

COUNTY OF HANOVER, VIRGINIA

Exhibit 3

Governmental Funds

Balance Sheet

June 30, 2009

	General	Capital Funds		Other	Total
		County Improvements	School Improvements	Governmental Funds	Governmental Funds
ASSETS					
Cash, cash equivalents and investments	\$ 30,859,680	10,795,106	2,205,793	781,226	44,641,805
Receivables (net of allowances for uncollectibles)	62,702,890	1,258,253	-	833,248	64,794,391
Inventories	18,041	-	-	-	18,041
Cash, cash equivalents and investments - restricted	-	438,458	-	-	438,458
Total assets	\$ 93,580,611	12,491,817	2,205,793	1,614,474	109,892,695
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,500,156	450,101	1,690,532	633,019	4,273,808
Accrued liabilities	2,344,184	-	-	343,867	2,688,051
Deferred revenue	56,819,467	-	-	-	56,819,467
Total liabilities	60,663,807	450,101	1,690,532	976,886	63,781,326
Fund Balances:					
Reserved for:					
Encumbrances	439,993	8,018,764	767,571	-	9,226,328
Inventory	18,041	-	-	-	18,041
Grant programs	237,352	-	-	35,457	272,809
Debt service	-	438,458	-	-	438,458
Total reserved	695,386	8,457,222	767,571	35,457	9,955,636
Unreserved, reported in:					
Designated for specific purposes (Note V-B)					
General Fund	7,727,214	-	-	-	7,727,214
Capital projects funds	-	3,584,494	-	-	3,584,494
Special revenue funds	-	-	-	2,131	2,131
Undesignated, reported in					
General Fund	24,494,204	-	-	-	24,494,204
Capital projects funds	-	-	(252,310)	-	(252,310)
Special revenue funds	-	-	-	600,000	600,000
Total unreserved	32,221,418	3,584,494	(252,310)	602,131	36,155,733
Total fund balances	32,916,804	12,041,716	515,261	637,588	46,111,369
Total liabilities and fund balances	\$ 93,580,611	12,491,817	2,205,793	1,614,474	

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.	\$ 231,479,605
Receivables on the statement of net assets that do not provide current financial resources are not reported in the funds.	5,026,539
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.	833,065
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.	1,369,457
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(163,876,575)
Net assets of governmental activities	<u>\$ 120,943,460</u>

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 4

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2009

	General	County Improvements	School Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Revenue from local sources:					
General property taxes	\$ 134,631,877	-	-	-	134,631,877
Other local taxes	27,050,122	-	-	-	27,050,122
Permits, privilege fees and regulatory licenses	1,756,291	-	-	-	1,756,291
Fines and forfeitures	1,111,383	-	-	-	1,111,383
Revenues from use of money and property	1,316,408	13,488	9,678	46,577	1,386,151
Charges for services	3,229,942	869,887	588,002	3,294,773	7,982,604
Miscellaneous	797,131	-	-	42,295	839,426
Recovered costs	2,947,549	3,391,643	-	338,319	6,677,511
Revenue from the Commonwealth	22,390,370	1,317,696	326,719	4,868,525	28,903,310
Revenue from the Federal government	3,920,077	195,910	-	552,472	4,668,459
Total revenues	199,151,150	5,788,624	924,399	9,142,961	215,007,134
EXPENDITURES					
Current:					
General governmental administration	13,088,532	132,825	-	-	13,221,357
Judicial administration	4,694,394	909,367	-	-	5,603,761
Public safety	44,760,881	16,988,756	-	-	61,749,637
Public works	7,533,494	7,968,891	-	-	15,502,385
Human services	7,991,501	222,021	-	15,981,626	24,195,148
Parks, recreation and cultural	6,295,937	3,787,777	-	-	10,083,714
Community development	5,940,549	-	-	-	5,940,549
Education	94,796,185	-	11,718,838	-	106,515,023
Debt service:					
Principal retirement	1,697,930	-	-	-	1,697,930
Interest and fiscal charges	514,194	90,652	269,840	-	874,686
Total expenditures	187,313,597	30,100,289	11,988,678	15,981,626	245,384,190
Excess (deficiency) of revenues over (under) expenditures	11,837,553	(24,311,665)	(11,064,279)	(6,838,665)	(30,377,056)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	6,483,672	2,608,000	6,947,908	16,039,580
Transfers out	(16,372,661)	-	-	-	(16,372,661)
Issuance of general obligation bonds	-	10,765,000	9,450,000	-	20,215,000
Premium on general obligation bonds issued	-	831,974	632,574	-	1,464,548
Issuance of general obligation refunding bonds	-	-	22,375,000	-	22,375,000
Premium on general obligation refunding bonds issued	-	-	2,587,676	-	2,587,676
Payments to refunded bonds escrow agent	-	-	(24,758,539)	-	(24,758,539)
Total other financing sources (uses)	(16,372,661)	18,080,646	12,894,711	6,947,908	21,550,604
Net change in fund balance	(4,535,108)	(6,231,019)	1,830,432	109,243	(8,826,452)
Fund balances - beginning	37,451,912	18,272,735	(1,315,171)	528,345	54,937,821
Fund balances - ending	\$ 32,916,804	12,041,716	515,261	637,588	46,111,369

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

COUNTY OF HANOVER, VIRGINIA**Exhibit 5**

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, 2009

Net change in fund balance - total governmental funds	\$ (8,826,452)
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.	16,501,881
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.	1,309,491
Tenancy in Common (see note V. C.) - 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.	2,686,843
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).	1,131,010
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 (\$46,642,224), exceeded the sum of principal payments (\$1,697,930), payments to escrow agent to refund bonds (\$24,758,539), and payments of \$11,336,693 to the School Component Unit for debt principal reduction.	(8,849,062)
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.	776,796
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.	(1,086,967)
Change in net assets of governmental activities	<u>\$ 3,643,540</u>

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 6

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from local sources:				
General property taxes	\$ 135,792,050	135,792,050	134,631,877	(1,160,173)
Other local taxes	32,387,995	32,387,995	27,050,122	(5,337,873)
Permits, privilege fees and regulatory licenses	2,361,000	2,361,000	1,756,291	(604,709)
Fines and forfeitures	1,128,000	1,128,000	1,111,383	(16,617)
Revenues from use of money and property	1,518,368	1,518,368	1,316,408	(201,960)
Charges for services	3,145,500	3,145,500	3,229,942	84,442
Miscellaneous	567,652	490,360	797,131	306,771
Recovered costs	2,714,445	2,744,083	2,947,549	203,466
Revenue from the Commonwealth	23,218,000	22,821,193	22,390,370	(430,823)
Revenue from the Federal government	4,214,000	5,240,090	3,920,077	(1,320,013)
Total revenues	<u>207,047,010</u>	<u>207,628,639</u>	<u>199,151,150</u>	<u>(8,477,489)</u>
EXPENDITURES				
General governmental administration	13,935,907	14,227,557	13,088,532	1,139,025
Judicial administration	4,636,879	5,056,011	4,694,394	361,617
Public safety	46,196,143	47,195,152	44,760,881	2,434,271
Public works	7,994,919	8,347,897	7,533,494	814,403
Human services	8,426,716	8,797,820	7,991,501	806,319
Parks, recreation and cultural	6,457,111	6,532,403	6,295,937	236,466
Community development	5,963,903	7,359,594	5,940,549	1,419,045
Education	97,450,900	97,450,900	94,796,185	2,654,715
Debt service:				
Principal retirement	1,697,930	1,697,930	1,697,930	-
Interest and fiscal charges	1,874,529	1,049,453	514,194	535,259
Total debt service	<u>3,572,459</u>	<u>2,747,383</u>	<u>2,212,124</u>	<u>535,259</u>
Total expenditures	<u>194,634,937</u>	<u>197,714,717</u>	<u>187,313,597</u>	<u>10,401,120</u>
Excess of revenues over expenditures	<u>12,412,073</u>	<u>9,913,922</u>	<u>11,837,553</u>	<u>1,923,631</u>
OTHER FINANCING USES				
Transfers out	<u>22,041,573</u>	<u>21,476,400</u>	<u>16,372,661</u>	<u>5,103,739</u>
Net change in fund balance	(9,629,500)	(11,562,478)	(4,535,108)	7,027,370
Fund balances - beginning	9,629,500	37,451,912	37,451,912	-
Fund balances - ending	<u>\$ -</u>	<u>25,889,434</u>	<u>32,916,804</u>	<u>7,027,370</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, 2009

Exhibit 7

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Public Utilities	Airport	Total	
ASSETS				
Current Assets:				
Cash, cash equivalents and investments	\$ 28,841,396	1,553,023	30,394,419	5,052,809
Receivables (net of allowances for uncollectibles)	3,897,692	4,011	3,901,703	76,356
Inventories	-	-	-	203,043
Total current assets	32,739,088	1,557,034	34,296,122	5,332,208
Noncurrent Assets:				
Cash, cash equivalents and investments - restricted	3,432,646	12,361	3,445,007	-
Capital assets:				
Land	6,354,137	3,932,827	10,286,964	-
Buildings and system	78,164,145	3,669,137	81,833,282	-
Improvements other than buildings	180,614,400	8,090,789	188,705,189	-
Machinery and equipment	6,293,322	27,041	6,320,363	1,166,997
Construction in progress	6,904,059	44,700	6,948,759	-
Less accumulated depreciation	(89,690,436)	(3,238,636)	(92,929,072)	(920,225)
Total capital assets (net of accumulated depreciation)	188,639,627	12,525,858	201,165,485	246,772
Total noncurrent assets	192,072,273	12,538,219	204,610,492	246,772
Total assets	224,811,361	14,095,253	238,906,614	5,578,980
LIABILITIES				
Current Liabilities:				
Accounts payable	1,288,621	805,759	2,094,380	376,776
Incurred but not reported self-insurance claims	-	-	-	2,265,000
Accrued liabilities	227,496	3,713	231,209	74,519
Accrued bond interest	362,585	43,530	406,115	-
Unearned revenue	-	-	-	1,343,414
Current portion of bonds payable	2,166,460	57,640	2,224,100	-
Current portion of compensated absences	474,815	4,135	478,950	-
Current portion of contractual obligations	152,966	-	152,966	-
Total current liabilities	4,672,943	914,777	5,587,720	4,059,709
Noncurrent Liabilities:				
Bonds payable	32,956,513	1,656,145	34,612,658	-
Compensated absences	65,677	546	66,223	149,814
Deposits	217,139	-	217,139	-
Capacity fee credits	374,830	-	374,830	-
Long-term contractual obligations	487,075	-	487,075	-
Total noncurrent liabilities	34,101,234	1,656,691	35,757,925	149,814
Total liabilities	38,774,177	2,571,468	41,345,645	4,209,523
NET ASSETS				
Invested in capital assets, net of related debt	152,501,783	10,812,073	163,313,856	246,772
Restricted for debt covenants	3,432,646	12,361	3,445,007	-
Unrestricted	30,102,755	699,351	30,802,106	1,122,685
Total net assets	\$ 186,037,184	11,523,785	197,560,969	1,369,457

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, 2009

Exhibit 8

	Business-type Activities - Enterprise Funds			Governmental
	Public Utilities	Airport	Total	Activities - Internal Service Funds
OPERATING REVENUES				
Revenue from use of money and property	\$ -	106,093	106,093	-
Charges for services	20,986,161	-	20,986,161	26,201,341
Capacity fees	116,836	-	116,836	-
Recovered cost	-	-	-	405,525
Miscellaneous	134,077	3,075	137,152	3,193
Total operating revenues	21,237,074	109,168	21,346,242	26,610,059
OPERATING EXPENSES				
Personal services	4,651,925	74,326	4,726,251	1,254,222
Fringe benefits	1,448,506	20,933	1,469,439	441,025
Health care claims and benefits	-	-	-	26,029,627
Contractual services	3,410,151	33,707	3,443,858	140,491
Internal services	1,300,638	-	1,300,638	-
Other charges	5,617,806	17,684	5,635,490	219,496
Depreciation	7,560,426	397,545	7,957,971	117,536
Total operating expenses	23,989,452	544,195	24,533,647	28,202,397
Operating income (loss)	(2,752,378)	(435,027)	(3,187,405)	(1,592,338)
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues:				
Revenue from the Commonwealth	-	17,908	17,908	-
Revenue from the Federal government	104,866	1,148,484	1,253,350	-
Capacity fees - nonoperating	3,145,803	-	3,145,803	-
Interest income	1,096,737	258	1,096,995	318,205
Gain on sale of capital assets	-	-	-	129,137
Total nonoperating revenues	4,347,406	1,166,650	5,514,056	447,342
Nonoperating expenses:				
Interest expense and fiscal charges:				
Senior debt	1,310,070	87,765	1,397,835	-
Subordinate debt and fiscal charges	18,670	-	18,670	-
Other	-	802,248	802,248	-
Total nonoperating expenses	1,328,740	890,013	2,218,753	-
Net nonoperating revenues	3,018,666	276,637	3,295,303	447,342
Income (loss) before capital contributions and transfers	266,288	(158,390)	107,898	(1,144,996)
Capital contributions	5,363,711	-	5,363,711	58,029
Transfers in	-	333,081	333,081	-
Change in net assets	5,629,999	174,691	5,804,690	(1,086,967)
Total net assets - beginning	180,407,185	11,349,094	191,756,279	2,456,424
Total net assets - ending	\$ 186,037,184	11,523,785	197,560,969	1,369,457

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 9

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2009

	Business-type Activities -			Governmental
	Enterprise Funds			Activities -
	Public Utilities	Airport	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 21,246,452	109,168	21,355,620	-
Receipts from interfund services provided	-	-	-	27,947,384
Payments to suppliers and service providers	(11,725,296)	(77,975)	(11,803,271)	(431,405)
Payments to employees	(4,593,960)	(73,599)	(4,667,559)	(1,681,392)
Claims and benefits paid	-	-	-	(25,473,383)
Net cash provided (used) by operating activities	4,927,196	(42,406)	4,884,790	361,204
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds - operating	-	164,081	164,081	-
Net cash provided by noncapital financing activities	-	164,081	164,081	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Revenue bonds issued	110,051	-	110,051	-
Transfers from other funds - capital	-	169,000	169,000	-
Intergovernmental revenue received - capital grants	104,866	1,203,510	1,308,376	-
Capacity fees received	3,186,729	-	3,186,729	-
Acquisition and construction of capital assets	(8,951,938)	(48,929)	(9,000,867)	(104,405)
Payments on long-term contractual obligations	(152,966)	-	(152,966)	-
Principal payments on revenue bonds	(2,151,427)	(54,819)	(2,206,246)	-
Interest payments on revenue bonds	(1,515,884)	(89,158)	(1,605,042)	-
Proceeds from sale of capital assets	-	-	-	129,137
Net cash provided (used) by capital and related financing activities	(9,370,569)	1,179,604	(8,190,965)	24,732
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,096,737	258	1,096,995	318,205
Net cash provided by investing activities	1,096,737	258	1,096,995	318,205
Net increase (decrease) in cash and cash equivalents	(3,346,636)	1,301,537	(2,045,099)	704,141
Cash and cash equivalents at beginning of year	35,620,678	263,847	35,884,525	4,348,668
Cash and cash equivalents at end of year	\$ 32,274,042	1,565,384	33,839,426	5,052,809
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (2,752,378)	(435,027)	(3,187,405)	(1,592,338)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	7,560,426	397,545	7,957,971	117,536
(Increase) decrease in:				
Receivables	(28,848)	-	(28,848)	296,770
Inventory	-	-	-	(16,116)
Increase (decrease) in:				
Customer deposits	38,232	-	38,232	-
Accounts payable	51,802	(5,651)	46,151	230,959
Incurred but not reported self-insurance claims	-	-	-	(30,000)
Accrued liabilities	11,678	(114)	11,564	969
Unearned revenue	-	-	-	1,343,414
Compensated absences	46,284	841	47,125	10,010
Total adjustments	7,679,574	392,621	8,072,195	1,953,542
Net cash provided (used) by operating activities	\$ 4,927,196	(42,406)	4,884,790	361,204
Noncash investing, capital, and financing activities:				
Capital contributions	\$ 5,363,711	-	5,363,711	58,029
Capitalized interest	\$ 165,623	-	165,623	-

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

COUNTY OF HANOVER, VIRGINIA**Exhibit 10**

Statement of Fiduciary Net Assets

June 30, 2009

	Retiree Medical Benefits Trust	Agency Funds
	<u>Trust</u>	<u>Funds</u>
ASSETS		
Cash, cash equivalents and investments	\$ -	\$ 2,652,499
Receivables	751	284,475
Investments, at fair value (mutual funds):		
Money market	408,329	-
Domestic equity	488,503	-
International equity	310,920	-
Fixed income	467,585	-
Other	80,681	-
Total assets	<u>1,756,769</u>	<u>\$ 2,936,974</u>
LIABILITIES		
Accounts payable	-	\$ 985,730
Accrued liabilities	-	348,442
Deposits	-	1,602,802
Total liabilities	<u>-</u>	<u>\$ 2,936,974</u>
NET ASSETS		
Held in trust for other postemployment benefits	<u>\$ 1,756,769</u>	

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

COUNTY OF HANOVER, VIRGINIA**Exhibit 11**Retiree Medical Benefits Trust Fund
Statement of Changes in Plan Net Assets
For the Year Ended June 30, 2009

	Retiree Medical Benefits Trust
ADDITIONS	
Contributions	
Employer	\$ 1,825,400
Plan member	712,632
Total contributions	<u>2,538,032</u>
Investment earnings	(74,699)
Total additions	<u>2,463,333</u>
DEDUCTIONS	
Benefits	<u>1,436,874</u>
Net increase in plan net assets	1,026,459
Net assets held in trust for other postemployment benefits	
Beginning	730,310
Ending	<u>\$ 1,756,769</u>

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