NEW ISSUE
BOOK-ENTRY-ONLY

RATINGS:		
	Fitch..........................	AAA
	Moody's......................	Aaa
	Standard & Poor's............	AAA
	(See "RATINGS" herein)	

In the opinion of Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986 (the "Code") and (ii) is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See "TAX MATTERS" herein for a description of certain other provisions of law which may affect the federal tax treatment of interest on the Bonds. In addition, in the opinion of Bond Counsel, under the existing laws of the Commonwealth of Virginia, such interest is not includable in computing the Virginia income tax.

$29,810,000
COUNTY OF HENRICO, VIRGINIA,
GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS,
SERIES 2008

Dated: Date of Delivery **Due: December 1, as shown on the inside cover**

The County of Henrico, Virginia (the "County"), General Obligation Public Improvement Bonds, Series 2008 (the "Bonds"), in the aggregate principal amount of $29,810,000 will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds will be available to purchasers in the denomination of $5,000, or any integral multiple thereof, under the book-entry-only system maintained by DTC through brokers and dealers who are, or act through, DTC participants. PURCHASERS WILL NOT RECEIVE DELIVERY OF THE BONDS. FOR SO LONG AS ANY PURCHASER IS THE BENEFICIAL OWNER OF A BOND, SUCH PURCHASER MUST MAINTAIN AN ACCOUNT WITH A BROKER OR DEALER WHO IS, OR ACTS THROUGH, A DTC PARTICIPANT TO RECEIVE PAYMENT OF PRINCIPAL OF AND INTEREST ON SUCH BOND. The book-entry-only system of registration of the Bonds is described under "DESCRIPTION OF THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM" in Appendix E. The Bonds mature on December 1 in each of the years 2008 through 2027, both inclusive, in such amounts and having such assigned CUSIP numbers as set forth on the inside cover hereof. Interest on the Bonds is payable at the rates as shown on the inside cover hereof on June 1, 2008 and semiannually on each June 1 and December 1 thereafter. Interest on the Bonds will be calculated on the basis of 360-day year comprised of twelve 30-day months. The Director of Finance of the County is the Registrar and Paying Agent for the Bonds.

The Bonds are subject to redemption prior to their stated maturities as described herein.

The Bonds will be general obligations of the County and the full faith and credit of the County will be irrevocably pledged to the punctual payment of the principal of and interest on the Bonds as the same become due. The Board of Supervisors of the County is authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the County are assessed, levied and collected, a tax upon all taxable property within the County, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds as the same become due and payable to the extent other funds of the County are not lawfully available and appropriated for such purpose.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about January 31, 2008.

Dated: January 10, 2008

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS

Year (December 1)	Principal Amount	Interest Rate	Yield	CUSIP Numbers
2008	$1,490,000	5.00%	2.70%	426056 VA2
2009	1,490,000	5.00	2.65	426056 VB0
2010	1,490,000	5.00	2.68	426056 VC8
2011	1,490,000	3.75	2.76	426056 VD6
2012	1,490,000	3.25	2.84	426056 VE4
2013	1,490,000	3.25	2.92	426056 VF1
2014	1,490,000	3.50	3.00	426056 VG9
2015	1,490,000	5.00	3.09	426056 VH7
2016	1,490,000	5.00	3.20	426056 VJ3
2017	1,490,000	5.00	3.30	426056 VK0
2018	1,490,000	5.00	3.40*	426056 VL8
2019	1,490,000	4.00	3.50*	426056 VM6
2020	1,490,000	4.00	3.57*	426056 VN4
2021	1,490,000	4.00	3.70*	426056 VP9
2022	1,490,000	4.00	3.79*	426056 VQ7
2023	1,490,000	4.00	3.85*	426056 VR5
2024	1,490,000	4.00	3.91*	426056 VS3
2025	1,490,000	4.00	3.97*	426056 VT1
2026	1,495,000	4.00	4.03	426056 VU8
2027	1,495,000	4.00	4.07	426056 VV6

*Priced to Par Call on December 1, 2017

THE COUNTY OF HENRICO, VIRGINIA

BOARD OF SUPERVISORS

DAVID A. KAECHELE, *Chairman*

PATRICIA S. O'BANNON, *Vice Chairman*

JAMES B. DONATI, JR.

RICHARD W. GLOVER

FRANK J. THORNTON

COUNTY OFFICIALS

VIRGIL R. HAZELETT, P.E. *County Manager*

LEON T. JOHNSON, *Deputy County Manager for Administration*

RANDALL R. SILBER, *Deputy County Manager for Community Development*

ROBERT K. PINKERTON, *Deputy County Manager for Community Operations*

GEORGE T. DRUMWRIGHT, JR., *Deputy County Manager for Community Services*

ANGELA N. HARPER, *Deputy County Manager for Special Services*

JOSEPH P. RAPISARDA, JR., *County Attorney*

JOHN A. VITHOULKAS, *Director of Finance*

BOND COUNSEL

Hawkins Delafield & Wood LLP
One Chase Manhattan Plaza, 42nd Floor
New York, New York 10005
(212) 820-9438

FINANCIAL ADVISOR

BB&T Capital Markets,
a division of Scott & Stringfellow, Inc.
909 East Main Street, 8th Floor
Richmond, Virginia 23219
(804) 649-3935

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The Bonds will be exempt from registration under the Securities Act of 1933, as obligations of a political subdivision of the Commonwealth of Virginia. The Bonds will also be exempt from registration under the securities laws of the Commonwealth of Virginia.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County or the successful bidder for the Bonds. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement has been obtained from the County and other sources that are deemed reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the successful bidder for the Bonds. The information in this Official Statement speaks as of its date except where specifically noted otherwise and is subject to change without notice. The delivery of this Official Statement, any sale made under it or any filing or other use of it will not, under any circumstances, create any implication that there has been no change in the affairs of the County since the date of this Official Statement or imply that any information in this Official Statement is accurate or complete as of any later date. This Official Statement is not to be construed as a contract or agreement between either the County and the purchasers or owners of any of the Bonds.

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OFFICIAL STATEMENT
of
THE COUNTY OF HENRICO, VIRGINIA,
relating to its

$29,810,000
GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS, SERIES 2008

INTRODUCTION

This Official Statement, which includes the cover page and appendices, is to provide information in connection with the issuance by the County of Henrico, Virginia (the "County"), a political subdivision of the Commonwealth of Virginia (the "Commonwealth"), of its General Obligation Public Improvement Bonds, Series 2008, in the aggregate principal amount of $29,810,000. The Bonds will be general obligations of the County to the payment of which the full faith and credit of the County are irrevocably pledged. This Official Statement has been approved and authorized by the County for use in connection with the issuance and sale of the Bonds. Financial and other information contained in this Official Statement have been prepared by the County from its records, except where other sources are noted. The information is not intended to indicate future or continuing trends in the financial or economic status of the County. This Official Statement should be read in its entirety.

DESCRIPTION OF THE BONDS

Authorization

The Bonds are to be issued to finance capital improvements in the County. The Bonds were approved by the voters of the County at an election held in the County on March 8, 2005, and were authorized to be issued by a resolution duly adopted by the Board of Supervisors of the County on December 11, 2007 (the "Resolution"), and pursuant to the Public Finance Act of 1991, being Chapter 26, Title 15.2, Code of Virginia of 1950, as amended (the "Act").

General

The full faith and credit of the County are irrevocably pledged to the payment of the Bonds. The Bonds are dated as of the date of their delivery, mature on December 1 in each of the years 2008 through 2027, both inclusive, in the principal amounts as set forth on the inside cover page of this Official Statement and bear interest at the rates set forth on the inside cover page of this Official Statement, payable on June 1, 2008 and semiannually on each June 1 and December 1 thereafter. The Bonds are subject to redemption prior to their stated maturities at the option of the County. See "Redemption of the Bonds."

The principal of the Bonds shall be payable at the office of the Director of Finance of the County, the Registrar and Paying Agent (the "Paying Agent"), upon the presentation and surrender of the Bonds as the same shall become due and payable.

So long as the Bonds are held by DTC, the principal of and interest on the Bonds will be payable by wire transfer to DTC which, in turn, is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described in Appendix E to this Official Statement.

The Bonds will be issued as registered bonds, in the denomination of $5,000 or integral multiples thereof, initially in book-entry form only in the name of Cede & Co., as nominee for DTC. Individual purchases of beneficial ownership in the Bonds will be made in principal amounts of $5,000 and multiples thereof. Individual purchasers of beneficial ownership interest in the Bonds (the "Beneficial Owners") will not receive physical delivery of bond certificates. If the book-entry system is discontinued, bond certificates will be delivered as described in the

Resolution and Beneficial Owners will become registered owners of the Bonds. Registered owners of the Bonds, whether Cede & Co. or, if the book-entry system is discontinued, the Beneficial Owners, will be defined in this Official Statement as the "Bondholders." SO LONG AS CEDE & CO. IS THE SOLE BONDHOLDER, AS NOMINEE FOR DTC, REFERENCE IN THIS OFFICIAL STATEMENT TO BONDHOLDERS MEANS CEDE & CO. AND DOES NOT MEAN THE BENEFICIAL OWNERS.

Book-Entry-Only System

The book-entry-only system of registration of the Bonds is more fully described in Appendix E to this Official Statement.

Redemption of the Bonds

The Bonds maturing on or before December 1, 2017 will not be subject to optional redemption before their respective maturity dates.

The Bonds maturing on or after December 1, 2018 may be redeemed prior to their respective maturity dates, on or after December 1, 2017, at the option of the County, as a whole or in part at any time at a redemption price equal to the principal amount of the Bonds to be redeemed, together with the interest accrued thereon to the date fixed for the redemption thereof.

Notice of any redemption specifying the designation, date and maturity of the Bonds to be redeemed and the date and place fixed for redemption shall be given by first class mail, postage prepaid, not less than 30 days prior to the redemption date, to the registered holder of the Bonds at such holder's address as shown on the books of registration kept by the registrar therefor; *provided, however*, that any defect in such notice shall not affect the sufficiency of the proceedings for the redemption of such Bonds. If such notice is given and payment of the Bond is duly made or provided for, interest thereon shall cease from and after the date so specified for the redemption thereof. Notice of such redemption shall also state that if less than the entire principal amount of a Bond called for redemption is to be redeemed, such Bond must be surrendered in exchange for payment of the principal amount thereof to be redeemed and the issuance of a new Bond or Bonds equalling in principal amount that portion of the principal amount of the surrendered bond not to be redeemed. **During any period that a securities depository, including DTC, is the registered owner of the Bonds, the County will not be responsible for mailing notices of redemption to Beneficial Owners.** See "THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM" in Appendix E.

CAPITAL PROGRAM AND PURPOSES OF ISSUE

The voters of the County, at an election held in the County on March 8, 2005, approved the issuance of general obligation bonds of the County, for the purposes set forth as follows: (i) school capital improvement purposes, (ii) library facilities, (iii) fire stations and facilities, (iv) recreation and parks facilities and (v) various road projects. $349,300,000 of bonds were authorized to be issued at the election held on March 8, 2005 of which approximately $71,557,496 of bonds have been issued to date. The proceeds of the Bonds will be used to finance capital school improvement projects and fire stations and facilities in the County, pursuant to the voter authorization referred to above. It is anticipated that the County will issue and sell the remaining authorization of such bonds from time to time over the next five years.

SECURITY FOR THE BONDS

The Bonds will be general obligations of the County and the full faith and credit of the County will be irrevocably pledged to the punctual payment of the principal of and interest on the Bonds as the same become due. The Board of Supervisors of the County is authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the County are assessed, levied and collected, a tax upon all taxable property within the County, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds as the same become due and payable to the extent other funds of the County are not lawfully available and appropriated for such purpose.

SOURCES AND USES OF FUNDS

The following table summarizes the sources and uses of proceeds of the Bonds to the purposes of issuance described above:

Sources:	
Principal Amount of the Bonds	$29,810,000.00
Original Issue Premium/Discount	1,334,972.55
Total Sources	$31,144,972.55
Uses:	
Deposit to Projects Fund	$30,800,000.00
Issuance Expenses	202,108.12
Underwriting Compensation	142,864.43
Total Uses	$31,144,972.55

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each Fiscal Year ending June 30 the amounts payable as principal of and interest on the Bonds.

Fiscal Year Ending June 30	Debt Service on Outstanding Bonds	Debt Service on the Bonds — Series 2008 Bonds — Principal	Interest	Total	Total Debt Service
2008	$ 41,786,435	$ 0	$ 424,567	$ 424,567	$ 42,211,002
2009	40,417,597	1,490,000	1,225,925	2,715,925	43,133,522
2010	37,280,300	1,490,000	1,151,425	2,641,425	39,921,725
2011	36,114,028	1,490,000	1,076,925	2,566,925	38,680,953
2012	31,758,481	1,490,000	1,011,738	2,501,738	34,260,219
2013	30,730,556	1,490,000	959,588	2,449,588	33,180,144
2014	29,716,928	1,490,000	911,163	2,401,163	32,118,091
2015	27,184,551	1,490,000	860,875	2,350,875	29,535,426
2016	26,290,841	1,490,000	797,550	2,287,550	28,578,391
2017	25,375,666	1,490,000	723,050	2,213,050	27,588,716
2018	22,967,393	1,490,000	648,550	2,138,550	25,105,943
2019	22,150,657	1,490,000	574,050	2,064,050	24,214,707
2020	21,342,009	1,490,000	507,000	1,997,000	23,339,009
2021	18,782,316	1,490,000	447,400	1,937,400	20,719,716
2022	15,460,720	1,490,000	387,800	1,877,800	17,338,520
2023	13,540,244	1,490,000	328,200	1,818,200	15,358,444
2024	10,502,213	1,490,000	268,600	1,758,600	12,260,813
2025	10,090,975	1,490,000	209,000	1,699,000	11,789,975
2026	7,785,794	1,490,000	149,400	1,639,400	9,425,194
2027	3,666,900	1,495,000	89,700	1,584,700	5,251,600
2028	0	1,495,000	29,900	1,524,900	1,524,900
Total†	$472,944,604	$ 29,810,000	$ 12,782,405	$ 42,592,405	$515,537,009

†Totals may not add due to rounding.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986 (the "Code") and (ii) is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel will rely on certain representations, certifications of fact and statements of reasonable expectations made by the County in connection with the Bonds, and Bond Counsel has assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Bond Counsel to the County is also of the opinion that, under the existing laws of the Commonwealth of Virginia, interest on the Bonds is not includable in computing the Virginia income tax.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Bonds. Bond Counsel will render its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The County has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange or other disposition of Premium Bonds.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds.

Prospective purchasers should be aware that the United States Supreme Court has agreed to review *Davis v. Dep't. of Revenue of the Finance and Admin. Cabinet*, 197 S.W. 3d 557 (Ky. App. 2006), *cert. granted* 2007 U.S. LEXIS 5914 (May 21, 2007), a decision of a Kentucky appellate court, which held that provisions of Kentucky tax law that provided more favorable income tax treatment for holders of bonds issued by Kentucky municipal bond issuers than for holders of non-Kentucky municipal bonds violated the Commerce Clause of the United States Constitution. The statutes of the Commonwealth of Virginia provide more favorable Commonwealth of Virginia income tax treatment for holders of bonds issued by the Commonwealth of Virginia and its political subdivisions, including the Bonds, than for bonds issued by other states and their political subdivisions. If the United States Supreme Court were to affirm the holding of the Kentucky appellate court, subsequent Commonwealth of Virginia judicial decisions or legislation designed to ensure the constitutionality of Commonwealth of Virginia tax law could, among other alternatives, adversely affect the Commonwealth of Virginia tax exemption of outstanding bonds, including the Bonds, to the extent constitutionally permissible, or result in the exemption from Commonwealth of Virginia income tax of interest on certain bonds issued by other states and their political subdivisions, either of which actions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

UNDERWRITING

The Bonds were awarded pursuant to electronic competitive bidding via the i-Deal LLC's PARITY Electronic Bid Submission System on January 10, 2008 to a group of underwriters led by Harris N.A. (the "Underwriter") at a purchase price of $31,002,108.12, comprised of the principal amount of the Bonds ($29,810,000.00) plus a premium in the amount of $1,334,972.55, less underwriting compensation in the amount of $142,864.43. The Underwriter has supplied the initial public offering prices shown on the inside cover of this Official Statement. The Underwriter may offer to sell the Bonds to certain dealers and others at prices lower than the initial public offering prices shown on the inside cover page of this Official Statement.

RATINGS

Fitch Ratings, Inc., One State Street Plaza, New York, New York, Moody's Investors Service, 99 Church Street, New York, New York, and Standard & Poor's Ratings Services, 55 Water Street, New York, New York, have assigned ratings of "AAA", "Aaa" and "AAA", respectively, to the Bonds. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The County furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the County. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies, and assumptions of the rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by one or more of such rating agencies if, in the judgment of one or more of them, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the County. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the Bonds.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and validity of the Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the County. The opinion of Bond Counsel relating to the Bonds, the form of which is set forth as Appendix C to this Official Statement, will be furnished at the expense of the County upon delivery of the Bonds and will be appended to the Bonds. Bond Counsel has not prepared this Official Statement and has not verified its accuracy, completeness, or fairness. Accordingly, Bond Counsel will express no opinion of any kind as to the Official Statement, and its opinion will be limited to matters relating to the authorization and validity of the Bonds and the exemption of interest on the Bonds under present Federal and Virginia income tax laws.

Certain other legal matters are to be passed upon for the County by Joseph P. Rapisarda, Jr., County Attorney.

INDEPENDENT AUDITORS

The financial statements of Henrico County, Virginia, as of and for the year ended June 30, 2007, included in this Official Statement as Appendix B have been audited by KPMG LLP, independent auditors, as stated in their report appearing herein.

FINANCIAL ADVISOR

BB&T Capital Markets, a division of Scott & Stringfellow, Inc., 909 East Main Street, Richmond, Virginia 23219, serves as financial advisor to the County on debt management and capital financing matters and has assisted the County in the issuance and sale of the Bonds.

LITIGATION

There is no litigation of any kind now pending or threatened to restrain or enjoin the issuance or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Bonds are being issued. In addition, to the best information, knowledge and belief of the County, there is no litigation currently pending or threatened against the County that, in the event of any unfavorable decision, would have a material adverse effect upon the financial condition of the County.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

The County will furnish to the successful bidder a certificate dated the date of delivery of the Bonds, signed by the County Manager and the Director of Finance, and stating that, both as of the date of this Official Statement and the date of delivery of the Bonds, the descriptions and statements contained in this Official Statement (except in the section entitled "LITIGATION") were and are, to the best of their knowledge, true and correct in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, and that no material adverse change has occurred in the financial condition of the County between the date of this Official Statement and the date of delivery other than as contemplated in this Official Statement. Such certificate will state, however, that the County Manager and the Director of Finance did not independently verify the information in this Official Statement indicated as having been obtained or derived from sources other than the County and its officers but that they have no reason to believe that such information is not accurate.

The County will also furnish to the successful bidder a certificate dated the date of delivery of the Bonds, signed by the County Attorney and stating that, both as of the date of this Official Statement and the date of delivery of the Bonds, the statements in the section herein entitled "LITIGATION" did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE

The County has undertaken in its Continuing Disclosure Certificate, the form of which is attached as Appendix D to this Official Statement, to comply with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"), by providing certain annual financial information and operating data and event notices required by the Rule. Such information is to be filed with all nationally recognized municipal securities information repositories ("NRMSIRs") and with any Virginia qualifying state information depository that may be created.

No state information depository ("SID") has been created for the Commonwealth. If, however, a SID is hereafter created for such state, the County is obligated to make filings and provide notices to the SID as required by the Rule. Investors and other interested parties may contact any NRMSIR for additional information concerning its services. The County makes no representations as to the scope of the services provided to the secondary market by any NRMSIR or as to the costs for the provision of such services by any NRMSIR.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Any questions concerning the contents of this Official Statement should be directed to the following: John A. Vithoulkas, County Director of Finance (804) 501-5200; John J. Conrad, Senior Vice President, BB&T Capital Markets, a division of Scott & Stringfellow, Inc., (804) 649-3935; or Donald G. Gurney, Hawkins Delafield & Wood LLP, (212) 820-9438.

The execution of this Official Statement and its delivery have been duly approved by the County. The County has deemed this Official Statement final as of its date.

COUNTY OF HENRICO, VIRGINIA

/s/ VIRGIL R. HAZELETT, P.E.
County Manager

/s/ JOHN A. VITHOULKAS
Director of Finance

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APPENDIX A

THE COUNTY

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The County of Henrico, Virginia (the "County") is situated in central Virginia and surrounds the City of Richmond (the "City" or "Richmond") on the north side of the James River. Although much of the County's 244.06 square miles consists of highly developed urban and suburban areas, there is also a considerable amount of undeveloped agricultural and forest land. In Virginia, cities and counties are distinct units of government and do not overlap. Thus, the County is responsible for providing all local government services to its residents. Population of the County was estimated to be 305,432 for 2007 and is expected to continue to grow in the foreseeable future.

COUNTY GOVERNMENT

Form of Government

The County is governed by a five-member Board of Supervisors which establishes policies for the administration of the County. Each member of the Board of Supervisors is elected by the voters of the magisterial district in which such member resides. The Chairman of the Board of Supervisors is elected annually by the members. Members of the Board of Supervisors serve four-year terms.

The County elected in 1934 to organize under the County Manager Form of Government (as defined under Virginia law). Under this form of government, the Board of Supervisors appoints a County Manager to serve as the chief executive officer of the County. The County Manager serves at the pleasure of the Board of Supervisors, implements its policies, appoints department heads and directs business and administrative procedures. Also under the County Manager Form of Government, a County Code and modern zoning ordinances are administered and enforced.

Elected Officials

David A. Kaechele, Chairman, was elected from the Three Chopt Magisterial District in November of 1979 and was re-elected in 1983, 1987, 1991, 1995, 1999, 2003 and 2007. Mr. Kaechele is a graduate of Michigan State University and was a Senior Development Engineer at Reynolds Metals Company prior to his retirement in April 1993.

Patricia S. O'Bannon, Vice Chairman, was elected from the Tuckahoe Magisterial District in 1995 and re-elected in 1999, 2003 and 2007. Ms. O'Bannon is a graduate of Virginia Commonwealth University in Richmond. She was formerly an English teacher in the Henrico County school system and an editor of a local newspaper.

James B. Donati, Jr., was elected from the Varina Magisterial District in November of 1991 and re-elected in 1995, 1999, 2003 and 2007. Mr. Donati received his education from Virginia Commonwealth University and is the owner of a landscape contracting business.

Richard W. Glover was elected from the Brookland Magisterial District in November of 1987 and was re-elected in 1991, 1995, 1999, 2003 and 2007. Mr. Glover received his education from Virginia Commonwealth University and J. Sargent Reynolds Community College, and is a retired marketing consultant.

Frank J. Thornton was elected to the Board of Supervisors in 1995 and re-elected in 1999, 2003 and 2007 to represent the Fairfield Magisterial District. Mr. Thornton is a graduate of Virginia Union University in Richmond and The American University, Washington, D.C. He is employed as a professor of French at Virginia Union University.

Certain County Staff Members

Virgil R. Hazelett, P.E., was appointed County Manager on January 14, 1992. He previously served the County as Deputy County Manager for Administration/Chief of Staff, Deputy County Manager for Community Development, County Engineer/Director of Public Works, Deputy Director of Public Works and Traffic Engineer. Prior to coming to the County in 1972, he received a Bachelor's degree in Civil Engineering from West Virginia Institute of Technology and a Master's degree in Civil Engineering from West Virginia University, and held engineering positions in High Point, North Carolina, and West Virginia.

Leon T. Johnson was appointed Deputy County Manager for Administration in 1995. Prior to his appointment he was employed by the City of Suffolk, Virginia, where he served as Director of Finance and Assistant City Manager. Mr. Johnson's educational achievements include a Bachelor's degree in Business Administration and a Master's degree in Public Administration, both from Old Dominion University in Norfolk, Virginia. He is currently completing his Doctor of Philosophy (Ph.D.) in Public Policy and Administration from Virginia Commonwealth University.

Randall R. Silber, a Henrico County employee since 1985, was appointed Deputy County Manager for Community Development effective January 5, 2008. Prior to his appointment, he worked as a County Planner and Principal Planner before being named Assistant Director of Planning in 1996. He served as the Planning Director since 2004. Mr. Silber holds a bachelor's degree from the University of Maryland and a master's degree from the University of Northern Colorado.

Robert K. Pinkerton was appointed Deputy County Manager for Community Operations in December 1994. He previously served Henrico County in the Department of Public Works where he was Director from 1990 until his appointment as Deputy County Manager in 1994. Prior to his work in Henrico County, Mr. Pinkerton worked as an engineer in the City of Richmond, Department of Public Works. Mr. Pinkerton received a Bachelor's degree in Civil Engineering from the Virginia Military Institute and a Masters of Business Administration from Virginia Commonwealth University.

George T. Drumwright, Jr., was appointed Deputy County Manager for Community Services in 1995. He previously has served the County as the Deputy County Manager for Administration, as the Deputy County Manager for Human Services, and as an Administrative Assistant to the County Manager for Human Resources. Prior to coming to the County in 1977, Mr. Drumwright worked as an Administrative Analyst to the City Manager in the City of Norfolk. Mr. Drumwright holds a Bachelor's degree in Business Administration from Old Dominion University and a Master's degree in Public Administration from The American University.

Angela N. Harper, AICP, was appointed Deputy County Manager for Special Services in September 1997. She began her career with Henrico County in 1971 in the Planning Office and was the Director from 1990 until her promotion. Ms. Harper holds a Bachelor of Arts degree in political science from Memphis State University and Masters of Planning and Urban Design from the University of Virginia. She is the past president of the Virginia Chapter of the American Planning association and a past at-large member of the national board of the American Planning Association. On January 5, 1999, she received the Local Official of the Year Award for Region A from the National Association of Home Builders.

Joseph P. Rapisarda, Jr., Esquire, County Attorney, was appointed in 1982. He served as an Assistant County Attorney for Henrico County for five years before being appointed County Attorney. Prior to his service with Henrico County, he served for two years as an associate attorney with May, Miller & Parsons. He is a graduate of the University of Virginia Law School. Mr. Rapisarda is a current member and past president of the Local Government Attorneys of Virginia and the Henrico County Bar Association. He is also a Fellow of the Virginia Law Foundation and a former member of the Professionalism Faculty of the Virginia State Bar.

John A. Vithoulkas was appointed Director of Finance on January 5, 2008. He has served the County as the Director of the Office of Management and Budget. Prior to joining the County in 1997, Mr. Vithoulkas served Chesterfield County, Virginia, as a Lead Analyst in the Department of Budget and Management. Mr. Vithoulkas holds a Bachelor's degree from Virginia Commonwealth University and a Masters of Public Administration from the University of North Carolina at Charlotte. He has served as a Government Finance Officers Association (GFOA) Distinguished Budget Reviewer since 1993.

CERTAIN FINANCIAL PROCEDURES

Annual Financial Statements. The County's general purpose financial statements have been audited and reported on by independent auditors for over 27 fiscal years. The County's general purpose financial statements as of and for the year ended June 30, 2007, included in this Official Statement as Appendix B, have been audited by independent auditors, as stated in their report appearing herein. The County has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its annual financial statements each year since the fiscal year ended June 30, 1981. The Certificate of Achievement is awarded annually for excellence, clarity and comprehensiveness in financial reporting.

The County's comprehensive annual financial report is available for inspection at the office of the Director of Finance, County of Henrico, Parham and Hungary Spring Roads, Post Office Box 27032, Richmond, Virginia 23273.

Description of Funds. The accounts of the County are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund balance, revenues and expenditures. The following is a description of the funds included in the financial records of the County.

General Fund. The General Fund accounts for all revenues and expenditures of the County, which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, local sales taxes, license and permit fees and revenues received from the Commonwealth. A significant part of the General Fund's revenues is used to maintain and operate the general government, which is accounted for in the General Fund, or is transferred to other funds principally to fund debt service requirements and capital projects. Expenditures include, among other things, those for general government, education, public safety, highways and streets, welfare, culture and recreation.

Special Revenue Funds. Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These funds account for the resources obtained and used relating to State and Federal Grants, Mental Health and Mental Retardation programs, the Utility Department's Solid Waste and Street Lighting operations and School Cafeterias.

Enterprise Funds. Enterprise Funds account for operations that are financed in a manner similar to private business enterprises, where the intent of the County is that the cost of providing services to the general public be financed or recovered through charges to users of such services. These Funds account for the operation, maintenance and construction of the County-owned water and sewer system (considered a single segment for financial reporting purposes) and the operation of a County-owned golf course.

Debt Service Fund. This fund accounts for the accumulation of financial resources for the payment of interest and principal on all long-term debt other than that accounted for in Enterprise Funds. Debt Service Fund resources are derived from transfers from the General Fund and Special Revenue Funds.

Internal Service Fund. An Internal Service Fund accounts for the financing of goods or services provided by one department to other departments of the government on a cost-reimbursement basis. The Internal Service Fund accounts for the County's Central Automotive Maintenance operations and the Technology Replacement Fund. Resources for these funds come from interdepartmental charges.

Agency Funds. Agency Funds account for fiduciary funds administered by the County, are custodial in nature, and do not involve measurement of results of operations.

Capital Projects Fund. The Capital Projects Fund accounts for all capital projects other than those accounted for within Enterprise Funds.

Budgetary Procedure

Virginia law requires the County to maintain a balanced budget in each fiscal year. The County lacks legal authority to borrow in anticipation of future years' revenues, except by the issuance of bonds or bond anticipation notes.

Prior to the beginning of each fiscal year the Board of Supervisors adopts a fiscal plan consisting of contemplated expenditures and estimated revenues for such fiscal year. On the basis of the approved fiscal plan, the Board of Supervisors appropriates funds for expenditures and establishes tax rates sufficient to produce the revenues contemplated in the fiscal plan.

The annual budgeting process for a fiscal year begins early in the second quarter of the previous fiscal year with the issuance by the County Manager to all department heads and other key officials of the pertinent guidelines to be observed. Each department or division head will submit all desired personnel change requests and detailed budget requests.

The County Manager and his staff hold hearings with the various departments and after review submit a proposed fiscal plan to the Board of Supervisors. The Board of Supervisors also holds hearings with the departments and, after revisions, authorizes a final budget for publication and public hearing. After the public hearing, further changes may be made before final adoption, which generally occurs in the month of April preceding the start of the fiscal year on July 1.

Appropriations are then made on an annual basis to the various departments, offices and agencies based on annual requests reviewed by the Department of Finance for conformity with the approved annual plan.

SELECTED FINANCIAL INFORMATION

General Fund Revenues and Disbursements. The General Fund is maintained by the County to account for revenue derived from County-wide *ad valorem* taxes, other local taxes, licenses, fees, permits, certain revenue from Federal and State governments and interest earned on invested cash balances in the General Fund. General Fund disbursements include the costs of general County government, School Operations and transfers to the Debt Service and Capital Projects Funds to pay debt service on the County's general obligation bonds and for certain capital improvement projects.

The following is a discussion of the General Fund revenue structure and major classifications of General Fund disbursements. Following this discussion is a five-year summary of General Government revenues, expenditures and fund balances and a summary of the fiscal plan for fiscal year 2008. Please refer to the County's audited financial statements, included in this Official Statement as Appendix B, for a detailed review of General Fund revenues and expenditures for the fiscal year ended June 30, 2007.

Revenues

Property Taxes. An annual *ad valorem* tax is levied by the County on the assessed value of real and tangible personal property located within the County as of January 1. The ratio of the assessed value of property to its appraised value is 100% in the case of real property and varies for the several classes of personal property but generally is 100%. Both real and personal property taxes are collected on June 5 and December 5. There is no limit at the present time on the property tax rates which may be established by the County. In the fiscal year ended June 30, 2007, property taxes (including penalties for late payment of prior years' taxes) represented approximately 40.4% of total General Fund and School Operating receipts. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in April and are payable in two installments on June 5th and December 5th. The County bills and collects its own property taxes. Property taxes levied are recorded as receivables, net of allowance for estimated uncollectible accounts, to the extent that they are currently due.

In April 1998, the Virginia General Assembly passed the Personal Property Tax Relief Act of 1998. The Act provides for the Commonwealth to reimburse a portion of the tangible Personal Property Tax levied on personal use cars, motorcycles and trucks. Reimbursement rates are contingent upon the State meeting revenue projections. If projections are not met, the rates to localities will be frozen at the previous level. The reimbursement was 12.5% of the tax on the first $20,000 of the value of the qualifying vehicle in tax year 1998. The reimbursement rate was 27.5% for tax year 1999 and increased to 47.5% for tax year 2000 and 70% for tax years 2001 through 2005. The reimbursement rate for 2006 and thereafter will be determined by each locality based upon its share of the $950 million allocated by the Commonwealth for personal property tax relief on qualifying vehicles. For tax year 2007, the State reimbursement receivable is reflected as a due from other governments. Revenue for the State reimbursement is recorded as non-categorical aid from the State. Localities will continue to assess and administer the Personal Property Tax program.

Other Local Taxes. The County levies various other local taxes including a 1% sales tax (collected by the State and remitted to the County), various business, professional and occupational license taxes, property transfer recordation taxes, motor vehicle and other vehicle taxes. These receipts represented approximately 14.8% of total General Fund and School Operating receipts in the fiscal year ended June 30, 2007.

Revenues from the Commonwealth of Virginia. The County is reimbursed by the Commonwealth of Virginia for a portion of shared expenses including certain expenditures for social services, the Sheriff's office, courts, the office of the Commonwealth Attorney and the Clerk of the Circuit Court. Additionally, the County receives a share of the net profits from the State Alcoholic Beverage Control Board's liquor sales. The County also receives a significant amount of State aid in support of public school operations. Revenue from the Commonwealth of Virginia represented approximately 39.8% of total General Fund and School Operating receipts in the fiscal year ended June 30, 2007.

Other Revenue. Other sources of revenue including charges for services, recovered costs, permits, privilege fees, regulatory licenses, fines and forfeitures and revenues from the use of money and property accounted for approximately 5.0% of total General Fund Revenue for the fiscal year ended June 30, 2007.

Disbursements

Costs of Education. The County pays from the General Fund the costs of operating the public school system. Federal government and Commonwealth of Virginia funds are credited to the Schools' revenue accounts and used exclusively to finance Schools' operating expenditures. No debt service on School general obligation bonds is paid from funds from the federal government or the Commonwealth of Virginia. This classification represented approximately 51.8% of the total General Fund and School Operating disbursements for fiscal year ending June 30, 2007.

Costs of General County Government. The County pays from the General Fund the costs of general County government. These costs include expenditures for public safety (police, fire, etc.), courts, administration and support, social services, libraries, health, recreation, community development and street and highway maintenance. This classification represented approximately 45.0% of total General Fund and School Operating disbursements in the fiscal year ended June 30, 2007. Included in the costs of general County government are the transfers to debt service and capital project funds discussed below.

Transfer to Debt Service Funds. The County transfers from the General Fund to the Debt Service Fund an amount sufficient to pay principal and interest on County general obligation bonds. Transfers to the Debt

Service Fund represented approximately 6.8% of total General Fund and School Operating disbursements in the fiscal year ended June 30, 2007.

Transfer to Capital Projects Funds. The County transfers from the General Fund to the Capital Projects Fund moneys to pay the cost of certain capital improvements. The General Fund transfer to the Capital Projects Fund represented approximately 11.5% of total General Fund disbursements in the fiscal year ended June 30, 2007.

Summary of General Fund Revenues, Expenditures and Fund Balances

The financial data shown in the following table represents a summary for the five fiscal years ended June 30, 2007, of the County's General and School Operating Fund revenues, expenditures and fund balances. This summary has been derived from the audited financial statements of the County for the five fiscal years ended June 30, 2007 and should be read in connection with those financial statements and notes thereto.

	Fiscal Year Ended June 30				
	2003	2004	2005	2006	2007
Revenues:					
General Property Taxes	$ 240,664,997	$ 259,060,763	$ 284,217,911	$ 313,844632	$ 342,936,509
Other Local Taxes	109,465,444	114,076,223	118,319,653	125,617,029	125,926,766
Permits, Privilege Fees & Regulatory Licenses	4,316,192	4,062,684	4,780,738	4,695,699	4,969,852
Fines & Forfeitures	1,798,554	1,817,655	2,150,209	2,444587	2,639,646
Revenues from Use of Money & Property	7,210,022	2,005,269	6,400,350	9,207,632	16,792,176
Charges far Services	9,606,727	10,511,252	10,467,199	10,474829	7,581,696
Miscellaneous	2,228,738	9,026,499	5,642,594	3,592,904	5,223,516
Recovered Costs	3,501,493	4,259,700	5,309,597	5,545,140	5,368,467
Intergovernmental	229,130,495	253,272,524	277,274,096	298,771,962	337,555,646
Total Revenues	$ 607,922,662	$ 658,092,569	$ 714,562,347	$ 774,194414	$ 848,994,274
Expenditures:					
General Gait. Admin.	$ 50,862,445	$ 51,831,427	$ 56,183,872	$ 59,955,298	$ 61,180,647
Judicial Admin.	5,146,163	5,203,956	5,752,492	6,087,437	6,742,617
Public Safety	107,919,783	114,341,728	120,126,158	135,132,897	145,197,144
Public Works	29,330,893	44,314,789	33,239,392	32,934722	34,663,842
Health & Social Services	17,629,828	18,883,464	20,231,080	21,625,209	22,320,464
Education	280,078,478	287,423,146	315,453,330	346,348,185	365,597,451
Parks, Recreation & Cultural	19,591,259	21,349,331	23,224,989	24,638,107	27,208,578
Community Development	14,105,996	15,984,169	17,154,317	18,833,325	20,769,114
Miscellaneous	6,666,906	8,752,110	9,387,359	1,710,424	13,507,132
Debt Service Principal Retirement	5,358,597	7,046,617	4945,441	8,188,768	8,818,669
Debt Service Interest	1,067,955	952,458	680,809	332,659	177,582
Total Expenditures	$ 537,758,303	$ 576,083,195	$ 608,379,239	$ 655,789,031	$ 706,183,240
Excess of Revenue over Expenditures	$ 70,164,359	$ 82,009,374	$ 104,183,108	$ 118,405,383	$ 142,811,034
Other Financing Sources (Uses):					
Issuance of Cap. Lease Obligation	$ 5,951,526	$ -	$ 1,564,860	$ 18,432,287	$ 12,692,300
Operating Transfers In					
To Debt Service Fund	(36,287,353)	(36,812,650)	(37,212,785)	(38,695,291)	(48,057,065)
To Capital Project Fund	(19,726,574)	(20,541,959)	(35,958,434)	(45,780,865)	(80,885,680)
To Other Funds	(11,932,390)	(10,935,378)	(13,729,571)	(14,799,312)	(18,186,427)
Total Other Financing Sources (Uses)	$ (61,994,791)	$ (68,289,987)	$ (85,335,930)	$ (80,843,181)	$ (134,436,872)
Excess (deficiency) Revenue & Other Sources Over Expend. & Other Uses	$ 8,169,568	$ 13,719,387	$ 20,847,178	$ 37,562,202	$ 8,374,162
Fund Balance, July 1	118,780,843	126,950,411	140,669,798	161,514,976	199,079,178
Fund Balance, June 30	**$ 126,950,411**	**$ 140,669,798**	**$ 161,516,976**	**$ 199,079,178**	**$ 207,453,340**

Analysis of Fund Balance

	2003	2004	2005	2006	2007
Fund Balances:					
Reserved & Designated	$ 31,298,430	$ 36,717,796	$ 53,131,994	$ 85,441,913	$ 84,029,351
Undesignated	95,651,981	103,952,002	108,384,982	113,637,265	123,423,989
TOTAL	**$ 126,950,411**	**$ 140,669,798**	**$ 161,516,976**	**$ 199,079,178**	**$ 207,453,340**

Summary of Annual Fiscal Plan for the Fiscal Year Ending June 30, 2008

The County's Fiscal Plan for the fiscal year ending June 30, 2008, reflects a growing tax base, a vibrant local economy, and a continuing commitment to provide increased quality services and facilities for a growing population. While projected revenues continue to increase, actual receipts are being closely monitored. Real Property taxes are projected to increase 1.8% over fiscal year 2007 receipts, reflecting the County's continuing conservative methodology. Expenditure increases include a 4.8% merit and wage adjustment increase for both school and general government employees.

The increase in the General Fund budget for fiscal year 2008 was 6.9%. Revenues will provide sufficient resources to provide continued levels of quality service for the citizens of Henrico County. Actual revenues have historically exceeded original estimates and actual expenditures were less than originally budgeted. The County is expected to generate a surplus as of June 30, 2008.

As set forth in the Annual Fiscal Plan, General Fund revenues, expenditures and transfers are summarized below for the fiscal year ending June 30, 2008:

Revenues and Transfers		**Expenditures**	
General property taxes	$ 378,256,200	General government administration	$ 45,556,566
Other local taxes	105,322,300	Financial administration	12,396,958
Revenue from use of money and property	8,558,500	Public safety	145,100,658
Intergovernmental revenue	309,092,800	Public works	34,201,986
Permits, fees & licenses	3,902,600	Health and welfare	19,785,470
Fines and forfeitures	2,481,900	Education	394,047,355
Charges for services	3,322,300	Parks, recreation and cultural	31,058,689
Miscellaneous	6,577,800	Judicial administration	7,529,935
Transfers to other funds	(98,480,648)	Community development	19,050,745
		Miscellaneous	10,305,390
Total Projected Revenues and Transfers	$ 719,033,752	**Total Budgeted Expenditures**	$ 719,033,752

Population

The County's population has increased rapidly since 1980, as shown in the following table:

Calendar Year	Population	Calendar Year	Population
1980	179,562	1999	259,179
1990	221,287	2000	267,031
1991	223,729	2001	271,447
1992	226,684	2002	274,847
1993	230,729	2003	281,069
1994	235,229	2004	288,735
1995	239,683	2005	293,382
1996	243,273	2006	299,443
1997	247,832	2007	305,432
1998	254,194		

Source: Population estimates provided by Henrico County Department of Planning.

Taxable Retail Sales Data

The following table presents the calendar year taxable retail sales, fiscal year sales tax revenue and taxable retail sales per capita. As in many other metro areas in the Mid-Atlantic region, the County's taxable retail sales per capita have steadily increased since 1998. Economic activity in the County has matched the population growth noted above. The following table also reflects the increasing income levels of its residents and the County's increasing importance as a regional commercial and retail center.

Calendar Year	Population[(1)]	Calendar Year Taxable Retail Sales (000)[(2)]	Fiscal Year Local Sales Tax Revenue (000)	Taxable Retail Sales Per Capita
1998	254,194	$3,571,221	$36,956	$14,049
1999	259,179	3,829,852	39,519	14,777
2000	267,031	4,054,871	43,602	15,185
2001	271,447	3,902,580	45,086	14,377
2002	274,847	4,080,038	43,992	14,845
2003	281,069	4,195,664	47,096	14,928
2004	288,735	4,619,827	49,258	16,000
2005	293,382	4,444,650[(3)]	52,850	15,150
2006	299,443	4,695,500[(3)]	56,145	15,681
2007	305,432	5,132,477[(4)]	57,794	16,804

Sources: [(1)] Population estimates provided by Henrico County Department of Planning.
[(2)] Commonwealth of Virginia, Department of Taxation. Data excludes automobile and prescription drug sales.
[(3)] Estimate from Department of Finance due to computer error at State Department of Taxation.
[(4)] Estimate from Department of Finance as data from State Department of Taxation is not available yet.

Construction Activity

The County has experienced steady construction activity in both the residential and commercial development areas. Selected data are presented below to show construction activity in the County for the past decade.

Building Permits and Value

Fiscal Year	Total Dwelling Units[(1)] No.	Total Dwelling Units[(1)] Value	Total Construction Permits[(2)] No.	Total Construction Permits[(2)] Value
1998	1,815	$174,510,589	19,590	$577,495,134
1999	2,083	209,258,966	20,336	529,785,425
2000	1,683	172,007,574	18,758	609,571,108
2001	1,641	175,048,202	18,880	672,373,503
2002	1,672	182,444,684	16,409	473,056,295
2003	2,024	245,754,322	18,485	674,204,598
2004	1,890	257,518,182	20,535	561,332,629
2005	1,986	302,172,160	21,928	671,144,887
2006	1,733	302,181,248	20,907	712,692,401
2007	1,336	258,312,481	18,509	737,229,592

Source: Henrico County Department of Building Construction and Inspections.
[(1)] Dwelling Unit is defined as a single-family residence.
[(2)] Includes all residential and commercial construction.

Building Construction Permit Values
By Classification
Fiscal Years Ended June 30
(000's omitted)

	2003	2004	2005	2006	2007
Single Family	$245,754	$257,518	$302,172	$302,181	$258,312
Multi-Family	46,202	12,465	16,164	11,238	35,781
Industrial	0	0	180	0	6,185
Office	6,839	9,832	20,440	36,913	23,801
Institutional	24,450	5,545	3,231	18,149	0
Commercial & Etc.	350,960	275,973	328,958	174,400	198,888
Total	$674,205	$561,333	$671,145	$542,881	$522,967

Source: Henrico County Department of Building Construction and Inspections.

Housing

The data in the table below present the characteristics of residential housing in the County. As of December 31, 2006, single family housing units represented approximately 66% of all residential housing. The percentage of housing stock consisting of multifamily units has remained fairly constant throughout the period at 34%.

	2002		2003		2004		2005		2006	
	Units	% of Housing	Units	% of Housing	Units	% of Housing	Units	% of Housing	Units	% of Housing
Single Family	76,338	66%	77,855	65%	79,753	66%	81,235	66%	82,577	66%
Multifamily, Condominiums, Apartments & Town Houses	40,007	34	41,252	35	41,752	34	42,222	34	43,395	34
Total	116,345	100%	119,107	100%	121,505	100%	123,457	100%	125,972	100%

Source: Henrico County Department of Planning.

Commerce, Industry and Employment

The County's economy and its tax base have grown steadily throughout the 1980's and 1990's. The County's Planning Department has estimated that the County's population in 2007 is approximately 23% higher than it was ten years ago. Retail sales rose over $1.57 billion or 46.8% between 1997 and 2006, according to the Virginia Department of Taxation. During the period from 1990 through the fourth quarter of 2006, total non-agricultural employment in the County increased from 121,543 to 177,930, an increase of 46.4%. Many major industries have located in the County during the last decade, including some that expanded or relocated from another part of the metropolitan area. All growth, whether new, relocated or expanded, contributed to the increased employment and tax base in the County.

The result of this growth has been an increase in Henrico's capacity to raise revenue and provide services. Between fiscal years 1997 and 2007, the County's total General Property tax revenues increased by over $161 million or 87.1%. During the same period, the Personal Property Tax rate remained constant at $3.50 per $100 assessed value and the real estate tax rate was reduced from $.98 per $100 assessed value to $.87 per $100 assessed value. Moderate industrial and residential growth is expected to continue in the foreseeable future, particularly in the eastern portion of the County. Thus, the upward trend in revenue growth is expected to continue, albeit at a more moderate pace.

Employment

The following tables illustrate the level of employment, its diversity and the income of County residents. Employment in the County is dominated by the non-manufacturing sector and consists primarily of wholesale, retail and government employment. Financial and medical services also provide a significant employment base for County residents. On average, the County is responsible for one-third of the metropolitan area's non-manufacturing employment and one-fourth of the manufacturing employment.

Area Total Employment by Place of Residence

Date		Henrico County[1]	Unemployment	Chesterfield County	Unemployment	City of Richmond	Unemployment	Hanover County	Unemployment	Goochland County	Unemployment
September	2007	157,761	2.6%	160,274	2.4%	94,332	4.3	54,186	2.3%	10,470	2.3%
August	2007	159,296	2.8	161,833	2.7	95,250	4.6	54,713	2.6	10,572	2.5
July	2007	161,610	2.8	164,184	2.7	96,634	4.5	55,508	2.6	10,726	2.3
June	2007	159,534	2.9	162,075	2.8	95,392	4.5	54,795	2.7	10,588	2.5
May	2007	159,180	2.5	161,715	2.4	95,181	3.9	54,673	2.2	10,564	2.1
April	2007	158,371	2.6	160,893	2.5	94,697	4.0	54,395	2.3	10,511	2.1
March	2007	158,562	2.7	161,087	2.6	94,811	4.3	54,461	2.3	10,523	2.3
February	2007	157,615	2.9	160,125	2.6	94,245	4.5	54,136	2.4	10,460	2.3
January	2007	156,835	2.9	159,333	2.7	93,778	4.5	53,868	2.5	10,409	2.4
December	2006	157,794	2.6	160,307	2.4	94,352	4.0	54,197	2.2	10,472	2.0
November	2006	157,808	2.7	160,321	2.5	94,360	4.3	54,202	2.3	10,473	2.1
October	2006	158,520	2.5	161,044	2.4	94,786	4.2	54,446	2.3	10,521	2.3
September	2006	156,465	2.9	158,957	2.8	93,557	4.7	53,741	2.6	10,384	2.4
August	2006	157,766	3.0	160,278	2.9	94,335	4.7	54,188	2.7	10,470	2.5
July	2006	158,921	2.9	161,452	2.9	95,026	4.5	54,584	2.7	10,547	2.5
June	2006	156,355	3.0	158,846	3.0	93,492	4.5	53,703	2.7	10,377	2.6
May	2006	156,115	2.7	158,601	2.6	93,348	4.3	53,620	2.3	10,361	2.3
April	2006	154,936	2.6	157,403	2.6	92,643	4.1	53,215	2.3	10,283	2.3
March	2006	154,642	2.8	157,105	2.7	92,467	4.5	53,115	2.3	10,263	2.6
February	2006	152,950	3.0	155,386	2.9	91,455	4.9	52,533	2.5	10,151	2.6
January	2006	152,957	3.0	155,393	2.9	91,459	4.7	52,536	2.6	10,151	2.7
December	2005	154,097	2.8	155,599	2.5	92,895	4.8	52,958	2.3	10,032	2.6
November	2005	154,148	3.0	155,651	2.8	92,926	5.0	52,976	2.5	10,036	2.5
October	2005	154,374	3.1	155,878	2.8	93,062	5.1	53,053	2.5	10,050	2.4
September	2005	153,459	3.4	154,954	2.9	92,511	5.4	52,739	2.8	9,991	3.0
August	2005	153,862	3.4	155,361	3.0	92,754	5.5	52,877	2.9	10,017	3.1
July	2005	155,469	3.3	156,984	3.0	93,723	5.5	53,430	2.8	10,122	2.7
June	2005	154,132	3.6	155,634	3.2	92,916	5.6	52,970	2.9	10,035	3.1
May	2005	154,016	3.3	155,517	3.0	92,846	5.3	52,930	2.7	10,027	2.9
April	2005	153,088	3.1	154,580	2.8	92,287	5.0	52,611	2.6	9,967	2.8

Source: Virginia Employment Commission.
[1] Data based on Population surveys. Data represents Henrico County residents that are employed.

Employment by Industry Type

	Calendar Year 2004 [2][3]			Calendar Year 2005 [2][3]			Calendar Year 2006 [2][3]		
	Richmond MSA[1]	Henrico	Henrico % of Richmond MSA	Richmond MSA	Henrico	Henrico % of Richmond MSA	Richmond MSA	Henrico	Henrico % of Richmond MSA
Natural Resources & Mining	2,015	93	4.6%	1,988	106	5.3%	1,983	110	5.5%
Construction	40,501	8,952	22.1	43,765	10,209	23.3	46,591	10,114	21.7
Manufacturing	46,984	10,317	22.0	45,671	10,149	22.2	43,176	9,899	22.9
Trade, Trans. & Utility	114,279	35,073	30.7	112,488	33,939	30.2	119,827	36,735	30.7
Information	12,737	4,313	33.9	12,769	4,875	38.2	12,495	4,550	36.4
Financial Activities	46,134	22,842	49.5	46,118	22,798	49.4	46,350	22,739	49.1
Professional & Bus. Services	83,062	29,511	35.5	89,434	33,724	37.7	83,068	36,015	43.4
Education & Health Services	115,455	29,438	25.5	120,406	31,105	25.8	127,758	32,413	25.4
Leisure & Hospitality	47,064	13,695	29.1	47,614	14,321	30.1	52,558	15,647	29.8
Other Services	20,064	5,098	25.4	19,943	5,001	25.1	20,160	5,247	26.0
Public Administration	38,531	4,194	10.9	38,463	3,951	10.3	38,974	3,945	10.1
Unclassified	-	-		12	-		20	-	
Total	**566,826**	**163,526**	**28.8%**	**578,671**	**170,178**	**29.4%**	**604,733**	**177,986**	**29.4%**

Source: Virginia Employment Commission.

[1] Richmond MSA defined as: Amelia County, Caroline County, Charles City County, Chesterfield County, Cumberland County, Dinwiddie County, Goochland County, Hanover County, Henrico County, King and Queen County, King William County, Louisa County, New Kent County, Powhatan County, Prince George County, Sussex County, City of Colonial Heights, City of Hopewell, City of Petersburg and City of Richmond.

[2] Calendar Years 2004 and 2005 represent 1st Quarter average, Calendar Year 2006 data is for the 4th Quarter.

[3] Data represents total employment in each locality. Includes residents of other localities that work in each respective locality.

Median Household Income

	Calendar Year 1990	Calendar Year 2000	Calendar Year 2002	Calendar Year 2003	Calendar Year 2004
Henrico County	$35,604	$49,185	$49,541	$52,967	$53,009
Chesterfield County	43,604	58,537	55,921	61,543	63,931
Commonwealth of Virginia	35,073	46,677	48,986	50,805	51,141
United States	29,943	41,944	43,057	43,564	44,334

Source: Virginia Employment Commission/U.S. Census Bureau.

Numerous business types are located within the County and offer employment in such diversified areas as wholesale distribution, contract construction, research and technical manufacturing, marketing and banking. The following table presents data regarding some of the principal employers in the County.

	2007[1]			2006		
Employer	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment
Henrico County School Board	5,000-9,999	1	3.9%	5,000-9,999	1	4.0%
Capital One Bank	1,000-4,999	2	1.9%	1,000-4,999	2	1.9%
County of Henrico	1,000-4,999	3	2.5%	1,000-4,999	3	2.5%
Bon Secours Richmond Health System [2]	1,000-4,999	4	1.9%	1,000-4,999	4	2.5%
Circuit City Stores, Inc.	1,000-4,999	5	1.9%	1,000-4,999	6	1.9%
Anthem (Blue Cross & Blue Shield)	1,000-4,999	6	1.9%	1,000-4,999	5	1.9%
Bank of America	1,000-4,999	7	1.9%	1,000-4,999	7	1.9%
Qimonda AG (Infineon Technologies)	1,000-4,999	8	1.9%	1,000-4,999	12	1.9%
Henrico Doctors' Hospital (HCA)	1,000-4,999	9	1.9%	1,000-4,999	8	1.9%
Ukrops	1,000-4,999	10	1.9%	1,000-4,999	9	1.9%
Admiral Security Services	1,000-4,999	11	1.9%	1,000-4,999	11	1.9%
First Union National Bank	1,000-4,999	12	1.9%	1,000-4,999	10	1.9%
Walmart	1,000-4,999	13	1.9%	1,000-4,999	13	1.9%
Delta Airlines Global Se Inc.	500-999	17	0.5%	500-999	15	0.5%
GNA Corporation	500-999	14	0.5%	500-999	14	0.5%
Verizon Virginia, Inc.	500-999	15	0.5%	500-999	16	0.5%
First Clearing LLC	500-999	16	0.5%	500-999	22	0.5%
Carmax	500-999	22	0.5%	500-999	24	0.5%
Suntrust Bank	500-999	19	0.5%	500-999	19	0.5%
Totals			29.9%			28.5%
Total County Employment [3]	159,534			156,355		

Source: Virginia Employment Commission.

(1) 2007 Data as of 4th Qtr 2006.

(2) Non-Resident Employer of Henrico County Citizens.

(3) VEC Monthly (June) Not Seasonally Adjusted Labor Force.

Economic Development

Henrico County's climate of excellent customer service, sound financial management, low tax rates and sustainable economic development may have been a strong factor in the decision made by a number of large corporations to locate their headquarters in Henrico County. Philip Morris USA (a subsidiary of Altria), Circuit City Stores, Genworth Financial and Meadwestvaco (permanent offices are currently under construction) comprise the Fortune 500 companies that are located within the County. Other companies that call Henrico County home are the Brink's Company (formerly known as The Pittston Company), LandAmerica Financial and the Markel Corporation, all of which are listed as Fortune 1000 companies. Other large corporate headquarters include Alfa Laval, Anthem, Carpenter Company, Hamilton Beach-Proctor Silex and Southern States Cooperative. In addition to companies locating their corporate headquarters in Henrico, more than 50 diverse foreign-based firms are currently located in Henrico. Henrico County's business friendly environment has helped the Richmond Metro Area rank among the top 14 metropolitan areas in the country when looking at the volume of Fortune 500 company headquarters located in the area. In fact, the Dow Jones MarketWatch has recently named the greater Richmond region as the third best metro center for business in the United States.

Ten years ago, Qimonda North America Corporation (formerly known as Infineon Technologies), a large computer chip manufacturer, chose Henrico County over numerous locations throughout the world. The County and the entire region have felt the ancillary economic effect from Qimonda choosing to locate in Henrico. In 1999, Hewlett-Packard chose to construct an 800,000 square-foot facility, which assembles laser jet printers in Henrico County. In 2000, Hewlett-Packard occupied an additional 640,000 square feet within the White Oak Technology Park for an assembly and distribution facility, which brought Hewlett-Packard's investment in Henrico in excess of $55 million in a two-year time frame. Other technology companies, which have recently migrated to Henrico, include Wyeth Pharmaceuticals and Danaher Power Solutions. These new facilities represent an example of the clustering of development that is typical of the high tech industry.

In the summer of 2003, Philip Morris USA, the largest cigarette company in the country, began the process of moving its corporate headquarters from New York City to Henrico County, where it was initially incorporated in 1919. Altria, the parent company, is currently ranked 20th on the Fortune 500 list.

TAX BASE DATA

The following data are presented to illustrate trends and characteristics of the assessed value of real and personal property, which are major sources of County-derived revenue. Of Henrico's $32.8 billion in taxable real estate, nearly 31% is classified as commercial.

Assessed Value of All Taxable Property
Last Ten Calendar Years

Calendar Year	Assessed Value Real Estate	Personal Property	Assessed Value Public Service Corp.[1] Real Estate	Assessed Value Public Service Corp.[1] Personal Property	Total Assessed Value
1998	$13,365,559,000	$2,411,094,393	$730,696,946	$4,807,832	$16,512,158,171
1999	14,271,377,200	2,609,580,250	735,466,744	4,713,473	17,621,137,667
2000	15,276,400,550	2,749,570,928	782,847,363	5,229,877	18,814,048,718
2001	16,857,471,650	2,853,452,157	827,287,178	5,820,189	20,544,031,174
2002	18,339,624,550	2,859,762,405	851,848,275	4,521,265	22,055,756,495
2003	19,801,485,950	2,790,989,192	869,735,658	6,961,396	23,469,172,196
2004	22,303,454,800	2,792,061,898	889,990,680	7,090,354	25,992,597,732
2005	25,334,755,800	3,030,117,354	797,889,897	5,487,090	29,168,250,141
2006	29,281,500,300	3,721,479,562	801,743,073	3,788,794	33,808,511,729
2007	32,787,682,100	3,807,727,203	850,902,357	3,418,990	37,449,730,650

Source: Henrico County Department of Finance.

[1] *Source:* State Corporation Commission.

Property Tax Rates

Property tax rates are established each year by the Board of Supervisors during the annual budget process. Property tax rates for the past ten calendar years are as set forth in the table below:

Tax Rates
(Per $100 of Assessed Value)

Calendar Year	Real Estate	Personal Property	Machinery and Tools	Aircraft
1998	$0.94	$3.50	$1.00	$1.60
1999	0.94	3.50	1.00	1.60
2000	0.94	3.50	1.00	1.60
2001	0.94	3.50	1.00	1.60
2002	0.94	3.50	1.00	1.60
2003	0.94	3.50	1.00	1.60
2004	0.94	3.50	1.00	1.60
2005	0.92	3.50	1.00	1.60
2006	0.90	3.50	1.00	1.60
2007	0.87	3.50	1.00	1.60

Source: Director of Finance, Henrico County.

Property Tax Levies And Collections
Last Ten Fiscal Years

Fiscal Year	Current[(1)] Levy	Current Taxes Collected	Percent of Levy	Current Year Collection of Prior Year Taxes	Total Taxes Collected	Collections as Percent of Current Levy	Outstanding[(2)] Delinquent Taxes	Delinquent Taxes as Percent of Current Levy
1998	$205,922,679	$196,629,230	98.9 %	$1,181,449	$197,810,679	99.5 %	$15,310,502	7.7 %
1999	220,182,735	208,625,574	97.9	4,331,072	212,956,646	99.9	17,456,967	8.2
2000	236,817,128	223,791,021	97.6	2,368,741	226,159,762	98.6	15,904,301	6.9
2001	250,133,476	240,101,152	99.2	1,765,024	241,866,176	99.9	19,879,337	8.2
2002	260,396,014	258,347,048	102.4	1,491,398	259,838,446	103.0	16,826,456	6.7
2003	273,732,728	272,012,365	102.5	2,041,874	274,054,239	103.3	17,632,788	6.7
2004	296,552,199	291,656,599	101.3	1,246,013	292,902,612	101.7	17,244,904	6.0
2005	324,711,836	316,046,683	97.3	1,253,773	317,300,456	97.7	19,774,591	6.1
2006	339,091,487	335,366,613	98.9	1,865,024	337,231,637	99.5	15,563,275	4.6
2007	352,305,000	341,061,107	96.8	2,132,861	343,193,968	97.4	14,947,729	4.2

Source: Henrico County Department of Finance.
(1) Updated to include State Corporation Commission (Public Service Corporation) Levies.
(2) Includes First Half Property Taxes due June 5th.

Vehicle and Business License Receipts

Fiscal Year	Vehicle Receipts	Business Receipts	Fiscal Year	Vehicle Receipts	Business Receipts
1998	$4,917,713	$21,461,298	2003	$5,434,279	$23,013,363
1999	5,008,137	21,054,310	2004	5,637,493	24,042,472
2000	5,103,630	22,253,067	2005	5,974,167	25,510,344
2001	5,292,185	23,092,646	2006	5,872,248	28,628,015
2002	5,226,643	22,315,226	2007	6,155,519	31,173,501

Source: Henrico County Department of Finance CAFR Exhibit #11.

Principal Taxpayers
As of June 30, 2007

The following data show the assessed value of the real and personal property of the 10 largest holders of real property and personal property in the County:

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation(1)
Qimonda Richmond, LLC	Industrial	$ 959,366,000	2.6%
Virginia Power Company	Utility	396,351,956	1.1
Highwood Realty, L.P.	Office & Warehouse	290,628,100	0.8
VAC Limited Partnership	Apartments	260,377,300	0.7
Short Pump Town Center, LLC	Regional Mall	241,480,600	0.6
Verizon	Utility	231,774,173	0.6
Liberty Property, LP	Office & Warehouse	216,008,600	0.6
The Wilton Company	Offices, Retail, Warehouse	213,671,100	0.6
United Dominion Realty Trust	Apartments	192,203,100	0.5
Gumenick Properties	Apartments	162,726,100	0.4
	Total	$3,164,587,029	8.5%

Source: Henrico County Comprehensive Annual Financial Report for the fiscal year ended July 30, 2007.
(1) Total Real Estate and Personal Property Assessed Valuation for calendar year 2007 was $ 37,449,730,650.

The assessed value of real and personal property of these large entities in the County represents 8.5% of the total assessed value of all real property and personal property of $37,449,730,650.

DEBT ADMINISTRATION

Issuance and Authorization of Bonded Indebtedness

Pursuant to the Constitution of Virginia and the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended, a county in Virginia is authorized to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds the governing body of a county is required to levy, if necessary, an *ad valorem* tax on all property in the county subject to local taxation. Although the issuance of general obligation bonds by Virginia counties is not subject to any limitation on amount, counties are prohibited from issuing general obligation bonds unless the issuance of such bonds has been approved by public referendum, or unless such issuance is for refunding bonds or is through the Virginia Public School Authority, the

Literary Fund, the Virginia Retirement System, or other state agency prescribed by law. Payment of general government and school bonded indebtedness is provided for in the Debt Service Fund of the County.

Revenue bonds of a county are payable from revenues of the undertaking and do not require a referendum thereon. Payment of water and sewer utility revenue bonds is provided for in the County's Water and Sewer Revenue Fund.

Payment of lease revenue bonds is subject to the annual appropriation of the Board of Supervisors of the County.

As of June 30, 2007, the County's outstanding bonded indebtedness was as follows:

General Obligation Bonds	$ 344,910,000
Water and Sewer Revenue Bonds	199,895,000
Lease Revenue Bonds*	49,640,000
Literary Fund Obligations	262,939
Subtotal	594,707,939
Less: Water and Sewer Revenue Bonds	(199,895,000)
Total Net Debt	$ 94,812,939

*See "Bond Amortization Requirements – Total General Lease Obligations" herein.

Bond Amortization Requirements

Principal and interest payments on the outstanding general obligation bonded indebtedness of the County as of June 30, 2007, are presented in the following table:

TOTAL GENERAL OBLIGATION BONDS AND SCHOOL BONDS

Fiscal Year Ending June 30	Principal	Interest	Total
2008	$ 26,275,000	$ 15,511,435	$ 41,786,435
2009	26,140,000	14,277,597	40,417,597
2010	24,210,000	13,070,300	37,280,300
2011	24,115,000	11,999,028	36,114,028
2012	20,865,000	10,893,481	31,758,481
2013	20,840,000	9,890,556	30,730,556
2014	20,815,000	8,901,928	29,716,928
2015	19,205,000	7,979,551	27,184,551
2016	19,205,000	7,085,841	26,290,841
2017	19,195,000	6,180,666	25,375,666
2018	17,670,000	5,297,393	22,967,393
2019	17,670,000	4,480,657	22,150,657
2020	17,670,000	3,672,009	21,342,009
2021	15,885,000	2,897,316	18,782,316
2022	13,270,000	2,190,720	15,460,720
2023	11,940,000	1,600,244	13,540,244
2024	9,430,000	1,072,213	10,502,213
2025	9,430,000	660,975	10,090,975
2026	7,485,000	300,794	7,785,794
2027	3,595,000	71,900	3,666,900
Total	**$344,910,000**	**$ 128,034,604**	**$472,944,604**

Source: Henrico County Department of Finance.
Note: Totals may not add due to rounding.

Principal and interest payments on outstanding Economic Development Authority leases of the County as of June 30, 2007, are presented in the following table:

TOTAL GENERAL LEASE OBLIGATIONS

Fiscal Year Ending June 30	Principal	Interest	Total
2008	$ 6,330,000	$ 2,670,270	$9,000,270
2009	2,565,000	2,354,540	4,919,540
2010	2,710,000	2,217,398	4,927,398
2011	2,860,000	2,075,545	4,935,545
2012	3,015,000	1,928,382	4,943,382
2013	3,170,000	1,769,973	4,939,973
2014	3,350,000	1,600,608	4,950,608
2015	3,540,000	1,418,508	4,958,508
2016	3,735,000	1,223,023	4,958,023
2017	3,960,000	1,009,656	4,969,656
2018	3,185,000	777,603	3,962,603
2019	2,560,000	586,550	3,146,550
2020	2,720,000	424,850	3,144,850
2021	2,885,000	258,606	3,143,606
2022	3,055,000	87,831	3,142,831
Total	**$49,640,000**	**$20,403,343**	**$70,043,343**

Source: Henrico County Department of Finance.
Note: Totals may not add due to rounding.

Debt Ratios

The following data are presented to show trends in the relationship of the net long-term indebtedness of the County to the estimated market value of taxable property in the County, its estimated population and the trend of debt service requirements as a percentage of General Fund and School Operating disbursements. In addition to General Obligation bonds, net long-term indebtedness includes General Lease Obligations and certain Literary Fund loans as of the fiscal year ended June 30, 2007, bringing the total to $390,206,592.

Net Long-Term Indebtedness Per Capita

Fiscal Year Ending June 30	Net Long-Term Indebtedness	Estimated Population[1]	Indebtedness Per Capita
1998	$257,008,429	247,832	$1,037.03
1999	275,145,750	254,194	1,075.96
2000	246,705,297	259,179	951.87
2001	266,836,991	262,300	999.27
2002	272,737,939	267,031	1,004.76
2003	300,311,090	274,847	1,092.65
2004	316,343,709	281,069	1,125.50
2005	293,563,168	288,735	1,016.72
2006	371,646,511	293,382	1,266.77
2007	390,206,592	299,443	1,303.11

Source: Henrico County Department of Finance.
[1] All years from Henrico County Department of Planning.

Trend of Net Long-Term Indebtedness as a Percentage of Assessed Value of Taxable Property

Fiscal Year Ending June 30	Net Long-Term Indebtedness	Assessed Value	Percentage
1998	$257,008,429	$16,512,158,171	1.56 %
1999	275,145,750	17,621,137,667	1.56
2000	246,705,297	18,814,048,718	1.31
2001	266,836,991	20,544,031,174	1.30
2002	272,737,939	22,055,756,495	1.24
2003	300,311,090	23,469,172,196	1.28
2004	316,343,709	25,992,597,732	1.22
2005	293,563,168	29,168,250,141	1.01
2006	375,714,096	33,808,511,729	1.11
2007	390,206,592	37,449,730,650	1.04

Source: Henrico County Department of Finance.

Trend of Debt Service Requirements on General Obligation Bonds as a Percentage of General Disbursements

Fiscal Year Ending June 30	Debt Service Requirements[1]	Disbursements[2]	Percentage
1998	$31,346,391	$468,369,087	6.69 %
1999	32,678,696	498,059,838	6.56
2000	30,963,749	542,227,420	5.71
2001	31,754,565	584,838,845	5.43
2002	33,833,406	625,648,555	5.41
2003	37,132,336	648,669,165	5.72
2004	37,893,071	698,135,652	5.43
2005	37,212,785	742,635,904	5.01
2006	42,230,291	798,083,024	5.29
2007	48,038,472	858,946,018	5.59

Source: Henrico County Department of Finance.
(1) Includes interest and other debt service costs.
(2) Includes General, Special Revenue and Debt Service Funds.

Lease Commitments and Contractual Obligations

The County is obligated to make payments under various capital and operating leases for computer hardware, automotive vehicles, equipment, and the leasing of an office building. In accordance with legal requirements, all lease obligations are contingent upon the Board of Supervisors appropriating funds for each year's payments. Future minimum lease payments under these capital and operating leases for fiscal years ending June 30 are as follows:

Fiscal Year	Amount
2008	$17,366,990
2009	13,208,243
2010	8,749,980
Thereafter	51,196,135
Total minimum lease payments	$90,521,348
Less amount representing interest	$21,481,235
Present value of all future minimum lease payments	$69,040,113

The amounts shown above include lease payments due from the County with respect to the financing of regional jail facilities through the Economic Development Authority of Henrico County, Virginia. See "Bond Amortization Requirements – Total General Lease Obligations" herein.

Contingent Liabilities

Richmond Metropolitan Authority. In September 1994, the Richmond Metropolitan Authority (the "RMA") issued $2,750,000 of stadium refunding revenue bonds (the "1994 RMA Bonds") to refund stadium revenue bonds issued by RMA in 1984 in the original principal amount of $3,810,000 (the "1984 RMA Bonds"). The 1984 RMA Bonds, together with $3,400,000 of stadium notes also issued in 1984, were issued to finance the cost of the acquisition, construction and equipping of a new stadium to replace the then existing Parker Field structure located in the City of Richmond. The construction work on the new stadium, named the Diamond, was completed in April 1985. The Diamond is presently being used primarily for the playing of baseball games by the Richmond Braves International League AAA farm club. The 1994 RMA Bonds were due in 2005 and were limited obligations of the RMA secured by certain net revenues to be derived by the RMA from the ownership and operation of the Diamond, from the operation of certain parking areas adjacent to the Diamond and from certain funds that may be appropriated from time to time by the City of Richmond and the Counties of Henrico and Chesterfield pursuant to a moral obligation contract entered into among the RMA and these localities. If revenues from the operation of the Diamond and the parking facilities were insufficient to pay the stadium revenue bonds when due and pay the expenses associated with owning, operating, maintaining and improving the Diamond, the County Manager and the administrative heads of other localities, were obligated by the terms of the moral obligation contract related to the bonds to request an appropriation from their respective governing bodies. The revenue bonds were paid in full as of June 30, 2005.

Richmond Metropolitan Authority ("RMA") Baseball Stadium Facility. In connection with the RMA's responsibility for maintaining and operating the Richmond metropolitan area's baseball stadium facility, the County Board of Supervisors entered into a non-binding moral obligation under which funding would be requested for the County's share (one-third) of any annual net operating losses and any deficit in debt service on the $3,810,000 RMA Revenue Bonds. The RMA Revenue Bonds were issued under the terms of a bond resolution dated August 28, 1984. In September, 1994, the Authority issued $2,750,000 in revenue bonds in order to satisfy outstanding obligations on the 1984 bonds. The revenue bonds were paid in full as of June 30, 2005.

Environmental Risk. The County is the owner of closed landfills, underground storage tanks, sewage lagoons and other potential sources of toxic substances. Ownership of these properties exposes the County to risk of third party pollution liability. At this time no claim exists nor is there knowledge of any condition which impairs a third party's property or person.

Joint Ventures

Capital Region Airport Commission. The Capital Region Airport Commission (the "Commission") was created in 1975 pursuant to Virginia statute. On January 1, 1976, the County and the City of Richmond entered into an intergovernmental joint venture for the operation of the Richmond International Airport ("Airport") by the Commission. As part of the venture, the City of Richmond conveyed the Airport property to the Commission, and the Commission in turn agreed to reimbursement of the outstanding debt of the City relating to the property. The County also made a contribution to the Commission, for a 40 percent interest in the venture. The Counties of Chesterfield and Hanover became Commission participants in fiscal year 1984 and fiscal year 1986, respectively.

The Commission is comprised of a fourteen-member board of directors, with four members each being appointed by the governing bodies of the City of Richmond, the County of Henrico and the County of Chesterfield and two members being appointed by the County of Hanover governing body. The Commission generates its revenues from service charges to users of the Airport facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia statute requires that the Commission annually submit a budget showing estimated revenues and expenditures to the governing bodies of the City of Richmond and the three counties for their approval. After approval of the proposed budget by the governing bodies, if the Commission's budget contains estimated expenditures which exceed estimated revenues, then the governing bodies are required to fund the deficit in proportion to their financial interests in the Commission. If, however, actual revenues are less than estimated revenues (resulting in a deficit), the City of Richmond and the three counties may, at their discretion, appropriate funds necessary to fund the deficit. The County has agreed to fund its portion of the deficit, if any.

The percentage shares of the jurisdictions involved include the following:

City of Richmond	29.27%
County of Henrico	31.44
County of Chesterfield	30.17
County of Hanover	9.12
	100.00%

This financial interest is determined by applying the percentage of the total approximate population of each jurisdiction to the combined total population of all jurisdictions. The above percentages are based on the final 1990 census figures provided by the Richmond Regional Planning District Commission.

During fiscal year 2007, the Commission's budget was not formally approved by the County; the Commission did not receive any significant subsidies from the County; and the County did not receive any funds from the Commission for repayment of its contribution.

Complete financial statements for the Capital Region Airport Commission can be obtained from its administrative office at South Airport Drive, Richmond, Virginia 23231.

Greater Richmond Convention Center Authority. The Greater Richmond Convention Center Authority (the "Convention Authority"), a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998, pursuant to the Public Recreational Facilities Authorities Act, Chapter 56 of Title 15.2, Code of Virginia (1950). The political subdivisions participating in the incorporation of the Convention Authority are the City of Richmond and the Counties of Henrico, Chesterfield and Hanover. The Convention Authority is governed by a five-member board comprised of the chief administrative officer of each of the four incorporating local governments and the President/CEO of the Retail Merchants Association of Greater Richmond.

The Convention Authority 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. The primary purpose of the Convention Authority is to issue revenue bonds to finance the expansion of the Richmond Centre facility and to construct access, streetscape, or other on-site/off-site improvements. Once the expansion is complete, the Convention Authority will have responsibility for the operation and maintenance of the convention center.

The Convention Authority 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 recorded an expenditure of $10,288,236 for transient occupancy tax to the Convention Authority during the year ended June 30, 2007.

Complete financial statements for the Convention Authority can be obtained from Chesterfield County, Accounting Department, Post Office Box 40, Chesterfield, Virginia 23832.

Employee Retirement and Pension Plans

All full-time salaried permanent employees of Henrico County are automatically enrolled in the Virginia Retirement System ("VRS"), except law enforcement officers, who are enrolled in the Law Enforcement Officers Retirement System, which is also administered by VRS. Retirement, group insurance coverage, disability and death benefits are provided under these plans. Professional instructional personnel in the Henrico County School System are also automatically enrolled in the VRS, but in accordance with Chapter 1, Title 51.1 of the Code of Virginia (1950), the employer contribution costs are partially borne by the Commonwealth of Virginia.

Other Post Employment Benefits

Expenses associated with retirees' health benefits are funded annually on a cash basis. Current Henrico County retirees who qualify for health benefits receive an implicit subsidy by participating in the active employee health care risk pool; as well, the County offers a health care credit.

Eligibility for health care benefits is based on the retiree being immediately eligible to receive a Virginia Retirement System (VRS) monthly retirement payment. Under age 65, the retiree and their dependents can remain in the County's health and dental plans and pay the full active premium. Over age 65, a retiree and his or her dependents move to a Medicare carve out plan.

Retirees who are not eligible for the VRS Health Care Credit may qualify for the County supplement. Retirees must have a minimum of 20 full years of VRS service, 10 years of which must be with the County. The supplement will be paid only to eligible retirees who choose to remain in the County's group plan. This supplement is $3 per month for each full year of service.

In preparation for the GASB 45 Accounting and Financial Reporting for OPEB, an actuarial evaluation was prepared calculating the County's post retirement medical cost as of July 1, 2005. That evaluation estimated the Unfunded Actuarial Accrued Liability for both County and Schools combined to be $88.5 million and the Annual Required Contribution (ARC) to be $9.9 million. This scenario is based on a discount rate of 4.0 percent and a 30-year amortization of the unfunded actuarial liability. The County has fully funded the resulting $6.4 million Net OPEB Obligation in the FY2007-08 budget and will continue to meet this funding challenge in future years within current revenue estimates.

Capital Improvement Program

The Capital Improvement Program (the "CIP") represents those infrastructure improvements needed over the next five years by the County and provides for the orderly and systematic financing and acquisition of public improvements. In evaluating each of the proposed projects, the CIP process takes into account such factors as population growth, density, economic development concerns, the County's fiscal ability, and the desired service levels.

The amount appropriated for capital projects each year is based on the CIP in effect at the time of the development of the budget. Recommendations in subsequent CIP's may result in revisions to the amounts appropriated for specific projects.

The approved Capital Budget for fiscal year 2008 is $117,420,115. Shown below is a summary of the approved CIP for fiscal year 2008 and proposed expenditures for the five-year plan in addition to a summary of projected funding sources:

Capital Improvement Program Summary
Fiscal Year 2007-08 through Fiscal Year 2011-12

By Department:	Approved FY 2007-08	Requested FY 2007-08	Requested FY 2008-09	Requested FY 2009-10	Requested FY 2010-11	Requested FY 2011-12	Total Five Years
Fund 21 - Capital Projects Fund							
Education	$ 34,934,415	$ 31,584,415	$ 72,177,386	$ 72,098,232	$ 33,482,593	$ 144,298,931	$ 353,641,557
Finance	5,518,800	0	0	0	0	0	0
Fire	5,381,800	6,447,170	14,858,241	6,963,303	6,646,716	7,498,420	42,413,850
General Services	5,274,400	15,063,539	49,159,238	31,352,186	49,170,412	105,088,580	249,833,955
Juvenile Detention Home	0	1,208,795	0	0	0	0	1,208,795
Police	330,000	329,990	914,124	0	0	0	1,244,114
Public Library	0	502,194	9,914,039	1,964,249	19,657,132	32,700,000	64,737,614
Public Utilities – Landfill	0	0	0	2,650,000	950,000	0	3,600,000
Public Works – Drainage	0	0	10,865,161	9,214,911	14,259,189	12,482,201	46,821,462
Public Works – GIS	300,000	300,000	300,000	300,000	300,000	300,000	1,500,000
Public Works – Roadway	3,794,000	3,794,013	3,974,012	18,154,012	18,334,012	5,490,212	49,746,261
Recreation	1,570,000	14,251,956	62,620,962	31,033,922	23,238,281	44,977,863	176,122,984
Sheriff	324,700	523,597	0	0	0	45,940,458	46,464,055
Total Fund 21:	**$ 57,428,115**	**$ 74,005,669**	**$ 224,783,163**	**$ 173,730,815**	**$ 166,038,335**	**$ 398,776,665**	**$ 1,037,334,647**
Fund 51 - Enterprise Fund - Public Utilities							
Public Utilities – Sewer	$ 36,750,000	$ 36,750,000	$ 19,845,886	$ 39,987,627	$ 14,911,552	$ 37,862,845	$ 149,357,910
Public Utilities – Water	23,242,000	23,242,000	6,600,000	10,925,000	4,770,000	7,860,000	53,397,000
Total Fund 51:	**$ 59,992,000**	**$ 59,992,000**	**$ 26,445,886**	**$ 50,912,627**	**$ 19,681,552**	**$ 45,722,845**	**$ 202,754,910**
Fund 52 - Enterprise Fund - Belmont Golf Course							
Recreation/Belmont Golf Course	$ 0	$ 699,748	$ 2,450,992	$ 516,767	$ 248,036	$ 254,764	$ 4,170,307
Total Fund 52:	$ 0	$ 699,748	$ 2,450,992	$ 516,767	$ 248,036	$ 254,764	$ 4,170,307
Grand Total:	**$ 117,420,115**	**$ 134,697,417**	**$ 253,680,041**	**$ 225,160,209**	**$ 185,967,923**	**$ 444,754,274**	**$ 1,244,259,864**

By Revenue Source	Approved FY 2007-08	Requested FY 2007-08	Requested FY 2008-09	Requested FY 2009-10	Requested FY 2010-11	Requested FY 2011-12	Total Five Years
Fund 21 - Capital Projects Fund							
CAM Fund Balance	$ 300,000	$ 300,000	$ 0	$ 0	$ 0	$ 0	$ 300,0000
E-911 Wireless Funds	330,000	329,990	0	0	0	0	329,990
Gas Tax	2,944,000	2,944,013	3,124,012	3,304,012	3,484,012	4,640,212	17,496,261
General Fund	15,395,000	35,322,484	140,331,765	77,528,571	106,427,661	354,648,611	714,259,092
General Fund – Public Works	850,000	850,000	850,000	850,000	850,000	850,000	4,250,000
G.O. Bonds – Education – 2005	25,918,372	22,568,372	63,148,350	63,156,903	23,431,208	0	172,304,833
G.O. Bonds - Gen Gov't - 2005	4,850,000	4,850,000	10,800,000	19,800,000	24,350,000	35,700,000	95,500,000
Landfill Revenue	0	0	0	2,650,000	950,000	0	3,600,000
Lottery/State Construction	6,516,043	6,516,043	6,529,036	6,441,329	6,545,454	2,937,842	28,969,704
State Revenue	324,700	324,767	0	0	0	0	324,767
Total Fund 21:	**$ 57,428,115**	**$ 74,005,669**	**$ 224,783,163**	**$ 173,730,815**	**$ 166,038,335**	**$ 398,776,665**	**$1,037,334,647**
Fund 51 – Enterprise Fund – Public Utilities							
Enterprise Funds	$ 14,315,000	$ 59,992,000	$ 26,445,886	$ 50,912,627	$ 19,681,552	$ 45,722,845	$ 202,754,910
Revenue Bonds – Series 2006	45,677,000	0	0	0	0	0	0
Total Fund 51:	**$ 59,992,000**	**$ 59,992,000**	**$ 26,445,886**	**$ 50,912,627**	**$ 19,681,552**	**$ 45,722,845**	**$ 202,754,910**
Fund 52 – Enterprise Fund – Belmont Golf Course							
Enterprise Funds	$ 0	$ 699,748	$ 2,450,992	$ 516,767	$ 248,036	$ 254,764	$ 4,170,307
Total Fund 52:	**$ 0**	**$ 699,748**	**$ 2,450,992**	**$ 516,767**	**$ 248,036**	**$ 254,764**	**$ 4,170,307**
Grand Total:	**$ 117,420,115**	**$ 134,697,417**	**$ 253,680,041**	**$ 225,160,209**	**$ 185,967,923**	**$ 444,754,274**	**$ 1,244,259,864**

APPENDIX B

AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS OF THE COUNTY FOR THE YEAR ENDED JUNE 30, 2007

KPMG

KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report

The Honorable Members of the Board of Supervisors
County of Henrico, Virginia:

We have audited the accompanying 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 Henrico, Virginia (the County), as of and for the year ended June 30, 2007, 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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, 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 respective financial position 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 Henrico, Virginia as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The accompanying Management's Discussion and Analysis, the budgetary comparison information, and the schedules of funding progress in note 9 are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. 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 the information and express no opinion on it.

KPMG LLP

November 28, 2007

The following discussion and analysis of the County of Henrico's (County) financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2007 (FY 2007). Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FY 2007

The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financial sources and uses by $8.7 million (Exhibit 4) after making transfers of $146.2 million, which include transfers to the Capital Projects Fund for $79.9 million, Special Revenue Fund for $18.4 million and Debt Service Fund for $48.1 million. In addition, the County contributed $176.9 million to the County's component units.

On a government-wide basis for governmental activities, the County had expenses net of program revenue of $424.5 million. The general revenues of $550.4 million exceeded expenses net of program revenues by $125.9 million (Exhibit 2).

The County's total net assets, excluding component units, on the government-wide basis totaled $2,009.4 million at June 30, 2007 (Exhibit 1).

In July 2006, the County sold Water and Sewer System Revenue Bonds, Series 2006A in the aggregate amount of $81,470,000. The County also sold Water and Sewer System Refunding Bonds, Series 2006B in the aggregate amount of $4,795,000. The proceeds of these bonds have and will continue to provide financing for capital additions and extensions to the Water and Sewer System and refund certain outstanding debt.

In November 2006, the County sold General Obligation Public Improvement Bonds in the aggregate amount of $71,915,000. The proceeds of the Bonds have and will continue to provide financing for various County and School capital improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's Comprehensive Annual Financial Report (CAFR) is comprised of three sections: Introductory, Financial and Statistical. The Financial Section, which includes the audited basic financial statements, is comprised of four components: 1) the independent auditors' report, 2) management's discussion and analysis, 3) the basic financial statements, and 4) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The primary focus of the basic governmental financial statements over the last 20 years has been summarized fund type information on a current financial resource basis. Presenting two types of financial statements, each with a different snapshot of the County's finances, has modified this approach. The current focus is on both the County as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the County's overall financial status. The fund financial statements focus on the individual components of the County government, reporting the County's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund statements) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the County's financial accountability.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the County's finances is, "Is the County as a whole in better financial condition or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, reports information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and the changes in them. One can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors will need to be considered; however, such as changes in the County's property tax base and the condition of the County's infrastructure, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three types of activities:

Governmental Activities – Most of the County's basic services are reported here: Police, Fire, Public Works, Recreation and Parks, and general administration. Property taxes, other local taxes, and state and federal grants finance most of these activities.

Business-Type Activities – The County's operation, maintenance and construction of the County-owned water and wastewater (sewer) utility and the County-owned golf course are reported here as the County charges a fee to customers to cover all or most of the cost of the services these operations provide.

Component Units – The County includes two separate legal entities in its report – the County of Henrico School Board (the School Board) and the James River Juvenile Detention Commission. Although legally separate, these "component units" are important because the County is financially accountable for them, and provides operating and capital funding.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more information about the County's most significant funds, not the County as a whole.

The County has three types of funds:

Governmental Funds – Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash, and (2) the balances left, at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explain the relationship (or differences) between the two types of statements. (Exhibits 3 and 4)

Proprietary Funds – Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

In fact, the County's Enterprise Fund (one type of proprietary fund) is the same as the business-type activities included in the government-wide statements, but the fund financial statements provide more detail and additional information, such as cash flow. The County's Enterprise Fund accounts for the operation of the County's water and sewer utility and the County-owned golf course.

The County uses Internal Service Funds (the other kind of proprietary fund) to report activities that provide supplies and services for the County's other programs and activities. The Internal Service Funds account for the County's Central Automotive Maintenance operation and the Technology Replacement Fund. Resources for these Funds come from interdepartmental charges.

Fiduciary Funds – The County is the trustee, or fiduciary, for Agency Funds. The County is responsible for ensuring that the assets reported in these Funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its own operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Schedule of Net Assets

The following table reflects a summary of the County's net assets for fiscal years ended June 30, 2006 and 2007 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2006	2007	2006	2007	2006	2007	2006	2007
Current and Other Assets	$ 472.3	$ 556.1	$ 94.4	$ 181.2	$ 566.7	$ 737.3	$ 47.2	$ 49.6
Capital Assets	981.5	1,086.1	944.3	968.4	1,925.8	2,054.5	197.4	223.9
Total Assets	$ 1,453.8	$ 1,642.2	$ 1,038.7	$ 1,149.6	$ 2,492.5	$ 2,791.8	$ 244.6	$ 273.5
Long-term Liabilities	$ 400.0	$ 443.5	$ 126.9	$ 202.6	$ 526.9	$ 646.1	$ 29.9	$ 33.7
Other Liabilities	86.5	105.5	29.8	30.8	116.3	136.3	7.2	7.9
Total Liabilities	$ 486.5	$ 549.0	$ 156.7	$ 233.4	$ 643.2	$ 782.4	$ 37.1	$ 41.6
Net Assets:								
Invested In Capital Assets, Net of Related Debt	$ 734.5	$ 795.3	$ 815.7	$ 826.6	$ 1,550.2	$ 1,621.9	$ 176.6	$ 199.8
Restricted	88.9	135.9	11.4	15.9	100.3	151.8	3.6	3.2
Unrestricted	143.9	162.0	54.9	73.7	198.8	235.7	27.3	28.9
Total Net Assets	$ 967.3	$ 1,093.2	$ 882.0	$ 916.2	$ 1,849.3	$ 2,009.4	$ 207.5	$ 231.9

The County's combined net assets increased by 8.6 percent, or $160.1 million to $2,009.4 million from $1,849.3 million, an overall improvement resulting from the increase in net assets in both the Governmental and Business-Type Activities (Exhibit 2).

Net assets of the County's governmental activities increased 13.0 percent or $125.9 million to $1,093.2 million (Exhibit 2). Invested In Capital Assets, Net of Related Debt increased by $60.8 million, which was due to an increase in Capital Assets. Restricted Assets had an overall increase of $47.0 million. The governmental activities unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased by $18.1 million to $162.0 million at June 30, 2007 (Exhibit 1). The component units' net assets increased 11.7 percent or $24.4 million from $207.5 million to $231.9 million primarily due to increases in Federal and State operating grants and contributions received in the current year.

The net assets of governmental activities increased mainly due to higher capital outlay expenditures of $138.9 million in 2007 compared to $99.5 million in 2006, an increase of $39.3 million, or 39.5 percent. Capital outlay expenditures are added back to net assets as the result of an increase in capital assets capitalized during the year. Net Assets also increased due to the recognition of deferred grant revenues of approximately $10.5 million from FEMA and Federal Highway Construction Fund grant programs. Net Assets also increased due to a decrease in accrued interest expense of $2.2 million in 2007 compared to 2006, a decrease of 109 percent. Debt activities during the fiscal year resulted in a net increase of $10.2 million in net assets. These increases were offset by a decrease of $40.4 million in the change in fund balance in 2007 compared to 2006, or 43.5 percent. The change in fund balance for 2007 was $52.4 million as compared to $92.9 million for 2006.

The net assets of business-type activities increased 3.8 percent or $34.2 million from $882.0 million to $916.2 million. Unrestricted assets available for the continuing operation of these activities, water and sewer, and the golf course, were $71.2 million as of June 30, 2007.

Schedule of Activities

The following chart shows the revenue and expenses of the governmental activities for the fiscal years ended June 30, 2006 and 2007 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2006	2007	2006	2007	2006	2007	2006	2007
Revenues:								
Program Revenues:								
Charges for Services	$ 43.6	$ 43.7	$ 92.5	$ 92.7	$ 136.1	$ 136.4	$ 9.6	$ 9.8
Operating Grants and Contributions	125.0	143.7	21.4	16.9	146.4	160.6	211.7	247.5
General Revenues:								
Property Taxes	312.2	350.2	-	-	312.2	350.2	-	-
Other Taxes	129.1	135.1	-	-	129.1	135.1	-	-
Other	66.2	65.2	4.1	7.1	70.3	72.3	2.4	2.7
Payment from Primary Government	-	-	-	-	-	-	179.9	176.9
Total Revenue	$ 676.1	$ 737.9	$ 118.0	$ 116.7	$ 794.1	$ 854.6	$ 403.6	$ 436.9
Expenses:								
General Government	$ 67.0	$ 79.0	$ -	$ -	$ 67.0	$ 79.0	$ -	$ -
Judicial Administration	6.8	7.6	-	-	6.8	7.6	-	-
Public Safety	142.1	151.3	-	-	142.1	151.3	4.5	4.8
Public Works	54.6	61.0	-	-	54.6	61.0	-	-
Health and Welfare	54.0	57.8	-	-	54.0	57.8	-	-
Education	182.2	180.1	-	-	182.2	180.1	380.5	407.7
Parks, Recreation and Cultural	26.1	28.7	-	-	26.1	28.7	-	-
Community Development	26.8	29.4	-	-	26.8	29.4	-	-
Interest on Long-term Debt	16.8	17.1	-	-	16.8	17.1	-	-
Water and Sewer	-	-	71.5	81.4	71.5	81.4	-	-
Golf Course	-	-	1.2	1.1	1.2	1.1	-	-
Total Expenses	$ 576.4	$ 612.0	$ 72.7	$ 82.5	$ 649.1	$ 694.5	$ 385.0	$ 412.5
Change in Net Assets	99.7	125.9	45.3	34.2	145.0	160.1	18.6	24.4
Net Assets at beginning of year	867.6	967.3	836.7	882.0	1,704.3	1,849.3	188.9	207.5
Net Assets at end of year	$ 967.3	$ 1,093.2	$ 882.0	$ 916.2	$ 1,849.3	$ 2,009.4	$ 207.5	$ 231.9

REVENUES

For the fiscal year ended June 30, 2007, revenues from governmental activities totaled $737.9 million, an increase of $61.8 million, or 9.1 percent over fiscal year 2006. Real Estate Tax Revenues, the County's largest revenue source, which reflects the recognition of the second half calendar year 2006 and the first half of calendar year 2007 real property tax billing, totaled $276.4 million. The increase in Real Estate Tax revenue is primarily attributable to an increase in the County's assessed real property tax base, which increased 11.8 percent in calendar year 2007. The increase in assessments was offset by a 3 cent reduction in the Real Estate Tax Rate to 87 cents per $100 of assessed value. This is the third consecutive year that the Board of Supervisors has reduced the Real Estate Tax Rate, as a means of offsetting some of the increase in assessed value of real estate in the County.

In fiscal year 2007, the County recorded $64.4 million in personal property tax revenue from County residents, and received Personal Property Tax Relief from the Commonwealth of $37.2 million for total personal property tax related receipts of $101.6 million. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the Commonwealth's share of the local personal property tax payment for a calendar year was frozen at 70 percent for qualified vehicles. During the 2004 General Assembly, the Commonwealth's obligation for car tax relief was capped at $950 million annually. Each jurisdiction's share of the $950 million will be based on the total 2004 reimbursement as of December 31, 2005. The County's share for 2007 of $37.2 million, will be paid in three installments beginning in July 2007. At June 30, 2007, the County accrued $18.4 million for the first half 2007 calendar year.

Business-type activities produced total revenues of $116.7 million, a decrease of $1.3 million from fiscal year 2006. The largest business-type source of revenue is the County's Water and Sewer activity, which produced $91.8 million in charges for services and $16.8 million in operating grants and contributions. (Exhibit 2)

EXPENSES

For the fiscal year ended June 30, 2007, expenses for governmental activities totaled $612.0 million, an increase of $35.6 million, or 6.2 percent over fiscal year 2006. Included in this activity are increases for employee compensation and benefits, payments for educational expenses to the School Board, and cost increases in the areas of public safety, recreation, libraries and community development.

With historically low unemployment levels and high demand for skilled employees in both the public and private sectors in this region, it is important that the County provide competitive compensation levels for our employees. The FY 2007 expenses included funding for a combined merit pay increase and wage adjustment of 4.0 percent for all eligible County and School Board employees effective the first payday in July, 2007.

Education continues to be one of the County's highest priorities and commitments. Major items contributed by the County include $151.1 million for School operations and $25.5 million for School capital improvement projects (Exhibit 4).

The expenses of business-type activities, which result from the operations of the County's Water and Sewer activity and Golf Course activity, totaled $82.5 million, an increase of $9.8 million or 13.5 percent over fiscal year 2006 (Exhibit 2). The Water and Sewer activity accounts for $81.4 million of the total expenses of $82.5 million.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

For the fiscal year ended June 30, 2007, the governmental funds reflect a combined fund balance of $423.9 million, an increase of $52.4 million over fiscal year 2006 (Exhibit 3). Included in the combined fund balance is the General Fund, which accounts for $203.3 million (Exhibit 4) of the total combined balance. This is a 4.4 percent increase over the General Fund balance of $194.6 million recorded at June 30, 2006. The current General Fund Balance was impacted by General Fund Revenues, which grew by $40.3, or 6.7 percent over fiscal year 2006. This was primarily due to increases in General Property Taxes (Real Estate and Personal Property Taxes). At the same time General Fund Expenditures grow by $22.8 million or 5.0 percent over fiscal year 2006. In fiscal year 2007 the County funded a 4.0 percent pay increase, as well as benefits increases, and added personnel positions to Public Safety (Police and Fire). Other Financing Uses increased by $47.5 million or 48.1 percent over fiscal year 2006, and attributable to operating transfers to Capital Projects which amounted to $41.1 million for various County capital improvements projects. Finally, the following items affected the fund balance and should be noted:

- The General Fund contributed $79.9 million to the Capital Projects Fund to finance various capital projects, $18.4 million to the Special Revenue Fund and $48.0 million for debt service.

- The General Fund contributed $151.1 million to fund the fiscal year 2007 School Board operations.

Highlights of other Governmental Funds are as follows:

- The Special Revenue Fund Balance of $22.0 million (Exhibit 4) increased $2.6 million or 13.6 percent in comparison to fiscal year 2006. The increase is due to revenues of $46.0 million and transfers from the General Fund of $18.4 million exceeding expenditures of $61.6 million and transfers to the Capital Project Fund of $275,500. The major function of the Special Revenue Fund is to account for State and Federal grants received by the County. State and Federal grants accounted for $28.3 million in revenues and $45.0 million in expenditures along with the County's solid waste function, which accounted for $10.1 million in revenues and $10.3 million in expenditures during the fiscal year.

- The Debt Service Fund Balance increased from $4.1 million to $4.6 million (Exhibit 4) during fiscal year 2007. The increase is due to revenues and other financing sources exceeding expenditures by $538,762. During the fiscal year, expenditures for debt service were $48.0 million and the Fund received transfers from the General Fund of $48.0 million.

- The Capital Projects Fund Balance of $193.9 million (Exhibit 4) increased $40.5 million or 26.4 percent in comparison to fiscal year 2006. During the fiscal year, expenditures for capital projects were $123.0 million, revenues were $10.6 million and transfers totaled $79.9 million. Transfers consisted of $79.9 million from the General Fund, and $275,500 from the Special Revenue Fund, for a solid waste capital project. In addition, the County issued $71.9 million in General Obligation Public Improvement Bonds on November 6, 2006. The proceeds from this bond issue financed both County and School improvements.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Budget
(in millions)

	Original	Revised	Actual
Revenues:			
Taxes	$ 433.1	$ 435.8	$ 468.9
Intergovernmental	114.5	121.3	127.1
Other	28.6	28.8	41.5
Total Revenues	$ 576.2	$ 585.9	$ 637.5
Expenditures and Other Financing Uses:			
Expenditures	$ 468.9	$ 496.9	$ 482.7
Other Financing Uses	98.5	146.2	146.2
Total Expenditures and Other Financing Uses	567.4	643.1	628.9
Change in Fund Balance	$ 8.8	$ (57.2)	$ 8.6

Revenue and other financing sources exceeded expenditures and other financing uses by $8.6 million in the General Fund for fiscal year 2007.

Actual General Fund revenues exceeded original budgeted revenues by $61.3 million during fiscal year 2007. This increase is attributable in part to increased real estate assessments and other increased local taxes such as real estate, personal property, business license and bank franchise tax revenues, which account for $35.8 million of the increase. Revenue collections exceeded the revised budget by $33.0 million. Actual General Fund expenditures were greater than the original budget by $13.8 million, which was due in part to Board approved supplemental appropriations, and were less than the revised budget by $14.2 million.

During the fiscal year 2007, the County Board of Supervisors amended the budget six times. These budget amendments or supplemental appropriation resolutions were primarily for the following purposes:

- To reappropriate monies to pay for continuing programs whose fiscal year extended beyond June 30, 2006.
- To reappropriate grant revenues authorized in fiscal year 2006 or earlier, but not expended or encumbered as of June 30, 2006.
- To appropriate grants or donations accepted or adjusted in fiscal year 2007.
- To appropriate funds for program enhancements, small-scale capital projects or other operational needs that were not anticipated in the original fiscal year 2007 budget.

CAPITAL ASSETS

At the end of fiscal year 2007, the County's governmental activities (including Internal Service Funds) had net capital assets totaling $1,086.1 million (Note 6), which represents a net increase of $104.6 million or 10.6 percent over the previous fiscal year-end balance. In Henrico, infrastructure assets include roads, bridges, and water and wastewater systems.

Capital Assets
(in millions)

	Governmental Activities		Business-type Activities		Total		Component Units	
	2006	2007	2006	2007	2006	2007	2006	2007
Non-Depreciable Assets:								
Land	$ 286.7	$ 303.9	$ 16.9	$ 16.9	$ 303.6	$ 320.8	$ 16.2	$ 33.6
Construction in Progress	238.3	242.1	40.7	48.5	279.0	290.6	45.9	41.4
Other Capital Assets:								
Building	348.4	419.5	303.9	312.0	652.3	731.5	199.1	211.9
Infrastructure	438.0	465.2	749.0	782.0	1,187.0	1,247.2	-	-
Equipment	108.1	117.1	108.6	106.9	216.7	224.0	97.8	111.6
Improvements other than Buildings	27.0	27.1	3.8	3.8	30.8	30.9	20.9	21.9
Accumulated Depreciation On Other Capital Assets	(465.0)	(488.8)	(278.6)	(301.7)	(743.6)	(790.5)	(182.5)	(196.5)
Total	$ 981.5	$ 1,086.1	$ 944.3	$ 968.4	$ 1,925.8	$ 2,054.6	$ 197.4	$ 223.9

The business-type activities capital assets grew by $24.1 million to $968.4 million, an increase of 2.5 percent over the previous fiscal year. The County's business-type activities are made up of the County-owned golf course and the County's water and sewer activities.

The component unit's capital assets grew by $26.5 million to $223.9 million, an increase of 13.4 percent over the previous fiscal year. The School Board accounted for all of the net increase.

LONG-TERM DEBT

In November 2000, the County's voters approved a $237.0 million General Obligation Bond Referendum. The referendum included projects for Schools, Fire, Public Library, Public Works (roads projects), and Recreation and Parks. To date the County has issued $236.9 million of the total voter approved bonds.

In March 2005, the County voters authorized the issuance of an additional $349.3 million of general obligation bonds. These bonds will provide financing for future public improvements, including County and School facilities. To date the County has issued $71.5 million of the voter approved bonds; with $277.8 million in bonds approved but not issued.

On November 3, 2006, the County issued General Obligation Public Improvement Bonds, Series 2006 in the aggregate principal amount of $71,915,000. The proceeds of the bonds will be used to finance public improvements for both County and School facilities, pursuant to the voter authorizations approved by referendums in November 2000 and March 2005. The interest rate on these bonds ranged between 4.00 percent and 5.00 percent. The bonds mature on December 1 of each of the years 2007 through 2026.

At the end of fiscal year 2007, the County had $344.9 million in outstanding General Obligation Bonds, an increase of $48.7 million, or 16.4 percent, over last fiscal year. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

In November 2006, Moody's Investors Services, Inc., Standard & Poor's (S&P) and Fitch rating agencies, all reaffirmed the County of Henrico's triple-AAA bond rating, in conjunction with the issuance of the $71.9 million in general obligation bonds. The County received AAA bond ratings from both Moody's and S&P for the first time in 1977. In 1998, Fitch IBCA bestowed a AAA rating on the County.

In addition to the general obligation bonds issued in November 2006, the County also issued $81.4 million in Water and Sewer System Revenue Bonds (Series 2006 A) and $4.8 million in Water and Sewer System Refunding Bonds (Series 2006 B) on July 6, 2006. The proceeds of the Series 2006 A Bonds will finance improvements, additions and extensions to the Water and Sewer System of the County. The proceeds of the Series 2006 B Bonds were used to refund $4,835,000 Water and Sewer System Revenue and Refunding Revenue Bonds, Series 1994 of the County. The interest rate on these bonds ranged between 4.25 percent and 5.00 percent. The bonds mature on May 1 of each of the years 2007 though 2026.

ECONOMIC FACTORS

According to the Virginia Employment Commission, the County added 18,170 jobs since 2000, pushing total employment over 159,534 as of June 2007. The County's unemployment rate, which was reported at 3.2 percent as of June 2007, continues to post at or below both the state and federal rates (3.2 percent and 4.7 percent respectively). As of 2005 (the latest data available from the U.S. Bureau of Economic Analysis), the County's per capita income of $40,036 registered considerably higher than both the national average of $30,616 and the Commonwealth of Virginia average of $37,503.

OTHER INFORMATION

In preparation for the adoption in fiscal year 2008 of Governmental Accounting Standard Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), the County had third-party actuaries prepare an evaluation of post retirement medical cost as of July 1, 2005. That evaluation estimated the Unfunded Actuarial Accrued Liability for both County and Schools Board combined to be $88.5 million and the Annual Required Contribution (ARC) to be $9.9 million. This information was based on a 30-year amortization of the unfunded actuarial liability and a 4 percent discount assumption.

During Fiscal Year 2008 the County will fully fund the ARC and establish a separate investment trust to finance the payment of benefits. The County Board of Supervisors, as part of the fiscal 2008 Budget, appropriated $6.4 million for post retirement benefits. In addition to this amount, $3.5 million of the current healthcare contributions will be combined to fully fund the $9.9 million ARC for fiscal year 2008.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. Questions concerning this report or requests for additional financial information should be directed to the Acting Director of Finance, P.O. Box 27032, Richmond, VA 23273-7032. Additional financial information can be found on our web-site www.co.henrico.va.us.

COUNTY OF HENRICO, VIRGINIA
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

Exhibit 1

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets:				
Cash and cash equivalents	$ 493,113,232	$ 109,362,917	$ 602,476,149	$ 38,070,300
Receivables, net	18,644,576	23,108,818	41,753,394	-
Due from other governments	47,397,445	-	47,397,445	11,058,541
Internal balances	(6,137,267)	6,137,267	-	-
Due from component units	1,100,393	-	1,100,393	-
Inventories	713,812	894,699	1,608,511	-
Prepaids	-	20,000	20,000	-
Other assets	1,261,599	6,504,849	7,766,448	471,187
Restricted cash	-	35,174,355	35,174,355	37,344
Capital Assets:				
Land and construction in progress	546,035,856	65,426,052	611,461,908	75,105,585
Other capital assets, net	540,122,584	903,016,189	1,443,138,773	148,815,052
Capital assets, net	1,086,158,440	968,442,241	2,054,600,681	223,920,637
Total Assets	$ 1,642,252,230	$ 1,149,645,146	$ 2,791,897,376	$ 273,558,009
Liabilities:				
Accounts payable	$ 60,859,839	$ 11,115,930	$ 71,975,769	$ 2,924,127
Deposits payable	5,771,005	589,691	6,360,696	-
Accrued liabilities	24,220,153	2,242,634	26,462,787	-
Amounts held for others	191,088	-	191,088	1,096,332
Unearned revenues	14,441,998	16,852,767	31,294,765	2,817,771
Due to Primary Government	-	-	-	1,100,393
Long-term liabilities due within one year	56,850,678	9,117,682	65,968,360	15,462,992
Long-term liabilities due in more than one year	386,677,103	193,521,271	580,198,374	18,260,953
Total Liabilities	$ 549,011,864	$ 233,439,975	$ 782,451,839	$ 41,662,568
Net Assets:				
Invested in capital assets, net of related debt	$ 795,306,678	$ 826,624,558	$ 1,621,931,236	$ 199,772,001
Restricted for:				
Capital projects	83,043,064	-	83,043,064	-
Debt service	30,881,347	-	30,881,347	-
Special revenue	22,059,970	15,884,660	37,944,630	3,179,971
Unrestricted assets	161,949,307	73,695,953	235,645,260	28,943,469
Total Net Assets	$ 1,093,240,366	$ 916,205,171	$ 2,009,445,537	$ 231,895,441

The accompanying notes to the financial statements are an integral part of these financial statements.

COUNTY OF HENRICO, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	$ 79,015,136	$ 18,941,285	$ 1,054,460	$ -
Judicial administration	7,584,571	112,847	6,390,512	-
Public safety	151,288,852	4,107,282	34,992,596	-
Public works	60,956,509	10,565,859	68,655,054	-
Health and welfare	57,777,300	8,061,768	29,354,399	-
Education	180,070,403	-	-	-
Parks, recreation and culture	28,747,686	1,285,079	322,096	-
Community development	29,359,057	690,560	2,898,775	-
Interest on long-term debt	17,170,874	-	-	-
Total Governmental Activities	611,970,388	43,764,680	143,667,892	-
Business-type activities:				
Water and Sewer	81,415,464	91,824,554	16,863,661	-
Belmont Park Golf Course	1,122,100	930,715	-	-
Total Business-type Activities	82,537,564	92,755,269	16,863,661	-
Total Primary Government	$ 694,507,952	$ 136,519,949	$ 160,531,553	$ -
Component Units:				
School Board	$ 407,717,286	$ 9,828,289	$ 243,192,373	$ -
James River Juvenile Detention Commission	4,879,219	-	4,286,333	89,601
Total Component Units	$ 412,596,505	$ 9,828,289	$ 247,478,706	$ 89,601

General Revenues:
Taxes:
Property
Local sales and use
Business licenses
Hotel and motel
Bank franchise
Other
Interest and investment earnings
Grants and contributions
Payment from Henrico County
Recovered costs
Miscellaneous
Educational contribution
Total General Revenues

Change in net assets

Net Assets at July 1 2006

Net Assets at June 30, 2007

The accompanying notes to the financial statements are an integral part of these financial statements.

Exhibit 2

Net (Expenses) Revenues and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (59,019,391)	$ -	$ (59,019,391)	$ -
(1,081,212)	-	(1,081,212)	-
(112,188,974)	-	(112,188,974)	-
18,264,404	-	18,264,404	-
(20,361,132)	-	(20,361,132)	-
(180,070,403)	-	(180,070,403)	-
(27,140,511)	-	(27,140,511)	-
(25,769,722)	-	(25,769,722)	-
(17,170,874)	-	(17,170,874)	-
(424,537,816)	-	(424,537,816)	-
-	27,272,751	27,272,751	-
-	(191,385)	(191,385)	-
-	27,081,366	27,081,366	-
$ (424,537,816)	$ 27,081,366	$ (397,456,450)	$ -
$ -	$ -	$ -	$ (154,696,624)
-	-	-	(503,285)
$ -	$ -	$ -	$ (155,199,909)
$ 350,196,111	$ -	$ 350,196,111	$ -
54,472,822	-	54,472,822	-
31,173,501	-	31,173,501	-
10,304,986	-	10,304,986	-
5,120,138	-	5,120,138	-
33,991,920	-	33,991,920	-
22,818,390	5,811,620	28,630,010	190,988
39,482,420	1,332,242	40,814,662	-
-	-	-	678,300
-	-	-	500,917
2,919,107	(94,403)	2,824,704	1,248,810
-	-	-	176,898,865
$ 550,479,395	$ 7,049,459	$ 557,528,854	$ 179,517,880
$ 125,941,579	$ 34,130,825	$ 160,072,404	$ 24,317,971
967,298,787	882,074,346	1,849,373,133	207,577,470
$ 1,093,240,366	$ 916,205,171	$ 2,009,445,537	$ 231,895,441

COUNTY OF HENRICO, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

Exhibit 3

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Assets:					
Cash and cash equivalents	$ 235,920,071	$ 25,745,664	$ 4,606,347	$ 209,874,251	$ 476,146,333
Receivables, net	16,388,613	2,253,739	-	-	18,642,352
Due from other governmental units	36,808,516	3,367,104	-	7,221,825	47,397,445
Due from component units	414,612	-	-	685,781	1,100,393
Due from other funds	162,892	-	-	-	162,892
Advance to other fund	112,500	-	-	-	112,500
Total Assets	$ 289,807,204	$ 31,366,507	$ 4,606,347	$ 217,781,857	$ 543,561,915
Liabilities:					
Accounts payable	$ 49,300,270	$ 755,802	$ -	$ 9,157,934	$ 59,214,006
Deposits payable	5,771,005	-	-	-	5,771,005
Accrued liabilities	11,811,728	4,206,307	-	1,938,211	17,956,246
Amounts held for others	-	191,088	-	-	191,088
Unearned revenues	19,646,337	4,153,340	-	6,305,726	30,105,403
Due to other funds	-	-	-	6,412,659	6,412,659
Total liabilities	86,529,340	9,306,537	-	23,814,530	119,650,407
Fund Balances:					
Reserved for:					
Advance to other funds	112,500	-	-	-	112,500
Encumbrances	5,822,870	735,644	-	69,432,323	75,990,837
Unreserved, reported as:					
Designated	74,613,801	21,324,326	4,606,347	124,535,004	225,079,478
Undesignated	122,728,693	-	-	-	122,728,693
Total fund balances	203,277,864	22,059,970	4,606,347	193,967,327	423,911,508
Total Liabilities and Fund Balances	$ 289,807,204	$ 31,366,507	$ 4,606,347	$ 217,781,857	

Adjustments for the Statement of Net Assets:

Capital assets used in government activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. (Note 6)	$ 1,072,505,121
Deferred revenue that has not been recognized in the current period and is reported as liabilities in the governmental funds. (Note 3)	15,663,405
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. (Note 7)	(443,255,889)
Accrued interest on bonds payable is not due and payable in the current period and, therefore, is not reported as liabilities in the governmental funds.	(6,263,907)
Other assets reported in governmental activities are not deferred and recorded as assets in the governmental funds.	1,261,599
Internal service funds are used by management to charge the costs of equipment replacement, therefore, the assets and liabilities of the internal service funds are included in government activities in the Statement of Net Assets.	30,124,593
Internal service funds' net profit allocation to business-type activities and component units is included in the Statement of Net Assets as accounts payable, but is not included in the governmental funds.	(706,064)
Net Assets of Governmental Activities	$ 1,093,240,366

The accompanying notes to the financial statements are an integral part of these financial statements.

COUNTY OF HENRICO, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Exhibit 4

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues:					
General property taxes	$ 342,936,509	$ 3,466,156	$ -	$ -	$ 346,402,665
Other local taxes	125,926,766	3,992,577	-	-	129,919,343
Licenses and permits	4,596,388	-	-	-	4,596,388
Fines and forfeitures	2,639,646	-	-	-	2,639,646
Revenue from use of money and property	16,792,176	70,236	-	6,447,637	23,310,049
Charges for services	7,436,514	17,589,902	-	-	25,026,416
Miscellaneous	5,223,516	272,823	-	1,863,588	7,359,927
Recovered costs	4,834,712	1,093,103	-	-	5,927,815
Intergovernmental	127,120,620	19,558,854	-	2,261,200	148,940,674
Total Revenues	637,506,847	46,043,651	-	10,572,425	694,122,923
Expenditures:					
Current operating:					
General government	61,180,647	1,375,153	-	-	62,555,800
Judicial administration	6,742,617	784,659	-	-	7,527,276
Public safety	145,197,144	4,717,521	-	-	149,914,665
Public works	34,663,842	10,675,216	-	-	45,339,058
Health and welfare	22,320,464	35,360,478	-	-	57,680,942
Parks, recreation, and culture	27,208,578	89,819	-	-	27,298,397
Community development	20,769,114	8,589,316	-	-	29,358,430
Education	151,134,059	-	208,264	25,556,542	176,898,865
Miscellaneous	13,507,132	-	-	-	13,507,132
Debt service:					
Principal	46,343	-	29,260,000	-	29,306,343
Interest and other charges	7,892	-	18,570,208	-	18,578,100
Capital outlay	-	-	-	97,470,355	97,470,355
Total Expenditures	482,777,832	61,592,162	48,038,472	123,026,897	715,435,363
Excess (deficiency) of revenues over (under) expenditures	154,729,015	(15,548,511)	(48,038,472)	(112,454,472)	(21,312,440)
OTHER FINANCING (USES) SOURCES:					
Transfers in	-	18,461,927	48,057,065	79,925,936	146,444,928
Transfers out	(146,169,428)	(275,500)	-	-	(146,444,928)
Issuance of bonds	-	-	-	71,915,000	71,915,000
Issuance of bond premium	-	-	520,169	1,144,052	1,664,221
Issuance of capital leases	104,320	-	-	-	104,320
Total other financing (uses) sources, net	(146,065,108)	18,186,427	48,577,234	152,984,988	73,683,541
Net change in fund balance	8,663,907	2,637,916	538,762	40,530,516	52,371,101
Fund Balances - July 1, 2006	194,613,957	19,422,054	4,067,585	153,436,811	371,540,407
Fund Balances - June 30, 2007	$ 203,277,864	$ 22,059,970	$ 4,606,347	$ 193,967,327	$ 423,911,508

Adjustments for the Statement of Activities:

Net change in fund balances - total governmental funds	$ 52,371,101
Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	29,306,343
Revenues in governmental funds that do provide current financial resources are not reported as revenues in the Statement of Activities. (Note 3)	10,279,898
Governmental funds report capital outlays as expenditures while governmental activities capitalize those outlays to allocate those expenditures over the life of the assets.	138,866,557
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.	1,352,389
Depreciation expense is reported in the Statement of Activities but is not reported as an expense in the governmental funds. (Note 6)	(33,817,055)
Interest expense on bonds payable is not due and payable in the current period and, therefore, is not reported as expenses in the governmental funds. (Note 7)	179,725
Debt proceeds are recorded as revenues in governmental funds, but are not reported as revenues in the Statement of Activities	(73,683,541)
Internal service funds are used to charge the costs of maintenance to governmental funds and are a reduction of related expenses in the Statement of Activities.	(4,071)
Internal service fund revenues not recorded in the governmental funds.	1,090,233
Change in Net Assets of Governmental Activities	$ 125,941,579

The accompanying notes to the financial statements are an integral part of these financial statements.

COUNTY OF HENRICO, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

Exhibit 5

	Business Type Activities - Enterprise Funds			Internal Service Funds
	Water and Sewer Revenue	Belmont Park Golf Course	Total	
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 109,362,917	$ -	$ 109,362,917	$ 16,966,899
Receivables, net	23,108,818	-	23,108,818	2,224
Due from other funds	6,412,659	-	6,412,659	-
Inventories	894,699	-	894,699	713,812
Prepaids	20,000	-	20,000	-
Restricted cash	35,174,355	-	35,174,355	-
Total current assets	174,973,448	-	174,973,448	17,682,935
Noncurrent assets:				
Other assets	6,503,693	1,156	6,504,849	-
Capital Assets:				
Land and Construction in Progress	65,175,561	250,491	65,426,052	-
Other Capital Assets, Net	901,154,703	1,861,486	903,016,189	13,653,319
Capital Assets, Net	966,330,264	2,111,977	968,442,241	13,653,319
Total Assets	$ 1,147,807,405	$ 2,113,133	$ 1,149,920,538	$ 31,336,254
LIABILITIES:				
Current liabilities:				
Accounts payable	$ 11,075,454	$ 40,476	$ 11,115,930	$ 939,769
Deposits payable	589,691	-	589,691	-
Due to other funds	-	162,892	162,892	-
Accrued liabilities	2,224,586	18,048	2,242,634	-
Unearned revenues	16,852,767	-	16,852,767	-
Long-term liabilities due within one year	9,100,232	17,450	9,117,682	169,262
Total current liabilities	39,842,730	238,866	40,081,596	1,109,031
Noncurrent liabilities:				
Advance from other fund	-	112,500	112,500	-
Long-term liabilities due in more than one year	193,505,585	15,686	193,521,271	102,630
Total liabilities	233,348,315	367,052	233,715,367	1,211,661
Net Assets:				
Invested in Capital Assets, Net of Related Debt	822,935,880	2,111,977	825,047,857	13,653,319
Restricted	15,884,660	-	15,884,660	-
Unrestricted Assets	75,638,550	(365,896)	75,272,654	16,471,274
Total net assets	914,459,090	1,746,081	916,205,171	30,124,593
Total Liabilities and Net Assets	$ 1,147,807,405	$ 2,113,133	$ 1,149,920,538	$ 31,336,254

The accompanying notes to the financial statements are an integral part of these financial statements.

COUNTY OF HENRICO, VIRGINIA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Exhibit 6

	Business Type Activities - Enterprise Funds			Internal
	Water and Sewer Revenue	Belmont Park Golf Course	Total	Service Funds
Operating Revenues:				
Charges for services:				
Water system	$ 39,931,003	$ -	$ 39,931,003	$ -
Sewer system	40,912,796	-	40,912,796	-
Golf course fees	-	930,715	930,715	-
Interdepartmental charges	-	-	-	18,544,861
Other	573,976	76,407	650,383	79,261
Total operating revenue	81,417,775	1,007,122	82,424,897	18,624,122
Operating Expenses:				
Purchased services	7,017,711	53,180	7,070,891	-
Payment in lieu of taxes	2,638,000	-	2,638,000	-
Utility charges	5,128,762	44,620	5,173,382	140,420
Personnel services and benefits	14,697,736	493,002	15,190,738	3,327,784
Professional services	8,475,419	107,939	8,583,358	46,389
Materials and supplies	4,642,812	194,171	4,836,983	11,131,346
Maintenance and repairs	1,193,674	29,818	1,223,492	1,795,366
Other expenses	3,629,891	64,234	3,694,125	166,031
Depreciation	25,927,172	135,136	26,062,308	1,947,642
Total operating expenses	73,351,177	1,122,100	74,473,277	18,554,978
Operating income (loss)	8,066,598	(114,978)	7,951,620	69,144
Nonoperating Revenues (Expenses):				
Investment income	5,811,620	-	5,811,620	-
Connection fees	10,980,755	-	10,980,755	-
Interest expense	(8,064,287)	-	(8,064,287)	-
Other	(744,786)	-	(744,786)	96,741
Total nonoperating revenues, net	7,983,302	-	7,983,302	96,741
Income before contributions	16,049,900	(114,978)	15,934,922	165,885
Contributions:				
Contribution in-aid	-	-	-	879,517
Debt service contributions	1,332,242	-	1,332,242	-
Capital contributions - donated assets	16,863,661	-	16,863,661	34,714
Total contributions	18,195,903	-	18,195,903	914,231
Change in net assets	34,245,803	(114,978)	34,130,825	1,080,116
Total Net Assets - July 1, 2006	880,213,287	1,861,059	882,074,346	29,044,477
Total Net Assets - June 30, 2007	$ 914,459,090	$ 1,746,081	$ 916,205,171	$ 30,124,593

The accompanying notes to the financial statements are an integral part of these financial statements.

COUNTY OF HENRICO, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Exhibit 7

	Business Type Activities - Enterprise Funds			Internal Service Funds
	Water and Sewer Revenue	Belmont Park Golf Course	Total	
Cash Flows From Operating Activities:				
Receipts from customers	$ 79,556,605	$ 1,007,122	$ 80,563,727	$ 18,622,061
Payments to suppliers	(25,907,686)	(449,930)	(26,357,616)	(12,836,647)
Payments to employees	(17,512,186)	(483,678)	(17,995,864)	(3,313,979)
Payment in lieu of taxes	(2,638,000)	-	(2,638,000)	-
Net cash provided by operating activities	33,498,733	73,514	33,572,247	2,471,435
Cash Flows From Capital and Related Financing Activities:				
Purchase of assets	(32,572,091)	(73,514)	(32,645,605)	(2,713,383)
Proceeds from sale of capital assets	64,584	-	64,584	343,092
Connection fees paid by contractors	11,011,412	-	11,011,412	-
Payments on capital leases	(2,149)	-	(2,149)	-
Contribution-in-aid	-	-	-	879,517
Debt service contributions	432,242	-	432,242	-
Bond issuance costs	(152,229)	-	(152,229)	-
Bond proceeds	89,081,073	-	89,081,073	-
Defeasance of debt	(4,865,000)	-	(4,865,000)	-
Gain on debt issue	(54,808)	-	(54,808)	-
Interest paid on bonds	(9,081,624)	-	(9,081,624)	-
Principal paid on bonds	(8,440,000)	-	(8,440,000)	-
Net cash provided by (used in) capital and related financing activities	45,421,410	(73,514)	45,347,896	(1,490,774)
Cash Flows From Investing Activities:				
Investment income	6,520,121	-	6,520,121	-
Net Increase in Cash	85,440,264	-	85,440,264	980,661
Cash and Cash Equivalents - July 1, 2006	59,097,008	-	59,097,008	15,986,238
Cash and Cash Equivalents - June 30, 2007	$ 144,537,272	$ -	$ 144,537,272	$ 16,966,899
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	$ 8,066,598	$ (114,978)	$ 7,951,620	$ 69,144
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	25,927,172	135,136	26,062,308	1,947,642
Increase in accounts receivable	(901,675)	-	(901,675)	(2,061)
Increase in due to other funds	-	61,797	61,797	-
(Increase) decrease in inventories	(95,804)	-	(95,804)	26,822
Increase (decrease) in accounts payable	1,060,875	(17,761)	1,043,114	416,086
Increase in deposits payable	377,264	-	377,264	-
Increase in other liabilities	46,723	9,320	56,043	13,802
Decrease in unearned revenue	(982,420)	-	(982,420)	-
Net cash provided by operating activities	$ 33,498,733	$ 73,514	$ 33,572,247	$ 2,471,435
Reconciliation to Cash and Cash Equivalents on the Statement of Net Assets:				
Cash and cash equivalents	$ 109,362,917	$ -	$ 109,362,917	$ 16,966,899
Restricted cash and cash equivalents	35,174,355	-	35,174,355	-
Cash and Cash Equivalents - June 30, 2007	$ 144,537,272	$ -	$ 144,537,272	$ 16,966,899

Supplemental disclosure of noncash investing and capital and related financing activities:

The Water and Sewer Fund received donated assets in the form of infrastructure provided by developers of new subdivisions throughout the County. The value of the assets received during the year was $16,863,661.

Central Automotive Maintenance received donated equipment valued at $34,714.

The accompanying notes to the financial statements are an integral part of these financial statements.

COUNTY OF HENRICO, VIRGINIA
STATEMENT OF NET ASSETS
FIDUCIARY NET ASSETS
JUNE 30, 2007

Exhibit 8

	Agency Funds
Assets:	
Cash and cash equivalents	$ 1,791,548
Total Assets	$ 1,791,548
Liabilities:	
Amounts held for others	$ 1,790,889
Accounts payable	659
Total Liabilities	$ 1,791,548

The accompanying notes to the financial statements are an integral part of these financial statements.

COUNTY OF HENRICO, VIRGINIA
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2007

Exhibit 9

	School Board	James River Juvenile Detention Commission	Total
Assets:			
Cash and cash equivalents	$ 34,574,557	$ 3,495,743	$ 38,070,300
Restricted cash	-	37,344	37,344
Due from other governmental units	10,970,184	88,357	11,058,541
Other assets	455,150	16,037	471,187
Total current assets	45,999,891	3,637,481	49,637,372
Capital assets:			
Land and construction in progress	75,075,585	30,000	75,105,585
Other capital assets, net	140,743,038	8,072,014	148,815,052
Capital assets, net	215,818,623	8,102,014	223,920,637
Total Assets	$ 261,818,514	$ 11,739,495	$ 273,558,009
Liabilities:			
Accounts payable	$ 2,605,494	$ 318,633	$ 2,924,127
Amounts held for others	1,096,332	-	1,096,332
Unearned revenues	2,816,535	1,236	2,817,771
Due to Primary Government	685,781	414,612	1,100,393
Long-term liabilities due within one year	15,014,111	448,881	15,462,992
Total current liabilities	22,218,253	1,183,362	23,401,615
Long-term liabilities due in more than one year	13,830,173	4,430,780	18,260,953
Total liabilities	36,048,426	5,614,142	41,662,568
Net Assets:			
Invested in capital assets, net of related debt	196,549,648	3,222,353	199,772,001
Restricted	3,120,856	59,115	3,179,971
Unrestricted assets	26,099,584	2,843,885	28,943,469
Total net assets	225,770,088	6,125,353	231,895,441
Total Liabilities and Net Assets	$ 261,818,514	$ 11,739,495	$ 273,558,009

The accompanying notes to the financial statements are an integral part of these financial statements.

COUNTY OF HENRICO, VIRGINIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Exhibit 10

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	JRJDC	Total
Governmental Activities:							
School Board:							
Instructional	$ 407,717,286	$ 9,828,289	$ 243,192,373	$ -	$ (154,696,624)	$ -	$ (154,696,624)
Total School Board	407,717,286	9,828,289	243,192,373	-	(154,696,624)	-	(154,696,624)
Business Type Activities:							
James River Juvenile Detention Commission	4,879,219	-	4,286,333	89,601	-	(503,285)	(503,285)
Total Component Units	$ 412,596,505	$ 9,828,289	$ 247,478,706	$ 89,601	$ (154,696,624)	$ (503,285)	$ (155,199,909)
General Revenues:							
Interest and investment earnings					$ -	$ 190,988	$ 190,988
Payment from County					-	678,300	678,300
Recovered costs					500,917	-	500,917
Miscellaneous					1,248,810	-	1,248,810
Educational contribution					176,898,865	-	176,898,865
Total General Revenues					$ 178,648,592	$ 869,288	$ 179,517,880
Change in net assets					$ 23,951,968	$ 366,003	$ 24,317,971
Net Assets at July 1, 2006					201,818,120	5,759,350	207,577,470
Net Assets at June 30, 2007					$ 225,770,088	$ 6,125,353	$ 231,895,441

The accompanying notes to the financial statements are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County of Henrico, Virginia ("County") conform to U.S. generally accepted accounting principles ("GAAP") applicable to governmental units promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the County's more accounting significant policies:

A. Reporting Entity

The County implemented GASB Statement No. 34 - *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* for the fiscal year ended June 30, 2002. GASB Statement No. 34 requires the following components to the financial statements:

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of a "management's discussion and analysis" ("MD&A"). This analysis is similar to the analysis the private sector provides in their annual reports.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets - The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. The County reports all capital assets, including infrastructure, in the government-wide Statement of Net Assets and reports depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of the County are broken down into three categories: 1) investment in capital assets, net of related debt; 2) restricted net assets; and 3) unrestricted net assets.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of the County's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Required Supplementary Information - Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of the County's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under GAAP, governments provide budgetary comparison information in their annual reports by disclosing the government's original budget to the current comparison of final budget and actual results.

As required by GAAP, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The County has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

In accordance with GASB No. 14, *The Financial Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations Are Component Units*, the County has presented those entities which comprise the primary government along with discretely presented component units in the government-wide financial statements.

Discretely Presented Component Units:

School Board

The County of Henrico School Board (School Board) is a legally separate organization providing elementary and secondary education to residents within the County's jurisdiction and is fiscally dependent on the County, receiving more than 50 percent of its funding from the County. The nature and significance of the relationship between the County and the School Board is such that excluding the School Board would cause the financial statements to be misleading and incomplete. The School Board does not prepare a separate financial report.

James River Juvenile Detention Commission

The James River Juvenile Detention Commission ("JRJDC" or "Commission") is a separate organization established to provide a juvenile detention facility for the Counties of Goochland, Henrico and Powhatan. There are five voting members of the Commission, of which three members represent the County and one each represents Goochland and Powhatan. Their respective county boards appoint the five Commission members. The Commission is financially dependent on the member jurisdictions. The operating costs are allocated among the member jurisdictions based on proportionate usage. Complete financial statements for the Commission may be obtained from the JRJDC Chairman George T. Drumwright, Jr., P.O. Box 27032, Richmond, VA 23273.

Joint Venture:

Capital Region Airport Commission

The Capital Region Airport Commission is an intergovernmental joint venture and issues separate financial statements. The required information regarding the joint venture is presented in Note 18.

Greater Richmond Convention Center Authority

The Greater Richmond Convention Center Authority is an intergovernmental joint venture and issues separate financial statements. The required information regarding the joint venture is presented in Note 18.

B. Government-wide and Fund Accounting Statements

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The Statement of Net Assets consists of the investment in capital assets, net of related debt, restricted net assets and unrestricted net assets. Investment in capital assets, net of related debt, consists of net capital assets less related long-term liabilities. Restricted net assets consist of amounts restricted by external sources related to capital projects, debt service and amounts received in the Special Revenue Fund.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions to determine net costs by function. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or the business-type activity.

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements with the government-wide financial statements.

The County's fiduciary funds, which consist of agency funds, are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party (private parties, long-term disability participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the government-wide model is on the County as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds which are considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. The funds are grouped in the fund financial statements in fund types as follows:

Governmental Funds:

General Fund

The General Fund accounts for all revenues and expenditures of the County which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, local sales taxes, license and permit fees, and revenues received from the State.

A significant part of the General Fund's revenues is used to maintain and operate the general government, or is transferred to other funds principally to fund debt service requirements and capital projects. General Fund revenues are used to reduce long-term liabilities including claims payable, accrued compensated absences and pension liabilities. Expenditures include, among other things, those for public safety, highways and streets, welfare, culture and recreation. The General Fund is considered a major fund for reporting purposes.

Special Revenue Fund

The Special Revenue Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. A portion of the revenues received in this fund is used to reduce the landfill liability each year. The Special Revenue Fund is considered a major fund for reporting purposes.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on all governmental funds' long-term debt except for accrued compensated absences and capital lease obligations for equipment, which are paid by the fund incurring such expenditures. Debt Service Fund resources are derived from transfers from the General Fund. The Debt Service Fund is considered a major fund for reporting purposes.

Capital Projects Fund

The Capital Projects Fund includes activity for all general government and school related capital projects which are financed through a combination of proceeds from general obligation bonds and operating transfers from the General Fund. The Capital Projects Fund is considered a major fund for reporting purposes.

Proprietary Funds:

Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the County is that the cost of providing services to the general public be financed or recovered through charges to users of such services. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through these funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services and are used to pay for compensated absences, pension costs and other operating expenses. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

These funds include the operation, maintenance and construction of the County-owned water and wastewater ("sewer") utility (considered a single segment for financial reporting purposes) and the County-owned golf course. These funds are considered to be business-type activities in the government-wide financial statements.

Internal Service Funds

The Internal Service Funds accounts for the County's Central Automotive Maintenance operation and Technology Replacement Fund. Resources for these funds come from interdepartmental charges. The effect of the interdepartmental activity has been eliminated from the government-wide financial statements using a net profit allocation method. The excess revenue for the fund is allocated to the appropriate functional activity within governmental, business-type and component unit activities. The Internal Service Funds are included in governmental activities for government-wide reporting purposes. Inter-fund services that are provided and used are not eliminated in the process of consolidation. External revenues received are reported within governmental activities for government-wide reporting purposes.

Fiduciary Funds:

Agency Funds

Agency Funds account for fiduciary funds administered by the County and are custodial in nature (assets equal liabilities) and have no measurement focus.

C. Capital Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the capital assets and long-term liabilities, associated with a fund is determined by its measurement focus. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance ("net current assets") is considered a measure of "available resources to be spent". Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available expendable resources" during a period. Capital assets and long-term liabilities are not recorded in the fund financial statements, however, a reconciliation of the fund balance to the Statement of Net Assets in the governmental activities in the government-wide financial statements is provided to account for the differences between the two statements (i.e. capital assets and long-term liabilities, etc.).

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold of $2,500 for land and equipment and $25,000 for buildings, improvements and infrastructure are met. In accordance with GAAP, infrastructure has been capitalized retroactively to 1980. Depreciation is recorded on general capital assets on a governmental-wide basis using the straight-line method. The estimated useful lives are as follows:

Buildings	25 - 50 years
Improvements	20 - 50 years
Equipment	4 - 30 years
Infrastructures	10 - 65 years

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Estimated historical cost was primarily used for land costs (for which the historical assessment records of the County were used). Donated capital assets are valued at their estimated fair value on the date donated. When capital assets are sold or retired, their costs are removed from the accounts and the gain or loss for the disposal is reflected in current revenues.

Proprietary Funds

All Proprietary Funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported net assets are segregated into invested in capital assets net of related debt, restricted and unrestricted net assets. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Capital assets for the Proprietary Funds are stated at cost, net of accumulated depreciation. Gifts or contributions of capital assets are recorded as an asset at their fair value at date of receipt are recorded as revenue.

Depreciation of all exhaustible capital assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on the Proprietary Funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25 - 50 years
Improvements	20 - 50 years
Equipment	4 - 30 years
Infrastructures	10 - 65 years

When Proprietary Fund assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts and the gains or losses are reflected in the income statement.

D. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

E. Basis of Accounting - Financial Statements

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The County adopted GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* in 2002. This statement establishes new financial reporting requirements for state and local governments. The County also adopted GASB Statement No. 37 *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and GASB Statement No. 38 *Certain Financial Statement Note Disclosures*. These statements provide additional guidance related to GASB Statement No. 34 and are required to be implemented along with GASB Statement No. 34.

The County adopted GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1* in 2006. This Statement requires governments to enhance and update the statistical section that accompanies the basic financial statements to reflect the significant changes that have taken place within the organization.

The County adopted Senate Bill 276 that was added to the Code of Virginia in 2002, which revised the reporting of local school capital assets and related debt for financial statement purposes. Under the law, local governments have a "tenancy in common" with the School Board whenever the locality incurs any financial obligation for any school property, which is payable over more than one fiscal year. This legislation permits the County to report the portion of the school property related to general obligation bonds outstanding eliminating any potential deficit from capitalizing assets financed with debt.

Government - Wide Financial Statements

The government-wide statements of net assets and statements of activities reports all funds on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the balance sheet or on the statement of net assets.

Governmental Funds Financial Statements

Governmental Funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as receivables when billed and recognized as revenues when available and collected, net of allowances for un-collectible amounts. As required by Virginia statute, property taxes not collected within 60 days after year end are reflected as deferred revenues - uncollected property taxes. Sales and utility taxes, which are collected by the State and public utilities and subsequently remitted to the County, are recognized as revenues and receivables when collected by the State and the utility (generally in the month preceding receipt by the County).

Licenses, permits, and fines are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants used for the purpose of funding specific expenditures, are recognized

when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule are principal and interest on general long-term debt which are recognized when due.

Proprietary Funds

The accrual basis of accounting is used for the Enterprise and Internal Service Funds. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred. Payments in lieu of taxes are equal to the calculated tax assessment on capital assets used in various operations.

Fiduciary Funds

Agency Funds utilize the accrual basis of accounting.

F. Budgets and Budgetary Accounting

The County adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

In January, the Superintendent of Schools submits a proposed budget to the School Board, which conducts public hearings to obtain taxpayer comments. The School Board will then adopt a School Budget and submit it to the County Board of Supervisors before March 1st.

Prior to April 1, the County Manager submits to the Board of Supervisors (the "Board") a proposed operating budget for the fiscal year commencing July 1, which includes the proposed school budget. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments.

The County Board of Supervisors will hold a public hearing on the total County budget (including Schools) and then adopt the County budget before the end of April.

Prior to May 1, the budget is legally enacted through passage of a resolution. Prior to July 1, the Board approves the Appropriations Resolution (the "Resolution"). The Resolution places legal restrictions on expenditures at the function level.

The County Manager is authorized to transfer budgeted amounts between departments within any fund; however, the Board must approve any revisions that alter the total budgeted amounts and/or appropriations of any fund.

Although legal restrictions on expenditures are established at the function level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets.

Budgets are adopted on a basis consistent with GAAP. Annual operating budgets are adopted for all Governmental Funds (including Schools) except for the Capital Projects Fund, in which effective budgetary control is achieved on a project-by-project basis when funding sources become available. Budgeted amounts shown are as amended by the Board during the course of the fiscal year.

All appropriations lapse at year-end, except those for the Capital Projects Fund. It is the intention of the Board that appropriations for Capital Projects continue until completion of the project. The Board, in an appropriation Board paper, reaffirms this each year.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Fund and Capital Projects Fund. While appropriations lapse at the end of the fiscal year for the General Fund and Special Revenue Fund, the succeeding year's budget ordinance specifically provides for the re-appropriation of year-end encumbrances. Encumbrances, which have been re-appropriated, are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

H. Inventory and Prepaid Expenses

Proprietary Funds

Inventory consists mainly of supplies and spare parts held for consumption, which are valued by methods, that approximate average cost. Prepaid expenses represent a deposit made to an outside company for postage for the weekly mailing of utility bills. Amounts are expensed under the consumption method as the bills are mailed.

I. Interest

In accordance with Financial Accounting Standards Board ("FASB") Statements No. 34 and 62, *Capitalization of Interest Cost* and *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, respectively, the cost of properties for the Water and Wastewater segment of the Enterprise Funds includes net interest costs incurred during the construction period on funds borrowed to finance the acquisition or construction of major facilities. For the year ended June 30, 2007, the Water and Sewer Enterprise Fund incurred interest of $9,708,681, of which $1,644,394 was capitalized.

J. Bond Issuance Costs

Bond issuance costs are deferred and amortized using the straight-line method over the term of the related bond issues.

K. Accrued Compensated Absences

Annual leave is granted to all permanent County employees and certain permanent County School System ("School") employees. County and School employees can earn annual leave at the rate of 4 hours for every 80 standard hours worked up to a maximum of 7 hours for every 80 standard hours after 20 years of service. While there is no requirement that annual leave be taken, the maximum permissible accumulation is 364 hours for County employees and 52 days for School employees. Accumulated annual leave vests and the County is obligated to make payment even if the employee terminates. The current and non-current liability for unused and unpaid annual leave attributable to the County's Governmental Funds is recorded in the government-wide financial statements. The decrease in the accrued liability for compensated absences within the government-wide financial statements is expended in the year used by County employees within the General and Special Revenue Funds. The amounts attributable to the Proprietary Funds (Enterprise and Internal Service Funds) are charged to expense and corresponding liabilities established in the applicable Proprietary Funds.

County and School Board employees can earn sick leave at the rate of 4 hours for every 80 standard hours worked and 13 days per year, respectively, without limitation on accumulation. Sick leave is non-vesting with the exception of employees retiring from service. Retiring employees are vested at a rate of $2.50 for every hour of sick leave earned with a maximum payment of $5,000. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been recorded using the termination payment method.

L. Reserved and Designated Fund Balance

The County's governmental fund balance reserves are used to indicate the portion of the fund balance that is not appropriated for expenditures or is legally segregated for a specific future use. Designations of portions of the fund balance are established to indicate tentative plans for financial resource utilization in a future period.

Designation of fund balance by purpose is as follows:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund
Self-insurance (See Note 8)	$ 7,500,000	$ -	$ -	$ -
Debt service	-	-	4,606,347	-
Construction commitments	-	-	-	124,535,004
Capital projects	49,192,035		-	-
Street Lighting	-	713,612	-	-
State and Federal Grants	-	9,747,017	-	-
Solid Waste	-	6,176,014	-	-
For FY 2007-08 Budget	5,735,662	-	-	
Revenue Stabilization	10,883,793		-	-
All Others	1,302,311	4,687,683	-	-
Total designated for specific purposes	$ 74,613,801	$21,324,326	$4,606,347	$ 124,535,004

M. Statement of Cash Flows

In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, the County has presented a statement of cash flows for the Proprietary Funds. For purposes of this statement, cash and cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and investments with original maturities of 90 days or less.

N. GASB Statement No. 20 Election

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, requires enterprise activities to apply all applicable GASB pronouncements, as well as FASB pronouncements, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs") issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. In accordance with GASB No. 20, management has elected not to apply FASB pronouncements issued after November 30, 1989.

O. New Accounting Pronouncements

In June 2004, the Governmental Accounting Standards Board issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits that are commonly referred to as other postemployment benefits, or OPEB. This Statement requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB, in their basic financial statements. The County intends to establish a separate trust to account for costs and obligations related to postemployment benefits. The County intends to fully fund the initial net Annual Required Contribution (ARC) during the implementation year. The County will adopt this Statement for the fiscal year ending June 30, 2008.

In September 2006, the Governmental Accounting Standards Board issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received in exchange for an interest in their expected future cash flows from collecting specific receivables or other specific revenue, should be reported as revenue or as a liability. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2008.

In November 2006, the Governmental Accounting Standards Board issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2009.

In May 2007, the Governmental Accounting Standards Board issued Statement No. 50, *Pension Disclosures*. This Statement establishes criteria that governments will use to more closely align current pension disclosure requirements with those disclosures required as part of Statement No. 45 for retiree health insurance and other post-employment benefits. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2008.

In July 2007, the Governmental Accounting Standards Board issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement establishes guidance that governments will use regarding how to identify, account for, and report intangible assets. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2010.

NOTE 2. DEPOSITS AND INVESTMENTS

The County utilizes a pooled cash and investments approach where each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed based on average monthly balances. Use of current banking processes provides for daily sweeps of deposits made to County accounts, resulting in an instantaneous transfer to the investment account. Thus, the majority of funds in the County's general account are invested at all times. Exceptions to this are funds in the James River Juvenile Detention Commission checking account and the School Student Activity Fund, which are not under County control. The County's pooled portfolio also excludes pension plans, maintained by the Virginia Retirement System, and Bond proceeds maintained in the State Non-Arbitrage Pool, an SEC-registered money market fund.

The County maintains a cash and temporary investment pool that is available for use by all funds, except School Activity Agency Funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and temporary investments". In addition, cash and investments are separately held for several of the County's funds. Highly liquid investments with maturities of 90 days or less from date of purchase are considered cash equivalents. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are shown at fair value except for commercial paper, banker's acceptances, Treasury and Agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. As of June 30, 2007, the difference between amortized cost and the fair value of those securities held at amortized cost is immaterial to the basic financial statements. Fair value is based on quoted market prices which are provided by the County's Investment Manager, Evergreen Investments, as of June 30, 2007. The net decrease in fair value of investments during the year ended June 30, 2007, was $613,410. This amount takes into account all changes in fair value that occurred during the year.

Deposits - Bank

At June 30, 2007, the carrying value of the County's deposits with banks was $13,042,459 and the bank balance was $13,559,174. All of the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. 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. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool.

The carrying amount of deposits for the School Board, a discretely presented component unit, was $1,075,660 and the bank balance was $1,118,275. All of the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

The carrying amount of deposits for the James River Juvenile Detention Commission, a discretely presented component unit, was $2,926,289, and the bank balance was $2,926,289. All of the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Deposits – Fiscal Agent

At June 30, 2007, the County had deposits of $10,960,743 with fiscal agents representing funds to meet debt service requirements in accordance with various bond resolutions and trust indentures. These deposits were collateralized in accordance with the provision of the Act.

Investments

State statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, money market mutual funds that invest exclusively in securities specifically permitted under the State Code, and the State Treasurer's Local Government Investment Pool. The County's current investment guidelines do not permit the investment of funds in repurchase agreements. During the fiscal year, the County had investments in commercial paper, banker's acceptances, money market mutual funds, obligations of the United States and agencies thereof.

The County's investment guidelines establish limitations on holdings, in order to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury Securities). The maximum percentage of the portfolio permitted in each security is as follows:

U.S. Treasury Obligations	70%
U.S. Government Agencies	70%
Banker's Acceptance	70%
Money Market	40%
Certificates of Deposit	100%
Commercial Paper	35%
Local Government Investment Pool	75%

With a further limitation of a maximum 5 percent of the portfolio for any single Banker's Acceptance or Commercial Paper issuer. The County's total investment percentages in comparison to the investment guidelines are as follows:

Primary Government

	Fair Value	Policy	Percent of Portfolio
U.S. Treasury	$ 27,646,817	70%	4%
U.S Government Agencies	243,775,780	70%	40%
Commercial Paper	127,939,895	35%	21%
U.S. Government Money Market Funds	215,925,727	40%	35%
Total Investments	$ 615,288,219		100%

Component Units

	Fair Value	Policy	Percent of Portfolio
U.S. Treasury	$ 2,280,136	70%	7%
U.S Government Agencies	20,105,096	70%	59%
Commercial Paper	10,551,679	35%	31%
U.S. Government Money Market Funds	1,167,384	40%	3%
Total Investments	$ 34,104,295		100%

The County's portfolio manager, Evergreen Investments, provided the day-to-day management of investments during fiscal year 2007. In addition, the County's contract with the portfolio manager requires that at the time funds are invested, collateral will be received and held in the County's name in the Trust Department of the County's independent third-party custodian, State Street Bank.

The County and its discretely presented component units' investments are subject to interest rate, credit and custodial risk as described below:

Interest Rate Risk – As a means of limiting exposure to fair value losses arising from rising interest rates, the County's investment guidelines establish a limit of 55 percent of the County's investment portfolio to maturities of less than one year. The guidelines further limit investments of longer than one year to a maximum 45 percent of the portfolio, and the maximum permissible maturity for any individual security is five years.

Credit Risk – State Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, money market mutual funds and State Treasurers Local Government Investment Pool. During the fiscal year, the County made investments in obligations of the United States and agencies thereof, commercial paper and money market funds. All investments were in compliance with the State Statues governing investments of Public funds. The credit quality of commercial paper purchased during the fiscal year was rated P-1 or better by Standard and Poor's. The County used two money market mutual funds during the fiscal year, the State Non-Arbitrage Pool is rated AAAm by Standard and Poor's and the SSgA Money Market Funds is rated AAAm by Standard and Poor's.

Custodial Risk – For an investment, custodial risk is the risk that in the event of the failure of the counterparty, the County 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's investment guidelines require that at the time funds are invested, collateral will be received and held in the County's name in the Trust Department of the County's independent third-party custodian, State Street Bank.

As of June 30, 2007, the County had the following investments and maturities:

Primary Government

		Investment Maturities (in years)	
	Fair Value	**Less than 1 year**	**1-5 years**
U.S. Treasury	$ 27,646,817	$ 18,419,544	$ 9,227,273
U.S Government Agencies	243,775,780	190,948,114	52,827,666
Commercial Paper	127,939,895	127,939,895	-
U.S. Government Money Market Funds	215,925,727	6,801,448	-
Total Investments	$ 615,288,219	$ 344,109,001	$ 62,054,939
Total Deposits	13,042,459		
Total Held By Fiscal Agent	10,960,743		
Total Cash on Hand	109,242		
Total Deposits and Investments	$ 639,400,663		

Component Units:

School Board

		Investment Maturities (in years)	
	Fair Value	**Less than 1 year**	**1-5 years**
U.S. Treasury	$ 2,280,136	$ 1,519,128	$ 761,008
U.S Government Agencies	20,105,096	15,748,202	4,356,894
Commercial Paper	10,551,679	10,551,679	-
U.S. Government Money Market Funds	560,986	560,986	-
Total Investments	$ 33,497,897	$ 28,379,995	$ 5,117,902
Total Deposits	1,075,660		
Total Cash on Hand	1,000		
Total Deposits and Investments	$ 34,574,557		

James River Juvenile Detention Commission

		Investment Maturities (in years)	
	Fair Value	**Less than 1 year**	**1-5 years**
U.S. Government Money Market Funds	$ 606,398	$ 606,398	$ -
Total Deposits	2,926,289		
Total Cash on Hand	400		
Total Deposits and Investments	$ 3,533,087		

Total Deposit and Investments-Reporting Entity	$ 677,508,307

The School Activity Funds' cash of $4,398,281 and Mental Health and Retardation Agency Fund cash of $41,389, not under the control of the Director of Finance, is not pooled with the Reporting Entity cash and investments, and therefore, is not included in the above presentation. These deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

NOTE 3. RECEIVABLES

Receivables at June 30, 2007 consist of the following:

Primary Government

Receivables:	Governmental Activities: General	Governmental Activities: Special Revenue	Business-Type Activities: Enterprise Funds	Total
Interest	$ 3,322,445	$ -	$ -	$ 3,322,445
Taxes	15,133,440	-	-	15,133,440
Accounts	3,418,179	2,852,855	23,392,718	29,663,752
Gross Receivables	21,874,064	2,852,855	23,392,718	48,119,637
Less: Allowances for Doubtful Accounts	5,485,451	599,116	283,900	6,368,467
Net Receivables	$ 16,388,613	$ 2,253,739	$ 23,108,818	$ 41,751,170

Central Automotive Maintenance has a receivable of $2,224 as of June 30, 2007 which is included on a government-wide basis. Long-term assets on a government-wide basis also include taxes receivable of $5,184,376 that is not available to pay for current period expenditures and, therefore, are included in the unearned revenue for the governmental funds. Tax revenue reported in the governmental funds includes $199,131 of revenue that provides current financial resources but has been recognized previously in the government-wide statements, and therefore is not included in the government-wide statements.

Component Units

Receivables:	School Board	JRJDC	Total
Intergovernmental	$ 10,970,184	$ 88,357	$ 11,058,541

Receivables are presented net of appropriate allowances for doubtful accounts. The County calculates its allowances using historical collection data, specific account analysis and management's judgment. All of the Component Units' receivables are considered to be collectible.

NOTE 4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in April and are payable in two installments on June 5th and December 5th. The County bills and collects its own property taxes. Property taxes levied are recorded as receivables, net of allowance for estimated uncollectible accounts, to the extent that they are currently due.

The Virginia General Assembly passed SB 4005, the Personal Property Tax Relief Act ("PPTRA") in April 1998. The bill provides for the State to reimburse a portion of the tangible Personal Property Tax levied on personal use cars, motorcycles and trucks. In 1998, the reimbursement was 12.5 percent of the tax on the first $20,000 of the value of the qualifying vehicle. The reimbursement rate was 27.5 percent for tax year 1999, and increased to 47.5 percent for tax year 2000 and 70.0 percent for tax years 2001 through 2005. The reimbursement rate for 2006 and thereafter will be determined by each locality based upon their share of the $950 million allocated by the Commonwealth for personal property tax relief on qualifying vehicles. For tax year 2007, the State reimbursement receivable is reflected as a due from other governments. Revenue for the State reimbursement is recorded as non-categorical aid from the State. Localities will continue to assess and administer the Personal Property Tax Relief program.

NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units for Governmental Funds at June 30, 2007 include:

	General	Special Revenue	Capital Projects
Commonwealth of Virginia:			
Non-categorical aid for:			
Local Sales and Use Tax	$ 5,088,968	$ -	$ -
PPTRA	18,460,463	-	-
Rolling Stock Tax	117,769	-	-
State Recordation Fees	364,795	-	-
Richmond Center	2,576,247	-	-
Categorical aid for:			
Public Works	-	-	7,218,825
Public Safety	3,678,098	1,937	-
Social Services	1,635,357	2,034,815	-
Treasurer	2,446,153	261,456	-
Correction & Detention	2,037,282	279,914	-
Mental Health & Mental Retardation	-	7,244	-
Circuit Court	250,694	-	-
Commonwealth Attorney	152,690	28,369	-
Total due from the Commonwealth of Virginia	36,808,516	2,613,735	7,218,825

	General	Special Revenue	Capital Projects
Federal Government:			
Categorical aid:			
Work Training Grants (CATC)	-	159,016	-
Public Safety	-	206,940	-
Correction & Detention	-	99,386	-
Commonwealth Attorney	-	71,193	-
Community Development Block Grant	-	216,834	3,000
Total due from the Federal Government	-	753,369	3,000
Total due from Other Governmental Units	$ 36,808,516	$ 3,367,104	$ 7,221,825

Amounts due from other governmental units for the School Board Component Unit at June 30, 2007 include:

	School Board
Commonwealth of Virginia:	
Non-categorical aid for:	
State Sales and Use Tax	$ 3,558,863
Categorical aid for:	
Education	1,656,491
Total due from the Commonwealth of Virginia	5,215,354
Federal Government:	
Categorical aid:	
Education	5,754,830
Total due from the Federal Government	5,754,830
Total due from Other Governmental Units	$ 10,970,184

NOTE 6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2007 follows:

Governmental Activities	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Capital Assets Not Being Depreciated:				
Land	$ 286,708,513	$ 17,207,232	$ -	$ 303,915,745
Construction in Progress	238,333,714	86,469,296	82,682,899	242,120,111
Total Capital Assets Not Being Depreciated	$ 525,042,227	$ 103,676,528	$ 82,682,899	$ 546,035,856
Other Capital Assets:				
Buildings	$ 348,416,141	$ 71,109,711	$ -	$ 419,525,852
Infrastructure	438,039,791	27,159,043	-	465,198,834
Equipment	108,083,354	22,078,469	13,045,630	117,116,193
Improvements other than buildings	27,018,985	53,780	-	27,072,765
Total Other Capital Assets	$ 921,558,271	$ 120,401,003	$ 13,045,630	$1,028,913,644
Less Accumulated Depreciation for:				
Buildings	$ (93,196,097)	$ (7,887,493)	$ -	$(101,083,590)
Infrastructure	(290,269,109)	(14,118,023)	-	(304,387,132)
Equipment	(68,402,152)	(12,483,477)	(12,015,094)	(68,870,535)
Improvements other than buildings	(13,174,099)	(1,275,704)	-	(14,449,803)
Total Accumulated Depreciation	$(465,041,457)	$ (35,764,697)	$(12,015,094)	$(488,791,060)
Total Net of Depreciation	$ 981,559,041	$ 188,312,834	$ 83,713,435	$1,086,158,440

Government activities capital assets net of accumulated depreciation at June 30, 2007 are comprised of the following:

General Capital Assets, Net	$1,086,158,440
Internal Service Fund Capital Assets, Net	(13,653,319)
Combined Adjustment	$1,072,505,121

Depreciation was charged to governmental functions as follows:

General Government Administration	$ 6,244,369
Judicial Administration	62,745
Public Safety	5,918,164
Public Works	17,992,796
Education	3,171,538
Health and Welfare	210,623
Parks and Recreation	2,068,222
Community Development	96,240
Total Depreciation	$ 35,764,697

Business Type Activities

Water and Sewer:	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Capital Assets Not Being Depreciated:				
Land	$ 16,643,887	$ -	$ -	$ 16,643,887
Construction in progress	40,699,032	32,499,058	24,666,416	48,531,674
Total Capital Assets Not Being Depreciated	$ 57,342,919	$ 32,499,058	$ 24,666,416	$ 65,175,561
Other Capital Assets:				
Buildings	$ 301,947,343	$ 8,126,485	$ 21,756	$ 310,052,072
Equipment	107,808,441	861,793	2,567,384	106,102,850
Improvements	1,426,652	-	-	1,426,652
Infrastructure	748,963,591	33,837,045	760,532	782,040,104
Total Other Capital Assets	$ 1,160,146,027	$ 42,825,323	$ 3,349,672	$ 1,199,621,678
Accumulated Depreciation	(275,313,927)	(25,927,172)	(2,774,124)	(298,466,975)
Total Net of Depreciation	$ 942,175,019	$ 49,397,209	$ 25,241,964	$ 966,330,264

Belmont Golf Course:	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Capital Assets Not Being Depreciated:				
Land	$ 250,491	$ -	$ -	$ 250,491
Total Capital Assets Not Being Depreciated	$ 250,491	$ -	$ -	$ 250,491
Other Capital Assets:				
Buildings	$ 1,907,587	$ -	$ -	$ 1,907,587
Equipment	847,460	73,514	20,628	900,346
Improvements	2,368,662	-	-	2,368,662
Total Other Capital Assets	$ 5,123,709	$ 73,514	$ 20,628	$ 5,176,595
Accumulated Depreciation	(3,200,601)	(135,136)	(20,628)	(3,315,109)
Total Net of Depreciation	$ 2,173,599	$ (61,622)	$ -	$ 2,111,977

Component Units

School Board:	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Capital Assets Not Being Depreciated:				
Land	$ 16,184,754	$ 17,442,521	$ -	$ 33,627,275
Construction in progress	45,933,277	6,991,952	11,476,919	41,448,310
Total Capital Assets Not Being Depreciated	$ 62,118,031	$ 24,434,473	$ 11,476,919	$ 75,075,585

School Board:	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Other Capital Assets:				
Buildings	$ 189,812,655	$ 12,841,993	$ -	$ 202,654,648
Equipment	97,540,549	17,406,873	3,677,325	111,270,097
Improvements	20,671,677	906,686	-	21,578,363
Total Other Capital Assets	$ 308,024,881	$ 31,155,552	$ 3,677,325	$ 335,503,108
Accumulated Depreciation	(181,124,773)	(17,279,783)	(3,644,486)	(194,760,070)
Total Net of Depreciation	$ 189,018,139	$ 38,310,242	$ 11,509,758	$ 215,818,623

All depreciation was charged to the education function.

James River Juvenile Detention Center:	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Capital Assets Not Being Depreciated:				
Land	$ 30,000	$ -	$ -	$ 30,000
Other Capital Assets:				
Building	$ 9,243,433	$ -	-	$ 9,243,433
Improvements	237,874	-	-	237,874
Equipment	257,997	6,141	-	264,138
Total Other Capital Assets	$ 9,739,304	$ 6,141	-	$ 9,745,445
Accumulated Depreciation	(1,391,718)	(281,713)	$ -	(1,673,431)
Total Net of Depreciation	$ 8,377,586	$ (275,572)	$ -	$ 8,102,014

NOTE 7. LONG-TERM DEBT

Governmental Activities

The following is a summary of the changes in the total long-term liabilities of governmental activities for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
General obligation (GO) bonds	$ 296,220,000	$ 71,915,000	$ 23,225,000	$ 344,910,000
Capital lease obligations	55,748,161	104,320	6,081,343	49,771,138
Notes payable	203,896	-	143,054	60,842
Accrued claims payable	13,623,825	6,451,817	5,732,141	14,343,501
Accrued compensated absences	15,375,063	14,307,128	13,931,466	15,750,725
Pension liabilities	3,367,388	-	2,428	3,364,960
Landfill post-closure costs	9,353,512	224,667	1,285,609	8,292,570
Total	$ 393,891,845	$ 93,002,932	$ 50,401,041	$ 436,493,736
Premium on bonds	6,142,382	1,664,221	772,558	7,034,045
Total long-term debt	$ 400,034,227			$ 443,527,781
Current maturities	(52,714,006)			(56,850,678)
Net long-term liabilities	$ 347,320,221			$ 386,677,103

Current maturities of long-term liabilities consists of the following:

General obligation bonds	$ 26,275,000
Capital lease obligations	9,068,254
Notes payable	60,842
Accrued claims payable	6,034,940
Accrued compensated absences	14,271,856
Landfill	1,139,786
Total current maturities	$ 56,850,678

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

All liabilities, both current and long-term, are reported in the Statement of Net Assets. The adjustment from modified accrual to full accrual is as follows:

Balances at June 30, 2007 were:	
Long-term liabilities (detail above)	$ 443,527,781
Internal Service Fund long-term liabilities	(271,892)
Combined adjustment	$ 443,255,889

In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. The adjustment from modified accrual to full accrual is $179,725, which represents the change in accrued interest on bonds payable as of June 30, 2007.

In November 2000 and March 2005, the County's voters authorized the issuance of general obligation bonds. In 2000, voters authorized $237,000,000 of which only $236,948,800 has been issued as of June 30, 2007. In 2005, voters authorized an additional $349,300,000 in bonds of which $71,557,496 has been issued as of June 30, 2007. The County plans to issue the remaining bonds in future fiscal years.

In January, 2003, the County sold $107,545,000 General Obligation Refunding Bonds to provide funding for certain School capital improvements, fire stations, recreation and park facilities, road projects and the refunding of existing bonds. Of the total issued, $50,230,000 was new general obligation debt, $16,650,000 was issued to refund, prior to maturity, $16,000,000 of the 1993 VPSA bond issue, and $40,665,000 was issued to refund, prior to maturity, $42,085,000 of the 1993 Refunding issue. The interest rate on the 2003 bond issue is between 2 percent and 5 percent and the final maturity will occur on January 15, 2023. The principal payments range from $1,610,000 to $8,335,000. The County reduced its aggregate debt service payments by approximately $4.1 million over the next 11 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of $3.9 million.

In June, 2004, the County sold $38,920,000 General Obligation Public Improvement Bonds, Series 2004 to provide funding for certain School capital improvements, fire stations, recreation and park facilities and road construction projects. The interest rates on these bonds range between 4 percent and 5.25 percent. The principal payments range from $1,945,000 to $1,950,000 and the final maturity will be on July 15, 2024.

On August 2, 2005, the County sold General Obligation Public Improvement Bonds, Series 2005 in the aggregate principal amount of $77,815,000. The proceeds of the Bonds will be used to finance capital school improvement projects, library facilities, fire stations, recreation and park facilities improvements and various road projects in the County, pursuant to the voter authorizations at elections held in the County on November 7, 2000 and March 8, 2005. The Bonds mature on July 15th in each of the years 2006 through 2025.

On November 3, 2006, the County sold General Obligation Public Improvement Bonds, Series 2006 in the aggregate principal amount of $71,915,000. The proceeds of the Bonds will be used to finance school capital improvements, library facilities, fire stations and facilities and recreation and park facilities improvements in the County, pursuant to the voter authorizations at elections held in the County on November 7, 2000 and March 8, 2005. The Bonds mature on December 1st in each of the years 2007 through 2026.

In prior years, the County sold the $90,970,000 General Obligation Public Improvement Refunding Bonds - Series of 1993 ("1993 Refunding Issue") to refund, prior to maturity, portions of the following bonds: General Obligation Public Improvement Bonds - Series 1980, 1985, and 1990 and Virginia Public School Authority ("VPSA") Bonds, Series 1988 and 1990. The proceeds of the 1993 Refunding Issue were deposited in a trust fund and were used to purchase U.S. Government obligations that are scheduled to mature and pay interest in amounts necessary to provide the funds to pay the Refunded Debt. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (of which $13,650,000 remained outstanding at June 30, 2007) nor the assets placed in the trust fund are reflected in the financial statements.

As of June 30, 2007, the County's bonds are subject to the provisions of the Internal Revenue Service Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The County has recorded an estimated arbitrage rebate liability in the Governmental activities and the Water and Sewer Fund of $1,938,211 and $815,500, respectively, at June 30, 2007.

General Obligation Bonds

Details of general obligation bonds for the County at June 30, 2007 are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance
VPSA 1994A Bonds	6.34 %	04/01/94	12/15/06	$ 4,370,000	$ -
VPSA 1996 Bonds	5.00-6.00	11/01/96	07/15/16	30,595,000	15,295,000
VPSA 1999A Bonds	4.35-5.23	05/01/99	07/15/19	35,740,000	23,210,000
VPSA 2000 Bonds	5.00-6.25	05/01/00	07/15/20	15,215,000	10,640,000
2001 G.O. Bonds	4.50-5.00	05/15/01	01/15/21	37,110,000	25,970,000
2002 G.O. Bonds	3.00-5.00	02/01/02	04/01/22	27,035,000	19,995,000
2003 G.O. Bonds	2.00-5.00	01/15/03	01/15/23	107,545,000	68,945,000
2004 G.O. Bonds	4.00-5.25	05/15/04	07/15/24	38,920,000	35,020,000
2005 G.O. Bonds	3.25-5.00	08/17/05	07/15/25	77,815,000	73,920,000
2006 G.O. Bonds	4.00-5.00	11/15/06	12/01/26	71,915,000	71,915,000
TOTAL					$ 344,910,000

Debt service for the County on the foregoing bonds is payable during future fiscal years ending June 30 as follows:

Years	Principal	Interest
2008	$ 26,275,000	$ 15,511,435
2009	26,140,000	14,277,597
2010	24,210,000	13,070,300
2011	24,115,000	11,999,028
2012	20,865,000	10,893,481
2013-2017	99,260,000	40,038,542
2018-2022	82,165,000	18,538,094
2023-2026	41,880,000	3,706,125
TOTAL	$ 344,910,000	$ 128,034,602

General obligation bonds are backed by the full faith and credit of the County and are issued primarily for construction in progress for various purposes. There are no sinking fund requirements. The County has no legal debt margin requirement. All Henrico County general obligation bonds, except VPSA bonds, have been authorized by public referendum. The VPSA bonds have been issued by the adoption of a resolution by the County Board of Supervisors. The County is autonomous and independent of any city, town or other political jurisdiction; therefore, there is no overlapping debt or taxing power.

Business-Type Activities

A summary of the changes in the Water and Sewer Fund ("Fund") and the Belmont Park Golf Course, long-term debt and the individual components of long-term debt at June 30, 2007 are as follows:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Water and Sewer Revenue Bonds:				
1994 Refunding Bonds - $41,345,000 3.5% to 5.88%	$ 4,835,000	$ -	$ 4,835,000	$ -
1997 Virginia Resource Authority Bonds - $32,000,000 Variable Interest Rate	27,705,000	-	680,000	27,025,000
1999 Revenue and Refunding Bonds - $101,000,000 3.1% to 5.25%	84,310,000	-	3,945,000	80,365,000
2002 Refunding Bonds – 17,345,000 3.0% to 4.625%	10,085,000	-	1,905,000	8,180,000
2006 Revenue and Refunding Bonds - $86,265,000, 4.25% to 5.00%	-	86,265,000	1,940,000	84,325,000
Total bonds payable	$ 126,935,000	$ 86,265,000	$ 13,305,000	$ 199,895,000
Other Liabilities:				
Capital lease obligations	$ -	$ 14,593	$ 2,149	$ 12,444
Accrued compensated absences	873,761	909,698	865,097	918,362
Pension liabilities	236,616	-	170	236,446
Total long-term liabilities	$ 128,045,377	$ 87,189,291	$ 14,172,416	$ 201,062,252
(Discount) Premium on bonds payable	(1,150,544)	2,816,073	88,828	1,576,701
Total long-term debt	$ 126,894,833			$ 202,638,953
Current maturities	(8,204,073)			(9,117,682)
Net long-term liabilities	$ 118,690,760			$ 193,521,271

Current maturities of long-term debt consists of the following:

Revenue bonds	$ 8,205,000
Capital lease obligations	5,271
Accrued compensated absences	907,411
Total current maturities	$ 9,117,682

In prior years, the County defeased certain Water and Sewer Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At June 30, 2007, $41,626,000 of Water and Sewer System Revenue Bonds, which were considered defeased, remained outstanding.

The Fund's revenue is pledged as collateral for the 1994 Revenue and Refunding Issue, and the non-refunded portion of the 1986 and 1992 Bonds, (collectively, the "Bonds"). The Bond covenants require that in each year the net operating revenues of the Fund, as defined by the covenants, which in the opinion of Bond Counsel do not consider depreciation or payments in-lieu-of taxes an expense, be at least equal to 1.25 times the total debt service requirements for the year (principal and interest on the Bonds and interest on any outstanding Bond Anticipation Notes). In addition, the covenants prohibit the County from issuing any bonds, notes, certificates of indebtedness or other evidences of indebtedness having in any way a lien and charge on the revenues of the Water and Sewer System prior to the lien and charge created by the covenants for the payment of and collateral for the outstanding Bonds.

The Fund may issue additional bonds payable, which may be collateralized equally with the outstanding Bonds for any purpose connected with or pertaining to the Fund, upon compliance with the following conditions, among others:

One-half of the net operating revenues of the Fund, as defined, during any 24 consecutive months out of the 30 months immediately preceding the issuance of the additional bonds, shall have been not less than 1.25 times the maximum annual debt service requirement on all bonds then outstanding and the proposed additional bonds; and the net operating revenues of the Fund, as defined, during the first full fiscal year following the date upon which the project or undertaking for which the proposed additional bonds are being issued is anticipated to be completed, shall be estimated by a nationally recognized consulting engineer to be not less than 1.25 times the annual debt service requirement on account of all bonds then outstanding and the proposed additional bonds.

Net operating revenues were 2.23 times the annual debt service requirements for the year ended June 30, 2007.

On March 15, 2002, the County issued $17,345,000 of Water and Sewer Refunding Bonds to refund the entire outstanding balance of the 1992 bond series. The interest rate on these bonds is between 3% and 4.625% and the final maturity will occur on May 1, 2013. The principal payments range from $1,230,000 to $1,740,000. Although the advance refunding resulted in the recognition of an accounting loss of $213,595 for the year ended June 30, 2002, the Fund reduced its aggregate debt service payments by approximately $2.3 million over the next 12 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of $1.7 million. The interest due on the Bonds as of July 1 has been accrued as of June 30, in accordance with the related covenants. Cash has been restricted for these accruals. In addition, net assets have been restricted and cash has been restricted in an amount equal to the maximum annual debt service requirement for the Bonds.

On July 6, 2006, the County sold Revenue Bonds Series 2006A $81,470,000 of new money Bonds and Series 2006B $4,795,000 of refunding Bonds. Series 2006B refunded the County's outstanding Series 1994 Bonds. The proceeds of the Bonds were used to finance capital additions and extensions to the Water and Sewer System. The Bonds mature on May 1st in each of the years 2007 through 2036. The Fund reduced its aggregate debt service payments by approximately $400,000 over the next 7.5 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately $341,000.

Principal and interest payment on the Bonds for the five fiscal years subsequent to June 30, 2007 and thereafter follows:

Years	Principal	Interest
2008	$ 8,205,000	$ 10,086,677
2009	8,365,000	9,737,794
2010	8,530,000	9,375,593
2011	8,705,000	8,997,934
2012	8,955,000	7,860,256
2013-2017	33,710,000	36,037,680
2018-2022	34,635,000	28,648,601
2023-2027	44,340,000	18,732,870
2028-2032	25,705,000	8,042,361
2033-2036	18,745,000	2,400,250
Total	$ 199,895,000	$ 139,920,016

Component Units

School Board:

The Board of Supervisors has authorized the School Board to borrow funds from the Literary Fund of the Commonwealth of Virginia (the "Literary Fund") to finance repairs to eligible educational facilities. For each facility qualifying for a loan, the School Board borrowed funds from the Literary Fund in the form of a demand note with interest ranging from 3.00 percent to 5.00 percent with maturities through May 1, 2009, to cover the repair costs incurred. Once the repair of a facility has been completed, the demand note is converted into a 20-year note payable with annual installments due on the anniversary date of the note. Total outstanding loans at June 30, 2007 were $262,939. Loans made by the Literary Fund are recorded as specific liens against the educational facilities for which the funds were borrowed.

The School Board's outstanding debt as of June 30, 2007 is as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital lease obligations	$ 15,453,321	$ 12,587,980	$ 8,772,326	$ 19,268,975
Literary fund loans	452,986	-	190,047	262,939
Accrued claims payable	5,327,223	3,285,134	2,943,847	5,668,510
Accrued compensated absences	3,338,117	3,429,090	3,123,347	3,643,860
Total School Board	$ 24,571,647	$ 19,302,204	$ 15,029,567	$ 28,844,284
Current Maturities				(15,014,111)
Net long-term liabilities				$ 13,830,173

Current maturities of long-term debt consists of the following:

Capital lease obligations	$ 8,298,736
Literary fund loans	173,512
Accrued claims payable	3,132,444
Accrued compensated absences	3,409,419
Total current maturities	$ 15,014,111

Debt service on Literary fund loans payable during future fiscal years ending June 30 are as follows:

Years	Principal	Interest
2008	173,512	10,692
2009	89,427	3,664
Total	$ 262,939	$ 14,356

James River Juvenile Detention Commission:

On November 15, 2000, JRJDC issued a $7,125,000 Facility Revenue Bond, Series 2000, having an interest rate of 4.91 percent. The bond proceeds provided permanent financing to JRJDC, debt repayment and additional construction funds.

JRJDC's outstanding debt as of June 30, 2007 is as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Facility revenue bond	$ 5,290,000	$ -	$ 420,000	$ 4,870,000
Capital lease obligations	13,343	-	3,682	9,661
Total JRJDC	$ 5,303,343	$ -	$ 423,682	4,879,661
Current Maturities				(448,881)
Net long-term liabilities				$ 4,430,780

Principal and interest payments for future fiscal years subsequent to June 30, 2007 are as follows:

Years	Principal	Interest
2008	$ 445,000	$ 232,283
2009	465,000	209,010
2010	490,000	185,221
2011	510,000	160,310
2012	535,000	134,610
2013-2016	2,425,000	249,275
Total	$ 4,870,000	$ 1,170,709

Capital Leases

The County has entered into agreements for the leasing of buildings, computer hardware, automotive vehicles and equipment. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases* ("FASB Statement 13"), which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. As such, $56,088,796 of equipment and $64,479,386 of buildings has been capitalized as of June 30, 2007. The acquisition of fixed assets through capital lease obligations is reflected as expenditure and other financing source in the General or Capital Projects Funds when the obligations are incurred. Payments to satisfy capital lease obligations are recorded as a debt service expenditure in the General or Debt Service Funds when the cash outlays are made. Assets capitalized under these lease agreements are pledged as collateral on the obligations.

The County and the Henrico Economic Development Authority ("EDA") have entered into several lease agreements. The first was a $28,765,000 Lease Revenue Bond for construction of a new Fire and Police building for training and communications, computer equipment and renovation of the current public safety building issued on November 1, 1996. The second was a $24,765,000 Lease Revenue Bond for construction of a parking deck and computer equipment issued on February 1, 1998. The County is required to pay rent in an amount sufficient to pay the principal and interest. The County has recorded lease obligations for these agreements. Also, on October 1, 1999, the County entered into a $39,605,000 Public Facility lease Revenue Refunding Bond agreement with the EDA. These bonds were sold November 1, 1999. The bond proceeds along with $27,743,200 from the Commonwealth of Virginia are being used to refund the EDA's Public Facility

Lease Revenue Bond (Henrico County Regional Jail Project) series 1994, in the aggregate outstanding principal amount of $62,695,000 maturing thru 2021. The proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be paid and the liability has been removed from the financial statements. This advanced refunding was undertaken to reduce the total debt service payments over the next 22 years by $5,525,405 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of $1,623,790.

Future minimum lease payments under these capital leases for fiscal years ending June 30 are as follows:

Years	Equipment Lease Obligations	EDA Lease Obligations	Schools	Total Future Minimum Lease Payments
2008	$ 67,984	$ 9,000,270	$ 8,298,736	$ 17,366,990
2009	58,228	4,919,540	8,230,475	13,208,243
2010	13,748	4,927,398	3,808,834	8,749,980
2011	-	4,935,545	-	4,935,545
2012	-	4,943,382	-	4,943,382
2013-2017	-	24,776,767	-	24,776,767
2018-2022	-	16,540,441	-	16,540,441
Total minimum lease payments	$ 139,960	$ 70,043,343	$ 20,338,045	$ 90,521,348
Less amount representing interest	8,822	20,403,343	1,069,070	21,481,235
Present value of future minimum lease payments	$ 131,138	$ 49,640,000	$ 19,268,975	$ 69,040,113

JRJDC entered into a capital lease agreement for $15,469 during fiscal year 2006 for the leasing of copier equipment.

Future minimum lease payments under this capital lease for fiscal years ending June 30, are as follows:

Years	Equipment Lease Obligations
2008	$ 4,298
2009	4,299
2010	1,710
Total minimum lease payments	$ 10,307
Less amount representing interest	646
Present value of future minimum lease payments	$ 9,661

The Water and Sewer Fund entered into a capital lease agreement for $14,593 during fiscal year 2007 for the leasing of copier equipment.

Future minimum lease payments under this capital lease for fiscal years ending June 30, are as follows:

Years	Equipment Lease Obligations
2008	$ 5,271
2009	5,271
2010	2,776
Total minimum lease payments	$ 13,318
Less amount representing interest	874
Present value of future minimum lease payments	$ 12,444

NOTE 8. CONTINGENCIES AND COMMITMENTS

A. Litigation

The County and School Board are named as defendants in several cases including tax assessment, construction contract, personal injury, special education, civil rights and other contract cases. The maximum exposure amount that can be reasonably estimated is $430,000 for these cases and potential counterclaims where the County is the plaintiff. It is probable that approximately $616,000 of these claims will result in an unfavorable outcome for the County. These claims are covered under the County's self-insurance program as discussed in note 8C. The County intends to defend its position in these claims vigorously. It is the opinion of County management, based on the advice of the County Attorney, that any losses incurred as a result of claims existing as of June 30, 2007 will not be material to the County's financial statements.

B. Federal Grant Awards

The County and School Board participate in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2007 have not yet been completed. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

C. Risk Management

The County and School Board maintain a self-insurance program ("Program") for workers' compensation claims, certain property and casualty risks and other claims. Insurance carriers cover workers' compensation claims in excess of $750,000 per occurrence. Travelers Insurance Company covers property claims between $1,000,000 and $2,000,000 per occurrence. Genesis Insurance Company covers liability claims between $2,000,000 and $7,000,000 per occurrence. The County's estimated and recorded liability for claims payable at June 30, 2007 includes actuarial estimates of probable losses on claims received and claims incurred but not reported. The liability also includes non-incremental claims adjustment expenses. The County has recorded expenditures of $2,091,312 in the General Fund to reflect the liability for the estimated settlement value of all reported workers' compensation and property and casualty claims covered by the Program at June 30, 2007, that are expected to be liquidated with current resources. The amount of settlements has not exceeded insurance coverage in each of the past three years.

In addition, the County has recorded $14,343,501 for the County and $5,668,510 for the School Board in the Government-wide Statement of Net Assets to reflect the liability for the estimated settlement value of workers' compensation and property and casualty claims covered by the Program at June 30, 2007 that are not expected to be liquidated with current resources. Also, the County has designated $7,500,000 of the June 30, 2007 General Fund's Fund balance as a self-insurance reserve.

At June 30, 2007, the County and Schools had an outstanding claims liability as follows:

	FY 2006		FY 2007	
	County	**Schools**	**County**	**Schools**
Balance, July 1	$ 13,620,668	$ 5,815,452	$ 13,623,825	$ 5,327,223
Current year claims and changes in estimates	6,024,073	1,505,241	6,451,817	3,285,134
Claim payments	(6,020,916)	(1,993,470)	(5,732,141)	(2,943,847)
Balance, June 30	$ 13,623,825	$ 5,327,223	$ 14,343,501	$ 5,668,510

D. Commitments

At June 30, 2007, the County had contractual commitments for the construction of various projects as follows:

	Primary Government	Component Unit-Schools
Capital Projects Funds:		
Computer and Technology Improvements	$ 1,642,389	$ -
Buildings and Grounds	391,103	-
Road Maintenance and Drainage	13,709,442	-
Community Development	165,427	-
Landfill Expansion and Development	306,922	-
Sewer Extensions	5,643,357	-
Public Safety Projects	2,921,032	-
Parks and Recreation	4,547,541	-
Judicial Administration	721,944	-
Libraries	2,105,302	-
Education Projects	37,277,864	7,145,799
Total	$ 69,432,323	$ 7,145,799
Enterprise Funds:		
Wastewater Treatment Projects	$ 16,188,588	
Water Plant Projects	5,213,268	
Computer and Information Systems	1,796,596	
Total	$ 23,198,452	

E. Operating Leases

The County leases real estate, certain data processing equipment and other equipment under various long-term operating lease agreements for which rent expenditures aggregated $1,905,300 for fiscal year 2007.

At June 30, 2007, the approximate annual long-term commitments for these operating leases were as follows:

	County		School Board		
Years	**Real Property**	**Other Equipment**	**Real Property**	**Other Equipment**	**Total**
2008	$ 1,989,696	$ 96,184	$ 108,480	$ 78,460	$ 2,272,820
2009	1,935,986	53,945	36,508	48,963	2,075,402
2010	1,856,611	5,771	-	5,285	1,867,667
2011	1,775,990	-	-	-	1,775,990
2012	1,069,672	-	-	-	1,069,672
2013-2017	1,380,307	-	-	-	1,380,307
2018-2022	27	-	-	-	27
Total	$10,008,289	$ 155,900	$ 144,988	$ 132,708	$10,441,885

All lease obligations (both capital and operating) are contingent upon the Board of Supervisors appropriating funds for each year's payments.

F. Capital Asset Leasing

The County is the lessor of real estate and other equipment under various operating lease agreements for periods ranging from one to fifty years. The cost and accumulated depreciation on leased property at June 30, 2007, was $8,311,474 and $23,992.

At June 30, 2007, minimum rentals receivable for these existing leases were as follows:

Years	**Total**
2008	$ 346,413
2009	286,123
2010	278,714
2011	221,136
2012	190,415
2013-2017	872,625
2018-2022	393,130
2023-2027	197,114
	$ 2,785,670

G. Contingent Liabilities

Capital Region Airport Commission

See Note 18, "Joint Ventures" for a discussion of the County's contingent liability relating to the Capital Region Airport Commission.

Richmond Metropolitan Authority ("RMA") Baseball Stadium Facility

In connection with the RMA's responsibility for maintaining and operating the Richmond metropolitan area's baseball stadium facility, the County Board of Supervisors entered into a non-binding moral obligation under which funding would be requested for the County's share (one-third) of any annual net operating losses and any deficit in debt service on the $3,810,000 RMA Revenue Bonds. The RMA Revenue Bonds were issued under the terms of a bond resolution dated August 28, 1984. In September, 1994, the Authority issued $2,750,000 in revenue bonds in order to satisfy outstanding obligations on the 1984 bonds. The revenue bonds were paid in full as of June 30, 2005.

Environmental Risk

The County is the owner of closed landfills, underground storage tanks, sewage lagoons and other potential sources of toxic substances. Ownership of these properties exposes the County to risk of third party pollution liability. At this time no claim exists nor is there knowledge of any condition which impairs a third party's property or person.

NOTE 9. DEFINED BENEFIT PENSION PLAN – AGENT MULTIPLE-EMPLOYER

A. Plan Description

The County and School Board Non-Professional Group contributes to the Virginia Retirement System ("VRS"), an agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent employees must participate in the VRS. 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 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final salary ('AFS') for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent per year beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of reported salary. Participating local law enforcement officers, firefighters, and sheriffs 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 downloaded from their website at http://www.varetire.org/Pdf/2006AnnuRept.pdf or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

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 has done. In addition, the County and School Board Non-Professional Group are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board Non-Professional Group's contribution rates for the fiscal year ended 2007 were 11.43 percent and 17.37 percent, respectively, of annual covered payroll.

C. Annual Pension Cost

For 2007, the County annual pension cost of $22,222,242 was equal to the required and actual contributions; the School Board Non-Professional Group's cost of $350,375 was also equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return, (b) projected salary increases ranging from 3.75 percent to 6.20 percent per year, and (c) 2.5 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5 percent. The actuarial value of the County and School Board Non-Professional assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. Unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a open basis within a period of 21 years or less.

NET PENSION OBLIGATION (NPO)

Annual Required Contribution (ARC)	$ 22,222,242
Interest on NPO	270,300
Adjustment to the ARC	(272,899)
Annual Pension Cost	22,219,644
Contributions made	(22,222,242)
Decrease in NPO	(2,598)
NPO beginning of year	3,604,004
NPO end of year	$ 3,601,406

The Net Pension Obligation at June 30, 2007 consists of $3,364,960 for Governmental Activities and $236,446 for Business-Type Activities as presented in Note 7.

TREND INFORMATION FOR COUNTY

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
June 30, 2005	$16,066,645	100.99%	$ 3,598,865
June 30, 2006	$17,078,728	99.97%	$ 3,604,004
June 30, 2007	$22,219,644	100.01%	$ 3,601,406

TREND INFORMATION FOR SCHOOL BOARD NON-PROFESSIONAL

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
June 30, 2005	$ 351,499	100.00%	$ 0
June 30, 2006	$ 360,895	100.00%	$ 0
June 30, 2007	$ 350,375	100.00%	$ 0

SCHEDULE OF FUNDING PROGRESS FOR COUNTY

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Un-funded Actuarial Accrued Liability (UAAL)	Ratio Funded Obligation	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2004	$545,071,778	$624,559,255	$ 79,487,477	87.27%	$169,769,647	46.82%
June 30, 2005	$565,206,141	$717,213,213	$152,007,072	78.81%	$176,971,182	85.89%
June 30, 2006	$604,990,594	$739,808,059	$134,817,465	81.78%	$186,908,290	72.13%

SCHEDULE OF FUNDING PROGRESS FOR SCHOOL BOARD NON-PROFESSIONAL

Actuarial Valuation Date	Actuarial Value of Assets	Un-funded Actuarial Accrued Liability	Actuarial Accrued Liability (UAAL)	Ratio Funded Obligation	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2004	$ 5,102,610	$ 8,171,909	$ 3,069,299	62.44%	$ 1,802,266	170.30%
June 30, 2005	$ 5,101,316	$ 8,353,804	$ 3,252,488	61.07%	$ 1,864,084	174.48%
June 30, 2006	$ 5,265,210	$ 8,735,795	$ 3,470,585	60.27%	$ 1,929,738	179.85%

NOTE 10. DEFINED BENEFIT PENSION PLAN – COST-SHARING MULTIPLE-EMPLOYER

A. Plan Description

The School Board also contributes to the VRS, a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the 'System'). All full-time, salaried permanent employees must participate in the VRS. 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 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final salary ('AFS') for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent per year beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of reported salary. Participating local law enforcement officers, firefighters, and sheriffs 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 downloaded from their website at http://www.varetire.org/Pdf/2006AnnuRept.pdf or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

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. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia (1950) and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2006 was 9.20 percent of annual covered payroll. The School Board's contributions to VRS for the years ending 2007, 2006 and 2005 were $18,736,216, $12,906,780, and $11,159,790, respectively, and are equal to the required contributions for each year.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 9 and 10, the County provides two types of post-employment health care benefits. The first benefit is for all employees retired due to disability prior to January 1, 2003. These employees are eligible to receive the same benefit as an active employee for each year of service with the County, or until age 65, or until eligible for Medicare, whichever comes first. Currently 29 disabled retirees meet the eligibility requirements. During the fiscal year ended June 30, 2007, an expenditure of $148,589 was recognized for the health care benefit.

The School Board offers the same benefit for all employees retired due to disability prior to January 1, 2003. Currently 32 disabled retirees meet the eligibility requirements. During the fiscal year ended June 30, 2007, an expenditure of $157,803 was recognized for the health care benefit.

The County offers a second benefit in the form of a health care credit, established by a resolution approved by the Board and made effective January 1, 2003. All County employees who retire with a minimum of 20 years of VRS service, 10 years of which must be with the County are eligible. The County will provide the health care credit at a rate of $3.00 per month for each year of service. This credit results in an annual reduction in the health care premium of at least $720 per year. Currently 324 retirees meet the eligibility requirements. The County contributed on a "pay-as-you-go" basis and incurred an expenditure of $336,135 for the post-employment health care credit during the fiscal year ended June 30, 2007.

The School Board offers the same benefit to all employees effective January 1, 2003. Currently 50 School Board retirees meet the eligibility requirements. The School Board contributed on a "pay-as-you-go" basis and incurred an expenditure of $53,123 for the post-employment health care credit during the fiscal year ended June 30, 2007.

NOTE 12. DEFINED COMPENSATION PLAN

The School Board participates in an Early Retirement Program (the "Program") for eligible employees. All full time employees of the School Board are eligible to participate in the Program at age 50 up to their full Social Security retirement age. Retirees must have at least 10 years of employment with Henrico County Public Schools and at least 16 years of coverage under the Virginia Retirement System or 25 years of total teaching experience. Eligible retirees can be involuntarily taken out of the Program for disability or performance issues. The Program can be terminated for lack of funds.

Eligible retirees receive 24 percent of their final compensation annually for a period not to exceed 7 years or until they reach full, unreduced Social Security retirement age, whichever occurs first. Retirees final compensation includes regular pay, including supplements but does not include overtime. Retirement compensation is adjusted pro-rata for the cost of living increases or decreases that are approved by the School Board. As a condition of the Program, participants are required to work 20 days per year. The total maximum days worked is limited to 140 days over a 7-year period. During the fiscal year ended June 30, 2007, an expenditure of $8,806,675 was recognized in the government-wide financial statements for the compensation paid under the Early Retirement Program during the current year.

NOTE 13. INTERFUND AND COMPONENT UNIT OBLIGATIONS

The General Fund has an advance due from Belmont Golf Course for $112,500 for a loan. The General Fund has a receivable due from JRJDC for operating expenses paid by the General Fund and from Belmont Golf Course for a loan. The Water and Sewer Fund also has a receivable due from the Capital Projects Fund for a loan and the Capital Projects Fund has a receivable from Schools for a loan.

Individual interfund and component unit receivables and payables balances at June 30, 2007 were as follows:

	Receivables	Payables
General Fund	$ 577,504	$ -
Water and Sewer Fund	6,412,659	-
Capital Projects Fund	685,781	6,412,659
Belmont Golf Course	-	162,892
Component Unit – School Board	-	685,781
Component Unit - JRJDC	-	414,612
	$ 7,675,944	$ 7,675,944

NOTE 14. FUND TRANSFERS

Transfers within the County are made between the General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund and the School Board component unit. The transfers are made primarily for the payment of debt and interest, construction in progress and to support educational and special revenue activities.

Inter-fund transfers for the year ended June 30, 2007 were as follows:

	Transfers Out	Transfers In
Governmental Funds:		
General Fund	$146,169,428	$ -
Special Revenue Fund	275,500	18,461,927
Debt Service Fund	-	48,057,065
Capital Projects Fund	-	79,925,936
	$146,444,928	$146,444,928

NOTE 15. RELATED-PARTY TRANSACTIONS

During fiscal year 2007, the County contributed $1,171,801 to the Economic Development Authority, to foster economic development within the County, and the County received $269,507 from the Capital Region Airport Commission for water and sewer services.

NOTE 16. UNEARNED REVENUE

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue related to the County's governmental funds and the School Board component unit, including advance property tax collections, totaling $32,921,938 is comprised of the following:

A. Advance Grant Funding

This represents a liability incurred by the County for monies accepted from a grantor using an advancement method for payments. The liability is reduced and revenue is recorded when expenditures are made in accordance with the grantor's requirements. Advanced grant funding at June 30, 2007 totaled $3,657,182 and $2,816,535 in the Special Revenue Funds for the County and the School Board respectively.

B. Unearned Property Tax Revenue

Unearned revenue representing uncollected tax billings not available for funding of current expenditures totaled $5,184,376 at June 30, 2007.

C. Advance Property Tax Collections

Property taxes due subsequent to June 30, 2007, but paid in advance by the taxpayers, totaled $10,368,663 at June 30, 2007.

D. Other Unearned Revenue

This represents grant monies that the County is entitled to but is not yet an available resource at June 30, 2007. Unearned grant revenue at June 30, 2007 for the County totaled $3,677,145, $496,158 and $6,305,726 for the General Fund, Special Revenue Fund and Capital Projects Fund, respectively. This also represents a liability of $416,153 by the County for monies received in advance of expenditures being made as of June 30, 2007.

Also, the Water and Sewer Enterprise Fund recorded unearned revenue in the amount of $16,852,767, which consists of an advance payment from a customer of $11,543,034 for water capacity, an advance from a customer of $3,644,888 and amounts held for contractors of $1,664,845.

NOTE 17. SURETY BONDS

Surety bonds covered the following constitutional officers and County employees at June 30, 2007:

Constitutional Officers - Self-Insurance Plan, Commonwealth of Virginia

Yvonne Smith – Clerk of the Circuit Court and Employees of the Clerk of the Circuit Court	$ 1,120,000
Reta R. Busher – Director of Finance and Employees of the Director of Finance	$ 1,000,000
Michael L. Wade – Sheriff and Employees of the Sheriff	$ 3,000

Faithful Performance Blanket Position Coverage, Virginia Association of Counties Group Self Insurance Risk Pool

All County positions	$ 250,000
All School positions	$ 250,000

Excess Public Employee Dishonesty Coverage, Travelers Casualty and Surety Company of America

All County positions	$ 1,000,000
All School positions	$ 1,000,000

American Manufacturers

David Myers – School Board Agent	$	10,000

Fidelity and Deposit Company of Maryland

Virgil R. Hazelett – County Manager	$	100,000
Paul N. Proto – Director of Department of General Services	$	100,000
Mark J. Coakley – Registrar	$	100,000
Debra Hargrave – School Board Deputy Agent	$	10,000
Teresa Robins – School Board Clerk	$	10,000

Lumberman's Mutual Casualty Company

George T. Drumwright, Jr. – Deputy County Manager	$	100,000
Angela N. Harper – Deputy County Manager	$	100,000
Harvey L. Hinson – Deputy County Manager	$	100,000
Leon T. Johnson – Deputy County Manager	$	100,000
Robert K. Pinkerton – Deputy County Manager	$	100,000
Gordon R. Ragland, Jr. – Director of Department of Social Services	$	100,000

NOTE 18. JOINT VENTURES

A. The Capital Region Airport Commission (the "Commission") was created in 1975 pursuant to Virginia statute. On January 1, 1976, the County and the City of Richmond entered into an intergovernmental joint venture for the operation of the Richmond International Airport (the "Airport") by the Commission. As part of the venture, the City of Richmond conveyed the Airport property to the Commission and the Commission in turn agreed to reimbursement of the outstanding debt of the City relating to the property. The County also made a contribution to the Commission for a 40 percent interest in the venture. The Counties of Chesterfield and Hanover became Commission participants in fiscal year 1984 and fiscal year 1986, respectively.

The Commission is comprised of a fourteen-member board of directors, with four members each being appointed by the City of Richmond, the County of Henrico and the 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 Airport facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia statute requires that the Commission annually submit a budget showing estimated revenues and expenditures to the governing bodies of the City of Richmond and the three counties for their approval. After approval of the proposed budget by the governing bodies, if the Commission's budget contains estimated expenditures which exceed estimated revenues, then the governing bodies are required to fund the deficit in proportion to their financial interests in the Commission. If, however, actual revenues are less than estimated revenues (resulting in a deficit), the City of Richmond and the three counties may, at their discretion, appropriate funds necessary to fund the deficit. The County has agreed to fund its portion of the deficit, if any.

The percentage shares of the jurisdictions involved include the following:

City of Richmond	29.27%
County of Henrico	31.44%
County of Chesterfield	30.17%
County of Hanover	9.12%
	100.00%

This financial interest is determined by applying the percentage of the total approximate population of each jurisdiction to the combined total population of all jurisdictions. The above percentages are based on the final 1990 census figures provided by the Richmond Regional Planning District Commission.

Complete financial statements for the Capital Region Airport Commission can be obtained from their administrative office at South Airport Drive, Richmond, Virginia 23231.

B. The Greater Richmond Convention Center Authority (Convention Authority), a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998 pursuant to the Public Recreational Facilities Authorities Act, Chapter 56 of Title 15.2 of the Code of Virginia (1950). The political subdivisions participating in the incorporation of the Convention Authority are the City of Richmond and the Counties of Henrico, Chesterfield and Hanover. The Convention Authority 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 Convention Authority 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. The primary purpose of the Convention Authority is to issue revenue bonds to finance the expansion of the Richmond Centre facility and to construct access, streetscape, or other on-site/off-site improvements. Once the expansion is complete, the Convention Authority will have responsibility for the operation and maintenance of the convention center.

The Convention Authority 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 recorded an expenditure of $10,288,236 for transient occupancy tax to the Convention Authority during the year ended June 30, 2007.

Complete financial statements for the Convention Authority can be obtained from Chesterfield County, Accounting Department, P.O. Box 40, Chesterfield, VA 23832.

NOTE 19. LANDFILL CLOSURE AND POSTCLOSURE CARE LIABILITY

State and Federal laws and regulations require the County to place a final cover on each phase of its Springfield Road landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the Springfield and Charles City Road Landfill site for thirty years after closure. In accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs*, $8,292,570 has been reported as landfill closure and post-closure care liability in the County's financial statements at June 30, 2007. The balance represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the Eastern Phase and Phase I, 98.89 percent of Phase II's estimated capacity, and 97.78 percent of Phase III's and 9.92 percent of Phase IV's estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of $768,398 of Phase II and Phase III as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County plans to meet all Federal laws, regulations, and tests of financial assurance related to the financing of closure and post-closure care. The County estimates that the remaining life of the landfill is approximately 4.1 years and will be closed in September 2011.

NOTE 20. SPECIAL ASSESSMENT

On September 26, 2000, the Board of Supervisors, by resolution, created the Short Pump Town Center Community Development Authority (Authority). The creation of the Authority was the result of a petition filed with the Board of Supervisors by the landowners within the Short Pump Town Center Community Development District (SPTC District). The District consists of approximately 120 acres of land within the County. The Short Pump Town Center consists of an approximately 1.18 million square foot open-air two-level regional style retail mall and certain out-parcel development.

On October 24, 2000, the Board of Supervisors adopted an ordinance authorizing the levy of the Special Assessments on the abutting properties within the SPTC District. On October 20, 2000 the Authority authorized the issuance of the Short Pump Town Center Community Development Authority, $25,495,000 Taxable Special Assessment Bonds, Series 2003 (2003 Bonds). On September 24, 2003, the 2003 Bonds were issued 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 2003 Bonds financed (a) the cost of certain infrastructure improvements to benefit the District (b) the payment of capitalized interest through February 1, 2004 (c) funded the Debt Service Reserve Fund and (d) paid certain costs of issuance. Neither the Faith and Credit of the Commonwealth of Virginia (the Commonwealth), nor the Faith and Credit of the Authority, any County, City, Town or other Subdivision of the Commonwealth, including the County of Henrico, Virginia, are pledged to the payment of the principal of or interest on the 2003 Bonds. At June 30, 2007, the total Bonds outstanding were $10,990,000. The annual principal payment of $5,045,000 was paid February 1, 2007.

By memorandum of understanding between the County and the District, dated September 30, 2003, the County will collect and pay to the SPTC District the Special Assessments levied on the SPTC District. The Special Assessments for 2007 were assessed at $6,177,416. As of June 30, 2007, the County paid the SPTC District $3,088,708 which represents the first half payment of the annual assessment. The County anticipates making the second half payment of $3,088,708 on November 15, 2007.

On March 14, 2006, the Board of Supervisors, by resolution, created the Reynolds Crossing Community Development Authority (Authority). The creation of the Authority was the result of a petition by the landowners of the Reynolds Crossing Community Development District (RCC District). The RCC District consists of approximately 71 acres, of which approximately 51 acres can be developed. The District is located in the western portion of Henrico County. The District will include retail, office and hotel development, a four-lane road connector, wetland areas and a storm-water pond.

On October 10, 2006, the Board of Supervisors adopted an ordinance authorizing the levy of the Special Assessments on the properties within the RCC District. On January 7, 2007, the Authority authorized the issuance of the Reynolds Crossing Community Development Authority, $14,594,000, Special Assessment Revenue bonds, Series 2007 (2007 Bonds). On June 19, 2007, the 2007 Bonds were issued in accordance with provisions of the Virginia Water and Waste Authorities Act, Chapter 51, Section 15.2-5100 of the Code of Virginia, 1950, as amended. The 2007 Bonds will finance (a) the cost of certain infrastructure improvements to benefit the RCC District (b) the payment of capitalized interest (c) fund the Debt Service Reserve fund and (d) pay certain costs of issuance. Neither the Faith nor Credit of the Commonwealth of Virginia (Commonwealth), or the Authority, or any Political Subdivision thereof, including the County is pledged to the payment of the principal of or interest on the 2007 Bonds. At June 30, 2007, the total 2007 Bonds Outstanding were $14,594,000. The first interest payment is due September 1, 2007 and first principal commencing on March 1, 2010.

By memorandum of understanding between the County and the District, dated November 1, 2006, the County will collect and pay to the District the Special Assessments levied on the District. The Special Assessment will commence with tax year 2008. As of June 30, 2007, the County has not collected or paid any assessments to the District.

NOTE 21. JOINTLY GOVERNED ORGANIZATIONS

A. Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (the "Waste Authority") was established under the provision 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 up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has three representatives serving. 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. The County's contribution and direct payments for special projects for the year ended June 30, 2007 were $2,031,903.

B. Greater Richmond Partnership

The Greater Richmond Partnership is comprised of members from the City of Richmond and the Counties of Chesterfield, Hanover, and Henrico. Together in partnership with the business leadership of the area, the Greater Richmond Partnership's purpose is to further economic development of the metropolitan area. The County has one representative serving on the Greater Richmond Partnership's Board of Directors and the County contributed $390,000 for the year ended June 30, 2007.

C. Richmond Metropolitan Convention and Visitors Bureau

The Richmond Metropolitan Convention and Visitors Bureau ("RMCVB") serves the City of Richmond and the Counties of Chesterfield, Hanover and Henrico by promoting conventions, tourism and development in the metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved. The County has six representatives serving on RMCVB's Board of Directors and contributed $1,512,582 to RMCVB for the year ended June 30, 2007.

D. Richmond Regional Planning District Commission

The Richmond Regional Planning District Commission ("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 major 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. The County has six representatives serving on the RRPDC and paid total dues of $169,980 for the year ended June 30, 2007.

NOTE 22. SUBSEQUENT EVENTS

On December 12, 2006, the Board of Supervisors, by resolution, created The Shops at White Oak Village Community Development Authority (Authority). The creation of the SWOV Authority was the result of a petition filed October 19, 2006 with the Board of Supervisors by the landowners within The Shops at White Oak Village Community Development Authority District (SWOV District). The SWOV District is located within an 136 acre commercial and retail development known a "The Shops at While Oak Village" currently under construction. The SWOV District consists of approximately 87 acres of land within Henrico County. The SWOV District is expected to consist of an open-air regional retail center and outparcel development, with four major anchor stores.

On October 17, 2007, the Authority issued The Shops at White Oak Village Community Authority, $23,870,000 Special Assessment Revenue Bonds, Series 2007 (Bonds) which will be used to finance the cost of infrastructure improvements within the SWOV District. Neither the Faith nor the Credit of the Commonwealth of Virginia, or the Authority, or any Political Subdivision thereof, including the County, is pledged to the payment of the principal of or the interest on the Bonds.

Required Supplemental Information Other Than

Management's Discussion and Analysis

COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Fund, Major and Minor Revenue Sources	Original	Revised	Actual	Variance
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Current real property taxes	$ 260,584,300	$ 260,584,300	$ 276,405,950	$ 15,821,650
Current personal property taxes	57,178,780	57,178,780	64,430,374	7,251,594
Delinquent real property taxes	400,000	400,000	571,159	171,159
Delinquent personal property taxes	300,000	300,000	1,200,652	900,652
Interest	300,000	300,000	271,707	(28,293)
Land redemption	50,000	50,000	56,667	6,667
Total general property taxes	318,813,080	318,813,080	342,936,509	24,123,429
Other local taxes:				
County recordation taxes	2,900,000	2,900,000	5,828,897	2,928,897
Local sales and use taxes	52,900,000	52,900,000	54,472,822	1,572,822
Consumer utility taxes	4,925,000	4,925,000	4,033,837	(891,163)
Business and professional license taxes	25,800,000	25,800,000	31,173,501	5,373,501
Franchise license private public utility	3,183,600	3,183,600	3,019,721	(163,879)
Motor vehicle license taxes	6,225,000	6,225,000	6,155,519	(69,481)
Hotel and motel taxes	7,587,600	10,287,600	10,304,986	17,386
Bank franchise taxes	3,986,400	3,986,400	5,120,138	1,133,738
Grantor's taxes	800,000	800,000	1,357,060	557,060
Consumption tax	1,150,000	1,150,000	1,161,840	11,840
Other local taxes - various	4,820,000	4,820,000	3,298,445	(1,521,555)
Total other local taxes	114,277,600	116,977,600	125,926,766	8,949,166
Permits, privilege fees and regulatory licenses:				
Municipal library court fees	155,000	155,000	157,219	2,219
Transfer fees	110,000	110,000	121,239	11,239
Zoning application fees	10,800	10,800	10,165	(635)
Structure and equipment permits	2,850,000	2,850,000	3,505,530	655,530
Septic tank permits	14,000	14,000	56,614	42,614
Taxi cab certificates	5,900	5,900	8,930	3,030
Permits to purchase precious metal	2,000	2,000	5,480	3,480
Dog licenses	370,000	370,000	274,758	(95,242)
Other	313,500	313,500	456,453	142,953
Total permits, privilege fees and regulatory licenses	3,831,200	3,831,200	4,596,388	765,188
Fines and forfeitures:				
False alarm penalties	85,000	85,000	72,745	(12,255)
Traffic violations	1,850,000	1,850,000	2,488,630	638,630
Parking violations	100,000	100,000	78,271	(21,729)
Total fines and forfeitures	2,035,000	2,035,000	2,639,646	604,646
Revenue from use of money and property:				
Sale of equipment and publications	84,200	84,200	219,274	135,074
Rented county property	379,000	379,000	272,385	(106,615)
Use of money	8,160,000	8,160,000	16,300,517	8,140,517
Total revenue from use of money and property	8,623,200	8,623,200	16,792,176	8,168,976
Charges for services:				
Public works	135,000	135,000	171,813	36,813
Library	312,000	312,000	413,019	101,019
Sheriff fees	1,022,500	1,022,500	836,761	(185,739)
Commonwealth's Attorney fees	12,000	12,000	15,193	3,193
Public safety	2,220,000	2,220,000	1,193,064	(1,026,936)
Finance charges	3,137,000	3,137,000	3,206,700	69,700
Recreation	577,700	579,800	666,877	87,077
Information technology	710,000	710,000	933,087	223,087
Total charges for services	8,126,200	8,128,300	7,436,514	(691,786)

continued

Fund, Major and Minor Revenue Sources	Original	Revised	Actual	Variance
Primary Government:				
General Fund, continued:				
Miscellaneous	$ 2,550,300	$ 2,645,112	$ 5,223,516	$ 2,578,404
Total miscellaneous	2,550,300	2,645,112	5,223,516	2,578,404
Recovered costs:				
Finance	1,944,500	1,944,500	1,960,502	16,002
General services	145,000	145,000	1,557,596	1,412,596
Public health	55,000	55,000	57,466	2,466
Public works	368,000	368,000	302,675	(65,325)
Juvenile detention	-	-	728	728
Sheriff	850,000	1,049,800	946,995	(102,805)
Public safety	25,000	25,000	8,750	(16,250)
Total recovered costs	3,387,500	3,587,300	4,834,712	1,247,412
Total revenue from local sources	461,644,080	464,640,792	510,386,227	45,745,435
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
ABC profits	153,700	153,700	153,770	70
Wine tax	161,000	161,000	161,181	181
Rolling stock	110,000	110,000	134,720	24,720
Recovery of central costs	12,500	12,500	16,969	4,469
Mobile home sales and use tax	416,000	416,000	457,835	41,835
Motor vehicle rental tax	2,167,800	2,167,800	2,417,300	249,500
PPTRA revenue	37,221,220	37,221,220	37,221,220	-
Communications sales and use tax - HB568	-	-	5,792,983	5,792,983
Overweight truck citations	16,000	16,000	1,843	(14,157)
Total non-categorical aid	40,258,220	40,258,220	46,357,821	6,099,601
Shared expenses:				
Sheriff	10,568,600	10,825,200	11,073,233	248,033
Commonwealth's Attorney	1,383,800	1,418,969	1,750,090	331,121
Election commission	73,500	73,500	94,516	21,016
Finance	731,900	731,900	920,230	188,330
Circuit court	3,935,800	4,393,738	4,124,392	(269,346)
Total shared expenses	16,693,600	17,443,307	17,962,461	519,154
Categorical aid:				
Library	245,100	245,100	246,096	996
Public safety	13,308,000	15,017,746	15,238,010	220,264
Social services	3,734,500	5,844,877	5,541,689	(303,188)
Public works	29,424,600	29,424,600	29,559,525	134,925
Juvenile and domestic relations	667,000	667,000	604,418	(62,582)
Total categorical aid	47,379,200	51,199,323	51,189,738	(9,585)
Total revenue from the Commonwealth	104,331,020	108,900,850	115,510,020	6,609,170
Revenue from the Federal Government:				
Social services	10,183,200	12,358,311	11,593,290	(765,021)
Public safety	26,000	26,000	17,310	(8,690)
Total revenue from the Federal Government	10,209,200	12,384,311	11,610,600	(773,711)
Total intergovernmental	114,540,220	121,285,161	127,120,620	5,835,459
Total General Fund	$ 576,184,300	$ 585,925,953	$ 637,506,847	$ 51,580,894

continued

Fund, Major and Minor Revenue Sources	Original	Revised	Actual	Variance
Primary Government:				
Special Revenue Fund:				
Revenue from local sources:				
General property taxes:				
Current real property taxes	$ -	$ 2,027,141	$ 2,517,455	$ 490,314
Current personal property taxes	-	920,388	948,701	28,313
Total general property taxes	-	2,947,529	3,466,156	518,627
Other local taxes:				
Local sales and use taxes	-	2,907,410	3,321,279	413,869
Business and professional license taxes	-	545,061	671,298	126,237
Total other local taxes	-	3,452,471	3,992,577	540,106
Revenue from use of money and property	56,211	56,211	70,236	14,025
Charges for services:				
Miscellaneous charges for services	7,136,360	7,257,378	7,580,512	323,134
Refuse collection billing	5,148,000	5,148,000	5,128,313	(19,687)
Landfill weighing fees	950,000	950,000	1,369,190	419,190
Recycle fees	70,000	70,000	225,041	155,041
Bulky waste collection fees	733,000	733,000	723,774	(9,226)
Leaf collection	2,487,760	2,487,760	2,487,760	-
Charges for street lights	60,855	60,855	75,312	14,457
Total charges for services	16,585,975	16,706,993	17,589,902	882,909
Miscellaneous revenues	1,166,374	1,227,362	272,823	(954,539)
Recovered costs:				
Recovered costs	493,816	1,025,758	1,019,903	(5,855)
Recoveries and rebates	1,300	1,300	73,200	71,900
Total recovered costs	495,116	1,027,058	1,093,103	66,045
Total revenue from local sources	18,303,676	25,417,624	26,484,797	1,067,173
Intergovernmental:				
Revenue from the Commonwealth:				
Division of Litter Control	25,000	25,000	33,307	8,307
Social services	3,904,272	4,949,134	4,066,159	(882,975)
Mental health and retardation	5,399,833	6,005,736	5,858,879	(146,857)
Virginia department of corrections	1,428,882	1,475,140	1,195,226	(279,914)
Commonwealth's Attorney	171,822	171,822	203,402	31,580
Miscellaneous state grants	644,651	1,045,349	1,758,172	712,823
Total revenue from the Commonwealth	11,574,460	13,672,181	13,115,145	(557,036)
Revenue from the Federal Government:				
Capital Training	1,188,872	1,188,872	978,358	(210,514)
Community Development Block Grants	-	2,356,976	1,920,417	(436,559)
Public safety	-	251,408	129,374	(122,034)
Mental health and retardation	2,262,983	2,363,894	2,194,322	(169,572)
Miscellaneous federal grants	518,481	1,108,546	1,221,238	112,692
Total revenue from the Federal Government	3,970,336	7,269,696	6,443,709	(825,987)
Total intergovernmental	15,544,796	20,941,877	19,558,854	(1,383,023)
Total Special Revenue Fund	$ 33,848,472	$ 46,359,501	$ 46,043,651	$ (315,850)
Grand Total Revenues	$ 610,032,772	$ 632,285,454	$ 683,550,498	$ 51,265,044

COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Function, Activity, Element	Original	Revised	Actual	Variance
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	$ 1,123,133	$ 1,145,834	$ 1,143,469	$ 2,365
Total legislative	1,123,133	1,145,834	1,143,469	2,365
General and financial administration:				
County Manager	3,624,553	3,707,352	3,533,863	173,489
County Attorney	1,992,719	2,087,628	2,039,817	47,811
Human resources	6,196,499	6,149,007	4,978,685	1,170,322
Finance	12,076,075	12,663,498	11,475,006	1,188,492
General services	19,840,289	25,001,230	25,108,039	(106,809)
Internal audit	347,145	377,145	318,912	58,233
Real property agent	589,967	596,467	540,585	55,882
Information technology	12,115,442	12,101,411	10,933,337	1,168,074
Total general and financial administration	56,782,689	62,683,738	58,928,244	3,755,494
Board of elections:				
Election commission	1,351,297	1,370,183	1,108,934	261,249
Total board of elections	1,351,297	1,370,183	1,108,934	261,249
Total general government administration	59,257,119	65,199,755	61,180,647	4,019,108
Judicial administration:				
Courts:				
Circuit Court	2,871,657	3,402,288	2,743,694	658,594
General District Court	175,491	192,433	189,236	3,197
Juvenile and Domestic Relations Court	71,319	76,679	65,910	10,769
Total Courts	3,118,467	3,671,400	2,998,840	672,560
Commonwealth's Attorney:				
Commonwealth's Attorney	3,748,443	3,783,612	3,743,777	39,835
Total Commonwealth's Attorney	3,748,443	3,783,612	3,743,777	39,835
Total judicial administration	6,866,910	7,455,012	6,742,617	712,395
Public safety:				
Law enforcement:				
Police department	58,794,520	60,716,278	58,804,408	1,911,870
Total law enforcement	58,794,520	60,716,278	58,804,408	1,911,870
Fire services:				
Fire department	40,338,475	42,133,452	41,385,894	747,558
Total fire services	40,338,475	42,133,452	41,385,894	747,558
Correction and detention:				
Sheriff	28,087,318	30,828,888	31,218,921	(390,033)
Juvenile and Domestic Relations District Court	5,210,515	5,238,015	5,212,157	25,858
Total correction and detention	33,297,833.00	36,066,903	36,431,078	(364,175)
Inspections:				
Building	4,378,543	4,385,871	3,972,762	413,109
Total inspections	4,378,543	4,385,871	3,972,762	413,109
Other protection:				
Office of Emergency Services	2,133,443	2,205,349	2,193,405	11,944
Animal protection	1,294,185	1,294,185	1,232,891	61,294
Building security	1,276,593	1,276,593	1,176,706	99,887
Total other protection	4,704,221	4,776,127	4,603,002	173,125
Total public safety	141,513,592	148,078,631	145,197,144	2,881,487

continued

Function, Activity, Element	Original	Revised	Actual	Variance
Primary Government:				
General Fund, continued:				
Public works:				
Maintenance of highways and streets:				
General administration	$ 1,224,260	$ 1,302,535	$ 1,286,345	$ 16,190
Mass transit	4,925,362	5,775,030	3,998,657	1,776,373
Design	2,091,100	2,142,899	1,843,778	299,121
Construction and maintenance	19,876,737	23,329,232	20,717,657	2,611,575
Traffic engineering	3,194,721	3,468,584	2,996,971	471,613
Miscellaneous	1,486,473	1,509,850	1,332,674	177,176
Total maintenance of highways and streets	32,798,653	37,528,130	32,176,082	5,352,048
Sanitation and waste removal:				
Leaf collection	2,487,760	2,487,760	2,487,760	-
Total sanitation and waste removal	2,487,760	2,487,760	2,487,760	-
Total public works	35,286,413	40,015,890	34,663,842	5,352,048
Health and social services:				
Health:				
Public health department	1,479,984	1,642,687	1,637,284	5,403
Total health	1,479,984	1,642,687	1,637,284	5,403
Social services:				
Fuel assistance	39,834	68,049	57,421	10,628
Service/eligibility administration	8,803,331	8,802,810	8,256,335	546,475
Welfare programs	1,069,110	1,978,764	1,873,844	104,920
Public assistance	7,619,569	11,243,720	10,495,580	748,140
Total social services	17,531,844	22,093,343	20,683,180	1,410,163
Total health and social services	19,011,828	23,736,030	22,320,464	1,415,566
Parks, recreation and cultural:				
Parks and recreation:				
Department of recreation and parks	13,983,014	15,596,809	14,343,195	1,253,614
Sandston Community House	14,000	14,000	13,571	429
Total parks and recreation	13,997,014	15,610,809	14,356,766	1,254,043
Library:				
Library public services	13,842,193	14,028,960	12,851,812	1,177,148
Total library	13,842,193	14,028,960	12,851,812	1,177,148
Total parks, recreation and cultural	27,839,207	29,639,769	27,208,578	2,431,191
Community development:				
Planning and community development:				
Economic development	13,656,477	16,791,732	16,521,570	270,162
Planning and rezoning	4,012,744	4,400,745	4,014,485	386,260
Total planning and community development	17,669,221	21,192,477	20,536,055	656,422
Cooperative extension program:				
Agriculture	344,132	350,561	233,059	117,502
Total cooperative extension program	344,132	350,561	233,059	117,502
Total community development	18,013,353	21,543,038	20,769,114	773,924
Education:				
School Board	151,134,059	151,134,059	151,134,059	-
Total education	151,134,059	151,134,059	151,134,059	-

continued

Function, Activity, Element	Original	Revised	Actual	Variance
Primary Government:				
General Fund, continued:				
Miscellaneous:				
Cooperative projects	$ 10,001,707	$ 10,028,975	$ 13,507,132	$ (3,478,157)
Total miscellaneous	10,001,707	10,028,975	13,507,132	(3,478,157)
Debt service:				
Capital lease principal	46,343	46,343	46,343	-
Capital lease interest	7,892	7,892	7,892	-
Total debt service	54,235	54,235	54,235	-
Total General Fund	$ 468,978,423	$ 496,885,394	$ 482,777,832	$ 14,107,562
Special Revenue Fund:				
General government administration:				
General and financial administration:				
Capital Area Training Consortium	$ 1,530,805	$ 2,027,972	$ 1,375,153	$ 652,819
Total general government administration	1,530,805	2,027,972	1,375,153	652,819
Judicial administration:				
Commonwealth's Attorney:				
Commonwealth's Attorney	755,733	1,024,731	784,659	240,072
Total judicial administration	755,733	1,024,731	784,659	240,072
Public safety:				
Law enforcement:				
Police grants	1,054,610	2,967,387	1,979,800	987,587
Total law enforcement	1,054,610	2,967,387	1,979,800	987,587
Fire	-	603,413	145,298	458,115
Correction and detention:				
Community Diversion Program	1,472,602	1,617,812	1,518,231	99,581
Juvenile and Domestic Relations District Court	1,010,242	1,126,778	1,074,192	52,586
Total correction and detention	2,482,844	2,744,590	2,592,423	152,167
Total public safety	3,537,454	6,315,390	4,717,521	1,597,869
Public works:				
General administration	900,000	973,333	270,421	702,912
Maintenance of highways and streets	60,855	60,855	54,890	5,965
Solid waste collection and disposal	9,933,996	10,964,243	10,349,905	614,338
Total public works	10,894,851	11,998,431	10,675,216	1,323,215
Health and social services:				
Social services	7,169,598	9,597,552	7,915,982	1,681,570
Mental health and mental retardation:				
Related services	3,135,505	3,316,305	3,064,282	252,023
Mental health	9,352,533	9,867,591	8,900,378	967,213
Mental retardation	8,646,059	9,379,940	8,626,790	753,150
Substance abuse	2,496,796	2,373,210	2,175,394	197,816
MH/MR administration	4,299,332	4,512,462	4,677,652	(165,190)
Total mental health and mental retardation	27,930,225	29,449,508	27,444,496	2,005,012
Total health and social services	35,099,823	39,047,060	35,360,478	3,686,582
Parks, recreation and culture:				
Library grants	-	84,819	84,819	-
Parks and recreation grants	-	5,000	5,000	-
Total parks, recreation and culture	-	89,819	89,819	-

continued

Function, Activity, Element	Original	Revised	Actual	Variance
Primary Government:				
Special Revenue Fund, continued:				
Community development:				
Planning and community development	$ -	$ 4,515,765	$ 1,939,918	$ 2,575,847
Economic development	682,500	7,385,031	6,649,398	735,633
Total community development	682,500	11,900,796	8,589,316	3,311,480
Total Special Revenue Fund	$ 52,501,166	$ 72,404,199	$ 61,592,162	$ 10,812,037
Grand Total Expenditures	$ 521,479,589	$ 569,289,593	$ 544,369,994	$ 24,919,599

PROPOSED FORM OF OPINION OF BOND COUNSEL

Board of Supervisors
of Henrico County
Richmond, Virginia

Members of the Board of Supervisors:

COUNTY OF HENRICO, VIRGINIA,
GENERAL OBLIGATION PUBLIC IMPROVEMENT
BONDS, SERIES 2008, $29,810,000

At your request we have examined into the validity of $29,810,000 principal amount of General Obligation Public Improvement Bonds, Series 2008 (the "Bonds"), of the County of Henrico, Virginia (the "County"). The Bonds are dated the date of their delivery, are in fully registered form in the denomination of $5,000 or any integral multiple thereof and are numbered from R-1 upwards in order of issuance. The Bonds mature on December 1 in each of the years and in the principal amounts set forth below, with the Bonds maturing in a particular year bearing interest payable on June 1, 2008 and semiannually on each June 1 and December 1 thereafter at the interest rate per annum stated opposite such year, to wit:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2008	$ 1,490,000	5.00%	2018	1,490,000	5.00%
2009	1,490,000	5.00	2019	1,490,000	4.00
2010	1,490,000	5.00	2020	1,490,000	4.00
2011	1,490,000	3.75	2021	1,490,000	4.00
2012	1,490,000	3.25	2022	1,490,000	4.00
2013	1,490,000	3.25	2023	1,490,000	4.00
2014	1,490,000	3.50	2024	1,490,000	4.00
2015	1,490,000	5.00	2025	1,490,000	4.00
2016	1,490,000	5.00	2026	1,495,000	4.00
2017	1,490,000	5.00	2027	1,495,000	4.00

The Bonds maturing on and after December 1, 2018 are subject to redemption at the option of the County prior to their stated maturities on or after December 1, 2017 upon the terms and conditions and at the prices set forth therein.

The Bonds recite that they are issued by the County under and pursuant to and in full compliance with the Constitution and statutes of the Commonwealth of Virginia, including Chapter 26 of Title 15.2 of the Code of Virginia, 1950 (the same being the Public Finance Act of 1991), an election held in the County on March 8, 2005, under the Public Finance Act of 1991 and resolutions duly adopted by the Board of Supervisors of the County under the Public Finance Act of 1991, for the purpose of paying the costs of school capital improvement projects and fire stations and facilities in the County.

We have examined (i) the Constitution and statutes of the Commonwealth of Virginia, (ii) certified copies of proceedings relating to the aforementioned election, (iii) certified copies of proceedings of the Board of Supervisors of the County authorizing the issuance, sale and delivery of the Bonds, (iv) such other papers, instruments, documents and proceedings as we have deemed necessary or advisable and (v) a specimen Bond of such issue.

In our opinion, the Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia and constitute valid and legally binding obligations of the County, and the Board of Supervisors of the County is authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the County are assessed, levied and collected, a tax upon all taxable property within the County, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds to the extent other funds of the County are not lawfully available and appropriated for such purpose.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to judicial discretion, to the exercise of the sovereign police powers of the Commonwealth of Virginia and to valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting the relief of debtors.

It is also our opinion that, under existing statutes and court decisions and assuming continuing compliance by the County with certain tax covenants described herein, interest on the Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986 (the "Code") and (ii) is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering our opinion, we have relied on certain representations, certifications of fact and statements of reasonable expectations made by the County in connection with the Bonds, and we have assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

It is also our opinion that under the existing laws of the Commonwealth of Virginia, such interest is not includable in computing the Virginia income tax.

We express no opinion regarding any other federal or Commonwealth of Virginia tax consequences with respect to the Bonds. We are rendering our opinion under existing statutes and court decisions as of the issue date of the Bonds, and we assume no obligation to update our opinion after the issue date of the Bonds to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Bonds and express herein no opinion relating thereto.

Very truly yours,

PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate"), dated as of January 1, 2008 executed and delivered in connection with the issuance of $29,810,000 principal amount of General Obligation Public Improvement Bonds, Series 2008 (the "Bonds"), of the County of Henrico, Virginia (the "County"), and pursuant to a resolution duly adopted by the Board of Supervisors of the County on December 11, 2007 (the "Resolution"). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article I hereof. Pursuant to the Resolution, the County agrees as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. Definitions. The following terms used in this Certificate shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data with respect to the County for each fiscal year included in the County's Comprehensive Annual Financial Report and included in certain tables in the Official Statement relating to General Fund Revenues, Tax Base Data, Debt Administration and Debt Ratios and Appendix A to the Official Statement, and (ii) information regarding amendments to this Certificate required pursuant to Sections 4.2(c) and (d) of this Certificate. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. Where such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the County, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP for governmental units as prescribed by GASB; *provided, however,* that the County may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to each NRMSIR and the SID, and shall include a reference to the specific federal or State law or regulation describing such accounting basis.

(3) "Counsel" means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, in each case acceptable to the County.

(4) "GAAP" means generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board.

(5) "Material Event" means any of the following events with respect to the Bonds, whether relating to the County or otherwise, if material:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions or events affecting the tax-exempt status of the security;

(vii) modifications to rights of securityholders;
(viii) bond calls (other than scheduled mandatory sinking fund redemptions);
(ix) defeasances;
(x) release, substitution or sale of property securing repayment of the securities; and
(xi) rating changes.

(6) "Material Event Notice" means notice of a Material Event.

(7) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

(8) "NRMSIR" means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the date of this Certificate are Bloomberg Municipal Repository, DPC Data Inc., Interactive Data Pricing and Reference Data Inc. and Standard & Poor's Securities Evaluations, Inc. Filing information relating to such NRMSIRs is set forth in Exhibit A hereto.

(9) "Official Statement" means the "final official statement" as defined in paragraph (f)(3) of the Rule.

(10) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities and Exchange Act of 1934, as amended (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Certificate, including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

(11) "SEC" means the United States Securities and Exchange Commission.

(12) "SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.

(13) "State" means the Commonwealth of Virginia.

(14) "Unaudited Financial Statements" means the same as Audited Financial Statements, except the same shall not have been audited.

(15) "Underwriters" means the underwriters of the Bonds for whom Harris N.A. is acting as representative.

ARTICLE II

THE UNDERTAKING

SECTION 2.1. Purpose. This Certificate shall constitute a written undertaking for the benefit of the holders of the Bonds, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

SECTION 2.2. Annual Financial Information.

(a) The County shall provide Annual Financial Information for the County with respect to each fiscal year of the County, commencing with fiscal year beginning July 1, 2007, by no later than six months after the end of the respective fiscal year, to each NRMSIR and the SID.

(b) The County shall provide, in a timely manner, notice of any failure of the County to provide the Annual Financial Information by the date specified in subsection (a) above to (i) either the MSRB or each NRMSIR and (ii) the SID.

SECTION 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the dates required by Section 2.2(a) hereof, the County shall provide Audited Financial Statements, when and if available, to each NRMSIR and the SID.

SECTION 2.4. Notices of Material Events.

(a) If a Material Event occurs, the County shall provide, in a timely manner, a Material Event Notice to (i) either the MSRB or each NRMSIR and (ii) the SID.

(b) Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

SECTION 2.5. Additional Disclosure Obligations. The County acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and SEC Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the County, and that under some circumstance compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the County under such laws.

SECTION 2.6. Additional Information. Nothing in this Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Certificate. If the County chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

SECTION 2.7. No Previous Non-Compliance. The County represents that, in the previous five years, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE III

OPERATING RULES

SECTION 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the County provides Annual Financial Information by specific reference to documents (i) either (1) provided to each NRMSIR existing at the time of such reference and the SID or (2) filed with the SEC or (ii) if such a document is an Official Statement, available from the MSRB.

SECTION 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

SECTION 3.3. CUSIP Numbers in Material Event Notices. Each Material Event Notice relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Material Event Notice relates or, if the Material Event Notice relates to all bond issues of the County, including the Bonds, such Material Event Notice need only include the CUSIP number of the County.

SECTION 3.4. Filing with Certain Dissemination Agents or Conduits. The County may satisfy its obligations hereunder to file any notice, document or information with a NRMSIR or SID (i) solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://ww.disclosureusa.org unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated

September 7, 2004, or (ii) by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such NRMSIR or SID, to the extent permitted by the SEC or SEC staff or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC staff if and to the extent the agent or conduit has received an interpretive letter, which has not been withdrawn, from the SEC staff to the effect that using the agent or conduit to transmit information to the NRMSIRs and the SID will be treated for purposes of the Rule as if such information were transmitted directly to the NRMSIRs and the SID.

SECTION 3.5. Transmission of Information and Notices. Unless otherwise required by law and, in the County's sole determination, subject to technical and economic feasibility, the County shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the County's information and notices.

SECTION 3.6. Fiscal Year.

(a) The County's current fiscal year is July 1 to June 30, and the County shall promptly notify each NRMSIR and the SID of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE IV

TERMINATION, AMENDMENT AND ENFORCEMENT

SECTION 4.1. Termination.

(a) The County's obligations under this Certificate shall terminate upon legal defeasance, prior redemption or payment in full of all of the Bonds.

(b) This Certificate or any provision hereof, shall be null and void in the event that the County (1) receives an opinion of Counsel, addressed to the County, to the effect that those portions of the Rule which require the provisions of this Certificate, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to each NRMSIR and the SID.

SECTION 4.2. Amendment.

(a) This Certificate may be amended, by written certificate of the Director of Finance, without the consent of the holders of the Bonds if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the County or the type of business conducted thereby, (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the County shall have received an opinion of Counsel addressed to the County, to the same effect as set forth in clause (2) above and further to the effect that the amendment does not materially impair the interests of the holders of the Bonds and (4) the County delivers copies of such opinion and amendment to each NRMSIR and the SID.

(b) In addition to subsection (a) above, this Certificate may be amended and any provision of this Certificate may be waived, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Certificate, (2) the County shall have received an opinion of Counsel to the effect that performance by the County under this Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule, and (3) the County shall have delivered copies of such opinion and amendment to each NRMSIR and the SID.

(c) To the extent any amendment to this Certificate results in a change in the types of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 4.2(a) hereof to the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 4.3. Benefit; Third-Party Beneficiaries; Enforcement.

(a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Certificate. The provisions of this Certificate shall create no rights in any person or entity except as provided in this subsection (a) and subsection (b) of this Section 4.3.

(b) The obligations of the County to comply with the provisions of this Certificate shall be enforceable by the holders of the Bonds, including beneficial owners thereof. The Bondholders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the County's obligations under this Certificate and the Resolution. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section 4.3, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the County to perform in accordance with this Certificate shall not constitute a default under the Resolution and any rights and remedies provided by the Resolution upon the occurrence of a default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, without regard to its conflict of laws rules, and any suits and actions arising out of this Certificate shall be instituted and tried only in the Circuit Court of Henrico County, Virginia or the United States District Court for the Eastern District of Virginia, Richmond Division; *provided, however,* that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the date first above written.

COUNTY OF HENRICO, VIRGINIA

By: ______________________________
Director of Finance

EXHIBIT A
to Continuing Disclosure Certificate

Filing information relating to the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") approved by the Securities and Exchange Commission (subject to change):

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Telephone: (609) 279-3225
Facsimile: (609) 279-5962
E-mail address: munis@bloomberg.com

Interactive Data Pricing and Reference Data Inc.
Attention: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Telephone: (212) 771-6999; (800) 689-8466
Facsimile: (212) 771-7390
E-mail address: nrmsir@interactivedata.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Telephone: (201) 346-0701
Facsimile: (201) 947-0107
E-mail address: nrmsir@dpcdata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Telephone: (212) 438-4595
Facsimile: (212) 438-3975
E-mail address: nrmsir_repository@sandp.com

An updated list of NRMSIRs may be found at the Securities and Exchange Commission website (www.sec.gov).

APPENDIX E

DESCRIPTION OF THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal and interest on the Bonds to The Depository Trust Company ("DTC"), New York, New York, its nominee, Participants, defined herein, or Beneficial Owners, defined herein, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners, is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued in the aggregate principal amount of each maturity of the Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by The New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Issuer or the Registrar and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix E concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.