



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia (the "County") as of and for the year ended June 30, 2009, and have issued our report thereon dated November 3, 2009. 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*.

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 3, 2009



**Independent Auditors' Report On Compliance With Requirements Applicable to  
Each Major Program and on Internal Control Over Compliance  
In Accordance With OMB Circular A-133**

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

**Compliance**

We have audited the compliance of the County of Hanover, Virginia, (the "County"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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, 2009.

**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.

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 3, 2009

**COUNTY OF HANOVER, VIRGINIA**  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2009

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	Program Clusters	Federal Expenditures
<b>DEPARTMENT OF AGRICULTURE:</b>			
Direct Payments:			
Child and Adult Care Food Program	10.558		\$ 26,980
Pass-through Payments:			
Department of Agriculture and Consumer Services:			
National School Lunch Program - Cafeteria (commodities)	10.555	\$ 262,495	
Department of Education:			
School Breakfast Program	10.553	173,801	
National School Lunch Program	10.555	894,361	
Total Child Nutrition Cluster			1,330,657
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		460,634
<b>DEPARTMENT OF DEFENSE:</b>			
Direct Payments:			
JROTC	12.000		198,507
<b>DEPARTMENT OF INTERIOR:</b>			
Direct Payments:			
Payments in Lieu of Taxes (PILT)	15.226		9,182
<b>DEPARTMENT OF JUSTICE:</b>			
Direct Payments:			
Bulletproof Vest Partnership Program	16.607		8,431
Edward Byrne Memorial Justice Assistance Grant Program	16.738		1,111
Pass-through Payments:			
Department of Criminal Justice Services:			
Juvenile Justice and Delinquency Prevention_Allocation to States (09-B5430JJ08)	16.540		54,295
Crime Victim Assistance (SVC-06-051-22)	16.575		19,515
<b>DEPARTMENT OF TRANSPORTATION</b>			
Direct Payments:			
Department of Aviation:			
Airport Improvement Program	20.106		1,148,484
Pass-through Payments:			
Department of Transportation:			
Highway Planning and Construction	20.205		42,919
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Direct Payments:			
Congressionally Mandated Projects	66.202		104,866
<b>DEPARTMENT OF EDUCATION:</b>			
Pass-through Payments:			
Department of Education:			
Adult Education - Basic Grants to States (V002A080046)	84.002		55,323
Title I Grants to Local Education Agencies (S010A080046)	84.010		664,816
Career and Technical Education - Basic Grants to States (V048A080046)	84.048		147,213
Special Education_Grants to States (H027A080107; 042-87020A-H027A070107)	84.027	3,168,324	
Special Education_Preschool Grants (H173A080112)	84.173	79,373	
Total Special Education Cluster			3,247,697
Special Education-Grants for Infants and Families (720C-04118-07-13)	84.181		74,140
Safe and Drug-Free Schools and Communities_National Programs (Q184E070137)	84.184		197,022
Safe and Drug-Free Schools and Communities_State Grants (Q186A080048)	84.186		36,410
State Grants for Innovative Programs (S298A070047)	84.298		7,933
Education Technology State Grants (S318X080046)	84.318		20,828

**COUNTY OF HANOVER, VIRGINIA**  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2009

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	Program Clusters	Federal Expenditures
<b>DEPARTMENT OF EDUCATION, CONTINUED:</b>			
Special Education - State Personnel Development	84.323		\$ 26,446
English Language Acquisition Grants (T365A080046)	84.365		27,013
Improving Teacher Quality State Grants (S367A080044)	84.367		323,390
Compensation Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - General	84.397		935,966
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
Direct Payments:			
Head Start (03CH0337)	93.600		866,133
Pass-through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		111,320
Temporary Assistance for Needy Families	93.558		182,435
Refugee & Entrant Assistance_State Administered Programs	93.566		3,392
Low-Income Home Energy Assistance	93.568		9,650
Child Care and Development Block Grant	93.575	373,776	
ARRA - Child Care and Development Block Grant	93.575	1,965	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	266,293	
ARRA - Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	265	
Total CCDF Cluster			642,299
Chafee Education and Training Vouchers Program (ETV)	93.599		7,279
Child Welfare Services_State Grants	93.645		1,653
Foster Care_Title IV-E	93.658		192,019
ARRA - Foster Care_Title IV-E	93.658		16,305
Adoption Assistance	93.659		121,964
ARRA - Adoption Assistance	93.659		13,971
Social Services Block Grant	93.667		126,894
Chafee Foster Care Independence Program	93.674		10,002
Children's Health Insurance Program	93.767		30,754
Medical Assistance Program	93.778		603,453
Department of Mental Health, Mental Retardation, and Substance Abuse Services:			
Block Grants for Community Mental Health Services (44506-50138)	93.958		82,527
Block Grants for Prevention and Treatment of Substance Abuse (44501-50148 & 50178)	93.959		400,652
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Direct Payments:			
AmeriCorps	94.006		18,883
<b>DEPARTMENT OF HOMELAND SECURITY:</b>			
Direct Payments:			
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083		400,108
Pass-through Payments:			
United Way:			
Emergency Food and Shelter National Board Program	97.024		11,275
Department of Emergency Management:			
Hazard Mitigation Grant (FEMA-1544-DR-VA-0011)	97.039		152,991
			\$ 13,175,736

## COUNTY OF HANOVER, VIRGINIA

### Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

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#### 1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule or SEFA) includes all federal grant activity of the County of Hanover, Virginia (the County), and its component units. The County's reporting entity is defined in Note 1 of the County's basic financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies 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. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

The American Recovery and Reinvestment Act of 2009 (ARRA, or Act) was signed into law on February 17, 2009. As of June 30, 2009, the County has been a sub-recipient of certain ARRA funds passed through the Virginia Compensation Board and the Virginia Department of Social Services, and has separately identified the expenditure of these Federal awards under the ARRA on the accompanying Schedule of Expenditure of Federal Awards by inclusion of the prefix "ARRA" in the grant program name on the SEFA.

Subsequent to June 30, the County also received notification that it has been awarded an ARRA grant from the Department of Justice as a prime (direct) recipient. Pursuant to the Act, the County is required to report all direct ARRA awards received and expended on a cumulative basis, to [www.FederalReporting.gov](http://www.FederalReporting.gov), on October 10, 2009, and on the 10<sup>th</sup> day after the end of each calendar quarter thereafter. The public may access ARRA reports at [www.Recovery.gov](http://www.Recovery.gov).

#### 4. 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.

**COUNTY OF HANOVER, VIRGINIA**  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2009

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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.

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Revenue from the Federal government	\$ 13,241,854
Federal awards revenue recognized:	
In prior fiscal years, spent this fiscal year	24,253
In current fiscal years, but not spent	<u>(90,371)</u>
Expenditures of Federal awards	<u>\$ 13,175,736</u>

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**5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

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

**COUNTY OF HANOVER, VIRGINIA**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2009

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**A. Summary of Auditors' Results**

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

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<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
Airport Improvement Program	20.106
Special Education Cluster	84.027 and 84.173
ARRA - State Fiscal Stabilization Fund - General	84.397
Head Start	93.600

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10. Dollar threshold to distinguish between Types A and B Programs: **\$395,272**
11. The County of Hanover was determined to be a low risk auditee.

**B. Findings - Financial Statement Audit**

NONE

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

NONE

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

There were no findings reported in the prior year.