



*County of  
Hanover, Virginia*

**COUNTY OF HANOVER, VIRGINIA**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended**  
**June 30, 2007**



*Hanover: People, Tradition, and Spirit*

This document was prepared by the Department of Finance, County of Hanover, Virginia, Post Office Box 470, 7496 County Complex Road, Hanover, Virginia 23069-0470. For additional information, contact Terry S. Stone, Director of Finance at (804) 365-6012 or e-mail to [tsstone@co.hanover.va.us](mailto:tsstone@co.hanover.va.us). For information about the County, including the WEB-based version of this and other financial documents, refer to the County's web page at [www.co.hanover.va.us](http://www.co.hanover.va.us) (financial documents under "Finance Department" home page).



**COUNTY OF HANOVER, VIRGINIA  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2007**

**TABLE OF CONTENTS**

	Page
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	1
GFOA Certificate of Achievement.....	13
Organizational Chart .....	14
Directory of Principal Officials.....	15
 <b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	18
Management's Discussion and Analysis .....	20
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets .....	34
Statement of Activities.....	35
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	36
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	37
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	38
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund .....	39
Statement of Net Assets – Proprietary Funds.....	40
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	41
Statement of Cash Flows – Proprietary Funds.....	42
Statement of Fiduciary Net Assets – Agency Funds.....	43
Notes to the Financial Statements .....	45
<b>Required Supplementary Information:</b>	
Schedules of Funding Progress –Virginia Retirement System.....	73
<b>Other Supplementary Information - Combining and Individual Fund Statements and Schedules:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – County Improvements Fund.....	77
Budget and Actual – School Improvements Fund .....	79
Combining Balance Sheet – Nonmajor Governmental Funds.....	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	82
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Comprehensive Services Fund.....	83
Community Services Fund.....	84
Combining Statement of Net Assets – Internal Service Funds .....	87
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds.....	88
Combining Statement of Cash Flows – Internal Service Funds.....	89
Combining Balance Sheet – Fiduciary Funds.....	91
Combining Statement of Changes in Assets and Liabilities – Fiduciary Funds .....	92

Discretely Presented Component Unit – School Board:	
Combining Balance Sheet.....	95
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	96
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund	
Balances of Discretely Presented School Component Unit to the Statement of Activities... ..	97
School Fund – School Board:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual .....	98
Textbook Fund – School Board:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual .....	99
Cafeteria Fund – School Board:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual ....	100
Discretely Presented Component Unit – Economic Development Authority	
Balance Sheet.....	102
Schedule of Revenues, Expenditures and Changes in Fund Balances.....	103
Single Audit Schedule and Notes:	
Schedule of Expenditures of Federal Awards.....	105
Notes to Schedule of Expenditures of Federal Awards .....	107

**STATISTICAL SECTION**

Financial Trends Information

Net Assets by Component, Last Six Fiscal Years .....	111
Changes in Net Assets, Last Six Fiscal Years .....	112
Fund Balances, Governmental Funds, Last Ten Fiscal Years .....	114
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years .....	116

Revenue Capacity Information

Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years .....	118
Direct and Overlapping Property Tax Rates, Last Ten Calendar (Tax) Years .....	119
Principal Property Tax Payers, Current Year and Nine Years Ago .....	120
Property Tax Levies and Collections, Last Ten Fiscal Years.....	121

Debt Capacity Information

Ratios of Outstanding Debt by Type, Self-Imposed Debt Limit Information, Last 10 Fiscal Years .	122
Direct and Overlapping Governmental Activities Debt, June 30, 2007 .....	123
Pledged Revenue Coverage, Last Ten Fiscal Years .....	124

Demographic and Economic Information

Demographic Statistics, Last Ten Fiscal Years .....	125
Principal Employers, Current Year and Nine Years Ago.....	126

Operating Information

Full-time Equivalent Government Employees by Function, Last Ten Fiscal Years .....	127
Operating Indicators by Function, Last Ten Fiscal Years .....	128
Capital Asset Statistics by Function, Last Ten Fiscal Years .....	129

**COMPLIANCE SECTION**

Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	132
Independent Auditors’ Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	134
Independent Auditors’ Report on Compliance with Commonwealth of Virginia’s Laws, Regulations, Contracts and Grants .....	136
Schedule of Findings and Questioned Costs. ....	137

# **INTRODUCTORY SECTION**



**BOARD OF SUPERVISORS**

**ROBERT R. SETLIFF, CHAIRMAN**  
CHICKAHOMINY DISTRICT

**AUBREY M. STANLEY, VICE-CHAIRMAN**  
BEAVERDAM DISTRICT

**TIMOTHY E. ERNST**  
ASHLAND DISTRICT

**JOHN E. GORDON, JR.**  
SOUTH ANNA DISTRICT

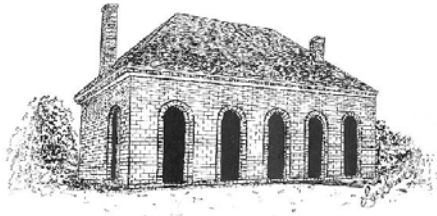
**CHARLES D. MCGHEE**  
HENRY DISTRICT

**ELTON J. WADE, SR.**  
COLD HARBOR DISTRICT

**J. T. "JACK" WARD**  
MECHANICSVILLE DISTRICT

---

**CECIL R. HARRIS, JR.**  
COUNTY ADMINISTRATOR



*HANOVER COURTHOUSE*

**HANOVER COUNTY**

ESTABLISHED IN 1720

**FINANCE DEPARTMENT**

**TERRY S. STONE**  
DIRECTOR

P. O. BOX 470  
7496 COUNTY COMPLEX ROAD  
HANOVER, VA 23069

**MARCY E. COTOV**  
BUDGET DIVISION DIRECTOR

**CRAIG D. EASTMAN, CPA**  
ACCOUNTING DIVISION DIRECTOR

PHONE: 804-365-6015  
FAX: 804-365-6319  
WWW.CO.HANOVER.VA.US

November 14, 2007

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

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Hanover County (the County) for the fiscal year ended June 30, 2007. The Commonwealth of Virginia requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Auditor of Public Accounts (APA).

This report consists of management’s representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the County’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

The County's financial statements have been audited by Cherry, Bekaert and Holland, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

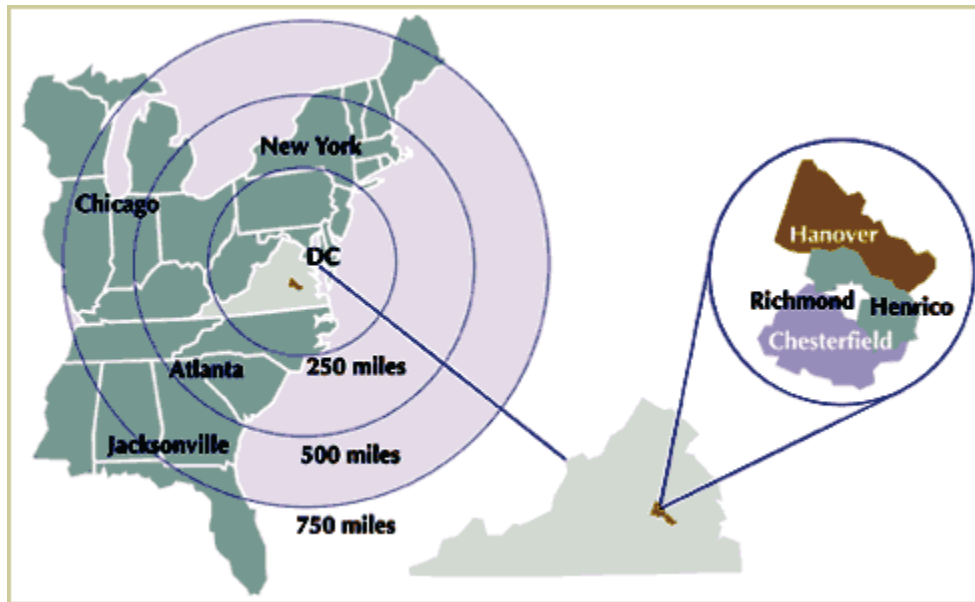
## **Profile of the County**

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

The County currently employs the traditional board form of County government with a county administrator. Policies governing the administration of the County are set by a seven-member Board of Supervisors elected from seven magisterial districts. This body also has responsibility

for appointing the county administrator. The County has taxing powers subject to statewide restrictions and tax limits.

Located in central Virginia 15 miles north of the City of Richmond, the County's 471 square miles lies in the Commonwealth's Piedmont and Coastal regions. Hanover is bordered by the Counties of Caroline, King William, New Kent, Henrico, Goochland, Spotsylvania and Louisa and by the Pamunkey, North Anna and Chickahominy Rivers. Home of the internationally renowned Hanover tomato, the County also offers both historic houses and the latest new home developments with a balance between residential, commercial, industrial and agricultural tax bases.



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

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

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

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

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

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

The County's Department of Public Utilities operates and maintains public water and sanitary sewer systems in the "Suburban Service Area" (the crescent-shaped area north of the Chickahominy River, generally between Route 1 and Creighton Road and includes the Town of Ashland), the Doswell area, the Route 33 area, and the Hanover Courthouse area. The County provides utility service to approximately 19,500 water and 17,700 wastewater customers.

The County provides education through its own school system administered by the Hanover County School Board (the School Board) and promotes industry through the Economic Development Authority (the EDA). These agencies have been classified as discretely presented component units in the financial reporting entity because the School Board administers its own appropriations within the categories defined by the Commonwealth of Virginia. The Board of Supervisors' (the Board) financial accountability over the School Board includes appropriating the annual budget by fund and approving transfers between education funds, authorizing school debt issuances and appointing School Board members. The EDA has the power to issue tax-exempt industrial development revenue bonds to qualifying enterprises wishing to utilize that form of financing. Those bonds representing limited obligations of the EDA are to be repaid solely from the revenue and receipts derived from the projects funded with the proceeds. The debt outstanding does not constitute a debt or pledge of the faith and credit of the County or the EDA.

The annual budget serves as the foundation of the County's financial planning and control. All agencies of the County generally submit requests for appropriation to the County Administrator on or before December 1 each year. The County Administrator uses these requests as the

starting point for developing a proposed budget. The County Administrator then presents the proposed budget to the Board. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the County's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., Sheriff's office) with the appropriations resolution adopted by the Board of Supervisors placing legal restrictions on expenditures at the fund level.

Board of Supervisors approval is required for transfers of \$25,000 or more between department budget categories of personnel, operating, and capital, and any transfers increasing the County's total appropriated budget. The County Administrator can authorize transfers within department budget categories of personnel, operating, and capital, and for amounts up to \$25,000, between departmental budget categories. The School Board is authorized to transfer budgeted amounts within the school funds, with any transfer that increases total revenues requiring subsequent Board of Supervisors approval. Budget-to-actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 39 as part of the basic financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented in the Supplementary Information subsection of this report, which starts on page 75.

### **Factors Affecting Financial Condition**

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

#### **Local economy:**

Based on its proximity to Richmond and its rural character, the County has been an attractive location for businesses relocating or expanding and for real estate developers interested in the opportunities in residential markets. The County is primarily served by Interstates 95 and 295, with Interstate 95 connecting the County to the metropolitan Richmond area to the south and providing the passage to Washington, D.C., to the north. Interstate 295 connects the east and west portions of the County together and represents the northern "loop" around the metropolitan Richmond area.

The County continues to attract and maintain diverse sectors of employment. Historically, the County's major employment sectors have been in services, retail and wholesale trade, and construction. The County has benefited from the stability each of these sectors has maintained in terms of each sector's percentage of total employment. This characteristic has contributed to the continuation of Hanover's lowest unemployment rate in the Richmond region at 2.5% for calendar year 2006. Hanover also enjoys a high per capita income and median household income with both higher than the state or national average.

General property tax collections were over budget by \$1.5 million and sales tax collections were at budget estimates for fiscal 2007. Property values continue to be strong with a real property assessment growth of 16.4% for 2007. Sales tax revenue growth continued at 6.8% in fiscal year

2007. The real property tax rate was lowered from \$0.86 per 100 of assessed value to \$0.81 cents for the 2007 tax year, which includes fiscal year 2007 collections for the June 5, 2007, due date. Hanover continues to have the lowest tax rate in the region combined with an overall positive economic environment that has enabled the County to continue to thrive economically. Further indicators of continued economic strength and strong financial condition are as follows:

- The tax base grew by 10.9% last year. Tax collections remained strong in 2006-07. The County collected 96.4% of the tax levy within the fiscal year.
- The County continues to see increasingly high median new home sales prices with the new home median sales price at \$386,500, a 10.5% increase over the prior year sales price of \$349,700. The average assessed value of a house in the County is \$255,600, a 17.5% increase over the prior year.
- The County maintained its strong bond ratings of AAA from Fitch Rating Services, AA+ from Standard & Poor's and Aa1 from Moody's. The County is the smallest county by population in the United States to receive a rating of AAA from Fitch Ratings.
- The population growth rate was 1.6%, with a total estimated population of 100,721 at July 2007.

To internally assess our financial health, the County has traditionally tracked State-published indicators of fiscal stress and median adjusted gross income. The most recent State report shows the County with the 12<sup>th</sup> lowest level of fiscal stress, which is the same ranking as the previous year. The County's median adjusted gross income of \$41,554 is the 10<sup>th</sup> highest, which is down from the 8<sup>th</sup> highest in the prior year. A component of the fiscal stress index is a locality's tax rate compared to State-wide averages, with low tax rate jurisdictions assigned a lower stress as they would appear to have the greater capacity to raise their taxes. The preceding economic highlights are not only very strong indicators of fiscal health, but also indicative of the traditionally strong indicators that the County has maintained or improved over many years.

### **Economic development update:**

As the County continues to mature and grow, the Board maintains its focus on long-range strategic planning. The Board of Supervisors' adopted Economic Development Strategic Plan encourages and supports growth of existing and future businesses. This plan outlines the County's four major economic development goals: expansion of the tax base, economic stability, job retention, and job creation. The plan identifies target industries, utilization of incentives, the establishment of economic development zones for infrastructure enhancement, and revisions to County's development regulations. In 2006 the Board completed a competitiveness analysis of the County's economic development program and identified the provision of infrastructure for economic development as a top priority in the 2007 Comprehensive Plan update.

A major objective of the Economic Development Strategic Plan was the establishment of five Economic Development Zones (EDZ). The purpose of these zones is to give priority consideration for development of infrastructure and fast track permitting to support new and expanding industrial and office projects in the County. Selection of the EDZs was based on

several factors: Comprehensive Plan designation, site location, cost to serve the site with infrastructure, the amount of product currently available for sale, and the level of private sector activity occurring in the area. A sixth Economic Development Zone was added by the Board as a part of the recent Comprehensive Plan update. The County's commercial tax base continues to grow through a combination of existing business expansions and new business attraction.

In the past five years, the County has added over 600 acres of zoned property in three business parks—Winding Brook, Northlake Business Park, and Bell Creek Business Park and are now generating revenue for the County and creating high-quality employment opportunities for residents. Owens & Minor, a Fortune 500 company, has relocated its home office from Henrico County to the Atlee Station office park. Approximately 500 people are employed at the Hanover office. Nearly one million square feet of office and commercial space has been added to Winding Brook, Northlake Business Park, Bell Creek Business Park, and the Crescent Business Center in Lakeridge Business Park during the past five years. Bass Pro Shops will open a 150,000 square foot retail store at Winding Brook by October 2008. The Bass Pros project includes the extension of the Lakeridge Parkway from its current terminus to Lakeridge Industrial Park, which will interconnect the Lewistown Road and Atlee/Elmont interchanges. Completion of the improvements at the Atlee/Elmont interchange has opened up approximately 350 acres of new land for retail, hotel, commercial and industrial development. A new Home Depot was opened at this location in 2005 and Gander Mountain opened a 67,000 square foot outdoor sports store in September 2007. Also, the completion of the North Lakeridge Parkway extension to U.S. Rt. 1 in 2006 opened up an additional 200 acres for development. From 2003 through September 2007, commercial and industrial development has represented 30 percent of the total value of building permits issued in Hanover.

The County continues to position itself well for economic development in the region. The County has the lowest property tax rate; no business, professional and occupational tax (BPOL); high residential wealth and education (i.e., customers and employees); available commercial and industrial sites; and water and wastewater capacity. In addition, the County utilizes comprehensive planning that targets business development for appropriate areas while maintaining a high quality of residential, forestal, and agricultural uses in other parts of the County.

### **Long-term financial planning:**

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

- Capital Improvements Program (CIP): The CIP is the County's plan for investing in facilities, equipment, and vehicles over the next five years, and includes those items with a unit cost greater than \$50,000. The fiscal year 2008 capital budget for County and School projects, including Public Utilities, is \$43.4 million. This budget includes \$18.1 million of projects approved in the 2005 referendum. The County budget policies recommend the use

of “pay-as-you-go” funding of 10% or more, to recognize the need to balance the use of debt with the use of other resources for funding. The fiscal year 2008 County and School Five-Year CIP includes 42.2% in “pay-as-you-go” funding (from non-debt sources). The CIP recognizes the continued accumulation and utilization of the School and County Savings Plan.

- **Bond Referendum:** A referendum for \$95.1 million was included on the November 2005 ballot in the form of three questions; one each for school, public safety and parks and library projects. The referendum approval ratings were some of the highest in the State, ranging from 79.2% for schools to 73.2% for parks and library projects. Hanover voter turnout was the fifth highest in the State and demonstrated strong support of the CIP. Of the \$95.1 million of debt that was approved by the voters, the first issuance of \$21.1 million was sold in October 2006.
- **Five-Year Financial Plan:** The County’s Five-Year Financial Plan represents the County’s attempt to quantify the impacts of future needs, matched with a projection of available resources for the General Fund. Each year this plan is adopted by the Board of Supervisors, thereby indicating to the public the County’s expected tax rates, operating costs, capital improvements, debt service requirements, school allocations and service level plans. The plan is illustrated with detailed assumptions in a separate section of the budget document. Generally, the plan seeks to maintain or enhance all current budgetary objectives and Board adopted initiatives. The County’s conservative revenue forecasting has enabled it to meet future targets.

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

### **Cash management policies and practices:**

The County Treasurer is responsible for investing County funds. Investments and deposits during the year consisted of a variety of securities, durations and increments as allowable by the Code of Virginia and further restricted by the County’s investment policy. These allowable investments include savings accounts, certificates of deposit, U. S. agency securities, corporate notes, banker’s acceptances, commercial paper, money market accounts, mutual funds, state bonds, local bonds, mortgage-backed securities and repurchase agreements. The County Treasurer and Board of Supervisors have a jointly adopted investment policy that seeks to safeguard principal, meet liquidity objectives and seek fair value rates of return.

### **Risk management:**

The County utilizes insurance companies/agencies/pools to provide worker’s compensation, property, auto, liability, inland marine, boiler and crime insurance. The County has experienced favorable loss ratios. In addition, the County provides various surety bond coverage as required under regulations and at industry-recommended desired levels.

The County is a participating member in the Virginia Municipal Group Self Insurance Association and the School Board is a participating member in the School Systems of Virginia Self Insurance Program, with both of these entities providing workers' compensation coverage in compliance with the Virginia Workers' Compensation Statute. The County insures most of its other exposures through the Virginia Municipal Liability Pool. These entities are non-profit insurance pools created to provide local governmental entities with a stable insurance market for workers' compensation, property, and liability coverages, to reduce the cost of insurance for local governments, and to improve risk management and loss prevention programs. As a member of the insurance pools, the County is eligible to receive annual dividends, which represent a return of premiums, based upon the County's individual loss experience, the overall performance of the pools, and the relative premium size of the pool members. The School Board is insured by Utica Mutual Insurance Company, Republic Franklin Insurance Company, and VARISK 2.

The risks of loss to which the County is exposed include, but are not limited to, property loss – both fixed and mobile, boiler and machinery equipment breakdown, general liability, personal injury, vehicle liability, theft, embezzlement, sexual harassment, age and sex discrimination, zoning, false arrest, illegal searches, slander, and building code enforcement. The ways in which these risks of loss are managed and mitigated include, but are not limited to, insurance, insurance consulting services, and safety policies. The various pools have loss prevention departments to help the County administer its loss prevention program. The County had no reduction in insurance coverage from the previous fiscal year in any category of risk that would increase liability, and also had no settlements greater than insurance coverage. The County has a Risk Manager who, with the County's insurance coordinator and insurance consultant, oversees the areas of risk identified and manages this risk in order for the County to further strengthen its risk management program.

#### **Pension and other post-employment benefits:**

The County is a participant in the Virginia Retirement System (VRS), a defined benefits plan pension system, for which the County contributes a percentage of a qualifying County employee's salary to the VRS. The VRS is responsible for setting the contribution rate and making retirement payments in accordance with the established plan. In addition, the County provides access to Section 457 and/or Section 403(b) retirement investment programs, as applicable. These plans are funded through employee deductions, and administered in accordance with adopted policies and regulations.

#### **Major initiatives and accomplishments:**

The County adopted the Comprehensive Plan for 2007-2027 in March 2007, a Public Safety Strategic Plan in April 2007 and a Human Services Strategic Plan in May 2007. The development and subsequent adoption of all of these plans involved the resources of numerous departments throughout the County. Strategic plans allow for the alignment of our efforts and establish common goals for all departments to strive to achieve.

During fiscal year 2007, the establishment of the Lewistown Community Development Authority (CDA) was approved by the Board. This 184 acre CDA is financing \$28.5 million of public improvements that will include roads, stormwater management and a park. The CDA bonds will be repaid from special real property taxes and a portion of incremental taxes being generated.

The school system continues to be recognized for superior achievements. The system is ranked in the top 5% in Virginia for student achievement, has one of the lowest drop out rates in the State (<1%) and has earned ten U.S. Dept. of Education Blue Ribbons for Excellence, including three No Child Left Behind (NCLB) Blue Ribbon Awards. One hundred percent (100%) of all Hanover schools are fully accredited. In 2006-2007, the school district opened its twenty-second and twenty-third schools, Kersey Creek Elementary and Georgetown School, an alternative education center. Laurel Meadow Elementary School and a Trades School are currently under construction and are scheduled to open in September 2008.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. The County has received this prestigious award each fiscal year since 1985. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2007-2008. The County has received this prestigious award each fiscal year since 1990. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Hanover County was also recognized by the National Association of Counties (NACo) in fiscal year 2007. The County was awarded two 2007 NACo Achievement Awards. The awards included the Sheriff's Office "Crime Management Initiative" and the Hanover Veterans Memorial that was coordinated by the Parks and Recreation Department. The Hanover Veterans Memorial was the result of work completed by an all-volunteer Hanover Veterans Memorial Committee that was established by the Board.

The County has received many awards and acknowledgements over the past year that recognizes the superior quality of life in Hanover. The County was named one of the nation's "100 Best communities for Young People" by "America's Promise—The Alliance for Youth" in January 2007. This award was received after a nationwide competition involving hundreds of communities.

Mechanicsville, an area in the County, was ranked by Money Magazine in its July 2007 issue as one of the Country's Top 100 Best Places to Live. Communities were ranked by job, income and cost-of-living data; housing affordability; school quality; arts and leisure opportunities; ease of living; health-care access; and racial diversity. Hanover was also recognized by Forbes Magazine as one of the 100 best school systems in the top 50 counties for providing the "biggest bang for the bucks" in terms of student performance compared to taxpayer costs. Finally, the County was identified by the Census Bureau as having the lowest poverty rate in the nation for a jurisdiction of its size.

The County utilizes its website [www.co.hanover.va.us](http://www.co.hanover.va.us) for a variety of purposes, which include presentation of the audit report and budget document. The budget document serves as the best source of information for County accomplishments, new initiatives and changes in service levels. In addition, the website provides many other topics of interest to County residents and service providers, and provides an excellent forum to recognize outstanding employees and their accomplishments. While many of those accomplishments could also be highlighted in this report, the remainder of this report will focus on the County's fiscal year 2007 results of operations and on an analysis of the financial statements.

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

Respectfully submitted,

Cecil R. Harris, Jr., County Administrator

Terry S. Stone, Director of Finance



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Hanover  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

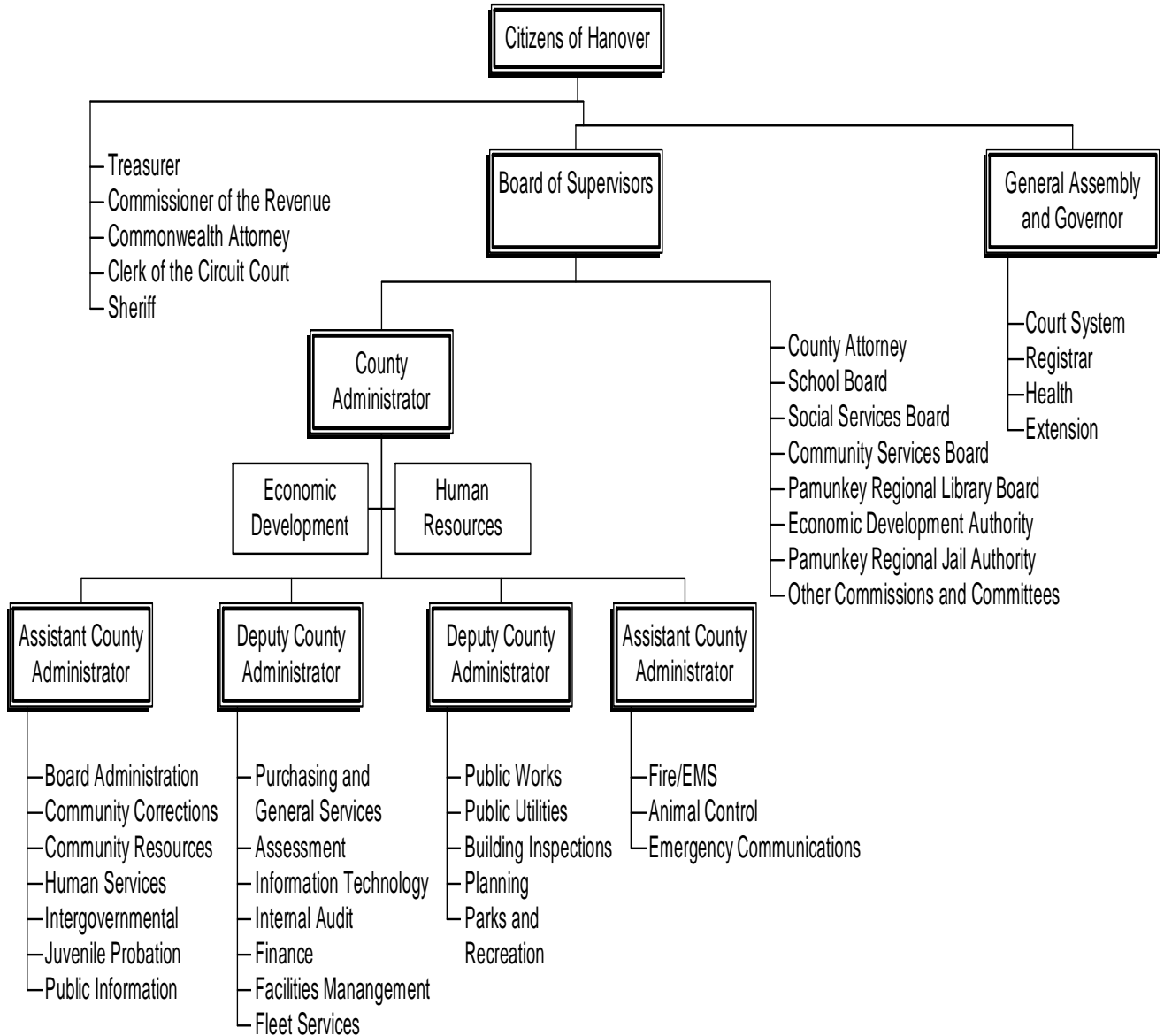
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# County of Hanover, Virginia Organizational Chart



**DIRECTORY OF PRINCIPAL OFFICIALS**  
**June 30, 2007**

Board of Supervisors

Robert R. Setliff, Chairman  
Aubrey M. Stanley, Jr., Vice Chairman  
Timothy E. Ernst  
John E. Gordon, Jr.  
Charles D. McGhee  
Elton J. Wade, Sr.  
J. T. "Jack" Ward

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

Constitutional Officers

T. Scott Harris  
M. Scott Miller  
Kirby H. Porter  
Col. V. Stuart Cook  
Frank D. Hargrove, Jr.

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

County Administrative Officials

Cecil R. Harris, Jr.  
Sterling E. Rives, III  
Joseph P. Casey  
John H. Hodges  
Marilyn J. Blake  
Cecil V. Martinette, Jr.  
Terry S. Stone

County Administrator  
County Attorney  
Deputy County Administrator  
Deputy County Administrator  
Assistant County Administrator  
Assistant County Administrator  
Director of Finance

School Board

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

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

School Administrative Officials

Dr. Stewart D. Roberson  
Michael E. Thornton  
Dr. Jamelle S. Wilson  
Charla S. Cordle  
Dr. Wade A. Valentino  
Robin K. Corson

Superintendent of Schools  
Asst. Superintendent for Business and Operations  
Asst. Superintendent of Instructional Leadership  
Asst. Superintendent of Human Resources  
Asst. Superintendent of Support Services  
Director of Financial Operations



## **FINANCIAL SECTION**



## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Hanover's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia as of June 30, 2007, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2007 on our consideration of the County of Hanover, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Schedule of Funding Progress for a Defined Benefit Plan are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

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

*Cherry, Beckett & Holland, L.L.P.*

Richmond, Virginia  
November 14, 2007

## **County of Hanover, Virginia Management's Discussion and Analysis**

As management of the County, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-11 of this report.

### **Financial Highlights**

- The assets of the County exceeded its liabilities at the close of fiscal year 2007 by \$285.6 million (*net assets*). Of this amount, \$66.1 million (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$27.6 million, of which the governmental activities increased by \$18.7 million and business-type activities increased by \$8.9 million.
- As of the close of fiscal year 2007, the County's governmental funds reported combined ending fund balances of \$59.1 million, an increase of \$12.5 million from prior year. Of the \$59.1 million total, 82.5% (\$48.8 million) is available for spending at the County's discretion (unreserved fund balance).
- Undesignated fund balance for the General Fund was \$22.5 million, or 12.3% of total General Fund revenues, representing an increase of \$1.2 million. This exceeds the County's undesignated fund balance policy minimum of 10% of total General Fund revenues.
- The County's total debt increased by \$10.2 million (5.8%) during fiscal year 2007. The net increase was a result of the issuance of \$35.5 million of general obligation bonds in October 2006, of which \$21.1 million was new debt, less principal payments of \$11.1 million and debt refunding of \$14.4 million. The new debt was approved in the November 2005 referendum to fund capital projects for public safety, parks and library, and schools. The remaining balance of \$14.4 million was issued to refund the County's Series 1997 general obligation bonds and advance refund the County's Series 2000 general obligation bonds.
- The County established a new enterprise fund (the Airport Fund) to account for the operating, capital and financing activities of the Hanover County Municipal Airport in fiscal year 2007. The financing activity includes the issuance of \$1.8 million of revenue bonds in March 2007 for the construction of hangars. The debt service will be funded solely by pledged hangar rental income collected by the airport's fixed base operator. As required by Governmental Accounting Standards Board Statement No. 34, the beginning net assets of governmental and business-type activities have also been restated to report the airport capital assets and liabilities within the Airport Fund, a business-type activity, as of the beginning of fiscal year 2007.

### **Overview of the Financial Statements**

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other activities that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government administration; judicial administration; public safety; public works; human services; parks, recreation and cultural; community development; education; and interest on long-term debt. The business-type activities consist of public utilities and airport.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate economic development authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 34-35 of this report.

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

**Governmental funds** are used to account for essentially the same functions reported as governmental *activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

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

The County maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the County Improvements Fund and the School

Improvements Fund; all three of which are considered to be *major funds*. Data from the other two County funds, Comprehensive Services Fund and Community Services Fund, are combined into a single, aggregated presentation. Individual fund data for each of these *nonmajor* governmental funds is provided in the form of *combining statements* elsewhere in this report. The County adopts an annual appropriated General Fund budget, for which a budgetary comparison statement has been provided to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 36-39 of this report.

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

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report. The basic proprietary fund financial statements can be found on pages 40-42 of this report.

***Fiduciary funds*** are used to account for resources received and held in a fiduciary capacity for the benefit of individuals, private organizations, or other governments. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. However, the County is responsible for ensuring fund assets are used for their intended purpose. A separate statement of fiduciary net assets can be found on page 43 of this report, while a statement of changes in assets and liabilities for fiduciary funds is provided on page 92.

**Notes to the financial statements:** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-71 of this report.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension benefits to its employees. This required supplementary information can be found on page 73 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the pension-related required supplementary information. Combining and individual fund statements and schedules can be found starting on page 75 of this report.

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

## Government-wide Financial Analysis

As noted earlier, over time, changes in net assets may serve as a useful indicator of a County's financial position. Of interest, the County's assets exceeded liabilities by \$285.6 million at the close of fiscal year 2007. By far the largest portion of the County's net assets (\$206.5 million, 72.3% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens, like water and wastewater services, schools, libraries, law enforcement, and fire and emergency medical services. Consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the County's investment in capital assets is of a permanent nature, as assets acquired are generally not sold or otherwise disposed of during their useful life).

An additional portion of the County's net assets (\$13.0 million, 4.6% of total) represents resources that are subject to external restrictions on how they may be used, including amounts restricted for road building, stormwater management, school construction, grant programs and debt service. The remaining balance of unrestricted net assets (\$66.1 million, 23.1% of total) may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of fiscal year 2007, the County is able to report positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities. As noted previously, the County's net assets increased by \$27.6 million during fiscal year 2007. The \$18.7 million increase in net assets of governmental activities is the result of a combination of an 11.7% growth in general property tax revenue; an education surplus of \$2.8 million; cash investment in capital assets; and strong debt principal retirement practices. Of the \$2.8 million education surplus, \$1.2 million was earmarked as a funding source for the fiscal year 2008 School Improvements Fund budget and an additional \$1.2 million was reserved for future capital improvements. The \$8.9 million increase in net assets of business-type activities includes \$5.6 million of donated capital assets accepted into the public utility system. The remaining utility fund net assets increase resulted from non-operating capacity fees, which help to offset cost of existing capital.

The following tables summarize the County's Statement of Net Assets and Statement of Activities:

**Summary of Net Assets**

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 119,149,317	99,563,970	32,187,833	29,835,728	151,337,150	129,399,698
Capital assets	200,885,039	185,725,161	184,642,235	178,514,532	385,527,274	364,239,693
Total assets	<u>320,034,356</u>	<u>285,289,131</u>	<u>216,830,068</u>	<u>208,350,260</u>	<u>536,864,424</u>	<u>493,639,391</u>
Long-term liabilities outstanding	152,458,301	141,816,730	42,205,475	42,413,551	194,663,776	184,230,281
Other liabilities	54,408,138	49,011,191	2,191,625	2,379,120	56,599,763	51,390,311
Total liabilities	<u>206,866,439</u>	<u>190,827,921</u>	<u>44,397,100</u>	<u>44,792,671</u>	<u>251,263,539</u>	<u>235,620,592</u>
Net assets (as restated):						
Invested in capital assets, net of related debt	61,976,094	57,948,370	144,494,562	145,855,364	206,470,656	203,803,735
Restricted	9,599,544	7,058,772	3,445,443	3,716,918	13,044,987	10,775,690
Unrestricted	41,592,279	29,454,068	24,492,963	13,985,307	66,085,242	43,439,375
Total net assets	<u>\$ 113,167,917</u>	<u>94,461,210</u>	<u>172,432,968</u>	<u>163,557,589</u>	<u>285,600,885</u>	<u>258,018,799</u>

Certain amounts for FY 2006 have been restated for comparability to FY 2007 amounts

**Summary of Activities**

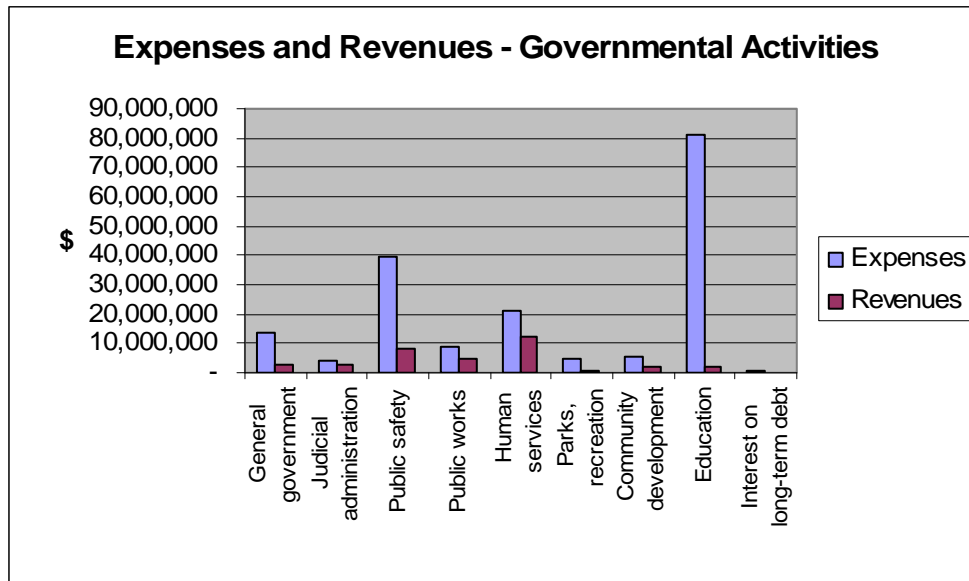
	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 13,833,301	14,696,970	19,618,120	19,226,205	33,451,421	33,923,175
Operating grants and contributions	15,408,252	14,310,471	-	75,300	15,408,252	14,385,771
Capital grants and contributions	5,902,858	7,205,048	10,776,808	8,495,258	16,679,666	15,700,306
General revenues:						
Property taxes	117,152,314	104,905,885	-	-	117,152,314	104,905,885
Other taxes	27,952,788	28,190,135	-	-	27,952,788	28,190,135
Noncategorical State aid	14,895,053	15,674,963	-	-	14,895,053	15,674,963
Grants and contributions	849,714	1,144,348	-	-	849,714	1,144,348
Other	1,790,177	1,430,959	1,015,229	588,383	2,805,406	2,019,342
Total revenues	<u>197,784,457</u>	<u>187,558,779</u>	<u>31,410,157</u>	<u>28,385,146</u>	<u>229,194,614</u>	<u>215,943,926</u>
Expenses:						
General government	13,312,730	12,118,463	-	-	13,312,730	12,118,463
Judicial administration	3,930,945	3,978,959	-	-	3,930,945	3,978,959
Public safety	39,333,719	35,956,589	-	-	39,333,719	35,956,589
Public works	8,741,705	9,570,693	-	-	8,741,705	9,570,693
Human services	21,269,844	19,849,312	-	-	21,269,844	19,849,312
Parks, recreation and cultural	4,732,962	5,260,603	-	-	4,732,962	5,260,603
Community development	5,306,364	4,878,481	-	-	5,306,364	4,878,481
Education	81,203,331	83,003,947	-	-	81,203,331	83,003,947
Interest on long-term debt	627,078	314,867	-	-	627,078	314,867
Public utilities	-	-	22,688,647	21,848,595	22,688,647	21,848,595
Airport	-	-	465,203	-	465,203	-
Total expenses	<u>178,458,678</u>	<u>174,931,914</u>	<u>23,153,850</u>	<u>21,848,595</u>	<u>201,612,528</u>	<u>196,780,509</u>
Increase in net assets before transfers	19,325,779	12,626,865	8,256,307	6,536,551	27,582,086	19,163,416
Transfers	(619,072)	-	619,072	-	-	-
Increase in net assets	18,706,707	12,626,865	8,875,379	6,536,551	27,582,086	19,163,416
Net assets - beginning of year (as restated)	94,461,210	81,834,345	163,557,589	157,021,038	258,018,799	238,855,383
Net assets - end of year	<u>\$ 113,167,917</u>	<u>94,461,210</u>	<u>172,432,968</u>	<u>163,557,589</u>	<u>285,600,885</u>	<u>258,018,799</u>

Certain amounts for FY 2006 have been restated for comparability to FY 2007 amounts.

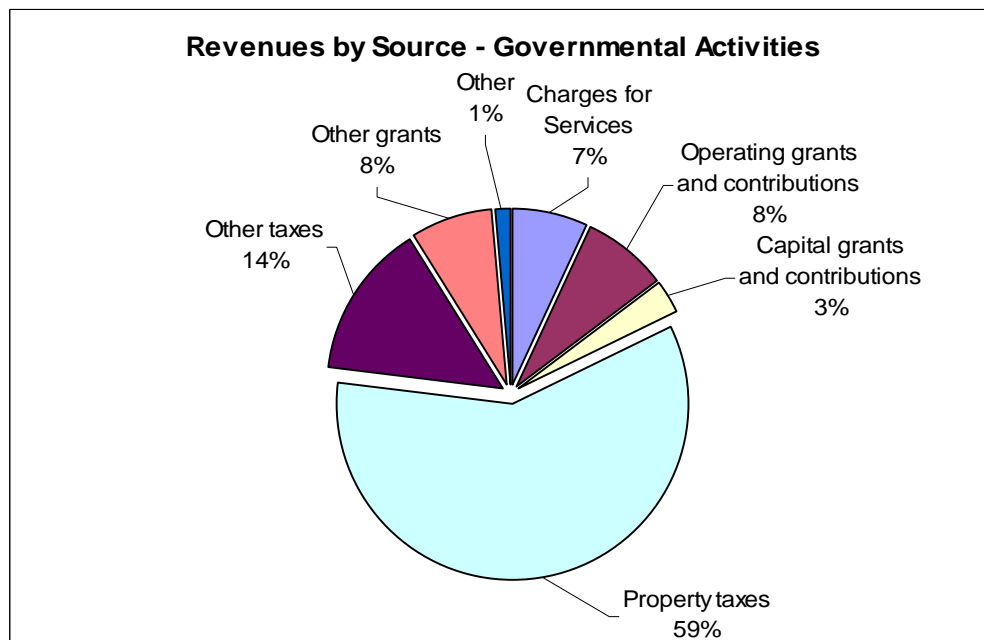
As noted previously, the increase in net assets attributable to the County's **governmental activities** totaled \$18.7 million for fiscal year 2007. Generally, net asset changes are the result of the difference between revenues and expenses. Fiscal year 2007 revenues of \$197.2 million represent an increase of \$9.6 million or 5.1% over the prior year, while expenses of \$178.5 million represent an increase of \$3.5 million or 2.0% compared to the prior year. A summary of key elements follows:

- General property taxes collections were \$117.2 million, representing an increase of \$12.2 million or 11.7%. The increase was primarily due to the continued growth in the tax base from new residential and commercial construction of 2.8%, reassessment of existing real property at 13.6%, net of a five cent real property tax reduction all for the 2007 tax year. The personal property tax revenue grew \$4.1 million or 22.0% primarily due to the elimination of an annual vehicle license decal fee and the changes to the "no car tax" program administered by the State. To offset the loss of decal revenue and the fixed State car tax relief, which previously grew with eligible vehicle value growth, the personal property assessment method was changed net of a seven cent tax rate reduction. The decal revenue was previously recognized in motor vehicle licenses and personal property tax relief from the State is recognized as non-categorical State Aid. The State remittance for personal property tax decreased by \$129,000 or 0.9% to \$15.0 million and will remain at this amount indefinitely.
- Charges for services decreased by \$864,000 to \$13.8 million. This 5.9% decrease is primarily the result of the January 1, 2007, implementation of the State's new telecommunications use tax which replaced the County's charges for service revenues of consumer utility tax for telecommunications, E911 tax and cable television. Fiscal year 2007 included \$2.0 million of State telecommunications use tax collections recognized as utility tax revenue. Operating grants and contributions totaled \$15.4 million, an increase of \$1.1 million or 7.7%. State grants and contribution revenue for fiscal year 2007 increased by \$428,000 for the Comprehensive Services Fund and \$216,000 for the Community Services Fund. An additional \$455,000 was received in Sheriff's Office federal grants.
- Capital grants and contributions totaled \$5.9 million as compared to \$7.2 million in fiscal year 2006. The \$5.9 million includes \$2.1 million of proffer collections and \$1.7 million of recovered revenue from developers for capital road projects. Capital grants and developer contribution collections vary by year based upon the construction activity of County and School capital projects.
- Expenses for general governmental administration increased \$1.2 million or 9.9%. Included in this increase was bond issuance expense of \$100,000, funding for new training programs, technology enhancements, vehicle purchases, and a new senior system engineer position in information technology.
- Expenses for public safety increased \$3.4 million or 9.4%. Public safety is a priority of the Board of Supervisors and this increase included seventeen new Fire/EMS positions, eight Sheriff's Office positions, and two Emergency Communications positions. Twelve of the seventeen new Fire/EMS positions were funded at 90% with a federal SAFER grant award in fiscal year 2007. The grant will provide partial funding for these positions for four years
- Expenses for human services increased \$1.4 million or 7.2%. This increase includes a \$755,000 increase in mandated expenses in the Comprehensive Services Fund offset by a \$428,000 increase in State funding and an increase in expenses in the Community Services Fund of \$468,000. The Community Services Fund provides mental health and mental retardation services to the citizens of the County.
- Expenses for education of \$81.2 million decreased by \$1.8 million, or 2.2% from the prior year. The decrease was the result of expenditure savings throughout the system in an effort to realize a year-end operating surplus that will be utilized to fund future capital improvement projects.

The following graph illustrates the County's fiscal year 2007 expenses and program revenues for each functional area comprising its governmental activities. Education expense represents the County's payment to its School Component Unit on the accrual basis.



The following graph illustrates the County's fiscal year 2007 governmental revenues by source as a percentage of the total.



The increase in the net assets attributable to the County's **business-type activities** totaled \$8.9 million for fiscal year 2007. Similar to changes in net assets attributable to governmental activities, changes in business-type activity net assets also result from the difference between revenues and expenses. However, unlike governmental activities, which rely primarily on general tax revenues to finance operations, business-type activities are financed to a significant extent by fees charged for goods and

services provided. The County's business-type activities consist of its water and waste-water treatment services, provided by its Public Utility Fund and airport operating and capital activities included in the Airport Fund.

Like all business-type activities, the County's Public Utility Fund attempts to recover as much of the operating expenses it incurs to meet service demands as possible through user charges. Nevertheless, Public Utility operating revenues were less than its operating expenses for fiscal year 2007, resulting in a net loss of \$1.5 million, primarily due to the recognition of depreciation expense on capital assets. Even with the operating loss, business-type activity net assets increased by \$7.7 million during fiscal year 2007, primarily due to non-operating capacity fees received of \$3.9 million and \$5.6 million of donated assets. A summary of relevant fiscal year 2007 financial results follows:

- The Department of Public Utilities implemented user fee increases of 6% for water and 5% for wastewater in fiscal year 2007. The methodology of the 2005 rate study aligns the cost for provision of water and sewer services to the appropriate user fee (charges for services) and calculates the value of a connection to the system (capacity fees) based upon the cost of current and future infrastructure.
- Charges for services totaled \$19.2 million, which were \$400,000 (1.9%) higher than fiscal year 2006. This increase was primarily due to the user fee increases and record demand for water during a seasonal drought, offset by lower than anticipated customer growth.
- Capacity fees totaled \$4.1 million, which were \$952,000 (18.8%) lower than fiscal year 2006. Residential building activity in the Suburban Service Area continues to be low, and commercial connections have moderated compared to the prior year's higher than anticipated commercial activity.
- Donated capital assets totaled \$5.6 million, and resulted from the construction of water and sewer lines by developers as part of residential and commercial development.
- Expenses totaled \$22.7 million, which were \$800,000 (3.8%) higher than fiscal year 2006. The moderate increase in expenses was primarily due to the net effect of the general inflation rate, increased depreciation expense, interest expense, and lower costs for water purchased from the City of Richmond and Henrico County.

The Airport Fund recognizes operating and capital expenses of the Hanover County Municipal Airport. The airport is a 210-acre facility located within the County's major industrial park near the intersection of I-95 and I-295. It is a general aviation reliever airport for the Richmond International Airport. The airport facilities are currently leased to a fixed base operator under a Lease and Management Agreement. In March 2007 a taxable airport revenue bond, Series 2007, was issued in the amount of \$1,795,000. The bond proceeds will be used to construct and equip five new hangars at the airport. The fixed base operator will lease the hangars and remit sufficient revenues to the County to pay the annual debt service. In addition to the revenues and debt service expense, this fund also recognizes the operating cost of one airport manager position, depreciation expense, and grant revenues received for airport capital improvement projects. The Airport Fund recognized an operating loss of \$407,000 due to the recognition of depreciation expense on capital assets and a positive change in net assets of \$1.2 million for fiscal year 2007. The increase in net assets was primarily the result of intergovernmental revenues received in the amount of \$970,000 for funding capital projects.

## Financial Analysis of the County's Funds

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

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

As of the end of fiscal year 2007, the County's governmental funds reported combined ending fund balances of \$59.1 million, an increase of \$12.5 million in comparison with fiscal year 2006. Of the \$59.1 million, 82.5% (\$48.8 million) constitutes unreserved fund balance, which is available for spending at the County's discretion. The unreserved fund balance includes \$25.3 million designated as described in footnote V. B. on page 64. Fund balance of \$10.4 million is *reserved* to indicate that it is not available for new spending because it has already been committed to (1) liquidate contracts and purchase orders of the prior fiscal year for which funding has been received (\$9.6 million including grant programs), and (2) provide required debt reserves (\$770,000), and a portion has been reserved for inventory (\$10,400).

The General Fund is the primary operating fund of the County. The fund balance of the County's General Fund increased \$6.7 million during fiscal year 2007. At the end of fiscal year 2007, unreserved fund balance of the General Fund was \$35.1 million, while total fund balance reached \$36.2 million. As a measure of the General Fund's liquidity, it may be useful to compare fund balances to total fund revenues. Unreserved fund balance represents 19.2% of total General Fund revenues, while the total General Fund balance represents 19.8% of that same amount. Of General Fund unreserved fund balances, the \$22.5 million undesignated portion represents 12.3% of total General Fund revenues, and exceeds the 10% minimum per fund balance policy.

The fund balance in the County Improvements Fund increased \$9.3 million during fiscal year 2007. The unreserved fund balance is \$11.7 million and reserved fund balance \$7.8 million. The details of the unreserved, designated fund balance of \$11.3 million are described in footnote V.B. on page 64. The undesignated fund balance of \$392,591 is an increase of \$301,000 and is primarily the result of interest earnings on the debt construction account for the general obligation bonds that were issued in October 2006.

The fund balance of the School Improvements Fund decreased \$3.8 million during fiscal year 2007, primarily due to a reduction in outstanding encumbrances as of June 30<sup>th</sup> by \$2.7 million from prior year. Encumbrance balances vary due to the timing of expenditures for multi-year capital projects. The unreserved fund balance is \$1.4 million and reserved fund balance \$1.4 million. The undesignated fund balance of \$7,000 is a small decrease of \$21,000.

**Proprietary funds:** The County's proprietary funds financial statements provide the same type of information presented in the business-type activities on the government-wide financial statements, but in more detail. Public Utilities Fund total net assets increased \$7.7 million, or 5.0% during fiscal year 2007. The majority of the increase (72.7%), totaling \$5.6 million, consisted of capital assets contributed by developers of residential and commercial water and wastewater construction projects. Restricted net assets decreased by \$302,000 and unrestricted net assets increased \$10.3 million. The Airport Fund net assets increased by \$1.2 million for fiscal year 2007. A summary of proprietary operations for the year was previously provided in the discussion of business-type activities.

## Budgetary Highlights

General Fund budget amendments resulted in an increase of \$2.6 million between the original budget and the final budget, with \$1.8 million of the increase resulting from reappropriation of fiscal year 2006 year-end encumbered and unencumbered fund balance amounts for completion of ongoing projects in fiscal year 2007. Significant reappropriations included:

- \$182,000 for Sheriff's Office, primarily grant funding for equipment;
- \$181,000 for Clerk of Circuit Court unused grant funding for labor and supplies for microfilming initiative;
- \$148,000 for the Planning Department, primarily for encumbered professional services related to the Comprehensive Plan update.

The remaining \$800,000 in budget amendments was funded by various revenue sources. Significant amendments included:

- \$224,000 for Fire/EMS Department, to recognize the award of the SAFER grant to partially fund twelve firefighter positions;
- \$130,000 for Parks and Recreation Department to recognize additional program revenue from increased participation;
- \$150,000 for Reserve for Revenue increase to recognize grants, donations, and insurance recoveries received by various departments in excess of the original appropriation of \$160,000.

The County Improvements Fund budget amendments resulted in an increase of \$25.3 million between original and final budget, with \$14.7 million resulting from reappropriation of encumbered and unencumbered balances. Road capital projects made up \$8.6 million of the reappropriated balances. Other budget amendments included:

- \$6.5 million increase for the North Lakeridge road project that was funded with \$6.0 million of recovered cost from the developer and \$500,000 of state funding;
- \$4.2 million increase to recognize the Series 2006 debt proceeds and subsequent refunding of the Series 1997 general obligation bonds;
- \$3.2 million reduction in the budget to move the airport capital projects to the new airport fund;
- \$2.3 million increase for various road projects funded with \$1.4 million of recovered cost from the developers and \$941,000 of State funding.

The School Improvements Fund budget amendments resulted in an increase of \$19.7 million between original and final budget, including \$9.0 million in reappropriation of encumbered and unencumbered balances. The Kersey Creek Elementary School project, including road improvements, reappropriations totaled \$4.4 million and \$2.2 million was for mechanical and roof improvements. A budget amendment for \$10.0 million was authorized to recognize the Series 2006 debt proceeds and subsequent refunding of the Series 2000 general obligation bonds.

## Capital Asset and Debt Administration

**Capital assets:** The County’s investment in capital assets for its governmental and business-type activities as of June 30, 2007, totals \$385.5 million, net of accumulated depreciation. This represents an increase of \$21.3 million or 5.8% over fiscal year 2006. The investment in capital assets includes land, buildings, improvements, infrastructure (primarily stormwater drainage basins), machinery and equipment and construction in progress. State law grants the County a *tenancy in common* with the School Component Unit for School capital assets for which the County incurs an obligation payable over more than one fiscal year, under which the County reported net capital assets of \$126.4 million at year-end. Major capital asset events during fiscal year 2007 included the following:

- Governmental activities construction in progress includes the reduction of \$13.2 million for Kersey Creek Elementary School that was completed in fiscal year 2007. The final project was capitalized at \$18.8 million. This reduction was offset by the addition of \$10.7 million for Laurel Meadow Elementary School that is under construction in fiscal year 2007.
- Business-type activity capital assets increased \$15.8 million (net of accumulated depreciation), of which \$4.9 million was in the Public Utility Fund and primarily consisted of completed and in-progress water infrastructure projects, and \$10.7 million consists of Airport Fund capital assets, of which \$9.6 million was reclassified from governmental activities capital assets upon establishment of the Airport Fund in fiscal year 2007, and \$1.1 million represents airport construction activity.

Additional information on the County’s capital assets can be found in note IV. C. on pages 56-58 of this report. Capital assets net of accumulated depreciation are illustrated in the following table:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	2007 <u>Total</u>	2006 <u>Total</u>
Land	\$ 8,601,076	9,914,501	18,515,577	16,719,489
Buildings and systems	160,364,478	59,787,693	220,152,171	186,489,154
Improvements other than buildings	3,239,705	108,143,363	111,383,068	105,580,626
Machinery and equipment	11,720,668	995,048	12,715,716	12,965,087
Infrastructure	13,536,624	-	13,536,624	13,694,985
Construction in progress	<u>3,422,488</u>	<u>5,801,630</u>	<u>9,224,118</u>	<u>28,790,352</u>
Total	<u>\$ 200,885,039</u>	<u>184,642,235</u>	<u>385,527,274</u>	<u>364,239,693</u>

**Long-term debt:** At the end of fiscal year 2007, the County had total bonded debt outstanding of \$185.7 million. Of this amount, \$141.6 million comprises debt backed by the full faith and credit of the County. The remainder of the County’s debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds, obligations under capital leases). The County’s total debt increased during fiscal year 2007 by \$10.2 million (5.8%). The net increase was primarily a result of \$21.1 million issued for County and School capital projects that were approved on the November 2005 referendum, less principal payments. The County is in compliance with all debt policy requirements as illustrated on pages 122 and 124 in the Statistical Section of this report.

In the Commonwealth of Virginia, there is no State statute that limits the amount of general obligation debt a County may issue. Additional information on the County's long-term debt can be found in note IV. E. on pages 59-63 and in note V. G. on pages 70-71 of this report. The following table illustrates the County's outstanding debt at June 30, 2007:

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 141,593,792	-	141,593,792
Revenue bonds	-	40,509,437	40,509,437
Capital lease obligations	3,602,672	-	3,602,672
Total	<u>\$ 145,196,464</u>	<u>40,509,437</u>	<u>185,705,901</u>

### **Economic Factors and Next Year's Budgets and Rates**

The unemployment rate for the County in August 2007 was 2.6%, which is the same rate as a year ago. This rate compares favorably to the State's average unemployment rate of 3.1% and the national average rate of 4.6% for the same period.

The County recognizes the value of properly illustrating year-end commitments. Accordingly, the County has designated \$6.0 million of its unreserved General Fund balance at June 30, 2007 to fund a portion of the fiscal year 2008 General Fund budget, including \$2.3 million for one-time capital funding. Additionally, the County increased the Reserve for Capital Improvements by \$2.4 million and created a \$500,000 reserve for other post-employment benefits liability as of June 30, 2007. In this manner, the County is able to utilize all or portions of surpluses at the end of the current fiscal year as a source of funding in a subsequent year, while also meeting the County's fund balance policy and maintaining desired reserves for future needs.

In April 2007, the Board of Supervisors approved changes to the retiree health insurance program. The changes included establishing a minimum years of Hanover County service to be eligible to participate, retiree and spouse subsidies based upon the retiree's years of service, a maximum subsidy for dependents, a 3% growth rate for subsidies, and grandfathering criteria for current employees as of September 30, 2007. The changes were effective October 1, 2007. The County has had a preliminary GASB45 actuarial valuation performed and estimates an annual required contribution of approximately \$1.4 million based upon the October 1, 2007, program. As indicated previously, \$500,000 was reserved as of June 30, 2007, for the other post-employment benefits liability. Currently, the County has initiated an updated actuarial valuation and is reviewing trust options.

Also in April 2007, the Board of Supervisors approved a five cent decrease in the real property rate to offset a 13.6% growth in reassessment. The net effect of the rate reduction and the reassessment was a growth of 7.0%. A personal property tax rate reduction was also approved at that time for aircraft from \$1.00 per \$100 of assessed value to 50 cents. The reduction created a more competitive rate compared to the region and is projected to be revenue neutral due to an anticipated increase in the fleet. All other calendar year 2007 County general property tax rates remained at the same rates that existed for calendar year 2006. In fiscal year 2008, public utilities user fee increases include a 6.0% rate increase for water, a 5.0% increase for sewer, and a 4.0% rate increase for capacity fees.

## **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**COUNTY OF HANOVER, VIRGINIA**

Statement of Net Assets

June 30, 2007

	Primary Government			Component Units	
	Governmental	Business-type	Total	School	Economic Development Authority
	Activities	Activities			
<b>ASSETS</b>					
Current Assets:					
Cash, cash equivalents and investments	\$ 54,220,774	23,109,386	77,330,160	13,845,223	225,726
Receivables (net of allowance for uncollectibles)	57,073,641	4,188,810	61,262,451	4,373,178	-
Inventories	188,203	-	188,203	90,760	-
Total current assets	111,482,618	27,298,196	138,780,814	18,309,161	225,726
Noncurrent Assets:					
Cash, cash equivalents and investments - restricted	7,666,699	4,889,637	12,556,336	-	-
Capital assets (net of accumulated depreciation):					
Land	8,601,076	9,914,501	18,515,577	7,400,682	-
Buildings	160,364,478	59,787,693	220,152,171	54,247,673	-
Improvements other than buildings	3,239,705	108,143,363	111,383,068	2,530,233	-
Machinery and equipment	11,720,668	995,048	12,715,716	9,011,198	-
Infrastructure	13,536,624	-	13,536,624	-	-
Construction in progress	3,422,488	5,801,630	9,224,118	18,927,520	-
Total capital assets	200,885,039	184,642,235	385,527,274	92,117,306	-
Total noncurrent assets	208,551,738	189,531,872	398,083,610	92,117,306	-
Total assets	320,034,356	216,830,068	536,864,424	110,426,467	225,726
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	3,881,999	1,553,358	5,435,357	951,256	-
Incurred but not reported self-insurance claims	1,737,000	-	1,737,000	-	-
Accrued liabilities	2,414,434	207,574	2,622,008	13,782,033	-
Accrued bond interest	330,824	430,693	761,517	2,818,168	-
Unearned revenue	46,043,881	-	46,043,881	39,767	-
Current portion of bonds payable	11,647,475	2,109,103	13,756,578	-	-
Current portion of capital lease obligations	863,504	-	863,504	-	-
Current portion of compensated absences	3,523,227	366,735	3,889,962	2,185,145	-
Current portion of landfill closure	76,304	-	76,304	-	-
Current portion of contractual obligations	-	144,915	144,915	-	-
Current portion of early retirement liability	-	-	-	155,028	-
Total current liabilities	70,518,648	4,812,378	75,331,026	19,931,397	-
Noncurrent Liabilities:					
Bonds payable	129,946,317	38,400,334	168,346,651	-	-
Capital lease obligations	2,739,168	-	2,739,168	-	-
Compensated absences	1,075,312	101,575	1,176,887	1,769,172	-
Deposits	-	145,298	145,298	-	-
Capacity fee credits	-	144,508	144,508	-	-
Liability for landfill closure	2,586,994	-	2,586,994	-	-
Liability for early retirement program	-	-	-	1,228,252	-
Long-term contractual obligations	-	793,007	793,007	-	-
Total noncurrent liabilities	136,347,791	39,584,722	175,932,513	2,997,424	-
Total liabilities	206,866,439	44,397,100	251,263,539	22,928,821	-
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	61,976,094	144,494,562	206,470,656	92,117,306	-
Restricted for:					
Grant programs	720,662	-	720,662	-	-
Capital projects	8,108,860	3,445,443	11,554,303	-	-
Debt service	770,022	-	770,022	-	-
Unrestricted (deficit)	41,592,279	24,492,963	66,085,242	(4,619,660)	225,726
Total net assets	\$ 113,167,917	172,432,968	285,600,885	87,497,646	225,726

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

**COUNTY OF HANOVER, VIRGINIA**

Statement of Activities

For the Year Ended June 30, 2007

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			School	Economic Development Authority
					Governmental Activities	Business-type Activities	Total		
<b>Primary government:</b>									
Governmental activities:									
General governmental administration	\$ 13,312,730	2,313,953	562,368	-	(10,436,409)	-	(10,436,409)	-	-
Judicial administration	3,930,945	1,420,359	1,378,358	-	(1,132,228)	-	(1,132,228)	-	-
Public safety	39,333,719	2,954,680	4,897,366	212,032	(31,269,641)	-	(31,269,641)	-	-
Public works	8,741,705	899,047	15,327	3,664,754	(4,162,577)	-	(4,162,577)	-	-
Human services	21,269,844	3,550,827	8,554,833	-	(9,164,184)	-	(9,164,184)	-	-
Parks, recreation and cultural	4,732,962	547,094	-	210,980	(3,974,888)	-	(3,974,888)	-	-
Community development	5,306,364	2,147,341	-	-	(3,159,023)	-	(3,159,023)	-	-
Education	81,203,331	-	-	1,815,092	(79,388,239)	-	(79,388,239)	-	-
Interest on long-term debt	627,078	-	-	-	(627,078)	-	(627,078)	-	-
Total governmental activities	178,458,678	13,833,301	15,408,252	5,902,858	(143,314,267)	-	(143,314,267)	-	-
Business-type activities:									
Public utilities	22,688,647	19,584,259	-	9,778,697	-	6,674,309	6,674,309	-	-
Airport	465,203	33,861	-	998,111	-	566,769	566,769	-	-
Total business-type activities	23,153,850	19,618,120	-	10,776,808	-	7,241,078	7,241,078	-	-
Total primary government	\$ 201,612,528	33,451,421	15,408,252	16,679,666	(143,314,267)	7,241,078	(136,073,189)	-	-
<b>Component Units:</b>									
School	\$ 176,437,506	7,629,831	89,694,648	-	-	-	-	(79,113,027)	-
Economic Development Authority	190,953	205,315	-	-	-	-	-	-	14,362
Total component units	\$ 176,628,459	7,835,146	89,694,648	-	-	-	-	(79,113,027)	14,362
<b>General revenues:</b>									
Taxes:									
General property taxes					117,152,314	-	117,152,314	-	-
Sales taxes					17,352,664	-	17,352,664	-	-
Utility taxes					5,358,588	-	5,358,588	-	-
Recordation taxes					2,863,512	-	2,863,512	-	-
Other					2,378,024	-	2,378,024	-	-
Noncategorical State aid					14,895,053	-	14,895,053	-	-
Grants and contributions not restricted to specific programs					849,714	-	849,714	-	-
Payment from Hanover County					-	-	-	81,563,247	25,000
Unrestricted investment earnings					1,790,177	1,015,229	2,805,406	45,763	-
Transfers					(619,072)	619,072	-	-	-
Total general revenues and transfers					162,020,974	1,634,301	163,655,275	81,609,010	25,000
Change in net assets					18,706,707	8,875,379	27,582,086	2,495,983	39,362
Net assets - beginning (as restated)					94,461,210	163,557,589	258,018,799	85,001,663	186,364
Net assets - ending					\$ 113,167,917	172,432,968	285,600,885	87,497,646	225,726

35

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

**COUNTY OF HANOVER, VIRGINIA**

Governmental Funds

Balance Sheet

June 30, 2007

	General	Capital Funds		Other Governmental Funds	Total Governmental Funds
		County Improvements	School Improvements		
<b>ASSETS</b>					
Cash, cash equivalents and investments	\$ 33,468,732	14,119,197	2,014,506	96,739	49,699,174
Receivables (net of allowances for uncollectibles)	55,565,800	120,720	-	1,378,552	57,065,072
Due from other funds	27,000	-	-	-	27,000
Inventories	10,389	-	-	-	10,389
Cash, cash equivalents and investments - restricted	-	5,566,123	2,100,576	-	7,666,699
<b>Total assets</b>	<b>\$ 89,071,921</b>	<b>19,806,040</b>	<b>4,115,082</b>	<b>1,475,291</b>	<b>114,468,334</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,644,907	351,045	1,305,861	462,741	3,764,554
Accrued liabilities	2,029,921	-	-	316,775	2,346,696
Due to other funds	-	-	-	27,000	27,000
Deferred revenue	49,200,154	-	-	-	49,200,154
<b>Total liabilities</b>	<b>52,874,982</b>	<b>351,045</b>	<b>1,305,861</b>	<b>806,516</b>	<b>55,338,404</b>
Fund Balances:					
Reserved for:					
Encumbrances	542,452	7,012,998	1,428,961	45,000	9,029,411
Inventory	10,389	-	-	-	10,389
Grant programs	516,921	-	-	40,411	557,332
Debt service	-	770,022	-	-	770,022
<b>Total reserved</b>	<b>1,069,762</b>	<b>7,783,020</b>	<b>1,428,961</b>	<b>85,411</b>	<b>10,367,154</b>
Unreserved, reported in:					
Designated for specific purposes (Note V-B)					
General Fund	12,668,077	-	-	-	12,668,077
Capital Improvement Funds	-	11,279,384	1,373,200	-	12,652,584
Undesignated, reported in					
General Fund	22,459,100	-	-	-	22,459,100
Capital Improvement Funds	-	392,591	7,060	-	399,651
Other Governmental Funds	-	-	-	583,364	583,364
<b>Total unreserved</b>	<b>35,127,177</b>	<b>11,671,975</b>	<b>1,380,260</b>	<b>583,364</b>	<b>48,762,776</b>
<b>Total fund balances</b>	<b>36,196,939</b>	<b>19,454,995</b>	<b>2,809,221</b>	<b>668,775</b>	<b>59,129,930</b>
<b>Total liabilities and fund balances</b>	<b>\$ 89,071,921</b>	<b>19,806,040</b>	<b>4,115,082</b>	<b>1,475,291</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 200,680,014
Receivables on the statement of net assets that do not provide current financial resources are not reported in the funds	3,156,278
Internal Service Funds are used by management to charge the costs of fleet management and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	2,865,416
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(152,663,721)
Net assets of governmental activities	<u>\$ 113,167,917</u>

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

**COUNTY OF HANOVER, VIRGINIA**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the Year Ended June 30, 2007

	General	County Improvements	School Improvements	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Revenue from local sources:					
General property taxes	\$ 116,138,314	-	-	-	116,138,314
Other local taxes	27,952,788	-	-	-	27,952,788
Permits, privilege fees and regulatory licenses	2,840,734	-	-	-	2,840,734
Fines and forfeitures	979,511	-	-	-	979,511
Revenues from use of money and property	1,893,030	267,416	537,699	249,998	2,948,143
Charges for services	3,709,681	1,514,361	982,964	2,956,725	9,163,731
Miscellaneous	367,257	104,930	-	62,715	534,902
Recovered costs	2,914,622	1,747,740	-	239,436	4,901,798
Revenue from the Commonwealth	22,485,955	460,121	294,429	4,117,256	27,357,761
Revenue from the Federal government	3,482,868	42,539	-	718,227	4,243,634
Total revenues	<u>182,764,760</u>	<u>4,137,107</u>	<u>1,815,092</u>	<u>8,344,357</u>	<u>197,061,316</u>
<b>EXPENDITURES</b>					
Current:					
General governmental administration	12,238,580	760,268	-	-	12,998,848
Judicial administration	3,808,056	56,857	-	-	3,864,913
Public safety	37,555,907	2,801,530	-	-	40,357,437
Public works	6,851,615	1,510,379	-	-	8,361,994
Human services	6,801,591	8,300	-	14,643,451	21,453,342
Parks, recreation and cultural	5,379,769	1,184,769	-	-	6,564,538
Community development	5,313,263	-	-	-	5,313,263
Education	83,024,461	-	21,975,615	-	105,000,076
Debt service:					
Principal retirement	1,220,185	-	-	-	1,220,185
Interest and fiscal charges	292,753	121,454	39,348	-	453,555
Total expenditures	<u>162,486,180</u>	<u>6,443,557</u>	<u>22,014,963</u>	<u>14,643,451</u>	<u>205,588,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,278,580</u>	<u>(2,306,450)</u>	<u>(20,199,871)</u>	<u>(6,299,094)</u>	<u>(8,526,835)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	3,911,342	2,507,000	6,552,117	12,970,459
Transfers out	(13,589,531)	-	-	-	(13,589,531)
Issuance of general obligation bonds	-	7,440,000	13,710,000	-	21,150,000
Premium on general obligation bonds issued	-	138,186	199,573	-	337,759
Issuance of general obligation refunding bonds	-	3,965,000	10,395,000	-	14,360,000
Premium on general obligation refunding bonds issued	-	132,521	161,380	-	293,901
Payments to refunded bonds escrow agent	-	(3,978,102)	(10,560,601)	-	(14,538,703)
Total other financing sources (uses)	<u>(13,589,531)</u>	<u>11,608,947</u>	<u>16,412,352</u>	<u>6,552,117</u>	<u>20,983,885</u>
Net change in fund balance	6,689,049	9,302,497	(3,787,519)	253,023	12,457,050
Fund balances - beginning	29,507,890	10,152,498	6,596,740	415,752	46,672,880
Fund balances - ending	<u>\$ 36,196,939</u>	<u>19,454,995</u>	<u>2,809,221</u>	<u>668,775</u>	<u>59,129,930</u>

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

## COUNTY OF HANOVER, VIRGINIA

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2007

---

Net change in fund balance - total governmental funds	\$ 12,457,050
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,836,667
The net effect of various transactions involving capital assets is to increase net assets.	354,941
Tenancy in Common (see page 58) - Under Virginia law, the County has a tenancy in common for School Component Unit capital assets for which the County is obligated to repay outstanding "on-behalf" bonds. Under the tenancy in common, the County reports the net book value of School Component Unit capital assets in the amount of the outstanding principal balance of "on-behalf" bonds at year end, net of unspent bond proceeds. This amount is the increase in the net book value of School Component Unit capital assets reported by the County for the fiscal year, which resulted from school construction activity funded by County bonds, and results in an increase in net assets reported by the County (primary government) on the statement of activities.	12,858,809
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (e.g., tax receivable accrual).	368,200
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (including payments to the School Component Unit for that purpose) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which debt proceeds, including premiums, (\$36,141,660) exceeded the sum of principal payments (\$1,220,185), payments to escrow agent to refund bonds (\$10,510,601) and payments of \$10,064,060 to the School Component Unit for debt principal reduction.	(10,346,814)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(519,249)
Internal service funds are used by management to charge the costs of fleet management and self-insurance to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	1,697,103
Change in net assets of governmental activities	<u>\$ 18,706,707</u>

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

**COUNTY OF HANOVER, VIRGINIA**

General Fund

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

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from local sources:				
General property taxes	\$ 114,633,000	114,633,000	116,138,314	1,505,314
Other local taxes	26,305,000	26,305,000	27,952,788	1,647,788
Permits, privilege fees and regulatory licenses	3,023,000	3,023,000	2,840,734	(182,266)
Fines and forfeitures	898,000	898,000	979,511	81,511
Revenues from use of money and property	642,000	642,000	1,893,030	1,251,030
Charges for services	4,165,000	4,320,000	3,709,681	(610,319)
Miscellaneous	440,000	453,594	367,257	(86,337)
Recovered costs	2,498,000	2,560,080	2,914,622	354,542
Revenue from the Commonwealth	22,359,000	22,567,483	22,485,955	(81,528)
Revenue from the Federal government	3,822,000	4,353,054	3,482,868	(870,186)
Total revenues	<u>178,785,000</u>	<u>179,755,211</u>	<u>182,764,760</u>	<u>3,009,549</u>
<b>EXPENDITURES</b>				
General governmental administration	12,432,753	12,732,450	12,238,580	493,870
Judicial administration	4,176,568	4,400,596	3,808,056	592,540
Public safety	38,459,068	39,610,632	37,555,907	2,054,725
Public works	7,194,857	7,448,861	6,851,615	597,246
Human services	7,609,643	7,822,706	6,801,591	1,021,115
Parks, recreation and cultural	5,326,533	5,512,891	5,379,769	133,122
Community development	5,328,695	5,706,947	5,313,263	393,684
Education	85,794,431	85,794,431	83,024,461	2,769,970
Debt service:				
Principal retirement	1,220,185	1,220,185	1,220,185	-
Interest and fiscal charges	1,398,405	952,702	292,753	659,949
Total debt service	<u>2,618,590</u>	<u>2,172,887</u>	<u>1,512,938</u>	<u>659,949</u>
Total expenditures	<u>168,941,138</u>	<u>171,202,401</u>	<u>162,486,180</u>	<u>8,716,221</u>
Excess of revenues over expenditures	<u>9,843,862</u>	<u>8,552,810</u>	<u>20,278,580</u>	<u>11,725,770</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>13,392,862</u>	<u>13,693,276</u>	<u>13,589,531</u>	<u>103,745</u>
Net change in fund balance	(3,549,000)	(5,140,466)	6,689,049	11,829,515
Fund balances - beginning	3,549,000	29,507,890	29,507,890	-
Fund balances - ending	<u>\$ -</u>	<u>24,367,424</u>	<u>36,196,939</u>	<u>11,829,515</u>

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

**COUNTY OF HANOVER, VIRGINIA**

Proprietary Funds  
Statement of Net Assets  
June 30, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Public Utilities	Airport	Total	
<b>ASSETS</b>				
Current Assets:				
Cash, cash equivalents and investments	\$ 22,693,298	416,088	23,109,386	4,521,595
Receivables (net of allowances for uncollectibles)	3,813,948	374,862	4,188,810	8,569
Inventories	-	-	-	177,814
Total current assets	26,507,246	790,950	27,298,196	4,707,978
Noncurrent Assets:				
Cash, cash equivalents and investments - restricted	3,417,775	1,471,862	4,889,637	-
Capital assets:				
Land	5,981,674	3,932,827	9,914,501	-
Buildings and system	78,128,118	506,565	78,634,683	-
Improvements other than buildings	154,397,315	7,590,834	161,988,149	-
Machinery and equipment	5,884,389	27,041	5,911,430	485,295
Construction in progress	4,420,317	1,381,313	5,801,630	-
Less accumulated depreciation	(75,052,961)	(2,555,197)	(77,608,158)	(280,270)
Total capital assets (net of accumulated depreciation)	173,758,852	10,883,383	184,642,235	205,025
Total noncurrent assets	177,176,627	12,355,245	189,531,872	205,025
Total assets	203,683,873	13,146,195	216,830,068	4,913,003
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	1,055,105	498,253	1,553,358	117,445
Incurred but not reported self-insurance claims	-	-	-	1,737,000
Accrued liabilities	203,798	3,776	207,574	67,738
Accrued bond interest	405,364	25,329	430,693	-
Current portion of bonds payable	2,082,707	26,396	2,109,103	-
Current portion of compensated absences	365,528	1,207	366,735	-
Current portion of contractual obligations	144,915	-	144,915	-
Total current liabilities	4,257,417	554,961	4,812,378	1,922,183
Noncurrent Liabilities:				
Bonds payable	36,631,730	1,768,604	38,400,334	-
Compensated absences	99,078	2,497	101,575	125,404
Deposits	145,298	-	145,298	-
Capacity fee credits	144,508	-	144,508	-
Long-term contractual obligations	793,007	-	793,007	-
Total noncurrent liabilities	37,813,621	1,771,101	39,584,722	125,404
Total liabilities	42,071,038	2,326,062	44,397,100	2,047,587
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	133,961,985	10,532,577	144,494,562	205,025
Restricted for other purposes	3,417,775	27,668	3,445,443	-
Unrestricted	24,233,075	259,888	24,492,963	2,660,391
Total net assets	\$ 161,612,835	10,820,133	172,432,968	2,865,416

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

**COUNTY OF HANOVER, VIRGINIA**  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Asset  
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal
	Public Utilities	Airport	Total	Service Funds
<b>OPERATING REVENUES</b>				
Revenue from use of money and property	\$ -	33,861	33,861	-
Charges for services	19,246,041	-	19,246,041	21,061,798
Capacity fees	178,627	-	178,627	-
Recovered cost	-	-	-	74,937
Miscellaneous	159,591	-	159,591	17,208
Total operating revenues	19,584,259	33,861	19,618,120	21,153,943
<b>OPERATING EXPENSES</b>				
Personal services	4,144,405	74,052	4,218,457	1,130,127
Fringe benefits	1,240,090	18,689	1,258,779	352,779
Health care claims	-	-	-	18,434,370
Contractual services	2,341,749	15,651	2,357,400	89,101
Internal services	1,315,460	-	1,315,460	-
Other charges	5,334,322	53,717	5,388,039	35,735
Depreciation	6,743,302	278,365	7,021,667	39,820
Total operating expenses	21,119,328	440,474	21,559,802	20,081,932
Operating income (loss)	(1,535,069)	(406,613)	(1,941,682)	1,072,011
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Nonoperating revenues:				
Revenue from the Commonwealth	-	713,588	713,588	-
Revenue from the Federal government	-	256,855	256,855	-
Capacity fees - nonoperating	3,928,731	-	3,928,731	-
Interest income	1,280,877	27,668	1,308,545	437,227
Gain on sale of capital assets	-	-	-	187,865
Total nonoperating revenues	5,209,608	998,111	6,207,719	625,092
Nonoperating expenses:				
Interest expense and fiscal charges:				
Senior debt	1,542,159	24,729	1,566,888	-
Subordinate debt and fiscal charges	27,160	-	27,160	-
Interest expense and fiscal charges	1,569,319	24,729	1,594,048	-
Net nonoperating revenues	3,640,289	973,382	4,613,671	625,092
Income before capital contributions and transfers	2,105,220	566,769	2,671,989	1,697,103
Donated capital assets	5,584,318	-	5,584,318	-
Transfers in	-	619,072	619,072	-
Change in net assets	7,689,538	1,185,841	8,875,379	1,697,103
Total net assets - beginning	153,923,297	9,634,292	163,557,589	1,168,313
Total net assets - ending	\$ 161,612,835	10,820,133	172,432,968	2,865,416

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

**COUNTY OF HANOVER, VIRGINIA**

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2007

	Business-type Activities -			Governmental
	Enterprise Funds			Activities -
	Public Utilities	Airport	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 19,935,205	-	19,935,205	-
Receipts from interfund services provided	-	-	-	21,145,374
Payments to suppliers and service providers	(10,952,333)	(88,057)	(11,040,390)	(100,569)
Payments to employees	(4,131,143)	(67,528)	(4,198,671)	(1,480,909)
Claims paid	-	-	-	(18,076,288)
Net cash provided (used) by operating activities	4,851,729	(155,585)	4,696,144	1,487,608
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds - operating	-	181,262	181,262	-
Net cash provided by noncapital financing activities	-	181,262	181,262	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Revenue bonds issued	-	1,795,000	1,795,000	-
Transfers from other funds - capital	-	437,810	437,810	-
Intergovernmental revenue received - capital grants	-	635,503	635,503	-
Capacity fees received	3,928,727	-	3,928,727	-
Developer oversize credits	(14,442)	-	(14,442)	-
Acquisition and construction of capital assets	(5,999,149)	(1,027,647)	(7,026,796)	(149,281)
Payments on long-term contractual obligations	(140,889)	-	(140,889)	-
Principal payments on revenue bonds	(1,892,782)	-	(1,892,782)	-
Interest payments on revenue bonds	(1,620,564)	-	(1,620,564)	-
Proceeds from sale of capital assets	-	-	-	187,865
Net cash provided (used) by capital and related financing activities	(5,739,099)	1,840,666	(3,898,433)	38,584
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	1,299,453	21,607	1,321,060	437,227
Net cash provided by investing activities	1,299,453	21,607	1,321,060	437,227
Net increase in cash and cash equivalents	412,083	1,887,950	2,300,033	1,963,419
Cash and cash equivalents at beginning of year	25,698,990	-	25,698,990	2,558,176
Cash and cash equivalents at end of year	\$ 26,111,073	1,887,950	27,999,023	4,521,595
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (1,535,069)	(406,613)	(1,941,682)	1,072,011
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Nondepartmental expenses	51,884	-	51,884	-
Depreciation expense	6,743,302	278,365	7,021,667	39,820
(Increase) decrease in receivables	352,246	(33,861)	318,385	166,513
Decrease in inventory	-	-	-	2,549
(Decrease) in customer deposits	(1,300)	-	(1,300)	-
Increase (decrease) in accounts payable	(772,595)	-	(772,595)	20,685
Increase in incurred but not reported self-insurance claims	-	-	-	183,000
Increase (decrease) in accrued liabilities	(2,908)	3,776	868	3,010
Increase in compensated absences	16,169	2,748	18,917	20
Total adjustments	6,386,798	251,028	6,637,826	415,597
Net cash provided (used) by operating activities	\$ 4,851,729	(155,585)	4,696,144	1,487,608
<b>Noncash investing, capital, and financing activities:</b>				
Donated capital assets	\$ 5,584,318	-	5,584,318	-
Capitalized interest	111,165	600	111,765	-

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

**COUNTY OF HANOVER, VIRGINIA**

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2007

---

	Agency Funds
<b>ASSETS</b>	
Cash, cash equivalents and investments	\$ 2,703,503
Accounts receivable	7,239
Total assets	<u>\$ 2,710,742</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 660,475
Accrued liabilities	59,565
Deposits	1,990,702
Total liabilities	<u>\$ 2,710,742</u>

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



COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

**I. Summary of significant accounting policies**

**A. Reporting entity**

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

**Discretely Presented Component Units**

- **School Board:** The County provides education through its own school system administered by the Hanover County School Board (the School Board). The School Board has been classified as a discretely presented component unit in the financial reporting entity because it is legally separate, but financially dependent. The Board of Supervisors administers the School Board's appropriation of funds at the category level, approves transfers between categories, authorizes school debt issuances and appoints School Board members. Financial statements of the School Board are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The School Board does not issue separate financial statements.
- **Economic Development Authority:** The Economic Development Authority (the EDA) was created to foster and stimulate economic development in the County. Included in the discretely presented component unit EDA are the activities of economic development services. The County appoints the seven board members of the EDA. By statute, the EDA has the power to cause the issuance of tax-exempt industrial revenue bonds to qualifying enterprises wishing to utilize that form of financing. The County is involved in the day-to-day operations of the EDA, the determination of its operating budget and annual service fee rates and the approval of private activity prospective bond issues. Financial statements of the EDA are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The EDA does not issue separate financial statements.

**B. Government-wide and fund financial statements**

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

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated uncollectible amounts, in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider, including time requirements, if any, has been met. Agency funds are custodial in nature and do not involve the measurement of results of operations. In agency fund financial statements, assets equal liabilities, and are reported using the accrual basis of accounting.

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

Other local taxes, licenses, certain charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available and are recorded as revenues when cash is received.

The County reports three major governmental funds. The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund. The *County Improvements Fund* accounts for the resources to be used for the acquisition or construction of major governmental capital facilities and equipment. The *School Improvements Fund* accounts for the resources to be used for the acquisition or construction of major capital facilities and equipment used for school operations. Capital assets are transferred to the

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

School Component Unit, except those financed by County guaranteed debt, which are shown under the primary government up to the amount of outstanding debt.

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

Additionally, the County reports the following fund types:

*Internal service funds* account for self-insurance activities and fleet management services provided to other departments or agencies of the County on a cost reimbursement basis.

*Fiduciary funds* consist of Agency Funds. Agency funds include the *Bell Creek Community Development Authority*, *Escrow* and *Special Welfare* funds.

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

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

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

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

#### **D. Assets, liabilities, and net assets or equity**

##### ***1. Deposits and investments***

Cash equivalents are carried at fair value, based on quoted market prices at year end. Cash, cash equivalents and investments include cash on hand, checking and savings accounts, certificates of deposit, U.S. government agency securities, banker's acceptances, repurchase agreements, commercial paper, corporate notes, local bonds, state bonds, money market accounts, mortgage-backed securities and mutual funds. Cash equivalents are purchased on a competitive basis when possible and in instruments authorized by the Code of Virginia. Cash, cash equivalents and

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

investments – restricted represents unspent bond proceeds from construction projects and related compliance with debt covenant restrictions.

Certain proceeds of revenue and general obligation bonds, as well as certain resources set aside for their repayment, are classified as restricted cash, cash equivalents and investments on the balance sheet because their use is limited by applicable bond covenants.

**2. *Receivables and payables***

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

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

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

The County levies real estate taxes on all real estate within its boundaries, except that exempted by statute. The real estate in the County is assessed each year as of January 1 on the estimated market value of the property. On January 1, the real estate taxes become an enforceable lien on the property. For real estate assessed on January 1, payment is due in two equal installments on June 5 and December 5. The real estate taxes reported as revenue are the second installment (December 5) of the levy on assessed value at January 1, 2006, and the first installment (June 5) of the levy on assessed value at January 1, 2007.

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

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

The 1998 Virginia General Assembly enacted legislation providing property tax relief to citizens. The Personal Property Tax Relief Act (PPTRA) was intended to be phased in over five years on the first \$20,000 of value for motor vehicles not used for business purposes. In 2005 the General Assembly capped PPTRA relief at \$950 million statewide beginning with the 2006 tax year. Hanover receives a lump sum amount of \$15,002,000 in four payments annually. County 2006 tax bills, payable in fiscal year 2007, included a sixty-one percent reduction on qualifying vehicles and the 2007 tax bills will include a fifty-nine percent reduction. All PPTRA payments received from the Commonwealth of Virginia are classified as noncategorical State aid in the General Fund.

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

**3. Inventories**

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

**4. Restricted assets**

Governmental activities include unexpended bond proceeds and accumulated interest of \$6,896,677 classified as restricted cash, cash equivalents and investments on the balance sheet because it is maintained in a separate bank account, and its use is limited by applicable bond covenants. Governmental activities also include \$770,022 classified as restricted cash, cash equivalents and investments for required debt services reserves, which is also reported as reserved fund balance. Business-type activities include restricted cash, cash equivalents and investments of \$4,889,637, of which \$3,417,775 is for reserves required by water and sewer revenue bond agreements, and \$1,471,862 is for construction in accordance with an airport revenue bond agreement.

**5. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets and similar items, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as items with an initial, individual cost of more than \$5,000 and an estimated useful life of at least five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

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

**6. Compensated absences**

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

**7. Long-term obligations**

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

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

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

**8. Net Assets / Fund equity**

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted, and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through State statute.

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

**II. Reconciliation of government-wide and fund financial statements**

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

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

---

Bonds payable, net	\$ 141,593,792
Accrued bond interest	330,824
Capital leases payable	3,602,672
Compensated absences (excludes internal services)	4,473,135
Liability for landfill closure	2,663,298
Net adjustment to reduce total fund balances - total governmental funds to arrive at net assets - governmental activities	\$ 152,663,721

---

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

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

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

---

Capital outlay	\$ 7,706,846
Depreciation expense (excludes internal services)	(5,870,179)
Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net assets of governmental activities	\$ 1,836,667

---

Another element of that reconciliation states that "The net effect of various transactions involving capital assets is to increase net assets." This difference consists of the following:

---

Donations of capital assets increase net assets in the statement of activities, but are not recognized in the governmental funds because they do not provide current financial resources.	\$ 354,941
Adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net assets of governmental activities	\$ 354,941

---

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

---

Compensated absences (excludes internal services)	\$ (416,073)
Landfill closure and postclosure costs	42,245
Accrued interest	(223,556)
Amortization of bond premiums	118,178
Amortization of deferred amount on refunding	(40,043)
Net adjustment to decrease the net change in fund balance - total governmental funds to arrive at the change in net assets of governmental activities	\$ (519,249)

---

**III. Stewardship, compliance, and accountability**

**A. Budgetary information**

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

On or before December 1 of each year, all agencies of the County submit requests for appropriations to the County Administrator so that a budget may be prepared. No later than the fourth Wednesday in February, the proposed budget is presented to the County's Board for review. The Board holds a public hearing and a final budget must be prepared and adopted no later than June 30.

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

The Appropriations Resolution adopted by the Board of Supervisors places legal restrictions on expenditures at the fund level. For purposes of good administrative control, the Board has supplemented its established legal level of control (the fund level) with administrative policies which establish thresholds and procedures for making adjustments to the adopted budget. The Board of Supervisors must be notified of and approve transfers of \$25,000 or more between department budget categories of personnel, operating, and capital, and for any transfers that increase the County's total appropriated budget. The County Administrator is authorized to make transfers within department budget categories of personnel, operating, and capital, and to transfer amounts up to \$25,000 between departmental budget categories. The School Board is authorized to transfer budgeted amounts within the school component unit funds. However, any transfer or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors approval.

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

**IV. Detailed notes on all funds**

**A. Deposits and investments**

To increase returns and minimize fees, the County follows the practice of pooling cash and investments of all funds held with the County Treasurer except for certain restricted funds requiring separate tracking or held by outside custodians. Amounts below exclude funds the Treasurer holds and invests on behalf of the Pamunkey Regional Jail Authority, as they are reported separately in the Authority's Comprehensive Annual Financial Report. Cash and investments are summarized by primary government and component units in the Statement of Net Assets as Cash, Cash Equivalents and Investments. As of June 30, 2007, the reporting entity deposits and investments held by the Treasurer, including \$2,703,503 for Fiduciary Funds, were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>
Cash on hand	\$ 5,037	N/A
Cash deposits	3,264,366	N/A
Demand and time deposits	1,016,676	N/A
State Treasurer's local government investment pool	2,538	AAAm
Bankers acceptances	723,272	A-1+
Money market mutual funds	15,900,014	AAAm
Commercial paper	20,163,183	A-1+
Corporate notes and bonds	2,908,015	AAAm
U.S. Government and agency bonds	62,677,847	AAA,N/A
Total deposits and investments	<u>\$ 106,660,948</u>	

Deposits: All cash of the County is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia (the Act) or covered by Federal depository insurance. The Act requires any public depository that receives or

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

holds public deposits to pledge collateral, ranging from 50 to 100 percent of the public deposits, to the State Treasury Board to cover public deposits in excess of Federal deposit insurance. The Act further provides for the pooling of the collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of government entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts are assessed on a pro-rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. A municipal financial institution collateral pool that provides for additional assessments is similar to depository insurance; therefore, funds deposited in accordance with the Act are considered to be fully insured.

Investments: In accordance with Section 2.2-4500 of the Code of Virginia and other applicable law and regulations, the County's investment policy (the Policy) permits investments in obligations of the United States or agencies thereof; held directly, by collateralized repurchase agreement, or in mutual funds registered under the Investment Company Act of 1940, whose portfolios are restricted to U.S. and U.S. agency obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, certain corporate notes, banker's acceptances, and repurchase agreements, savings accounts or time deposits in approved banks or savings institutions within the Commonwealth, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

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

---

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

---

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

The County's Policy also limits the investment of operating funds to investments with a stated maturity of no more than five years from the date of purchase, except that proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

Interest Rate Risk: As a means of limiting exposure to fair value losses arising from rising interest rates, investment maturity is managed to precede or coincide with the expected need of funds, which has resulted in the creation of multiple portfolios. During fiscal year 2007, the County modified its investment strategies by adding a second long term investment portfolio, allowing investments to be

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

managed in three portfolios of differing maturities. In prior fiscal years, the County reported the effective duration for its short term and its long term investment portfolio. As the County's investments are now managed in three portfolios, the investment types in each portfolio are presented below using the segmented time distribution reporting method, by maturity in years.

As of June 30, 2007, the County's deposits and investments and maturities are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 3	More than 3
Cash on hand	\$ 5,037	5,037	-	-
Cash deposits	3,264,366	3,264,366	-	-
Demand and time deposits	1,016,676	1,016,676	-	-
State Treasurer's local government investment pool	2,538	2,538	-	-
Bankers acceptances	723,272	723,272	-	-
Money market mutual funds	15,900,014	15,900,014	-	-
Commercial paper	20,163,183	7,736,985	12,426,198	-
Corporate notes and bonds	2,908,015	-	2,908,015	-
U.S. Government and agency bonds	62,677,847	45,022,456	12,834,889	4,820,502
<b>Total deposits and investments</b>	<b>\$ 106,660,948</b>	<b>73,671,344</b>	<b>28,169,102</b>	<b>4,820,502</b>

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

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

The County's rated debt investments as of June 30, 2007 were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization. The credit quality ratings presented on page 52 are determined using the S&P rating scale. Deposits and investments not exposed to credit quality risk, as defined by Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, are designated as not applicable (N/A) in the credit rating column. Thirty-nine percent of the \$62,677,847 of U.S. Government and Agency securities were rated AAA, while the remaining sixty-one percent are not considered to be exposed to credit quality risk.

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

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

As of June 30, 2007, investments in the following issuers exceeded five percent of the portfolio: Federal Home Loan Bank (14%), Federal Home Loan Mortgage Corporation (18%), and Federal National Mortgage Association (19%).

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

**Custodial Credit Risk – Deposits:** For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. The County's deposits at June 30, 2007 were fully insured under the Virginia Security for Public Deposits Act, and are therefore not considered to be subject to custodial credit risk.

**Custodial Credit Risk – Investments:** For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the reporting entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's Policy requires that all investment securities purchased for the County be held by the County or by the County's designated custodian. If held by a custodian, the securities must be in the County's or in the custodian's nominee name and identifiable on the custodian's books as belonging to the County and the custodian must be a third party, not a counter party to the investment transaction. As of June 30, 2007, all of the County's investments were held by the trust department of the County's custodial bank in the County's name.

**B. Receivables**

Receivables and allowances for uncollectible receivables of the primary government and School Component Unit, excluding fiduciary funds, at June 30, 2007, are as follows:

	Primary Government						Total Primary Government	School Component Unit
	General Fund	County Improvements Fund	Other Governmental Funds	Public Utilities	Airport Fund	Internal Services Funds		
Receivables:								
Interest	\$ 460,804	-	-	11,212	6,061	-	478,077	-
Taxes	50,345,920	-	-	-	-	-	50,345,920	-
Accounts	2,621,879	-	974,968	3,938,870	33,861	8,569	7,578,147	201,264
Commonwealth of Virginia	4,260,343	120,720	590,648	-	264,651	-	5,236,362	2,870,552
Federal government	464,764	-	65,191	-	70,289	-	600,244	1,301,362
Gross receivables	58,153,710	120,720	1,630,807	3,950,082	374,862	8,569	64,238,750	4,373,178
Allowance for uncollectibles	(2,587,910)	-	(252,255)	(136,134)	-	-	(2,976,299)	-
Net total receivables	\$ 55,565,800	120,720	1,378,552	3,813,948	374,862	8,569	61,262,451	4,373,178

The governmental funds financial statements report *deferred revenue* in connection with prepaid taxes and receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The government-wide financial statements report *unearned revenue* in connection with assets which have not yet been earned, including prepaid taxes and taxes receivable that were levied to finance expenditures of the next fiscal year. Accordingly, the second installment of the 2007 real property tax levy, due on December 5, 2007, is reported as unearned revenue at June 30, 2007 in the government-wide financial statements, and as deferred revenue in the governmental fund financial statements. At June 30, 2007, the various components of *deferred revenue* and *unearned revenue* were as follows:

	Unavailable - Deferred Revenue	Unearned Revenue
	Governmental Funds Financial Statements	Government - wide Financial Statements
Property tax levies not yet due	\$ 46,043,881	\$ 46,043,881
Past due taxes (net of allowance for uncollectibles)	2,768,000	-
EMS transport fees	388,273	-
Total deferred/unearned revenue - primary government	<u>\$ 49,200,154</u>	<u>\$ 46,043,881</u>

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

**C. Capital assets**

Capital asset activity for the primary government for the year ended June 30, 2007 was as follows:

<u>Primary Government</u>	Balance July 1	Increases	Decreases	Balance June 30
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 7,748,438	852,638	-	8,601,076
Construction in progress	859,710	4,584,144	(2,021,366)	3,422,488
Total capital assets, not being depreciated	<u>8,608,148</u>	<u>5,436,782</u>	<u>(2,021,366)</u>	<u>12,023,564</u>
Capital assets, being depreciated:				
Buildings	189,527,552	23,756,486	(37,022)	213,247,016
Improvements other than buildings	6,504,280	104,376	(11,328)	6,597,328
Machinery and equipment	31,642,223	3,264,709	(2,242,783)	32,664,149
Infrastructure	23,497,512	841,427	(40,837)	24,298,102
Total capital assets, being depreciated	<u>251,171,567</u>	<u>27,966,998</u>	<u>(2,331,970)</u>	<u>276,806,595</u>
Less accumulated depreciation for:				
Buildings	(41,437,059)	(11,482,501)	37,022	(52,882,538)
Improvements other than buildings	(2,815,527)	(553,424)	11,328	(3,357,623)
Machinery and equipment	(19,999,441)	(3,186,823)	2,242,783	(20,943,481)
Infrastructure	(9,802,527)	(999,788)	40,837	(10,761,478)
Total accumulated depreciation	<u>(74,054,554)</u>	<u>(16,222,536)</u>	<u>2,331,970</u>	<u>(87,945,120)</u>
Total capital assets, being depreciated, net	<u>177,117,013</u>	<u>11,744,462</u>	<u>-</u>	<u>188,861,475</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 185,725,161</u>	<u>17,181,244</u>	<u>(2,021,366)</u>	<u>200,885,039</u>
<b>Business-type activities:</b>				
<b>Public Utilities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,051,674	1,930,000	-	5,981,674
Construction in progress	8,703,170	5,990,729	(10,273,582)	4,420,317
Total capital assets, not being depreciated	<u>12,754,844</u>	<u>7,920,729</u>	<u>(10,273,582)</u>	<u>10,401,991</u>
Capital assets, being depreciated:				
Buildings	75,530,017	2,598,101	-	78,128,118
Improvements other than buildings	143,128,803	11,268,512	-	154,397,315
Machinery and equipment	5,816,870	109,110	(41,591)	5,884,389
Total capital assets, being depreciated	<u>224,475,690</u>	<u>13,975,723</u>	<u>(41,591)</u>	<u>238,409,822</u>
Less accumulated depreciation for:				
Buildings	(17,237,632)	(1,564,349)	-	(18,801,981)
Improvements other than buildings	(46,614,680)	(4,921,167)	-	(51,535,847)
Machinery and equipment	(4,498,938)	(257,786)	41,591	(4,715,133)
Total accumulated depreciation	<u>(68,351,250)</u>	<u>(6,743,302)</u>	<u>41,591</u>	<u>(75,052,961)</u>
Total capital assets, being depreciated, net	<u>156,124,440</u>	<u>7,232,421</u>	<u>-</u>	<u>163,356,861</u>
<b>Public Utilities capital assets, net</b>	<u>\$ 168,879,284</u>	<u>15,153,150</u>	<u>(10,273,582)</u>	<u>173,758,852</u>

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

<b>Airport Fund:</b>	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, not being depreciated:				
Land	\$ 3,932,827	-	-	3,932,827
Construction in progress	204,187	1,177,126	-	1,381,313
Total capital assets, not being depreciated	4,137,014	1,177,126	-	5,314,140
Capital assets, being depreciated:				
Buildings	157,191	349,374	-	506,565
Improvements other than buildings	7,590,834	-	-	7,590,834
Machinery and equipment	27,041	-	-	27,041
Total capital assets, being depreciated	7,775,066	349,374	-	8,124,440
Less accumulated depreciation for:				
Buildings	(41,080)	(3,929)	-	(45,009)
Improvements other than buildings	(2,213,084)	(273,977)	-	(2,487,061)
Machinery and equipment	(22,668)	(459)	-	(23,127)
Total accumulated depreciation	(2,276,832)	(278,365)	-	(2,555,197)
Total capital assets, being depreciated, net	5,498,234	71,009	-	5,569,243
<b>Airport capital assets, net</b>	<b>\$ 9,635,248</b>	<b>1,248,135</b>	<b>-</b>	<b>10,883,383</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 178,514,532</b>	<b>16,401,285</b>	<b>(10,273,582)</b>	<b>184,642,235</b>
<b>Total capital assets, net - Primary government</b>	<b>\$ 364,239,693</b>	<b>33,582,529</b>	<b>(12,294,948)</b>	<b>385,527,274</b>

Capital assets activity for the School Component Unit for the year ended June 30, 2007 was as follows:

**School Component Unit activities:**

Capital assets, not being depreciated:				
Land	\$ 7,400,682	-	-	7,400,682
Construction in progress	20,210,488	19,441,268	(20,724,236)	18,927,520
Total capital assets, not being depreciated	27,611,170	19,441,268	(20,724,236)	26,328,202
Capital assets, being depreciated:				
Buildings	74,973,126	20,724,236	(23,171,346)	72,526,016
Improvements other than buildings	3,439,373	-	-	3,439,373
Machinery and equipment	17,291,982	2,022,842	(784,101)	18,530,723
Total capital assets, being depreciated	95,704,481	22,747,078	(23,955,447)	94,496,112
Less accumulated depreciation for:				
Buildings	(22,788,338)	(5,802,542)	10,312,537	(18,278,343)
Improvements other than buildings	(736,484)	(172,656)	-	(909,140)
Machinery and equipment	(8,868,296)	(1,432,875)	781,646	(9,519,525)
Total accumulated depreciation	(32,393,118)	(7,408,073)	11,094,183	(28,707,008)
Total capital assets, being depreciated, net	63,311,363	15,339,005	(12,861,264)	65,789,104
<b>School Component Unit capital assets, net</b>	<b>\$ 90,922,533</b>	<b>34,780,273</b>	<b>(33,585,500)</b>	<b>92,117,306</b>

Capital assets reported in the County's Airport Fund in the preceding schedules were reported as governmental activities capital assets in the prior fiscal year. In addition, the balances of the County's beginning equity in its School Component Unit capital assets, reported under the County's *Tenancy in Common* with the School Component Unit (described on the following page) have been reclassified for comparability to fiscal year 2007 reporting classifications.

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

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

**Primary government:**

Governmental activities:

General governmental administration	\$ 1,092,499
Judicial administration	206,963
Public safety	2,807,532
Public works	1,356,699
Human services	112,926
Parks, recreation and cultural	288,211
Community development	5,349
Depreciation of capital assets held by the internal service funds is charged to various functions based on their usage of the assets	39,820
Total depreciation expense - governmental activities	5,909,999

Business-type activities:

Public Utilities	6,743,302
Airport	278,365
Total depreciation expense - business-type activities	7,021,667

**Total depreciation expense - primary government** \$ 12,931,666

**School Component Unit** \$ 7,408,073

The School Component Unit reports all depreciation expense for School property.

*Tenancy in Common* – State legislation passed in 2002 granted the County a tenancy in common with the School Board when the County incurs a financial obligation for school property which is payable over more than one fiscal year. For financial reporting purposes, School property financed by County guaranteed debt is shown under the County in the amount of outstanding capital-related debt. The preceding schedules of capital asset activity include the following amounts, the effect of which is to increase the net book value of School Component Unit capital assets reported by the County by \$12,858,809 under the Tenancy in Common during fiscal year 2007.

	Primary Government - Governmental Activity	School Component Unit	Total Reporting Entity
Buildings	\$ 23,171,346	(23,171,346)	-
Accumulated depreciation for buildings	(10,312,537)	10,312,537	-
Buildings, net	\$ 12,858,809	(12,858,809)	-

Also see Tenancy in Common on page 38 for disclosure of the impact of the Tenancy in Common on the County's fiscal year 2007 change in net assets of governmental activities. At June 30, 2007, School Component Unit capital assets financed by outstanding County guaranteed debt with a net book value of \$126,434,285 were reported under the primary government as tenant in common with the School Board.

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances at June 30, 2007, is as follows:

<u>Due To</u> General Fund	<u>Due From</u> Other Governmental Fund, Community Services	<u>Amount</u> \$ 27,000
-------------------------------	----------------------------------------------------------------	----------------------------

This amount represents a temporary advance from the General Fund to the Community Services Fund. Transfers are used to provide funding for operating and capital costs. Interfund transfers for the year ended June 30, 2007 are as follows:

<u>Primary Government</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	13,589,531
County Improvements Fund	3,911,342	-
School Improvements Fund	2,507,000	-
Other Governmental Funds	6,552,117	-
Airport Fund	619,072	-
<b>Total primary government</b>	<b>\$ 13,589,531</b>	<b>13,589,531</b>

**E. Noncurrent liabilities**

The following is a summary of changes in the government-wide noncurrent liabilities of the primary government and the School Component Unit for the year ended June 30, 2007:

<u>Primary Government</u>	<u>Balance</u> July 1	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> June 30	<u>Due Within</u> One Year
<b>Governmental activities:</b>					
General obligation bonds payable:					
Principal amount of bonds payable	\$ 128,814,792	35,510,000	24,409,060	139,915,732	11,603,261
Premium	1,685,136	631,660	118,178	2,198,618	84,257
Deferred amount on refunding	-	(560,601)	(40,043)	(520,558)	(40,043)
Total bonds payable	130,499,928	35,581,059	24,487,195	141,593,792	11,647,475
Capital lease obligations	4,427,857	-	825,185	3,602,672	863,504
Compensated absences	4,182,447	3,811,722	3,395,630	4,598,539	3,523,227
Liability for landfill closure	2,705,543	-	42,245	2,663,298	76,304
Total governmental activities	141,815,775	39,392,781	28,750,255	152,458,301	16,110,510
<b>Business-type activities:</b>					
Public Utilities:					
Water and sewer revenue bonds payable:					
Principal amount of bonds payable	41,051,727	-	1,892,782	39,158,945	2,109,173
Premium	573,340	-	28,499	544,841	28,498
Deferred amount on refunding	(1,044,313)	-	(54,964)	(989,349)	(54,964)
Total bonds payable	40,580,754	-	1,866,317	38,714,437	2,082,707
Compensated absences	448,437	368,982	352,813	464,606	365,528
Deposits	146,599	86,291	87,592	145,298	-
Refundable developer capacity fees	158,950	-	158,950	-	-
Capacity fee credits	-	144,508	-	144,508	-
Contractual obligations	1,078,811	-	140,889	937,922	144,915
Total Public Utilities	42,413,551	599,781	2,606,561	40,406,771	2,593,150
Airport Fund:					
Taxable airport revenue bond payable	-	1,795,000	-	1,795,000	26,396
Compensated absences	956	4,538	1,790	3,704	1,207
Total Airport Fund	956	1,799,538	1,790	1,798,704	27,603
Total business-type activities	42,414,507	2,399,319	2,608,351	42,205,475	2,620,753
<b>Total noncurrent liabilities - Primary government</b>	<b>\$ 184,230,282</b>	<b>41,792,100</b>	<b>31,358,606</b>	<b>194,663,776</b>	<b>18,731,263</b>
<b>School Component Unit</b>					
Compensated absences	\$ 3,810,120	2,249,659	2,105,462	3,954,317	2,185,145
Early retirement program	1,526,824	-	143,544	1,383,280	155,028
<b>Total noncurrent liabilities - School Component Unit</b>	<b>\$ 5,336,944</b>	<b>2,249,659</b>	<b>2,249,006</b>	<b>5,337,597</b>	<b>2,340,173</b>

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

Internal service funds primarily serve governmental funds. Their noncurrent liabilities are included in the preceding governmental activities totals, including \$125,404 of compensated absences at year-end. Capital lease obligations, compensated absences and the liability for landfill closure reported as governmental activities liabilities of the primary government are liquidated by the General Fund.

Liability for landfill closure

State and federal laws and regulations required the County to place a final cover on its landfill site when it stopped accepting waste, and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill closed December 31, 2002 and a permanent cap was completed in 2003 over the 35-acre site. The \$2,663,298 reported as landfill closure and post closure care liability at June 30, 2007 represents the remaining estimated cost of post closure care. These amounts are based on what it would cost to perform all closure and post closure care in 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

General obligation bonds

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

On October 12, 2006, the primary government issued \$25,115,000 of Series 2006A General Obligation Public Improvement and Refunding Bonds (Series 2006A Bonds), and \$10,395,000 of Series 2006B General Obligation Public Improvement Refunding Bonds (Series 2006B Bonds), with average interest rates of 4.08 percent and 3.90 percent, respectively. The Series 2006A Bonds were issued to finance certain capital improvements for Schools, public safety, and parks and libraries, and to refund existing bonds. Of the total issued, \$21,150,000 is new general obligation debt for the purposes just described, and \$3,965,000 was issued to current refund the County's \$3,950,000 outstanding principal balance of Series 1997 General Obligation Public Improvement Bonds, with an average interest rate of 5.275 percent. The net proceeds of \$4,084,725 were used to purchase U.S. Government securities which were deposited in an irrevocable escrow account to redeem the Series 1997 bonds November 15, 2006. The reacquisition price exceeded the net carrying amount of the refunded bonds by \$28,102, which was expensed currently.

The Series 2006B Bonds, totaling \$10,395,000, were issued to advance refund \$10,000,000 of outstanding Series 2000 bonds, with an average interest rate of 5.07 percent. The net proceeds of \$10,512,201 were used to purchase U.S. Government securities which were deposited in an irrevocable escrow account to provide for the resources to redeem the Series 2000 bonds on July 15, 2009. The reacquisition price exceeded the net carrying amount of the refunded bonds by \$560,601, and this amount is being amortized over the remaining life of the refunded bonds.

The County completed the current and advance bond refundings described above to reduce its total debt service payments over the next 14 years by approximately \$931,266 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of approximately \$761,915.

Revenue bonds

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

County debt and related interest to maturity

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

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

Purpose	Interest Rates (%)	Date Issued	Original Issue	Principal Outstanding
<b>Governmental activities:</b>				
General obligation bonds:				
County:				
Series 2006A Public Improvement	4.00 - 5.00	10-12-06	\$ 7,440,000	\$ 7,440,000
Series 2006A Refunding	3.50 - 4.00	10-12-06	3,965,000	3,965,000
Total general obligation bonds - County				<u>11,405,000</u>
Schools:				
Series 1999 Public Improvement	4.00 - 5.625	01-15-99	10,000,000	6,500,000
Series 2000 Public Improvement	4.50 - 5.375	10-01-00	19,000,000	3,000,000
Series 2002 Public Improvement	2.00 - 4.875	06-01-02	20,000,000	15,000,000
Series 2002B Public Improvement	3.00 - 4.60	12-01-02	21,500,000	18,250,000
Series 2006A Public Improvement	4.00 - 5.00	10-12-06	13,710,000	13,710,000
Series 2006B Refunding	3.50 - 4.00	10-12-06	10,395,000	10,395,000
VPSA Series 1990B	6.40 - 7.10	08-30-90	6,040,000	1,415,000
VPSA Series 1991	4.85 - 6.60	07-31-91	2,069,507	588,136
VPSA Series 1992A	5.10 - 8.10	12-17-92	6,230,000	1,490,000
VPSA Series 1993A	4.475 - 5.00	11-18-93	3,620,000	525,000
VPSA Series 1994A Refunding	6.35 - 7.19	01-03-94	32,075,000	5,725,000
VPSA Series 1994A	6.10 - 6.30	05-05-94	4,900,000	1,760,000
VPSA Series 1994B	6.10 - 6.60	11-22-94	5,385,000	2,145,000
VPSA Series 1995A	5.20 - 5.75	12-21-95	1,580,000	700,000
VPSA Series 1996A	5.10 - 6.10	11-14-96	7,495,000	2,870,000
VPSA Series 1997A	4.35 - 5.35	11-20-97	3,220,000	1,760,000
VPSA Series 1999A	5.10 - 6.10	11-18-99	5,630,000	3,640,000
VPSA Series 1999B	5.10 - 6.10	11-18-99	4,384,934	2,934,858
VPSA Series 2005A	3.10 - 5.10	05-12-05	16,105,000	15,295,000
VPSA Series 2005B	4.60 - 5.10	11-10-05	6,995,000	6,645,000
VPSA Series 2005C	4.60 - 5.10	11-10-05	6,967,658	6,643,738
State Literary Fund loans	3.00	1988	1,969,350	98,500
State Literary Fund loans	3.00	1988	580,000	58,000
State Literary Fund loans	4.00	1997	5,000,000	2,750,000
State Literary Fund loans	4.00	1998	3,725,000	2,235,000
State Literary Fund loans	4.00	1999	1,275,000	828,750
State Literary Fund loans	3.00	2002	2,065,000	1,548,750
Total general obligation bonds - Schools				<u>128,510,732</u>
Total governmental activities - general obligation bonds				<u>139,915,732</u>
<b>Business-type activities:</b>				
Public Utilities:				
Water and sewer revenue bonds:				
Series 2002A	3.00	06-14-02	920,400	736,320
Series 2002B	3.75	10-25-02	977,031	887,625
Series 2003A Refunding	3.72	04-10-03	10,000,000	7,280,000
Series 2004	3.28	03-30-04	9,600,000	7,680,000
Series 2005A Refunding	3.10 - 4.64	01-31-05	14,065,000	13,575,000
Series 2006	3.63 - 4.98	05-08-06	9,000,000	9,000,000
Total Public Utilities				<u>39,158,945</u>
Airport Fund:				
Taxable airport revenue bond:				
VRA Series 2007	5.08	03-21-07	1,795,000	1,795,000
Total Airport Fund				<u>1,795,000</u>
Total Business-type activities				<u>40,953,945</u>
<b>Total bond indebtedness - Primary government</b>				<u>\$ 180,869,677</u>

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

Principal and interest to maturity for the County's governmental activity general obligation bonds business-type activity revenue bonds outstanding at June 30, 2007, are as follows:

Fiscal Year	Governmental Activities		Business-type Activities				Total	
	General Obligation Bonds		Water and Sewer Revenue Bonds		Taxable Airport Revenue Bond			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 11,603,261	6,199,710	2,109,173	1,532,981	26,396	70,922	13,738,830	7,803,613
2009	11,490,647	5,674,714	2,120,617	1,454,930	54,820	89,158	13,666,084	7,218,802
2010	11,223,702	5,108,745	2,162,116	1,375,383	57,640	86,337	13,443,458	6,570,465
2011	10,365,632	4,595,561	2,193,672	1,297,719	60,605	83,372	12,619,909	5,976,652
2012	9,367,705	4,146,854	2,220,286	1,217,851	63,723	80,254	11,651,714	5,444,959
2013-2017	42,899,273	14,695,533	11,737,868	4,786,710	371,293	348,592	55,008,434	19,830,835
2018-2022	31,360,510	5,987,500	8,383,447	2,711,651	477,145	242,741	40,221,102	8,941,892
2023-2027	11,605,002	1,044,033	5,476,766	1,182,727	613,173	106,713	17,694,941	2,333,473
2028-2032	-	-	2,755,000	356,938	70,205	1,783	2,825,205	358,721
Totals	\$ 139,915,732	47,452,650	39,158,945	15,916,890	1,795,000	1,109,872	180,869,677	64,479,412

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

In November, 2005 the County's voters authorized the issuance of general obligation bonds in the amount of \$95,075,000. Of the total authorized, the County has issued \$21,150,000 and has additional construction commitments totaling \$30,929,554 for authorized projects as of June 30, 2007, as disclosed on page 65. The County plans to issue the remaining bonds in future fiscal years to finance these commitments and complete the authorized capital projects.

The County has overlapping debt with the Town of Ashland, Virginia of \$1,165,000, of which the share applicable to the County approximates \$937,921. The County's applicable share is for water and sewer bonds for which the County assumed ownership January 1, 1996, under an annexation agreement. The County has a contractual obligation to reimburse the Town for water and sewer line debt in accordance with the agreement. The bonds expire on August 1, 2012.

Conduit debt obligations

The County's Economic Development Authority Component Unit (EDA) is empowered by the Commonwealth of Virginia to issue Industrial Revenue Bonds (IRBs) on behalf of businesses relocating to or expanding their operations within the County. Neither the EDA nor the County guarantees the repayment of principal or interest to the bondholders, and the debt is not a pledge of the faith and credit of the EDA or the County. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2007, the principal amounts outstanding on these IRBs total \$209.2 million.

Defeasance of debt

During fiscal year 2007 and in prior years, the County defeased certain outstanding bonds by placing the proceeds of newly issued bonds in irrevocable escrow funds to provide for all future debt service payments on the old bonds. Accordingly, the escrow fund assets and the liabilities for the defeased bonds are not included in the accompanying financial statements. During fiscal 2007, the County defeased \$10,000,000 of Series 2000 general obligation bonds, as described on page 60. At June 30, 2007, the County had general obligation bonds that are outstanding but considered defeased totaling \$15,725,000.

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

Capital leases

The County has financed the acquisition of office facilities, computer equipment, and a communications system by entering into capital lease agreements. The balance of capital assets, net of accumulated depreciation, the minimum lease payments, and the present value of the minimum lease payments as of June 30, 2007, are as follows:

Asset Class	Primary Government - Governmental Activities
Land	\$ 384,847
Building	11,429,888
Machinery and equipment	2,329,857
Total assets, at cost	14,144,592
Accumulated depreciation	(5,812,384)
Total assets, net	\$ 8,332,208

Fiscal Year	Minimum Lease Payments
2008	\$ 979,385
2009	989,173
2010	1,000,335
2011	635,618
2012	277,649
2013	10,562
Total minimum lease payments	3,892,722
Portion representing interest	(290,050)
Present value of minimum lease payments	\$ 3,602,672

**V. Other information**

**A. Risk management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries insurance through commercial carriers or through the Virginia Municipal Liability Pool. The County carries commercial insurance for all risks of loss including property, theft, auto liability, general liability and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the past three years. There was no reduction in insurance coverage during fiscal year 2007. All claims are paid in full at the time of damage. In addition, the County provides various surety bond coverages as required under regulations, generally at industry-recommended levels.

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

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

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

Fiscal Year	Payable (Receivable) Beginning of Year	Claims and Other Charges Processed	Employee/ Employer Payments	Payable (Receivable) End of Year	Incurred but not reported
2005	\$ 447,233	14,872,372	15,256,026	63,579	1,170,000
2006	63,579	16,516,533	16,580,112	-	1,554,000
2007	-	18,434,370	18,434,370	-	1,737,000

**B. Fund balance designated for specific purposes**

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

	Primary Government			Total Primary Government	School Component Unit
	General Fund	Capital Improvements Fund	School Improvements Fund		
Designated for:					
Capital Improvements - County	\$ 3,700,000	11,279,384	-	14,979,384	-
Capital Improvements - Schools	1,200,000	-	1,373,200	2,573,200	-
Economic Development	500,000	-	-	500,000	-
Funding of subsequent fiscal year's budget	5,994,000	-	-	5,994,000	-
Reappropriation of unencumbered balances	774,077	-	-	774,077	893,007
GASB 45 - Postemployment health benefits	500,000	-	-	500,000	-
Total designated for specific purposes	\$ 12,668,077	11,279,384	1,373,200	25,320,661	893,007

**C. Commitments and contingent liabilities**

Operating leases

The County leases building and office facilities and other equipment under various operating lease agreements, substantially all of which are subject to annual appropriation of funds. Total costs for such leases for the year ended June 30, 2007, were:

Governmental activities	\$ 648,788
Business-type activities	30,631
Total primary government	679,419
School component unit	241,726
Total reporting entity	\$ 921,145

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

Other commitments

At June 30, 2007, the primary government had commitments for capital projects totaling \$44,542,903. Funding for the commitments will be provided by existing resources in the applicable funds, current and future bond proceeds, and State and Federal grants, as follows:

	Primary Government				Total Primary Government
	County Improvements Fund	School Improvements Fund	Public Utilities Fund	Airport Fund	
Total capital commitments at June 30, 2007	\$ 31,550,700	9,358,515	1,198,335	2,435,353	44,542,903
Financed by use of:					
Fund balance reserved for encumbrances	7,012,998	1,428,961	-	-	8,441,959
Unrestricted net assets	-	-	1,198,335	161,946	1,360,281
Unexpended airport revenue bond proceeds	-	-	-	1,259,134	1,259,134
Authorized but unissued general obligation bonds	23,000,000	7,929,554	-	-	30,929,554
State grants	789,826	-	-	748,276	1,538,102
Federal grants	747,876	-	-	265,997	1,013,873
Total financing sources	\$ 31,550,700	9,358,515	1,198,335	2,435,353	44,542,903

Contingent liabilities

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

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

**D. Jointly governed organizations**

- **Pamunkey Regional Library:** The Pamunkey Regional Library (the Library) is a political subdivision of the Commonwealth of Virginia and is governed by a separate Board of Trustees, appointed by the Board of Supervisors of the Counties of Hanover, Goochland, King William and King and Queen, for specific terms of office. The trustees cannot be removed without cause. The County appoints three of the seven trustees of the Library's Board. Further, designation of management and accountability for fiscal matters rest with the Library's Board. The Library provides library services for the Counties of Hanover, Goochland, King William and King and Queen. It receives and invests its own funds and formulates and approves its own budget. The County of Hanover does not bear any direct or indirect liabilities for the operation of this organization. Complete financial statements for the Library can be obtained from the Director's office at P.O. Box 119, Hanover, Virginia 23069.
- **Pamunkey Regional Jail Authority:** The Pamunkey Regional Jail Authority (the Jail) is a political subdivision of the Commonwealth of Virginia and is governed by a separate board, appointed by the Board of Supervisors of the Counties of Hanover and Caroline, and the Town Council of the Town of Ashland. The County appoints two of the five board members. Further, designation of management and accountability for fiscal matters rest with the Jail Board. The County serves as fiscal agent for the Jail Board; however, the board formulates and approves its own budget. The County of Hanover does not bear any direct or indirect liabilities for the operation of this organization.

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

The purpose of the Jail is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for additional jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the County is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail. It is anticipated that the County will provide a majority of the prisoners to the facility. Complete financial statements for the Jail can be obtained from the Superintendent's office at P.O. Box 510, Hanover, Virginia 23069.

- **Middle Peninsula Juvenile Detention Commission:** The Middle Peninsula Juvenile Detention Commission (the Commission) is a political subdivision of the Commonwealth of Virginia and is governed by a separate board. The Commission was created by resolutions adopted in 1993 by its member jurisdictions. The member jurisdictions are as follows: Counties of Caroline, Charles City, Essex, Gloucester, Hanover, James City, King George, King and Queen, King William, Lancaster, Matthews, Middlesex, New Kent, Northumberland, Westmoreland, and York and the Cities of Poquoson, Richmond and Williamsburg. Each member jurisdiction appoints one member to the Commission. The County of Hanover does not bear any direct or indirect liabilities for the operation of this organization.

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

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

The GRCCA was created 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. Beginning in August 1996, each locality has designated revenue from the transient occupancy tax for expansion of the convention center. Project financing took place in February 2000, and the expanded Richmond Centre opened in January 2003. Complete financial statements for the GRCCA can be obtained from the fiscal agent's office at Chesterfield County, P.O. Box 40, Chesterfield, Virginia 23832.

- **Capital Region Airport Commission:** The Capital Region Airport Commission (the Commission) was created under Chapter 380 as amended by Chapter 410 of the Code of Virginia. The Commission is comprised of a 14-member Board of Directors, with four

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

members each being appointed by the City of Richmond, County of Henrico and County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The Commission generates its revenues from service charges to users of the Richmond International Airport (the Airport) facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Commission submit an annual budget showing estimated revenues and estimated expenditures to the governing bodies of the localities for their approval. After approval of the proposed budget by the governing bodies, if the Commission's budget contains estimated expenditures that exceed estimated revenues, the governing bodies are required to fund the deficit in proportion to their financial basis in the Commission. The pro rata basis is to be determined by the percentage of the population of each locality to the combined total population of all participating localities according to the most recent census. If, however, actual revenues are less than estimated revenues identified in the budget (resulting in a deficit), the localities may, at their discretion, appropriate funds necessary to fund the deficit. To date, the County has not been required to fund any deficit. Complete financial statements for the Commission can be obtained from the Director's office at Richmond International Airport, Box A-3, Richmond, Virginia 23231.

- **Central Virginia Waste Management Authority:** The Central Virginia Waste Management Authority (the Waste Authority) was established under the provisions of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George; the Cities of Colonial Heights, Petersburg and Richmond; and the Town of Ashland. The 20 member board is comprised of no less than one and no more than three members from each of the participating jurisdictions, determined on a population basis. The County has two representatives serving on the Waste Authority's Board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest or responsibility in the Waste Authority. Complete financial statements can be obtained from the Authority at 2100 West Laburnum Avenue, Suite 105, Richmond, Virginia 23227.
- **Greater Richmond Partnership:** The Greater Richmond Partnership, Inc. (the GRP) serves the Counties of Chesterfield, Hanover and Henrico and the City of Richmond by seeking to enhance economic development in the participating localities. The County has one representative serving on GRP's Board of Directors. Complete financial statements can be obtained from Partnership's office at Riverfront Plaza, 901 East Byrd Street, Suite 801, West Tower, Richmond, Virginia 23219.
- **Richmond Metropolitan Convention and Visitors Bureau:** The Richmond Metropolitan Convention and Visitors Bureau (the RMCVB) serves the Counties of Chesterfield, Hanover and Henrico and the City of Richmond by promoting conventions and tourism in the participating localities. The County has two representatives serving on RMCVB's Board of Directors. Complete financial statements can be obtained from the Bureau's office at 401 North 3<sup>rd</sup> Street, Richmond, Virginia 23219.

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

**E. Employee retirement systems and pension plans**

**Defined Benefits Pension Plan**

- a. **Plan Description** – The Plan is an agent and cost-sharing multiple-employer defined benefit pension plan. All full-time, salaried permanent employees of participating employers must participate in the Virginia Retirement System. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employers (age 50 with 25 years of service for participating law enforcement officers and firefighters) 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 an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters 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 obtained by writing to the System at P. O. Box 2500, Richmond, VA 23218-2500, or downloaded from the System's web site at <http://www.varetire.org/pdf/2006annurept.pdf>.

- b. **Funding Policy** - Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended June 2007 was 7.48% of annual covered payroll. Hanover County has elected to pay the employee's required 5% contribution. The School Board non-professional contribution rate for the fiscal year ended 2007 was 6.92% of annual covered payroll. The School Board's required contributions to the teacher cost-sharing pool for the fiscal years ending 2007, 2006, and 2005 were \$12,929,743, \$9,736,252, and \$8,706,944, respectively and are equal to the required contributions for each year.
- c. **Annual Pension Cost** – For the fiscal year 2007, the County's annual pension cost of \$3,564,341 was equal to the County's required and actual contributions. For 2007, the County School Board non-professional employees annual pension cost of \$441,506 was equal to the required and actual contributions. This actuarial valuation uses the assumptions and methods that were adopted as a result of the 2004 Experience Study. In particular, it uses an assumed investment rate of return of 7.5%; an assumed annual cost of living adjustment of 2.5%; salary increases that range between 3.75% and 5.60% depending on the member's service and classification (general employee or uniformed officer); and retirement, mortality, disability and termination rates that were also based on the 2004 Experience Study prepared for VRS. Liabilities were determined under the Entry Age Normal actuarial cost method.

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

**d. Three-year trend information**

Funds	Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Amount of APC Contributed	Percentage of APC Contributed	Net Pension Obligation
<b>Primary government</b>					
Governmental	2007	\$ 3,273,320	\$ 3,273,320	100%	\$ -
Enterprise	2007	291,021	291,021	100	-
Governmental	2006	2,406,317	2,406,317	100	-
Enterprise	2006	222,596	222,596	100	-
Governmental	2005	2,184,926	2,184,926	100	-
Enterprise	2005	208,664	208,664	100	-
<b>School Component Unit - Nonprofessional Employees</b>					
Governmental	2007	\$ 441,506	\$ 441,506	100%	\$ -
Governmental	2007	238,058	238,058	100	-
Governmental	2007	225,141	225,141	100	-

**F. Restatement of beginning net assets – Airport activities**

During fiscal year 2007, the County issued its Taxable Airport Revenue Bond, Series 2007 (Airport Bond), in the principal amount of \$1,795,000, to finance airport improvements. The bond matures on January 1 and July 1 in each of the years 2008 through 2027, and has an effective interest rate of 5.08 percent. The Airport Bond is payable solely from and secured by a pledge of the rent received by the County from the airport's fixed base operator. The principal of and the interest on the Airport Bond does not constitute a pledge of the faith and credit of the County, and the faith and credit of the County is not pledged to the payment of the principal of or interest of the Airport Bond.

Governmental Accounting Standards Board Statement No. 34 (Statement) requires that activities financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity be reported as an enterprise fund. The Statement further requires that the cumulative effect of applying the provisions of the Statement, including the initial reporting of enterprise fund activities, be reported as a restatement of beginning fund net assets. Accordingly, in fiscal year 2007, the County has reclassified its airport activities, reported in previous years within the General Fund as governmental activities, as business-type activities within a new Airport Fund, a nonmajor enterprise fund. The cumulative effect of the reclassification of the airport activities on the government-wide Statement of Activities and on the new Airport (Enterprise) Fund, are summarized as follows:

	Government-wide Statement of Net Assets			Proprietary Fund Statement of Net Assets -
	Governmental Activities	Business-type Activities	Total	Airport (Enterprise) Fund
Net Assets at beginning of year, as previously reported	\$ 104,095,502	153,923,297	258,018,799	\$ -
Increase (decrease):				
Adjustment to initially adopt GASB 34 enterprise fund reporting requirement for airport activities in recognition of fiscal year 2007 debt issuance, secured by pledged airport rental revenues	(9,634,292)	9,634,292	-	9,634,292
Net Assets at beginning of year, as restated	<u>\$ 94,461,210</u>	<u>163,557,589</u>	<u>258,018,799</u>	<u>\$ 9,634,292</u>

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

The preceding restatement of net assets at July 1, 2006 consisted solely of capital assets used in airport activities totaling \$9,635,248, net of a liability for compensated absences of \$956, respectively, neither of which is reported in the fund financial statements. Accordingly, the airport restatement had no impact on the beginning fund balance of the General Fund.

**G. Subsequent events**

**General obligation bond issuance**

On November 8, 2007, the County sold Virginia Public School Authority (VPSA) General Obligation School Bonds, Series 2007A and 2007B, issued through the VPSA Subsidy Program, in the aggregate principal amount of \$13,838,206. The proceeds of the Bonds will be used to partially finance the Laurel Meadow Elementary School and a new Trades School. The bonds mature on July 15<sup>th</sup> in each of the years 2008 through 2027, and have an effective interest rate of 4.0 percent.

**Lewistown Commerce Center Community Development Authority**

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

On June 28, 2007 the Authority authorized the issuance of the Lewistown Commerce Center Community Development Authority (Virginia), \$37,675,000 Revenue Bonds, Series 2007 (2007 Bonds). On October 23, 2007, the 2007 Bonds were issued in the total principal amount of \$37,675,000, in accordance with the provisions of Article 6 of Chapter 51 of Title 15.2 of the Code of Virginia of 1950, as amended. The 2007 Bonds were issued to finance (a) the acquisition of certain land and the construction of certain infrastructure improvements to benefit the District (b) the payment of initial administrative expenses estimated through March 1, 2010 (c) the payment of construction period interest through March 1, 2010 (d) the funding of a Debt Service Reserve Fund for the 2007 Bonds, and (e) certain costs of issuance. The principal of and the interest on the 2007 Bonds will not be deemed to constitute a pledge of the faith and credit of the Commonwealth of Virginia or any other political subdivision, including Hanover County. Neither the faith and credit of the Commonwealth nor the faith and credit of the Authority, any county, city, town or other subdivision of the Commonwealth, including Hanover County, are pledged to the payment of the principal of or interest on the 2007 bonds.

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

COUNTY OF HANOVER  
Notes to Financial Statements  
June 30, 2007

that order. Under the Agreement, excess Incremental Tax Revenues, if any, may also be applied to debt service on the 2007 Bonds, or to the optional redemption or defeasance of the 2007 Bonds.

The County will function as an agent for the Authority by collecting and making the Payments to the Authority annually, and has agreed to pursue collection of delinquent special assessments, including, at its discretion, initiation of foreclosure procedures. Payments of Incremental Tax Revenues are scheduled to be made no later than February 1 of each year, beginning February 1, 2008. However, the Payments described above to the Authority are not deemed general obligations of Hanover County, but will be dependent upon appropriation and paid only to the extent the Special Real Property Tax, Incremental Tax Revenues, or Special Assessments have been received by the County. No special assessments were made during fiscal year 2007.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

COUNTY OF HANOVER  
Required Supplementary Information  
June 30, 2007

Virginia Retirement System  
Schedules of Funding Progress

**Hanover County**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Unfunded) Actuarial Accrued Liability (F/UAAL)	Funded Ratio	Covered Payroll	F/UAAL as a Percentage of Covered Payroll
June 30, 2006	\$ 87,492,414	\$ 97,333,495	\$(9,841,081)	89.9%	\$ 44,638,575	22.0%
June 30, 2005	78,800,635	94,441,248	(15,640,613)	83.4%	42,335,010	36.9%
June 30, 2004	73,223,629	79,165,006	(5,941,377)	92.5%	37,658,608	15.8%
June 30, 2003	69,296,169	67,758,546	1,537,623	102.3%	31,983,538	4.8%
June 30, 2002	64,800,322	60,276,935	4,523,387	107.5%	32,358,264	14.0%
June 30, 2001	60,901,803	52,641,552	8,260,251	115.7%	28,095,098	29.4%
June 30, 2000	53,803,032	46,021,339	7,781,693	116.9%	24,954,845	32.2%

**Hanover County School Board Non-Professional Employees**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Unfunded) Actuarial Accrued Liability (F/UAAL)	Funded Ratio	Covered Payroll	F/UAAL as a Percentage of Covered Payroll
June 30, 2006	\$ 11,563,505	\$ 12,177,081	\$ (613,576)	95.0%	\$ 5,879,936	10.4%
June 30, 2005	10,714,580	12,115,082	(1,400,502)	88.4%	5,876,415	23.8%
June 30, 2004	10,225,351	10,697,623	(472,272)	95.6%	5,252,548	9.0%
June 30, 2003	9,969,033	9,280,648	688,385	107.4%	4,057,091	17.0%
June 30, 2002	9,846,744	9,031,748	814,996	109.0%	4,377,546	18.6%
June 30, 2001	9,402,324	8,053,467	1,348,857	116.8%	3,842,518	35.1%
June 30, 2000	8,499,414	7,293,568	1,155,846	115.9%	3,531,578	32.7%



## **SUPPLEMENTARY INFORMATION**

## **COUNTY IMPROVEMENTS FUND**

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

**COUNTY OF HANOVER, VIRGINIA**

County Improvements Fund

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

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from local sources:				
Revenues from use of money and property	\$ -	-	267,416	267,416
Charges for services	1,985,000	1,985,000	1,514,361	(470,639)
Recovered costs	-	8,792,571	1,747,740	(7,044,831)
Miscellaneous	-	109,154	104,930	(4,224)
Total revenue from local sources	1,985,000	10,886,725	3,634,447	(7,252,278)
Intergovernmental:				
Revenue from the Commonwealth	992,000	4,691,103	460,121	(4,230,982)
Revenue from the Federal government	450,000	891,477	42,539	(848,938)
Total intergovernmental	1,442,000	5,582,580	502,660	(5,079,920)
Total revenues	3,427,000	16,469,305	4,137,107	(12,332,198)
<b>EXPENDITURES</b>				
General government administration	607,000	870,796	760,268	110,528
Judicial administration	50,000	68,538	56,857	11,681
Public safety	34,570,000	37,489,666	2,801,530	34,688,136
Human services	-	17,112	8,300	8,812
Public works	2,915,000	20,098,389	1,510,379	18,588,010
Parks, recreation and cultural	5,877,000	6,499,681	1,184,769	5,314,912
Community development	-	123,850	-	123,850
Debt service:				
Interest and fiscal charges	-	130,000	121,454	8,546
Total expenditures	44,019,000	65,298,032	6,443,557	58,854,475
Excess (deficiency) of revenues over (under) expenditures	(40,592,000)	(48,828,727)	(2,306,450)	46,522,277
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,225,000	4,061,342	3,911,342	(150,000)
Issuance of general obligation bonds	36,367,000	36,566,633	7,440,000	(29,126,633)
Premium on general obligation bonds issued	-	150,000	138,186	(11,814)
Issuance of general obligation refunding bonds	-	4,050,000	3,965,000	(85,000)
Premium on general obligation refunding bonds issued	-	150,000	132,521	(17,479)
Payments to refunded bonds escrow agent	-	(4,070,000)	(3,978,102)	91,898
Total other financing sources (uses)	40,592,000	40,907,975	11,608,947	(29,299,028)
Net change in fund balance	-	(7,920,752)	9,302,497	17,223,249
Fund balance - beginning	-	10,152,498	10,152,498	-
Fund balance - ending	\$ -	2,231,746	19,454,995	17,223,249

## **SCHOOL IMPROVEMENTS FUND**

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

**COUNTY OF HANOVER, VIRGINIA**

School Improvements Fund

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

For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Revenue from local sources:				
Revenue from use of money and property	\$ 75,000	75,000	537,699	462,699
Charges for services:				
Proffers	1,408,000	1,408,000	982,964	(425,036)
Total revenue from local sources	<u>1,483,000</u>	<u>1,483,000</u>	<u>1,520,663</u>	<u>37,663</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Education	310,000	310,000	294,429	(15,571)
Total revenues	<u>1,793,000</u>	<u>1,793,000</u>	<u>1,815,092</u>	<u>22,092</u>
<b>EXPENDITURES</b>				
Capital outlay:				
Education	27,061,000	36,079,203	21,975,615	14,103,588
Debt service:				
Interest and fiscal charges	-	45,000	39,348	5,652
Total expenditures	<u>27,061,000</u>	<u>36,124,203</u>	<u>22,014,963</u>	<u>14,109,240</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,268,000)</u>	<u>(34,331,203)</u>	<u>(20,199,871)</u>	<u>14,131,332</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,507,000	2,507,000	2,507,000	-
Issuance of general obligation bonds	22,761,000	24,971,000	13,710,000	(11,261,000)
Premium on general obligation bonds issued	-	240,000	199,573	(40,427)
Issuance of general obligation refunding bonds	-	10,495,000	10,395,000	(100,000)
Premium on general obligation refunding bonds issued	-	205,000	161,380	(43,620)
Payment to refunded bonds escrow agent	-	(10,655,000)	(10,560,601)	94,399
Total other financing sources (uses)	<u>25,268,000</u>	<u>27,763,000</u>	<u>16,412,352</u>	<u>(11,350,648)</u>
Net change in fund balance	-	(6,568,203)	(3,787,519)	2,780,684
Fund balance - beginning	-	6,596,740	6,596,740	-
Fund balance - ending	<u>\$ -</u>	<u>28,537</u>	<u>2,809,221</u>	<u>2,780,684</u>

## **NONMAJOR OTHER GOVERNMENTAL FUNDS**

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

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

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

**COUNTY OF HANOVER, VIRGINIA**

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2007

	Other Governmental Funds		
	Comprehensive Services	Community Services	Total
<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ 95,610	1,129	96,739
Accounts receivable (net of allowance for uncollectible accounts)	13,929	708,784	722,713
Due from other governmental units	587,388	68,451	655,839
Total assets	<u>\$ 696,927</u>	<u>778,364</u>	<u>1,475,291</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 342,464	120,277	462,741
Accrued liabilities	4,463	312,312	316,775
Due to other funds	-	27,000	27,000
Total liabilities	<u>346,927</u>	<u>459,589</u>	<u>806,516</u>
<b>FUND BALANCES</b>			
Reserved for:			
Encumbrances	-	45,000	45,000
Grant programs	-	40,411	40,411
Total reserved	<u>-</u>	<u>85,411</u>	<u>85,411</u>
Unreserved:			
Undesignated	350,000	233,364	583,364
Total fund balance	<u>350,000</u>	<u>318,775</u>	<u>668,775</u>
Total liabilities and fund balance	<u>\$ 696,927</u>	<u>778,364</u>	<u>1,475,291</u>

**COUNTY OF HANOVER, VIRGINIA**

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2007

	Other Governmental Funds		
	Comprehensive Services	Community Services	Total
<b>REVENUES</b>			
Revenue from local sources:			
Revenue from use of money and property	\$ -	249,998	249,998
Charges for services	-	2,956,725	2,956,725
Recovered cost	88,718	150,718	239,436
Miscellaneous	-	62,715	62,715
Total revenue from local sources	88,718	3,420,156	3,508,874
Intergovernmental:			
Revenue from the Commonwealth	2,253,596	1,863,660	4,117,256
Revenue from the Federal government	-	718,227	718,227
Total intergovernmental	2,253,596	2,581,887	4,835,483
Total revenues	2,342,314	6,002,043	8,344,357
<b>EXPENDITURES</b>			
Human services	4,418,161	10,225,290	14,643,451
Total expenditures	4,418,161	10,225,290	14,643,451
Excess (deficiency) of revenues over (under) expenditures	(2,075,847)	(4,223,247)	(6,299,094)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	2,075,847	4,476,270	6,552,117
Net change in fund balance	-	253,023	253,023
Fund balances - beginning	350,000	65,752	415,752
Fund balances - ending	\$ 350,000	318,775	668,775

**COUNTY OF HANOVER, VIRGINIA**

## Comprehensive Services Fund

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

For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Revenue from local sources				
Recovered costs	\$ 95,000	95,000	88,718	(6,282)
Total revenue from local sources	<u>95,000</u>	<u>95,000</u>	<u>88,718</u>	<u>(6,282)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid (State agency):				
Education	2,491,608	2,491,608	2,253,596	(238,012)
Total revenues	<u>2,586,608</u>	<u>2,586,608</u>	<u>2,342,314</u>	<u>(244,294)</u>
<b>EXPENDITURES</b>				
Human services:				
Comprehensive services	4,872,199	4,872,199	4,418,161	454,038
Total expenditures	<u>4,872,199</u>	<u>4,872,199</u>	<u>4,418,161</u>	<u>454,038</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,285,591)</u>	<u>(2,285,591)</u>	<u>(2,075,847)</u>	<u>209,744</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>2,179,591</u>	<u>2,179,591</u>	<u>2,075,847</u>	<u>(103,744)</u>
Net change in fund balance	(106,000)	(106,000)	-	106,000
Fund balance - beginning	106,000	350,000	350,000	-
Fund balance - ending	<u>\$ -</u>	<u>244,000</u>	<u>350,000</u>	<u>106,000</u>

**COUNTY OF HANOVER, VIRGINIA**

Community Services Fund

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

For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Sale of materials and supplies	\$ 250,000	250,000	249,998	(2)
Total revenue from use of money and property	250,000	250,000	249,998	(2)
Charges for services	3,707,495	3,569,093	2,956,725	(612,368)
Recovered cost	145,000	145,000	150,718	5,718
Miscellaneous	115,000	112,000	62,715	(49,285)
Total revenue from local sources	4,217,495	4,076,093	3,420,156	(655,937)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid (State agency):				
Mental Health, Retardation and Substance Abuse	1,664,884	1,838,786	1,863,660	24,874
Total revenue from the Commonwealth	1,664,884	1,838,786	1,863,660	24,874
Revenue from the Federal government:				
Categorical aid (Federal agency):				
Health and Human Services	647,353	689,853	718,227	28,374
Total revenue from the Federal government	647,353	689,853	718,227	28,374
Total intergovernmental	2,312,237	2,528,639	2,581,887	53,248
Total revenues	6,529,732	6,604,732	6,002,043	(602,689)
<b>EXPENDITURES</b>				
Human services:				
Community services	11,011,002	11,128,427	10,225,290	903,137
Total expenditures	11,011,002	11,128,427	10,225,290	903,137
Excess (deficiency) of revenues over (under) expenditures	(4,481,270)	(4,523,695)	(4,223,247)	300,448
<b>OTHER FINANCING SOURCES</b>				
Transfers in	4,481,270	4,476,270	4,476,270	-
Net change in fund balance	-	(47,425)	253,023	300,448
Fund balance - beginning	-	65,752	65,752	-
Fund balance - ending	\$ -	18,327	318,775	300,448



## **INTERNAL SERVICE FUNDS**

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

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

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

**COUNTY OF HANOVER, VIRGINIA**

Internal Service Funds

Combining Statement of Net Assets

June 30, 2007

	<u>Self-Insurance</u>	<u>Fleet Management</u>	<u>Total</u>
<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ 4,336,021	185,574	4,521,595
Accounts receivable (net of allowance for uncollectibles)	-	8,569	8,569
Inventory	-	177,814	177,814
Capital assets:			
Machinery and equipment	-	485,295	485,295
Less accumulated depreciation	-	(280,270)	(280,270)
Total capital assets (net of accumulated depreciation)	-	205,025	205,025
Total assets	<u>4,336,021</u>	<u>576,982</u>	<u>4,913,003</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	117,445	117,445
Incurred but not reported (insurance claims)	1,737,000	-	1,737,000
Accrued liabilities	13,712	54,026	67,738
Compensated absences	-	125,404	125,404
Total liabilities	<u>1,750,712</u>	<u>296,875</u>	<u>2,047,587</u>
<b>NET ASSETS</b>			
Invested in capital assets	-	205,025	205,025
Unrestricted	2,585,309	75,082	2,660,391
Total net assets	<u>\$ 2,585,309</u>	<u>280,107</u>	<u>2,865,416</u>

**COUNTY OF HANOVER, VIRGINIA**

## Internal Service Funds

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

For the Year Ended June 30, 2007

	<u>Self-Insurance</u>	<u>Fleet Management</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 19,578,646	1,483,152	21,061,798
Recovered cost	-	74,937	74,937
Miscellaneous revenue	-	17,208	17,208
Total operating revenues	<u>19,578,646</u>	<u>1,575,297</u>	<u>21,153,943</u>
<b>OPERATING EXPENSES</b>			
Health care claims	18,434,370	-	18,434,370
Personal services	-	1,130,127	1,130,127
Fringe benefits	-	352,779	352,779
Contractual services	45,500	43,601	89,101
Internal services	-	-	-
Other charges	-	35,735	35,735
Depreciation	-	39,820	39,820
Total operating expenses	<u>18,479,870</u>	<u>1,602,062</u>	<u>20,081,932</u>
Operating income (loss)	<u>1,098,776</u>	<u>(26,765)</u>	<u>1,072,011</u>
<b>NONOPERATING REVENUES</b>			
Interest income	437,227	-	437,227
Gain on sale of capital assets	-	187,865	187,865
Total nonoperating revenues	<u>437,227</u>	<u>187,865</u>	<u>625,092</u>
Change in net assets	1,536,003	161,100	1,697,103
Total net assets - beginning	1,049,306	119,007	1,168,313
Total net assets - ending	<u>\$ 2,585,309</u>	<u>280,107</u>	<u>2,865,416</u>

**COUNTY OF HANOVER, VIRGINIA**

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2007

	Self-Insurance	Fleet Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund services provided	\$ 19,578,646	1,566,728	21,145,374
Payments to suppliers and service providers	(44,467)	(56,102)	(100,569)
Payments to employees	-	(1,480,909)	(1,480,909)
Claims paid	(18,076,288)	-	(18,076,288)
Net cash provided by operating activities	<u>1,457,891</u>	<u>29,717</u>	<u>1,487,608</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	-	(149,281)	(149,281)
Proceeds from sale of capital assets	-	187,865	187,865
Net cash provided by capital and related financing activities	<u>-</u>	<u>38,584</u>	<u>38,584</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	437,227	-	437,227
Net cash provided by investing activities	<u>437,227</u>	<u>-</u>	<u>437,227</u>
Net increase in cash and cash equivalents	1,895,118	68,301	1,963,419
Cash and cash equivalents at beginning of year	2,440,903	117,273	2,558,176
Cash and cash equivalents at end of year	<u>\$ 4,336,021</u>	<u>185,574</u>	<u>4,521,595</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 1,098,776	(26,765)	1,072,011
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	-	39,820	39,820
Decrease (increase) in:			
Accounts receivable	175,082	(8,569)	166,513
Inventory	-	2,549	2,549
Increase (decrease) in:			
Accounts payable	-	20,685	20,685
Incurred but not reported self-insurance claims	183,000	-	183,000
Accrued liabilities	1,033	1,977	3,010
Compensated absences	-	20	20
Total adjustments	<u>359,115</u>	<u>56,482</u>	<u>415,597</u>
Net cash provided by operating activities	<u>\$ 1,457,891</u>	<u>29,717</u>	<u>1,487,608</u>

## **FIDUCIARY FUNDS**

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

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

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

**COUNTY OF HANOVER, VIRGINIA**

Fiduciary Funds

Combining Balance Sheet

June 30, 2007

---

	Community Development Authority	Escrow	Special Welfare	Total
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 1,427	2,641,122	60,954	2,703,503
Accounts receivable	7,239	-	-	7,239
Total assets	<u>\$ 8,666</u>	<u>2,641,122</u>	<u>60,954</u>	<u>2,710,742</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,427	659,048	-	660,475
Accrued liabilities	7,239	52,326	-	59,565
Deposits	-	1,929,748	60,954	1,990,702
Total liabilities	<u>\$ 8,666</u>	<u>2,641,122</u>	<u>60,954</u>	<u>2,710,742</u>

**COUNTY OF HANOVER, VIRGINIA**

Fiduciary Funds

Combining Statement of Changes in Assets and Liabilities

June 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Community Development Authority</b>				
Assets:				
Cash, cash equivalents and investments	\$ 1,427	1,044,574	1,044,574	1,427
Accounts receivable	-	714,947	707,708	7,239
Total assets	<u>\$ 1,427</u>	<u>1,759,521</u>	<u>1,752,282</u>	<u>8,666</u>
Liabilities:				
Accounts payable	\$ 1,427	1,313,806	1,313,806	1,427
Accrued liabilities	-	714,947	707,708	7,239
Total liabilities	<u>\$ 1,427</u>	<u>2,028,753</u>	<u>2,021,514</u>	<u>8,666</u>
<b>Escrow</b>				
Assets:				
Cash, cash equivalents and investments	\$ 2,557,338	28,687,337	28,603,553	2,641,122
Accounts receivable	-	39,196	39,196	-
Total assets	<u>\$ 2,557,338</u>	<u>28,726,533</u>	<u>28,642,749</u>	<u>2,641,122</u>
Liabilities:				
Accounts payable	\$ 525,321	8,558,706	8,424,979	659,048
Accrued liabilities	4,857	27,826,717	27,779,248	52,326
Deposits	2,027,160	912,222	1,009,634	1,929,748
Total liabilities	<u>\$ 2,557,338</u>	<u>37,297,645</u>	<u>37,213,861</u>	<u>2,641,122</u>
<b>Special Welfare</b>				
Assets:				
Cash, cash equivalents and investments	\$ 72,759	123,112	134,917	60,954
Liabilities:				
Deposits	\$ 72,759	123,112	134,917	60,954
<b>Total Fiduciary Funds</b>				
Assets:				
Cash, cash equivalents and investments	\$ 2,631,524	29,855,023	29,783,044	2,703,503
Accounts receivable	-	754,143	746,904	7,239
Total assets	<u>\$ 2,631,524</u>	<u>30,609,166</u>	<u>30,529,948</u>	<u>2,710,742</u>
Liabilities:				
Accounts payable	\$ 526,748	9,872,512	9,738,785	660,475
Accrued liabilities	4,857	28,541,664	28,486,956	59,565
Deposits	2,099,919	1,035,334	1,144,551	1,990,702
Total liabilities	<u>\$ 2,631,524</u>	<u>39,449,510</u>	<u>39,370,292</u>	<u>2,710,742</u>



# **DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

## **Governmental Funds:**

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

*Textbook* – Accounts for the distribution of textbooks to students.

*Cafeteria* – Accounts for the operations of school food services.

**COUNTY OF HANOVER, VIRGINIA**  
Discretely Presented Component Unit School Board  
Combining Balance Sheet  
June 30, 2007

	Governmental Funds			
	School	Textbook	Cafeteria	Totals
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 12,676,016	602,321	566,886	13,845,223
Accounts receivable	197,167	3,877	220	201,264
Due from other governmental units	4,123,543	-	48,371	4,171,914
Inventory	-	-	90,760	90,760
Total assets	<u>\$ 16,996,726</u>	<u>606,198</u>	<u>706,237</u>	<u>18,309,161</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 865,156	51,978	34,122	951,256
Accrued liabilities	13,356,406	-	425,627	13,782,033
Deferred revenue	39,767	-	-	39,767
Total liabilities	<u>14,261,329</u>	<u>51,978</u>	<u>459,749</u>	<u>14,773,056</u>
Fund balances:				
Reserved for:				
Encumbrances	1,842,390	-	-	1,842,390
Inventory	-	-	90,760	90,760
Unreserved:				
Designated for specific purposes	893,007	-	-	893,007
Undesignated	-	554,220	155,728	709,948
Total fund balances	<u>2,735,397</u>	<u>554,220</u>	<u>246,488</u>	<u>3,536,105</u>
Total liabilities and fund balances	<u>\$ 16,996,726</u>	<u>606,198</u>	<u>706,237</u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				\$ 92,117,306
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds				
Compensated absences			\$ (3,954,317)	
Liability for early retirement program			(1,383,280)	
Accrued bond interest			(2,818,168)	(8,155,765)
Net assets of School Component Unit activities				<u>\$ 87,497,646</u>

**COUNTY OF HANOVER, VIRGINIA**

Discretely Presented Component Unit - School Board

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2007

	Governmental Funds			
	School	Textbook	Cafeteria	Totals
<b>REVENUES</b>				
Revenue from local sources:				
Revenue from use of money and property	\$ -	27,566	18,197	45,763
Charges for services - operating	549,908	-	5,927,095	6,477,003
Miscellaneous	402,742	-	21,361	424,103
Recovered costs	728,725	-	-	728,725
Payments from primary government	82,328,003	696,458	-	83,024,461
Revenue from the Commonwealth	81,316,187	1,068,252	67,440	82,451,879
Revenue from the Federal government	6,037,041	-	1,205,728	7,242,769
Total revenues	<u>171,362,606</u>	<u>1,792,276</u>	<u>7,239,821</u>	<u>180,394,703</u>
<b>EXPENDITURES</b>				
Current:				
Education	154,737,273	1,252,590	7,360,020	163,349,883
Debt service:				
Principal retirement	10,064,060	-	-	10,064,060
Interest and fiscal charges	5,592,647	-	-	5,592,647
Total expenditures	<u>170,393,980</u>	<u>1,252,590</u>	<u>7,360,020</u>	<u>179,006,590</u>
Excess (deficiency) of revenues over (under) expenditures	<u>968,626</u>	<u>539,686</u>	<u>(120,199)</u>	<u>1,388,113</u>
Net change in fund balance	968,626	539,686	(120,199)	1,388,113
Fund balances - beginning	1,766,771	14,534	357,790	2,139,095
Increase in reserve for inventory	-	-	8,897	8,897
Fund balances - ending	<u>\$ 2,735,397</u>	<u>554,220</u>	<u>246,488</u>	<u>3,536,105</u>

**COUNTY OF HANOVER, VIRGINIA**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Discretely Presented School Component Unit to the Statement of Activities  
For the Year Ended June 30, 2007

---

Net change in fund balances - total governmental funds	\$ 1,388,113
<p>The County's School Improvements Fund accounts for the construction and acquisition of School Board capital assets. As the School Improvements Fund makes capital outlay expenditures, the capital assets, and a corresponding increase in the "Payment from Hanover County" are recorded by the School Component Unit in the government-wide financial statements. After their completion, the cost of the capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the increase in the Payment from Hanover County due to capital asset acquisitions (\$21,461,655) exceeded depreciation expense (\$7,408,073) in the current period.</p>	14,053,582
<p>Under Virginia law, the County has a tenancy in common for School Component Unit capital assets for which the County is obligated to repay outstanding "on-behalf" bonds. Under the tenancy in common, the County reports the net book value of School Component Unit capital assets up to the outstanding principal balance of "on-behalf" bonds at year end. This amount is the increase in the net book value of School Component Unit capital assets reported by the County for the fiscal year, which resulted primarily from school construction activity funded by newly issued County bonds. The amount of the capital assets transferred to the County from the School Component Unit results in a decrease in net assets reported by the School Component Unit on the statement of activities.</p>	(12,858,809)
<p>Some expenses reported in this statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	(86,903)
Changes in net assets of School Component Unit activities	\$ 2,495,983

**COUNTY OF HANOVER, VIRGINIA**

School Fund - School Board

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

For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Revenue from local sources:				
Charges for services:				
Tuition and other charges for services	\$ 792,107	611,162	549,908	(61,254)
Total charges for services	792,107	611,162	549,908	(61,254)
Miscellaneous:				
Sale of assets	10,000	10,000	-	(10,000)
Miscellaneous	562,345	359,812	402,742	42,930
Total miscellaneous revenue	572,345	369,812	402,742	32,930
Recovered costs:				
Recovered costs	666,547	670,286	728,725	58,439
Total recovered costs	666,547	670,286	728,725	58,439
Payments from primary government:				
General Fund	85,097,973	85,097,973	82,328,003	(2,769,970)
Total payments from primary government	85,097,973	85,097,973	82,328,003	(2,769,970)
Total revenue from local sources	87,128,972	86,749,233	84,009,378	(2,739,855)
Revenue from the Commonwealth:				
Non-categorical aid:				
Lottery proceeds and basic school aid	62,110,277	62,155,421	63,188,469	1,033,048
Total non-categorical aid	62,110,277	62,155,421	63,188,469	1,033,048
Categorical aid:				
Categorical aid programs	19,291,900	19,409,181	18,127,718	(1,281,463)
Total categorical aid	19,291,900	19,409,181	18,127,718	(1,281,463)
Total revenue from the Commonwealth	81,402,177	81,564,602	81,316,187	(248,415)
Revenue from the Federal government:				
Categorical aid:				
Department of Education	5,830,857	6,646,495	6,037,041	(609,454)
Total revenue from the Federal government	5,830,857	6,646,495	6,037,041	(609,454)
Total revenues	174,362,006	174,960,330	171,362,606	(3,597,724)
<b>EXPENDITURES</b>				
Education:				
General support	8,549,300	8,598,193	8,188,942	409,251
Pupil transportation	8,047,985	8,138,564	7,844,078	294,486
Operations and maintenance	11,318,322	11,288,073	11,035,623	252,450
Instruction	128,609,948	130,149,590	126,193,207	3,956,383
Facilities	1,790,821	2,575,052	1,475,423	1,099,629
Total education	158,316,376	160,749,472	154,737,273	6,012,199
Debt service:				
Principal retirement	10,064,060	10,064,060	10,064,060	-
Interest and fiscal charges	5,981,570	5,906,570	5,592,647	313,923
Total debt service	16,045,630	15,970,630	15,656,707	313,923
Total expenditures	174,362,006	176,720,102	170,393,980	6,326,122
Excess (deficiency) of revenues over (under) expenditures	-	(1,759,772)	968,626	2,728,398
Net change in fund balance	-	(1,759,772)	968,626	2,728,398
Fund balance - beginning	-	1,759,772	1,766,771	6,999
Fund balance - ending	\$ -	-	2,735,397	2,735,397

**COUNTY OF HANOVER, VIRGINIA**

Textbook Fund - School Board

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

For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Revenue from local sources:				
Revenue from use of property	\$ -	-	27,566	27,566
Total revenue from use of property	-	-	27,566	27,566
Payments from primary government:				
General Fund	696,458	696,458	696,458	-
Total payments from primary government	696,458	696,458	696,458	-
Total revenue from local sources	696,458	696,458	724,024	27,566
Revenue from the Commonwealth:				
Categorical aid:				
Textbook	1,082,711	1,082,711	1,068,252	(14,459)
Total revenue from the Commonwealth	1,082,711	1,082,711	1,068,252	(14,459)
Total revenues	1,779,169	1,779,169	1,792,276	13,107
<b>EXPENDITURES</b>				
Education:				
Textbook	1,779,169	1,782,795	1,252,590	530,205
Total expenditures	1,779,169	1,782,795	1,252,590	530,205
Excess (deficiency) of revenue over (under) expenditures	-	(3,626)	539,686	543,312
Net change in fund balance	-	(3,626)	539,686	543,312
Fund balance - beginning	-	3,626	14,534	10,908
Fund balance - ending	\$ -	-	554,220	554,220

**COUNTY OF HANOVER, VIRGINIA**

Cafeteria Fund - School Board

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

For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Revenue from local sources:				
Revenue from use of money and property	\$ 10,000	10,000	18,197	8,197
Charges for services	5,982,590	6,032,590	5,927,095	(105,495)
Miscellaneous revenue	26,000	26,000	21,361	(4,639)
Total revenue from local sources	<u>6,018,590</u>	<u>6,068,590</u>	<u>5,966,653</u>	<u>(101,937)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food programs	69,000	69,000	67,440	(1,560)
Total revenue from the Commonwealth	<u>69,000</u>	<u>69,000</u>	<u>67,440</u>	<u>(1,560)</u>
Revenue from the Federal government:				
Categorical aid:				
USDA donated commodities	236,450	236,450	241,440	4,990
School food programs	757,048	757,048	809,949	52,901
Breakfast reimbursement	140,862	140,862	154,339	13,477
Total revenue from the Federal government	<u>1,134,360</u>	<u>1,134,360</u>	<u>1,205,728</u>	<u>71,368</u>
Total revenues	<u>7,221,950</u>	<u>7,271,950</u>	<u>7,239,821</u>	<u>(32,129)</u>
<b>EXPENDITURES</b>				
Education:				
Cafeteria	7,382,825	7,432,825	7,360,020	72,805
Total expenditures	<u>7,382,825</u>	<u>7,432,825</u>	<u>7,360,020</u>	<u>72,805</u>
Net change in fund balance	(160,875)	(160,875)	(120,199)	40,676
Fund balance - beginning	160,875	160,875	357,790	196,915.00
Increase in reserve for inventory	-	-	8,897	8,897
Fund balance - ending	<u>\$ -</u>	<u>-</u>	<u>246,488</u>	<u>246,488</u>

**DISCRETELY PRESENTED COMPONENT UNIT –  
ECONOMIC DEVELOPMENT AUTHORITY**

**Governmental Fund:**

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

**COUNTY OF HANOVER, VIRGINIA**

Discretely Presented Component Unit - Economic Development Authority

Balance Sheet

June 30, 2007

---

**ASSETS**

Cash, cash equivalents and investments	\$ 225,726
Total assets	<u>225,726</u>

**FUND EQUITY**

Liabilities:

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

Fund balances:

    Unreserved:

Undesignated	225,726
Total fund balances	<u>225,726</u>
Total liabilities and fund balances	<u>\$ 225,726</u>

**COUNTY OF HANOVER, VIRGINIA**

Discretely Presented Component Unit - Economic Development Authority

Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2007

---

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
Charges for services:				
Economic development fees	\$ 176,817	176,817	205,315	28,498
Payment from primary government	-	25,000	25,000	-
Total revenues	<u>176,817</u>	<u>201,817</u>	<u>230,315</u>	<u>28,498</u>
<b>EXPENDITURES</b>				
Community Development:				
Economic development	176,817	201,817	190,953	10,864
Total expenditures	<u>176,817</u>	<u>201,817</u>	<u>190,953</u>	<u>10,864</u>
Excess of revenues over expenditures	-	-	39,362	39,362
Net change in fund balance	-	-	39,362	39,362
Fund balance - beginning of year	-	186,364	186,364	-
Fund balance - end of year	<u>\$ -</u>	<u>186,364</u>	<u>225,726</u>	<u>39,362</u>

## **SINGLE AUDIT SCHEDULE AND NOTES**

**COUNTY OF HANOVER, VIRGINIA**  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2007

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	Federal Expenditures
<b>DEPARTMENT OF AGRICULTURE:</b>		
Direct Payments:		
Child and Adult Care Food Program	10.558	\$ 18,807
Pass-through payments:		
Department of Agriculture and Consumer Services:		
USDA Donated Food - Cafeteria (commodities)	10.555	241,440
Department of Education:		
School Breakfast Program	10.553	154,339
National School Lunch Program	10.555	809,949
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	479,532
<b>DEPARTMENT OF DEFENSE:</b>		
Direct Payments:		
JROTC	12.000	170,082
<b>DEPARTMENT OF JUSTICE:</b>		
Direct Payments:		
Local Law Enforcement Block Grant Program	16.592	606
Bulletproof Vest Partnership Program	16.607	12,453
Public Safety Partnership and Community Policing Grants	16.710	11,174
Edward Byrne Memorial Justice Assistance Grant Program	16.738	3,463
Pass-through Payments:		
Department of Criminal Justice Services:		
Juvenile Accountability Incentive Block Grants	16.523	5,000
Crime Victim Compensation	16.576	24,512
Drug Court Discretionary Grant Program	16.585	183,103
<b>DEPARTMENT OF EDUCATION:</b>		
Pass-through Payments:		
Department of Education:		
Adult Education State Grant Program	84.002	24,236
Title I Grants to Local Education Agencies	84.010	818,974
Special Education Grants to States	84.027	3,214,781
Vocational Education Basic Grants to States	84.048	156,792
Schedule Education Preschool Grants	84.173	89,758
Special Education Grants for Infants and Families with Disabilities	84.181	146,761
Safe and Drug-Free Schools and Communities State Grants	84.186	37,165
Title V-Innovative Education Program Strategies	84.298	23,683
Education Technology State Grants	84.318	19,082
English Language Acquisition Grants	84.365	11,957
Improving Teacher Quality State Grants	84.367	421,452
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>		
Direct Payments:		
Substance Abuse & Mental Health Services Projects of Regional and National Significance	93.243	13,444
Head Start	93.600	814,646
Pass-through Payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	40,064
Temporary Assistance for Needy Families	93.558	277,535

**COUNTY OF HANOVER, VIRGINIA**  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2007

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	Federal Expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES, CONTINUED:</b>		
Refugee and Entrant Assistance-State Administered Programs	93.566	\$ 195
Low-Income Home Energy Assistance	93.568	3,815
Child Care and Development Block Grant	93.575	444,882
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	269,934
Pass-through Payments:		
Department of Social Services:		
Chafee Education and Training Vouchers Program	93.599	(66)
Adoption Incentive Payments	93.603	3,825
Child Welfare Services - State Grants	93.658	88
Foster Care Title IV-E	93.658	552,144
Adoption Assistance	93.659	128,966
Social Services Block Grant	93.667	177,468
Chafee Foster Care Independence Program	93.674	26,677
State Children's Insurance Program	93.767	644
Medical Assistance Program	93.778	494,411
Pass-through Payments:		
Department of Mental Health, Mental Retardation, and Substance Abuse Services:		
National Bioterrorism Hospital Preparedness Program	93.889	4,000
Block Grants for Community Mental Health Services	93.958	93,245
Block Grants for Prevention and Treatment of Substance Abuse	93.959	382,646
<b>DEPARTMENT OF HOMELAND SECURITY:</b>		
Direct Payments:		
State Domestic Preparedness Equipment Support Program	97.004	31,803
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083	242,610
Department of Emergency Management:		
Hazard Mitigation Grant	97.039	42,539
Department of Criminal Justice:		
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	211,210
Department of Emergency Services:		
Citizen Corps	97.053	18,842
State Homeland Security Program (SHSP)	97.073	86,411
<b>DEPARTMENT OF TRANSPORTATION</b>		
Direct Payments:		
Airport Improvement Program	20.106	261,839
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>		
Direct Payments:		
AmeriCorps	94.006	51,004
		\$ 11,753,922

## COUNTY OF HANOVER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

---

### 1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all federal grant activity of the County of Hanover, Virginia (the County), and its component units. The County's reporting entity is defined in Note 1 of the County's basic financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the Schedule.

### 2. BASIS OF ACCOUNTING

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

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

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

### 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

GASB 33 provides that grant revenue should be recognized when all applicable eligibility requirements are met, and, under modified accrual accounting, when the resources are available. Therefore, the proceeds of grants which do not specify time requirements, and for which all other eligibility requirements have been met, are recognized as revenues in the current fiscal year. Expenditures are recognized in the fiscal year spent for the required purpose. The following reconciles revenue from the Federal government per the basic financial statements to Federal expenditures per the Schedule.

---

Revenue from the Federal government	\$	11,743,258
Federal awards revenue recognized:		
In prior fiscal years, spent this fiscal year		43,159
In current fiscal years, but not spent		(32,495)
Expenditures of Federal awards	\$	<u>11,753,922</u>

---

**COUNTY OF HANOVER, VIRGINIA**  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

---

**4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

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



# STATISTICAL SECTION

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

	<u>Pages</u>
<b>Financial trends information</b> .....	111 - 117
Financial trends information is intended to help the reader understand and assess how the County’s financial position has changed over time.	
<b>Revenue capacity information</b> .....	118 - 121
Revenue capacity information is intended to help the reader understand and assess the County’s ability to generate its most significant local revenue source, the property tax.	
<b>Debt capacity information</b> .....	122 - 124
Debt capacity information is intended to help the reader understand and assess the affordability of the County’s current levels of outstanding debt and the County’s ability to issue additional debt in the future.	
<b>Demographic and economic information</b> .....	125 - 126
Demographic and economic information is intended to help the reader understand the socioeconomic environment within which the County’s financial activities take place.	
<b>Operating information</b> .....	127 - 129
Operating information is intended to provide information about the County’s services and capital asset resources to help the reader understand how the information in the financial report relates to the services the County provides and the activities it performs.	

**COUNTY OF HANOVER, VIRGINIA**

Net Assets by Component

Last Six Fiscal Years <sup>(1)</sup>

(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities: <sup>(2)</sup>						
Invested in capital assets, net of related debt	\$ 62,039,422	60,564,926	62,499,667	64,429,211	67,583,618	61,976,094
Restricted	3,691,645	4,496,905	6,124,298	6,379,543	7,058,772	9,599,544
Unrestricted	26,940,856	21,566,419	20,741,027	20,659,883	29,453,112	41,592,279
<b>Total net assets, governmental activities</b>	<b>\$ 92,671,923</b>	<b>86,628,250</b>	<b>89,364,992</b>	<b>91,468,637</b>	<b>104,095,502</b>	<b>113,167,917</b>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 108,226,473	115,034,367	123,953,003	130,259,289	136,220,116	144,494,562
Restricted	3,846,524	4,519,720	4,318,022	3,151,730	3,716,918	3,445,443
Unrestricted	15,394,925	16,840,408	14,229,206	13,975,727	13,986,263	24,492,963
<b>Total net assets, business-type activities</b>	<b>\$ 127,467,922</b>	<b>136,394,495</b>	<b>142,500,231</b>	<b>147,386,746</b>	<b>153,923,297</b>	<b>172,432,968</b>
Primary government:						
Invested in capital assets, net of related debt	\$ 170,265,895	175,599,293	186,452,670	194,688,500	203,803,734	206,470,656
Restricted	7,538,169	9,016,625	10,442,320	9,531,273	10,775,690	13,044,987
Unrestricted	42,335,781	38,406,827	34,970,233	34,635,610	43,439,375	66,085,242
<b>Total net assets, primary government</b>	<b>\$ 220,139,845</b>	<b>223,022,745</b>	<b>231,865,223</b>	<b>238,855,383</b>	<b>258,018,799</b>	<b>285,600,885</b>

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

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

Changes in Net Assets

Last Six Fiscal Years <sup>(1)</sup>

(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005 <sup>(3)</sup>	2006	2007
<b>Expenses</b>						
Governmental activities:						
General government administration	\$ 9,512,003	10,137,986	10,712,124	11,897,058	12,118,463	13,312,730
Judicial administration	2,728,140	2,952,076	3,057,632	3,663,672	3,978,959	3,930,945
Public safety	24,171,887	27,672,227	29,003,658	33,111,907	35,956,589	39,333,719
Public works	7,044,919	7,776,824	9,254,986	11,304,517	9,570,693	8,741,705
Human services	15,115,552	15,041,790	17,441,669	18,840,933	19,849,312	21,269,844
Parks, recreation and cultural	3,966,506	4,451,009	4,649,850	4,894,299	5,260,603	4,732,962
Community development	4,966,385	4,442,153	4,289,916	4,582,344	4,878,481	5,306,364
Education	63,752,188	66,451,732	73,124,850	78,974,707	83,003,947	81,203,331
Interest on long-term debt	761,641	694,615	590,519	462,760	314,867	627,078
Total governmental activities expenses	<u>132,019,221</u>	<u>139,620,412</u>	<u>152,125,204</u>	<u>167,732,197</u>	<u>174,931,914</u>	<u>178,458,678</u>
Business-type activities:						
Public utilities	14,975,753	16,415,587	17,142,203	20,491,371	21,848,595	22,688,647
Airport <sup>(2)</sup>	-	-	-	-	-	465,203
Total business-type activities expenses	<u>14,975,753</u>	<u>16,415,587</u>	<u>17,142,203</u>	<u>20,491,371</u>	<u>21,848,595</u>	<u>23,153,850</u>
<b>Total expenses, primary government</b>	<b>\$ <u>146,994,974</u></b>	<b><u>156,035,999</u></b>	<b><u>169,267,407</u></b>	<b><u>188,223,568</u></b>	<b><u>196,780,509</u></b>	<b><u>201,612,528</u></b>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General governmental administration	\$ 1,588,567	1,597,896	1,826,275	2,391,346	2,489,994	2,313,953
Judicial administration	716,954	970,867	1,220,044	1,329,836	1,415,939	1,420,359
Public safety	1,284,663	1,246,926	1,359,546	2,079,389	3,375,762	2,954,680
Public works	340,635	404,414	556,516	674,414	695,494	899,047
Human services	2,182,424	2,365,348	2,947,057	2,889,334	3,493,429	3,550,827
Parks, recreation and cultural	184,772	248,158	269,206	302,452	401,075	547,094
Community development	1,246,849	1,258,422	1,631,596	2,509,039	2,825,277	2,147,341
Operating grants and contributions	12,693,308	11,880,071	15,127,498	14,390,381	14,310,471	15,408,252
Capital grants and contributions	6,761,367	2,649,711	4,819,588	7,417,338	7,205,048	5,902,858
Total governmental activities program revenues	<u>26,999,539</u>	<u>22,621,813</u>	<u>29,757,326</u>	<u>33,983,529</u>	<u>36,212,489</u>	<u>35,144,411</u>
Business-type activities:						
Charges for services:						
Public utilities	13,907,861	14,509,559	14,920,100	15,463,650	19,226,205	19,584,259
Airport <sup>(2)</sup>	-	-	-	-	-	33,861
Operating grants and contributions	1,350,759	589,689	471,777	451,600	75,300	-
Capital grants and contributions	9,994,220	9,793,850	7,824,732	8,901,655	8,495,258	10,776,808
Total business-type activities program revenues	<u>25,252,840</u>	<u>24,893,098</u>	<u>23,216,609</u>	<u>24,816,905</u>	<u>27,796,763</u>	<u>30,394,928</u>
<b>Total program revenues, primary government</b>	<b>\$ <u>52,252,379</u></b>	<b><u>47,514,911</u></b>	<b><u>52,973,935</u></b>	<b><u>58,800,434</u></b>	<b><u>64,009,252</u></b>	<b><u>65,539,339</u></b>
<b>Net (Expense) Revenue</b>						
Governmental activities	\$ (105,019,682)	(116,998,599)	(122,367,878)	(133,748,668)	(138,719,425)	(143,314,267)
Business-type activities	10,277,087	8,477,511	6,074,406	4,325,534	5,948,168	7,241,078
<b>Total net expense, primary government</b>	<b>\$ <u>(94,742,595)</u></b>	<b><u>(108,521,088)</u></b>	<b><u>(116,293,472)</u></b>	<b><u>(129,423,134)</u></b>	<b><u>(132,771,257)</u></b>	<b><u>(136,073,189)</u></b>

(continued)

Changes in Net Assets

Last Six Fiscal Years <sup>(1)</sup>

(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005 <sup>(3)</sup>	2006	2007
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Taxes:						
Property taxes	\$ 74,035,801	79,361,213	86,761,263	94,939,793	104,905,885	117,152,314
Sales taxes	11,657,146	10,315,156	12,354,866	14,361,323	16,235,682	17,352,664
Utility taxes	3,702,675	3,924,184	4,224,798	4,418,593	4,403,173	5,358,588
Motor vehicle licenses <sup>(4)</sup>	2,120,418	2,197,812	2,291,651	2,359,824	2,437,925	-
Recordation taxes	1,730,231	1,679,648	2,054,751	2,313,113	2,741,419	2,863,512
Other	2,134,144	2,002,815	2,133,494	2,022,926	2,371,936	2,378,024
Noncategorical State aid	13,073,783	13,524,847	14,289,391	14,066,416	15,674,963	14,895,053
Grants and contributions not restricted to specific programs	407,716	1,248,522	835,610	693,279	1,144,348	849,714
Unrestricted investment earnings	638,762	605,143	140,128	411,689	1,427,007	1,790,177
Gain (loss) on sale of capital assets	35,116	(268,063)	18,668	-	3,952	-
Transfers	-	-	-	-	-	(619,072)
Total general revenues and other changes in net assets, governmental activities	<u>109,535,792</u>	<u>114,591,277</u>	<u>125,104,620</u>	<u>135,586,956</u>	<u>151,346,290</u>	<u>162,020,974</u>
Business-type activities:						
Public utilities - unrestricted investment earnings	634,665	449,062	31,330	560,981	588,383	1,015,229
Transfers - Airport fund	-	-	-	-	-	619,072
Total general revenues and other changes in net assets, business-type activities	<u>634,665</u>	<u>449,062</u>	<u>31,330</u>	<u>560,981</u>	<u>588,383</u>	<u>1,634,301</u>
<b>Total general revenues and other changes in net assets, primary government</b>	<u>\$ 110,170,457</u>	<u>115,040,339</u>	<u>125,135,950</u>	<u>136,147,937</u>	<u>151,934,673</u>	<u>163,655,275</u>
<b>Change in Net Assets</b>						
Governmental activities	\$ 4,516,110	(2,407,322)	2,736,742	1,838,288	12,626,865	18,706,707
Business-type activities	10,911,752	8,926,573	6,105,736	4,886,515	6,536,551	8,875,379
<b>Total change in net assets, primary government</b>	<u>\$ 15,427,862</u>	<u>6,519,251</u>	<u>8,842,478</u>	<u>6,724,803</u>	<u>19,163,416</u>	<u>27,582,086</u>

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

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

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

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

**COUNTY OF HANOVER, VIRGINIA**

Fund Balances, Governmental Funds

Last Ten Fiscal Years <sup>(1)</sup>

(modified accrual basis of accounting)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund:										
Reserved	\$ 1,375,896	1,757,140	1,435,529	857,379	1,173,716	527,273	354,572	553,033	715,857	1,069,762
Unreserved										
Designated	25,924,188	20,837,336	20,850,462	18,792,947	6,446,327	4,830,429	4,186,764	6,203,575	7,517,340	12,668,077
Undesignated	4,167,991	5,324,850	6,486,801	7,120,851	12,728,680	13,630,537	15,223,546	16,157,585	21,274,693	22,459,100
<b>Total General Fund</b>	<b>\$ 31,468,075</b>	<b>27,919,326</b>	<b>28,772,792</b>	<b>26,771,177</b>	<b>20,348,723</b>	<b>18,988,239</b>	<b>19,764,882</b>	<b>22,914,193</b>	<b>29,507,890</b>	<b>36,196,939</b>
All Other Governmental Funds: <sup>(2)</sup>										
Reserved	\$ 6,050,688	21,981,763	24,534,647	8,474,397	16,178,578	9,347,203	2,424,192	11,197,000	6,868,451	9,297,392
Unreserved, reported in:										
County Improvements Fund <sup>(3)</sup>	5,103,364	(3,177,378)	(4,414,596)	3,607	6,243,027	7,098,191	7,308,317	6,482,013	7,434,188	11,671,975
School Improvements Fund <sup>(3)</sup>	(679,137)	(3,006,182)	(10,841,665)	970,579	1,295,175	1,885,982	248,064	1,297,717	2,446,894	1,380,260
Other Governmental Funds	128,213	337,976	778,030	374,012	429,140	376,132	133,375	339,445	415,457	583,364
<b>Total All Other Governmental Funds</b>	<b>\$ 10,603,128</b>	<b>16,136,179</b>	<b>10,056,416</b>	<b>9,822,595</b>	<b>24,145,920</b>	<b>18,707,508</b>	<b>10,113,948</b>	<b>19,316,175</b>	<b>17,164,990</b>	<b>22,932,991</b>

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

(2) Beginning in fiscal year 2005, the School Improvements Fund was included as a major fund of the primary government. Fiscal years 1997 through 2004 above also include the School Improvements Fund to be consistent with fiscal 2005 and subsequent presentation.

(3) In fiscal years 1998 through 2000, reserved fund balances exceeded total fund balance in the County and School Improvement funds, reflecting commitments of current financial resources for capital projects in excess of amounts available at each respective fiscal year end. Such commitments were funded primarily by subsequent bond proceeds, grant commitments, proffers and general fund transfers, as more fully described in the County's Comprehensive Annual Financial Reports for the applicable years.



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

Primary Government:	Fiscal Year				
	1998	1999	2000	2001	2002
<b>REVENUES</b>					
General property taxes	\$ 59,715,162	64,468,263	67,308,494	72,440,101	73,623,307
Other local taxes	15,852,810	17,092,758	18,051,340	19,819,431	21,344,614
Permits, privilege fees and regulatory licenses	1,388,641	1,749,818	1,868,160	1,785,941	1,971,098
Fines and forfeitures	374,522	296,407	429,827	393,703	402,496
Revenues from use of money and property	2,982,161	2,122,991	2,439,676	2,714,304	1,062,549
Charges for services	2,844,436	2,878,130	6,546,432	4,333,964	5,640,273
Miscellaneous	576,702	655,686	722,279	1,329,609	748,276
Recovered costs	1,511,218	1,460,212	2,409,698	2,126,294	2,646,507
Intergovernmental (state and federal)	10,014,440	12,641,698	20,037,569	22,702,302	30,298,996
Total revenues	<u>95,260,092</u>	<u>103,365,963</u>	<u>119,813,475</u>	<u>127,645,649</u>	<u>137,738,116</u>
<b>EXPENDITURES</b>					
General governmental administration	6,407,065	6,417,468	6,940,188	7,767,247	9,422,694
Judicial administration	1,319,086	1,530,273	1,897,526	2,453,645	2,801,675
Public safety	16,196,343	19,364,355	22,622,596	25,159,954	22,890,619
Public works	10,616,739	9,823,390	12,810,463	12,996,826	11,469,558
Human services	9,718,087	10,828,633	12,025,972	13,001,788	15,336,213
Parks, recreation and cultural	2,566,686	2,680,380	3,092,214	3,263,939	3,801,167
Community development	3,141,811	3,165,946	3,613,904	4,075,473	4,654,911
Education (appropriation to School Component Unit), for:					
Instruction, operations and administration	36,626,910	43,531,613	42,210,846	47,140,860	51,478,419
Capital outlay	9,288,879	7,878,187	20,021,254	18,837,592	18,994,111
Debt service:					
Principal retirement	6,040,378	6,406,036	6,397,666	7,072,242	7,727,463
Interest and fiscal charges	4,136,534	3,973,223	4,147,725	4,445,218	5,138,804
Total education, primary government	<u>56,092,701</u>	<u>61,789,059</u>	<u>72,777,491</u>	<u>77,495,912</u>	<u>83,338,797</u>
Debt service:					
Principal retirement	1,328,079	1,416,648	1,564,220	1,612,463	1,579,260
Interest and fiscal charges	1,183,217	1,002,092	923,450	849,329	774,420
Total expenditures	<u>108,569,814</u>	<u>118,018,244</u>	<u>138,268,024</u>	<u>148,676,576</u>	<u>156,069,314</u>
Excess of revenues over (under) expenditures	<u>(13,309,722)</u>	<u>(14,652,281)</u>	<u>(18,454,549)</u>	<u>(21,030,927)</u>	<u>(18,331,198)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	9,534,791	11,436,221	9,138,114	11,930,446	15,408,658
Transfers out	(8,807,119)	(5,886,221)	(7,238,114)	(11,649,042)	(14,217,374)
Bonds issued	6,734,908	11,114,070	11,328,252	18,245,000	22,065,000
Refunding bonds issued	-	-	-	-	-
Payments to escrow agent	-	(5,719,690)	-	-	-
Capital leases (refunding in 1999)	189,241	5,692,203	-	269,085	-
Total other financing sources (uses)	<u>7,651,821</u>	<u>16,636,583</u>	<u>13,228,252</u>	<u>18,795,489</u>	<u>23,256,284</u>
<b>Net change in fund balances</b>	<u>\$ (5,657,901)</u>	<u>1,984,302</u>	<u>(5,226,297)</u>	<u>(2,235,438)</u>	<u>4,925,086</u>
County capital outlay (other than for education) contained in functional expenditure categories, above	\$ 11,491,708	8,826,108	12,184,921	13,589,067	10,342,484
<b>GASB 44 debt service disclosure (primary government): (2)</b>					
Debt service as a percentage of noncapital expenditures, primary government, governmental funds	<u>14.5%</u>	<u>12.6%</u>	<u>12.3%</u>	<u>12.0%</u>	<u>12.0%</u>
<b>Self-imposed debt margin compliance (total reporting entity): (1)</b>					
Noncapital expenditures - total reporting entity	130,809,451	143,778,780	159,335,005	172,838,681	184,410,271
Debt service as a percent of noncapital expenditures - total reporting entity	<u>9.7%</u>	<u>8.9%</u>	<u>8.2%</u>	<u>8.1%</u>	<u>8.3%</u>

Notes: (1) **Self-imposed debt limit information**

The Commonwealth of Virginia does not impose a legal debt limit on the amount of long-term indebtedness the County can incur or have outstanding. The Board of Supervisors, however, has imposed limits in the County's Debt Policy. For example, the County's debt policy provides that the annual debt service will not exceed ten percent of noncapital expenditures for the governmental funds of the reporting entity as a whole (defined as the primary government and all component units, excluding capital projects funds). This table shows how the County has met this self-imposed debt limit for each of the past ten fiscal years. Information about additional self-imposed debt limits is presented on page 122.

- (2) This table also shows debt service as a percent of noncapital expenditures for the governmental funds of the primary government only (excluding component units), as required by GASB Statement No. 44.
- (3) Certain reclassifications have been made for fiscal years 1998 - 2001 to conform with the presentations required for subsequent years in accordance with GASB Statement No. 34.
- (4) In addition, beginning in fiscal year 2005, the School Improvements Fund was included as a major fund of the primary government. To be consistent with subsequent presentation, amounts for fiscal years 1998 - 2004 have been restated to include revenues, expenditures and other financing sources (uses) of the School Improvements Fund.

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

Fiscal Year					
2003	2004	2005	2006	2007	
					<b>REVENUES</b>
79,536,223	87,102,894	94,604,793	104,909,885	116,138,314	General property taxes
20,119,615	23,059,560	25,475,779	28,190,135	27,952,788	Other local taxes
2,031,537	2,382,618	2,723,338	2,741,893	2,840,734	Permits, privilege fees and regulatory licenses
535,613	755,612	900,479	922,784	979,511	Fines and forfeitures
1,158,711	469,494	739,604	1,778,603	2,948,143	Revenues from use of money and property
6,364,983	6,808,704	7,763,532	9,799,667	9,163,731	Charges for services
755,405	651,467	341,392	902,337	534,902	Miscellaneous
1,801,326	3,465,357	4,025,895	4,938,320	4,901,798	Recovered costs
27,205,814	31,953,115	30,661,978	31,784,408	31,601,395	Intergovernmental (state and federal)
<u>139,509,227</u>	<u>156,648,821</u>	<u>167,236,790</u>	<u>185,968,032</u>	<u>197,061,316</u>	Total revenues
					<b>EXPENDITURES</b>
9,046,646	9,996,622	10,820,949	11,842,572	12,998,848	General governmental administration
2,790,441	2,904,596	3,417,726	3,797,463	3,864,913	Judicial administration
28,218,865	28,867,772	33,448,190	36,508,483	40,357,437	Public safety
8,867,259	11,347,662	10,121,770	8,691,474	8,361,994	Public works
14,840,637	17,409,953	18,643,912	20,000,898	21,453,342	Human services
4,446,149	4,314,220	4,780,299	5,393,280	6,564,538	Parks, recreation and cultural
4,360,063	4,254,248	4,507,798	4,920,539	5,313,263	Community development
52,952,916	59,117,402	59,782,180	64,348,175	67,367,754	Education (appropriation to School Component Unit), for:
27,349,727	11,730,728	10,337,971	24,862,906	21,975,615	Instruction, operations and administration
					Capital outlay
					Debt service:
8,193,484	8,055,740	8,873,194	8,666,075	10,064,060	Principal retirement
5,015,871	5,794,545	5,268,461	5,389,377	5,592,647	Interest and fiscal charges
<u>93,511,998</u>	<u>84,698,415</u>	<u>84,261,806</u>	<u>103,266,533</u>	<u>105,000,076</u>	Total education, primary government
					Debt service:
1,561,108	1,527,625	1,448,913	1,185,722	1,220,185	Principal retirement
692,568	605,076	476,297	408,199	453,555	Interest and fiscal charges
<u>168,335,734</u>	<u>165,926,189</u>	<u>171,927,660</u>	<u>196,015,163</u>	<u>205,588,151</u>	Total expenditures
<u>(28,826,507)</u>	<u>(9,277,368)</u>	<u>(4,690,870)</u>	<u>(10,047,131)</u>	<u>(8,526,835)</u>	Excess of revenues over (under) expenditures
					<b>OTHER FINANCING SOURCES (USES)</b>
6,063,542	7,742,528	9,472,429	12,732,206	12,970,459	Transfers in
(5,535,931)	(6,282,077)	(9,527,429)	(12,982,206)	(13,589,531)	Transfers out
21,500,000	-	17,097,408	14,739,643	21,487,759	Bonds issued
-	-	-	-	14,653,901	Refunding bonds issued
-	-	-	-	(14,538,703)	Payments to escrow agent
-	-	-	-	-	Capital leases (refunding in 1999)
<u>22,027,611</u>	<u>1,460,451</u>	<u>17,042,408</u>	<u>14,489,643</u>	<u>20,983,885</u>	Total other financing sources (uses)
<u>(6,798,896)</u>	<u>(7,816,917)</u>	<u>12,351,538</u>	<u>4,442,512</u>	<u>12,457,050</u>	<b>Net change in fund balances</b>
<u>6,481,587</u>	<u>6,624,735</u>	<u>7,721,954</u>	<u>5,351,876</u>	<u>6,322,103</u>	County capital outlay (other than for education) contained in functional expenditure categories, above
					<b>GASB 44 Debt Service Disclosure (primary government): (2)</b>
11.5%	10.8%	10.4%	9.4%	9.8%	Debt service as a percentage of noncapital expenditures, primary government, governmental funds
					<b>Self-imposed debt margin compliance (total reporting entity): (1)</b>
195,661,023	214,131,882	232,429,030	249,296,596	273,302,713	Noncapital expenditures - total reporting entity
7.9%	7.5%	6.9%	6.3%	6.3%	Debt service as a percent of noncapital expenditures - total reporting entity

To assist the reader, the fiscal year 2007 percentages, calculated in accordance with the County's self-imposed debt margin, and with GASB 44, respectively, are as follows:

Debt Margin Information (1), (2)		
Fiscal Year 2007	Self-imposed	GASB 44
	Total	
	Reporting	Primary
	Entity	Government
Total expenditures	\$ 301,600,431	205,588,151
Less:		
Capital Outlay	(28,297,718)	(28,297,718)
Noncapital expenditures	<u>\$ 273,302,713</u>	<u>177,290,433</u>
Debt service expenditures	<u>\$ 17,330,447</u>	<u>17,330,447</u>
As a % of noncapital expenditures	<u>6.3%</u>	<u>9.8%</u>

**COUNTY OF HANOVER, VIRGINIA**

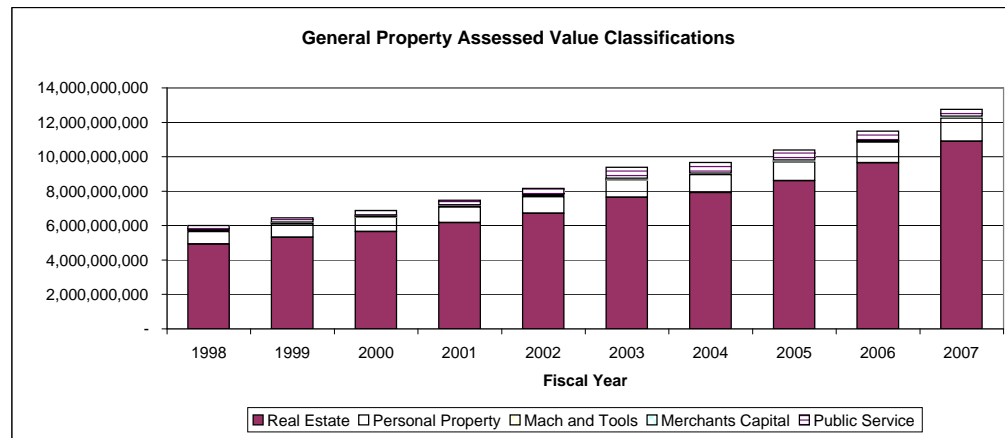
Assessed Value and Estimated Actual Value of Taxable Property (1,2)

Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools (3)	Merchant's Capital	Public Service Corporations (4,5)	Total Taxable Assessed Value	Total Direct Tax Rate (6)	Estimated Actual Taxable Value (7)	Taxable Assessed Value as a % of Actual Taxable Value
1998	\$ 4,917,691,350	729,359,972	66,829,075	29,925,680	262,282,845	6,006,088,922	-	7,003,941,024	85.8%
1999	5,318,705,600	774,033,676	66,878,495	30,184,422	268,327,336	6,458,129,529	-	7,489,238,250	86.2%
2000	5,652,771,200	842,807,335	69,293,290	35,488,335	272,057,490	6,872,417,650	-	7,958,991,458	86.3%
2001	6,170,352,700	912,405,216	71,543,965	36,233,425	292,677,312	7,483,212,618	-	8,634,189,299	86.7%
2002	6,707,526,800	979,968,718	72,243,695	37,515,940	372,231,447	8,169,486,600	1.18	9,375,815,313	87.1%
2003	7,637,172,050	1,011,227,278	44,844,800	37,327,513	650,801,107	9,381,372,748	1.14	10,437,673,444	89.9%
2004	7,911,038,250	1,052,222,261	43,715,905	37,951,150	618,887,688	9,663,815,254	1.16	10,734,661,024	90.0%
2005	8,602,251,150	1,104,271,432	44,360,770	42,696,180	599,353,434	10,392,932,966	1.17	11,517,095,356	90.2%
2006	9,642,919,834	1,207,102,828	43,255,420	45,487,432	557,153,154	11,495,918,668	1.16	12,689,954,469	90.6%
2007	10,887,416,600	1,360,895,130	51,135,605	48,916,675	398,554,972	12,746,918,982	1.13	13,888,502,922	91.8%
% Change	12.9%	12.7%	-18.2%	7.5%	-28.5%	10.9%		9.4%	
% Ch. Since 1998	121.4%	86.6%	-23.5%	63.5%	52.0%	112.2%		98.3%	
% of Total	85.4%	10.7%	0.4%	0.4%	3.1%	100.0%			

- Notes: (1) Assessed values of all property approximate market value as of assessment date, unless otherwise noted, and is shown for each period for which taxes are levied.  
 (2) Real property is assessed as of January 1 each year, with the resulting taxes being payable in two equal installments, on June 5 and December 5. Personal property is assessed as of January 1 each year, with payment due on December 5.  
 (3) Machinery and tools are assessed at 10% of cost.  
 (4) The assessed values of Public Service Corporation real and personal property are determined by the State Corporation Commission.  
 (5) During fiscal year 2003, a major taxpayer was reclassified from the Machinery and Tools to the Public Service Corporation category, as a result of the deregulation of electric power generating companies.  
 (6) The total direct tax rate for each fiscal year is per \$100 of assessed valuation, calculated on the weighted average basis. Not available in the format prior to 2002.  
 (7) Market valuation estimates include: machinery and tools estimated at 90% of cost, real estate (including Public Service Corporation real estate) based on traditional 105% sales/assessment ratio, personal property based on 112% trade to book ratio.

Source: County of Hanover, Virginia Treasurer's Office



**COUNTY OF HANOVER, VIRGINIA**

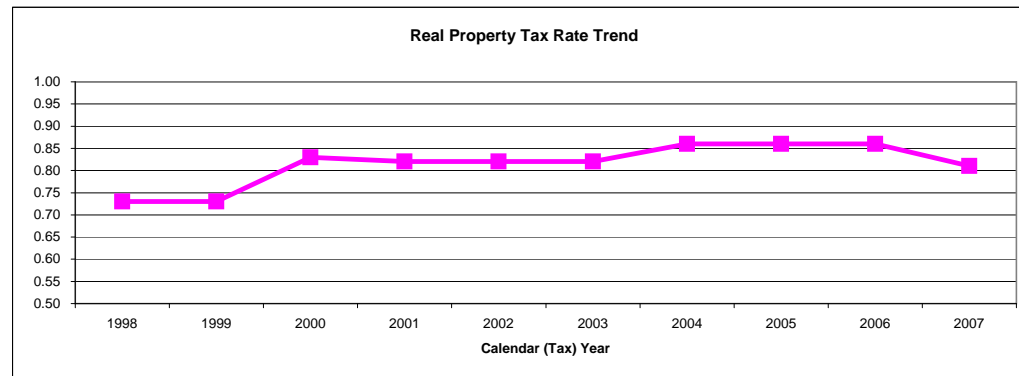
Direct and Overlapping Property Tax Rates

Last Ten Calendar (Tax) Years

Calendar (Tax) Year (1)	County of Hanover, Virginia Direct Rates (1,2)							County Total Direct Tax Rate For each Fiscal Year Shown (3)	Town of Ashland (Overlapping Rates) (4)		
	Real Property	Power Generating Equipment	Personal Property	Fire and Rescue Volunteers	Aircraft	Machinery and Tools	Merchant's Capital		Real Property	Personal Property	Machinery and Tools
1998	\$ 0.73	-	3.64	1.82	1.00	3.64	1.90	-	0.10	0.77	0.77
1999	0.73	-	3.64	1.82	1.00	3.64	1.90	-	0.10	0.77	0.77
2000	0.83	-	3.64	1.82	1.00	3.64	1.90	-	0.10	0.77	0.77
2001	0.82	-	3.64	1.82	1.00	3.64	1.90	-	0.09	0.77	0.77
2002	0.82	-	3.64	1.82	1.00	3.64	1.90	1.18	0.09	0.77	0.77
2003	0.82	0.45	3.64	1.82	1.00	3.64	1.90	1.14	0.09	0.77	0.77
2004	0.86	0.49	3.64	1.82	1.00	3.64	1.90	1.16	0.09	0.77	0.77
2005	0.86	0.49	3.64	1.82	1.00	3.64	1.90	1.17	0.09	0.77	0.77
2006	0.86	0.55	3.57	1.78	1.00	3.57	1.90	1.16	0.07	0.77	0.77
2007	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.13	0.07	0.77	0.77
% Change	-5.8%	0.0%	0.0%	0.0%	-50.0%	0.0%	0.0%	-2.6%	0.0%	0.0%	0.0%
% Ch. Since 1998	11.0%	n/a	-1.9%	-2.2%	-50.0%	-1.9%	0.0%	n/a	-30.0%	0.0%	0.0%

- Notes: (1) The individual tax rates are per \$100 of assessed value, which is generally determined as of January 1 of each year, and are used to determine tax payments due within the same calendar (tax) year.
- (2) Real property taxes are payable in two equal installments, on June 5 and December 5. Personal property taxes are due on December 5.
- (3) The County prepares its budgets and its Comprehensive Annual Financial Report on a fiscal year basis (July 1 through June 30), as required by Section 15.2-2500 of the Code of Virginia, and levies taxes to support County activities for the fiscal year in which the tax payments are due. Accordingly, the Total Direct Tax Rates are applicable to the fiscal year for which the taxes are levied and due. The total direct tax rates are calculated per \$100 of assessed valuation, calculated on the weighted average basis, and are not available for fiscal years prior to 2002.
- (4) These overlapping rates are in addition to the County rates, but only apply to taxpayers owning property within the borders of the Town of Ashland, Virginia, which lies within the County.

Source: County of Hanover, Virginia Treasurer's Office



**COUNTY OF HANOVER, VIRGINIA**

Principal Property Tax Payers (1)

Current Year and Nine Years Ago

Taxpayer	Type of Business	2007			1998		
		General Property Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	General Property Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Doswell Limited Partnership (2)	Power generation facility	\$ 257,189,360	1	2.0%	\$ 47,323,245	6	0.8%
Memorial Regional Medical Center	Hospital	100,206,885	2	0.8%	28,599,600	8	0.5%
Virginia Electric and Power Company	Electric company	95,018,162	3	0.7%	95,446,803	1	1.6%
Paramount Parks, Inc.	Amusement park	74,477,310	4	0.6%	54,721,930	4	0.9%
Richmond Newspapers, Inc./Media General, Inc.	Newspaper publisher	54,981,710	5	0.4%	72,543,745	2	1.2%
Verizon Virginia (2007)/ Bell Atlantic-Virginia (1998)	Telecommunications	53,120,279	6	0.4%	66,629,554	3	1.1%
Bear Island Paper Company	Paper mill	50,937,680	7	0.4%	46,508,935	7	0.8%
Richfood, Inc.	Grocery wholesaler	50,267,595	8	0.4%	52,841,145	5	0.9%
Richmond Home for Ladies (Covenant Woods)	Nursing home	26,838,625	9	0.2%	-	n/a	-
Wal-mart Real Estate Business Trust/Wal-mart Stores	Retail	26,076,485	10	0.2%	-	n/a	-
AMF, Inc.	Bowling manufacturer	-	n/a	-	21,737,465	9	0.4%
Ford Motor Credit Company	Automotive finance	-	n/a	-	6,376,825	10	0.1%
		<u>\$ 789,114,091</u>		<u>6.2%</u>	<u>\$ 492,729,247</u>		<u>8.2%</u>
Total taxable assessed values		<u>\$ 12,746,918,982</u>			<u>\$ 6,006,088,922</u>		

Notes: (1) Source: Hanover County Commissioner of the Revenue's Office

(2) As a result of the deregulation of electric power generating companies, this taxpayer was reclassified from Machinery and Tools to the Public Service Corporation assessment category in 2003.

(3) n/a = not applicable

**COUNTY OF HANOVER, VIRGINIA**

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year (3)	General Property Taxes Levied for the Fiscal Year (1,2)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 59,207,986	\$ -	-	\$ -	\$ -	-
1999	63,068,958	-	-	-	-	-
2000	70,620,311	-	-	-	-	-
2001	79,780,410	-	-	-	-	-
2002	85,936,924	83,891,211	97.6%	1,848,681	85,739,892	99.8%
2003	90,962,517	86,678,830	95.3%	4,017,644	90,696,474	99.7%
2004	98,276,555	95,328,641	97.0%	2,448,119	97,776,760	99.5%
2005	106,293,313	102,152,923	96.1%	3,027,266	105,180,189	99.0%
2006	117,153,995	113,003,453	96.5%	1,314,257	114,317,710	97.6%
2007	128,606,341	123,943,881	96.4%	-	123,943,881	96.4%

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

(2) Total tax levies include the Commonwealth of Virginia's personal property tax relief reimbursements beginning in fiscal year 2000, and are net of supplemental levies for prior fiscal years, abatements, land use deferrals and tax relief in each fiscal year.

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

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

Fiscal Year	Governmental Activities								
	General Bonded Debt Outstanding (1)								
	General Obligation Bonds	Virginia Public School Authority Bonds	State Literary Fund Loans	Total General Bonded Debt	Estimated Actual Value of Taxable Property	Percent of General Bonded Debt to Estimated Actual Value of Taxable Property	Population (2)	General Bonded Debt per Capita	Capital Leases
1998	\$ 10,965,000	\$ 57,922,243	\$ 11,238,930	\$ 80,126,173	\$ 7,003,941,024	1.1%	82,067	\$976	\$12,387,325
1999	19,020,000	53,175,214	11,534,750	83,729,964	7,489,238,250	1.1%	84,602	990	11,872,880
2000	17,030,000	58,312,120	11,805,250	87,147,370	7,958,991,458	1.1%	87,028	1,001	10,703,864
2001	34,820,000	53,048,590	10,804,500	98,673,090	8,634,189,299	1.1%	89,006	1,109	9,723,514
2002	52,925,000	47,821,877	11,868,750	112,615,627	9,375,815,313	1.2%	91,834	1,226	8,571,225
2003	71,530,000	43,158,143	10,839,000	125,527,143	10,437,673,444	1.2%	93,916	1,337	7,405,117
2004	68,635,000	38,532,153	9,909,250	117,076,403	10,734,661,024	1.1%	96,013	1,219	5,456,935
2005	64,740,000	50,093,709	9,079,500	123,913,209	11,517,095,356	1.1%	97,369	1,273	5,218,579
2006	60,745,000	59,820,042	8,249,750	128,814,792	12,689,954,469	1.0%	99,174	1,299	4,427,857
2007	78,260,000	54,136,732	7,519,000	139,915,732	13,888,502,922	1.0%	100,721	1,389	3,602,672
% Change	28.8%	-9.5%	-8.9%	8.6%	9.4%	-0.8%	1.6%	6.9%	-18.6%
% Ch. Since 1998	613.7%	-6.5%	-33.1%	74.6%	98.3%	-11.9%	22.7%	42.3%	-70.9%

Fiscal Year	Business-type Activities				Total Primary Government			Self-Imposed Debt Limit Information (3)			
	Revenue Bonds	Total Primary Government	Demographic Information		Total Primary Government Debt as a Percentage of Personal Income	Total Primary Government Debt Per Capita	Outstanding Debt Funded by General Governmental Expenditures (4)	Ratio of Outstanding Debt Funded by General Governmental Expenditures to Assessed Value (4)	Outstanding Debt Funded by General Governmental Expenditures per Capita (5)	Ratio of Total General Bonded Debt per Per Capita Income (6)	
			Total Personal Income (2) (000's)	Per Capita Personal Income (2)							
1998	\$ 17,500,000	\$ 110,013,498	\$ 2,351,110	\$ 28,649	4.7%	\$ 1,341	\$ 92,513,498	1.5%	\$ 1,127	\$ 2,797	
1999	17,195,000	112,797,844	2,527,277	29,873	4.5%	1,333	95,602,844	1.5%	1,130	2,803	
2000	16,880,000	114,731,234	2,736,940	31,449	4.2%	1,318	97,851,234	1.4%	1,124	2,771	
2001	16,550,000	124,946,604	2,987,059	33,560	4.2%	1,404	108,396,604	1.4%	1,218	2,940	
2002	16,505,000	137,691,852	3,111,045	33,877	4.4%	1,499	121,186,852	1.5%	1,320	3,324	
2003	26,597,684	159,529,944	3,235,870	34,455	4.9%	1,699	132,932,260	1.4%	1,415	3,643	
2004	36,205,779	158,739,117	3,410,073	35,517	4.7%	1,653	122,533,338	1.3%	1,276	3,296	
2005	33,868,168	162,999,956	3,612,355	37,100	4.5%	1,674	129,131,788	1.2%	1,326	3,340	
2006	41,051,727	174,294,376	3,720,726	37,517	4.7%	1,757	133,242,649	1.2%	1,344	3,433	
2007	40,953,945	184,472,349	3,832,348	38,049	4.8%	1,832	143,518,404	1.1%	1,425	3,677	
% Change	-0.2%	5.8%	3.0%	1.4%	2.8%	4.2%	7.7%	-2.9%	6.1%	7.1%	
% Ch. Since 1998	134.0%	67.7%	63.0%	32.8%	2.9%	36.6%	55.1%	-26.9%	26.4%	31.5%	

- Notes:
- (1) Bond amounts are reported gross, excluding premiums and/or discounts and deferred amounts on refundings. See Financial Statement Notes IV-E and V-G for additional information on outstanding debt.
  - (2) Population, personal income and per capita personal income data for 1998 through 2005 is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce. Population estimates for 2006 and 2007 are obtained from the Hanover County Planning Department. Personal Income for 2006 and 2007 is estimated at 103% of prior year amounts.
  - (3) **Self-imposed debt limit information:**  
The Commonwealth of Virginia does not impose a legal limit on the amount of long-term indebtedness the County can incur or have outstanding. The Board of Supervisors, however, has imposed limits in the County's Debt Policy. These limits, and relevant information pertaining to them are described in this table, and on pages 116 - 117 of this Statistical Section.
  - (4) The County's debt policy provides that outstanding debt funded by general government expenditures as a percentage of Assessed Value will not exceed 2.5 percent. Outstanding debt funded by general governmental expenditures includes general bonded debt and governmental activity capital lease obligations, both presented above.
  - (5) The County's debt policy provides that outstanding debt funded by general government expenditures per Capita will not exceed \$1,900 at June 30, 2007, growing at two percent annually. The policy ceiling was \$1,500 through 2005, and \$1,800 for 2006.
  - (6) The County's debt policy provides that general bonded debt per Per Capita Income will not exceed \$5,000.

**COUNTY OF HANOVER, VIRGINIA**

## Direct and Overlapping Governmental Activities Debt

June 30, 2007

	<u>Governmental Unit</u>	<u>General Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable to County of Hanover</u>	<u>Estimated Share of Direct and Overlapping Debt</u>	<u>Legal Debt Margin</u>
Overlapping debt (2)	Town of Ashland	\$ 1,165,000	80.5%	\$ 937,921	
Direct debt (1)	County of Hanover	139,915,732		139,915,732	(3)
Total direct and overlapping debt				<u>\$ 140,853,653</u>	

- Notes: (1) Amounts for bonds are reported gross, excluding premiums and/or discounts and deferred amounts on refundings.
- (2) The estimated percentage of the Town of Ashland's net general bonded debt outstanding applicable to the County is based upon a 1996 agreement under which the County assumed ownership of the Town's water and sewer system, and agreed to reimburse the Town for 80.5 percent of the debt service on the applicable water and sewer bonds.
- (3) Counties in the State of Virginia are not subject to a legal debt margin. See information on self-imposed debt limits on pages 116, 117 and 122 in this Statistical Section.

**COUNTY OF HANOVER, VIRGINIA**

Pledged Revenue Coverage (1)

Last Ten Fiscal Years

Fiscal Year	Utility Revenues (3)	Less: Operating Expenses (4)	Net Available Revenues	Debt Service Requirements		Net Available Revenues Coverage (5,7)	Debt Covenant Coverage Ratio (1,2,6)		
				Principal	Interest		Debt Service		Debt Covenant Coverage Test
							Senior Debt Service	Subordinate Debt Service	
1998	\$ 20,236,947	8,881,253	11,355,694	2,599,666	1,386,499	2.8	1,886,392	2,099,773	2.7
1999	20,810,380	9,233,147	11,577,233	2,695,681	1,244,300	2.9	1,852,277	2,087,704	2.7
2000	22,114,387	9,796,526	12,317,861	2,787,179	1,086,461	3.2	1,396,609	2,477,031	3.0
2001	22,390,288	9,675,260	12,715,028	1,375,213	1,142,682	5.0	1,200,484	1,317,411	4.7
2002	22,862,743	9,738,936	13,123,807	1,125,068	1,107,767	5.9	1,315,060	917,775	5.4
2003	22,019,995	10,739,603	11,280,392	1,194,006	979,335	5.2	1,221,541	951,800	4.8
2004	20,204,934	11,575,054	8,629,880	1,804,612	1,178,264	2.9	1,996,845	986,031	2.6
2005	22,269,236	13,583,502	8,685,734	2,380,906	1,487,739	2.2	3,076,445	792,200	2.0
2006	24,926,132	14,357,272	10,568,860	1,595,163	1,350,519	3.6	2,750,338	195,344	3.1
2007	24,793,867	14,376,026	10,417,841	2,033,670	1,569,319	2.9	3,402,575	200,415	2.5
% Change			-1.4%	27.5%	16.2%	-19.4%	23.7%	2.6%	-19.5%
% Ch. Since 1998			-8.3%	-21.8%	13.2%	1.5%	80.4%	-90.5%	-4.8%

- Notes: (1) The information in the above table is applicable to water and sewer revenue bonds only. Further information on the County's revenue bonds can be found in Notes IV-E and V-F to the accompanying basic financial statements.
- (2) For comparability, the debt covenant coverage test for 1998 through 2005 has been restated to comply with current Water and Sewer System revenue bond covenants. The County was in compliance with all debt coverage ratios applicable to those years before restatement, as demonstrated in the statistical sections of the Comprehensive Annual Financial Reports for those years.
- (3) Utility revenues exclude donated capital assets.
- (4) Operating expenses exclude depreciation.
- (5) The net available revenues coverage equals net available revenues divided by total debt service requirements.
- (6) The debt covenant coverage ratio assists users to assess the County's legal compliance with its debt service covenant requirement. The County's debt covenant requires the ratio of the net revenues divided by the sum of 115% of senior debt service and 100% of subordinate debt service to exceed 1.0.
- (7) During fiscal 2007, the County issued an airport revenue bond, secured by rent from the airport's fixed base operator. Fiscal year 2007 net expenses of \$128,248 consisted of rent of \$33,861, net of operating expenses, excluding depreciation, of \$162,109. The airport bond had no debt service requirement or debt covenant requirement for fiscal 2007. Accordingly, the net available revenue coverage ratio disclosure and debt covenant tests are not applicable for the airport bond for fiscal 2007. In future fiscal years, the airport bond will be subject to a debt covenant requirement that amounts available for debt service must equal at least 125% of the annual debt service requirement.

**COUNTY OF HANOVER, VIRGINIA**

Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (1) (000's)	Per Capita Personal Income (1)	Median Age (2)	Unemployment Rate (3)	School Enrollment (4)	School Instructional Positions (5)	School Enrollment to Instructional Positions Ratio
1998	82,067	\$ 2,351,110	28,649	34.5	1.7%	15,241	1,002	15.2
1999	84,602	2,527,277	29,873	34.5	1.4%	15,834	1,088	14.6
2000	87,028	2,736,940	31,449	37.4	1.6%	16,306	1,157	14.1
2001	89,006	2,987,059	33,560	37.4	2.5%	16,633	1,210	13.7
2002	91,834	3,111,045	33,877	37.4	3.3%	17,198	1,245	13.8
2003	93,916	3,235,870	34,455	37.4	3.2%	17,580	1,315	13.4
2004	96,013	3,410,073	35,517	37.4	3.0%	17,979	1,381	13.0
2005	97,369	3,612,355	37,100	37.4	2.9%	18,150	1,434	12.7
2006	99,174	3,720,726	37,517	37.4	2.5%	18,518	1,485	12.5
2007	100,721	3,832,348	38,049	37.4	2.4%	18,844	1,563	12.1
% Change	1.6%	3.0%	1.4%	0.0%	-4.0%	1.8%	5.3%	-3.3%
% Ch. Since 1998	22.7%	63.0%	32.8%	8.4%	41.2%	23.6%	56.0%	-20.7%

Notes: (1) Population, personal income and per capita personal income data for 1998 through 2005 is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce. Population estimates for 2006 and 2007 are obtained from the Hanover County Planning Department. Personal Income for 2006 and 2007 is estimated at 103% of prior year amounts.

(2) U. S. Department of Commerce, Bureau of Census (updated in conjunction with census performed every 10 years).

(3) Virginia Employment Commission.

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

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

**COUNTY OF HANOVER, VIRGINIA**

Principal Employers (1)

Current Year and Nine Years Ago

Employer	Type of Business	2006			1997		
		Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Hanover County Schools	Education	2,709	1	6.3%	1,580	1	4.7%
Bon Secours Memorial Regional Medical	Hospital/Medical Center	1,180	2	2.8%	980	4	2.9%
Supervalu Eastern Region	Food Distributor	1,155	3	2.7%	1,350	2	4.0%
County of Hanover	Government	1,100	4	2.6%	613	6	1.8%
Paramount Kings Dominion	Entertainment	998	5	2.3%	975	5	2.9%
Tyson Foods	Poultry Processing	750	6	1.8%	565	7	1.7%
Wal-Mart Stores	Retail	625	7	1.5%	350	9	1.0%
Media General	Newspaper Print	554	8	1.3%	1,000	3	3.0%
AMF Bowling, Inc.	Corporate Headquarters/Manufacturing	435	9	1.0%	444	8	1.3%
Randolph-Macon College	Education	297	10	0.7%	-	n/a	-
Ukrop's	Grocery Retail	-	n/a	0.0%	320	10	1.0%
		<u>9,802</u>		<u>22.9%</u>	<u>8,177</u>		<u>24.5%</u>

Notes: (1) Sources: County and Schools employment levels provided by the County of Hanover Department of Human Resources, Finance Budget Division, and the School Board Administration. Other data provided by the Virginia Employment Commission or by employers. Employment levels represent full-time equivalents. The most recent year for which this data is available is 2006.

**COUNTY OF HANOVER, VIRGINIA**

Full-time Equivalent Government Employees by Function (1)

Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Primary government:</b>										
General governmental administration	102	108	113	117	122	124	126	131	135	138
Judicial administration	21	23	23	37	44	47	49	52	54	54
Public safety	255	260	282	294	317	341	345	381	415	433
Public works	46	47	46	50	53	60	61	64	66	70
Human services	127	132	142	154	173	211	214	220	230	235
Parks, recreation and cultural	27	30	35	40	42	42	42	45	46	47
Community development	27	27	30	30	32	31	31	32	31	33
Public utilities	79	80	81	82	84	88	88	92	92	93
Fleet management	15	15	15	25	26	26	26	26	26	27
Totals - Primary government	699	722	767	829	893	970	982	1,043	1,095	1,130
<b>Component Unit:</b>										
School Board	1,862	1,942	2,029	2,131	2,227	2,373	2,548	2,673	2,713	2,840
<b>Total:</b>	<b>2,561</b>	<b>2,664</b>	<b>2,796</b>	<b>2,960</b>	<b>3,120</b>	<b>3,343</b>	<b>3,530</b>	<b>3,716</b>	<b>3,808</b>	<b>3,970</b>

Notes: (1) Source: County Department of Human Resources and School Board administration.

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

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Primary government:</b>										
<b>General governmental administration</b>										
Number of registered voters	45,475	46,896	48,030	54,086	54,086	56,000	56,000	58,741	62,960	63,059
Number of real estate transfers	3,976	3,953	3,928	3,142	3,907	4,024	4,024	3,689	3,490	3,819
State income tax returns processed	22,450	22,500	27,399	33,000	25,000	25,000	25,000	12,529	10,200	14,500
<b>Judicial administration</b>										
Judgments docketed	-	-	-	3,139	3,139	2,230	2,540	2,513	3,104	3,101
<b>Public safety</b>										
Sheriff's office - total calls for service	48,690	48,690	50,216	50,670	51,281	54,622	57,321	57,016	53,792	49,873
Number of sworn officers	140	150	149	153	158	160	170	180	189	197
EMS incidents	8,193	8,545	8,724	9,322	9,032	9,430	9,010	9,376	9,382	9,194
Fire incidents	5,946	7,901	8,112	8,670	8,678	9,151	8,725	8,789	9,401	10,712
Animal control incidents	4,840	5,298	5,883	6,487	7,272	6,946	6,169	6,720	6,866	8,018
Commercial building plan reviews	60	99	98	201	295	304	317	536	431	523
Residential building plan reviews	1,079	1,227	974	925	829	803	685	626	511	401
<b>Public works</b>										
Tons of solid waste received	33,000	39,000	42,000	37,000	35,500	34,600	34,600	37,714	31,596	37,182
Tons of solid waste recycled	-	-	-	-	-	-	-	14,342	13,716	13,288
<b>Human services</b>										
Communicable disease visits/investigations	-	-	-	-	317	300	300	585	873	789
Immunization visits	6,508	7,504	3,229	3,319	3,088	3,300	3,300	1,650	1,005	703
Restaurant inspection visits	400	362	499	248	248	330	330	689	590	1,068
Social services lobby visits	-	-	-	-	8,288	9,866	9,866	9,764	9,425	10,150
Social services telephone calls received	-	-	-	-	29,995	43,288	43,288	35,950	30,521	28,206
Number of community volunteers on record	5,500	5,500	5,500	6,043	6,315	5,712	5,712	6,216	5,900	9,107
Estimated volunteer hours reported	209,000	249,250	200,000	188,600	180,800	213,860	373,484	412,678	441,135	459,224
County employees United Way contribution	34,000	35,630	35,630	38,583	53,401	45,943	45,943	51,958	55,344	60,041
<b>Parks, recreation and cultural</b>										
Registered library card holders	39,251	45,504	49,738	56,840	63,162	71,020	71,020	85,702	93,040	99,353
Internet workstations - hours used	-	-	-	28,640	33,409	41,765	41,765	61,023	66,218	70,189
Library reference questions answered	-	-	-	-	-	-	-	148,470	169,834	193,942
<b>Community development</b>										
Economic development services to existing/prospective businesses	264	411	415	295	295	410	410	455	423	350
<b>Public utilities</b>										
Water customers	12,955	13,655	14,394	16,500	17,241	17,918	18,389	18,825	19,260	19,472
Wastewater customers	12,400	12,916	13,644	14,600	15,678	16,143	16,597	17,001	17,384	17,661
Water samples collected	-	-	-	-	-	-	277,190	300,865	298,637	303,358
Daily average water distributed (million gallons/day)	7.80	7.30	7.70	7.96	6.35	6.20	6.52	6.35	7.30	8.80
Maximum daily water capacity (million gallons/day)	10.93	10.93	10.90	12.00	10.93	16.00	16.00	19.95	19.95	19.95
Daily average wastewater treatment (million gallons/day)	6.00	5.40	5.44	5.23	5.29	5.80	6.06	6.29	5.43	6.20
Maximum daily capacity of wastewater treatment plant (mg/d)	6.78	6.78	6.78	8.40	6.78	8.48	8.48	13.48	13.48	13.50
<b>Fleet management</b>										
School buses serviced	-	-	-	237	250	261	261	302	305	303
Public safety vehicles serviced	273	304	317	333	350	371	371	410	420	416
Fleet availability	-	-	-	-	-	96%	96%	97%	96.5%	96.8%

Notes: (1) Source: County Departments as identified above.  
 (2) Information not available prior to first year reported. Operating indicators for the School Component Unit are presented on the Demographic Information schedule.

COUNTY OF HANOVER, VIRGINIA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Primary government:</b>										
<b>General governmental administration</b>										
Estimated square feet - all general administrative office space	-	-	-	-	-	-	-	42,552	42,552	42,552
<b>Judicial administration</b>										
Estimated square feet - all judicial buildings	-	-	-	-	-	-	-	40,796	40,796	58,460
<b>Public safety</b>										
Estimated square feet - all public safety buildings	-	-	-	-	-	-	-	165,505	165,505	166,764
Number of sheriff's stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	88	106	106	100	105	98	108	113	116	109
Correctional facility inmate capacity	-	429	429	429	429	429	429	429	429	429
Number of fire/EMS stations	12	12	12	12	12	12	12	12	12	16
<b>Public works</b>										
Estimated square feet of County facilities maintained	393,342	393,342	393,342	392,842	482,589	472,589	472,589	472,589	472,589	491,000
Number of solid waste convenience centers	6	6	6	6	6	6	6	6	6	6
County Airport - acres in facility	175	176	202	202	202	210	210	210	210	210
Aircraft hanger spaces - County Airport	30	40	40	40	40	40	40	40	40	30
Aircraft tie-down spaces	56	56	56	56	56	56	56	56	56	56
Length of runway (ft)	4,650	4,650	4,650	5,400	5,400	5,400	5,400	5,400	5,400	5,400
<b>Human services</b>										
Estimated square feet of facilities	-	-	-	-	-	-	-	41,644	41,644	58,874
<b>Parks, recreation and cultural</b>										
Number of County parks/boat launch	8	10	10	11	11	11	11	11	11	12
Park acreage	695	695	695	705	705	705	705	756	756	809
<b>Public utilities</b>										
Miles of water mains	215	225	225	287	225	310	351	354	355	366
Number of fire hydrants	1,825	1,825	1,825	1,825	1,825	1,825	1,826	1,915	1,941	2,041
Miles of sanitary sewers	247	257	257	257	302	303	333	346	348	347
Number of wastewater treatment plants	3	3	3	3	3	3	4	4	4	4
<b>Fleet management</b>										
Number of vehicles maintained (3)	428	469	486	915	955	969	982	1,075	1,085	1,100
<b>School Board Component Unit:</b>										
Number of elementary schools	12	12	12	12	13	13	13	13	13	14
Number of secondary schools	6	6	6	7	7	7	8	8	8	9

- Notes:
- (1) Source: County Departments as identified above.
  - (2) Information not available prior to first year reported.
  - (3) The County and School Component Unit fleet management functions were combined in 2001. Combined data for years prior to 2001 is unavailable.



## **COMPLIANCE SECTION**



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia (the "County") as of and for the year ended June 30, 2007, and have issued our report thereon dated November 14, 2007. 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 Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control Over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

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

## Compliance and Other Matters

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

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

*Cherry, Bekaert & Holland, L.L.P.*

Richmond, Virginia  
November 14, 2007



**Report on Compliance with Requirements  
Applicable to Each Major Federal Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of the County of Hanover, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County of Hanover's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Hanover's management. Our responsibility is to express an opinion on the County of Hanover's compliance based on our audit.

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

In our opinion, the County of Hanover complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

**Internal Control Over Compliance**

The management of the County of Hanover is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Hanover's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Cherry, Bekaert & Holland, L.L.P.*

Richmond, Virginia  
November 14, 2007



**Independent Auditors' Report on Compliance with  
Commonwealth of Virginia's Laws, Regulations,  
Contracts and Grants**

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

We have audited the basic financial statements of the County of Hanover, Virginia, as of and for the year ended June 30, 2007, and have issued our report thereon dated November 14, 2007.

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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Hanover's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions, and, accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

<u>Code of Virginia</u>	<u>State Agency Requirements</u>	
Budget and Appropriation Laws	Procurement	Comprehensive Services Act
Cash and Investments	Unclaimed Property	
Conflicts of Interest	Social Service	
Debt Provisions	Education	
Retirement Systems		

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph.

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

*Cherry, Bekaert & Holland, L.L.P.*

Richmond, Virginia  
November 14, 2007

# COUNTY OF HANOVER, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Fiscal Year Ended June 30, 2007

---

### A. Summary of Auditors' Results

1. The type of report issued on the basic financial statements: **UNQUALIFIED OPINION**
2. Reportable conditions in internal control disclosed by the audit of the financial statements: **NO**
3. Noncompliance, which is material to the financial statements: **NO**
4. Reportable conditions in internal control over major programs: **NO**
5. The type of report issued on compliance for major programs: **UNQUALIFIED OPINION**
6. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133:  
**NO**
7. The programs tested as major programs were:

---

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
State Administrative Matching Grants for Food Stamp Program	10.561
Temporary Assistance for Needy Families	93.558
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
Foster Care Title IV-E	93.658
Social Services Block Grant	93.667
Medical Assistance Program	93.778
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083

---

8. Dollar threshold to distinguish between Types A and B Programs: **\$352,618**
9. The County of Hanover was determined to be a low risk auditee.

### B. Findings - Financial Statement Audit

NONE

### C. Findings and Questioned Costs - Major Federal Awards

NONE

### D. Resolution of Prior Year's Findings

There were no findings reported in the prior year.

# HANOVER COUNTY FINANCE DEPARTMENT

---

Terry S. Stone, CPA  
Director of Finance

## **FINANCIAL REPORTING**

Craig D. Eastman, CPA, Accounting Division Director  
Darlene T. Dankos, CPA, Accountant  
Nancy M. Mancuso, Account Clerk

## **BUDGET**

Marcia E. Cotov, Budget Division Director  
Anne M. Stickley, Analyst  
Matt Peanort, Analyst  
Barbara Horlacher, Analyst

## **FINANCIAL OPERATIONS**

Howard W. Eckstein, Accountant  
Pamela J. Hawkins, Technician  
Donna B. Neely, Technician  
Connie L. Mills, Account Clerk  
Sarah M. Jordan, Administrative Assistant

*Hanover: People, Tradition and Spirit*

# HANOVER COUNTY

---

## OUR VISION STATEMENT

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

## OUR MISSION STATEMENT

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

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

## OUR VALUE STATEMENTS

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

*Hanover: People, Tradition and Spirit*

