State's reimbursement to localities was capped at \$950 million. Thus, Hanover's payments from the State will be a fixed sum that represents Hanover's pro rata share of the total State reimbursement. The actual percent relief to be applied to the taxpayer's bill will be quantified in September each year. It is anticipated that the 61% State relief for 2006 will be reduced to approximately 58% based on the growth of the County's tax base. The total personal property levy (taxpayer and State portion) is estimated to grow 4.5% over the FY07 forecast due to NADA data for sports utility vehicles that are likely to depreciate at a higher rate than in recent past.

Personal property taxes are estimated to generate \$39,834,000, a \$2,329,000 or 6.2% increase. This includes \$15 million of personal property tax paid to the County from the State. The State's portion is classified as non-categorical State aid. The current tax rate is \$3.57 per \$100 of value and is

collected annually on December 5th. The rate for airplanes is decreasing from \$1.00 to \$0.50 per \$100 assessed value. Assumptions for FY08 are a 4% growth in assessments, which includes prorations. Hanover County prorates the personal property tax on vehicles (not including boats). The County also has an incentive program to recognize the contributions of fire and rescue squad volunteers, providing a tax relief of 50% on the primary vehicles used by volunteers. In November 2006, the Board of Supervisors established a separate classification for disabled veterans. Finally, in an effort to determine accurately the value of vehicles, Hanover County offers a discount for vehicles with high mileage.



Machinery and Tools Tax

Pursuant to the *Code of Virginia* § 58.1-3507, certain machinery and tools, such as those that are used for manufacturing, mining, processing, radio/television broadcasting, dairy and laundry or dry cleaning are segregated for local taxation. The original cost of the machinery and tools plus installation is reported to the Commissioner of Revenue whereby an assessment ratio of 10% is applied to determine the assessed value for the tax levy. Machinery and tools taxes are expected to generate \$1,627,400, an \$18,000 or 2.3% decrease. The decrease in FY03 was due to the reclassification of a major taxpayer to the Public Service category.

Merchants' Capital Tax

The *Code of Virginia* §§ 58.1-3509 and 58.1-3510, provides that localities may impose a local tax on merchants' capital, which is defined as the

General Fund Revenue Information

inventory of stock on hand, daily rental of passenger cars, daily rental property, and all other intangible personal property. The County expects to generate \$924,000 in revenue from this source, a \$78,000 or 9.2% increase.

Delinquent Taxes

The County considers taxes to be delinquent as of August 1st of the next fiscal year after the assessment of the property.

Penalties and Interest

Penalties and interest are charges assessed for paying a bill after the due date. Penalties are a flat 10% of the tax regardless of how late the payment is. Interest accumulates at a 10% annual rate.

Other Local Taxes

Hanover County also collects substantial revenue from local sales tax, which includes a variety of local tax revenues independent of general property taxes, such as sales tax and motor vehicle license tax. These other local taxes are projected to contribute \$27,545,080 in FY08 and are the General Fund's second largest revenue source.

Local Sales Tax

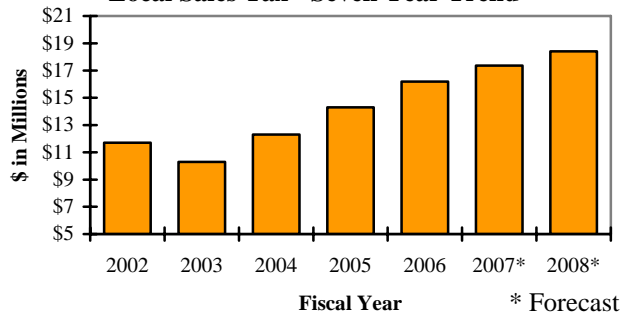
The largest single item in this category is the local sales tax. The County receives 1% of the Commonwealth's 5.0% sales tax on all local sales, which is collected by merchants and remitted through the Commonwealth to Hanover. Pursuant to Virginia Code § 58.1-605, the County then remits 2.64% of that amount to the town of Ashland. This revenue has performed well, rising 13.2% in FY06.

Local sales tax revenue is budgeted at \$18,410,080 in FY08, a \$980,080 or 5.6% increase. FY07 forecast is projected slightly lower than budget at \$17,368,000 or 7.0% increase from FY06 actual. Assumption for the FY08 budget is 6.0% over the FY07 forecast.

The following is the fiscal year 2006, taxable sales, as a percentage of total taxable sales, in the County:

Agriculture	0.1%
Construction	1.7%
Manufacturing	5.1%
Wholesale Trade	21.0%
Non-classified	11.7%
Retail Trade	44.8%
Professional Services	4.7%
Recreation/Food Services	9.2%
Other Nonprofessional Services	1.7%

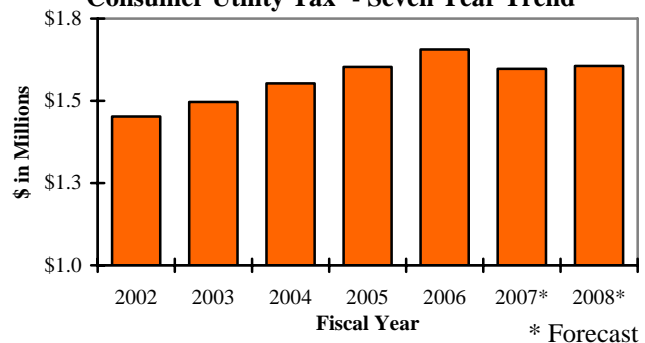
**County of Hanover, Virginia
Local Sales Tax - Seven Year Trend**



Consumer Utility Tax

The *Code of Virginia* § 58.1-3814, authorizes localities to impose a tax on the consumers of public utilities. This tax is applied to all gas and electric service recipients residing within the County, excluding the Town of Ashland, which has a separate utility tax for Ashland residents. The County collects 20% of the first \$15 on utility purchases. Consumers pay these taxes on a monthly basis to their utility companies. Prior to January 2007, this tax also applied to all landline and wireless telephone service. The General Assembly enacted a new state communications sales and use tax effective January 1, 2007, which is tracked separately and discussed below. Revenue from this utility tax, excluding telephone service, is expected to generate \$1,567,000, a \$30,000 or 1.9% decrease.

**County of Hanover, Virginia
Consumer Utility Tax¹ - Seven Year Trend**



¹ Excluding Telephone Service

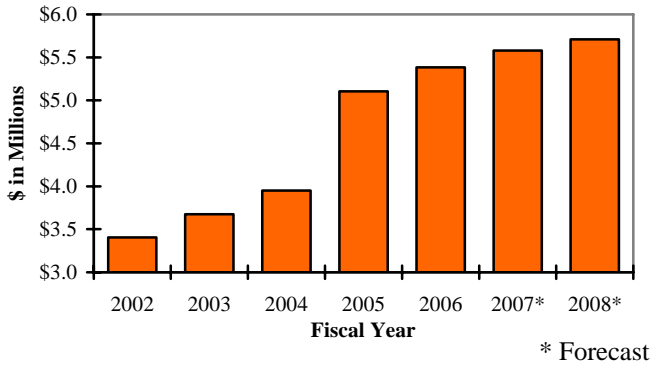
General Fund Revenue Information

Communications Sales and Use Tax

Legislation enacted during the 2006 General Assembly session considerably changed the manner in which taxes are levied on communications services. This new tax, effective January 1, 2007, replaces local communications taxes and fees with a uniform 5% tax per month on all telecommunications services as well as a uniform 911 fee of \$0.75 per line per month. Satellite television and voice over internet telephone service are also subject to the new 5% tax. The County's cable company, Comcast/AT&T Broadband, will continue to pay a 5% franchise fee. Revenues will be collected by the Virginia Department of Taxation and distributed to localities on a monthly basis. Based on analysis by the Virginia Auditor of Public Accounts, Hanover County is scheduled to receive approximately 1.19% of statewide collections. Projected revenue in FY08 is \$5,712,000, a \$131,600 or 2.4% increase. The increase in FY05 is due to an increase in the E-911 tax.

County of Hanover, Virginia

Telecommunications Tax¹ - Seven Year Trend



¹Combined Telephone tax, E-911 and Cable Franchise Fee

Contractor's Licenses

The contractor's licenses tax is based on prior year gross receipts of every contractor having \$100,000 in gross receipts and having a definite place of business in the County, or having no definite place of business but residing in the County or defined as a contractor by the *Code of Virginia*. The tax rate is \$0.10 per \$100 of gross receipts. Payment is due on or before March 1 of the license tax year. This tax is projected to generate \$361,000 in revenue, a \$120,000 or 24.9% decrease.

Utility Franchise License Tax

The utility franchise license tax is a tax on telephone and telegraph companies providing telephone or telegraph communications in the County. These companies must remit a license tax equal to ½ of 1% of the gross receipts of the previous year. This tax is due by January 31 of the license tax year. This tax is projected to generate \$535,000 in revenue, a \$69,000 or 11.4% decrease.

Lodging Tax

The lodging tax is a tax levied on limited-stay facilities, such as any hotel, motel, or travel campground occupied for a period of less than thirty consecutive days. The tax is 8% of the charge and includes charges for all services provided for the space or room as a unit price. The tax is projected to generate \$733,000 in revenue, a \$21,000 or 2.9% increase. Revenue from the lodging tax is the basis for a refund from the Greater Richmond Convention Center Authority for Hanover's contribution to the Richmond Convention Center.

Bank Stock Tax

The bank stock tax is a tax on the net capital of a bank. The tax rate is \$0.80 per \$100 of net capital and is apportioned to the locality based on the number of branches located in the locality. The tax is projected to generate \$468,000 in revenue, a \$107,000 or 29.6% increase. This significant increase is due to new branches opening in FY07. The FY08 budget assumes a 4% growth rate over the FY07 forecast.

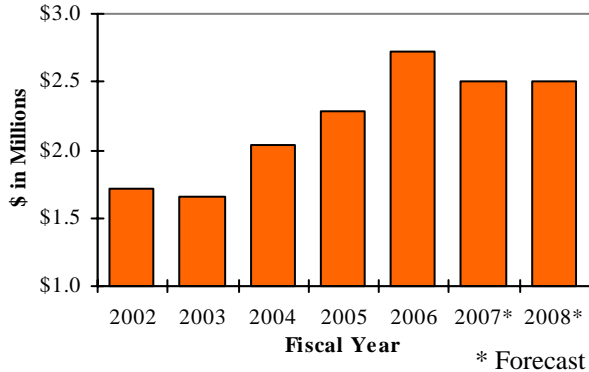
Recordation Tax

Section 58.1-3800 of the *Code of Virginia* authorizes localities to impose a recordation tax on transactions involving the recording of estates, deeds of trusts, mortgages, leases, contracts and agreements that are required to be admitted as matters of record to the Clerk of the Circuit Court. Amounts are collected by the Clerk of the Circuit Court's Office and are equal to one-third of the amount of the State recordation tax. The tax is

General Fund Revenue Information

projected to generate \$2,500,000 in revenue, a \$407,000 or 19.4% increase. The significant increase is due to a recent increase in activity. For example, in FY06 the County collected \$2.7 million.

**County of Hanover, Virginia
Recordation Tax - Ten Year Trend**



Other Local Sources of Revenue

This category includes six types of revenue received by the General Fund that are not considered general-purpose forms of taxation and they include the following:

1. Permits, privilege fees and regulatory licenses;
2. Fines and forfeitures;
3. Use of money and property;
4. Charges for services;
5. Recovered costs; and
6. Miscellaneous revenue.

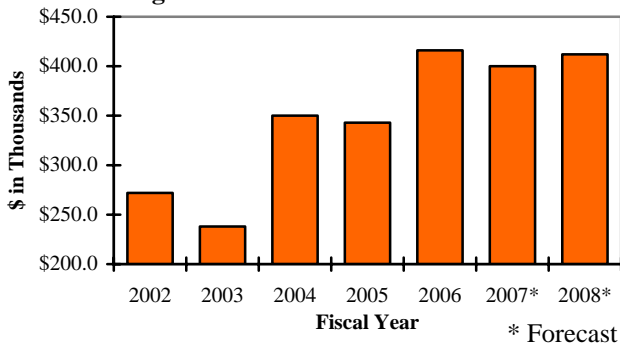
Only major sources of revenue are discussed.

Permits, Privilege Fees & Regulatory Licenses

Planning Permits and Fees include all land use application fees and charges for service and materials such as documents for sale. Projected revenue in FY08 is \$412,000, a \$15,000 or 3.8% increase.

County of Hanover, Virginia

Planning Permits & Fees - Seven Year Trend

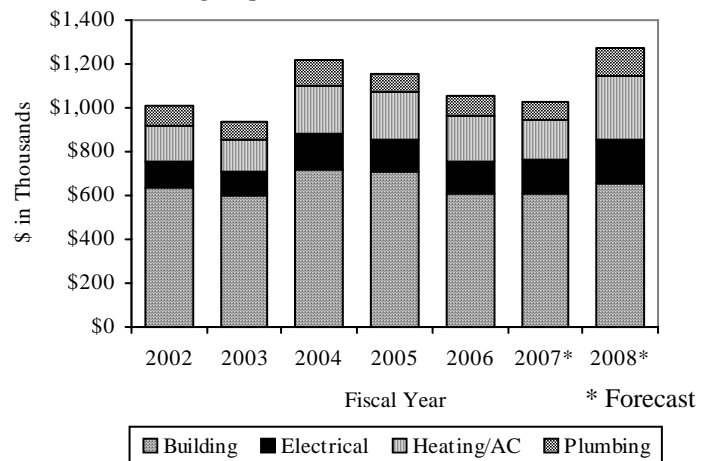


Building Inspection Fees include building, mechanical, electrical and plumbing permits. All of the four permit fees are collected to defray the costs of conducting code compliance plan reviews and field inspections of:

- the construction of buildings and structures;
- mechanical installations such as HVAC systems, gas installations, and fire protection systems;
- electrical installations and alarm systems; and
- plumbing installations.

These costs also include the associated administrative costs. Based upon service demands, cost and regional comparisons, the building inspection fees are increasing an average of 11% and the mechanical, electrical and plumbing permits are increasing an average of 48%. Building permits are increasing to \$500, while all electrical, mechanical and plumbing permits are increasing to \$95. Projected revenue in FY08 is \$1,272,000, a \$27,000 or 2.2% increase. The modest increase, even with rate increases, is due to a much lower FY07 forecast.

**County of Hanover, Virginia
Building Inspection Fees - Seven Year Trend**



The Virginia Erosion and Sediment (E&S) Control Regulations require all new development to obtain a land disturbance permit prior to land disturbance activities, such as land clearing or grading. Fees are charged to help recover the cost of the County's adherence to State guidelines for inspections and monitoring of construction projects along with providing funds for designing,

General Fund Revenue Information

acquiring and building drainage basins. Fees for projects, such as single-family housing projects that are eligible for and “agreement in lieu of a plan,” pay the fees at the time of building permit application. All other projects pay a fee at the time of plan approval, which is based on the type of project, such as commercial, residential subdivision, general/early land-disturbance, etc., and the amount of area disturbed. E&S rates for residential subdivisions are changing as follows:

- Commercial plan, commercial subdivision, and erosion and sediment plan rates for more than 10,000 sq. feet of land disturbance from \$900 plus \$60/acre to \$600 plus \$300/acre for up to 10 acres and
- Residential subdivision rate from \$5,400 plus \$550/acre to \$5,600 plus \$600/acre.

The rate increases will recover the cost of inspections, monitoring and other labor-related administration of the program and are more equitable based on the size of the project. Projected revenue in FY08 is \$312,000, a \$12,000 or 4.0% increase.

The County’s stormwater program provides for the collection of a one-time pro-rata share fee from development based on the amount of impervious surface. Fees collected are used to construct regional stormwater management ponds to meet water quality requirements instead of requiring on-site Best Management Practices. Participation in the County’s program is voluntary. The fee models that support the program are based upon the capital and oversight costs incurred in designing, acquiring and building drainage basins. Current state and federal standards have resulted in higher program costs, thus fees are increasing from \$1,000 to \$1,150 per equivalent residential unit. The revenue is remitted to the Capital Improvements Fund, which then transfers a portion to the General Fund to reimburse one full-time and two part-time positions plus overhead. Projected General Fund revenue in FY08 is \$138,000, a \$36,000 or 35.3% increase. The increase is due to a more accurate representation of the General Fund costs.

Fire inspections fees are charged to businesses that are required to obtain fire permits. Fees are based

on occupancy, size and frequency of inspections. The fee was established in FY95 to provide adequate personnel to inspect all “High Hazard” businesses annually. Projected revenue in FY08 is \$98,000, an \$8,000 or 8.9% increase.

Fines and Forfeitures

Fines and forfeitures include revenue received primarily as a result of violations of County criminal ordinances. The Clerk of the Circuit Court assesses fines and forfeitures for violations of County criminal ordinances. The Circuit Court transmits money collected in the General District Courts in addition to money collected in the Circuit Courts. A new part-time judge was added in April 2005 for two days a week to assist with increased caseload. Interest is collected on fines that are past due.

Localities are authorized by the Virginia Code to assess a fee for the maintenance, renovation and construction of the courthouse. A set amount is assessed on every civil filing.

Security alarm fees are collected as a result of the Security Alarm Ordinance that went in effect April 1, 2002. The fees collected are for excessive false alarms during a calendar year, failure to respond to an alarm activation, failure to apply for a permit once notified that it is required and other civil penalties.

Total projected revenue for fines and forfeitures in FY08 is \$902,000, a \$4,000 or 0.4% increase.

Use of Money and Property

Revenues from investments are expected to produce \$947,000, a \$421,000 or 80.0% increase. This revenue source is affected by two variables: 1) the amount of cash available for investing (cash flow) and 2) the interest rate at the time of investment. The significant increase is due to strong revenues in FY07. Assumption for FY08 is a 0.3% decrease from FY07 forecast.

Charges for Services

In March 2005, the County established an EMS Fee Recovery Program that leverages funding

General Fund Revenue Information

from Medicare/Medicaid and insurance companies for ambulance transports. Projections are based on average number of transports and collection rates. Projected revenue for FY08 is \$1,530,000, a \$296,000 or 24.0% increase. Since this is a relatively new revenue source, the County is still in the process of gathering data for historical trends.

Hanover County Parks and Recreation offers a variety of educational, active and entertaining programs for both adults and children. Fees vary depending on the type of class. The County's Youth Summer Program is a supervised recreation program for children. To simplify payment and recognize inflationary costs, rates are increasing from \$95 to \$125. This one-time payment now includes the cost of field trips. Projected revenue for FY08 is \$530,000, a \$197,000 or 59.2% increase. Program participation increased by 42% in FY06 and is expected to continue to grow. The additional revenue will cover the cost of a recreation coordinator (hired mid-year) and part-time therapeutic aide.

Landfill fees are those fees charged at the transfer station per ton for disposal of solid wastes. The rate is \$50 per ton. Projected revenue for FY08 is \$257,000, no change from FY07.

The Clerk of the Circuit Court's Office collects clerk's fees for every transaction. The expenditures authorized by the State Compensation Board are subtracted monthly from the Clerk's fees collected. Two-thirds of the clerk's fees collected in excess of authorized expenditures are then remitted to the County. The remaining one-third is paid to the State. Excess fees are expected to generate \$451,000, a \$3,000 or 0.7% increase.

Recovered Costs

Revenues are received from the Pamunkey Regional Jail and Public Utilities Fund in exchange for services of County departments such as information technology, finance, human resources, etc. Projected General Fund revenue for FY08 is \$243,320, a \$10,680 or 4.2% decrease and \$917,655, a \$79,345 or 8.0% decrease for the Jail and Utilities Fund, respectively. In addition, a

service assessment charge is imposed on Public Utilities for law enforcement, fire protection and emergency medical services. Projected revenue is \$368,000, a \$53,000 or 16.8% increase.

Due to the Sheriff's Office participation in local narcotics investigations and state and federal task forces, it is eligible to receive funds seized from narcotics enterprises and applicable criminal endeavors. Funds received from these programs are maintained in an interest bearing escrow account and can only be expended on non-budgeted items with a direct correlation to law enforcement.

Landfill recycling recovered costs include proceeds from scrap metal recovery and recycling. Due to the outstanding efforts of the County's Public Works Operations department, projected revenue has increased twofold and we project \$153,000 in FY08, a \$102,000 or 200.0% increase.

Fees are paid to the General Fund from the Economic Development Authority (EDA) to offset the County's economic development costs. Fees are based upon debt issuances of the EDA. Projected recovered costs for FY08 are \$202,000, a \$37,000 or 22.4% increase.

The County receives an annual refund for its contribution to the Greater Richmond Convention Center Authority. Revenue assumption is based on 25% of the lodging tax plus anticipated rebates for any revenues exceeding costs. Projected recovered revenue is \$383,000, a \$21,000 or 5.2% decrease.

Miscellaneous

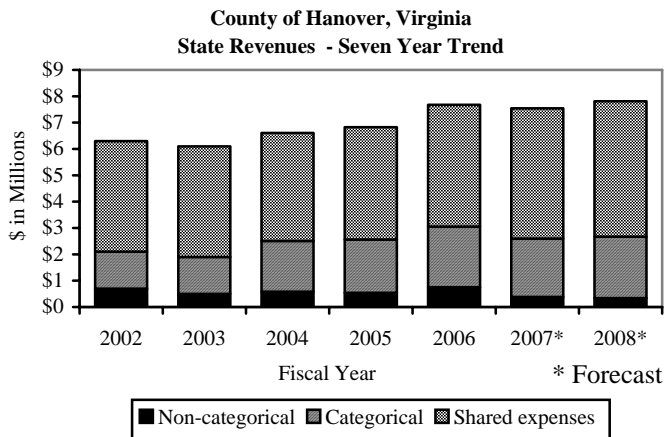
Miscellaneous revenue represents refunds received by departments for administrative charges, such as documents sold or copying charges and sale of assets. Total projected revenue for FY08 is \$172,000, a \$102,000 or 37.2% decrease. The decrease is largely due to the Fleet Services Fund retaining revenue from sale of vehicles.

Intergovernmental

Intergovernmental revenues provide 13.6% of the

General Fund Revenue Information

General Fund budget. State revenue is divided into three categories: 1) State funding for programs that benefit both the County and the State, such as the Sheriff, Treasurer, Commonwealth's Attorney, Commissioner of the Revenue, Clerk of the Circuit Court and Registrar; 2) Non-categorical State aid which includes ABC and wine profits; and 3) Categorical State aid for various County programs, primarily social services. General Fund revenue received from the State should reach \$7,881,000 (excluding "Car tax" funds). Assumptions for 2008 are based upon actual State and Federal funded programs with set reimbursement rates subject to continued Federal and State support. **NOTE:** Not shown in this graph are the non-categorical State aid that is part of the "No Car Tax" program mentioned above in the personal property tax section.



Non-categorical State Aid

Non-categorical state aid and State share of local offices are types of shared revenue and tend to be reasonably predictable.

Vehicle Rental taxes are levied on the gross proceeds from the rental of motor vehicles in Virginia. The additional taxes (4-8%) are collected by the Department of Motor Vehicles and distributed to the County where the daily rental vehicle was delivered to the customer. Projected revenue is \$155,000, a \$5,000 or 3.1% decrease.

As mandated by the State in FY01, the State's portion of the personal property tax relief program, mentioned above, is classified as reimbursement from the State as non-categorical state aid. Beginning with FY07, the County will receive a

pro-rata share of \$950 million of relief to be distributed statewide. This tax relief amount is estimated at \$15,002,000, and this funding will remain constant in future years. The State will no longer fund its share of delinquent taxes after September 1, 2006, resulting in a projected decrease.

State Share of Local Offices

The State Compensation Board provides funding for the various departments with constitutional officers to provide for the cost of salaries and benefits, and office expenses. The County supplements these funds. These departments include Commonwealth's Attorney, Sheriff and Court Services, Commissioner of the Revenue, Treasurer and Clerk of Circuit Court. The State Board of Elections provides funding for the Registrar. Total projected revenue is \$5,208,000, a \$411,000 or 8.6% increase.

Categorical State Aid

Federal and State categorical grants are earmarked for specific uses and are tightly restricted. Funding is generally granted on a project-by-project basis.

The Social Services Department receives state funding for a variety of purposes, including assistance for needy families. Projected State funding is \$1,117,000, a \$27,000 or 2.5% increase.

The General Assembly created the Information Technology Trust Fund consisting of revenues obtained from an additional \$5 recordation and filing fee collected by each circuit court clerk. The fund is to be used to help circuit court clerks obtain office and information technology, preserve and maintain court records, improve public access to court records and to study the design of a Statewide system of remote access to the clerks' land records. Projected State funding is \$100,000, a \$15,000 or 13.0% decrease.

The emergency communications State cellular tax is collected by the State and is applied for annually through the State Wireless 911 Board. Funding is used to supplement local salaries as well as the cost of training and equipment used for wireless

General Fund Revenue Information

911. Projected State funding is \$320,000, a \$91,000 or 39.7% increase.

The County receives funding from the Virginia Department of Fire Programs as "Aid to Localities." These funds are derived from one percent of fire-related insurance coverage. The funding provides the County with the funds to pay for training of volunteer and career firefighters, construction of training centers, fire fighting equipment and protective clothing. Projected State revenue is \$193,000, a \$13,000 or 7.2% increase.

Community Corrections, initially 100% funded by the State, is required to provide community corrections and pre-trial services to those deemed necessary by the judges. Projected State funding is \$259,000, a \$17,000 or 7.0% increase. It is anticipated, however, that local funding will increase in the future.

Categorical Federal Aid

The Social Services Department has multiple programs from which it receives federal funding, including Virginia's Temporary Assistance for Needy Families (TANF) Program. The purpose of TANF is to provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives, end the dependence of needy parents on government benefits by promoting job preparation, work and marriage, prevent and reduce the incidence of out-of-wedlock pregnancies and encourage the formation and maintenance of two-parent families. Projected Federal revenue is \$3,654,000, a \$121,000 or 3.4% increase.

Hanover County was awarded two separate parts of a Staffing for Adequate Fire & Emergency Response (SAFER) grant from the Department of Homeland Security for the (1) hiring of firefighters and recruitment and retention of volunteer firefighters. The Board of Supervisors approved the hiring portion of the grant in December 2006, which provides \$1.2 million over five years and funds the hiring of 12 firefighters. The grant requires a local match toward the costs of the salaries that will diminish over the course of the five-year performance period. Recruiting and

retaining volunteer portion of the grant is required to reimburse volunteers for their time during the training process at an equivalent rate of \$10 per hour. Payments to volunteers will be distributed upon successful completion of the Fire Academy and/or EMT-Basic training. This is also a multi-year grant. Total projected revenue for FY08 is \$548,000.