

COUNTY OF HANOVER, VIRGINIA

Exhibit 3

Governmental Funds

Balance Sheet

June 30, 2011

	Capital Funds			Other	Total
	General	County Improvements	School Improvements	Governmental Funds	Governmental Funds
ASSETS					
Cash, cash equivalents and investments	\$ 45,494,383	12,792,862	5,040,496	1,263,222	64,590,963
Receivables (net of allowances for uncollectibles)	61,165,169	46,223	-	674,293	61,885,685
Inventories	147,333	-	-	-	147,333
Cash, cash equivalents and investments - restricted	70,810	2,733,737	965	-	2,805,512
Total assets	\$ 106,877,695	15,572,822	5,041,461	1,937,515	129,429,493
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	1,559,421	439,647	2,279,895	828,397	5,107,360
Accrued liabilities	2,317,593	-	-	336,617	2,654,210
Deferred revenue	55,702,221	-	-	-	55,702,221
Total liabilities	59,579,235	439,647	2,279,895	1,165,014	63,463,791
Fund Balances:					
Nonspendable	147,333	-	-	-	147,333
Restricted	532,845	6,048,439	-	55,489	6,636,773
Committed	2,500,000	-	-	-	2,500,000
Assigned	19,552,419	9,084,736	2,761,566	717,012	32,115,733
Unassigned	24,565,863	-	-	-	24,565,863
Total fund balances	47,298,460	15,133,175	2,761,566	772,501	65,965,702
Total liabilities and fund balances	\$ 106,877,695	15,572,822	5,041,461	1,937,515	

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.	\$ 243,727,069
Receivables on the statement of net assets that do not provide current financial resources are not reported in the funds.	5,842,198
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.	379,243
The Self-Insurance Fund is an Internal Service Fund used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Self-Insurance Fund are included in governmental activities in the statement of net assets.	3,058,813
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(180,856,517)
Net assets of governmental activities	<u>\$ 138,116,508</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, 2011

	County	School	Other	Total
	Improvements	Improvements	Governmental	Governmental
	General		Funds	Funds
REVENUES				
Revenue from local sources:				
General property taxes	\$ 130,806,022	-	-	130,806,022
Other local taxes	26,856,220	-	-	26,856,220
Permits, privilege fees and regulatory licenses	1,771,735	-	-	1,771,735
Fines and forfeitures	1,234,619	-	-	1,234,619
Revenues from use of money and property	655,398	4,709	3,761	663,868
Charges for services	3,225,294	361,552	603,388	3,543,789
Miscellaneous	651,197	10,008	-	67,545
Recovered costs	3,474,847	266,047	-	198,983
Revenue from the Commonwealth	22,252,411	947,774	-	5,031,054
Revenue from the Federal government	4,039,426	234,065	-	476,870
Total revenues	<u>194,967,169</u>	<u>1,824,155</u>	<u>607,149</u>	<u>9,318,241</u>
				<u>206,716,714</u>
EXPENDITURES				
Current:				
General governmental administration	12,538,269	726,608	-	-
Judicial administration	4,234,501	4,173	-	-
Public safety	44,662,823	7,608,514	-	-
Public works	7,162,008	1,886,280	-	-
Human services	8,118,380	2,082,661	-	15,916,902
Parks, recreation and cultural	6,008,905	1,558,678	-	-
Community development	5,295,128	179,779	-	-
Education	84,083,310	-	7,862,399	-
Debt service:				
Principal retirement	2,065,489	-	-	-
Interest and fiscal charges	1,518,217	286,485	39,959	-
Total expenditures	<u>175,687,030</u>	<u>14,333,178</u>	<u>7,902,358</u>	<u>15,916,902</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,280,139</u>	<u>(12,509,023)</u>	<u>(7,295,209)</u>	<u>(6,598,661)</u>
				<u>(7,122,754)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,129,800	400,000	6,666,515
Transfers out	(9,530,584)	-	-	-
Issuance of general obligation bonds	-	11,452,000	1,048,000	-
Premium on general obligation bonds issued	-	283,158	25,913	-
Issuance of general obligation refunding bonds	-	-	5,340,000	-
Premium on general obligation refunding bonds issued	-	-	320,579	-
Issuance of support agreement	-	2,264,580	5,062,456	-
Payments to refunded bonds escrow agents	-	-	(10,844,571)	-
Total other financing sources (uses)	<u>(9,530,584)</u>	<u>16,129,538</u>	<u>1,352,377</u>	<u>6,666,515</u>
				<u>14,617,846</u>
Net change in fund balance	9,749,555	3,620,515	(5,942,832)	67,854
Fund balances - beginning	37,548,905	11,512,660	8,704,398	704,647
Fund balances - ending	<u>\$ 47,298,460</u>	<u>15,133,175</u>	<u>2,761,566</u>	<u>772,501</u>
				<u>65,965,702</u>

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, 2011

Net change in fund balance - total governmental funds	\$ 7,495,092
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.	6,610,841
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.	291,765
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 decrease in the net book value of School Component Unit capital assets reported by the County for the fiscal year, which resulted primarily from a decrease in school construction activity during the fiscal year, and results in a decrease in net assets reported by the County (primary government) on the statement of activities.	(6,183,664)
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).	(850,302)
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 (\$25,796,686), exceeded the sum of principal payments (\$2,315,137), payments to escrow agents to refund bonds (\$10,585,750), and payments of \$11,111,792 to the School Component Unit for debt principal reduction.	(1,784,007)
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.	(516,627)
Internal service funds are used by management to charge the costs of fleet management and self-insurance to individual funds. The change in internal service fund net assets, net of the reassignment of the Fleet Mangement Fund's net assets to the General Fund, is reported with governmental activities.	694,542
Change in net assets of governmental activities	<u>\$ 5,757,640</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from local sources:				
General property taxes	\$ 130,517,875	130,517,875	130,806,022	288,147
Other local taxes	26,316,000	26,316,000	26,856,220	540,220
Permits, privilege fees and regulatory licenses	1,645,600	1,645,600	1,771,735	126,135
Fines and forfeitures	1,205,100	1,205,100	1,234,619	29,519
Revenues from use of money and property	1,509,000	1,509,000	655,398	(853,602)
Charges for services	3,606,953	3,606,953	3,225,294	(381,659)
Miscellaneous	752,152	663,940	651,197	(12,743)
Recovered costs	3,013,961	3,110,610	3,474,847	364,237
Revenue from the Commonwealth	22,099,809	22,413,777	22,252,411	(161,366)
Revenue from the Federal government	3,617,728	4,075,810	4,039,426	(36,384)
Total revenues	194,284,178	195,064,665	194,967,169	(97,496)
EXPENDITURES				
General governmental administration	13,017,243	13,845,626	12,538,269	1,307,357
Judicial administration	4,463,331	4,511,784	4,234,501	277,283
Public safety	45,084,087	46,064,588	44,662,823	1,401,765
Public works	7,308,220	8,015,933	7,162,008	853,925
Human services	8,378,620	8,417,537	8,118,380	299,157
Parks, recreation and cultural	6,118,472	6,350,691	6,008,905	341,786
Community development	5,808,088	6,059,114	5,295,128	763,986
Education	93,017,000	93,017,000	84,083,310	8,933,690
Debt service:				
Principal retirement	2,192,376	2,192,376	2,065,489	126,887
Interest and fiscal charges	3,153,943	2,344,989	1,518,217	826,772
Total debt service	5,346,319	4,537,365	3,583,706	953,659
Total expenditures	188,541,380	190,819,638	175,687,030	15,132,608
Excess of revenues over expenditures	5,742,798	4,245,027	19,280,139	15,035,112
OTHER FINANCING USES				
Transfers out	10,210,574	10,403,374	9,530,584	872,790
Total other financing uses	10,210,574	10,403,374	9,530,584	872,790
Net change in fund balance	(4,467,776)	(6,158,347)	9,749,555	15,907,902
Fund balances - beginning	4,467,776	37,548,905	37,548,905	-
Fund balances - ending	\$ -	31,390,558	47,298,460	15,907,902

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, 2011

Exhibit 7

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Public Utilities	Airport	Total	
ASSETS				
Current Assets:				
Cash, cash equivalents and investments	\$ 17,686,089	359,330	18,045,419	6,492,528
Receivables (net of allowances for uncollectibles)	4,003,026	576,776	4,579,802	69,066
Total current assets	21,689,115	936,106	22,625,221	6,561,594
Noncurrent Assets:				
Cash, cash equivalents and investments - restricted	3,454,766	-	3,454,766	-
Capital assets:				
Land	6,354,137	4,491,692	10,845,829	-
Buildings and system	83,164,409	3,669,137	86,833,546	-
Improvements other than buildings	203,853,386	8,090,789	211,944,175	-
Machinery and equipment	8,318,856	29,783	8,348,639	-
Construction in progress	3,348,056	85,483	3,433,539	-
Less accumulated depreciation	(105,946,251)	(4,025,919)	(109,972,170)	-
Total capital assets (net of accumulated depreciation)	199,092,593	12,340,965	211,433,558	-
Total noncurrent assets	202,547,359	12,340,965	214,888,324	-
Total assets	224,236,474	13,277,071	237,513,545	6,561,594
LIABILITIES				
Current Liabilities:				
Accounts payable	1,331,415	29,431	1,360,846	-
Incurred but not reported self-insurance claims	-	-	-	2,030,000
Accrued liabilities	212,926	3,725	216,651	14,643
Accrued bond interest	311,111	40,527	351,638	-
Unearned revenue	-	-	-	1,458,138
Current portion of bonds payable	880,365	63,723	944,088	-
Current portion of compensated absences	472,996	3,931	476,927	-
Current portion of contractual obligations	161,016	-	161,016	-
Current portion of support agreement	1,335,000	-	1,335,000	-
Total current liabilities	4,704,829	141,337	4,846,166	3,502,781
Noncurrent Liabilities:				
Bonds payable	19,412,002	1,531,817	20,943,819	-
Compensated absences	118,392	4,193	122,585	-
Deposits	391,100	-	391,100	-
Capacity fee credits	1,172,675	-	1,172,675	-
Long-term contractual obligations	165,043	-	165,043	-
Support agreement	9,227,075	-	9,227,075	-
Total noncurrent liabilities	30,486,287	1,536,010	32,022,297	-
Total liabilities	35,191,116	1,677,347	36,868,463	3,502,781
NET ASSETS				
Invested in capital assets, net of related debt	177,301,492	10,745,425	188,046,917	-
Restricted for debt covenants	3,454,766	-	3,454,766	-
Unrestricted	8,289,100	854,299	9,143,399	3,058,813
Total net assets	\$ 189,045,358	11,599,724	200,645,082	3,058,813

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 8

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			Governmental
	Public Utilities	Airport	Total	Activities - Internal Service Funds
OPERATING REVENUES				
Revenue from use of money and property	\$ -	178,080	178,080	-
Charges for services	21,625,903	-	21,625,903	29,264,651
Capacity fees	146,951	-	146,951	-
Recovered cost	-	-	-	312,120
Miscellaneous	208,697	-	208,697	48,271
Total operating revenues	21,981,551	178,080	22,159,631	29,625,042
OPERATING EXPENSES				
Personal services	4,509,538	76,645	4,586,183	989,228
Fringe benefits	1,495,202	22,264	1,517,466	363,868
Health care claims and benefits	-	-	-	27,465,709
Contractual services	1,807,374	73,999	1,881,373	101,709
Internal services	1,453,412	-	1,453,412	-
Other charges	5,979,709	43,209	6,022,918	272,625
Depreciation	8,383,983	398,373	8,782,356	106,870
Total operating expenses	23,629,218	614,490	24,243,708	29,300,009
Operating income (loss)	(1,647,667)	(436,410)	(2,084,077)	325,033
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues:				
Revenue from the Commonwealth	-	81,598	81,598	-
Revenue from the Federal government	405,956	540,602	946,558	-
Capacity fees - nonoperating	3,596,197	-	3,596,197	-
Interest income	153,045	-	153,045	84,496
Gain on sale of capital assets	-	-	-	134,917
Total nonoperating revenues	4,155,198	622,200	4,777,398	219,413
Nonoperating expenses:				
Interest expense and fiscal charges:				
Senior debt	1,276,529	81,833	1,358,362	-
Subordinate debt and fiscal charges	9,709	-	9,709	-
Interest expense and fiscal charges	1,286,238	81,833	1,368,071	-
Net nonoperating revenues (expenses)	2,868,960	540,367	3,409,327	219,413
Income before capital contributions and transfers	1,221,293	103,957	1,325,250	544,446
Capital contributions	664,781	-	664,781	10,985
Special item - Fleet Management Fund reassigned to General Fund	-	-	-	(133,181)
Transfers in	-	190,056	190,056	144,213
Change in net assets	1,886,074	294,013	2,180,087	566,463
Total net assets - beginning	187,159,284	11,305,711	198,464,995	2,492,350
Total net assets - ending	\$ 189,045,358	11,599,724	200,645,082	3,058,813

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, 2011

	Business-type Activities -			Governmental
	Enterprise Funds			Activities -
	Public Utilities	Airport	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 22,333,345	178,080	22,511,425	-
Receipts from interfund services provided	-	-	-	29,657,715
Payments to suppliers and service providers	(11,436,457)	(78,139)	(11,514,596)	(335,534)
Payments to employees	(4,487,221)	(114,050)	(4,601,271)	(1,547,821)
Claims and benefits paid	-	-	-	(27,674,387)
Net cash provided (used) by operating activities	6,409,667	(14,109)	6,395,558	99,973
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to General Fund - operating	-	-	-	(133,181)
Transfers from other funds - operating	-	130,056	130,056	144,213
Repayment of advance from General Fund	-	-	-	(100,748)
Net cash provided by noncapital financing activities	-	130,056	130,056	(89,716)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Revenue bonds issued	-	-	-	-
Transfers from other funds - capital	-	60,000	60,000	-
Intergovernmental revenue received - capital grants	405,956	58,307	464,263	-
Capacity fees received	3,311,513	-	3,311,513	-
Developer oversize credits	-	-	-	-
Acquisition and construction of capital assets	(10,988,473)	(570,036)	(11,558,509)	(149,313)
Payments on long-term contractual obligations	(161,017)	-	(161,017)	-
Principal payments on revenue bonds	(2,500,609)	(60,605)	(2,561,214)	-
Interest payments on revenue bonds	(986,327)	(83,372)	(1,069,699)	-
Proceeds from sale of capital assets	-	-	-	382,619
Net cash provided (used) by capital and related financing activities	(10,918,957)	(595,706)	(11,514,663)	233,306
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	153,045	-	153,045	84,496
Net cash provided by investing activities	153,045	-	153,045	84,496
Net increase (decrease) in cash and cash equivalents	(4,356,245)	(479,759)	(4,836,004)	328,059
Cash and cash equivalents at beginning of year	25,497,100	839,089	26,336,189	6,164,469
Cash and cash equivalents at end of year	\$ 21,140,855	359,330	21,500,185	6,492,528
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,647,667)	(436,410)	(2,084,077)	325,033
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	8,383,983	398,373	8,782,356	106,870
(Increase) decrease in:				
Receivables	324,809	-	324,809	(38,775)
Inventory	-	-	-	155,231
(Increase) decrease in deferred revenue	-	-	-	-
Increase (decrease) in:				
Customer deposits	26,985	-	26,985	-
Accounts payable	(700,757)	20,770	(679,987)	(117,268)
Incurred but not reported self-insurance claims	-	-	-	(148,000)
Accrued liabilities	(15,860)	(2)	(15,862)	(54,487)
Unearned revenue	-	-	-	12,382
Compensated absences	38,174	3,160	41,334	(141,013)
Total adjustments	8,057,334	422,301	8,479,635	(225,060)
Net cash provided (used) by operating activities	\$ 6,409,667	(14,109)	6,395,558	99,973
Noncash investing, capital, and financing activities:				
Capital contributions	\$ 664,781	-	664,781	10,985
Capitalized interest	\$ 69,310	-	69,310	-

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, 2011

	Retiree Medical Benefits Trust	Agency Funds
ASSETS		
Cash, cash equivalents and investments	\$ -	\$ 1,691,090
Receivables	2,998	304,172
Investments, at fair value (mutual funds):		
Money market	17,901	-
Domestic equity	1,474,006	-
International equity	486,772	-
Fixed income	1,099,391	-
Other	196,935	-
Total assets	<u>3,278,003</u>	<u>\$ 1,995,262</u>
LIABILITIES		
Accounts payable	-	\$ 959,792
Accrued liabilities	-	388,573
Deposits	-	646,897
Total liabilities	<u>-</u>	<u>\$ 1,995,262</u>
NET ASSETS		
Held in trust for other postemployment benefits	<u>\$ 3,278,003</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, 2011

	<u>Retiree Medical Benefits Trust</u>
ADDITIONS	
Contributions	
Employer	\$ 577,420
Plan member	1,069,144
Total contributions	<u>1,646,564</u>
Investment earnings	560,009
Total additions	<u>2,206,573</u>
DEDUCTIONS	
Benefits	<u>1,646,564</u>
Net increase in plan net assets	560,009
Net assets held in trust for other postemployment benefits	
Beginning	2,717,994
Ending	<u>\$ 3,278,003</u>

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