



*County of
Hanover, Virginia*

COUNTY OF HANOVER, VIRGINIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2008



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 Craig D. Eastman, CPA, Accounting Division Director at (804) 365-6015 or by e-mail at cdeastman@co.hanover.va.us. For information about the County, including the WEB-based version of this and other financial documents, refer to the County's web page at www.co.hanover.va.us (financial documents under "Finance Department" home page).



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INTRODUCTORY SECTION



BOARD OF SUPERVISORS

AUBREY M. STANLEY, CHAIRMAN
BEAVERDAM DISTRICT

JOHN E. GORDON, JR., VICE-CHAIRMAN
SOUTH ANNA DISTRICT

DEBORAH B. COATS
MECHANICSVILLE DISTRICT

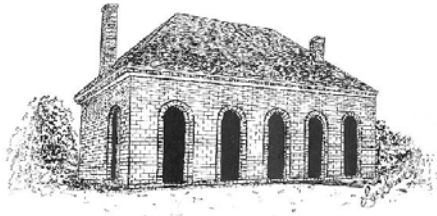
CHARLES D. MCGHEE
HENRY DISTRICT

ROBERT R. SETLIFF
CHICKAHOMINY DISTRICT

G. Ed VIA, III
ASHLAND DISTRICT

ELTON J. WADE, SR.
COLD HARBOR DISTRICT

CECIL R. HARRIS, JR.
COUNTY ADMINISTRATOR



HANOVER COURTHOUSE

HANOVER COUNTY

ESTABLISHED IN 1720

FINANCE DEPARTMENT

TERRY S. STONE, CPA
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 11, 2008

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

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Hanover County (the County) for the fiscal year ended June 30, 2008. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Virginia Auditor of Public Accounts (APA).

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

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

The County's financial statements have been audited by Cherry, Bekaert and Holland, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2008, 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, 2008, are fairly presented, in all material respects, in conformity with GAAP. The auditors' report is presented as the first component of the financial section of this report.

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

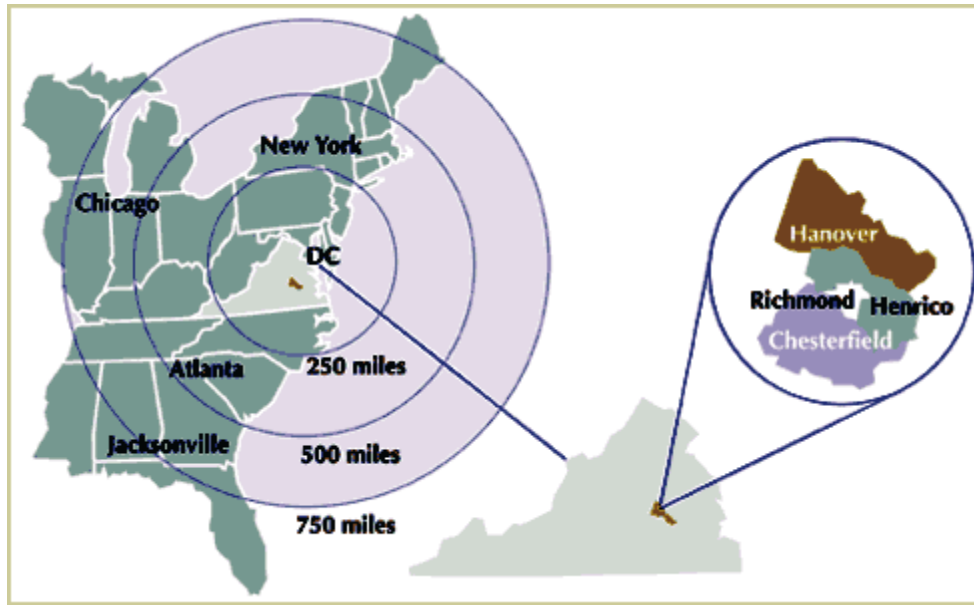
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's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

Profile of the County

The County was formed on November 26, 1720, by the Virginia General Assembly in "An Act for dividing New Kent County." It is named for King George I of England, who, at the time he came to the throne, was Elector of Hanover in Germany. Two of the County's native sons, Patrick Henry and Henry Clay, distinguished themselves as orators, patriots and statesmen in the early history of this Country. Prior to English colonization in the seventeenth century, the Pamunkey Indians populated this area. The northern boundary, the Pamunkey River, carries their name and they maintain a reservation on the lower part of the river in neighboring King William County. The Town of Ashland is located 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. The South Anna River is also located in the County. 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, 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, the County Airport and the recycling service district operations. Facilities Management provides property management of all County-owned, nonschool related properties.

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

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

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

The County's Department of Public Utilities operates and maintains public water and sanitary sewer systems in the "Suburban Service Area" (the crescent-shaped area north of the Chickahominy River, generally between Route 1 and Creighton Road and includes the Town of Ashland), the Doswell area, the Route 33 area, and the Hanover Courthouse area. The County provides utility service to approximately 19,700 water and 17,900 wastewater customers.

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

The annual budget serves as the foundation of the County's financial planning and control. All agencies of the County generally submit requests for appropriation to the County Administrator on or before December 1 each year. The County Administrator uses these requests as the starting point for developing a proposed budget. The County Administrator then presents the proposed budget to the Board. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the County's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., Sheriff's office) with the 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 in excess of \$25,000 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 and between departments. 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 37 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 79.

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 2007. Hanover also enjoys a high per capita income and median household income higher than the national average.

General property tax collections were over budget by \$1.5 million and sales tax collections were under budget estimates by \$524,000 for fiscal 2008. Property values continued to be strong with a real property assessment growth of 7.2% for 2008. Real property assessments are anticipated to moderate in 2009, but are expected to continue to experience limited growth. Sales tax revenue growth continued at 3.4% in fiscal year 2008 and is projected to experience a similar growth in fiscal year 2009. The real property tax rate was \$0.81 cents per 100 of assessed value for the 2008 tax year. Hanover continues to have the lowest tax rate in the region combined with an overall positive economic environment, which has enabled the County to continue to thrive economically. Further indicators of continued economic strength and strong financial condition are as follows:

- The tax base grew by 13.5% last year. Tax collections remained strong in 2007-08. The County collected 96.3% 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 \$413,200: a 6.9% increase over the prior year’s median sales price of \$386,500. The average assessed value of a house in the County is \$292,400, a 14.4% increase over the prior year. While we do not expect this same level of growth in fiscal year 2009, home values are anticipated to maintain current levels.
- 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 1.4%, with a total estimated population of 100,328 at July, 2008.

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 14th lowest level of fiscal stress in the State, which is down slightly from a ranking of 12th lowest in the previous year. The County’s median adjusted gross income of \$45,738 is the 11th highest, which is down slightly from the 10th highest in the prior year. This rating is higher than all but three of the State’s AAA rated localities. 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 County's commitment to remain a low tax locality does impact our budgetary process as the services sought by many residents in the County are similar to services offered by higher taxing localities. The preceding economic highlights are not only 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:

The Board of Supervisors' adopted Economic Development Strategic Plan encourages and supports growth of existing and new businesses. This plan outlines the County's four major economic development goals: expansion of the tax base, economic stability, job retention, and job creation. The plan identifies target industries, the utilization of incentives, the establishment of economic development zones for infrastructure enhancement, and revisions to the County's development regulations. The Board completed a Comprehensive Plan update in 2007, which added significant new business designations to the area west of Route 33 to Hylas and northeast of Ashland, along Interstate 95.

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

The County's four newest business parks have over 600 acres of zoned property and over one million square feet of office and commercial space that are now generating revenue for the County and creating high-quality employment opportunities for residents. Owens & Minor, a Fortune 500 company, is located at the Atlee Station office park and employs approximately 500 people. Bass Pro Shops opened a 158,000 square foot retail store at Winding Brook in September 2008. The Bass Pro project includes the extension of Lakeridge Parkway from its current terminus to Lakeridge Industrial Park, which will interconnect the Lewistown Road and Atlee/Elmont interchanges. Country Vintner has completed construction of its 130,000 square foot headquarters and distribution center in Northlake, which was occupied in July 2008. The latest addition to Hanover's business community is Mother Parker's Coffee and Tea, a Canadian beverage processor which has announced plans to construct a \$41 million processing facility in the Ashland Business Park. The Atlee/Elmont interchange area contains over 350 acres planned for retail, hotel, commercial, and industrial development, and a Home Depot, Gander Mountain, and other smaller retail shops have recently opened in that area. Also, the completion of the North Lakeridge Parkway extension to U.S. Rt. 1 in 2006 opened up an additional 200 acres for development. Commercial and industrial development has accounted for 33 percent of the total value of building permits issued in Hanover between 2003 and July 2008.

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 license 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, which 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 2009 capital budget for County and School projects, including Public Utilities, is \$45.0 million. This budget includes \$10.3 million of projects approved in the 2005 referendum. The County's budget policies recommend the use of "pay-as-you-go" CIP funding of 10% or more, to recognize the need to balance the use of debt with the use of other resources for funding. The fiscal year 2009 County and School Five-Year CIP includes 63.0% of "pay-as-you-go" funding (from non-debt sources). The CIP recognizes the continued accumulation and utilization of the School and County Savings Plan.
- **Bond Referendum:** A referendum for \$95.1 million was included on the November 2005 ballot in the form of three questions; one each for funding 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. The second issuance of \$28.0 million is scheduled to be sold in the spring of 2009.
- **Five-Year Financial Plan:** The County's Five-Year Financial Plan represents the County's effort to quantify the fiscal impacts of future needs, matched with a projection of General Fund resources available to meet those needs. Each year this plan is adopted by the Board of Supervisors, thereby indicating to the public the County's expected tax rates, operating costs, capital improvements, debt service requirements, school allocations and service level plans. The plan is illustrated with detailed assumptions in a 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 also follows Board-adopted financial policies, including Accounting, Budget, Debt, Fund Balance, Investments and Deposits, Purchasing, Deferred Compensation 457(b) and 403(b) Plan Investment, Revenue, and Travel and Business Expense policies. These policies are periodically reviewed, with amendments approved by the Board as necessary. To add clarification and more detail, most policies have associated regulations which are approved by the County Administrator.

Cash management policies and practices:

The County Treasurer is responsible for investing County funds. The County's investments and deposits consist of a variety of securities, durations and increments as prescribed by the *Code of Virginia* and as further restricted by the County's investment policy. The allowable investments include savings accounts, certificates of deposit, U.S. Treasury and agency securities, corporate notes, banker's acceptances, commercial paper, money market accounts, certain 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 workers' compensation, property, auto, liability, inland marine, boiler and crime insurance. The County has experienced favorable loss ratios. In addition, the County provides surety bond coverage as required under regulations and 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 Group Self-Insurance Association, with both of these entities providing workers' compensation coverage in compliance with the Virginia Workers' Compensation Act. 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 coverage, 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 postemployment benefits:

The County is a participant in the Virginia Retirement System (VRS), a mixed agent and cost-sharing multiple-employer defined benefit pension plan, for which the County contributes a percentage of qualifying County employees' salaries to the VRS. The VRS is responsible for setting the contribution rates and making retirement payments in accordance with the established plan. In addition, the County provides access to Section 457(b) and/or Section 403(b) retirement investment programs, as applicable. The retirement investment programs are funded through employee payroll deductions, and administered in accordance with adopted policies and regulations.

The County established an irrevocable other postemployment benefits trust in fiscal year 2008 to fund the retiree medical benefit plan. Pursuant to Code of Virginia Section 15.2-1544 et seq. the County adopted the Hanover Retiree Medical Benefits Plan (Plan), an agent multiple-employer defined benefit healthcare plan, and the Hanover Retiree Medical Benefits Trust Agreement (Trust) effective June, 2008. The Plan covers only eligible retirees and their dependents of the reporting entity, the Pamunkey Regional Library and the Pamunkey Regional Jail Authority. As required by GASB 45, an actuarial valuation was performed in fiscal year 2008 to determine the annual required contribution (ARC). The estimated additional contributions needed to fully fund the plan were \$493,600 or approximately \$127 per employee. A total of \$730,105 was transferred to the Retiree Medical Benefits Trust during fiscal year 2008.

Major initiatives and accomplishments:

During fiscal year 2008, several of the November 2005 voter-approved referendum projects were initiated including the new Mechanicsville Library, replacement of the Ashland and Farrington fire stations, parks projects and the new emergency communications system and facility. Fiscal year 2008 also included the completion of a community development customer service initiative that provides development applicants a case management team to assist throughout the entire process. Construction of the Lewistown Commerce Center CDA improvements continued throughout the year and the anchor retailer, Bass Pro, opened in September of 2008. The Board of Supervisors approved a Retail Business Strategy in May 2008. The strategy identified opportunities to enhance retail business in the County. The findings of this study will be incorporated within the update of the Economic Development Plan, which is a fiscal year 2009 initiative. Finally, implementation of the Public Safety and Human Service Strategic Plans began in fiscal year 2008.

The County's school system also continues to be recognized for superior achievements. The system is ranked in the top five percent in Virginia for student achievement, has one of the lowest drop-out rates in the State (less than one percent) and has earned ten U.S. Department 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 and have achieved adequate yearly progress as defined by the Federal No Child Left Behind Act. In September, 2008, the school district opened its twenty-fourth and twenty-fifth schools, the Laurel Meadow Elementary School and the Hanover Center for Trades and Technology. The Hanover Center for Trades and Technology is the first new trades-based school built in the Commonwealth of Virginia in more than two decades. The opening of the Laurel Meadow Elementary School required the update of the elementary school redistricting plan, which was completed in March of 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, 2007. The County has received this prestigious award each fiscal year since 1985. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized CAFR, which satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2008-2009. 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.

The County was also recognized by the National Association of Counties (NACo) in fiscal year 2008 with a 2008 NACo Achievement Award for the Debris Management Plan developed by its Public Works Department. The Debris Management Plan was based on successful operational experiences in the wake of the damage caused by Hurricane Isabel and Tropical Storm Gaston. After reviewing lessons from past events, County officials concluded that an ongoing and formal system to provide for the cost-effective and timely management of debris and other wastes generated from such catastrophic events was needed.

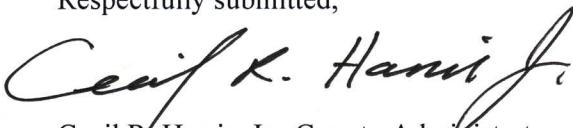
The Virginia Department of Emergency Management identified the Plan as a model program for other Virginia local governments to follow.

For the second consecutive year, the County was selected among the *100 Best Communities for Young People* in America. The award is given by America's Promise Alliance, the nation's largest alliance dedicated to children and youth, in partnership with Capital One. More than 300 communities in all 50 states sought the honor, and Hanover was one of only 26 to win it a second consecutive year in January, 2008. Hanover was also one of only 72 organizations in the United States to be chosen as a Lead Agency for Global Youth Service Day last spring.

The County utilizes its website www.co.hanover.va.us for a variety of purposes, which include presentation of the audit report and budget document. The budget document serves as the best source of information for County 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 2008 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, 2007

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.



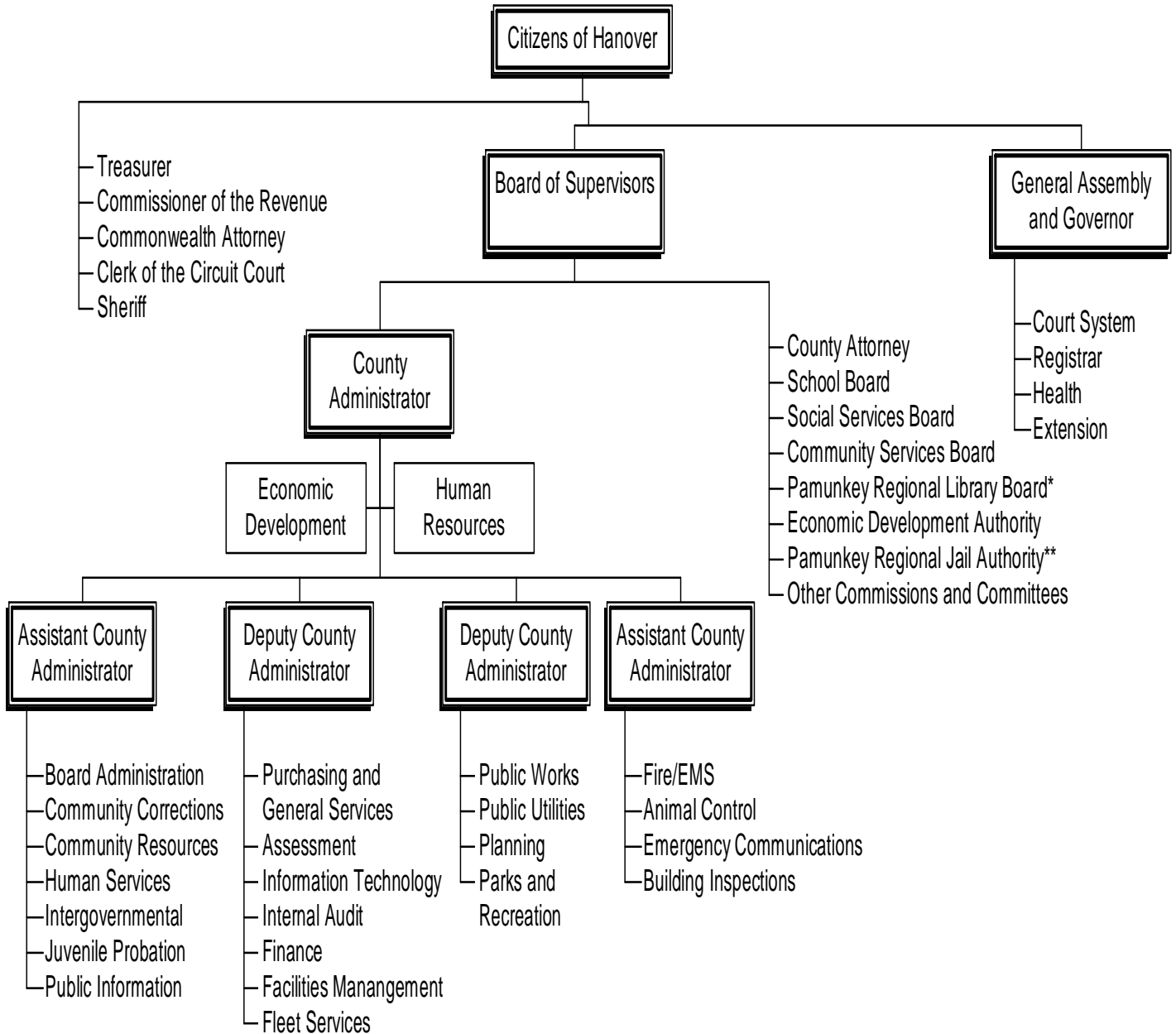
Charles S. Cox

President

Jeffrey R. Emmer

Executive Director

County of Hanover, Virginia Organizational Chart



*Pamunkey Regional Library Board in which Hanover County represents 4 of 10 appointed members.

**Pamunkey Regional Jail Authority in which Hanover County represents 2 of 5 appointed members.

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2008

Board of Supervisors

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

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

Constitutional Officers

T. Scott Harris
M. Scott Miller
Trip Chalkley
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
James P. Taylor
Terry S. Stone

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

School Board

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

Chickahominy District
Beaverdam District
Ashland District
Cold Harbor District
Henry 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 Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia, (County) as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2008, 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 11, 2008 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Schedules 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'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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Bekaert + Holland, LLP

Richmond, Virginia
November 11, 2008

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, 2008. 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 1-10 of this report.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of fiscal year 2008 by \$309.1 million (*net assets*). Of this amount, \$75.2 million (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$23.4 million, of which the governmental activities increased by \$4.1 million and business-type activities increased by \$19.3 million.
- As of the close of fiscal year 2008, the County's governmental funds reported combined ending fund balances of \$54.9 million, a decrease of \$4.2 million from prior year. Of the \$54.9 million total, 78.5% (\$43.1 million) is available for spending at the County's discretion (*unreserved fund balance*).
- Undesignated fund balance for the General Fund was \$24.1 million, or 12.3% of total General Fund revenues, representing an increase of \$1.7 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 \$438,000 (0.2%) during fiscal year 2008. The net increase was primarily the result of the issuance of \$14.6 million of VPSA general obligation bonds in November 2007 offset by principal payments of \$14.1 million. The new debt was approved with the November 2005 referendum to fund capital projects for public safety, parks and library, and schools.
- The County established a new trust fund to account for the funding of the Retiree Medical Benefits Plan that was approved by the Board of Supervisors in June, 2008. The Plan provides that the employers will provide certain subsidies toward the cost of the health benefit coverage of eligible retirees, spouses and dependents.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements 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 32-33 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.

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

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

The County maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the County Improvements Fund and the School Improvements Fund; all three of which are considered to be *major funds*. Data from the other two County funds, the Comprehensive Services Fund and the Community Services Fund, are combined into a single, aggregated presentation. Individual fund data for each of these *nonmajor* governmental funds is provided in the form of *combining statements* 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 34-37 of this report.

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

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 38-40 of this report.

Fiduciary funds are used to account for resources received and held in a fiduciary capacity for the benefit of individuals, private organizations, or other governments. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. However, the County is responsible for ensuring that fiduciary fund assets are used for their intended purposes. The County's fiduciary funds consist of an employee benefit trust fund, the Retiree Medical Benefits Trust Fund, and Agency Funds. The Retiree Medical Benefits Trust Fund is used to account for the receipt and disbursement of employer contributions and assets held in trust to provide healthcare benefits to retirees, and agency funds are used to report resources held in a purely custodial capacity for individuals, private organizations or other governments. The fiduciary fund financial statements can be found on pages 41-42 of this report, while individual fund data for the agency funds can be found in the form of combining statements elsewhere in this report.

Notes to the financial statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-75 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 obligations to provide pension and other postemployment benefits to its current and future retirees. This required supplementary information can be found on page 77 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and agency funds, and individual fund statements and schedules are presented immediately following the required supplementary information, starting on page 79 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 \$309.1 million at the close of fiscal year 2008. By far the largest portion of the County's net assets (\$219.6 million, 71.1% 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 net assets invested in 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 long-term 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 (\$14.2 million, 4.6% of total) represents resources that are subject to external restrictions on how they may be used, including amounts restricted for capital projects, grant programs, debt covenants and postemployment healthcare benefits. The remaining balance of unrestricted net assets (\$75.2 million, 24.3% of total) may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of fiscal year 2008, 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 \$23.4 million during fiscal year 2008. The \$4.1 million increase in the net assets of governmental activities resulted primarily from a combination of an 9.6% growth in general property tax revenue; an education surplus of \$2.4 million (of which \$1.5 million has been earmarked as a funding source for the fiscal year 2009 School Improvements Fund budget and an additional \$500,000 has been designated for future School capital improvements); and the impact of the County's strong debt principal retirement practices. The \$19.3 million increase in net assets of business-type activities includes \$8.1 million of donated capital assets accepted by the public utility system, and recognition of a \$5.8 million combined water and wastewater capacity fee received from Caroline County for water and wastewater capacity for the future Virginia State Fair location. The remaining increase in utility fund net assets resulted primarily from the receipt of \$4.9 million of additional nonoperating capacity fees, which helps to offset the cost of existing utility capital improvements.

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

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
	Current and other assets	\$ 122,477,345	119,149,317	39,812,437	32,187,833	162,289,782
Capital assets	211,183,264	200,885,039	194,630,705	184,642,235	405,813,969	385,527,274
Total assets	<u>333,660,609</u>	<u>320,034,356</u>	<u>234,443,142</u>	<u>216,830,068</u>	<u>568,103,751</u>	<u>536,864,424</u>
Long-term liabilities outstanding	154,926,320	152,458,301	40,792,206	42,205,475	195,718,526	194,663,776
Other liabilities	61,434,369	54,408,138	1,894,657	2,191,625	63,329,026	56,599,763
Total liabilities	<u>216,360,689</u>	<u>206,866,439</u>	<u>42,686,863</u>	<u>44,397,100</u>	<u>259,047,552</u>	<u>251,263,539</u>
Net assets (as restated):						
Invested in capital assets, net of related debt	65,019,988	61,976,094	154,625,394	144,494,562	219,645,382	206,470,656
Restricted	10,833,093	9,599,544	3,374,603	3,445,443	14,207,696	13,044,987
Unrestricted	41,446,839	41,592,279	33,756,282	24,492,963	75,203,121	66,085,242
Total net assets	<u>\$ 117,299,920</u>	<u>113,167,917</u>	<u>191,756,279</u>	<u>172,432,968</u>	<u>309,056,199</u>	<u>285,600,885</u>

Summary of Activities

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
	Revenues:					
Program revenues:						
Charges for services	\$ 12,769,851	13,833,301	21,374,791	19,618,120	34,144,642	33,451,421
Operating grants and contributions	16,589,245	15,408,252	-	-	16,589,245	15,408,252
Capital grants and contributions	9,696,499	5,902,858	20,831,594	10,776,808	30,528,093	16,679,666
General revenues:						
Property taxes	128,411,615	117,152,314	-	-	128,411,615	117,152,314
Other taxes	29,953,699	27,952,788	-	-	29,953,699	27,952,788
Noncategorical State aid	15,419,398	14,895,053	-	-	15,419,398	14,895,053
Grants and contributions	1,119,078	849,714	-	-	1,119,078	849,714
Other	1,967,295	1,790,177	1,337,243	1,015,229	3,304,538	2,805,406
Total revenues	<u>215,926,680</u>	<u>197,784,457</u>	<u>43,543,628</u>	<u>31,410,157</u>	<u>259,470,308</u>	<u>229,194,614</u>
Expenses:						
General government	14,671,166	13,312,730	-	-	14,671,166	13,312,730
Judicial administration	4,385,408	3,930,945	-	-	4,385,408	3,930,945
Public safety	43,545,081	39,333,719	-	-	43,545,081	39,333,719
Public works	12,431,287	8,741,705	-	-	12,431,287	8,741,705
Human services	23,096,023	21,269,844	-	-	23,096,023	21,269,844
Parks, recreation and cultural	6,413,393	4,732,962	-	-	6,413,393	4,732,962
Community development	5,593,695	5,306,364	-	-	5,593,695	5,306,364
Education	100,925,769	81,203,331	-	-	100,925,769	81,203,331
Interest on long-term debt	503,177	627,078	-	-	503,177	627,078
Public utilities	-	-	23,823,738	22,688,647	23,823,738	22,688,647
Airport	-	-	626,257	465,203	626,257	465,203
Total expenses	<u>211,564,999</u>	<u>178,458,678</u>	<u>24,449,995</u>	<u>23,153,850</u>	<u>236,014,994</u>	<u>201,612,528</u>
Increase in net assets before transfers	4,361,681	19,325,779	19,093,633	8,256,307	23,455,314	27,582,086
Transfers	(229,678)	(619,072)	229,678	619,072	-	-
Increase in net assets	<u>4,132,003</u>	<u>18,706,707</u>	<u>19,323,311</u>	<u>8,875,379</u>	<u>23,455,314</u>	<u>27,582,086</u>
Net assets - beginning of year	113,167,917	94,461,210	172,432,968	163,557,589	285,600,885	258,018,799
Net assets - end of year	<u>\$ 117,299,920</u>	<u>113,167,917</u>	<u>191,756,279</u>	<u>172,432,968</u>	<u>309,056,199</u>	<u>285,600,885</u>

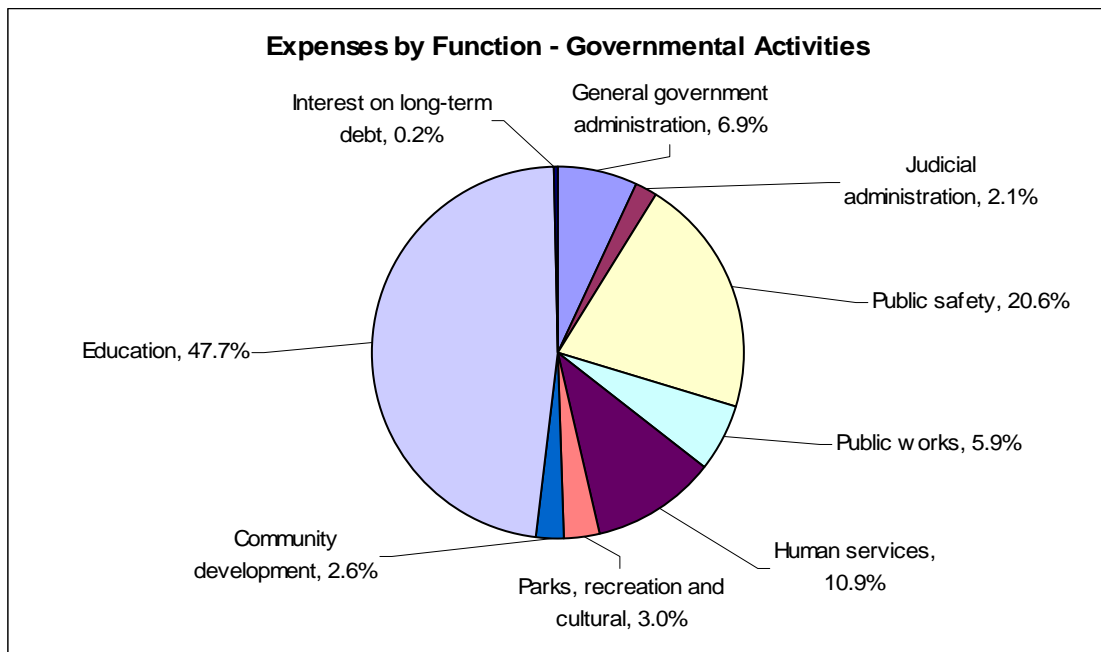
As noted previously, the increase in net assets attributable to the County's **governmental activities** totaled \$4.1 million for fiscal year 2008. Generally, net asset changes are the result of the difference between revenues and expenses. Fiscal year 2008 revenues of \$215.7 million represent an increase of \$18.5 million or 9.4% over the prior year, while expenses of \$211.6 million represent an increase of \$33.1 million or 18.6% compared to the prior year. A summary of key elements follows:

- General property taxes collections were \$128.4 million, representing an increase of \$11.3 million or 9.6%. The increase was primarily due to the continued growth in the tax base from new residential and commercial construction of 2.4%, and reassessment of existing real property of 7.2%. The personal property tax revenue grew \$1.9 million, or 8.6%, primarily due to growth in business property. The State remittance for personal property tax totaled \$15.0 million and will remain at this amount indefinitely.
- Charges for services decreased by \$1.1 million to \$12.8 million. This 7.7% decrease is primarily the result of the January 1, 2007 implementation of the State's new telecommunications use tax, which replaced the consumer utility tax for telecommunications, E911 and cable television. Previous to January 1, 2007, these taxes had been reported as charges for services, which has resulted in a decrease in reported charges for services revenue in fiscal year 2008. Beginning January 1, 2007, and during all of fiscal year 2008, the telecommunications use tax has been reported in utility taxes, a general revenue.
- Operating grants and contributions totaled \$16.6 million, an increase of \$1.1 million, or 7.7%. Significant portions of this increase resulted from increases in state grants and contributions to the Comprehensive Services Fund, and the Community Services Fund of \$222,000 and \$139,000, respectively, and an increase of \$223,000 in Fire/EMS' federal SAFER grant.
- Capital grants and contributions totaled \$9.7 million as compared to \$5.9 million in fiscal year 2007, a 64.3% increase. The increase includes \$1.8 million recognized pursuant to a frequency reconfiguration agreement with Sprint/Nextel, \$1.9 million of revenue from developers for capital road projects, \$1.6 million of state categorical aid for capital road projects, and \$754,000 of proffer collections. Capital grants and developer contributions vary by year based upon capital project construction activity.
- Of the 18.6% increase in governmental activities expenses, 5.4% resulted from decreased cost recoveries corresponding to completion of School Board capital projects, another 4% is attributable to the employee merit pay increase, 2% is due to new road projects, 1% was due to increased healthcare benefit costs, with the remaining 5.7% attributable to other operating and capital outlay costs, primarily in the priority areas of education and public safety, as further described by function below.
- Expenses for general governmental administration increased \$1.4 million, or 10.2%. In addition to the applicable factors described above, this increase included funding for technology infrastructure, a new customer service agent position for the Commissioner of Revenue office, and a new senior system engineer position in information technology.
- Expenses for public safety increased \$4.2 million, or 10.7%. Public safety is a priority of the Board of Supervisors. In addition to the applicable factors described above, this increase included a full fiscal year of salary for twelve new Fire/EMS positions funded by the federal SAFER grant award received in fiscal year 2007, additional salaries for a lieutenant position and new part-time positions in Fire/EMS, eight new Sheriff's office positions, one emergency communications position, and one animal control kennel attendant supervisor position, new equipment and technology enhancements.
- Expenses for public works increased \$3.7 million, or 42.2%. This increase includes \$3.5 million increase in capital projects and primarily is the result of the North Lakeridge Parkway South

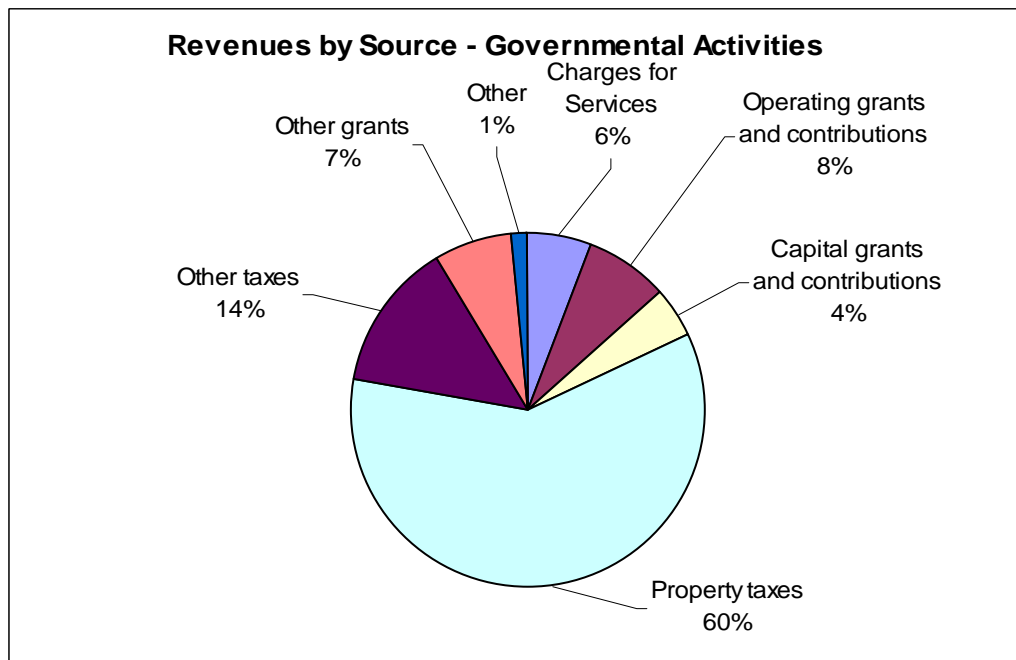
Extension road capital project. The County does not retain title to nor capitalize road projects, and Public Works expenses vary by year based upon road construction activity.

- Expenses for human services increased \$1.8 million, or 8.6%. In addition to the applicable factors described on the previous page, this increase includes a \$460,000 increase in mandated expenses in the Comprehensive Services Fund (offset by a \$222,000 increase in State funding), a \$344,000 increase in tax relief for the elderly, and an increase in expenses in the Community Services Fund of \$180,000. The Community Services Fund provides mental health and mental retardation services to the citizens of the County.
- Parks, recreation and cultural expenses increased \$1.7 million, or 35.5%. The increase includes an increase in program expense which is offset by an increase in program fees, an increase in the volume of programs, and additional grounds and other small equipment purchases.
- The local share of expenditures for education of \$100.9 million increased by \$19.7 million, or 24.3%, from the prior year. \$10.1 million or 51% of the increase was primarily due to increased School Board instruction and support services costs, including funding for 31.5 new full-time equivalent positions, a 4% pay adjustment and increased healthcare benefit and other operating costs. The other \$9.6 million or 49% of the increase resulted primarily from a reduction in capital cost recoveries recognized in fiscal 2008 from the School Board. Under Virginia's *Tenancy in Common* (page 58), the County recognizes a capital cost recovery as an increase or decrease to educational expense, equal to the change in expended School's on-behalf debt outstanding at the end of each fiscal year. The County recognized capital cost recoveries corresponding to completion of School Board capital projects of \$3.2 and \$12.9 million during fiscal 2008 and 2007, respectively, resulting in a comparative increase of \$9.6 million in education expense during fiscal 2008.

The following graph illustrates the County's fiscal year 2008 expenses 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 2008 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 \$19.3 million for fiscal year 2008. 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 to external parties for goods and services provided. The County's business-type activities consist of its water and wastewater treatment services and capital activities, 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 Utilities Fund attempts to recover as much as possible of the operating expenses it incurs to meet service demands through user charges. Nevertheless, Public Utilities operating revenues were less than its operating expenses for fiscal year 2008, resulting in a net operating loss of \$987,000, primarily due to continued moderate growth of 1.4% in the Suburban Service Area. Even with the operating loss, Public Utilities' net assets increased by \$18.8 million during fiscal year 2008, primarily due to non-operating capacity fees received of \$11.2 million, and \$8.1 million of donated assets. A summary of relevant fiscal year 2008 financial results follows:

The Department of Public Utilities implemented user fee increases of 6% for water and 5% for wastewater in fiscal year 2008. 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. Other revenue and expense changes are detailed below.

- Charges for services totaled \$21.0 million, which were \$1.8 million (9.1%) higher than fiscal year 2007. This increase was primarily due to the user fee increases and record demand for water during a seasonal draught.

- Nonoperating capacity fees totaled \$11.2 million, which were \$7.2 million (184.4%) higher than fiscal year 2007. The increase was primarily due to a combined water and wastewater capacity fee payment of \$5.8 million from Caroline County for the future Virginia State Fair location to be served by Hanover Public Utilities. Capital contributions totaled \$8.1 million, and resulted from the construction of water and sewer lines by developers as part of residential and commercial development.
- Operating expenses totaled \$22.3 million, which were \$1.2 million (5.7%) higher than fiscal year 2007. The increase in expenses was primarily due to the general inflation rate, increased depreciation expense, and higher costs for water purchased from the City of Richmond and Henrico County due to higher demand.

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. This fund recognizes lease revenue from the fixed base operator and debt service expense associated with revenue bonds that were issued in fiscal year 2007 to construct hangars. In addition to the lease 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 \$489,000 and a positive change in net assets of \$529,000 for fiscal year 2008. The increase in net assets was primarily the result of intergovernmental revenues recognized in the amount of \$860,000, which funded airport 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 2008, the County's governmental funds reported combined ending fund balances of \$54.9 million, a decrease of \$4.2 million in comparison with fiscal year 2007. Of the \$54.9 million, 78.5% (\$43.1 million) constitutes unreserved fund balance, which is available for spending at the County's discretion. The unreserved fund balance includes \$20.4 million designated as described in footnote V. B. on page 64. Fund balance of \$11.8 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 (\$11.0 million, including grant programs), (2) provide required debt reserves (\$770,000), and (3) establish a reserve for inventory (\$29,100).

The General Fund is the primary operating fund of the County. The fund balance of the County's General Fund increased \$1.3 million during fiscal year 2008. At the end of fiscal year 2008, unreserved fund balance of the General Fund was \$36.6 million, while total fund balance reached \$37.5 million. The increase in fund balance was primarily the result of higher than anticipated general property taxes and investment earnings, and lower than anticipated public safety and education expenditures. \$9.9 million of the General Fund's fiscal 2008 ending fund balance has been designated as a source of funding of the fiscal year 2009 budget. Of interest, as one measure of the General Fund's liquidity, it is useful to compare fund balances to total fund revenues. The General Fund's unreserved fund balance represents

18.6% of total General Fund revenues, while its total fund balance represents 19.0% of that same amount. Of General Fund unreserved fund balances, the \$24.1 million undesignated portion represents 12.3% of total General Fund revenues, and exceeds the 10% minimum set by the County's fund balance policy.

The fund balance in the County Improvements Fund decreased by \$1.2 million during fiscal year 2008 as a result of various fiscal year 2008 capital project expenditures, for which the source of funding consisted of prior fiscal year-end fund balances designated for County capital improvements. The unreserved fund balance is \$8.1 million and the reserved fund balance is \$10.2 million. The unreserved, designated fund balance totaled \$8.0 million, as described in footnote V.B. on page 64. The undesignated fund balance of \$104,079 is a decrease of \$288,512, and is primarily the result of the use of undesignated fund balance to offset certain revenue receipts which were below budget.

The fund balance of the School Improvements Fund decreased \$4.1 million during fiscal year 2008, primarily due to 2005 referendum project expenditures made prior to the issuance of the general obligation bonds, in the amount of \$3.5 million. The deficit in the School Improvements Fund unreserved fund balance of \$2.1 million resulted from this timing difference, and will be funded by proceeds from the next 2005 referendum bond issuance.

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' total net assets increased \$18.8 million, or 11.6% during fiscal year 2008. The majority of the increase was due to a \$5.8 million water and wastewater capacity fee payment from Caroline County, and \$8.1 million of capital assets contributed by developers of residential and commercial water and wastewater construction projects. Public Utilities' net assets restricted for debt covenants decreased by \$89,000, and its unrestricted net assets increased \$9.4 million. The Airport Fund net assets increased by \$529,000 in fiscal year 2008. A summary of proprietary fund operations for the year was previously provided in the discussion of business-type activities.

General Fund Budgetary Highlights

General Fund budget amendments resulted in an increase of \$3.2 million between the originally-adopted fiscal year 2008 budget and the final budget, with \$1.5 million of the increase resulting from reappropriation of fiscal year 2007 year-end encumbered and unencumbered fund balance amounts, for completion of ongoing projects in fiscal year 2008. Significant reappropriations included:

- \$190,000 for the Sheriff's Office, repair of the firing range;
- \$151,000 for the Clerk of the Circuit Court, consisting of grant funding for labor and supplies for microfilming and web access initiatives;
- \$118,000 for the Parks and Recreation Department, primarily for an anticipated refund of previously encumbered grant funds to the Federal Emergency Management Agency, which were not required for Tropical Storm Gaston recovery capital projects;

The remaining \$1.7 million in budget amendments were funded by various revenue sources. Significant amendments included:

- \$900,000 transfer from the General Fund to the School Improvements Fund, of prior year fund balances designated for capital improvements;

- \$200,000 transfer to recognize State revenue from the Governor’s Opportunity Fund for an economic development project;
- \$192,000 increase in Tax Relief for the Elderly to recognize the impact of enhancements to the program approved by the Board of Supervisors in October, 2007;
- \$169,000 for the Fire/EMS Department, to recognize the award of State grants for equipment and training;
- \$79,000 for the Clerk of the Circuit Court to recognize additional revenue from the State Compensation Board for the microfilming and web access initiatives.

Capital Assets and Debt Administration

Capital assets: The County’s investment in governmental and business-type activity capital assets as of June 30, 2008, totals \$405.8 million, net of accumulated depreciation. This represents an increase of \$20.3 million, or 5.3% over fiscal year 2007. 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 \$129.7 million at year-end. Major capital asset events during fiscal year 2008 included the following:

- Governmental activities capital assets increased \$10.3 million, net of accumulated depreciation. Construction in progress includes the addition of \$3.7 million for a new emergency communications building, \$1.7 million for the Mechanicsville Library, \$1.0 million in new parks projects, and \$900,000 for two new fire stations.
- Business-type activity capital assets increased \$10.0 million, net of accumulated depreciation, of which \$8.0 million consisted of completed and in-progress water and wastewater infrastructure projects reported in the Public Utilities Fund, and \$2.0 million consisted of capital improvements reported in the Airport Fund.

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>	2008 <u>Total</u>	2007 <u>Total</u>
Land	\$ 8,601,076	10,201,876	18,802,952	18,515,577
Buildings	162,475,289	61,304,550	223,779,839	220,152,171
Improvements other than buildings	3,030,556	116,172,246	119,202,802	111,383,068
Machinery and equipment	11,310,381	1,013,105	12,323,486	12,715,716
Infrastructure	14,057,957	-	14,057,957	13,536,624
Construction in progress	<u>11,708,005</u>	<u>5,938,928</u>	<u>17,646,933</u>	<u>9,224,118</u>
Total	<u>\$ 211,183,264</u>	<u>194,630,705</u>	<u>405,813,969</u>	<u>385,527,274</u>

Long-term debt: At the end of fiscal year 2008, the County had total bonded debt outstanding of \$186.1 million. Of this amount, \$144.5 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 and obligations under capital leases). The County’s total debt increased during fiscal year 2008 by \$438,000 (0.2%). The net increase was primarily a result of a \$14.6 million Virginia Public School Authority issuance for School capital projects in November 2007, less principal payments. The County is in compliance with all debt policy and debt coverage requirements as illustrated on pages 120-121, 126 and 128 of 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 of this report. The following table illustrates the County’s outstanding debt at June 30, 2008:

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 144,498,064	-	144,498,064
Revenue bonds	-	38,906,488	38,906,488
Capital lease obligations	2,739,169	-	2,739,169
Total	<u>\$ 147,237,233</u>	<u>38,906,488</u>	<u>186,143,721</u>

Economic Factors and Next Year’s Budgets and Rates

The unemployment rate for the County in August, 2008 was 4.1%, which was 1.5% higher than a year ago. Unemployment is currently rising throughout the nation, and this rate continues to compare favorably to the State’s average unemployment rate of 4.6% and the national average rate of 6.1% for the same period. The County is not experiencing an overall devaluation of property values, although there are some pockets of lower values. Initial assessment data suggest an overall slight increase in property values for tax year 2009. Lower personal property values are anticipated in fiscal year 2010, due to increased depreciation of vehicles and lower new vehicle purchases in 2008. Fiscal year 2009 revenue estimates appear, in total, to be on target with budget.

The County recognizes the value of properly illustrating year-end commitments. Accordingly, at June 30, 2008, the County has designated \$9.9 million of unreserved fund balance in its General Fund to fund a portion of the fiscal year 2009 adopted General Fund budget, which includes \$5.9 million for one-time capital funding. Also at June 30, 2008, the County designated an additional \$500,000 of fund balance in its General Fund for future School capital improvements. All fund balance designations at June 30th are illustrated in footnote V-B on page 64 of this report. 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, 2008, the Board of Supervisors approved moving the December 5th due date for real and personal property taxes away from the holiday season. Real property taxes are now due in two halves (existing June 5th, and new October 5th), and personal property tax is now due February 5th of the subsequent year. All County general property tax rates remained unchanged for calendar year 2008. 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.

The fiscal year 2009 budget includes the County's share of the State's reduction of \$50.0 million per year in aid to localities. The State allowed localities to elect from three options which included (1) reducing one State aid program, (2) reducing multiple State aid programs on a proportional basis, or (3) making a reimbursement to the State in aggregate for the County's share. The County chose to make the reimbursement of its share (\$366,000) for fiscal year 2009. The County's Five-Year Financial Plan includes the State's fiscal year 2010 reduction.

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, 2008

	Primary Government			Component Units	
	Governmental	Business-type	Total	School	Economic
	Activities	Activities			Development
ASSETS					
Current Assets:					
Cash, cash equivalents and investments	\$ 57,255,849	32,399,982	89,655,831	15,288,158	265,123
Receivables (net of allowance for uncollectibles)	62,939,651	3,927,912	66,867,563	4,750,851	-
Inventories	216,041	-	216,041	131,330	-
Total current assets	120,411,541	36,327,894	156,739,435	20,170,339	265,123
Noncurrent Assets:					
Cash, cash equivalents and investments - restricted	2,036,426	3,484,543	5,520,969	-	-
Prepaid postemployment healthcare benefits	29,378	-	29,378	207,133	-
Capital assets (net of accumulated depreciation):					
Land	8,601,076	10,201,876	18,802,952	7,400,682	-
Buildings	162,475,289	61,304,550	223,779,839	54,679,431	-
Improvements other than buildings	3,030,556	116,172,246	119,202,802	2,357,577	-
Machinery and equipment	11,310,381	1,013,105	12,323,486	8,943,068	-
Infrastructure	14,057,957	-	14,057,957	-	-
Construction in progress	11,708,005	5,938,928	17,646,933	29,555,289	-
Total capital assets	211,183,264	194,630,705	405,813,969	102,936,047	-
Total noncurrent assets	213,249,068	198,115,248	411,364,316	103,143,180	-
Total assets	333,660,609	234,443,142	568,103,751	123,313,519	265,123
LIABILITIES					
Current Liabilities:					
Accounts payable	5,800,251	1,245,981	7,046,232	1,346,867	-
Incurred but not reported self-insurance claims	2,295,000	-	2,295,000	-	-
Accrued liabilities	2,630,688	219,645	2,850,333	14,733,476	-
Accrued bond interest	214,105	429,031	643,136	2,907,746	-
Unearned revenue	50,494,325	-	50,494,325	49,835	-
Current portion of bonds payable	12,242,971	2,179,781	14,422,752	-	-
Current portion of capital lease obligations	902,930	-	902,930	-	-
Current portion of compensated absences	3,903,180	413,224	4,316,404	2,412,349	-
Current portion of landfill closure	76,304	-	76,304	-	-
Current portion of contractual obligations	-	152,966	152,966	-	-
Current portion of early retirement liability	-	-	-	167,429	-
Total current liabilities	78,559,754	4,640,628	83,200,382	21,617,702	-
Noncurrent Liabilities:					
Bonds payable	132,255,093	36,726,707	168,981,800	-	-
Capital lease obligations	1,836,239	-	1,836,239	-	-
Compensated absences	1,182,293	84,824	1,267,117	1,835,768	-
Deposits	-	178,907	178,907	-	-
Capacity fee credits	-	415,756	415,756	-	-
Liability for landfill closure	2,527,310	-	2,527,310	-	-
Liability for early retirement program	-	-	-	1,060,823	-
Long-term contractual obligations	-	640,041	640,041	-	-
Total noncurrent liabilities	137,800,935	38,046,235	175,847,170	2,896,591	-
Total liabilities	216,360,689	42,686,863	259,047,552	24,514,293	-
NET ASSETS					
Invested in capital assets, net of related debt	65,019,988	154,625,394	219,645,382	102,936,047	-
Restricted for:					
Grant programs	424,833	-	424,833	-	-
Capital projects	9,608,860	-	9,608,860	-	-
Debt covenants	770,022	3,374,603	4,144,625	-	-
Postemployment healthcare benefits	29,378	-	29,378	207,133	-
Unrestricted (deficit)	41,446,839	33,756,282	75,203,121	(4,343,954)	265,123
Total net assets	\$ 117,299,920	191,756,279	309,056,199	98,799,226	265,123

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, 2008

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	School	Economic Development Authority	
Primary government:										
Governmental activities:										
General governmental administration	\$ 14,671,166	1,614,956	602,456	-	(12,453,754)	-	(12,453,754)	-	-	-
Judicial administration	4,385,408	1,340,222	1,483,112	-	(1,562,074)	-	(1,562,074)	-	-	-
Public safety	43,545,081	3,716,157	5,172,370	1,854,206	(32,802,348)	-	(32,802,348)	-	-	-
Public works	12,431,287	1,232,908	18,964	5,951,033	(5,228,382)	-	(5,228,382)	-	-	-
Human services	23,096,023	3,283,721	9,312,343	-	(10,499,959)	-	(10,499,959)	-	-	-
Parks, recreation and cultural	6,413,393	553,811	-	97,997	(5,761,585)	-	(5,761,585)	-	-	-
Community development	5,593,695	1,028,076	-	-	(4,565,619)	-	(4,565,619)	-	-	-
Education	100,925,769	-	-	1,793,263	(99,132,506)	-	(99,132,506)	-	-	-
Interest on long-term debt	503,177	-	-	-	(503,177)	-	(503,177)	-	-	-
Total governmental activities	211,564,999	12,769,851	16,589,245	9,696,499	(172,509,404)	-	(172,509,404)	-	-	-
Business-type activities:										
Public utilities	23,823,738	21,328,133	-	19,952,712	-	17,457,107	17,457,107	-	-	-
Airport	626,257	46,658	-	878,882	-	299,283	299,283	-	-	-
Total business-type activities	24,449,995	21,374,791	-	20,831,594	-	17,756,390	17,756,390	-	-	-
Total primary government	\$ 236,014,994	34,144,642	16,589,245	30,528,093	(172,509,404)	17,756,390	(154,753,014)	-	-	-
Component Units:										
School	\$ 187,104,703	7,788,524	91,503,573	-	-	-	-	(87,812,606)	-	-
Economic Development Authority	203,225	242,622	-	-	-	-	-	-	-	39,397
Total component units	\$ 187,307,928	8,031,146	91,503,573	-	-	-	-	(87,812,606)	-	39,397
General revenues:										
Taxes:										
General property taxes					128,411,615	-	128,411,615	-	-	-
Sales taxes					17,903,788	-	17,903,788	-	-	-
Utility taxes					7,317,207	-	7,317,207	-	-	-
Recordation taxes					2,415,144	-	2,415,144	-	-	-
Other					2,317,560	-	2,317,560	-	-	-
Noncategorical State aid					15,419,398	-	15,419,398	-	-	-
Grants and contributions not restricted to specific programs					1,119,078	-	1,119,078	-	-	-
Payment from Hanover County					-	-	-	99,089,688	-	-
Unrestricted investment earnings					1,967,295	1,337,243	3,304,538	24,498	-	-
Transfers					(229,678)	229,678	-	-	-	-
Total general revenues and transfers					176,641,407	1,566,921	178,208,328	99,114,186	-	-
Change in net assets					4,132,003	19,323,311	23,455,314	11,301,580	-	39,397
Net assets - beginning					113,167,917	172,432,968	285,600,885	87,497,646	-	225,726
Net assets - ending					\$ 117,299,920	191,756,279	309,056,199	98,799,226	-	265,123

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

COUNTY OF HANOVER, VIRGINIA

Governmental Funds

Balance Sheet

June 30, 2008

	General	Capital Funds		Other Governmental Funds	Total Governmental Funds
		County Improvements	School Improvements		
ASSETS					
Cash, cash equivalents and investments	\$ 34,163,812	18,126,844	-	616,521	52,907,177
Receivables (net of allowances for uncollectibles)	60,652,733	772,546	416,280	724,966	62,566,525
Due from other funds	361,328	-	-	-	361,328
Inventories	29,114	-	-	-	29,114
Cash, cash equivalents and investments - restricted	-	770,022	1,266,404	-	2,036,426
Total assets	<u>\$ 95,206,987</u>	<u>19,669,412</u>	<u>1,682,684</u>	<u>1,341,487</u>	<u>117,900,570</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,126,529	1,396,677	2,636,527	494,701	5,654,434
Accrued liabilities	2,238,697	-	-	318,441	2,557,138
Due to other funds	-	-	361,328	-	361,328
Deferred revenue	54,389,849	-	-	-	54,389,849
Total liabilities	<u>57,755,075</u>	<u>1,396,677</u>	<u>2,997,855</u>	<u>813,142</u>	<u>62,962,749</u>
Fund Balances:					
Reserved for:					
Encumbrances	460,129	9,384,810	739,071	21,345	10,605,355
Inventory	29,114	-	-	-	29,114
Grant programs	410,417	-	-	7,000	417,417
Debt service	-	770,022	-	-	770,022
Total reserved	<u>899,660</u>	<u>10,154,832</u>	<u>739,071</u>	<u>28,345</u>	<u>11,821,908</u>
Unreserved, reported in:					
Designated for specific purposes (Note V-B)					
General Fund	12,425,409	-	-	-	12,425,409
Capital Improvement Funds	-	8,013,824	-	-	8,013,824
Undesignated, reported in					
General Fund	24,126,843	-	-	-	24,126,843
Capital Improvement Funds	-	104,079	(2,054,242)	-	(1,950,163)
Other Governmental Funds	-	-	-	500,000	500,000
Total unreserved	<u>36,552,252</u>	<u>8,117,903</u>	<u>(2,054,242)</u>	<u>500,000</u>	<u>43,115,913</u>
Total fund balances	<u>37,451,912</u>	<u>18,272,735</u>	<u>(1,315,171)</u>	<u>528,345</u>	<u>54,937,821</u>
Total liabilities and fund balances	<u>\$ 95,206,987</u>	<u>19,669,412</u>	<u>1,682,684</u>	<u>1,341,487</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.	\$ 210,981,390
Receivables on the statement of net assets that do not provide current financial resources are not reported in the funds.	3,895,528
Prepaid postemployment healthcare benefits represent irrevocable payments made to the Retiree Medical Benefits Trust for retiree healthcare benefits in advance of total actuarial requirements to date. The advance payments are reported in the statement of net assets as a noncurrent asset, but as expenditures in the funds when made.	29,378
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.	2,456,424
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(155,000,621)
Net assets of governmental activities	<u>\$ 117,299,920</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, 2008

	County	School	Other	Total
	General	Improvements	Governmental	Governmental
	General	Improvements	Funds	Funds
REVENUES				
Revenue from local sources:				
General property taxes	\$ 127,752,615	-	-	127,752,615
Other local taxes	29,953,700	-	-	29,953,700
Permits, privilege fees and regulatory licenses	2,570,668	-	-	2,570,668
Fines and forfeitures	967,867	-	-	967,867
Revenues from use of money and property	2,035,581	147,995	272,125	2,507,279
Charges for services	2,980,399	1,447,324	785,516	2,952,604
Miscellaneous	635,875	9,200	-	8,990
Recovered costs	2,950,713	3,666,763	-	206,781
Revenue from the Commonwealth	23,373,349	1,639,330	735,622	4,477,898
Revenue from the Federal government	3,430,421	10,357	-	731,146
Total revenues	<u>196,651,188</u>	<u>6,920,969</u>	<u>1,793,263</u>	<u>8,428,997</u>
				<u>213,794,417</u>
EXPENDITURES				
Current:				
General governmental administration	12,949,443	654,614	-	-
Judicial administration	4,229,291	113,534	-	-
Public safety	41,710,136	5,681,852	-	-
Public works	7,233,334	4,978,812	-	-
Human services	7,677,227	131	-	15,283,451
Parks, recreation and cultural	6,017,557	3,203,745	-	-
Community development	5,547,312	-	-	-
Education	91,200,075	-	23,585,468	-
Debt service:				
Principal retirement	1,578,504	-	-	-
Interest and fiscal charges	696,081	-	31,161	-
Total expenditures	<u>178,838,960</u>	<u>14,632,688</u>	<u>23,616,629</u>	<u>15,283,451</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,812,228</u>	<u>(7,711,719)</u>	<u>(21,823,366)</u>	<u>(6,854,454)</u>
				<u>(18,577,311)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	6,529,459	3,084,094	6,714,024
Transfers out	(16,557,255)	-	-	-
Issuance of general obligation bonds	-	-	13,838,206	-
Premium on general obligation bonds issued	-	-	776,674	-
Total other financing sources (uses)	<u>(16,557,255)</u>	<u>6,529,459</u>	<u>17,698,974</u>	<u>6,714,024</u>
Net change in fund balance	1,254,973	(1,182,260)	(4,124,392)	(140,430)
Fund balances - beginning	36,196,939	19,454,995	2,809,221	668,775
Fund balances - ending	<u>\$ 37,451,912</u>	<u>18,272,735</u>	<u>(1,315,171)</u>	<u>528,345</u>
				<u>54,937,821</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, 2008

Net change in fund balance - total governmental funds	\$ (4,192,109)
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.	5,800,316
The net effect of various transactions involving capital assets is to increase net assets.	1,258,259
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.	3,242,801
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).	739,249
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, (\$14,614,880) exceeded the sum of principal payments (\$1,578,504) and payments of \$10,888,261 to the School Component Unit for debt principal reduction.	(2,148,115)
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.	(159,406)
Internal service funds are used by management to charge the costs of fleet management and self-insurance to individual funds. The change in net assets is reported with governmental activities.	(408,992)
Change in net assets of governmental activities	<u>\$ 4,132,003</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from local sources:				
General property taxes	\$ 125,950,000	126,233,000	127,752,615	1,519,615
Other local taxes	27,545,080	30,348,080	29,953,700	(394,380)
Permits, privilege fees and regulatory licenses	3,188,000	2,323,000	2,570,668	247,668
Fines and forfeitures	902,000	927,000	967,867	40,867
Revenues from use of money and property	1,027,062	1,027,062	2,035,581	1,008,519
Charges for services	4,791,000	2,920,500	2,980,399	59,899
Miscellaneous	498,000	397,081	635,875	238,794
Recovered costs	2,566,975	2,665,294	2,950,713	285,419
Revenue from the Commonwealth	22,883,000	23,528,658	23,373,349	(155,309)
Revenue from the Federal government	4,235,000	4,236,618	3,430,421	(806,197)
Total revenues	<u>193,586,117</u>	<u>194,606,293</u>	<u>196,651,188</u>	<u>2,044,895</u>
EXPENDITURES				
General governmental administration	13,313,089	13,526,412	12,949,443	576,969
Judicial administration	4,393,757	4,785,161	4,229,291	555,870
Public safety	42,493,405	43,880,257	41,710,136	2,170,121
Public works	7,350,904	7,738,129	7,233,334	504,795
Human services	7,934,648	8,168,657	7,677,227	491,430
Parks, recreation and cultural	5,962,950	6,068,224	6,017,557	50,667
Community development	5,622,557	6,315,674	5,547,312	768,362
Education	92,762,625	93,593,531	91,200,075	2,393,456
Debt service:				
Principal retirement	1,578,504	1,578,504	1,578,504	-
Interest and fiscal charges	1,995,602	930,118	696,081	234,037
Total debt service	<u>3,574,106</u>	<u>2,508,622</u>	<u>2,274,585</u>	<u>234,037</u>
Total expenditures	<u>183,408,041</u>	<u>186,584,667</u>	<u>178,838,960</u>	<u>7,745,707</u>
Excess of revenues over expenditures	<u>10,178,076</u>	<u>8,021,626</u>	<u>17,812,228</u>	<u>9,790,602</u>
OTHER FINANCING USES				
Transfers out	16,172,076	17,223,629	16,557,255	666,374
Net change in fund balance	(5,994,000)	(9,202,003)	1,254,973	10,456,976
Fund balances - beginning	5,994,000	36,196,939	36,196,939	-
Fund balances - ending	<u>\$ -</u>	<u>26,994,936</u>	<u>37,451,912</u>	<u>10,456,976</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, 2008

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Public Utilities	Airport	Total	
ASSETS				
Current Assets:				
Cash, cash equivalents and investments	\$ 32,292,216	107,766	32,399,982	4,348,668
Receivables (net of allowances for uncollectibles)	3,886,783	41,129	3,927,912	373,126
Inventories	-	-	-	186,927
Total current assets	36,178,999	148,895	36,327,894	4,908,721
Noncurrent Assets:				
Cash, cash equivalents and investments - restricted	3,328,462	156,081	3,484,543	-
Capital assets:				
Land	6,269,049	3,932,827	10,201,876	-
Buildings and system	78,128,118	3,669,137	81,797,255	-
Improvements other than buildings	168,198,875	7,534,599	175,733,474	-
Machinery and equipment	5,978,043	27,041	6,005,084	880,621
Construction in progress	5,386,967	551,961	5,938,928	-
Less accumulated depreciation	(82,204,821)	(2,841,091)	(85,045,912)	(678,747)
Total capital assets (net of accumulated depreciation)	181,756,231	12,874,474	194,630,705	201,874
Total noncurrent assets	185,084,693	13,030,555	198,115,248	201,874
Total assets	221,263,692	13,179,450	234,443,142	5,110,595
LIABILITIES				
Current Liabilities:				
Accounts payable	1,236,819	9,162	1,245,981	145,817
Incurred but not reported self-insurance claims	-	-	-	2,295,000
Accrued liabilities	215,818	3,827	219,645	73,550
Accrued bond interest	384,108	44,923	429,031	-
Current portion of bonds payable	2,124,961	54,820	2,179,781	-
Current portion of compensated absences	409,685	3,539	413,224	-
Current portion of contractual obligations	152,966	-	152,966	-
Total current liabilities	4,524,357	116,271	4,640,628	2,514,367
Noncurrent Liabilities:				
Bonds payable	35,012,923	1,713,784	36,726,707	-
Compensated absences	84,523	301	84,824	139,804
Deposits	178,907	-	178,907	-
Capacity fee credits	415,756	-	415,756	-
Long-term contractual obligations	640,041	-	640,041	-
Total noncurrent liabilities	36,332,150	1,714,085	38,046,235	139,804
Total liabilities	40,856,507	1,830,356	42,686,863	2,654,171
NET ASSETS				
Invested in capital assets, net of related debt	143,409,584	11,215,810	154,625,394	201,874
Restricted for debt covenants	3,328,462	46,141	3,374,603	-
Unrestricted	33,669,139	87,143	33,756,282	2,254,550
Total net assets	\$ 180,407,185	11,349,094	191,756,279	2,456,424

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 Assets
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds			Governmental
	Public Utilities	Airport	Total	Activities - Internal Service Funds
OPERATING REVENUES				
Revenue from use of money and property	\$ -	45,178	45,178	-
Charges for services	21,003,298	-	21,003,298	23,643,723
Capacity fees	162,055	-	162,055	-
Recovered cost	-	-	-	257,121
Miscellaneous	162,780	1,480	164,260	13,992
Total operating revenues	21,328,133	46,658	21,374,791	23,914,836
OPERATING EXPENSES				
Personal services	4,381,674	77,136	4,458,810	1,190,443
Fringe benefits	1,320,693	19,478	1,340,171	378,683
Health care claims and benefits	-	-	-	22,895,485
Contractual services	2,685,411	27,760	2,713,171	112,797
Internal services	1,288,181	-	1,288,181	-
Other charges	5,451,516	73,461	5,524,977	231,327
Depreciation	7,187,890	337,906	7,525,796	192,756
Total operating expenses	22,315,365	535,741	22,851,106	25,001,491
Operating income (loss)	(987,232)	(489,083)	(1,476,315)	(1,086,655)
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues:				
Revenue from the Commonwealth	17,049	715,336	732,385	-
Revenue from the Federal government	618,634	145,073	763,707	-
Capacity fees - nonoperating	11,174,812	-	11,174,812	-
Interest income	1,380,945	18,473	1,399,418	502,529
Gain on sale of capital assets	-	-	-	40,380
Total nonoperating revenues	13,191,440	878,882	14,070,322	542,909
Nonoperating expenses:				
Interest expense and fiscal charges:				
Senior debt	1,485,348	90,516	1,575,864	-
Subordinate debt and fiscal charges	23,025	-	23,025	-
Interest expense and fiscal charges	1,508,373	90,516	1,598,889	-
Net nonoperating revenues	11,683,067	788,366	12,471,433	542,909
Income (loss) before capital contributions and transfers	10,695,835	299,283	10,995,118	(543,746)
Capital contributions	8,098,515	-	8,098,515	134,754
Transfers in	-	229,678	229,678	-
Change in net assets	18,794,350	528,961	19,323,311	(408,992)
Total net assets - beginning	161,612,835	10,820,133	172,432,968	2,865,416
Total net assets - ending	\$ 180,407,185	11,349,094	191,756,279	2,456,424

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, 2008

	Business-type Activities -			Governmental
	Enterprise Funds			Activities -
	Public Utilities	Airport	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 21,288,907	80,519	21,369,426	-
Receipts from interfund services provided	-	-	-	23,910,077
Payments to suppliers and service providers	(10,564,090)	(120,699)	(10,684,789)	(324,047)
Payments to employees	(4,340,051)	(76,949)	(4,417,000)	(1,549,732)
Claims and benefits paid	-	-	-	(22,697,283)
Net cash provided (used) by operating activities	6,384,766	(117,129)	6,267,637	(660,985)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds - operating	-	157,678	157,678	-
Net cash provided by noncapital financing activities	-	157,678	157,678	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Revenue bonds issued	506,155	-	506,155	-
Transfers from other funds - capital	-	72,000	72,000	-
Intergovernmental revenue received - capital grants	635,683	1,154,220	1,789,903	-
Capacity fees received	11,174,812	-	11,174,812	-
Developer oversize credits	(271,248)	-	(271,248)	-
Acquisition and construction of capital assets	(6,465,034)	(2,818,088)	(9,283,122)	(76,215)
Payments on long-term contractual obligations	(144,915)	-	(144,915)	-
Principal payments on revenue bonds	(2,109,173)	(26,396)	(2,135,569)	-
Interest payments on revenue bonds	(1,593,597)	(70,922)	(1,664,519)	-
Proceeds from sale of capital assets	-	-	-	61,744
Net cash provided (used) by capital and related financing activities	1,732,683	(1,689,186)	43,497	(14,471)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,392,156	24,534	1,416,690	502,529
Net cash provided by investing activities	1,392,156	24,534	1,416,690	502,529
Net increase (decrease) in cash and cash equivalents	9,509,605	(1,624,103)	7,885,502	(172,927)
Cash and cash equivalents at beginning of year	26,111,073	1,887,950	27,999,023	4,521,595
Cash and cash equivalents at end of year	\$ 35,620,678	263,847	35,884,525	4,348,668
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (987,232)	(489,083)	(1,476,315)	(1,086,655)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	7,187,890	337,906	7,525,796	192,756
(Increase) decrease in:				
Receivables	(72,835)	33,861	(38,974)	(364,557)
Inventory	-	-	-	(9,113)
Increase (decrease) in:				
Customer deposits	33,608	-	33,608	-
Accounts payable	181,713	-	181,713	28,372
Incurred but not reported self-insurance claims	-	-	-	558,000
Accrued liabilities	12,020	51	12,071	5,812
Compensated absences	29,602	136	29,738	14,400
Total adjustments	7,371,998	371,954	7,743,952	425,670
Net cash provided (used) by operating activities	\$ 6,384,766	(117,129)	6,267,637	(660,985)
Noncash investing, capital, and financing activities:				
Capital contributions	\$ 8,098,515	-	8,098,515	134,754
Capitalized interest	\$ 63,969	-	63,969	-

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

COUNTY OF HANOVER, VIRGINIA

Statement of Fiduciary Net Assets

June 30, 2008

	Retiree Medical Benefits Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash, cash equivalents and investments	\$ 730,310	\$ 2,358,277
Accounts receivable	-	15,783
Total assets	<u>\$ 730,310</u>	<u>\$ 2,374,060</u>
 LIABILITIES		
Accounts payable	\$ -	\$ 747,123
Accrued liabilities	-	91,819
Deposits	-	1,535,118
Total liabilities	<u>-</u>	<u>\$ 2,374,060</u>
 NET ASSETS		
Held in trust for other postemployment benefits	<u>\$ 730,310</u>	

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

COUNTY OF HANOVER, VIRGINIA
 Retiree Medical Benefits Trust Fund
 Statement of Changes in Plan Net Assets
 For the Period Ended June 30, 2008

	Retiree Medical Benefits Trust
ADDITIONS	
Contributions - employer	\$ 730,105
Investment income - interest	205
Total addiitons	<u>730,310</u>
Net increase in plan net assets	730,310
Net assets held in trust for other postemployment benefits	
Beginning of period	-
End of period	<u>\$ 730,310</u>

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2008

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, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2008

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual, i.e., as soon as they are both measurable and available. Revenues from intergovernmental reimbursement grants are recorded when earned. Other revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers general property tax and other intergovernmental revenues to be available if they are collected within 31 days of the end of the current fiscal period, and are due on or before the last day of the current fiscal period. Sales taxes, which are collected by the State and subsequently remitted to the County, are recognized consistent with the State's recognition. 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*

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2008

Improvements Fund accounts for the resources to be used for the acquisition or construction of major capital facilities and equipment used for school operations. Capital assets are transferred to the School Component Unit, except those financed by County guaranteed debt, which are shown under the primary government up to the amount of outstanding debt.

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

Additionally, the County reports the following fund categories:

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

Fiduciary funds consist of the *Retiree Medical Benefits Trust Fund* and *Agency Funds*. The agency funds include the *Bell Creek Community Development Authority Fund*, the *Lewistown Community Development Authority Fund*, and the *Escrow* and *Special Welfare* funds.

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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deposit, U.S. Treasury and agency securities, bankers acceptances, repurchase agreements, commercial paper, corporate notes, local bonds, state bonds, money market accounts, mortgage-backed securities and certain 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 investments – restricted, represent unspent bond proceeds for capital projects and accumulated interest thereon, as well as amounts set aside for bond debt service or to comply with other debt covenants. For purposes of the statements of cash flows, the amounts reported as cash and cash equivalents for the proprietary fund types represent amounts maintained in the reporting entity's investment pool, as they are considered to be demand deposits for the purpose of complying with GASB Statement No. 9.

2. *Receivables and payables*

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

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

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

The County levies real estate taxes on all real estate within its boundaries, except that exempted by statute. The real estate in the County is assessed each year as of January 1 on the estimated market value of the property. On January 1, the real estate taxes become an enforceable lien on the property. For real estate assessed on January 1, payment is due in two equal installments on June 5 and December 5. The real estate taxes reported as revenue are the second installment (December 5) of the levy on assessed value at January 1, 2007, and the first installment (June 5) of the levy on assessed value at January 1, 2008. Beginning in fiscal year 2009, the second installment of real estate taxes will be due on October 5, but this change will not affect the fiscal year in which such real estate tax revenues will be recognized in the reporting entity's audited financial statements.

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. Beginning in fiscal year 2009, personal property taxes on the property's estimated fair market value at January 1 (2008) will be due on February 5 (2009), but this change will also have no effect on the fiscal year in which such personal property tax revenues will be recognized in the reporting entity's audited financial statements.

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

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The 1998 Virginia General Assembly enacted legislation providing property tax relief to citizens. The Personal Property Tax Relief Act (PPTRA) was intended to be phased in over five years on the first \$20,000 of value for motor vehicles not used for business purposes. In 2005 the General Assembly capped PPTRA relief at \$950 million statewide beginning with the 2006 tax year. Hanover receives a total of \$15,002,000 in four payments annually. County 2007 tax bills, payable in fiscal year 2008, included a fifty-nine percent reduction on qualifying vehicles. PPTRA payments received from the Commonwealth of Virginia are classified as noncategorical State aid in the General Fund.

3. Inventories

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

4. Restricted assets

In accordance with applicable bond covenants, governmental activities report restricted cash, cash equivalents and investments at June 30, 2008 of \$2,036,426, which consists of unexpended bond proceeds and accumulated interest of \$1,266,404, restricted for capital projects in the School Improvements Fund, and \$770,022 maintained in the County Improvements Fund as a debt service reserve. Business-type activities report restricted cash, cash equivalents and investments of \$3,484,543, of which \$3,328,462 consists of reserves required by water and sewer revenue bond covenants, and \$156,081 is restricted by an airport revenue bond covenant for debt service on the airport revenue bond.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, 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

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6. *Compensated absences*

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

7. *Long-term obligations*

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

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

8. *Net assets / Fund equity*

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

In the fund financial statements, County funds report reservations of fund balance for amounts that are not available for appropriation. Designations of fund balance represent 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:

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Bonds payable, net	\$ 144,498,064
Accrued bond interest	214,105
Capital leases payable	2,739,169
Compensated absences (excludes internal services)	4,945,669
Liability for landfill closure	2,603,614
Net adjustment to reduce total fund balances - total governmental funds to arrive at net assets - governmental activities	\$ 155,000,621

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

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

Capital outlay	\$ 11,459,039
Depreciation expense (excludes internal services)	(5,658,723)
Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net assets of governmental activities	\$ 5,800,316

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.	\$ 1,258,259
Adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net assets of governmental activities	\$ 1,258,259

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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)	\$ (472,533)
Landfill closure and postclosure costs	59,684
Other postemployment benefit (OPEB) costs	29,378
Accrued interest	116,718
Amortization of bond premiums	147,390
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	\$ (159,406)

III. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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 in excess of \$25,000 between department budget categories of personnel, operating, and capital, and 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 and between departments. 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.

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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, 2008, the reporting entity deposits and investments held by the Treasurer, including \$3,088,587 for Fiduciary Funds, were as follows:

Investment Type	Fair Value	Credit Quality Rating
Pooled Investments:		
Cash on hand	\$ 3,500	N/A
Cash deposits	21,175,811	N/A
Demand and time deposits	1,067,966	N/A
State Treasurer's local government investment pool	2,647	AAAm
Bankers acceptances	500,147	A-1+
Money market mutual funds	3,099,824	AAA
Commercial paper	23,454,563	A-1+
Corporate notes and bonds	2,805,400	AAA,AA,AA-
U.S. government and agency bonds	60,978,500	AAA,A-1+,N/A
Total pooled deposits and investments	<u>\$ 113,088,358</u>	
Retiree Medical Benefits Trust:		
Money market mutual funds	<u>\$ 730,310</u>	AAA

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 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.

Pooled Investments: In accordance with Section 2.2-4500 of the Code of Virginia (Code) and other applicable law and regulations, the County's pooled investment policy (County Policy) permits investments in obligations of the United States or agencies thereof; held directly, by collateralized

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repurchase agreements, or in mutual funds registered under the Investment Company Act of 1940, whose portfolios are restricted to U.S Government and U.S. agency obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper, certain corporate notes, bankers acceptances, and repurchase agreements, savings accounts or time deposits in approved banks or savings institutions within the Commonwealth, and the State Treasurer’s Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

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

Retiree Medical Benefits Trust (Trust) Investments: The primary goal of the Trust is to meet the reporting entity’s current and long-term retiree health care benefit obligations while minimizing required employer contributions. The Trust’s investment objectives include maintenance of a moderate risk profile and a prudent degree of investment diversification, while optimizing long-term investment returns commensurate with minimizing volatility and risk of loss over established time horizons. In addition to the investments permitted under Section 2.2-4000 of the Code as applicable to the County’s pooled investments, the Code also authorizes the Trust to purchase other investments, including domestic and international stocks, REITS and corporate bonds that meet the prudent person standard set forth in the Code. To meet this standard, the Trust investment policy (Trust Policy) restricts investment in stocks and REITs to readily-marketable securities that are actively traded on a major exchange; restricts fixed-income investments to high-quality U.S. Treasury and agency, municipal. or corporate fixed-income investments; prohibits the investment of Trust assets in hedge funds, derivatives, options or futures for the purpose of portfolio leveraging; and prohibits other enumerated investment types and transactions. In addition to these constraints on the Trust investment portfolio, the Trust Policy also requires periodic comparison of investment performance to appropriate benchmarks, and periodic review of asset allocations, investment manager performance and investment guidelines.

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

Asset Class	Asset Weightings	
	Range	Target
Domestic equity	31 - 41%	36%
International equity	18 - 28%	23%
REITs	1 - 11%	6%
Fixed-income	30 - 40%	35%

Interest Rate Risk: As a means of limiting exposure to fair value losses arising from rising interest rates, both the reporting entity's pooled investment portfolio and the Trust manage maturity to precede or coincide with the expected need of funds, which has resulted in the creation of three pooled investment portfolios of differing maturities and the classification of Trust investments into liquidity and investment assets, as described above. At June 30, 2008, all Trust investments were invested in liquidity assets. The investment types in each pooled investment and Trust portfolio are presented below using the segmented time distribution reporting method, by maturity in years.

As of June 30, 2008, deposits, investments and maturities are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 3	More than 3
Pooled Investments:				
Cash on hand	\$ 3,500	3,500	-	-
Cash deposits	21,175,811	21,175,811	-	-
Demand and time deposits	1,067,966	1,067,966	-	-
State Treasurer local government investment pool	2,647	2,647	-	-
Bankers acceptances	500,147	500,147	-	-
Money market mutual funds	3,099,824	3,099,824	-	-
Commercial paper	23,454,563	23,454,563	-	-
Corporate notes and bonds	2,805,400	1,318,538	1,486,862	-
U.S. Government and agency bonds	60,978,500	40,245,810	18,293,550	2,439,140
Total pooled deposits and investments	\$ 113,088,358	90,868,806	19,780,412	2,439,140
Retiree Medical Benefits Trust:				
Money market mutual funds	\$ 730,310	730,310	-	-

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

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have a net worth of at least \$50 million and the issuer’s net income must average \$3 million for the five previous years.

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

The County’s rated pooled debt investments as of June 30, 2008 were rated by Standard & Poor’s and/or an equivalent nationally recognized statistical rating organization. The credit quality ratings presented on page 51 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. Of the \$60,978,500 in U.S. government and agency securities, two percent were rated A-1+, forty percent were rated AAA, and the remaining fifty-eight percent are not considered to be exposed to credit quality risk. Fifty-five percent of the \$2,805,400 in corporate notes and bonds were rated AA-; eighteen percent were rated AA, with the remaining twenty-seven percent rated AAA.

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

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

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

As of June 30, 2008, investments in the following issuers exceeded five percent of the pooled investments: Federal National Mortgage Association (18%), Federal Home Loan Bank (17%), and Federal Home Loan Mortgage Corporation (12%).

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

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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, 2008 were fully insured under the Virginia Security for Public Deposits Act, and are therefore not considered to be subject to custodial credit risk.

Custodial Credit Risk – Investments: For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the reporting entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County Policy requires that all investment securities purchased for the County be held by the County or by the County’s designated custodian. If held by a custodian, the securities must be in the County’s or in the custodian’s nominee name and identifiable on the custodian’s books as belonging to the County and the custodian must be a third party, not a counter party to the investment transaction. As of June 30, 2008, all of the County’s pooled investments were held by the trust department of the County’s custodial bank in the County’s name. Additionally, all Trust investments were held by the trust department of the Trust’s custodial bank in the Trust’s name as of June 30, 2008.

B. Receivables

Receivables and allowances for uncollectible receivables of the primary government and School Component Unit, excluding fiduciary funds, at June 30, 2008, are as follows:

	Primary Government							Total Primary Government	School Component Unit
	General Fund	County Improvements Fund	School Improvements Fund	Other Governmental Funds	Public Utilities	Airport Fund	Internal Services Funds		
Receivables:									
Interest	\$ 389,947	-	-	-	-	-	-	389,947	-
Taxes	55,278,536	-	-	-	-	-	-	55,278,536	-
Accounts	1,809,316	502,370	-	418,632	4,048,674	-	373,126	7,152,118	187,891
Commonwealth of Virginia	4,167,019	270,176	416,280	356,625	-	41,129	-	5,251,229	3,046,454
Federal government	619,662	-	-	62,335	-	-	-	681,997	1,516,506
Gross receivables	62,264,480	772,546	416,280	837,592	4,048,674	41,129	373,126	68,753,827	4,750,851
Allowance for uncollectibles	(1,611,747)	-	-	(112,626)	(161,891)	-	-	(1,886,264)	-
Net total receivables	\$ 60,652,733	772,546	416,280	724,966	3,886,783	41,129	373,126	66,867,563	4,750,851

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 2008 real property tax levy, due on October 5, 2008, is reported as unearned revenue at June 30, 2008 in the government-wide financial statements, and as deferred revenue in the governmental fund financial statements. At June 30, 2008, 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	\$ 50,494,325	\$ 50,494,325
Past due taxes (net of allowance for uncollectibles)	3,427,000	-
EMS transport fees	468,524	-
Total deferred/unearned revenue - primary government	\$ 54,389,849	\$ 50,494,325

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C. Capital assets

Capital asset activity for the primary government for the year ended June 30, 2008 was as follows:

Primary Government

Governmental activities:	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, not being depreciated:				
Land	\$ 8,601,076	-	-	8,601,076
Construction in progress	3,422,488	9,954,375	(1,668,858)	11,708,005
Total capital assets, not being depreciated	<u>12,023,564</u>	<u>9,954,375</u>	<u>(1,668,858)</u>	<u>20,309,081</u>
Capital assets, being depreciated:				
Buildings	213,247,016	6,189,373	-	219,436,389
Improvements other than buildings	6,597,328	51,410	-	6,648,738
Machinery and equipment	32,664,149	3,645,815	(1,844,068)	34,465,896
Infrastructure	24,298,102	1,442,669	(10,425)	25,730,346
Total capital assets, being depreciated	<u>276,806,595</u>	<u>11,329,267</u>	<u>(1,854,493)</u>	<u>286,281,369</u>
Less accumulated depreciation for:				
Buildings	(52,882,538)	(4,078,562)	-	(56,961,100)
Improvements other than buildings	(3,357,623)	(260,559)	-	(3,618,182)
Machinery and equipment	(20,943,481)	(3,514,175)	1,302,141	(23,155,515)
Infrastructure	(10,761,478)	(911,431)	520	(11,672,389)
Total accumulated depreciation	<u>(87,945,120)</u>	<u>(8,764,727)</u>	<u>1,302,661</u>	<u>(95,407,186)</u>
Total capital assets, being depreciated, net	<u>188,861,475</u>	<u>2,564,540</u>	<u>(551,832)</u>	<u>190,874,183</u>
Governmental activities capital assets, net	\$ 200,885,039	12,518,915	(2,220,690)	211,183,264
Business-type activities:				
Public Utilities:				
Capital assets, not being depreciated:				
Land	\$ 5,981,674	287,375	-	6,269,049
Construction in progress	4,420,317	6,403,047	(5,436,397)	5,386,967
Total capital assets, not being depreciated	<u>10,401,991</u>	<u>6,690,422</u>	<u>(5,436,397)</u>	<u>11,656,016</u>
Capital assets, being depreciated:				
Buildings	78,128,118	-	-	78,128,118
Improvements other than buildings	154,397,315	13,801,560	-	168,198,875
Machinery and equipment	5,884,389	129,685	(36,030)	5,978,043
Total capital assets, being depreciated	<u>238,409,822</u>	<u>13,931,245</u>	<u>(36,030)</u>	<u>252,305,036</u>
Less accumulated depreciation for:				
Buildings	(18,801,981)	(1,589,078)	-	(20,391,059)
Improvements other than buildings	(51,535,847)	(5,309,522)	-	(56,845,369)
Machinery and equipment	(4,715,133)	(289,290)	36,030	(4,968,393)
Total accumulated depreciation	<u>(75,052,961)</u>	<u>(7,187,890)</u>	<u>36,030</u>	<u>(82,204,821)</u>
Total capital assets, being depreciated, net	<u>163,356,861</u>	<u>6,743,355</u>	<u>-</u>	<u>170,100,215</u>
Public Utilities capital assets, net	\$ 173,758,852	13,433,777	(5,436,397)	181,756,231

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2008

Airport Fund:	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, not being depreciated:				
Land	\$ 3,932,827	-	-	3,932,827
Construction in progress	1,381,313	2,333,220	(3,162,572)	551,961
Total capital assets, not being depreciated	<u>5,314,140</u>	<u>2,333,220</u>	<u>(3,162,572)</u>	<u>4,484,788</u>
Capital assets, being depreciated:				
Buildings	506,565	3,162,572	-	3,669,137
Improvements other than buildings	7,590,834	-	(56,235)	7,534,599
Machinery and equipment	27,041	-	-	27,041
Total capital assets, being depreciated	<u>8,124,440</u>	<u>3,162,572</u>	<u>(56,235)</u>	<u>11,230,777</u>
Less accumulated depreciation for:				
Buildings	(45,009)	(56,637)	-	(101,646)
Improvements other than buildings	(2,487,061)	(280,810)	52,012	(2,715,859)
Machinery and equipment	(23,127)	(459)	-	(23,586)
Total accumulated depreciation	<u>(2,555,197)</u>	<u>(337,906)</u>	<u>52,012</u>	<u>(2,841,091)</u>
Total capital assets, being depreciated, net	<u>5,569,243</u>	<u>2,824,666</u>	<u>(4,223)</u>	<u>8,389,686</u>
Airport capital assets, net	<u>\$ 10,883,383</u>	<u>5,157,886</u>	<u>(3,166,795)</u>	<u>12,874,474</u>
Business-type activities capital assets, net	<u>\$ 184,642,235</u>	<u>18,591,663</u>	<u>(8,603,192)</u>	<u>194,630,705</u>
Total capital assets, net - Primary government	<u>\$ 385,527,274</u>	<u>31,110,578</u>	<u>(10,823,882)</u>	<u>405,813,969</u>

Capital assets activity for the School Component Unit for the year ended June 30, 2008 was as follows:

School Component Unit activities:				
Capital assets, not being depreciated:				
Land	\$ 7,400,682	-	-	7,400,682
Construction in progress	18,927,520	21,630,200	(11,002,430)	29,555,289
Total capital assets, not being depreciated	<u>26,328,202</u>	<u>21,630,200</u>	<u>(11,002,430)</u>	<u>36,955,971</u>
Capital assets, being depreciated:				
Buildings	72,526,016	9,617,701	(6,156,049)	75,987,668
Improvements other than buildings	3,439,373	-	-	3,439,373
Machinery and equipment	18,530,723	1,775,205	(164,061)	20,141,867
Total capital assets, being depreciated	<u>94,496,112</u>	<u>11,392,906</u>	<u>(6,320,110)</u>	<u>99,568,908</u>
Less accumulated depreciation for:				
Buildings	(18,278,343)	(5,943,142)	2,913,248	(21,308,237)
Improvements other than buildings	(909,140)	(172,656)	-	(1,081,796)
Machinery and equipment	(9,519,525)	(1,843,335)	164,061	(11,198,799)
Total accumulated depreciation	<u>(28,707,008)</u>	<u>(7,959,133)</u>	<u>3,077,309</u>	<u>(33,588,832)</u>
Total capital assets, being depreciated, net	<u>65,789,104</u>	<u>3,433,773</u>	<u>(3,242,801)</u>	<u>65,980,076</u>
School Component Unit capital assets, net	<u>\$ 92,117,306</u>	<u>25,063,973</u>	<u>(14,245,231)</u>	<u>102,936,047</u>

COUNTY OF HANOVER
Notes to Financial Statements
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Depreciation expense was charged to functions of the primary government and School Component Unit as follows:

Primary government:

Governmental activities:

General governmental administration	\$ 1,073,636
Judicial administration	203,949
Public safety	2,640,120
Public works	1,365,780
Human services	108,750
Parks, recreation and cultural	255,475
Community development	11,012
Depreciation of capital assets held by the internal service funds is charged to various functions based on their usage of the assets	192,756
Total depreciation expense - governmental activities	5,851,478

Business-type activities:

Public Utilities	7,187,890
Airport	337,906
Total depreciation expense - business-type activities	7,525,796

Total depreciation expense - primary government \$ 13,377,274

School Component Unit \$ 7,959,133

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 general obligation debt is reported by 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 \$3,242,801 under the Tenancy in Common during fiscal year 2008.

Amounts included in capital asset activity	Primary Governmental Activity	School Component Unit	Total Reporting Entity
Buildings	\$ 6,156,050	(6,156,050)	-
Accumulated depreciation for buildings	(2,913,249)	2,913,249	-
Buildings, net	\$ 3,242,801	(3,242,801)	-

Also see Tenancy in Common on page 36 for disclosure of the impact of the tenancy in common on the County's fiscal year 2008 change in net assets of governmental activities. At June 30, 2008, School Component Unit capital assets financed by outstanding County guaranteed debt with a net book value of \$129,677,086 were reported under the primary government as tenant in common with the School Board.

COUNTY OF HANOVER
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D. Interfund receivables, payables, and transfers

The composition of interfund balances at June 30, 2008, is as follows:

Due To	Due From	Amount
General Fund	School Improvements Fund	\$ 361,328

This amount represents a temporary advance from the General Fund to the School Improvements Fund.

Transfers are used to provide funding for operating and capital costs. Interfund transfers for the year ended June 30, 2008 are as follows:

Primary Government	Transfers In	Transfers Out
General Fund	\$ -	16,557,255
County Improvements Fund	6,529,459	-
School Improvements Fund	3,084,094	-
Other Governmental Funds	6,714,024	-
Airport Fund	229,678	-
Total primary government	<u>\$ 16,557,255</u>	<u>16,557,255</u>

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, 2008:

<u>Primary Government</u>	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Governmental activities:					
General obligation bonds payable:					
Principal amount of bonds payable	\$ 139,915,732	13,838,206	11,603,261	142,150,677	12,131,693
Premium	2,198,618	776,674	147,390	2,827,902	151,321
Deferred amount on refunding	(520,558)	-	(40,043)	(480,515)	(40,043)
Total bonds payable	<u>141,593,792</u>	<u>14,614,880</u>	<u>11,710,608</u>	<u>144,498,064</u>	<u>12,242,971</u>
Capital lease obligations	3,602,672	-	863,503	2,739,169	902,930
Compensated absences	4,598,539	4,264,403	3,777,469	5,085,473	3,903,180
Liability for landfill closure	2,663,298	-	59,684	2,603,614	76,304
Total governmental activities	<u>152,458,301</u>	<u>18,879,283</u>	<u>16,411,264</u>	<u>154,926,320</u>	<u>17,125,385</u>
Business-type activities:					
Public Utilities:					
Water and sewer revenue bonds payable:					
Principal amount of bonds payable	39,158,945	506,155	2,109,173	37,555,927	2,151,427
Premium	544,841	-	28,499	516,342	28,498
Deferred amount on refunding	(989,349)	-	(54,964)	(934,385)	(54,964)
Total bonds payable	<u>38,714,437</u>	<u>506,155</u>	<u>2,082,708</u>	<u>37,137,884</u>	<u>2,124,961</u>
Compensated absences	464,606	414,748	385,146	494,208	409,685
Deposits	145,298	131,981	98,372	178,907	-
Capacity fee credits	144,508	875,542	604,294	415,756	-
Contractual obligations	937,922	-	144,915	793,007	152,966
Total Public Utilities	<u>40,406,771</u>	<u>1,928,426</u>	<u>3,315,435</u>	<u>39,019,762</u>	<u>2,687,612</u>
Airport Fund:					
Taxable airport revenue bond payable	1,795,000	-	26,396	1,768,604	54,820
Compensated absences	3,704	3,550	3,414	3,840	3,539
Total Airport Fund	<u>1,798,704</u>	<u>3,550</u>	<u>29,810</u>	<u>1,772,444</u>	<u>58,359</u>
Total business-type activities	<u>42,205,475</u>	<u>1,931,976</u>	<u>3,345,245</u>	<u>40,792,206</u>	<u>2,745,971</u>
Total noncurrent liabilities - Primary government	<u>\$ 194,663,776</u>	<u>20,811,259</u>	<u>19,756,509</u>	<u>195,718,526</u>	<u>19,871,356</u>
School Component Unit					
Compensated absences	\$ 3,954,317	2,539,311	2,245,511	4,248,117	2,412,349
Early retirement program	1,383,280	-	155,028	1,228,252	167,429
Total noncurrent liabilities - School Component Unit	<u>\$ 5,337,597</u>	<u>2,539,311</u>	<u>2,400,539</u>	<u>5,476,369</u>	<u>2,579,778</u>

COUNTY OF HANOVER
Notes to Financial Statements
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Internal service funds primarily serve governmental funds. Their noncurrent liabilities are included in the preceding governmental activities totals, including \$139,804 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 \$2,603,614 reported as landfill closure and post closure care liability at June 30, 2008 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 2008. 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.

Revenue bonds

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

The County has pledged the sum of its future Public Utilities Fund Operating Income or Loss, prior to depreciation expense, and its Public Utilities Fund Nonoperating Revenues (together "Net Available Revenues") in the approximate amount of \$51,939,835 as of June 30, 2008, to secure the total remaining debt service requirements of the then-outstanding Public Utilities Water and Sewer Revenue Bonds (Bonds), which have financed various Public Utilities improvements. Based on an estimate of the average Net Available Revenues over the ten year period ended June 30, 2008 of approximately \$11.9 million annually, it is estimated that approximately 18 percent of future Utility Net Available Revenues are pledged through fiscal 2033, and will expire in that fiscal year with the final maturity of the current Bonds. However, future water and sewer revenue bonds which may be issued to finance future utility improvements will likely contain similar pledges, and future annual Net Available Revenues may differ significantly from the average used in this estimate. During fiscal 2008, pledged Net Available Revenues totaled \$19,392,098, and the water and sewer revenue bond debt service requirement was \$3,826,430.

The County has also pledged future lease rental income from the airport's fixed base operator (FBO), or successor FBOs, in the approximate amount of \$2,807,553 as of June 30, 2008, to secure the then-remaining debt service requirements on the Airport VRA Series 2007 revenue bond (Bond), which financed airport improvements completed in fiscal 2008. This pledge obligates substantially all future FBO rental income through July 1, 2027, and will expire on that date with the final maturity of the Bond. During fiscal 2008, pledged rental receipts totaled \$61,039, restricted cash available at June 30, 2008 consisting of unspent bond proceeds and interest pledged for future debt service on the Bond totaled \$156,081, and the debt service requirement was \$97,318.

County debt and related interest to maturity

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

COUNTY OF HANOVER
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Purpose	Interest Rates (%)	Date Issued	Original Issue	Principal Outstanding
Governmental activities:				
General obligation bonds:				
County:				
Series 2006A Public Improvement	4.00 - 5.00	10-12-06	\$ 7,440,000	\$ 7,100,000
Series 2006A Refunding	3.50 - 4.00	10-12-06	3,965,000	3,590,000
Total general obligation bonds - County				<u>10,690,000</u>
Schools:				
Series 1999 Public Improvement	4.00 - 5.625	01-15-99	10,000,000	6,000,000
Series 2000 Public Improvement	4.50 - 5.375	10-01-00	19,000,000	2,000,000
Series 2002 Public Improvement	2.00 - 4.875	06-01-02	20,000,000	14,000,000
Series 2002B Public Improvement	3.00 - 4.60	12-01-02	21,500,000	17,100,000
Series 2006A Public Improvement	4.00 - 5.00	10-12-06	13,710,000	12,960,000
Series 2006B Refunding	3.50 - 4.00	10-12-06	10,395,000	10,335,000
VPSA Series 1990B	6.40 - 7.10	08-30-90	6,040,000	1,075,000
VPSA Series 1991	4.85 - 6.60	07-31-91	2,069,507	475,848
VPSA Series 1992A	5.10 - 8.10	12-17-92	6,230,000	1,205,000
VPSA Series 1993A	4.475 - 5.00	11-18-93	3,620,000	380,000
VPSA Series 1994A Refunding	6.35 - 7.19	01-03-94	32,075,000	3,930,000
VPSA Series 1994A	6.10 - 6.30	05-05-94	4,900,000	1,510,000
VPSA Series 1994B	6.10 - 6.60	11-22-94	5,385,000	1,875,000
VPSA Series 1995A	5.20 - 5.75	12-21-95	1,580,000	620,000
VPSA Series 1996A	5.10 - 6.10	11-14-96	7,495,000	2,585,000
VPSA Series 1997A	4.35 - 5.35	11-20-97	3,220,000	1,600,000
VPSA Series 1999A	5.10 - 6.10	11-18-99	5,630,000	3,360,000
VPSA Series 1999B	5.10 - 6.10	11-18-99	4,384,934	2,724,765
VPSA Series 2005A	3.10 - 5.10	05-12-05	16,105,000	14,490,000
VPSA Series 2005B	4.60 - 5.10	11-10-05	6,995,000	6,295,000
VPSA Series 2005C	4.60 - 5.10	11-10-05	6,967,658	6,313,608
VPSA Series 2007	4.10 - 5.10	11-08-07	13,838,206	13,838,206
State Literary Fund loans	3.00	1988	580,000	29,000
State Literary Fund loans	4.00	1997	5,000,000	2,500,000
State Literary Fund loans	4.00	1998	3,725,000	2,048,750
State Literary Fund loans	4.00	1999	1,275,000	765,000
State Literary Fund loans	3.00	2002	2,065,000	1,445,500
Total general obligation bonds - Schools				<u>131,460,677</u>
Total governmental activities - general obligation bonds				<u>142,150,677</u>
Business-type activities:				
Public Utilities:				
Water and sewer revenue bonds:				
Series 2002A	3.00	06-14-02	920,400	690,300
Series 2002B	3.75	10-25-02	977,031	849,472
Series 2003A Refunding	3.72	04-10-03	10,000,000	6,600,000
Series 2004	3.28	03-30-04	9,600,000	7,040,000
Series 2005A Refunding	3.10 - 4.64	01-31-05	14,065,000	13,070,000
Series 2006	3.63 - 4.98	05-08-06	9,000,000	8,800,000
Series 2007	0.00	07-19-07	506,155	506,155
Total Public Utilities				<u>37,555,927</u>
Airport Fund:				
Taxable airport revenue bond:				
VRA Series 2007	5.08	03-21-07	1,795,000	1,768,604
Total Airport Fund				<u>1,768,604</u>
Total Business-type activities				<u>39,324,531</u>
Total bond indebtedness - Primary government				<u><u>\$ 181,475,208</u></u>

COUNTY OF HANOVER
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Principal and interest to maturity for the County's governmental activities general obligation bonds and business-type activities revenue bonds outstanding at June 30, 2008, 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
2009	\$ 12,131,693	6,489,120	2,151,427	1,454,930	54,820	89,158	14,337,940	8,033,208
2010	11,877,672	5,795,775	2,192,926	1,375,383	57,640	86,337	14,128,238	7,257,495
2011	11,023,042	5,213,152	2,224,482	1,297,719	60,605	83,372	13,308,129	6,594,243
2012	10,028,735	4,730,824	2,251,096	1,217,851	63,723	80,254	12,343,554	6,028,929
2013	9,683,018	4,283,559	2,297,770	1,131,655	67,001	76,976	12,047,789	5,492,190
2014-2018	44,816,663	15,009,295	12,106,297	4,341,790	390,395	329,491	57,313,355	19,680,576
2019-2023	30,835,603	5,976,702	7,523,790	2,377,875	501,690	218,194	38,861,083	8,572,771
2024-2028	11,754,251	1,072,791	4,548,139	954,719	572,730	75,167	16,875,120	2,102,677
2029-2033	-	-	2,260,000	231,986	-	-	2,260,000	231,986
Totals	\$ 142,150,677	48,571,218	37,555,927	14,383,908	1,768,604	1,038,949	181,475,208	63,994,075

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

In November, 2005 the County's voters authorized the issuance of general obligation bonds in the amount of \$95,075,000. Of the total authorized, the County has issued \$34,988,206 and has additional construction commitments totaling \$35,819,102 for authorized projects as of June 30, 2008, 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 \$985,000, of which the share applicable to the County approximates \$793,006. 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, 2008, the principal amounts outstanding on these IRBs total \$199.0 million.

Defeasance of debt

In prior fiscal years, the County defeased certain outstanding bonds by placing the proceeds of newly issued bonds in irrevocable escrow funds to provide for all future debt service payments on the old bonds. Accordingly, the escrow fund assets and the liabilities for the defeased bonds are not included in the accompanying financial statements. At June 30, 2008, the County had general obligation bonds that are outstanding but considered defeased totaling \$10,000,000.

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June 30, 2008

Capital leases

The County has financed the acquisition of office facilities and a communications system by entering into capital lease agreements. The balance of capital assets, net of accumulated depreciation, the minimum lease payments, and the present value of the minimum lease payments as of June 30, 2008, are as follows:

<u>Asset Class</u>	<u>Primary Government - Governmental Activities</u>
Land	\$ 384,847
Building	11,429,888
Machinery and equipment	2,329,857
Total assets, at cost	14,144,592
Accumulated depreciation	(5,932,323)
Total assets, net	<u>\$ 8,212,269</u>

<u>Fiscal Year</u>	<u>Minimum Lease Payments</u>
2009	\$ 989,173
2010	1,000,335
2011	635,618
2012	277,649
2013	10,562
Total minimum lease payments	2,913,337
Portion representing interest	(174,168)
Present value of minimum lease payments	<u>\$ 2,739,169</u>

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 2008. 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.

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

Fiscal Year	Payable (Receivable) Beginning of Year	Claims and Other Charges Processed	Claim Payments	Payable (Receivable) End of Year	Incurred but not reported
2006	\$ 63,579	15,893,872	16,132,533	(175,082)	1,554,000
2007	(175,082)	18,633,669	18,251,370	207,217	1,737,000
2008	207,217	21,400,163	21,825,404	(218,024)	2,295,000

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			School Component Unit
	General Fund	Capital Improvements Fund	Total Primary Government	
Designated for:				
Capital Improvements - County	\$ -	7,946,324	7,946,324	-
Capital Improvements - Schools	800,000	-	800,000	-
Economic Development	500,000	-	500,000	-
Funding of subsequent fiscal year's budget	9,940,000	67,500	10,007,500	53,726
Reappropriation of unencumbered balances	1,185,409	-	1,185,409	750,095
Total designated for specific purposes	<u>\$ 12,425,409</u>	<u>8,013,824</u>	<u>20,439,233</u>	<u>803,821</u>

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, 2008, were:

Governmental activities	\$ 800,778
Business-type activities	30,877
Total primary government	<u>831,655</u>
School component unit	228,237
Total reporting entity	<u>\$ 1,059,892</u>

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Other commitments

At June 30, 2008, the primary government had commitments for capital projects totaling \$54,594,393. 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, 2008	\$ 43,941,358	6,322,012	4,236,792	94,231	54,594,393
Financed by use of:					
Fund balance reserved for encumbrances	9,384,810	739,071	-	-	10,123,881
Unrestricted net assets	-	-	4,236,792	24,119	4,260,911
Authorized but unissued general obligation bonds	30,236,161	5,582,941	-	-	35,819,102
State grants	480,167	-	-	70,112	550,279
Federal grants	3,840,220	-	-	-	3,840,220
Total financing sources	\$ 43,941,358	6,322,012	4,236,792	94,231	54,594,393

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 the resolution of these matters will not have a material adverse effect on the financial condition of the government.

D. Joint ventures

- Capital Region Airport Commission:** The Capital Region Airport Commission (the Commission) was created under Chapter 380 as amended by Chapter 410 of the Code of Virginia. The Commission is comprised of a 14-member Board of Directors, with four members each being appointed by the City of Richmond, County of Henrico and County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The Commission generates its revenues from service charges to users of the Richmond International Airport (the Airport) facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Commission submit an annual budget showing estimated revenues and estimated expenditures to the governing bodies of the localities for their approval. After approval of the proposed budget by the governing bodies, if the Commission's budget contains estimated expenditures that exceed estimated revenues, the governing bodies are required to fund the deficit in proportion to their pro rata financial basis in the Commission. The pro rata basis is to be determined by the percentage of the population of each locality to the combined total population of all participating localities according to the most recent census, with Hanover County's pro rata share approximating 9.12%. If actual revenues are less than estimated revenues identified in the budget (resulting in a deficit), the localities may, at their discretion, appropriate funds necessary to fund the deficit. To date, the County has not been required to fund any deficit. Complete financial statements for the Commission can be obtained from the Director's office at Richmond International Airport, Box A-3, Richmond, Virginia 23231, or at <http://www.flyrichmond.com/Load.php?Content=Financials>.

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- **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. The GRCCA has issued \$158,415,000 in Hotel Tax Revenue Bonds, which are secured by an 8 percent transient occupancy tax imposed and collected by the localities. The County made an expenditure of \$754,757 for transient occupancy tax to the GRCCA during fiscal year 2008. 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.

E. 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.

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

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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.

- **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

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Directors. Complete financial statements can be obtained from the Bureau's office at 401 North 3rd Street, Richmond, Virginia 23219.

- **Richmond Regional Planning District Commission:** The Richmond Regional Planning District Commission (the RRPDC) is comprised of members from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The primary functions of the RRPDC are to promote regional cooperation; coordinate the activities and policies of member local governments; resolve service delivery problems involving more than one government within the region and provide planning assistance to local governments. In accordance with its Charter, the RRPDC promotes the orderly physical, social and economic development of the region through planning and encouraging local governments to plan for the future.

F. Defined benefit pension plan – Virginia Retirement System

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

- a. ***Plan Description*** – All full-time, salaried permanent employees of participating employers must participate in the Virginia Retirement System. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 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 (1.85 percent for eligible law enforcement officers and firefighters). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5 percent per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating 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 www.varetire.org/Pdf/Publications/2007annurept.pdf.

- b. ***Funding Policy*** - Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual salary to the VRS. The employer may assume this 5 percent member contribution, which the County and School Board have done. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund

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their participation in the VRS using the actuarial bases specified by the statute and approved by the VRS Board of Trustees. The contribution rates for the County and for the School Board's non-professional and professional employee groups for the fiscal year ended June 30, 2008 were 7.48 percent, 6.92 percent, and 10.3 percent, respectively, of annual covered payroll. For its professional employee group, the School Board's contributions to the teacher cost-sharing pool for the fiscal years ending 2008, 2007, and 2006 were \$14,589,691, \$12,929,743, and \$9,736,252, respectively, and were equal to the actuarially determined required contributions for each year.

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

Funds	Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Amount of APC Contributed	Percentage of APC Contributed	Net Pension Obligation
County employees					
Governmental	2008	\$ 3,581,804	\$ 3,581,804	100%	\$ -
Enterprise	2008	307,022	307,022	100	-
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	-
School Board - non-professional employee group					
Governmental	2008	\$ 454,739	\$ 454,739	100%	\$ -
Governmental	2007	441,506	441,506	100	-
Governmental	2006	238,058	238,058	100	-

For the fiscal year 2008, the County's total annual pension cost of \$3,888,826 was equal to the County's required and actual contribution, and the School Board non-professional group's annual pension cost of \$454,739 was also equal to the required and actual contribution. The required contributions were each determined as part of the County and School Board's respective June 30, 2005 actuarial valuations, which both used the entry age normal actuarial cost method. The actuarial assumptions for both actuarial valuations included (a) an assumed investment rate of return of 7.5%, (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year, and (c) 2.50 percent per year cost-of-living adjustments. The actuarial values of the County and School Board non-professional employee group pension assets are equal to the modified market value of those assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board non-professional employee group unfunded actuarial accrued liabilities are being amortized as a level percentage of their respective payrolls on open bases within a period of 21 years.

- d. **Funding Progress** – The following schedule presents information about the funded status of the County and School Board non-professional employee groups as of June 30, 2007, the date of the most recent actuarial valuations for both groups:

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded ALL (UALL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
<u>Primary Government</u>						
Virginia Retirement System - County employee group						
6/30/2007	\$ 102,542,483	\$ 111,205,671	\$ 8,663,188	92.2%	\$ 49,112,131	17.6%
<u>Component Unit - School Board</u>						
Virginia Retirement System - non-professional employee group						
6/30/2007	\$ 13,375,424	\$ 14,137,361	\$ 761,937	94.6%	\$ 6,372,884	12.0%

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

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

In addition to the pension benefits described in note V-F, the County provides for optional participation by eligible retirees and their eligible spouses and dependents, in the medical and prescription drug healthcare benefit program available to employees. Pursuant to Code of Virginia Section 15.2-1544 et seq. the County adopted the Hanover County, Virginia Retiree Medical Benefits Plan (Plan), an agent multiple-employer defined benefit healthcare plan, and the Hanover County, Virginia Retiree Medical Benefits Trust Agreement (Trust) effective June 11, 2008. The Plan covers only eligible retirees of the reporting entity, the Pamunkey Regional Library and the Pamunkey Regional Jail Authority, hereinafter referred to as Affiliates. The Trust provides the funding mechanism for the postemployment healthcare benefits established by the Plan. The Code of Virginia assigns the authority to administer the Plan, and to establish and amend the benefit provisions of the Plan, to the Hanover County Board of Supervisors (Board). The Plan provides for biennial reviews of benefit provisions based on actuarial analysis, but does not require any automatic or ad hoc benefit increases, although the Board may amend or terminate the Plan at any time. The Trust's accumulated assets may legally be used to pay all plan benefits provided to any of the plan's members or beneficiaries. The Trust is considered part of the County of Hanover's financial reporting entity and is included in the County's financial statements as an Other Postemployment Benefits Trust Fund. Accordingly, audited financial statements are not separately available.

a. Summary of significant accounting policies

Basis of accounting and accounting period – The Trust's financial statements are prepared using the accrual basis of accounting. Employer contributions to the Trust are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The accompanying Statement of Changes in Plan Net Assets for the Retiree Medical Benefits Trust presents the results of operations of the Trust for the period June 11, 2008 (inception) through June 30, 2008. Beginning with fiscal year 2009, the Trust will report a full fiscal year of activity.

Valuation of investments – Investments are reported at fair value. At fiscal year-end, the Trust's assets were invested in the Commonwealth Cash Reserve Fund Prime Portfolio institutional class

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shares (Portfolio). Investments in the Portfolio are valued at the June 30, 2008 share price of \$1 per share, which is the price at which the investments could be liquidated on that date.

b. Plan description, contribution and funding information

Membership - The Plan covers all employees of the reporting entity and its Affiliates (Employers) who retire and meet certain eligibility requirements. At July 1, 2007, the date of the initial biennial actuarial valuation, membership in the Plan consisted of the following:

	Primary Government and Affiliates	School Component Unit	Total
Retirees and beneficiaries receiving benefits	28	120	148
Terminated employees entitled to, but not yet receiving, benefits	-	-	-
Active employees	1,261	2,635	3,896
Total number of plan members	1,289	2,755	4,044
Number of participating employers	4	1	5

Plan description - The Plan provides that the Employers will provide certain subsidies toward the cost of the health benefit coverage of eligible retirees, spouses and dependents. In order to participate in the Plan, retirees must be enrolled in the health insurance program available to Hanover County employees at date of separation. In addition, participants must meet the Virginia Retirement System (VRS) retirement age and service retirement requirements, and, if hired after September 30, 2007, must have five years of service with an Employer, or retire pursuant to the disability requirements of Social Security or the VRS. Beginning in fiscal year 2008, the amount of monthly subsidy provided by the Plan is based on years of service and ranges from \$100 per month for employees with 10 but less than 15 years of service to \$200 per month for 20 or more years of service. The subsidy for a retiree's spouse and dependents are equal to that of the retiree, with a limit of three subsidies per retiree. Retirees hired prior to October 1, 2007 have no years of service requirement, but must meet all other requirements for participation. In addition, retirees hired prior to October 1, 2007, who have at least ten years of service with an Employer and whose age and years of service equal at least 60 (grandfathered employees) will receive an initial subsidy of \$251 per month. For employees retiring after September 30, 2008, subsidies will end with Medicare eligibility.

Retirees under the Plan may select from the health care plans offered to active employees and pay the health insurance premium rate established annually based on biennial actuarial analysis of the claims cost of the retiree group, net of the applicable subsidy established by the Plan. Depending upon the health care plan selected, the net retiree premium amounts range from \$371 to \$621 per month, and for those electing retiree and spouse coverage, from \$626 to \$1,864 per month. Costs of administering the Plan will be borne by the Trust or by the Employers.

Contributions - The Code of Virginia permits the County Board of Supervisors to make appropriations to fund the Trust, and to enter into agreement with its School Component Unit and its Affiliates to participate in and contribute to the Trust. Contributions to the Trust are irrevocable; however, continued participation in the Plan is voluntary, and any Employer may individually terminate future participation in the Plan. Retirees are not required to contribute to the Plan.

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

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

Information related to the reporting entity's annual OPEB cost, ARC, actual contributions, and changes to the net OPEB obligation (asset) for fiscal year 2008 is as follows:

	2008	Percentage of annual OPEB cost contributed
ARC, for the year ended June 30	\$ 1,157,094	
Interest on Net OPEB obligation (asset) from prior year	-	
Actuarial adjustment	-	
Annual OPEB cost	1,157,094	
Employer contributions:		
To OPEB trust	(730,105)	63.1%
Subsidies paid under Plan on behalf of retirees	(663,500)	57.3%
Total Employer contributions	(1,393,605)	120.4%
(Increase) decrease in the net OPEB obligation (asset), for the year ended June 30	(236,511)	
Net OPEB obligation (asset), beginning of year	-	
Net OPEB obligation (asset), end of year	\$ (236,511)	

Funded Status - The funded status of the Plan as July 1, 2007, the date of the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 10,040,245	\$ 10,040,245	0.0%	\$ 156,195,205	6.4%

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

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

In the July 1, 2007 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 7.0 percent annual investment rate of return (net of administrative expenses), including an inflation assumption of 2.5% and an annual healthcare cost trend rate consisting of assumed growth in the retiree subsidies of 3.0 percent annually, until the maximum monthly subsidy of \$753 is reached. The initial unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis over thirty years.

H. School Board early retirement plan

In fiscal year 1991, the Virginia General Assembly approved a one-time optional early retirement opportunity for Virginia Retirement System (VRS) members to take advantage of an early retirement program that provided enhanced VRS benefits to eligible School Board employees who had attained the age of 50 with 25 years of service as of September 1, 1991. The School Board adopted the plan for participants electing early retirement between April 1, 1991 and June 30, 1991. Under the terms of the Plan, five years of service credit was added to the retirees' earned VRS service credit, and retirees also received an additional VRS benefit of \$100 per month until age 62. The Plan was closed to new retirees as of June 30, 1991. The enhanced VRS benefits were funded by the assumption by the School Board of an early retirement liability payable to the VRS. As of July 1, 1994, the present value of the remaining liability, discounted at eight percent, totaled \$2,601,513. This liability was structured to be paid by annual payments, including principal and interest, of \$265,690, payable through 2014. As of June 30, 2008, the remaining principal amount owed was \$1,228,252, and is reported as the early retirement liability in the accompanying Statement of Net Assets.

I. Special assessments and tax increment commitment

- **Bell Creek Community Development Authority:**

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

On September 25, 2002, the Board of Supervisors adopted an ordinance authorizing the levy of Special Assessments on abutting property within the boundaries of the District. On November 12, 2002, the Bell Creek Community Development Authority authorized the issuance of its \$12,135,000 Special Assessment Bonds, Series 2003A (the "2003A Bonds") and its \$3,845,000 Special Assessment Bonds, Series 2003B (the "2003B Bonds" and together with the 2003A Bonds, the "2003 Bonds"). On February 5, 2003, the 2003 Bonds were issued in the total principal amount of \$15,980,000, in accordance with the provision of Article 6 of Chapter 51 of Title 15.2 of the Code of Virginia of 1950, as amended. The 2003 Bonds were issued to finance

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June 30, 2008

(a) the acquisition and construction of certain infrastructure improvements to benefit the District, (b) the payment of capitalized interest on the 2003 Bonds through March 1, 2004, (c) the payment of certain administrative expenses through March 1, 2004, (d) the funding of the Authority's Debt Service Reserve Fund for the 2003 Bonds, and (3) the costs of issuing the 2003 Bonds. The principal of and the interest on the 2003 Bonds are not 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 2003 Bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2008, the total 2003 Bonds outstanding were \$11,728,000. The Authority is obligated to make all debt service payments on the 2003 Bonds, in accordance with the debt service schedule published in their Limited Offering Memorandum dated January 22, 2003.

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

During fiscal 2008, special assessments on property within the District totaled \$615,763, and payments to the Authority of special assessments collected totaled \$613,685.

- **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 be developed in phases by different entities. The overall development has been named *The Shops at Winding Brook* (hereinafter referred to as the Development).

On May 9, 2007, the Board of Supervisors adopted an ordinance authorizing the levy of Special Assessments on abutting property within the bounds of the District. On June 28, 2007 the Authority authorized the issuance of the Lewistown Commerce Center Community Development Authority (Virginia), \$37,675,000 Revenue Bonds, Series 2007 (2007 Bonds). On October 23, 2007, the 2007 Bonds were issued in the total principal amount of \$37,675,000, in accordance with the provisions of Article 6 of Chapter 51 of Title 15.2 of the Code of Virginia of 1950, as amended. The 2007 Bonds were issued to finance (a) the acquisition of certain land and the construction of certain infrastructure improvements to benefit the District (b) the payment of initial administrative expenses estimated through March 1, 2010 (c) the payment of construction period interest through March 1, 2010 (d) the funding of a Debt Service Reserve Fund for the

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2008

2007 Bonds, and (e) certain costs of issuance. The principal of and the interest on the 2007 Bonds are not deemed to constitute a pledge of the faith and credit of 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. At June 30, 2008, the Authority's 2007 Bonds outstanding were \$36,675,000. The Authority is obligated to make all debt service payments on the 2007 Bonds, in accordance with the debt service schedule published in their Limited Offering Memorandum dated October 11, 2007.

Pursuant to the terms of a Special Assessment Agreement (Agreement) dated September 1, 2007 between the County, the Authority, and the Developers (identified in the Authority's Limited Offering Memorandum), the 2007 Bonds will be payable (Payments) from (1) a Special Real Property Tax, equal to \$0.10 per \$100 of the assessed or assessable value of taxable real and leasehold property, respectively, within the District, beginning with calendar year 2008, (2) Incremental Tax Revenues consisting of specified percentages of incremental real and personal property, hotel occupancy, and the County's portion of sales tax revenues collected beginning in 2007 over and above 2006 collections within the District, and (3) Special Assessments imposed and collected by the County, if necessary, at the request of the Authority pursuant to a Rate and Method agreement, on taxable real property within the District, in that order. 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. However, the Payments described above to the Authority are not deemed general obligations of Hanover County, but will be dependent upon appropriation and paid only to the extent the Special Real Property Tax, Incremental Tax Revenues, or Special Assessments have been received by the County.

The 2008 Special Real Estate Property Tax levy totaled \$12,803, and the fiscal 2008 incremental tax collections totaled \$8,399. The County will remit these amounts to the Authority prior to February 1, 2009. No special assessments were made during fiscal year 2008.

**REQUIRED
SUPPLEMENTARY INFORMATION**

COUNTY OF HANOVER
Required Supplementary Information
June 30, 2008

Virginia Retirement System
Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded ALL (UALL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
Primary Government						
Virginia Retirement System - County employee group						
6/30/2007	\$ 102,542,483	\$ 111,205,671	\$ 8,663,188	92.2%	\$ 49,112,131	17.6%
6/30/2006	87,492,414	97,333,495	9,841,081	89.9	44,638,575	22.0
6/30/2005	78,800,635	94,441,248	15,640,613	83.4	42,335,010	36.9
6/30/2004	73,223,629	79,165,006	5,941,377	92.5	37,658,608	15.8
6/30/2003	69,296,169	67,758,546	(1,537,623)	102.3	31,983,538	(4.8)
6/30/2002	64,800,322	60,276,935	(4,523,387)	107.5	32,358,264	(14.0)
Component Unit - School Board						
Virginia Retirement System - non-professional employee group						
6/30/2007	\$ 13,375,424	\$ 14,137,361	\$ 761,937	94.6%	\$ 6,372,884	12.0%
6/30/2006	11,563,505	12,177,081	613,576	95.0	5,879,936	10.4
6/30/2005	10,714,580	12,115,082	1,400,502	88.4	5,876,415	23.8
6/30/2004	10,225,351	10,697,623	472,272	95.6	5,252,548	9.0
6/30/2003	9,969,033	9,280,648	(688,385)	107.4	4,057,091	(17.0)
6/30/2002	9,846,744	9,031,748	(814,996)	109.0	4,377,546	(18.6)

Hanover County Retiree Medical Benefits Trust
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 10,040,245	\$ 10,040,245	0.0%	\$ 156,195,205	6.4%



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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from local sources:				
Revenues from use of money and property	\$ -	-	147,995	147,995
Charges for services	2,758,000	3,214,119	1,447,324	(1,766,795)
Recovered costs	-	8,827,669	3,666,763	(5,160,906)
Miscellaneous	-	2,400	9,200	6,800
Total revenue from local sources	<u>2,758,000</u>	<u>12,044,188</u>	<u>5,271,282</u>	<u>(6,772,906)</u>
Intergovernmental:				
Revenue from the Commonwealth	1,000,000	5,746,782	1,639,330	(4,107,452)
Revenue from the Federal government	-	394,461	10,357	(384,104)
Total intergovernmental	<u>1,000,000</u>	<u>6,141,243</u>	<u>1,649,687</u>	<u>(4,491,556)</u>
Total revenues	<u>3,758,000</u>	<u>18,185,431</u>	<u>6,920,969</u>	<u>(11,264,462)</u>
EXPENDITURES				
General government administration	729,000	839,527	654,614	184,913
Judicial administration	2,200,000	2,211,681	113,534	2,098,147
Public safety	4,785,000	41,662,155	5,681,852	35,980,303
Public works	3,824,000	22,030,100	4,978,812	17,051,288
Human services	-	8,811	131	8,680
Parks, recreation and cultural	1,128,000	6,938,089	3,203,745	3,734,344
Community development	-	123,850	-	123,850
Total expenditures	<u>12,666,000</u>	<u>73,814,213</u>	<u>14,632,688</u>	<u>59,181,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,908,000)</u>	<u>(55,628,782)</u>	<u>(7,711,719)</u>	<u>47,917,063</u>
OTHER FINANCING SOURCES				
Transfers in	6,291,000	6,529,459	6,529,459	-
Issuance of general obligation bonds	2,617,000	32,280,633	-	(32,280,633)
Total other financing sources	<u>8,908,000</u>	<u>38,810,092</u>	<u>6,529,459</u>	<u>(32,280,633)</u>
Net change in fund balance	-	(16,818,690)	(1,182,260)	15,636,430
Fund balance - beginning	-	19,454,995	19,454,995	-
Fund balance - ending	<u>\$ -</u>	<u>2,636,305</u>	<u>18,272,735</u>	<u>15,636,430</u>

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, 2008

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	\$ 75,000	75,000	272,125	197,125
Charges for services:				
Proffers	1,094,000	1,094,000	785,516	(308,484)
Total revenue from local sources	<u>1,169,000</u>	<u>1,169,000</u>	<u>1,057,641</u>	<u>(111,359)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Education	315,000	915,000	735,622	(179,378)
Total revenues	<u>1,484,000</u>	<u>2,084,000</u>	<u>1,793,263</u>	<u>(290,737)</u>
EXPENDITURES				
Capital outlay:				
Education	20,068,000	34,723,682	23,585,468	11,138,214
Debt service:				
Interest and fiscal charges	-	35,000	31,161	3,839
Total expenditures	<u>20,068,000</u>	<u>34,758,682</u>	<u>23,616,629</u>	<u>11,142,053</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,584,000)</u>	<u>(32,674,682)</u>	<u>(21,823,366)</u>	<u>10,851,316</u>
OTHER FINANCING SOURCES				
Transfers in	2,497,000	3,084,094	3,084,094	-
Issuance of general obligation bonds	15,490,000	25,414,753	13,838,206	(11,576,547)
Premium on general obligation bonds issued	-	776,674	776,674	-
Total other financing sources	<u>17,987,000</u>	<u>29,275,521</u>	<u>17,698,974</u>	<u>(11,576,547)</u>
Net change in fund balance	(597,000)	(3,399,161)	(4,124,392)	(725,231)
Fund balance - beginning	597,000	2,809,221	2,809,221	-
Fund balance - ending	<u>\$ -</u>	<u>(589,940)</u>	<u>(1,315,171)</u>	<u>(725,231)</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, 2008

	Other Governmental Funds		
	Comprehensive Services	Community Services	Total
ASSETS			
Cash, cash equivalents and investments	\$ 383,217	233,304	616,521
Accounts receivable (net of allowance for uncollectible accounts)	373	305,633	306,006
Due from other governmental units	355,550	63,410	418,960
Total assets	<u>\$ 739,140</u>	<u>602,347</u>	<u>1,341,487</u>
LIABILITIES			
Accounts payable	\$ 334,485	160,216	494,701
Accrued liabilities	4,655	313,786	318,441
Total liabilities	<u>339,140</u>	<u>474,002</u>	<u>813,142</u>
FUND BALANCES			
Reserved for:			
Encumbrances	-	21,345	21,345
Grant programs	-	7,000	7,000
Total reserved	<u>-</u>	<u>28,345</u>	<u>28,345</u>
Unreserved:			
Undesignated	400,000	100,000	500,000
Total fund balance	<u>400,000</u>	<u>128,345</u>	<u>528,345</u>
Total liabilities and fund balance	<u>\$ 739,140</u>	<u>602,347</u>	<u>1,341,487</u>

COUNTY OF HANOVER, VIRGINIA

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2008

	Other Governmental Funds		
	Comprehensive Services	Community Services	Total
REVENUES			
Revenue from local sources:			
Revenue from use of money and property	\$ -	51,578	51,578
Charges for services	-	2,952,604	2,952,604
Recovered cost	83,296	123,485	206,781
Miscellaneous	-	8,990	8,990
Total revenue from local sources	83,296	3,136,657	3,219,953
Intergovernmental:			
Revenue from the Commonwealth	2,475,578	2,002,320	4,477,898
Revenue from the Federal government	-	731,146	731,146
Total intergovernmental	2,475,578	2,733,466	5,209,044
Total revenues	2,558,874	5,870,123	8,428,997
EXPENDITURES			
Human services	4,878,125	10,405,326	15,283,451
Total expenditures	4,878,125	10,405,326	15,283,451
Excess (deficiency) of revenues over (under) expenditures	(2,319,251)	(4,535,203)	(6,854,454)
OTHER FINANCING SOURCES			
Transfers in	2,369,251	4,344,773	6,714,024
Net change in fund balance	50,000	(190,430)	(140,430)
Fund balances - beginning	350,000	318,775	668,775
Fund balances - ending	\$ 400,000	128,345	528,345

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, 2008

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources				
Recovered costs	\$ 80,000	80,000	83,296	3,296
Total revenue from local sources	<u>80,000</u>	<u>80,000</u>	<u>83,296</u>	<u>3,296</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid (State agency):				
Education	2,889,387	2,889,387	2,475,578	(413,809)
Total revenues	<u>2,969,387</u>	<u>2,969,387</u>	<u>2,558,874</u>	<u>(410,513)</u>
EXPENDITURES				
Human services:				
Comprehensive services	5,179,034	5,379,034	4,878,125	500,909
Total expenditures	<u>5,179,034</u>	<u>5,379,034</u>	<u>4,878,125</u>	<u>500,909</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,209,647)</u>	<u>(2,409,647)</u>	<u>(2,319,251)</u>	<u>90,396</u>
OTHER FINANCING SOURCES				
Transfers in	2,209,647	2,409,647	2,369,251	(40,396)
Net change in fund balance	-	-	50,000	50,000
Fund balance - beginning	-	350,000	350,000	-
Fund balance - ending	<u>\$ -</u>	<u>350,000</u>	<u>400,000</u>	<u>50,000</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, 2008

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of money and property:				
Sale of materials and supplies	\$ -	-	51,578	51,578
Total revenue from use of money and property	-	-	51,578	51,578
Charges for services	3,107,500	3,107,500	2,952,604	(154,896)
Recovered cost	145,000	145,000	123,485	(21,515)
Miscellaneous	115,000	99,800	8,990	(90,810)
Total revenue from local sources	3,367,500	3,352,300	3,136,657	(215,643)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid (State agency):				
Mental Health, Retardation and Substance Abuse	1,746,575	1,931,865	2,002,320	70,455
Total revenue from the Commonwealth	1,746,575	1,931,865	2,002,320	70,455
Revenue from the Federal government:				
Categorical aid (Federal agency):				
Health and Human Services	552,767	625,346	731,146	105,800
Total revenue from the Federal government	552,767	625,346	731,146	105,800
Total intergovernmental	2,299,342	2,557,211	2,733,466	176,255
Total revenues	5,666,842	5,909,511	5,870,123	(39,388)
EXPENDITURES				
Human services:				
Community services	10,611,593	10,965,673	10,405,326	560,347
Total expenditures	10,611,593	10,965,673	10,405,326	560,347
Excess (deficiency) of revenues over (under) expenditures	(4,944,751)	(5,056,162)	(4,535,203)	520,959
OTHER FINANCING SOURCES				
Transfers in	4,944,751	4,970,751	4,344,773	(625,978)
Net change in fund balance	-	(85,411)	(190,430)	(105,019)
Fund balance - beginning	-	318,775	318,775	-
Fund balance - ending	\$ -	233,364	128,345	(105,019)



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, 2008

	<u>Self-Insurance</u>	<u>Fleet Management</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash, cash equivalents and investments	\$ 4,141,517	207,151	4,348,668
Accounts receivable (net of allowance for uncollectibles)	359,798	13,328	373,126
Inventory	-	186,927	186,927
Total current assets	<u>4,501,315</u>	<u>407,406</u>	<u>4,908,721</u>
Noncurrent Assets:			
Capital assets:			
Machinery and equipment	-	880,621	880,621
Less accumulated depreciation	-	(678,747)	(678,747)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>201,874</u>	<u>201,874</u>
Total noncurrent assets	<u>-</u>	<u>201,874</u>	<u>201,874</u>
Total assets	<u>4,501,315</u>	<u>609,280</u>	<u>5,110,595</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	-	145,817	145,817
Incurred but not reported self-insurance claims	2,295,000	-	2,295,000
Accrued liabilities	14,530	59,020	73,550
Total current liabilities	<u>2,309,530</u>	<u>204,837</u>	<u>2,514,367</u>
Noncurrent Liabilities:			
Compensated absences	-	139,804	139,804
Total noncurrent liabilities	<u>-</u>	<u>139,804</u>	<u>139,804</u>
Total liabilities	<u>2,309,530</u>	<u>344,641</u>	<u>2,654,171</u>
NET ASSETS			
Invested in capital assets	-	201,874	201,874
Unrestricted	2,191,785	62,765	2,254,550
Total net assets	<u>\$ 2,191,785</u>	<u>264,639</u>	<u>2,456,424</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, 2008

	<u>Self-Insurance</u>	<u>Fleet Management</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 22,049,919	1,593,804	23,643,723
Recovered cost	-	257,121	257,121
Miscellaneous revenue	-	13,992	13,992
Total operating revenues	<u>22,049,919</u>	<u>1,864,917</u>	<u>23,914,836</u>
OPERATING EXPENSES			
Health care claims and benefits	22,895,485	-	22,895,485
Personal services	-	1,190,443	1,190,443
Fringe benefits	-	378,683	378,683
Contractual services	50,487	62,310	112,797
Other charges	-	231,327	231,327
Depreciation	-	192,756	192,756
Total operating expenses	<u>22,945,972</u>	<u>2,055,519</u>	<u>25,001,491</u>
Operating income (loss)	<u>(896,053)</u>	<u>(190,602)</u>	<u>(1,086,655)</u>
NONOPERATING REVENUES			
Interest income	502,529	-	502,529
Gain on sale of capital assets	-	40,380	40,380
Total nonoperating revenues	<u>502,529</u>	<u>40,380</u>	<u>542,909</u>
Income before capital contributions	<u>(393,524)</u>	<u>(150,222)</u>	<u>(543,746)</u>
Capital contributions	-	134,754	134,754
Change in net assets	(393,524)	(15,468)	(408,992)
Total net assets - beginning	<u>2,585,309</u>	<u>280,107</u>	<u>2,865,416</u>
Total net assets - ending	<u>\$ 2,191,785</u>	<u>264,639</u>	<u>2,456,424</u>

COUNTY OF HANOVER, VIRGINIA

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2008

	Self-Insurance	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 22,049,919	1,860,158	23,910,077
Payments to suppliers and service providers	(49,669)	(274,378)	(324,047)
Payments to employees	-	(1,549,732)	(1,549,732)
Claims and benefits paid	(22,697,283)	-	(22,697,283)
Net cash provided (used) by operating activities	<u>(697,033)</u>	<u>36,048</u>	<u>(660,985)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(76,215)	(76,215)
Proceeds from sale of capital assets	-	61,744	61,744
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(14,471)</u>	<u>(14,471)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	502,529	-	502,529
Net cash provided by investing activities	<u>502,529</u>	<u>-</u>	<u>502,529</u>
Net increase (decrease) in cash and cash equivalents	(194,504)	21,577	(172,927)
Cash and cash equivalents at beginning of year	4,336,021	185,574	4,521,595
Cash and cash equivalents at end of year	<u>\$ 4,141,517</u>	<u>207,151</u>	<u>4,348,668</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (896,053)	(190,602)	(1,086,655)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	-	192,756	192,756
(Increase) decrease in:			
Accounts receivable	(359,798)	(4,759)	(364,557)
Inventory	-	(9,113)	(9,113)
Increase (decrease) in:			
Accounts payable	-	28,372	28,372
Incurred but not reported self-insurance claims	558,000	-	558,000
Accrued liabilities	818	4,994	5,812
Compensated absences	-	14,400	14,400
Total adjustments	199,020	226,650	425,670
Net cash provided (used) by operating activities	<u>\$ (697,033)</u>	<u>36,048</u>	<u>(660,985)</u>
Noncash capital and financing activities:			
Capital contributions	\$ -	134,754	134,754

AGENCY FUNDS

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

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

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

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

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

COUNTY OF HANOVER, VIRGINIA

Agency Funds

Combining Balance Sheet

June 30, 2008

	<u>Bell Creek Community Development Authority</u>	<u>Lewistown Community Development Authority</u>	<u>Escrow</u>	<u>Special Welfare</u>	<u>Total</u>
ASSETS					
Cash, cash equivalents and investments	\$ 2,246	8,399	2,291,388	56,244	2,358,277
Accounts receivable	2,980	12,803	-	-	15,783
Total assets	<u>\$ 5,226</u>	<u>21,202</u>	<u>2,291,388</u>	<u>56,244</u>	<u>2,374,060</u>
LIABILITIES					
Accounts payable	\$ 2,246	8,399	736,478	-	747,123
Accrued liabilities	2,980	12,803	76,036	-	91,819
Deposits	-	-	1,478,874	56,244	1,535,118
Total liabilities	<u>\$ 5,226</u>	<u>21,202</u>	<u>2,291,388</u>	<u>56,244</u>	<u>2,374,060</u>

COUNTY OF HANOVER, VIRGINIA

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Bell Creek Community Development Authority				
Assets:				
Cash, cash equivalents and investments	\$ 1,427	622,768	621,949	2,246
Accounts receivable	7,239	617,778	622,037	2,980
Total assets	<u>8,666</u>	<u>1,240,546</u>	<u>1,243,986</u>	<u>5,226</u>
Liabilities:				
Accounts payable	1,427	1,314,625	1,313,806	2,246
Accrued liabilities	7,239	617,778	622,037	2,980
Total liabilities	<u>8,666</u>	<u>1,932,403</u>	<u>1,935,843</u>	<u>5,226</u>
Lewistown Community Development Authority				
Assets:				
Cash, cash equivalents and investments	-	8,399	-	8,399
Accounts receivable	-	12,803	-	12,803
Total assets	<u>-</u>	<u>21,202</u>	<u>-</u>	<u>21,202</u>
Liabilities:				
Accounts payable	-	8,399	-	8,399
Accrued liabilities	-	12,803	-	12,803
Total liabilities	<u>-</u>	<u>21,202</u>	<u>-</u>	<u>21,202</u>
Escrow				
Assets:				
Cash, cash equivalents and investments	2,641,122	31,470,173	31,819,907	2,291,388
Accounts receivable	-	62,451	62,451	-
Total assets	<u>2,641,122</u>	<u>31,532,624</u>	<u>31,882,358</u>	<u>2,291,388</u>
Liabilities:				
Accounts payable	659,048	9,752,822	9,675,393	736,478
Accrued liabilities	52,326	30,669,786	30,646,076	76,036
Deposits	1,929,748	905,210	1,356,085	1,478,874
Total liabilities	<u>2,641,122</u>	<u>41,327,818</u>	<u>41,677,554</u>	<u>2,291,388</u>
Special Welfare				
Assets:				
Cash, cash equivalents and investments	60,954	138,587	143,296	56,244
Total assets	<u>60,954</u>	<u>138,587</u>	<u>143,296</u>	<u>56,244</u>
Liabilities:				
Deposits	60,954	138,537	143,296	56,244
Total liabilities	<u>60,954</u>	<u>138,537</u>	<u>143,296</u>	<u>56,244</u>
Total Agency Funds				
Assets:				
Cash, cash equivalents and investments	2,703,503	32,239,927	32,585,152	2,358,277
Accounts receivable	7,239	693,032	684,488	15,783
Total assets	<u>2,710,742</u>	<u>32,932,959</u>	<u>33,269,640</u>	<u>2,374,060</u>
Liabilities:				
Accounts payable	660,475	11,075,846	10,989,199	747,123
Accrued liabilities	59,565	31,300,367	31,268,113	91,819
Deposits	1,990,702	1,043,747	1,499,381	1,535,118
Total liabilities	<u>\$ 2,710,742</u>	<u>43,419,960</u>	<u>43,756,693</u>	<u>2,374,060</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, 2008

	Governmental Funds			
	School	Textbook	Cafeteria	Totals
ASSETS				
Cash, cash equivalents and investments	\$ 12,592,569	2,035,358	660,231	15,288,158
Accounts receivable	185,351	1,936	604	187,891
Due from other governmental units	4,519,799	-	43,161	4,562,960
Inventory	-	-	131,330	131,330
Total assets	<u>\$ 17,297,719</u>	<u>2,037,294</u>	<u>835,326</u>	<u>20,170,339</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,157,511	185,289	4,067	1,346,867
Accrued liabilities	13,924,126	3,859	420,491	14,348,476
Deferred revenue	49,835	-	-	49,835
Total liabilities	<u>15,131,472</u>	<u>189,148</u>	<u>424,558</u>	<u>15,745,178</u>
Fund balances:				
Reserved for:				
Encumbrances	1,166,152	15,595	27	1,181,774
Inventory	-	-	131,330	131,330
Unreserved:				
Designated for specific purposes	750,095	-	53,726	803,821
Undesignated	250,000	1,832,551	225,685	2,308,236
Total fund balances	<u>2,166,247</u>	<u>1,848,146</u>	<u>410,768</u>	<u>4,425,161</u>
Total liabilities and fund balances	<u>\$ 17,297,719</u>	<u>2,037,294</u>	<u>835,326</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.				\$ 102,936,047
Prepaid postemployment healthcare benefits represent irrevocable payments made to the Retiree Medical Benefits Trust for retiree healthcare benefits in advance of total actuarial requirements to date. The advance payments are reported in the statement of net assets as a noncurrent asset, but as expenditures in the funds when made.				207,133
Long-term liabilities and some accrued liabilities are not due and payable in the current period and therefore are not reported in the funds:				
Compensated absences			\$ (4,248,117)	
Liability for early retirement program			(1,228,252)	
Accrued liabilities			(385,000)	
Accrued bond interest			(2,907,746)	(8,769,115)
Net assets of School Component Unit activities				<u>\$ 98,799,226</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, 2008

	Governmental Funds			
	School	Textbook	Cafeteria	Totals
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	\$ -	11,047	13,451	24,498
Charges for services - operating	585,685	-	5,958,887	6,544,572
Miscellaneous	487,162	-	21,771	508,933
Recovered costs	735,019	-	-	735,019
Payments from primary government	90,482,723	717,352	-	91,200,075
Revenue from the Commonwealth	82,806,020	1,059,873	67,012	83,932,905
Revenue from the Federal government	6,248,523	-	1,322,145	7,570,668
Total revenues	181,345,132	1,788,272	7,383,266	190,516,670
EXPENDITURES				
Current:				
Education	165,089,955	494,346	7,259,556	172,843,857
Debt service:				
Principal retirement	10,888,261	-	-	10,888,261
Interest and fiscal charges	5,936,066	-	-	5,936,066
Total expenditures	181,914,282	494,346	7,259,556	189,668,184
Net change in fund balance	(569,150)	1,293,926	123,710	848,486
Fund balances - beginning	2,735,397	554,220	246,488	3,536,105
Increase in reserve for inventory	-	-	40,570	40,570
Fund balances - ending	\$ 2,166,247	1,848,146	410,768	4,425,161

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, 2008

Net change in fund balances - total governmental funds \$ 848,486

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 (\$22,020,676) exceeded depreciation expense (\$7,959,133) in the current period. 14,061,543

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. (3,242,801)

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. (365,648)

Changes in net assets of School Component Unit activities \$ 11,301,580

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, 2008

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Charges for services:				
Tuition and other charges for services	\$ 765,630	770,952	585,685	(185,267)
Total charges for services	765,630	770,952	585,685	(185,267)
Miscellaneous:				
Miscellaneous	562,819	526,574	487,162	(39,412)
Total miscellaneous revenue	562,819	526,574	487,162	(39,412)
Recovered costs:				
Recovered costs	676,624	687,739	735,019	47,280
Total recovered costs	676,624	687,739	735,019	47,280
Payments from primary government:				
General Fund	92,045,273	92,876,179	90,482,723	(2,393,456)
Total payments from primary government	92,045,273	92,876,179	90,482,723	(2,393,456)
Total revenue from local sources	94,050,346	94,861,444	92,290,589	(2,570,855)
Revenue from the Commonwealth:				
Non-categorical aid:				
Lottery proceeds and basic school aid	65,307,238	65,307,238	65,068,532	(238,706)
Total non-categorical aid	65,307,238	65,307,238	65,068,532	(238,706)
Categorical aid:				
Categorical aid programs	18,267,918	18,536,349	17,737,488	(798,861)
Total categorical aid	18,267,918	18,536,349	17,737,488	(798,861)
Total revenue from the Commonwealth	83,575,156	83,843,587	82,806,020	(1,037,567)
Revenue from the Federal government:				
Categorical aid:				
Department of Education	5,934,696	7,018,867	6,248,523	(770,344)
Total revenue from the Federal government	5,934,696	7,018,867	6,248,523	(770,344)
Total revenues	183,560,198	185,723,898	181,345,132	(4,378,766)
EXPENDITURES				
Education:				
General support	9,128,029	9,296,899	8,912,185	384,714
Pupil transportation	8,533,441	8,813,713	8,621,827	191,886
Operations and maintenance	11,579,956	11,917,637	11,769,436	148,201
Instruction	135,743,453	138,824,280	133,949,216	4,875,064
Facilities	1,750,894	2,747,180	1,837,291	909,889
Total education	166,735,773	171,599,709	165,089,955	6,509,754
Debt service:				
Principal retirement	10,888,261	10,888,261	10,888,261	-
Interest and fiscal charges	5,936,164	5,936,164	5,936,066	98
Total debt service	16,824,425	16,824,425	16,824,327	98
Total expenditures	183,560,198	188,424,134	181,914,282	6,509,852
Net change in fund balance	-	(2,700,236)	(569,150)	2,131,086
Fund balance - beginning	-	2,700,236	2,735,397	35,161
Fund balance - ending	\$ -	-	2,166,247	2,166,247

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, 2008

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of property	\$ -	-	11,047	11,047
Total revenue from use of property	-	-	11,047	11,047
Payments from primary government:				
General Fund	717,352	717,352	717,352	-
Total payments from primary government	717,352	717,352	717,352	-
Total revenue from local sources	717,352	717,352	728,399	11,047
Revenue from the Commonwealth:				
Categorical aid:				
Textbook	1,072,557	1,072,557	1,059,873	(12,684)
Total revenue from the Commonwealth	1,072,557	1,072,557	1,059,873	(12,684)
Total revenues	1,789,909	1,789,909	1,788,272	(1,637)
EXPENDITURES				
Education:				
Textbook	1,789,909	1,789,909	494,346	1,295,563
Total expenditures	1,789,909	1,789,909	494,346	1,295,563
Net change in fund balance	-	-	1,293,926	1,293,926
Fund balance - beginning	-	-	554,220	554,220
Fund balance - ending	\$ -	-	1,848,146	1,848,146

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, 2008

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	\$ 12,000	12,000	13,451	1,451
Charges for services	6,279,743	6,279,743	5,958,887	(320,856)
Miscellaneous revenue	26,750	26,750	21,771	(4,979)
Total revenue from local sources	<u>6,318,493</u>	<u>6,318,493</u>	<u>5,994,109</u>	<u>(324,384)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food programs	68,000	68,000	67,012	(988)
Total revenue from the Commonwealth	<u>68,000</u>	<u>68,000</u>	<u>67,012</u>	<u>(988)</u>
Revenue from the Federal government:				
Categorical aid:				
USDA donated commodities	244,500	244,500	340,189	95,689
School food programs	797,115	797,115	813,954	16,839
Breakfast reimbursement	144,938	144,938	168,002	23,064
Total revenue from the Federal government	<u>1,186,553</u>	<u>1,186,553</u>	<u>1,322,145</u>	<u>135,592</u>
Total revenues	<u>7,573,046</u>	<u>7,573,046</u>	<u>7,383,266</u>	<u>(189,780)</u>
EXPENDITURES				
Education:				
Cafeteria	7,573,046	7,573,046	7,259,556	313,490
Total expenditures	<u>7,573,046</u>	<u>7,573,046</u>	<u>7,259,556</u>	<u>313,490</u>
Net change in fund balance	-	-	123,710	123,710
Fund balance - beginning	-	-	246,488	246,488
Increase in reserve for inventory	-	-	40,570	40,570
Fund balance - ending	<u>\$ -</u>	<u>-</u>	<u>410,768</u>	<u>410,768</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, 2008

ASSETS

Cash, cash equivalents and investments	\$ 265,123
Total assets	<u>265,123</u>

LIABILITIES AND FUND BALANCES

Liabilities:

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

Fund balances:

Unreserved:

Undesignated	265,123
Total fund balances	<u>265,123</u>
Total liabilities and fund balances	<u>\$ 265,123</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Charges for services:				
Economic development fees	\$ 5,600	207,600	242,622	35,022
Payment from primary government	-	400,000	-	(400,000)
Total revenues	<u>5,600</u>	<u>607,600</u>	<u>242,622</u>	<u>(364,978)</u>
EXPENDITURES				
Community Development:				
Economic development	5,600	607,600	203,225	404,375
Total expenditures	<u>5,600</u>	<u>607,600</u>	<u>203,225</u>	<u>404,375</u>
Net change in fund balance	-	-	39,397	39,397
Fund balance - beginning of year	-	225,726	225,726	-
Fund balance - end of year	<u>\$ -</u>	<u>225,726</u>	<u>265,123</u>	<u>39,397</u>

SINGLE AUDIT SCHEDULE AND NOTES

COUNTY OF HANOVER, VIRGINIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2008

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:		
Direct Payments:		
Child and Adult Care Food Program	10.558	\$ 19,060
Pass-through Payments:		
Department of Agriculture and Consumer Services:		
National School Lunch Program (commodities)	10.555	340,189
Department of Education:		
School Breakfast Program	10.553	168,002
National School Lunch Program	10.555	813,954
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	546,806
DEPARTMENT OF DEFENSE:		
Direct Payments:		
JROTC	12.000	149,011
DEPARTMENT OF INTERIOR:		
Direct Payments:		
Payments in Lieu of Taxes (PILT)	15.226	4,171
DEPARTMENT OF JUSTICE:		
Direct Payments:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11,312
Pass-through Payments:		
Department of Criminal Justice Services:		
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	52,083
Crime Victim Compensation	16.576	24,358
Drug Court Discretionary Grant Program	16.585	176,464
Department of Alcohol Beverage Control:		
Enforcing Underage Drinking Laws Program	16.727	7,000
DEPARTMENT OF TRANSPORTATION		
Direct Payments:		
Department of Aviation:		
Airport Improvement Program	20.106	145,073
ENVIRONMENTAL PROTECTION AGENCY		
Direct Payments:		
Congressionally Mandated Projects	66.202	618,634
DEPARTMENT OF EDUCATION:		
Pass-through Payments:		
Department of Education:		
Adult Education - Basic Grants to States	84.002	78,460
Title I Grants to Local Education Agencies	84.010	845,083
Special Education_Grants to States	84.027	3,285,038
Career and Technical Education - Basic Grants to States	84.048	164,400
Schedule Education_Preschool Grants	84.173	81,287
Special Education-Grants for Infants and Families	84.181	51,708
Safe and Drug-Free Schools and Communities_National Programs	84.184	40,478
Safe and Drug-Free Schools and Communities_State Grants	84.186	37,944
State Grants for Innovative Programs	84.298	21,050
Education Technology State Grants	84.318	14,456

COUNTY OF HANOVER, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	Federal Expenditures
DEPARTMENT OF EDUCATION, CONTINUED:		
Special Education - State Personnel Development	84.323	\$ 47,792
English Language Acquisition Grants	84.365	35,758
Improving Teacher Quality State Grants	84.367	401,998
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Direct Payments:		
Substance Abuse & Mental Health Services_Projects of Regional & National Significance	93.243	1,878
Head Start	93.600	875,801
Pass-through Payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	73,360
Temporary Assistance for Needy Families	93.558	296,304
Refugee & Entrant Assistance_State Administered Programs	93.566	2,099
Low-Income Home Energy Assistance	93.568	5,935
Child Care and Development Block Grant	93.575	469,142
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	316,614
Chafee Education and Training Vouchers Program (ETV)	93.599	1,543
Child Welfare Services_State Grants	93.645	2,057
Foster Care_Title IV-E	93.658	345,474
Adoption Assistance	93.659	122,074
Social Services Block Grant	93.667	307,607
Chafee Foster Care Independence Program	93.674	6,752
State Children's Insurance Program	93.767	10,582
Medical Assistance Program	93.778	459,715
Department of Mental Health, Mental Retardation, and Substance Abuse Services:		
Block Grants for Community Mental Health Services	93.958	104,199
Block Grants for Prevention and Treatment of Substance Abuse	93.959	401,263
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Direct Payments:		
AmeriCorps	94.006	23,205
DEPARTMENT OF HOMELAND SECURITY:		
Direct Payments:		
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083	465,450
Pass-through Payments:		
Department of Emergency Management:		
Hazard Mitigation Grant	97.039	10,357
Homeland Security Grant Program	97.067	31,561
		\$ 12,514,541

COUNTY OF HANOVER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

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	\$	12,506,299
Federal awards revenue recognized:		
In prior fiscal years, spent this fiscal year		32,495
In current fiscal years, but not spent		(24,253)
Expenditures of Federal awards	\$	<u>12,514,541</u>

COUNTY OF HANOVER, VIRGINIA
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

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>
Financial trends information	115 - 121
Financial trends information is intended to help the reader understand and assess how the County’s financial position has changed over time.	
Revenue capacity information	122 - 125
Revenue capacity information is intended to help the reader understand and assess the County’s ability to generate its most significant local revenue source, the property tax.	
Debt capacity information	126 - 128
Debt capacity information is intended to help the reader understand and assess the affordability of the County’s current levels of outstanding debt and the County’s ability to issue additional debt in the future.	
Demographic and economic information	129 - 130
Demographic and economic information is intended to help the reader understand the socioeconomic environment within which the County’s financial activities take place.	
Operating information	131 - 133
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 Seven Fiscal Years ⁽¹⁾

(accrual basis of accounting)

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

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

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

COUNTY OF HANOVER, VIRGINIA

Changes in Net Assets
 Last Seven Fiscal Years ⁽¹⁾
 (accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005 ⁽³⁾	2006	2007	2008
<u>Expenses</u>							
Governmental activities:							
General government administration	\$ 9,512,003	10,137,986	10,712,124	11,897,058	12,118,463	13,312,730	14,671,166
Judicial administration	2,728,140	2,952,076	3,057,632	3,663,672	3,978,959	3,930,945	4,385,408
Public safety	24,171,887	27,672,227	29,003,658	33,111,907	35,956,589	39,333,719	43,545,081
Public works	7,044,919	7,776,824	9,254,986	11,304,517	9,570,693	8,741,705	12,431,287
Human services	15,115,552	15,041,790	17,441,669	18,840,933	19,849,312	21,269,844	23,096,023
Parks, recreation and cultural	3,966,506	4,451,009	4,649,850	4,894,299	5,260,603	4,732,962	6,413,393
Community development	4,966,385	4,442,153	4,289,916	4,582,344	4,878,481	5,306,364	5,593,695
Education	63,752,188	66,451,732	73,124,850	78,974,707	83,003,947	81,203,331	100,925,769
Interest on long-term debt	761,641	694,615	590,519	462,760	314,867	627,078	503,177
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>	<u>211,564,999</u>
Business-type activities:							
Public utilities	14,975,753	16,415,587	17,142,203	20,491,371	21,848,595	22,688,647	23,823,738
Airport ⁽²⁾	-	-	-	-	-	465,203	626,257
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>	<u>24,449,995</u>
Total expenses, primary government	\$ <u>146,994,974</u>	<u>156,035,999</u>	<u>169,267,407</u>	<u>188,223,568</u>	<u>196,780,509</u>	<u>201,612,528</u>	<u>236,014,994</u>
<u>Program Revenues</u>							
Governmental activities:							
Charges for services:							
General governmental administration	\$ 1,588,567	1,597,896	1,826,275	2,391,346	2,489,994	2,313,953	1,614,956
Judicial administration	716,954	970,867	1,220,044	1,329,836	1,415,939	1,420,359	1,340,222
Public safety	1,284,663	1,246,926	1,359,546	2,079,389	3,375,762	2,954,680	3,716,157
Public works	340,635	404,414	556,516	674,414	695,494	899,047	1,232,908
Human services	2,182,424	2,365,348	2,947,057	2,889,334	3,493,429	3,550,827	3,283,721
Parks, recreation and cultural	184,772	248,158	269,206	302,452	401,075	547,094	553,811
Community development	1,246,849	1,258,422	1,631,596	2,509,039	2,825,277	2,147,341	1,028,076
Operating grants and contributions	12,693,308	11,880,071	15,127,498	14,390,381	14,310,471	15,408,252	16,589,245
Capital grants and contributions	6,761,367	2,649,711	4,819,588	7,417,338	7,205,048	5,902,858	9,696,499
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>	<u>39,055,595</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	21,328,133
Airport ⁽²⁾	-	-	-	-	-	33,861	46,658
Operating grants and contributions	1,350,759	589,689	471,777	451,600	75,300	-	-
Capital grants and contributions	9,994,220	9,793,850	7,824,732	8,901,655	8,495,258	10,776,808	20,831,594
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>	<u>42,206,385</u>
Total program revenues, primary government	\$ <u>52,252,379</u>	<u>47,514,911</u>	<u>52,973,935</u>	<u>58,800,434</u>	<u>64,009,252</u>	<u>65,539,339</u>	<u>81,261,980</u>
<u>Net (Expense) Revenue</u>							
Governmental activities	\$ (105,019,682)	(116,998,599)	(122,367,878)	(133,748,668)	(138,719,425)	(143,314,267)	(172,509,404)
Business-type activities	10,277,087	8,477,511	6,074,406	4,325,534	5,948,168	7,241,078	17,756,390
Total net expense, primary government	\$ <u>(94,742,595)</u>	<u>(108,521,088)</u>	<u>(116,293,472)</u>	<u>(129,423,134)</u>	<u>(132,771,257)</u>	<u>(136,073,189)</u>	<u>(154,753,014)</u>

(continued)

COUNTY OF HANOVER, VIRGINIA

Changes in Net Assets
 Last Seven Fiscal Years ⁽¹⁾
 (accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005 ⁽³⁾	2006	2007	2008
<u>General Revenues and Other Changes in Net Assets</u>							
Governmental activities:							
Taxes:							
Property taxes	\$ 74,035,801	79,361,213	86,761,263	94,939,793	104,905,885	117,152,314	128,411,615
Sales taxes	11,657,146	10,315,156	12,354,866	14,361,323	16,235,682	17,352,664	17,903,788
Utility taxes	3,702,675	3,924,184	4,224,798	4,418,593	4,403,173	5,358,588	7,317,207
Motor vehicle licenses ⁽⁴⁾	2,120,418	2,197,812	2,291,651	2,359,824	2,437,925	-	-
Recordation taxes	1,730,231	1,679,648	2,054,751	2,313,113	2,741,419	2,863,512	2,415,144
Other	2,134,144	2,002,815	2,133,494	2,022,926	2,371,936	2,378,024	2,317,560
Noncategorical State aid	13,073,783	13,524,847	14,289,391	14,066,416	15,674,963	14,895,053	15,419,398
Grants and contributions not restricted to specific programs	407,716	1,248,522	835,610	693,279	1,144,348	849,714	1,119,078
Unrestricted investment earnings	638,762	605,143	140,128	411,689	1,427,007	1,790,177	1,967,295
Gain (loss) on sale of capital assets	35,116	(268,063)	18,668	-	3,952	-	-
Transfers	-	-	-	-	-	(619,072)	(229,678)
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>	<u>176,641,407</u>
Business-type activities:							
Public utilities - unrestricted investment earnings	634,665	449,062	31,330	560,981	588,383	1,015,229	1,337,243
Transfers - Airport fund	-	-	-	-	-	619,072	229,678
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>	<u>1,566,921</u>
Total general revenues and other changes in net assets, primary government	\$ <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>	<u>178,208,328</u>
<u>Change in Net Assets</u>							
Governmental activities	\$ 4,516,110	(2,407,322)	2,736,742	1,838,288	12,626,865	18,706,707	4,132,003
Business-type activities	<u>10,911,752</u>	<u>8,926,573</u>	<u>6,105,736</u>	<u>4,886,515</u>	<u>6,536,551</u>	<u>8,875,379</u>	<u>19,323,311</u>
Total change in net assets, primary government	\$ <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>	<u>23,455,314</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 ⁽¹⁾

(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund:										
Reserved	\$ 1,757,140	1,435,529	857,379	1,173,716	527,273	354,572	553,033	715,857	1,069,762	899,660
Unreserved										
Designated	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	12,425,409
Undesignated	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	24,126,843
Total General Fund	\$ 27,919,326	28,772,792	26,771,177	20,348,723	18,988,239	19,764,882	22,914,193	29,507,890	36,196,939	37,451,912
All Other Governmental Funds: ⁽²⁾										
Reserved	\$ 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	10,922,248
Unreserved, reported in:										
County Improvements Fund ⁽³⁾	(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	8,117,903
School Improvements Fund ⁽³⁾	(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	(2,054,242)
Other Governmental Funds	337,976	778,030	374,012	429,140	376,132	133,375	339,445	415,457	583,364	500,000
Total All Other Governmental Funds	\$ 16,136,179	10,056,416	9,822,595	24,145,920	18,707,508	10,113,948	19,316,175	17,164,990	22,932,991	17,485,909

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 1999 through 2004 above also include the School Improvements Fund to be consistent with fiscal 2005 and subsequent presentation.

(3) At fiscal years ended June 30, 1999, 2000 and 2008, reserved fund balances exceeded total fund balance in the School Improvements Fund (and in the County Improvements Fund for fiscal 1999 and 2000), reflecting commitments of current financial resources for capital projects in excess of amounts available at each respective fiscal year end. Such commitments were funded (will be funded for 2008) primarily by subsequent bond proceeds, grant commitments, proffers and general fund transfers, as more fully described in the County's Comprehensive Annual Financial Report for each applicable year.



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

Primary Government:	Fiscal Year				
	1999	2000	2001	2002	2003
REVENUES					
General property taxes	\$ 64,468,263	67,308,494	72,440,101	73,623,307	79,536,223
Other local taxes	17,092,758	18,051,340	19,819,431	21,344,614	20,119,615
Permits, privilege fees and regulatory licenses	1,749,818	1,868,160	1,785,941	1,971,098	2,031,537
Fines and forfeitures	296,407	429,827	393,703	402,496	535,613
Revenues from use of money and property	2,122,991	2,439,676	2,714,304	1,062,549	1,158,711
Charges for services	2,878,130	6,546,432	4,333,964	5,640,273	6,364,983
Miscellaneous	655,686	722,279	1,329,609	748,276	755,405
Recovered costs	1,460,212	2,409,698	2,126,294	2,646,507	1,801,326
Intergovernmental (state and federal)	12,641,698	20,037,569	22,702,302	30,298,996	27,205,814
Total revenues	<u>103,365,963</u>	<u>119,813,475</u>	<u>127,645,649</u>	<u>137,738,116</u>	<u>139,509,227</u>
EXPENDITURES					
General governmental administration	6,417,468	6,940,188	7,767,247	9,422,694	9,046,646
Judicial administration	1,530,273	1,897,526	2,453,645	2,801,675	2,790,441
Public safety	19,364,355	22,622,596	25,159,954	22,890,619	28,218,865
Public works	9,823,390	12,810,463	12,996,826	11,469,558	8,867,259
Human services	10,828,633	12,025,972	13,001,788	15,336,213	14,840,637
Parks, recreation and cultural	2,680,380	3,092,214	3,263,939	3,801,167	4,446,149
Community development	3,165,946	3,613,904	4,075,473	4,654,911	4,360,063
Education expenditures, for:					
Instruction, operations and administration	43,846,740	43,011,696	47,894,364	52,238,183	54,046,905
Capital outlay	7,563,060	19,220,404	18,084,088	18,234,347	26,255,738
Debt service:					
Principal retirement	6,406,036	6,397,666	7,072,242	7,727,463	8,193,484
Interest and fiscal charges	3,973,223	4,147,725	4,445,218	5,138,804	5,015,871
Total education, primary government	<u>61,789,059</u>	<u>72,777,491</u>	<u>77,495,912</u>	<u>83,338,797</u>	<u>93,511,998</u>
Debt service:					
Principal retirement	1,416,648	1,564,220	1,612,463	1,579,260	1,561,108
Interest and fiscal charges	1,002,092	923,450	849,329	774,420	692,568
Total expenditures	<u>118,018,244</u>	<u>138,268,024</u>	<u>148,676,576</u>	<u>156,069,314</u>	<u>168,335,734</u>
Excess of revenues over (under) expenditures	<u>(14,652,281)</u>	<u>(18,454,549)</u>	<u>(21,030,927)</u>	<u>(18,331,198)</u>	<u>(28,826,507)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	11,436,221	9,138,114	11,930,446	15,408,658	6,063,542
Transfers out	(5,886,221)	(7,238,114)	(11,649,042)	(14,217,374)	(5,535,931)
Bonds issued	11,114,070	11,328,252	18,245,000	22,065,000	21,500,000
Refunding bonds issued	-	-	-	-	-
Payments to escrow agent	(5,719,690)	-	-	-	-
Capital leases (refunding in 1999)	5,692,203	-	269,085	-	-
Total other financing sources (uses)	<u>16,636,583</u>	<u>13,228,252</u>	<u>18,795,489</u>	<u>23,256,284</u>	<u>22,027,611</u>
Net change in fund balances	\$ <u>1,984,302</u>	<u>(5,226,297)</u>	<u>(2,235,438)</u>	<u>4,925,086</u>	<u>(6,798,896)</u>
County capital outlay (other than for education) contained in functional expenditure categories, above	\$ <u>8,826,108</u>	<u>12,184,921</u>	<u>13,589,067</u>	<u>8,092,149</u>	<u>5,452,015</u>
GASB 44 debt service disclosure (primary government): (2)					
Debt service as a percentage of noncapital expenditures, primary government, governmental funds	<u>12.6%</u>	<u>12.2%</u>	<u>11.9%</u>	<u>11.7%</u>	<u>11.3%</u>
Self-imposed debt margin compliance (total reporting entity): (1)					
Noncapital expenditures - total reporting entity	\$ 143,778,780	159,335,005	172,838,681	184,410,271	195,661,023
Debt service as a percent of noncapital expenditures - total reporting entity	<u>8.9%</u>	<u>8.2%</u>	<u>8.1%</u>	<u>8.3%</u>	<u>7.9%</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. For this purpose, capital outlay consists of total expenditures of the County and School Improvements Funds (Capital Projects Funds), and noncapital expenditures consist of total expenditures of the reporting entity, exclusive of the Capital Projects Funds. This table shows how the County has met this self-imposed debt limit for each of the past ten fiscal years. Information about additional self-imposed debt limits is presented on page 126.
- (2) **GASB 44 debt service disclosure**
 This table also shows debt service as a percent of noncapital expenditures for the governmental funds of the primary government only (excluding component units), as required by GASB Statement No. 44. For this purpose, capital outlay is defined in accordance with GASB 44 as the amount of capital assets constructed or acquired during the fiscal year in accordance with the County's asset capitalization policy.
- (3) Certain estimates and reclassifications have been made to conform with the presentations required by GASB Statements No. 34 and 44.
- (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 1999 - 2004 have been restated to include revenues, expenditures and other financing sources (uses) of the School Improvements Fund.

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

Fiscal Year					
2004	2005	2006	2007	2008	
87,102,894	94,604,793	104,909,885	116,138,314	127,752,615	REVENUES
23,059,560	25,475,779	28,190,135	27,952,788	29,953,700	General property taxes
2,382,618	2,723,338	2,741,893	2,840,734	2,570,668	Other local taxes
755,612	900,479	922,784	979,511	967,867	Permits, privilege fees and regulatory licenses
469,494	739,604	1,778,603	2,948,143	2,507,279	Fines and forfeitures
6,808,704	7,763,532	9,799,667	9,163,731	8,165,843	Revenues from use of money and property
651,467	341,392	902,337	534,902	654,065	Charges for services
3,465,357	4,025,895	4,938,320	4,901,798	6,824,257	Miscellaneous
31,953,115	30,661,978	31,784,408	31,601,395	34,398,123	Recovered costs
156,648,821	167,236,790	185,968,032	197,061,316	213,794,417	Intergovernmental (state and federal)
					Total revenues
					EXPENDITURES
9,996,622	10,820,949	11,842,572	12,998,848	13,604,057	General governmental administration
2,904,596	3,417,726	3,797,463	3,864,913	4,342,825	Judicial administration
28,867,772	33,448,190	36,508,483	40,357,437	47,391,988	Public safety
11,347,662	10,121,770	8,691,474	8,361,994	12,212,146	Public works
17,409,953	18,643,912	20,000,898	21,453,342	22,960,809	Human services
4,314,220	4,780,299	5,393,280	6,564,538	9,221,302	Parks, recreation and cultural
4,254,248	4,507,798	4,920,539	5,313,263	5,547,312	Community development
					Education expenditures, for:
59,586,631	60,195,699	65,364,031	67,881,714	75,940,541	Instruction, operations and administration
11,261,499	9,924,452	23,847,050	21,461,655	22,020,675	Capital outlay
					Debt service:
8,055,740	8,873,194	8,666,075	10,064,060	10,888,261	Principal retirement
5,794,545	5,268,461	5,389,377	5,592,647	5,936,066	Interest and fiscal charges
84,698,415	84,261,806	103,266,533	105,000,076	114,785,543	Total education, primary government
					Debt service:
1,527,625	1,448,913	1,185,722	1,220,185	1,578,504	Principal retirement
605,076	476,297	408,199	453,555	727,242	Interest and fiscal charges
165,926,189	171,927,660	196,015,163	205,588,151	232,371,728	Total expenditures
(9,277,368)	(4,690,870)	(10,047,131)	(8,526,835)	(18,577,311)	Excess of revenues over (under) expenditures
					OTHER FINANCING SOURCES (USES)
7,742,528	9,472,429	12,732,206	12,970,459	16,327,577	Transfers in
(6,282,077)	(9,527,429)	(12,982,206)	(13,589,531)	(16,557,255)	Transfers out
-	17,097,408	14,739,643	21,487,759	14,614,880	Bonds issued
-	-	-	14,653,901	-	Refunding bonds issued
-	-	-	(14,538,703)	-	Payments to escrow agent
-	-	-	-	-	Capital leases (refunding in 1999)
1,460,451	17,042,408	14,489,643	20,983,885	14,385,202	Total other financing sources (uses)
(7,816,917)	12,351,538	4,442,512	12,457,050	(4,192,109)	Net change in fund balances
5,722,320	3,651,890	4,724,911	7,706,846	11,459,039	County capital outlay (other than for education) contained in functional expenditure categories, above
10.7%	10.1%	9.3%	9.8%	9.6%	GASB 44 Debt Service Disclosure (primary government): (2) Debt service as a percentage of noncapital expenditures, primary government, governmental funds
214,131,882	232,429,030	249,296,596	273,302,713	292,793,745	Self-imposed debt margin compliance (total reporting entity): (1) Noncapital expenditures - total reporting entity Debt service as a percent of noncapital expenditures - total reporting entity
7.5%	6.9%	6.3%	6.3%	6.5%	

To assist the reader, the fiscal year 2008 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 2008	Self-imposed	GASB 44
	Total	
	Reporting	Primary
	Entity	Government
	(Note 1)	(Note 2)
Total expenditures	\$ 331,043,062	232,371,728
Less:		
Capital Outlay	(38,249,317)	(33,479,714)
Noncapital expenditures	\$ 292,793,745	198,892,014
Debt service expenditures	\$ 19,130,073	19,130,073
As a % of noncapital expenditures	6.5%	9.6%

COUNTY OF HANOVER, VIRGINIA

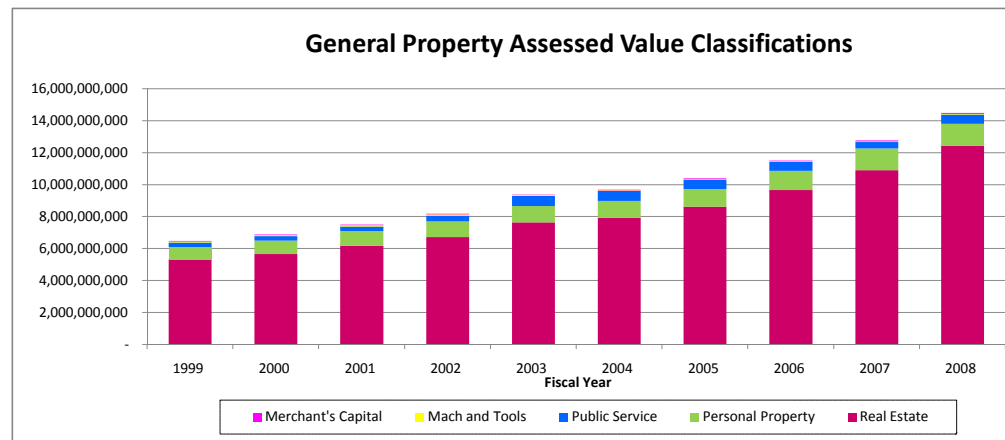
Assessed Value and Estimated Actual Value of Taxable Property (1,2)

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
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	1.14	13,888,502,922	91.8%
2008	12,406,058,400	1,394,357,395	47,647,920	51,861,300	570,955,157	14,470,880,172	1.08	15,673,250,517	92.3%
% Change	13.9%	2.5%	-6.8%	6.0%	43.3%	13.5%		12.9%	
% Ch. Since 1999	133.3%	80.1%	-28.8%	71.8%	112.8%	124.1%		109.3%	
% of Total	85.7%	9.6%	0.3%	0.4%	3.9%	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 October 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 this format prior to 2002.
 (7) Market valuation estimates include: machinery and tools estimated at 90% of cost, real estate (including Public Service Corporation real estate) based on traditional 105% sales/assessment ratio, personal property based on 112% trade to book ratio.

Source: County of Hanover, Virginia Treasurer's Office

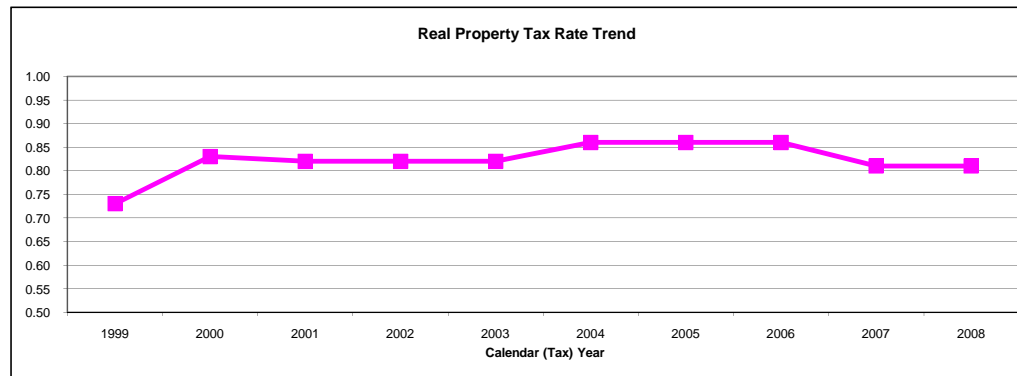


COUNTY OF HANOVER, VIRGINIA
 Direct and Overlapping Property Tax Rates
 Last Ten Calendar (Tax) Years

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	
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	1.14	0.07	0.77	0.77	
2008	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.08	0.07	0.77	0.77	
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-5.3%	0.0%	0.0%	0.0%	
% Ch. Since 1999	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 October 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	2008			1999		
		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	\$ 274,448,549	1	1.9%	\$ 47,957,085	8	0.7%
Memorial Regional Medical Center	Hospital	119,191,630	2	0.8%	65,386,100	3	1.0%
Virginia Electric and Power Company	Electric company	110,742,880	3	0.8%	98,380,577	1	1.5%
Kings Dominion	Amusement park	79,693,745	4	0.6%	57,195,095	5	0.9%
Verizon Virginia (2008)/ Bell Atlantic-Virginia (1999)	Telecommunications	61,198,536	5	0.4%	60,756,786	4	0.9%
Richmond Newspapers, Inc/Media General, Inc.	Newspaper publisher	54,379,290	6	0.4%	72,511,995	2	1.1%
Supervalue	Grocery wholesaler	52,288,065	7	0.4%	51,483,940	6	0.8%
Bear Island Paper Company	Paper mill	50,786,755	8	0.4%	47,999,770	7	0.7%
Covenant Woods	Nursing home	38,200,825	9	0.3%	-	n/a	-
Rappahannock Electric Coop	Electric company	27,338,855	10	0.2%	-	n/a	-
Virginia Natural Gas	Natural gas distributor	-	n/a	-	23,749,466	9	0.4%
AMF, Inc.	Bowling Manufacture	-	n/a	-	22,150,660	10	0.3%
		\$ <u>868,269,130</u>		<u>6.0%</u>	\$ <u>547,571,474</u>		<u>8.5%</u>
Total taxable assessed values		\$ <u>14,470,880,172</u>			\$ <u>6,458,129,529</u>		

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

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

(3) n/a = not applicable (taxpayer not in top 10 taxpayers of applicable year)

COUNTY OF HANOVER, VIRGINIA

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
1999	\$ 63,068,958	\$ -	-	\$ -	\$ -	-
2000	70,620,311	-	-	-	-	-
2001	79,780,410	-	-	-	-	-
2002	85,936,924	83,891,211	97.6%	2,038,141	85,929,352	100.0%
2003	90,962,517	86,678,830	95.3%	4,068,853	90,747,683	99.8%
2004	98,276,555	95,328,641	97.0%	2,699,341	98,027,982	99.7%
2005	106,293,313	102,152,923	96.1%	3,645,744	105,798,667	99.5%
2006	117,153,995	113,003,453	96.5%	2,696,457	115,699,910	98.8%
2007	128,606,341	123,943,881	96.4%	1,476,891	125,420,772	97.5%
2008	139,951,410	134,776,945	96.3%	-	134,776,945	96.3%

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

Governmental Activities									
General Bonded Debt Outstanding (1)									
Fiscal Year	General Obligation Bonds	Virginia Public School 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
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%	86,997	1,002	10,703,864
2001	34,820,000	53,048,590	10,804,500	98,673,090	8,634,189,299	1.1%	88,912	1,110	9,723,514
2002	52,925,000	47,821,877	11,868,750	112,615,627	9,375,815,313	1.2%	91,522	1,230	8,571,225
2003	71,530,000	43,158,143	10,839,000	125,527,143	10,437,673,444	1.2%	93,596	1,341	7,405,117
2004	68,635,000	38,532,153	9,909,250	117,076,403	10,734,661,024	1.1%	95,480	1,226	5,456,935
2005	64,740,000	50,093,709	9,079,500	123,913,209	11,517,095,356	1.1%	96,541	1,284	5,218,579
2006	60,745,000	59,820,042	8,249,750	128,814,792	12,689,954,469	1.0%	98,084	1,313	4,427,857
2007	78,260,000	54,136,732	7,519,000	139,915,732	13,888,502,922	1.0%	98,946	1,414	3,602,672
2008	73,085,000	62,277,427	6,788,250	142,150,677	15,673,250,517	0.9%	100,328	1,417	2,739,169
% Change	-6.6%	15.0%	-9.7%	1.6%	12.9%	-10.0%	1.4%	0.2%	-24.0%
% Ch. Since 1999	284.3%	17.1%	-41.1%	69.8%	109.3%	-18.9%	18.6%	43.2%	-76.9%

Business-type Activities										
Total Primary Government					Self-Imposed Debt Limit Information (3)					
Fiscal Year	Revenue Bonds	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 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 Capita Income (6)
		Total Primary Government	Total Personal Income (2)	Per Capita Personal Income (2)						
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	31,460	4.2%	1,319	97,851,234	1.4%	1,125	2,770
2001	16,550,000	124,946,604	2,987,059	33,596	4.2%	1,405	108,396,604	1.4%	1,219	2,937
2002	16,505,000	137,691,852	3,111,045	33,992	4.4%	1,504	121,186,852	1.5%	1,324	3,313
2003	26,597,684	159,529,944	3,235,870	34,573	4.9%	1,704	132,932,260	1.4%	1,420	3,631
2004	36,205,779	158,739,117	3,430,347	35,927	4.6%	1,663	122,533,338	1.3%	1,283	3,259
2005	33,868,168	162,999,956	3,655,733	37,867	4.5%	1,688	129,131,788	1.2%	1,338	3,272
2006	41,051,727	174,294,376	3,796,669	38,708	4.6%	1,777	133,242,649	1.2%	1,358	3,328
2007	40,953,945	184,472,349	3,944,739	39,868	4.7%	1,864	143,518,404	1.1%	1,450	3,510
2008	39,324,531	184,214,377	4,098,584	40,852	4.5%	1,836	144,889,846	1.0%	1,444	3,480
% Change	-4.0%	-0.1%	3.9%	2.5%	-3.9%	-1.5%	1.0%	-11.1%	-0.4%	-0.9%
% Ch. Since 1999	128.7%	63.3%	62.2%	36.8%	0.7%	37.7%	51.6%	-32.4%	27.8%	24.1%

- Notes:
- (1) Bond amounts are reported gross, excluding premiums and/or discounts and deferred amounts on refundings. See Financial Statement Note IV-E for additional information on outstanding debt.
 - (2) Population data for 1999 through 2007, and personal income and per capita personal income data for 1999 through 2006 is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce. The population estimate for 2008 was obtained from the Hanover County Planning Department. Personal income for 2007 and 2008 is estimated at 103.9% 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 120 - 121 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 (\$1,938 for fiscal year 2008). The policy ceiling was \$1,400 through 2005, and \$1,800 for 2006.
 - (6) The County's debt policy provides that general bonded debt per Per Capita Income will not exceed \$5,000.

COUNTY OF HANOVER, VIRGINIA

Direct and Overlapping Governmental Activities Debt

June 30, 2008

	<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	\$ 985,000	80.5%	\$ 793,006	
Direct debt (1)	County of Hanover	142,150,677		142,150,677	(3)
Total direct and overlapping debt				<u>\$ 142,943,683</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 120, 121 and 126 in this Statistical Section.

COUNTY OF HANOVER, VIRGINIA

Pledged Revenue Coverage (1)

Last Ten Fiscal Years

Utility - Water and Sewer Revenue Bonds

Fiscal Year	Utility Revenues (3)	Less: Operating Expenses (4)	Net Available Revenues	Debt Service Requirements		Net Available Revenues Coverage (5)	Utility - Debt Covenant Coverage Ratio (1,2,6)		
				Principal	Interest		Debt Service		Debt Covenant Coverage Test
							Senior Debt Service	Subordinate Debt Service	
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	1,680,484	2.8	3,513,740	200,415	2.5
2008	34,519,573	15,127,475	19,392,098	2,254,088	1,572,342	5.1	3,622,625	203,805	4.4
% Change			86.1%	10.8%	-6.4%	80.7%	3.1%	1.7%	80.7%
% Ch. Since 1999			67.5%	-16.4%	26.4%	72.5%	95.6%	-90.2%	61.7%

Airport Revenue Bond

Fiscal Year	Rent received from Airport Fixed Base Operator	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Available Revenues Coverage (5)	Airport - Debt Covenant Coverage Ratio (1,7)			
				Principal	Interest		Rent Received	Restricted cash - (used during current FY or available at FYE for debt service)	Lessee irrevocable letter of credit pledged for satisfaction of debt covenant ratio	Debt Covenant Coverage Test

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

- (2) For comparability, the utility debt covenant coverage test for 1999 through 2005 has been restated to comply with current water and sewer system revenue bond covenants. The County was in compliance with all utility debt coverage ratios applicable to those years before restatement, as demonstrated in the statistical sections of the Comprehensive Annual Financial Reports for those years.
- (3) Utility revenues exclude donated capital assets.
- (4) Utility operating expenses exclude depreciation.
- (5) The net available revenues coverage equals net available revenues divided by total debt service requirements.
- (6) The utility debt covenant coverage ratios assist users to assess the County's legal compliance with its utility debt service covenant requirements. The County's water and sewer revenue bonds debt covenant requires the ratio of utilities net available revenues divided by the sum of 115% of senior debt service and 100% of subordinate debt service to exceed 1.0.
- (7) During fiscal 2007, the County issued an airport revenue bond, secured by rent from the airport's fixed base operator. The airport bond had no debt service requirement or debt covenant requirement for fiscal 2007. Beginning in fiscal year 2008, the County's airport debt covenant requires the ratio of the sum of rent received from the airport's fixed base operator, restricted cash used during the fiscal year (FY) or available at fiscal year-end (FYE) for airport bond debt service, and the amount of any lessee irrevocable letter of credit, divided by the airport bond principal and interest paid during the fiscal year to equal or exceed 1.25. The lease agreement with the airport's fixed base operator contains scheduled rent increases consistent with the availability of the property to the lessee, designed to meet the debt covenant coverage requirement during the lease term.

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
1999	84,602	\$ 2,527,277	29,873	34.5	1.4%	15,834	1,088	14.6
2000	86,997	2,736,940	31,460	37.4	1.6%	16,306	1,157	14.1
2001	88,912	2,987,059	33,596	37.4	2.5%	16,633	1,210	13.7
2002	91,522	3,111,045	33,992	37.4	3.1%	17,198	1,245	13.8
2003	93,596	3,235,870	34,573	37.4	3.1%	17,580	1,315	13.4
2004	95,480	3,430,347	35,927	37.4	2.8%	17,979	1,381	13.0
2005	96,541	3,655,733	37,867	39.5	2.7%	18,150	1,434	12.7
2006	98,084	3,796,669	38,708	39.2	2.5%	18,518	1,485	12.5
2007	98,946	3,944,739	39,868	38.9	2.5%	18,844	1,563	12.1
2008	100,328	4,098,584	40,852	38.9	3.2%	18,686	1,577	11.8
% Change	1.4%	3.9%	2.5%	0.0%	28.0%	-0.8%	0.9%	-1.7%
% Ch. Since 1999	18.6%	62.2%	36.8%	12.8%	128.6%	18.0%	44.9%	-18.6%

Notes: (1) Population data for 1999 through 2007, and personal income and per capita personal income data for 1999 through 2006 is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce. The population estimate for 2008 was obtained from the Hanover County Planning Department. Personal income for 2007 and 2008 is estimated at 103.9% 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	2007			1998		
		Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Hanover County Schools	Education	2,827	1	5.2%	1,862	1	4.1%
Supervalu Eastern Region	Food Distributor	1,198	2	2.2%	1,308	2	2.9%
Bon Secours Memorial Regional Medical	Hospital/Medical Center	1,183	3	2.2%	1,016	3	2.3%
County of Hanover	Government	1,131	4	2.1%	699	7	1.6%
Kings Dominion	Entertainment	980	5	1.8%	975	4	2.2%
Tyson Foods	Poultry Processing	811	6	1.5%	750	6	1.7%
Wal-Mart Stores	Retail	675	7	1.2%	350	9	0.8%
Media General	Newspaper Print	562	8	1.0%	890	5	2.0%
Owens & Minor	Distributor of Medical/Surgical Supplies	523	9	1.0%	-	n/a	0.0%
AMF Bowling	Corporate Headquarters/Manufacturing	398	10	0.7%	450	8	1.0%
Ukrop's	Grocery Retail	-	n/a	0.0%	315	10	0.7%
		<u>10,288</u>		<u>18.9%</u>	<u>8,615</u>		<u>19.1%</u>

Notes: (1) Sources: County and Schools employment levels provided by the Hanover Department of Human Resources 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 2007.

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Primary government:										
General governmental administration	108	113	117	122	124	126	131	135	138	140
Judicial administration	23	23	37	44	47	49	52	54	54	56
Public safety	260	282	294	317	341	345	381	415	433	457
Public works	47	46	50	53	60	61	64	66	71	72
Human services	132	142	154	173	211	214	220	230	235	222
Parks, recreation and cultural	30	35	40	42	42	42	45	46	47	48
Community development	27	30	30	32	31	31	32	31	33	35
Public utilities	80	81	82	84	88	88	92	92	93	94
Fleet management	15	15	25	26	26	26	26	26	27	27
Totals - Primary government	722	767	829	893	970	982	1,043	1,095	1,131	1,151
Component Unit:										
School Board	1,942	2,029	2,131	2,227	2,373	2,548	2,673	2,713	2,827	2,912
Total:	2,664	2,796	2,960	3,120	3,343	3,530	3,716	3,808	3,958	4,063

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Primary government:										
General governmental administration										
Number of registered voters	46,896	48,030	54,086	54,086	56,000	56,000	58,741	62,960	63,059	65,290
Number of real estate transfers	3,953	3,928	3,142	3,907	4,024	4,024	3,689	3,490	3,293	3,564
State income tax returns processed	22,500	27,399	33,000	25,000	25,000	25,000	12,529	10,200	12,225	10,790
Judicial administration										
Judgments docketed	-	-	3,139	3,139	2,230	2,540	2,513	3,104	3,330	3,024
Public safety										
Sheriff incidents	41,157	42,683	43,137	43,748	47,089	49,788	49,783	46,259	42,340	42,928
Number of sworn officers	150	149	148	153	158	160	170	180	189	196
EMS incidents	8,545	8,724	9,322	9,032	9,430	9,010	9,376	9,382	9,194	9,095
Fire incidents	7,901	8,112	8,670	8,678	9,151	8,725	8,789	9,401	10,712	7,954
Animal control incidents	5,298	5,883	6,487	7,272	6,946	6,169	6,720	6,866	8,018	7,881
Commercial building plan reviews	99	98	201	301	303	358	532	467	517	624
Residential building plan reviews	1,227	974	925	1,763	1,727	1,643	1,518	1,608	1,427	1,330
Public works										
Tons of solid waste received	39,000	42,000	37,000	35,500	34,600	34,600	37,714	37,710	37,086	39,621
Tons of solid waste recycled	-	-	-	-	-	-	14,342	13,716	14,000	15,821
Human services										
Communicable disease visits/investigations	-	-	-	317	300	300	585	873	689	533
Immunization visits	7,504	3,229	3,319	3,088	3,300	3,300	1,650	1,005	693	501
Restaurant inspection visits	362	499	248	248	330	330	689	590	1,068	1,449
Social services lobby visits	-	-	-	8,288	9,866	9,866	9,764	9,425	10,150	12,143
Social services telephone calls received	-	-	-	29,995	43,288	43,288	35,950	30,521	28,206	22,413
Number of community volunteers on record	5,500	5,500	6,043	6,315	5,712	5,712	6,216	5,900	6,750	6,524
Estimated volunteer hours reported	249,250	200,000	188,600	180,800	213,860	373,484	412,678	441,135	459,224	382,729
County employees United Way contribution	35,630	35,630	38,583	53,401	45,943	45,943	51,958	55,344	60,115	64,896
Parks, recreation and cultural										
Active Library borrowers	24,117	26,361	30,125	33,476	37,641	37,641	45,422	49,311	52,657	49,741
Internet sessions	-	-	28,640	33,409	41,765	41,765	61,023	66,218	70,189	72,132
Library reference questions answered	-	-	-	-	-	-	148,470	169,834	193,942	214,373
Community development										
Economic development services to existing/prospective businesses	411	415	295	295	410	410	455	423	350	387
Public utilities										
Water customers	13,655	14,394	16,500	17,241	17,918	18,389	18,825	19,260	19,472	19,742
Wastewater customers	12,916	13,644	14,600	15,678	16,143	16,597	17,001	17,384	17,661	17,931
Water samples collected	-	-	-	-	-	277,190	300,865	298,637	303,358	284,908
Daily average water distributed (million gallons/day)	7.30	7.70	7.96	6.35	6.20	6.52	6.35	7.30	8.80	8.50
Maximum daily water capacity (million gallons/day)	10.93	10.90	12.00	10.93	16.00	16.00	19.95	19.95	19.95	19.95
Daily average wastewater treatment (million gallons/day)	5.40	5.44	5.23	5.29	5.80	6.06	6.29	5.43	6.20	5.60
Maximum daily capacity of wastewater treatment plant (mg/d)	6.78	6.78	8.40	6.78	8.48	8.48	13.48	13.48	13.50	13.50
Fleet management										
School buses serviced	-	-	237	250	261	261	302	305	302	301
Public safety vehicles serviced	304	317	333	350	371	371	410	420	425	429
Fleet availability	-	-	-	-	96%	96%	97%	96.5%	96.8%	96.7%

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Primary government:										
General governmental administration										
Estimated square feet - all general administrative office space	-	-	42,552	42,552	42,552	42,552	42,552	42,552	42,552	43,436
Judicial administration										
Estimated square feet - all judicial buildings	-	-	40,796	40,796	40,796	40,796	40,796	40,796	58,460	58,460
Public safety										
Estimated square feet - all public safety buildings	-	-	177,577	177,577	177,577	177,577	177,577	177,577	177,577	177,577
Number of sheriff's stations	1	1	1	1	1	1	1	1	1	1
Correctional facility inmate capacity	429	429	429	429	429	429	429	429	437	437
Number of fire/EMS stations	16	16	16	16	16	16	16	16	16	16
Public works										
Estimated square feet - all public works	-	-	17,565	17,565	17,565	17,565	17,565	17,565	17,565	17,565
Number of solid waste convenience centers	6	6	6	6	6	6	6	6	6	6
County Airport - acres in facility	176	202	202	202	210	210	210	232	232	232
Aircraft hanger spaces - County Airport	40	40	40	40	40	40	40	40	46	54
Aircraft tie-down spaces	56	56	56	56	56	56	56	56	56	56
Length of runway (ft)	4,650	4,650	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400
Human services										
Estimated square feet of facilities	-	-	53,120	53,120	53,120	53,120	53,120	53,120	53,120	53,120
Parks, recreation and cultural										
Number of County parks/boat launch	10	10	11	11	11	11	11	11	12	14
Park acreage	695	695	705	705	705	705	756	756	809	1,081
Public utilities										
Miles of water mains	225	225	287	225	310	351	354	355	366	380
Number of fire hydrants	1,825	1,825	1,825	1,825	1,825	1,826	1,915	1,941	2,041	2,162
Miles of sanitary sewers	257	257	257	302	303	333	346	348	347	356
Number of wastewater treatment plants	3	3	3	3	3	4	4	4	4	4
Fleet management										
Number of vehicles maintained (3)	469	486	915	955	969	982	1,075	1,085	1,100	1,145
School Board Component Unit:										
Number of elementary schools	12	12	12	13	13	13	13	13	14	14
Number of secondary schools	6	6	7	7	7	8	8	8	9	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



**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, 2008, and have issued our report thereon dated November 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

A 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*.

We noted a certain matter that we reported to management of the County in a separate letter dated November 12, 2008.

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

Cherry, Bekaert + Holland, LLP

Richmond, Virginia
November 11, 2008



**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 (the “County”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County’s management. Our responsibility is to express an opinion on the County’s compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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

Cherry, Beckett + Holland, LLP

Richmond, Virginia
November 11, 2008



**Independent Auditor's 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, 2008, and have issued our report thereon dated November 11, 2008.

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	Comprehensive Services Act
Cash and Investments	Social Service
Conflicts of Interest	Education
Debt Provisions	
Retirement Systems	
Procurement	
Unclaimed Property	

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, School Board, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert + Holland, LLP

Richmond, Virginia
November 11, 2008

COUNTY OF HANOVER, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Fiscal Year Ended June 30, 2008

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>
Child Nutrition Cluster	10.553 and 10.555
Title I Grants to Local Education Agencies	84.010
Congressionally Mandated Projects	66.202
Block Grant for Prevention and Treatment of Substance Abuse	93.959

8. Dollar threshold to distinguish between Types A and B Programs: **\$375,436**
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
Barbara J. Horlacher, Accountant
Nancy M. Mancuso, Account Clerk

BUDGET

Marcia E. Cotov, Budget Division Director
Les E. Beasley, Analyst
Amanda L. Lickey, 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

