

COUNTY OF HANOVER, VIRGINIA

Governmental Funds

Balance Sheet

June 30, 2006

	General	County Improvements	School Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and investments	\$ 26,260,261	9,388,465	614,503	362,741	36,625,970
Receivables (net of allowances for uncollectibles)	50,486,892	457,679	173,895	970,182	52,088,648
Due from other funds	175,000	-	-	-	175,000
Inventories	14,712	-	-	-	14,712
Cash, cash equivalents and investments - restricted	-	770,022	7,150,995	-	7,921,017
Total assets	\$ 76,936,865	10,616,166	7,939,393	1,332,923	96,825,347
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,108,127	463,668	1,342,653	440,863	3,355,311
Accrued liabilities	1,794,655	-	-	301,308	2,095,963
Due to other funds	-	-	-	175,000	175,000
Deferred revenue	44,526,193	-	-	-	44,526,193
Total liabilities	47,428,975	463,668	1,342,653	917,171	50,152,467
Fund Balances:					
Reserved for:					
Encumbrances	701,145	1,948,288	4,149,846	295	6,799,574
Inventory	14,712	-	-	-	14,712
Debt service	-	770,022	-	-	770,022
Total reserved	715,857	2,718,310	4,149,846	295	7,584,308
Unreserved, reported in:					
Designated for specific purposes (Note V-B)					
General Fund	7,517,340	-	-	-	7,517,340
Capital Improvement Funds	-	7,342,625	2,418,358	-	9,760,983
Other Governmental Funds	-	-	-	47,130	47,130
Undesignated, reported in					
General Fund	21,274,693	-	-	-	21,274,693
Capital Improvement Funds	-	91,563	28,536	-	120,099
Other Governmental Funds	-	-	-	368,327	368,327
Total unreserved	28,792,033	7,434,188	2,446,894	415,457	39,088,572
Total fund balances	29,507,890	10,152,498	6,596,740	415,752	46,672,880
Total liabilities and fund balances	\$ 76,936,865	10,616,166	7,939,393	1,332,923	

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	\$ 195,264,845
Receivables on the statement of net assets that do not provide current financial resources are not reported in the funds	2,788,077
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	1,168,313
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(141,798,613)
Net assets of governmental activities	<u>\$ 104,095,502</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, 2006

	General	County Improvements	School Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Revenue from local sources:					
General property taxes	\$ 104,909,885	-	-	-	104,909,885
Other local taxes	28,190,135	-	-	-	28,190,135
Permits, privilege fees and regulatory licenses	2,741,893	-	-	-	2,741,893
Fines and forfeitures	922,784	-	-	-	922,784
Revenues from use of money and property	958,821	-	581,053	238,729	1,778,603
Charges for services	4,617,255	1,443,186	851,785	2,887,441	9,799,667
Miscellaneous	749,735	95,245	-	57,357	902,337
Recovered costs	2,677,327	936,457	-	264,236	3,878,020
Revenue from the Commonwealth	22,801,845	1,025,090	481,552	3,473,423	27,781,910
Revenue from the Federal government	3,384,858	91,332	-	526,308	4,002,498
Total revenues	<u>171,954,538</u>	<u>3,591,310</u>	<u>1,914,390</u>	<u>7,447,494</u>	<u>184,907,732</u>
EXPENDITURES					
Current:					
General governmental administration	11,561,027	281,545	-	-	11,842,572
Judicial administration	3,614,782	182,681	-	-	3,797,463
Public safety	34,468,865	2,039,618	-	-	36,508,483
Public works	6,209,171	2,482,303	-	-	8,691,474
Human services	6,511,950	67,202	-	13,421,746	20,000,898
Parks, recreation and cultural	5,094,753	298,527	-	-	5,393,280
Community development	4,920,539	-	-	-	4,920,539
Education	78,403,627	-	24,862,906	-	103,266,533
Debt service:					
Principal retirement	1,185,722	-	-	-	1,185,722
Interest and fiscal charges	408,199	-	-	-	408,199
Total debt service	<u>1,593,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,593,921</u>
Total expenditures	<u>152,378,635</u>	<u>5,351,876</u>	<u>24,862,906</u>	<u>13,421,746</u>	<u>196,015,163</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,575,903</u>	<u>(1,760,566)</u>	<u>(2,948,516)</u>	<u>(5,974,252)</u>	<u>(11,107,431)</u>
OTHER FINANCING SOURCES AND USES					
Other financing sources:					
Issuance of general obligation bonds	-	-	13,962,658	-	13,962,658
Premiums on bonds issued	-	-	776,985	-	776,985
VPSA bond refunding distribution received	-	-	1,060,300	-	1,060,300
Transfers in	-	4,008,389	2,693,000	6,030,817	12,732,206
Total other financing sources	<u>-</u>	<u>4,008,389</u>	<u>18,492,943</u>	<u>6,030,817</u>	<u>28,532,149</u>
Other financing uses:					
Transfers out	12,982,206	-	-	-	12,982,206
Net other financing sources (uses)	<u>(12,982,206)</u>	<u>4,008,389</u>	<u>18,492,943</u>	<u>6,030,817</u>	<u>15,549,943</u>
Net change in fund balance	6,593,697	2,247,823	(4,455,573)	56,565	4,442,512
Fund balances - beginning	22,914,193	7,904,675	11,052,313	359,187	42,230,368
Fund balances - ending	<u>\$ 29,507,890</u>	<u>10,152,498</u>	<u>6,596,740</u>	<u>415,752</u>	<u>46,672,880</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, 2006

Net change in fund balance - total governmental funds	\$ 4,442,512
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 depreciation exceeded capital outlays in the current period.	(782,289)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net assets.	1,540,887
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 an increase in net assets reported by the County (primary government) on the statement of activities.	11,040,309
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).	49,861
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 (\$14,739,643) exceeded the sum of principal payments (\$1,185,722) and payments of \$8,666,075 to the School Component Unit for debt principal reduction.	(4,887,846)
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.	(96,248)
Internal service funds are used by management to charge the costs of fleet management and self-insurance to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	1,319,679
Change in net assets of governmental activities	<u>\$ 12,626,865</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from local sources:				
General property taxes	\$ 101,415,000	101,600,000	104,909,885	3,309,885
Other local taxes	25,647,000	25,662,000	28,190,135	2,528,135
Permits, privilege fees and regulatory licenses	2,753,000	2,766,000	2,741,893	(24,107)
Fines and forfeitures	751,000	755,000	922,784	167,784
Revenues from use of money and property	579,000	579,000	958,821	379,821
Charges for services	4,441,000	4,553,500	4,617,255	63,755
Miscellaneous	539,000	517,268	749,735	232,467
Recovered costs	2,376,000	2,560,446	2,677,327	116,881
Revenue from the Commonwealth	21,597,000	22,005,372	22,801,845	796,473
Revenue from the Federal government	3,472,000	4,238,944	3,384,858	(854,086)
Total revenues	163,570,000	165,237,530	171,954,538	6,717,008
EXPENDITURES				
General governmental administration	11,292,525	12,037,664	11,561,027	476,637
Judicial administration	3,777,741	4,109,824	3,614,782	495,042
Public safety	34,447,673	35,839,228	34,468,865	1,370,363
Public works	6,438,173	6,702,244	6,209,171	493,073
Human services	6,846,639	7,246,465	6,511,950	734,515
Parks, recreation and cultural	4,840,409	5,185,865	5,094,753	91,112
Community development	4,858,085	5,344,793	4,920,539	424,254
Education	80,031,342	80,031,342	78,403,627	1,627,715
Debt service:				
Principal retirement	1,584,000	1,185,800	1,185,722	78
Interest and fiscal charges	963,054	796,702	408,199	388,503
Total debt service	2,547,054	1,982,502	1,593,921	388,581
Total expenditures	155,079,641	158,479,927	152,378,635	6,101,292
Excess of revenues over expenditures	8,490,359	6,757,603	19,575,903	12,818,300
OTHER FINANCING USES				
Transfers out	12,391,359	13,215,748	12,982,206	233,542
Net change in fund balance	(3,901,000)	(6,458,145)	6,593,697	13,051,842
Fund balances - beginning	3,901,000	22,914,193	22,914,193	-
Fund balances - ending	\$ -	16,456,048	29,507,890	13,051,842

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, 2006

	Business-type Activities- Enterprise Fund Public Utilities	Governmental Activities - Internal Service Funds
ASSETS		
Current Assets:		
Cash, cash equivalents and investments	\$ 12,822,726	2,558,176
Receivables (net of allowances for uncollectibles)		
Accounts	4,136,738	175,082
Total receivables	4,136,738	175,082
Inventories	-	180,363
Total current assets	16,959,464	2,913,621
Noncurrent Assets:		
Cash, cash equivalents and investments - restricted	12,876,264	-
Capital assets:		
Land	4,051,674	-
Buildings and system	75,530,017	-
Improvements other than buildings	143,128,803	-
Machinery and equipment	5,816,868	345,664
Construction in progress	8,703,170	-
Less accumulated depreciation	(68,351,248)	(250,100)
Total capital assets (net of accumulated depreciation)	168,879,284	95,564
Total noncurrent assets	181,755,548	95,564
Total assets	198,715,012	3,009,185
LIABILITIES		
Current Liabilities:		
Accounts payable	1,826,014	96,760
Incurred but not reported	-	1,554,000
Accrued liabilities	206,706	64,728
Accrued bond interest	345,444	-
Current portion of bonds payable	1,867,590	-
Current portion of compensated absences	338,040	-
Current portion of contractual obligations	140,889	-
Total current liabilities	4,724,683	1,715,488
Noncurrent Liabilities:		
Bonds payable	38,713,164	-
Compensated absences	110,397	125,384
Deposits	146,599	-
Refundable developer capacity fees	158,950	-
Long-term contractual obligations	937,922	-
Total noncurrent liabilities	40,067,032	125,384
Total liabilities	44,791,715	1,840,872
NET ASSETS		
Invested in capital assets, net of related debt	136,220,116	95,564
Restricted for other purposes	3,716,918	-
Unrestricted	13,986,263	1,072,749
Total net assets	\$ 153,923,297	1,168,313

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, 2006

	Business-type Activities- Enterprise Fund Public Utilities	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ 18,961,499	18,742,734
Capacity fees	22,731	-
Recovered cost	-	17,672
Miscellaneous	241,975	14,611
Total operating revenues	19,226,205	18,775,017
OPERATING EXPENSES		
Personal services	3,891,960	1,026,523
Fringe benefits	1,067,140	279,282
Health care claims	-	16,516,533
Contractual services	2,074,275	49,737
Internal services	1,389,741	208
Other charges	5,934,156	161,603
Depreciation	6,502,971	36,340
Total operating expenses	20,860,243	18,070,226
Operating income (loss)	(1,634,038)	704,791
NONOPERATING REVENUES (EXPENSES)		
Nonoperating revenues:		
Revenue from the Commonwealth	27,965	
Revenue from the Federal government	47,335	
Capacity fees - nonoperating	5,036,244	-
Interest income	588,383	216,220
Gain on sale of capital assets	-	148,668
Total nonoperating revenues	5,699,927	364,888
Nonoperating expenses:		
Interest expense and fiscal charges:		
Senior debt	897,382	-
Subordinate debt and fiscal charges	90,970	-
Interest expense and fiscal charges	988,352	-
Net nonoperating revenues	4,711,575	364,888
Income before capital contributions and transfers	3,077,537	1,069,679
Donated capital assets	3,459,014	-
Transfers in	-	250,000
Change in net assets	6,536,551	1,319,679
Total net assets - beginning	147,386,746	(151,366)
Total net assets - ending	\$ 153,923,297	1,168,313

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, 2006

	Business-type Activities- Enterprise Fund Public Utilities	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 18,370,275	18,599,935
Payments to suppliers and service providers	(9,836,349)	(16,422,482)
Payments to employees	(3,862,670)	(1,299,542)
Net cash provided by operating activities	<u>4,671,256</u>	<u>877,911</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	-	250,000
Intergovernmental revenue received	75,300	-
Net cash provided by noncapital financing activities	<u>75,300</u>	<u>250,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Water and sewer revenue bonds issued, including premium	9,159,347	-
Capacity fees received	5,036,244	-
Refundable developer capacity fee credits	(62,133)	-
Acquisition and construction of capital assets	(10,335,525)	(20,091)
Payments on long-term contractual obligations	(140,889)	-
Principal payments on water and sewer revenue bonds	(1,816,441)	-
Interest payments on water and sewer revenue bonds	(1,490,796)	-
Proceeds from sale of capital assets	-	148,668
Net cash provided by capital and related financing activities	<u>349,807</u>	<u>128,577</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	569,049	216,220
Net cash provided by investing activities	<u>569,049</u>	<u>216,220</u>
Net increase in cash and cash equivalents	5,665,412	1,472,708
Cash and cash equivalents at beginning of year	20,033,578	1,085,468
Cash and cash equivalents at end of year	<u>\$ 25,698,990</u>	<u>2,558,176</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (1,634,038)	704,791
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Nondepartmental and capital expenses	44,242	-
Depreciation expense	6,502,971	36,340
(Increase) decrease in accounts receivable	(933,539)	(175,082)
Increase (decrease) in allowance for uncollectible accounts	71,988	-
(Increase) decrease in inventory	-	(7,847)
Increase (decrease) in customer deposits	(35,224)	-
Increase (decrease) in accounts payable	606,231	(71,677)
Increase (decrease) in incurred but not reported	-	384,000
Increase (decrease) in accrued liabilities	48,838	4,188
Increase (decrease) in compensated absences	(213)	3,198
Total adjustments	<u>6,305,294</u>	<u>173,120</u>
Net cash provided by operating activities	<u>\$ 4,671,256</u>	<u>877,911</u>
Noncash investing, capital, and financing activities:		
Donated capital assets	\$ 3,459,014	-
Capitalized interest	324,146	-

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

COUNTY OF HANOVER, VIRGINIA

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2006

ASSETS

Cash, cash equivalents and investments	\$ 2,631,524
Total assets	<u>\$ 2,631,524</u>

LIABILITIES

Accounts payable	\$ 526,748
Accrued liabilities	4,857
Deposits	2,099,919
Total liabilities	<u>\$ 2,631,524</u>

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