

NEW ISSUE  
BOOK-ENTRY ONLY

RATINGS: Fitch ..... AAA  
Moody's ..... Aaa  
Standard & Poor's ..... AAA

(See "RATINGS" herein)

In the opinion of Hawkins, Delafield & Wood LLP, New York, New York, 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, as amended (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 statutes of the Commonwealth of Virginia, such interest is not includable in computing the Virginia income tax.



**\$37,500,000**  
**COUNTY OF HENRICO, VIRGINIA,**  
**GENERAL OBLIGATION PUBLIC IMPROVEMENT**  
**REFUNDING BONDS, SERIES 2012**

**Dated: Date of Delivery**

**Due: As shown on the inside cover**

The County of Henrico, Virginia (the "County"), General Obligation Public Improvement Refunding Bonds, Series 2012 (the "Bonds"), in the aggregate principal amount of \$37,500,000 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 February 1 or on August 1 in each of the years, in such principal amounts and have been assigned such CUSIP numbers as shown on the inside cover hereof. Interest on the Bonds is payable at the rates as shown on the inside cover hereof on February 1, 2013 and semiannually on each February 1 and August 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 will not be subject to redemption prior to their stated maturities.**

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. Certain legal matters are to be passed upon for the County by Joseph P. Rapisarda, Jr., County Attorney. Certain legal matters are to be passed upon for the Underwriters by Christian & Barton, L.L.P., Richmond, Virginia, Counsel to the Underwriters. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about October 3, 2012.*

**Dated: September 19, 2012**

**RAYMOND JAMES|MORGAN KEEGAN**

**DAVENPORT & COMPANY LLC**

**COUNTY OF HENRICO, VIRGINIA,  
GENERAL OBLIGATION PUBLIC IMPROVEMENT  
REFUNDING BONDS, SERIES 2012**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,  
YIELDS AND CUSIP NUMBERS**

Year (February 1)	Principal Amount	Interest Rate	Yield	CUSIP Numbers*
2013	\$350,000	2.00%	0.18%	426056 C62

Year (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Numbers*
2014	\$ 15,000	2.00%	0.49%	426056 B71
2015	15,000	2.00	0.58	426056 B89
2016	15,000	2.00	0.72	426056 B97
2017	15,000	2.00	0.95	426056 C21
2018	15,000	2.00	1.23	426056 C39
2019	15,000	2.00	1.53	426056 C47
2020	15,000	2.00	1.76	426056 C54
2021	2,000,000	2.00	1.81	426056 B63
2021	1,875,000	3.00	1.81	426056 A80
2022	7,435,000	4.00	1.95	426056 A98
2023	7,380,000	3.00	2.15	426056 B22
2024	7,360,000	5.00	2.24	426056 B30
2025	7,420,000	5.00	2.32	426056 B48
2026	3,575,000	5.00	2.39	426056 B55

\*CUSIP numbers have been assigned by an organization not affiliated with the County and are included solely for the convenience of the holders of the Bonds. The County is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated above.

THE COUNTY OF HENRICO, VIRGINIA

BOARD OF SUPERVISORS

RICHARD W. GLOVER, *Chairman*

DAVID A. KAECELE, *Vice Chairman*

TYRONE E. NELSON

PATRICIA S. O'BANNON

FRANK J. THORNTON

COUNTY OFFICIALS

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

JOHN A. VITHOULKAS, *Deputy County Manager for Administration\**

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

TIMOTHY A. FOSTER, P.E., *Deputy County Manager for Community Operations*

JANE D. CRAWLEY, *Deputy County Manager for Community Services*

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

EUGENE H. WALTER, *Director of Finance*

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\*The Board of Supervisors of the County has adopted a resolution accepting Mr. Hazelett's resignation as County Manager, effective January 16, 2013, and appointing Mr. Vithoulkas as County Manager, effective January 17, 2013. See "APPENDIX A - THE COUNTY - COUNTY GOVERNMENT - Certain County Staff Members" herein.

BOND COUNSEL

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New York, New York 10005  
(212) 820-9300

FINANCIAL ADVISOR

BB&T Capital Markets,  
a division of Scott & Stringfellow, LLC  
Riverfront Plaza, West Tower  
901 East Byrd Street, Suite 260  
Richmond, Virginia 23219  
(804) 649-3935

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The Bonds will be exempt from registration under the Securities Act of 1933, as amended, 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 Underwriters of 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 Underwriters of 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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**OFFICIAL STATEMENT**  
of  
**THE COUNTY OF HENRICO, VIRGINIA,**  
relating to its  
**\$37,500,000**  
**GENERAL OBLIGATION PUBLIC IMPROVEMENT**  
**REFUNDING BONDS, SERIES 2012**

**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 Refunding Bonds, Series 2012, in the aggregate principal amount of \$37,500,000. 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 refund in advance of their stated maturities certain outstanding bonds of the County described under "PLAN OF REFUNDING" herein. The Bonds were authorized to be issued by a resolution duly adopted by the Board of Supervisors of the County on February 14, 2012 (the "Resolution"), and pursuant to the Public Finance Act of 1991, being Title 15.2, Chapter 26, Code of Virginia, 1950, as amended.

**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 February 1 or on August 1 in each of the years, 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 February 1, 2013 and semiannually on each February 1 and August 1 thereafter.

The Bonds are not subject to redemption prior to their stated maturities.

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 "Registrar" or 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 registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("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 any integral multiple 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 will not be subject to redemption prior to their stated maturities.

**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.....	\$37,500,000.00
Original Issue Premium/Discount.....	<u>7,566,273.70</u>
Total Sources .....	\$45,066,273.70

**Uses:**

Deposit to Escrow Fund.....	\$44,808,556.58
Issuance Expenses.....	153,207.12
Underwriting Compensation .....	<u>104,510.00</u>
Total Uses .....	\$45,066,273.70

## PLAN OF REFUNDING

The proceeds of sale of the Bonds, exclusive of the costs of issuance thereof, will be applied (i) to advance refund and defease \$19,450,000 outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series 2005, dated August 17, 2005 and maturing on July 15 in each of the years 2021 through 2025, which are subject to redemption and are to be redeemed on July 15, 2015, (ii) to advance refund and defease \$17,975,000 outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series 2006, dated November 15, 2006 and maturing on December 1 in each of the years 2022 through 2026, which are subject to redemption and are to be redeemed on December 1, 2016, and (iii) to advance refund and defease \$2,155,000 outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series 2010A, dated August 10, 2010 and maturing on August 1, 2013, which are to be paid at their stated maturity on August 1, 2013 (collectively, the "Refunded Bonds"). Such proceeds will be deposited with U.S. Bank National Association, Richmond, Virginia, as Escrow Agent, under an Escrow Deposit Agreement, dated October 3, 2012 (the "Escrow Deposit Agreement"). Such proceeds will be invested in Government Securities. The Government Securities will mature and bear interest payable at times and in amounts sufficient to pay interest when due on the Refunded Bonds to their respective maturity or redemption dates and to pay the principal or redemption prices of the Refunded Bonds on such dates. The County is undertaking the refunding of such outstanding general obligation bonds described above in order to reduce its annual debt service expenditures.

The Refunded Bonds are more fully described below:

### General Obligation Public Improvement Bonds, Series 2005, Dated August 17, 2005

Year of Maturity (July 15)	Interest Rate	Principal Amount	Redemption Date	Redemption Price	CUSIP Numbers
2021	4.125%	\$ 3,890,000	July 15, 2015	100%	426056 TZ0
2022	4.125	3,890,000	July 15, 2015	100	426056 UA3
2023	4.50	3,890,000	July 15, 2015	100	426056 UB1
2024	4.25	3,890,000	July 15, 2015	100	426056 UC9
2025	4.375	<u>3,890,000</u>	July 15, 2015	100	426056 UD7
		\$19,450,000			

### General Obligation Public Improvement Bonds, Series 2006, Dated November 15, 2006

Year of Maturity (December 1)	Interest Rate	Principal Amount	Redemption Date	Redemption Price	CUSIP Numbers
2022	4.00%	\$ 3,595,000	December 1, 2016	100%	426056 UV7
2023	4.00	3,595,000	December 1, 2016	100	426056 UW5
2024	4.00	3,595,000	December 1, 2016	100	426056 UX3
2025	4.00	3,595,000	December 1, 2016	100	426056 UY1
2026	4.00	<u>3,595,000</u>	December 1, 2016	100	426056 UZ8
		\$17,975,000			

**General Obligation Public Improvement Bonds, Series 2010A, Dated August 10, 2010**

<u>Year of Maturity (August 1)</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Payment Date</u>	<u>Original CUSIP Number</u>	<u>New CUSIP Number</u>
2013	3.00%	\$ 2,155,000*	Maturity	426056 YS0	426056 C70

\*Denotes partially refunded maturity.

**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.

**Debt Service on the Bonds**

<u>Fiscal Year Ending June 30</u>	<u>Debt Service on Outstanding Bonds*</u>	<u>Series 2012 Bonds</u>			<u>Total Debt Service</u>
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2013	\$ 55,282,940	\$ 350,000	\$ 505,401	\$ 855,401	56,138,340
2014	52,254,031	—	1,534,900	1,534,900	53,788,931
2015	51,343,412	15,000	1,534,750	1,549,750	52,893,162
2016	49,810,627	15,000	1,534,450	1,549,450	51,360,077
2017	48,191,321	15,000	1,534,150	1,549,150	49,740,471
2018	45,090,585	15,000	1,533,850	1,548,850	46,639,435
2019	43,553,824	15,000	1,533,550	1,548,550	45,102,374
2020	42,030,923	15,000	1,533,250	1,548,250	43,579,173
2021	38,777,342	15,000	1,532,950	1,547,950	40,325,292
2022	30,931,937	3,875,000	1,484,675	5,359,675	36,291,612
2023	24,956,838	7,435,000	1,287,850	8,722,850	33,679,688
2024	21,563,275	7,380,000	1,028,450	8,408,450	29,971,725
2025	20,822,163	7,360,000	733,750	8,093,750	28,915,913
2026	18,198,288	7,420,000	364,250	7,784,250	25,982,538
2027	17,531,563	3,575,000	89,375	3,664,375	21,195,938
2028	16,826,238				16,826,238
2029	14,703,994				14,703,994
2030	7,420,438				7,420,438
2031	7,155,450				7,155,450
2032	<u>3,357,750</u>				<u>3,357,750</u>
Total†	\$609,802,937	\$37,500,000	\$17,765,601	\$55,265,601	\$665,068,537

\*Net of Bonds Refunded.

†Totals may not add due to rounding.

## TAX MATTERS

### Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, New York, New York, 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, as amended (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 statutes 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 renders its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, or any facts or circumstances that may thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action thereafter 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, without regard to 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.

## **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.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification”, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

## **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or 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 of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **VERIFICATION**

The Arbitrage Group, Inc. will verify certain mathematical computations (a) as to the sufficiency of the moneys and investments deposited under the Escrow Deposit Agreement (i) to pay, when due, the interest on the Refunded Bonds from the date the Refunding Bonds are issued to the respective maturity dates or dates fixed for the redemption of the Refunded Bonds and (ii) to pay the principal or redemption prices of the Refunded Bonds on



the respective maturity dates or dates fixed for the redemption of the Refunded Bonds and (b) as to the yield on the Bonds and on the Government Securities to be purchased with the proceeds of sale of the Refunding Bonds and deposited in escrow pursuant to the terms of the Escrow Deposit Agreement. See "PLAN OF REFUNDING" above.

## **UNDERWRITING**

The Bonds are being purchased by Morgan Keegan & Company, Inc. ("Morgan Keegan"), or its successors in interest, acting on behalf of itself and as representative of Raymond James & Associates, Inc., and Davenport & Company LLC (together, the "Underwriters") pursuant to a bond purchase agreement with the County, dated September 19, 2012 (the "Bond Purchase Agreement"). The Bond Purchase Agreement sets forth the Underwriters' obligation to purchase the Bonds at an aggregate purchase price of \$44,961,763.70, representing the par amount plus an original issue premium of \$7,566,273.70 and less an Underwriters' discount of \$104,510.00 (0.279% of the principal amount thereof) and is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds if any are purchased. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices or yields different from the public offering prices and yields stated on the inside cover of this Official Statement. The public offering prices and yields may be changed from time to time at the discretion of the Underwriters.

On April 2, 2012, Raymond James Financial, Inc. ("RJF"), the parent company of Raymond James & Associates, Inc. ("Raymond James"), acquired all of the stock of Morgan Keegan from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name "Raymond James|Morgan Keegan" that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

## **RATINGS**

The County has applied to Fitch Ratings, Inc., One State Street Plaza, New York, New York, Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York, and Standard & Poor's Ratings Services, 55 Water Street, New York, New York, for credit ratings on the Bonds. The initial credit ratings are set forth on the cover page of this Official Statement. 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 exclusion of interest on the Bonds from gross income for federal and Virginia income tax purposes.

Certain legal matters are to be passed upon for the County by Joseph P. Rapisarda, Jr., County Attorney. Certain legal matters are to be passed upon for the Underwriters by Christian & Barton, L.L.P., Richmond, Virginia, Counsel to the Underwriters.

### **INDEPENDENT AUDITORS**

The financial statements of the County, as of and for the year ended June 30, 2011, included in this Official Statement as Appendix B, have been audited by KPMG LLP, independent auditors, as stated in their report appearing herein.

KPMG LLP, independent auditors, has not been engaged to perform and has not performed, since the date of their report included in Appendix B, any procedures on the basic financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

### **FINANCIAL ADVISOR**

BB&T Capital Markets, a division of Scott & Stringfellow, LLC, 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 Underwriters 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 Underwriters 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 will execute and deliver to the Underwriters a Continuing Disclosure Certificate, the form of which as Appendix D to this Official Statement, pursuant to which the County will covenant and agree, for

the benefit of the holders of the Bonds, consistent with the Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, to provide to the Municipal Securities Rulemaking Board annual financial information and operating data for the County, including audited financial statements of the County, within nine (9) months after the end of each fiscal year beginning on and after July 1, 2011, and, in a timely manner not in excess of ten (10) business days after the occurrence thereof, notices of certain events with respect to the Bonds, whether relating to the County or otherwise, including (i) principal and interest payment delinquencies, (ii) non-payment related defaults, if material, (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds, (vii) modifications to rights of Bondholders, if material, (viii) Bond calls, if material, and tender offers, (ix) defeasances, (x) release, substitution or sale of property securing repayment of the Bonds, if material, (xi) rating changes, (xii) bankruptcy, insolvency, receivership or similar event of the County, (xiii) the consummation of a merger, consolidation or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material, and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; and, in a timely manner, notice to the Municipal Securities Rulemaking Board of any failure of the County to provide required annual financial information referred to above to the Municipal Securities Rulemaking Board. The continuing obligation of the County to provide annual financial information and notices referred to above will terminate with respect to the Bonds when the Bonds are no longer outstanding. Any failure by the County to comply with the foregoing will not constitute a default with respect to the Bonds.

In the Continuing Disclosure Certificate, the County represents that, in the five previous years, it has not failed to comply with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of Rule 15c2-12 relating to its general obligation bonds. The County has, however, recently supplemented certain of its previous continuing disclosure filings with respect to its water and sewer revenue bonds in order to bring such filings into full compliance with the applicable continuing disclosure agreements and will continue to include this type of information in future continuing disclosure filings.

#### **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: Eugene H. Walter, County Director of Finance, (804) 501-5200, John J. Conrad, Senior Vice President, BB&T Capital Markets, a division of Scott & Stringfellow, LLC, (804) 649-3935 or Donald G. Gurney, Partner, 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/ EUGENE H. WALTER  
Director of Finance*

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THE COUNTY

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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. The population of the County was 311,726 for 2011 (according to Henrico County estimates) and is expected 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

Richard W. Glover, Chairman, was elected from the Brookland Magisterial District in November of 1987 and was re-elected in 1991, 1995, 1999, 2003, 2007 and 2011. Mr. Glover received his education from Virginia Commonwealth University and J. Sargent Reynolds Community College, and is a retired marketing consultant.

David A. Kaechele, Vice Chairman, was elected from the Three Chopt Magisterial District in November of 1979 and was re-elected in 1983, 1987, 1991, 1995, 1999, 2003, 2007 and 2011. 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.

Tyrone E. Nelson was elected from the Varina Magisterial District in November of 2011. Mr. Nelson has received degrees from J. Sergeant Reynolds, Virginia Commonwealth University, and Virginia Union University. He is the Pastor of Sixth Mount Zion Baptist Church and he serves as a board member on several community and government boards.

Patricia S. O'Bannon was elected from the Tuckahoe Magisterial District in 1995 and re-elected in 1999, 2003, 2007 and 2011. 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.

Frank J. Thornton, was elected to the Board of Supervisors in 1995 and re-elected in 1999, 2003, 2007 and 2011 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. On July 24, 2012 Mr. Hazelett announced his retirement effective January 16, 2013. At the August 14, 2012 Board of Supervisors meeting, the Board approved a resolution accepting Mr. Hazelett's resignation effective January 16, 2013. Also at the August 14, 2012 Board of Supervisors meeting, the Board unanimously approved a resolution appointing John A. Vithoukas as County Manager effective January 17, 2013.

John A. Vithoukas was appointed Deputy County Manager for Administration in December 2011. He has served the County as a Budget Analyst, as the Director of the Office of Management and Budget, as the Director of Finance and as the Special Economic Advisor to the County Manager. Prior to joining the County in 1997, Mr. Vithoukas served Chesterfield County, Virginia, as the Lead Analyst in the Department of Budget and Management. Mr. Vithoukas holds a Bachelor's degree from Virginia Commonwealth University and a Masters of Public Administration from the University of North Carolina at Charlotte. At the August 14, 2012 Board of Supervisors meeting, the Board unanimously approved a resolution appointing John A. Vithoukas as County Manager effective January 17, 2013 to replace Mr. Hazelett (see above).

Randall R. Silber, was appointed Deputy County Manager for Community Development effective January 5, 2008. He has served Henrico County as an employee since 1985. Prior to his current position with the County, Mr. Silber served as the Planning Director, Assistant Director of Planning, Principal Planner and County Planner. Mr. Silber holds a Bachelor's degree from the University of Maryland and a Master's degree from the University of Northern Colorado.

Timothy A. Foster was appointed Deputy County Manager for Community Operations effective January 28, 2012. He has served the County since 1989. He previously has served the County as the Director of Public Works, Assistant Director of Public Works, Traffic Engineer, and Assistant Traffic Engineer. He holds a Bachelor's degree from Virginia Polytechnic Institute and State University. Mr. Foster is a registered Professional Engineer in the Commonwealth as well as a member of the American Public Works Association and the Institute of Transport Engineers.

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. Mr. Drumwright will retire effective September 15, 2012. On July 27, 2012 Jane Crawley was announced as the new Deputy County Manager for Community Services to replace Mr. Drumwright. Her appointment is effective September 8, 2012. Ms. Crawley currently serves as Director of the County's Social Services Department and has worked for Henrico County for over 21 years. She has a Bachelor's degree in Social Work from Norfolk State University and a Master's degree in Public Administration from Virginia Commonwealth University.

Eugene H. Walter, Director of Finance, was appointed May 1, 2012. He previously served the County as the Director of the Office of Management and Budget and as a Budget Analyst. Prior to his service with Henrico County, Mr. Walter served as a Budget Analyst in the Office of Budget and Resource Analysis at Virginia Commonwealth University. He holds a Bachelors degree from the University of South Carolina.

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.

### **CERTAIN FINANCIAL PROCEDURES**

*Annual Financial Statements.* The County's general purpose financial statements have been audited and reported on by independent certified public accountants for over 30 fiscal years. The County's general purpose financial statements as of and for the year ended June 30, 2011, 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 GFOA 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 has also been awarded the Distinguished Budget Award by the GFOA of the United States and Canada for its Annual Fiscal Plan for the past 22 fiscal years.

The County's comprehensive annual financial reports and fiscal plans are available for inspection at the office of the Director of Finance, County of Henrico, Parham and Hungary Spring Roads, Post Office Box 90775, Henrico, Virginia 23273-0775, and are also available at: <http://www.co.henrico.va.us/departments/finance/>

*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 Developmental Services 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 the Enterprise Funds. Debt Service Fund resources are derived from transfers from the General Fund.

*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, Technology Replacement Fund operations, and self-funded health insurance 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 2013. Please refer to the County's audited General Purpose Financial Statements for a detailed review of General Fund revenues and expenditures for the fiscal year ended June 30, 2011. The County's audited financial statements are available at <http://www.co.henrico.va.us/departments/finance/divisions/accounting-division/>.

## 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, 2012, estimates indicate that property taxes (including penalties for late payment of prior years' taxes) represented approximately 41.2% 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. Initially, 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. Beginning in 2006, the reimbursement rate was capped at \$950 million statewide, to be distributed to localities on a prorated basis (based on assessment totals). The reimbursement rate therefore is determined by the State based on each locality's share of the \$950 million allocated by the Commonwealth for personal property tax relief on qualifying vehicles. 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 15.1% of total estimated General Fund and School Operating receipts in the fiscal year ended June 30, 2012.

*Revenues from the Commonwealth of Virginia and Federal Aid.* 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. The County also receives a significant amount of State aid in support of public school operations. Revenue from the Commonwealth of Virginia (inclusive of Personal Property Tax reimbursement) represented approximately 40.6% (this includes Federal Aid) of total estimated General Fund and School Operating receipts in the fiscal year ended June 30, 2012.

*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 3.1% of total estimated General Fund Revenue for the fiscal year ended June 30, 2012.

## 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 51.2% of the total estimated General Fund and School Operating expenditures for the fiscal year ended June 30, 2012.

*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, sheriff, etc.), courts, administration and support, social services, libraries, health, recreation, community development and street and highway maintenance. This classification represented approximately 48.8% of total estimated General Fund and School Operating expenditures in the fiscal year ended June 30, 2012. 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 estimated General Fund and School Operating disbursements in the fiscal year ended June 30, 2012.

*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 1.2% of total estimated General Fund disbursements in the fiscal year ended June 30, 2012.

## Summary of General Fund Revenues, Expenditures and Fund Balances

The financial data shown in the following table represents a summary, for each of the five fiscal years ended June 30, 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 fiscal years ended June 30, 2008 through June 30, 2011 and should be read in connection with the financial statements for those years and notes thereto. The summary for fiscal year end June 30, 2012 is preliminary and unaudited, reflecting estimates as of August 10, 2012 and subject to year end adjustments.

	Fiscal Year Ended June 30				
	2008	2009	2010	2011	2012 Estimated*
<b>Revenues:</b>					
General Property Taxes	368,043,749	374,883,798	365,201,420	350,724,287	348,307,422
Other Local Taxes	122,795,902	125,309,276	117,979,433	124,770,450	127,837,867
Permits, Privilege Fees & Regulatory Licenses					
	4,325,129	3,431,170	3,018,102	3,390,839	3,882,290
Fines & Forfeitures	2,403,679	2,332,651	2,479,558	3,186,609	3,879,417
Revenues from Use of Money & Property	20,690,210	9,393,060	4,073,914	3,084,422	2,459,174
Charges for Services	3,620,160	3,607,380	4,095,672	4,136,490	3,242,208
Miscellaneous	5,833,158	7,374,985	5,267,322	5,204,945	6,180,212
Recovered Costs	5,410,026	6,388,914	6,109,961	6,307,852	6,155,400
Intergovernmental	360,715,320	376,200,591	348,094,429	333,161,243	343,256,532
<b>Total Revenues</b>	<b>893,837,333</b>	<b>908,921,825</b>	<b>856,319,811</b>	<b>833,967,137</b>	<b>845,200,522</b>
<b>Expenditures:</b>					
General Govt. Admin.	65,172,004	63,511,154	61,736,540	62,008,270	60,139,709
Judicial Admin.	7,423,785	7,785,360	10,057,724	10,018,154	10,184,332
Public Safety	155,156,994	163,180,370	156,450,759	159,450,439	161,546,646
Public Works	36,916,303	39,272,010	41,496,274	37,798,541	42,124,584
Health & Social Services	23,392,438	24,161,728	24,099,901	25,059,596	20,891,085
Education	396,452,750	405,917,940	416,439,951	395,443,346	396,272,549
Parks, Recreation & Cultural	30,370,534	31,680,905	30,572,218	29,865,193	32,400,977
Community Development	21,635,686	20,769,200	19,317,188	18,986,462	20,114,322
Miscellaneous	20,091,978	21,545,006	20,116,363	15,594,617	20,124,866
Debt Service Principal Retirement	9,611,381	11,278,678	11,954,426	11,813,766	10,407,568
Debt Service Interest	675,134	750,564	650,206	323,120	324,292
<b>Total Expenditures</b>	<b>766,898,987</b>	<b>789,852,915</b>	<b>792,891,550</b>	<b>766,361,504</b>	<b>774,530,930</b>
Excess of Revenue over Expenditures	126,938,346	119,068,910	63,428,261	67,605,633	70,669,592
<b>Other Financing Sources (Uses):</b>					
Issuance of Cap. Lease Obligation	12,541,835	1,296,071	20,217,041	13,224,339	-
Operating Transfers In		3,091,093			
To Debt Service Fund	(51,944,013)	(53,773,254)	(53,531,905)	(49,832,472)	(52,854,043)
To Capital Project Fund	(36,908,153)	(38,375,046)	(24,923,498)	(27,829,203)	(9,420,480)
To Other Funds	(18,373,628)	(18,466,543)	(15,136,229)	(19,246,660)	(19,013,469)
<b>Total Other Financing Sources (Uses)</b>	<b>(94,683,959)</b>	<b>(106,227,679)</b>	<b>(73,374,591)</b>	<b>(83,683,996)</b>	<b>(81,287,992)</b>
<b>Excess (deficiency) Revenue &amp; Other Sources Over Expend. &amp; Other Uses</b>					
	32,254,387	12,841,231	(9,946,330)	(16,078,363)	(10,618,400)
Fund Balance, July 1	207,453,340	239,707,727	252,548,958	246,602,628	230,524,265
Fund Balance, June 30	239,707,727	252,548,958	242,602,628	230,524,265	219,905,865
<b>Fund Balances:</b>					
Reserved & Designated	106,863,268	113,094,430	109,831,262	96,797,689	105,616,480
Undesignated	132,844,459	139,454,528	136,771,366	133,726,576	114,289,385
<b>TOTAL</b>	<b>239,707,727</b>	<b>252,548,958</b>	<b>246,602,628</b>	<b>230,524,265</b>	<b>219,905,865</b>

Source: County of Henrico Comprehensive Annual Fiscal Reports for fiscal year endings 2008 through 2011.

\* Fiscal year ending June 30, 2012 figures are preliminary and unaudited reflecting estimates prepared by the Henrico County Department of Finance, as of August 10, 2012 and are subject to year end adjustments.

## **Fiscal Year 2012 Estimated Financial Results**

The following is a summary of fiscal year 2012 General Fund result of operations, based on estimated year end data as of August 10, 2012. General Fund actual revenue collected of \$841.7 million exceeded revised budgetary revenue of \$830.7 million by \$11.0 million or 1.3 percent. General Fund actual expenditures of \$764.4 million were under the revised budgetary expenditures of \$780.0 million by \$15.6 million or 2.0 percent. The favorable variances of actual revenues and expenditures resulted in a positive result of operations of \$26.6 million.

## **Summary of Annual Fiscal Plan for the Fiscal Year Ending June 30, 2013**

As the nation enters the sixth year of this economic downturn, Henrico County remains one of the few localities in the Commonwealth that has balanced each and every budget in this period of economic difficulty without significant service delivery reductions, without raising taxes on its citizens and businesses, and without laying off one employee. In spite of the unprecedented challenges this budget process has presented, the FY2012-13 budget does not deviate from this ideology.

The FY2012-13 budget process began with a \$53.6 million General Fund budget shortfall. Achieving a balanced budget without significant impact to service delivery efforts and without layoffs has required significant budget reductions across the board. It has also required a number of budget reduction strategies that have never before been considered in Henrico County. More specifically, the following unprecedented budgetary decisions have been made in this budget:

- In addition to a 2.0 percent vacancy savings rate applied to all General Government departments in the FY2012-13 budget, the County will offer a one-time voluntary retirement incentive to 1) all full-time Henrico County employees who will have met all eligibility requirements for full retirement through the Virginia Retirement System no later than September 1, 2012; and 2) who choose to retire during the period of July 1, 2012 through September 1, 2012. Employees who are eligible for the Henrico County Retiree Supplement that elect to participate would receive a cash payment equivalent to 10.0 percent of the employee's annual base salary, and a monthly healthcare supplement amount double the current rate of \$3.00 per full year of service to \$6.00 per full year of service for the first five years from their retirement date. Employees who are not eligible for the Henrico County Retiree Supplement that choose to participate would receive a cash payment equivalent to 15.0 percent of the employee's annual base salary.
- Henrico County's internal policy of maintaining an undesignated fund balance equivalent to 18.0 percent of General Fund expenditures will be lowered to 15.0 percent of General Fund expenditures at fiscal year end June 30, 2012. Expected one-time "savings" of more than \$22 million will be applied to a Vehicle Replacement Reserve within the Capital Budget, which will fund replacement police vehicles, fire apparatus, and school buses for at least the next three fiscal years.
- Technology replacement allocations within each participating General Government department, totaling \$1.7 million, have been completely removed from the respective departmental budgets. In the FY2012-13 budget, the \$2.9 million appropriation in the Technology Replacement Fund will be funded utilizing Technology Replacement Fund Balance, which could be sustained for the next three fiscal years with existing Fund Balance levels, if necessary.
- Within the Education budget submitted by the School Board:
  - \$11.0 million in one-time funding has been utilized to balance Education's budget in an effort to minimize classroom disruption and avoid layoffs of existing staff. Using one-time funds in the budget means that the County will need to generate adequate incremental revenue and/or additional cost savings in FY2013-14 to make Education "whole" in the next budget process.

- Contracts for newly hired school bus drivers will be reduced from the two existing bus driver contracts – 186 day/7 hours per day and 202 day/8 hours per day – to a standard 183 day/6 hour per day contract.
- Centralized school bus parking locations are being established across the County to significantly reduce “deadhead miles.” This initiative includes aggressively reducing the number of take-home buses, eliminating a significant amount of bus mileage and yielding significant savings in the areas of diesel fuel and automotive maintenance.
- In addition to these unprecedented budget reduction strategies, Education has also achieved additional budgetary savings in the following areas:
  - Post Retirement Earnings Program (PREP) benefits for retired Education employees have been restructured for the second consecutive year.
  - A total of 58.1 FTE will be eliminated in FY2012-13 through attrition. Included in this figure are 19.6 central office and other professional positions, 28.5 instructional positions necessary to increase the pupil-teacher-ratio (PTR) by 0.25, and 10.0 Exceptional Education instructional positions due to declining enrollment. Partially offsetting this reduction in FTE is the addition of 10.0 teachers into a “teacher reserve” for future classroom adjustment.
  - Across the board operating reductions have been applied to all Education departments.

With the exception of the utilization of one-time funds in the area of Education, all of the budget reduction strategies noted above are sustainable for at least the next three fiscal years. This is critical as Henrico County continues to slowly ascend from the depths of this economic downturn.

In spite of the difficult reductions in this budget, Education and Public Safety remain the top funding priorities. In regards to Education, of the \$53.6 million General Fund budget shortfall, \$27.6 million was allocated to General Government and \$26.0 million was allocated to Education, in spite of Education funding representing more than 54 percent of the total General Fund budget in FY2011-12. Further, in total, the General Fund budget is declining just under \$8.4 million. However, funding for Education is actually increasing \$300,000 in the FY2012-13 budget, compared to a decline of nearly \$8.7 million for General Government departments. As a result, the percentage of the total General Fund budget allocated to Education is increasing from 54.3 percent to 55.0 percent in FY2012-13. In addition, with the creation of the Vehicle Replacement Program within the Capital Budget, as noted above, Education is being allocated \$2.5 million for the replacement of school buses, an item that was removed from the budget in a previous year as a cost savings measure.

In looking at the area of Public Safety, the General Fund budget is declining \$3.2 million in the FY2012-13 budget. However, when adding back Police’s vehicle replacement program and Fire’s apparatus replacement program, which will continue to be funded outside of the operating budget, Public Safety would reflect a net increase of just under \$900,000. Clearly, Public Safety and Education remain the top priorities of the Board of Supervisors, and these priorities have been reflected in the FY2012-13 budget.

Unlike many localities across the State, Henrico County made a pointed decision to continue construction projects throughout this economic downturn, in spite of the incremental operating and debt service costs. This decision has proven to be beneficial for a number of reasons: 1) interest rates have remained at historic lows and the County’s triple-AAA bond rating has yielded the lowest true interest costs on record; 2) construction bids have been exceptionally generous in this time period; 3) continuing these construction projects have kept people employed in one of the hardest impacted sectors of the economy; and 4) Henrico County has better positioned itself for future growth. Further, Henrico County had a moral obligation to its citizens to complete the

projects that were voted on and approved on the March 2005 G.O. Bond Referendum. While the decision to continue the County's capital improvement program has a short-term cost, the long-term benefits will prove to be invaluable.

While many entities take a year-by-year approach in budgeting, Henrico has and will continue to take a multi-year approach to allocating public resources, even as the majority of revenues have deteriorated in the past several years. That approach is a basic premise of Henrico County's financial management. Total estimated General Fund revenues for FY2012-13, prior to transfers to other funds, is just under \$825.0 million, a net increase of just under \$3.2 million or 0.4 percent as compared to the 2011-12 Annual Fiscal Plan.

General Property Taxes are anticipated to decline by \$8,685,000 or 2.2 percent when compared to the 2011-12 Annual Fiscal Plan, due to an \$11.4 million decline in Current Real Estate Taxes as a result of the County's tax base dropping 3.3 percent in January 2012. Personal Property Tax revenues are projected to increase \$1.2 million or 1.2 percent. As a result of the growing economy, the FY2012-13 budget includes an overall increase of 1.3 percent in Other Local Tax revenues, but estimates were prepared with cautious optimism as the majority of these revenues reflect elastic sources – mostly Local Sales Tax and Business and Professional License Tax receipts. The projection for all other locally generated revenues such as permits and fees, fines and forfeitures, interest earnings, charges for services, miscellaneous revenues and recovered costs reflect a net decline of 6.3 percent. Overall State revenues are estimated to increase \$9.9 million or 3.5 percent, solely the result of increased funding for State aid to Education. Estimates of State aid must remain conservative, as estimates at the State level may prove to be aggressive.

The adopted FY2012-13 Annual Fiscal Plan (available online at <http://www.co.henrico.va.us/finance/approvedannualfp1213.html>) was approved with the following expectations for General Fund revenues, expenditures, and transfers:

**FY2012-13 Annual Fiscal Plan (General Fund)**

<b><u>Revenues and Transfers</u></b>		<b><u>Expenditures</u></b>	
General property taxes	\$ 379,975,000	General government administration	\$ 43,626,619
Other local taxes	116,235,000	Financial administration	11,754,015
Revenue from use of money and		Public safety	152,642,617
Property	7,872,500	Public works	35,504,297
Intergovernmental revenue	304,009,835	Health and welfare	16,250,691
Permits, fees & licenses	3,443,900	Education	404,050,000
Fines and forfeitures	2,390,000	Parks, recreation and cultural	32,432,295
Charges for services	3,725,700	Judicial administration	7,761,951
Miscellaneous	7,314,770	Community development	19,762,124
Transfers	<u>(89,674,786)</u>	Miscellaneous	<u>11,507,310</u>
<b>Total Projected Revenues and</b>		<b>Total Budgeted Expenditures</b>	
<b>Transfers</b>	<b>\$ 735,291,919</b>		<b>\$ 735,291,919</b>



## Population

The County's population has increased steadily since 1992, with the exception of 2010, which reflected a slight decrease. This information is shown in the following table:

<u>Calendar Year</u>	<u>Population</u>	<u>Calendar Year</u>	<u>Population</u>
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	302,518
1998	254,194	2008	305,580
1999	259,179	2009	307,832
2000	267,031	2010	306,935
2001	271,447	2011	311,726

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*Source:* Continuing, Comprehensive, and Coordinated Transportation Data for Henrico County, Virginia by Traffic Zone (3-C Report), 2000 – 2009. 2010 data reflects the 2010 U.S. Census Bureau calculation. 2011 data reflects Henrico County Planning Department estimates.

## 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. The County's taxable retail sales per capita have increased since 2000 with the exceptions of declines due to recessions and economic slowdowns. In general, 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.

<u>Calendar Year</u>	<u>Population<sup>(1)</sup></u>	<u>Calendar Year Taxable Retail Sales (000)<sup>(2)</sup></u>	<u>Fiscal Year Local Sales Tax Revenue (000)<sup>(4)</sup></u>	<u>Taxable Retail Sales Per Capita</u>
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 <sup>(3)</sup>	52,850	15,150
2006	299,443	4,695,500 <sup>(3)</sup>	56,145	15,681
2007	302,518	5,074,052	57,794	16,773
2008	305,580	4,928,864	57,400	16,130
2009	307,832	4,632,418	56,101	15,049
2010	306,935	4,672,111	54,677	15,222
2011	311,250	4,864,242	57,222	15,628

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- Sources:*<sup>(1)</sup> Continuing, Comprehensive, and Coordinated Transportation Data for Henrico County, Virginia, by Traffic Zone (3-C Report), 2000 – 2009. 2010 data reflects the U.S. Census Bureau calculation. 2011 data reflects Henrico County Planning Department estimates.
- <sup>(2)</sup> Commonwealth of Virginia, Department of Taxation. Data excludes automobile and prescription drug sales.
- <sup>(3)</sup> Estimate from Department of Finance due to computer error at State Department of Taxation.
- <sup>(4)</sup> Reflects actual revenue received.

## Construction Activity

In the fourteen-year period noted below, the County's construction activity, in both the residential and commercial development areas, has consistently increased with the growth in population and economic activity with declines during economic downturns. The current recessionary economic environment impacted the level of construction activity in the County during the last several fiscal years. However, in the most recent fiscal year that ended June 30, 2012, all totals reflected below represent four-year highs, indicative of the slowly recovering market.

Fiscal Year	Building Permits and Values			
	Total Dwelling Units (1)		Total Permits Issued (2)	
	No.	Value	No.	Value
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	21,917	670,363,278
2006	1,733	302,181,248	20,907	711,987,201
2007	1,338	258,791,133	18,506	741,847,309
2008	1,122	226,276,115	18,218	913,437,876
2009	602	115,162,605	12,819	450,517,382
2010	630	94,818,517	11,975	327,605,506
2011	639	115,646,120	12,205	387,596,586
2012	675	117,840,439	13,771	529,066,276

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)					
	2007	2008	2009	2010	2011	2012
Single Family	\$258,791	\$226,276	\$115,163	\$94,819	\$115,646	\$117,840
Multi-Family	35,625	44,769	1,466	1,333	0	381
Office	23,801	51,438	3,837	2,650	6,075	85,218
Institutional	0	15,011	36	5,987	10	38
Commercial & Etc.	<u>204,755</u>	<u>343,535</u>	<u>183,813</u>	<u>125,765</u>	<u>142,960</u>	<u>129,287</u>
Total	\$522,972	\$681,029	\$304,315	\$230,554	\$264,691	\$332,764

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, 2011, single family housing units represented 65.6% of all residential housing. The percentage of housing stock consisting of multifamily units has remained fairly constant throughout the period. December 31, 2011 data reflects Henrico County Planning Department estimates.

	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>		<u>2011 (est.)</u>	
	<u>Units</u>	<u>% of Housing</u>	<u>Units</u>	<u>% of Housing</u>	<u>Units</u>	<u>% of Housing</u>	<u>Units</u>	<u>% of Housing</u>	<u>Units</u>	<u>% of Housing</u>
Single Family	83,443	65.7%	84,155	65.5%	84,574	65.2%	85,659	65.6%	86,019	65.6%
Multi-Family	43,603	34.3%	44,374	34.5%	45,207	34.8%	44,823	34.4%	45,025	34.4%
Total	127,046		128,529		129,781		130,482		131,044	

Source: Continuing, Comprehensive, and Coordinated Transportation Data for Henrico County, Virginia by Traffic Zone (3-C Report), 1990 – 2010. 2011 figures reflect Planning Department estimates.

## Commerce, Industry and Employment

While the County has been negatively impacted by the severity of the economic downturn, recent economic information and job announcements provide cautious optimism that economic recovery is underway in Henrico County, though it is anticipated to be a slow recovery. Since the start of 2010 to present, 2,717 new jobs have been created in Henrico County, as noted by the Virginia Economic Development Partnership. That figure is the third highest total among all localities in the Commonwealth of Virginia, behind only the State's most populous locality, Fairfax County and Chesterfield County, which neighbors Henrico County. As of June 2012, the County's unemployment rate is at 5.8 percent, lower than the State's unemployment rate of 6.0 percent and well under the national unemployment rate of 8.4 percent. At 5.8 percent, the County's unemployment rate has shown significant improvement over the peak experienced in February 2010 at 7.5 percent, after the County lost a number of jobs due to the closing of Qimonda AG and the bankruptcies of LandAmerica Financial and Circuit City. While the County was certainly impacted by the job losses that occurred during the recession, there have been numerous announcements since that time of new job growth from both new and expanding businesses. General Electric's announcement, in April 2011, of its new Information Security Technology Center created approximately 200 new high-tech jobs in Henrico County. Elephant Insurance has grown to more than 100 employees since being established in Henrico, in 2009. In September 2011, Fareva, a pharmaceuticals company, took over operations at Pfizer's consumer products site. As a result, the nearly 500 Pfizer employees at the plant transferred to Fareva and 90 new positions were added. These are just a few examples among many.

The economic downturn has also affected the real estate market in Henrico in both the residential and commercial sectors. Residential foreclosures increased sharply each year from 2008 to 2010 as compared to the average of the previous seven years, which has had a direct impact on residential values. In 2011, residential foreclosures as a percentage of all transfers remained high at 25 percent; there has been a marginal improvement in the first two quarters of 2012 as only 20 percent of all transfers have been attributable to foreclosures but residential

foreclosures continue to cause distress in the local residential housing market. A positive sign in the Richmond Metropolitan Area was a seven percent reduction in the number of bankruptcies filed during the first five months of 2012.

In the area of commercial real estate, a number of positive trends have emerged in Henrico County. While vacancy rates remain relatively high, improvements in these rates have been recognized across the County. Estimates by Cushman & Wakefield/Thalhimer indicate that the Short Pump retail submarket continues to be a regional success story with a vacancy rate of 4.4 percent in the second quarter of 2012, as compared to 5.6 percent in the second quarter of 2010. The greatest amount of activity seen in the Richmond region, concerning office vacancy rates, has been in the Innsbrook office submarket. In fact, vacancy rates for Innsbrook have fallen from 20.8 percent in the first quarter of 2011 to 13.3 percent in the second quarter of 2012, and has accounted for the absorption of over 1 million square feet of office space. For the market as a whole, office vacancies were 10.3 percent in the second quarter of 2012, which is an improvement from 11.0 percent experienced in the second quarter of 2011 and the first quarter of 2012.

There are some clear positive trends in Virginia's housing market, with increases in the number of sales as well as prices and a decrease in the number of days on the market throughout the first and second quarter of 2012. Much of the statewide housing market turnaround is propelled by improvements in Northern Virginia's housing market. The Central Virginia housing market typically lags behind Northern Virginia's housing trends. In Henrico County, local residential real estate values declined by 4.9 percent as of January 1, 2012 but commercial real estate valuation posted a slight increase of 0.7 percent after two preceding years of declines. The overall real estate tax base dropped 3.3 percent, and the revenue projection for FY2012-13 maintains the current Real Estate Tax Rate of \$0.87/\$100 of assessed valuation. The Board of Supervisors has created a business-friendly environment with low tax rates and fees. This combined with a well-educated workforce will help Henrico recover from these challenging times.

**Area Total Employment by Place of Residence January 2010 – June 2012**

<u>Date</u>	<u>Henrico County</u>	<u>Unemployment Rate</u>	<u>Chesterfield County</u>	<u>Unemployment Rate</u>	<u>City of Richmond</u>	<u>Unemployment Rate</u>	<u>Hanover County</u>	<u>Unemployment Rate</u>	<u>Goochland County</u>	<u>Unemployment Rate</u>
June 2012	166,642	5.8%	169,371	5.9%	95,973	9.0%	53,584	5.7%	11,414	4.9%
May 2012	165,753	5.3	168,466	5.5	95,461	8.3	53,298	5.2	11,353	4.3
April 2012	165,502	5.4	168,211	5.3	95,317	8.1	53,217	5.1	11,336	4.4
March 2012	166,461	5.5	169,186	5.6	95,869	8.1	53,526	5.4	11,402	5.3
February 2012	165,171	5.8	167,875	5.9	95,126	8.5	53,111	5.7	11,313	5.6
January 2012	164,894	5.7	167,594	5.8	94,966	8.5	53,022	5.5	11,294	5.5
December 2011	164,906	5.7	167,606	5.8	94,974	8.7	53,026	5.5	11,295	5.2
November 2011	164,736	5.8	167,057	5.7	94,663	8.8	52,852	5.4	11,258	5.1
October 2011	164,736	6.0	167,433	5.9	94,876	9.2	52,971	5.6	11,284	5.0
September 2011	163,950	6.3	166,634	6.2	94,423	9.5	52,718	5.8	11,230	5.2
August 2011	164,096	6.3	166,783	6.3	94,507	10.0	52,765	6.0	11,240	5.4
July 2011	165,025	6.1	167,727	6.1	95,042	9.8	53,064	5.8	11,303	5.5
June 2011	163,736	6.3	166,417	6.3	94,300	9.8	52,650	6.0	11,215	5.3
May 2011	164,394	5.8	167,085	5.9	94,678	9.1	52,861	5.7	11,260	5.1
April 2011	163,723	5.7	166,403	5.9	94,292	8.6	52,645	5.4	11,214	5.0
March 2011	162,511	6.2	165,171	6.3	93,594	9.1	52,256	5.8	11,131	5.5
February 2011	161,086	6.5	163,723	6.5	92,773	9.5	51,797	6.1	11,033	5.8
January 2011	160,909	6.6	163,544	6.6	92,672	10.0	51,741	6.3	11,021	5.9
December 2010	160,573	6.4	163,202	6.4	92,478	9.7	51,633	6.1	10,998	5.6
November 2010	160,548	6.5	163,177	6.6	92,464	10.1	51,625	6.3	10,997	5.8
October 2010	160,753	6.4	163,385	6.6	92,582	10.0	51,691	6.1	11,011	5.7
September 2010	160,583	6.6	163,212	6.6	92,484	10.4	51,636	6.3	10,999	6.0
August 2010	161,661	6.9	164,308	6.7	93,105	11.1	51,982	6.4	11,073	6.2
July 2010	162,408	6.8	165,066	6.7	93,535	10.9	52,222	6.4	11,124	6.3
June 2010	161,451	6.8	164,094	6.9	92,984	10.6	51,915	6.4	11,058	6.0
May 2010	161,447	6.7	164,090	6.7	92,981	10.1	51,913	6.2	11,058	6.1
April 2010	161,090	6.6	163,727	6.7	92,776	10.0	51,799	6.2	11,034	6.1
March 2010	159,191	7.2	161,797	7.2	91,682	10.7	51,188	6.8	10,904	7.0
February 2010	158,070	7.4	160,658	7.6	91,037	10.8	50,828	7.2	10,827	7.3
January 2010	157,668	7.5	160,249	7.7	90,805	11.0	50,698	7.4	10,799	7.4

Source: Virginia Workforce Connection, Local Area Unemployment Statistic Unit, and Bureau of Labor Statistics.

**Employment by Industry Type**

Industry	2009			2010			2011		
	Richmond MSA	Henrico County	Henrico as a % of Richmond MSA	Richmond MSA	Henrico County	Henrico as a % of Richmond MSA	Richmond MSA	Henrico County	Henrico as a % of Richmond MSA
Agriculture, Forestry, Fishing & Hunting	1,249	83	6.6%	1,251	71	5.7%	1,280	69	5.4%
Mining	482	0	0.0%	460	0	0.0%	511	0	0.0%
Utilities	3,610	395	10.9%	3,672	394	10.7%	3,701	370	10.0%
Construction	36,438	8,034	22.0%	34,243	7,444	21.7%	33,282	7,148	21.5%
Wholesale Trade	23,441	7,282	31.1%	22,930	7,294	31.8%	24,005	7,350	30.6%
Information	11,361	4,628	40.7%	10,599	4,386	41.4%	9,939	4,103	41.3%
Finance and Insurance	34,516	16,973	49.2%	33,702	16,200	48.1%	35,054	17,198	49.1%
Real Estate and Rental and Leasing	7,408	2,773	37.4%	7,219	2,708	37.5%	7,146	2,951	41.3%
Professional and Technical Services	34,527	13,561	39.3%	34,732	13,929	40.1%	37,006	14,546	39.3%
Management of Companies and Enterprises	23,630	9,542	40.4%	22,151	8,795	39.7%	21,320	7,298	34.2%
Administrative and Waste Services	32,878	12,911	39.3%	34,000	13,507	39.7%	35,991	14,045	39.0%
Educational Services	54,867	10,784	19.7%	55,027	10,759	19.6%	55,319	11,321	20.5%
Health Care and Social Assistance	81,410	24,442	30.0%	83,377	25,652	30.8%	84,361	26,769	31.7%
Arts, Entertainment, and Recreation	10,842	1,924	17.7%	10,778	1,824	16.9%	11,264	1,915	17.0%
Accommodation and Food Services	42,919	14,096	32.8%	42,436	13,838	32.6%	43,656	14,275	32.7%
Other Services, Ex. Public Admin	20,852	5,620	27.0%	20,021	5,447	27.2%	20,220	5,580	27.6%
Public Administration	40,089	5,040	12.6%	40,798	5,180	12.7%	40,777	5,231	12.8%
Manufacturing	33,987	6,752	19.9%	32,780	6,131	18.7%	31,858	5,997	18.8%
Retail Trade	66,393	21,968	33.1%	66,057	22,009	33.3%	65,979	22,027	33.4%
Transportation and Warehousing	20,492	3,988	19.5%	20,016	4,813	24.0%	20,091	4,762	23.7%
Total, All Industries	581,391	170,796	29.4%	576,249	170,381	29.6%	582,760	172,955	29.7%

Source: Virginia Employment Commission

1 - Represents Average 4rd Quarter Data for each year. Data represents total employment in each locality.

Includes residents of other localities that work in each respective locality.

2 - 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, City of Petersburg, City of Richmond, City of Colonial Heights, City of Hopewell, King William County, Louisa County, New Kent County, Powhatan County, Prince George County, Sussex County.

**Median Household Income**

	<b>Calendar Year <u>2006</u></b>	<b>Calendar Year <u>2007</u></b>	<b>Calendar Year <u>2008</u></b>	<b>Calendar Year <u>2009</u></b>	<b>Calendar Year <u>2010</u></b>
Henrico County	\$57,143	\$58,194	\$61,300	\$57,318	\$59,128
Chesterfield County	67,658	69,583	71,327	70,055	69,190
Commonwealth of Virginia	56,297	59,575	61,210	59,327	60,665
United States	48,451	50,740	52,029	50,221	50,046

Source: Virginia Employment Commission/U.S. Census Bureau. Information represents the latest information available.

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, which accounts for 34.90% of total employment in the County in 2011.

<b><u>Employer</u></b>	<b>2011</b>			<b>2010</b>		
	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b>Percent of Total <u>Employment</u></b>	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b>Percent of Total <u>Employment</u></b>
Henrico County School Board	5,000-9,999	1	4.2%	5,000-9,999	1	4.3%
County of Henrico	1,000-4,999	2	2.5%	1,000-4,999	2	2.6%
Capital One Bank	1,000-4,999	3	2.5%	1,000-4,999	3	1.9%
Bon Secours Richmond Health System	1,000-4,999	4	1.9%	1,000-4,999	4	1.9%
Anthem (Blue Cross & Blue Shield)	1,000-4,999	5	1.9%	1,000-4,999	5	1.9%
Henrico Doctors' Hospital (HCA)	1,000-4,999	6	1.9%	1,000-4,999	6	1.9%
Admiral Security Services	1,000-4,999	7	1.9%	1,000-4,999	8	1.9%
Bank of America	1,000-4,999	8	1.9%	1,000-4,999	7	1.9%
Wells Fargo Bank, National Association	1,000-4,999	9	1.9%	1,000-4,999	9	1.9%
United States Postal Service	1,000-4,999	10	1.9%	1,000-4,999	12	1.9%
Walmart	1,000-4,999	11	1.9%	1,000-4,999	11	1.9%
Martin's Food Market	1,000-4,999	12	1.9%	500-999	15	0.5%
GNA Corporation	1,000-4,999	13	1.9%	1,000-4,999	10	1.9%
Altria Corporate Services Inc	1,000-4,999	14	1.9%	1,000-4,999	13	1.9%
Kroger	1,000-4,999	15	1.9%	500-999	17	0.5%
Dominion Resources	500-999	16	0.5%	500-999	14	0.5%
Access America	500-999	17	0.5%	N/A	N/A	N/A
Market Service, Inc.	500-999	18	0.5%	500-999	20	0.5%
SunTrust Bank	500-999	19	0.5%	N/A	N/A	N/A
Verizon Virginia, Inc.	500-999	20	0.5%	500-999	16	0.5%
Virginia Department of Social Services	N/A	N/A	N/A	500-999	18	0.5%
Ukrops	N/A	N/A	N/A	500-999	19	0.5%
Percentage Employed by 20 Largest Employers			34.90%			32.2%
<b>Total County Employment</b>	155,163			154,233		

Henrico County Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.



## Economic Development

As the national economy begins to slowly recover from the Great Recession, there are still a number of concerns in regards to the durability of the overall economy. While national unemployment is much improved over the peak level, the number of unemployed or underemployed remains a concern especially combined with low levels of job growth across the country. In addition, the national economy is still at risk of being negatively impacted by national and international challenges which threaten to stymie the nation's recovery, such as the continuing European debt crisis. On a positive note, national housing market values have starting to rebound slightly, according to the leading measure of U.S. home prices, S&P/Case-Shiller Home price index.

While the national concerns continue to impact the Commonwealth of Virginia and the Richmond Metropolitan Area, it should be noted that both the State and the Richmond Metropolitan Area have fared much better than the national economy as a whole. In fact, the Greater Richmond Partnership has offered the following statistics on the Richmond Metropolitan Area and how its economy compares to other Metropolitan Statistical Areas (MSA's):

- It is a sign of economic strength that of the U.S.'s 50 largest metro-area economies, only 12, including Richmond, did not have a single year between 2007 and 2010 in which the economy contracted. While Richmond lost jobs during this period, its gross metropolitan product continued to expand.
- With a 6.6 percent unemployment rate as of June 2012, the Richmond Metropolitan Area had the 7<sup>th</sup> lowest unemployment rate as compared to all other large MSA's in the U.S., according to the Bureau of Labor Statistics. It should be noted that Henrico County's unemployment rate currently stands at 5.8 percent.
- The Richmond Metropolitan Area is the nation's 85<sup>th</sup> largest economy, when comparing it with the economies of all states and metro areas. In fact, the economy of the metropolitan area is slightly larger than Delaware's and New Hampshire's, and slightly smaller than Salt Lake City's, West Virginia's, and Memphis' economies.

As previously noted, recent economic information and job announcements provide cautious optimism that economic recovery is underway in Henrico County, though it is anticipated to be a slow recovery. Henrico County's unemployment rate in June 2012 of 5.8 percent remains much lower than the national unemployment rate as well as the Commonwealth of Virginia's unemployment rate. Henrico County has experienced healthy job growth between January 2010 and July 2012, as 2,717 new jobs were created in the County, the third highest total among all localities in the Commonwealth. These jobs were created by the expansion of a number of companies with an already strong local presence, including 700 new jobs from Capital One due to the company establishing a call and operations center, as well as a financial services center, in the Innsbrook area of the County; 150 new jobs due to the expansion plans of SnagAJob.com, a national online job search portal; and 220 new jobs from Wells Fargo due to a call center/customer service expansion, among others. In addition, Virginia ranked as the second best state for business in 2011, by Forbes.com. Virginia took first place for four years in a row, from 2006 to 2009, and ranked second in 2010.

In the most recent fiscal year, FY2011-12, a number of local economic indicators reflect positive trends. Henrico's sales tax collections have experienced two consecutive years of growth in tax receipts after three consecutive years of decline. In fact, Henrico County was ranked second among all Virginia localities for total taxable sales in 2011, behind only Fairfax County, which has a significantly larger population. It should also be noted that Henrico's share of regional sales accounts for 39.6 percent of all regional sales collections. New vehicle registrations increased by 9.1 percent in FY2011-12 compared to the previous fiscal year. Hotel/motel tax revenues were up 13.2 percent in FY2011-12 as compared to the previous fiscal year. Structural and equipment permit revenues were up 24.4 percent as well. Henrico County continues to be both business and resident friendly with the lowest tax rates of any major metropolitan area in Virginia. The County owes this distinction to proactive expenditure management and the conservative nature of the County's supervisors.

## TAX BASE DATA

The following data are presented to illustrate characteristics of the assessed value of real and personal property, which are major sources of County-derived revenue. Of Henrico County's \$31.7 billion in taxable real estate in 2011, 29.2% is classified as commercial.

### Assessed Value of All Taxable Property Last Ten Calendar Years

<u>Calendar Year</u>	<u>Assessed Value Real Estate</u>	<u>Personal Property</u>	<u>Assessed Value Public Service Corp. <sup>(1)</sup></u>		<u>Total Assessed Value</u>
			<u>Real Estate</u>	<u>Personal Property</u>	
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
2008	34,740,075,000	4,022,203,876	851,141,635	3,803,163	39,617,223,674
2009	34,975,868,000	3,789,013,000	913,716,000	2,763,000	39,681,360,000
2010	32,016,975,000	3,068,020,000	976,312,000	3,704,000	36,065,011,000
2011	31,702,148,000	3,208,453,000	988,146,000	3,324,000	35,902,071,000

Source: Henrico County Department of Finance.

<sup>(1)</sup> 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 twelve 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
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
2008	0.87	3.50	1.00	1.60
2009	0.87	3.50	1.00	1.60
2010	0.87	3.50	1.00	1.60
2011	0.87	3.50	1.00	1.60
2012	0.87	3.50	1.00	1.60

Source: Director of Finance, Henrico County.

**Property Tax Levies and Collections for Last Twelve Fiscal Years**

Fiscal Year	Current Levy <sup>(1)</sup>	Current Taxes Collected	Percent of Levy	Current Year Collection of Prior Year Taxes	Total Taxes Collected	Collections as Percent of Current Levy	Outstanding <sup>(2)</sup> & Delinquent Taxes	Delinquent Taxes as Percent Current Levy
2000	\$236,817,128	\$223,791,021	94.5%	\$2,368,741	\$226,159,762	95.5%	\$15,904,301	6.7%
2001	250,133,476	240,101,152	96.0	1,765,024	241,866,176	96.7	19,879,337	8.0
2002	260,396,014	258,347,048	99.2	1,491,398	259,838,446	99.8	16,826,456	6.5
2003	273,732,728	272,012,365	99.4	2,041,874	274,054,239	100.1	17,632,788	6.4
2004	296,552,199	291,656,599	98.4	1,246,013	292,902,612	98.8	17,244,904	5.8
2005	318,422,848	316,046,683	99.3	1,253,773	317,300,456	99.6	19,774,591	6.2
2006	332,812,356	335,366,613	100.8	1,865,024	337,231,637	101.3	15,563,275	4.7
2007	346,079,992	341,061,107	98.5	2,132,861	343,193,968	99.2	14,947,729	4.3
2008	369,929,993	364,474,006	98.5	3,822,660	368,296,666	99.6	16,349,654	4.4
2009	380,661,375	374,038,171	99.2	3,866,473	377,904,644	99.3	20,492,346	5.4
2010	365,521,815	357,859,027	97.9	7,011,923	363,870,950	99.8	17,933,422	4.9
2011	349,268,894	336,136,985	96.2	7,579,288	343,726,273	98.4	17,594,955	5.0

Source: Henrico County Department of Finance.

(1) Updated to include State Corporation Commission (Public Service Corporation) Levies.

(2) For FY2008:

- \$7,053,869 or 1.9% Delinquent (Taxes Due in CY2007 and prior)
- \$9,295,785 or 2.5% Outstanding (First Half Taxes Due as of June 5th CY2008)

**Vehicle and Business License Receipts**

<u>Fiscal Year</u>	<u>Vehicle Receipts</u>	<u>Business Receipts</u>	<u>Fiscal Year</u>	<u>Vehicle Receipts</u>	<u>Business Receipts</u>
2002	\$5,226,643	\$22,315,226	2007	\$6,155,519	\$31,173,501
2003	5,434,279	23,013,363	2008	6,234,901	30,847,775
2004	5,637,493	24,042,472	2009	6,171,378	29,848,568
2005	5,974,167	25,510,344	2010	6,181,742	27,313,048
2006	5,872,248	28,628,015	2011	6,253,599	27,525,602

Source: Henrico County Department of Finance CAFR Exhibit No. 11 for year ending June 30, 2011.

**Principal Taxpayers as of June 30, 2011**

The following data show the assessed value of the real and personal property of the ten largest holders of real property and personal property in the County as of June 30, 2011. The estimated assessed value of real and personal property of these large entities in the County represents approximately 6.96% of the projected total assessed value of all real property and personal property of \$35,902,070,827. This total also includes Public Service Corporation properties assessed by the State Corporation Commission.

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation<sup>(1)</sup></u>
Virginia Power Company	Utility	463,535,687	1.29%
Forest City (Short Pump TC, etc)	Retail and Offices	388,845,900	1.08%
Verizon	Utility	304,851,389	0.85%
Highwood Realty, L.P.	Office & Warehouse	257,376,000	0.72%
The Wilton Companies Metals	Offices, Retail, Warehouse	216,121,600	0.60%
Liberty Property, LP	Office & Warehouse	210,226,800	0.59%
General Service Corp. (VAC LP)	Apartments	190,094,300	0.53%
United Dominion Realty Trust	Apartments	165,629,200	0.46%
Gumenick	Apartments	155,696,500	0.43%
HCA Health Services of VA	Hospital	<u>145,988,626</u>	<u>0.41%</u>
	Total	\$2,478,947,701	6.96%

Source: Henrico County Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

(1) Total Real Estate and Personal Property Assessed Valuation for calendar year 2011 was \$35,902,070,827.

## 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, 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 and is not subject to referendum.

As of June 30, 2012, the County's unaudited outstanding bonded indebtedness was as follows:

General Obligation Bonds	\$497,070,000
Water and Sewer Revenue Bonds	168,060,000
Lease Revenue Bonds*	33,685,000
Subtotal	<u>698,815,000</u>
Less: Water and Sewer Revenue Bonds	(168,060,000)
Total Net Debt	<u>\$530,755,000</u>

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\*See "Bond Amortization Requirements – Total Leases with the Economic Development Authority" herein.

## Bond Amortization Requirements

Principal and interest payments on the outstanding general obligation bonded indebtedness of the County as of June 30, 2012 are presented in the following table:

Fiscal Year Ending June 30	Total Obligations and School Bonds		
	Principal	Interest	Total
2013	\$35,030,000	\$21,420,009	\$56,450,009
2014	36,065,000	19,926,844	55,991,844
2015	34,415,000	18,478,900	52,893,900
2016	34,410,000	16,951,116	51,361,116
2017	34,375,000	15,366,809	49,741,809
2018	32,885,000	13,756,073	46,641,073
2019	32,835,000	12,269,312	45,104,312
2020	32,840,000	10,741,411	43,581,411
2021	31,120,000	9,207,830	40,327,830
2022	28,565,000	7,727,194	36,292,194
2023	27,275,000	6,404,731	33,679,731
2024	24,710,000	5,264,613	29,974,613
2025	24,710,000	4,209,513	28,919,513
2026	22,765,000	3,219,081	25,984,081
2027	18,880,000	2,318,463	21,198,463
2028	15,280,000	1,546,238	16,826,238
2029	13,785,000	918,994	14,703,994
2030	6,915,000	505,438	7,420,438
2031	6,910,000	245,450	7,155,450
2032	3,300,000	57,750	3,357,750
Total	\$497,070,000	\$170,535,769	\$667,605,769

Source: Henrico County Department of Finance.

Principal and interest payments on outstanding Economic Development Authority (EDA) obligations payable from leases with the County as of June 30, 2012 are presented in the following table:

<b>Fiscal Year Ending June 30</b>	<b>Total Leases with the Economic Development Authority</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$3,130,000	\$1,352,775	\$4,482,775
2014	3,705,000	1,242,150	4,947,150
2015	3,855,000	1,096,675	4,951,675
2016	4,005,000	945,650	4,950,650
2017	4,165,000	800,250	4,965,250
2018	3,330,000	631,825	3,961,825
2019	2,665,000	477,975	3,142,975
2020	2,800,000	341,350	3,141,350
2021	2,935,000	205,313	3,140,313
2022	3,095,000	46,425	3,141,425
<b>Total</b>	<b>\$33,685,000</b>	<b>\$7,140,388</b>	<b>\$40,825,388</b>

Source: Henrico County Department of Finance.

## 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, the County's total long-term indebtedness includes general lease obligations as of the fiscal year ended June 30, 2011 (audited), bringing the total to \$492,201,006.

### Net Long-Term Indebtedness Per Capita

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Net Long-term</u> <u>Indebtedness</u> <sup>(2)</sup>	<u>Estimated</u> <u>Population</u> <sup>(1)</sup>	<u>Indebtedness</u> <u>Per Capita</u>
2000	\$246,705,297	267,031	\$923.88
2001	266,836,991	271,447	983.02
2002	272,737,939	274,847	992.33
2003	300,311,090	281,069	1,068.46
2004	316,343,709	288,735	1,095.62
2005	293,563,168	293,382	1,000.62
2006	371,646,511	299,443	1,241.13
2007	390,206,592	302,518	1,289.86
2008	386,627,916	305,580	1,265.23
2009	492,123,456	307,832	1,589.69
2010	450,490,623	306,935	1,467.71
2011	492,201,006	311,250	1,581.37

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Source: Henrico County Department of Finance.

(1) All years from Henrico County Department of Planning.

(2) Includes Debt Service Fund Balance, general obligation bonds, general lease obligations and certain Literary Fund loans.



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

<b>Fiscal Year Ending June 30</b>	<b>Net Long-term Indebtedness</b>	<b>Assessed Value</b>	<b>Percentage</b>
2000	\$246,705,297	\$18,814,048,718	1.31%
2001	266,836,991	20,544,031,174	1.30
2002	272,737,939	21,961,955,095	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	371,646,511	33,808,511,729	1.11
2007	390,206,592	37,449,730,650	1.04
2008	386,627,916	39,617,223,674	0.98
2009	492,123,456	39,681,360,000	1.24
2010	450,490,623	36,065,011,000	1.25
2011	492,201,006	35,902,071,000	1.37

Source: Henrico County Department of Finance.

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

<b>Fiscal Year Ending June 30</b>	<b>Debt Service Requirements <sup>(1)</sup></b>	<b>Disbursements <sup>(2)</sup></b>	<b>Percentage</b>
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	37,893.07	968,135,652	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
2008	51,678,822	927,989,584	5.57
2009	52,623,443	953,967,019	5.52
2010	56,070,508	965,043,838	5.81
2011	52,021,536	938,824,056	5.54

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 on obligations entered into through June 30, 2011 under these capital and operating leases for fiscal years ending June 30 are as follows:

<b><u>Fiscal Year Ending June 30</u></b>	<b><u>Amount</u></b>
2012	\$13,695,332
2013	\$12,889,335
2014	\$8,316,717
Thereafter	\$31,456,483
Total minimum lease payments	\$66,357,867
Less amount representing interest	\$8,756,551
Present value of all future minimum lease payments	<u>\$57,601,316</u>

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**

*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 Commission became effective, and the County and the City of Richmond entered into an agreement with the Commission, which was responsible for the operation of the Richmond International Airport (“Airport”). As part of the agreement, 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 operates as a separate political subdivision, with four participating member jurisdictions, that operates independently, as described below.

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 statutes require 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 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	<u>9.12</u>
	<u>100.00%</u>

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 its administrative office at South Airport Drive, Henrico, 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 local governments participating in the incorporation of the Convention Authority were 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 Greater Richmond Convention Center. The primary purpose of the Convention Authority is to issue revenue bonds to finance the expansion of the facility and to construct access, streetscape, or other on-site/off-site improvements. After the completion of the project, the Convention Authority assumed 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 \$9,464,497 for transient occupancy tax to the Convention Authority during the year ended June 30, 2011.

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 life insurance coverage, disability and death benefits are provided under these plans. The County fully funds the VRS Board of Trustees certified contribution rates for all General Government employees. 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 and the contribution rates for professional instructional personnel are established by the Virginia General Assembly. The Henrico County School System fully funds the contribution rates established by the Virginia General Assembly.

### **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 based upon years of service.

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 his or her 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. Certain classes of employees are eligible for a health care credit paid through VRS.

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 accordance with GAAP, an actuarial study was prepared calculating the postemployment healthcare cost as of June 30, 2011. The actuarial evaluation estimated the Unfunded Actuarial Accrued Liability (UAAL) for both County and Schools combined to be \$85.18 million and the Annual Required Contribution (ARC) to be \$9.76 million. The postemployment healthcare cost was determined under the Projected Unit Credit Actuarial Cost Method. The calculation was based on a 7.0 percent discount rate and the amortization of the UAAL over 30 years. This represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and the amortization of the UAAL over 30 years. The current ARC of \$9.76 million is 0.44 percent of annual covered payroll. The County has fully funded GASB 45 obligations and as of June 30, 2011 had a Net OPEB Asset of \$6.15 million. It should be noted that during FY2007-08 Henrico County became a founding member of the OPEB Trust Fund established by the Virginia Municipal League. In FY2011-12, the County funded \$2.7 million for GASB 45 obligations. The FY2012-13 budget includes funding of \$3.0 million for this commitment.

## **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 2013 is \$147,407,811, and includes funding for projects that allows the County to continue to provide existing service levels to the citizens. All projects have a known funding source. This budget is part of the County's Annual Fiscal Plan for FY2012-13, which is available online at:

<http://www.co.henrico.va.us/finance/approvedannualfp1213.html>

Shown on the following two pages is a summary of the approved CIP for fiscal year 2013 and proposed expenditures for the five-year plan, in addition to a summary of projected funding sources:

**Capital Improvement Program Summary  
Fiscal Year 2012-13 through Fiscal Year 2016-17**

<b>By Department</b>	<b>Approved FY2012-13</b>	<b>Requested FY2012-13</b>	<b>Requested FY2013-14</b>	<b>Requested FY2014-15</b>	<b>Requested FY2015-16</b>	<b>Requested FY2016-17</b>	<b>Total Requested</b>
<b>Fund 21 Capital Projects Fund</b>							
CRWP	0	704,459	0	0	0	0	704,459
Customer Relationship Mgmt	0	750,000	900,000	4,576,150	0	0	6,226,150
Education	2,518,792	108,955,165	89,719,528	19,163,241	41,398,396	33,525,385	292,761,715
Fire	30,000	15,678,112	24,506,152	21,819,650	9,296,238	11,993,683	83,293,835
General Services	6,400,000	28,852,251	84,573,689	59,122,449	36,196,931	118,662,537	327,407,857
Information Technology	750,000	5,650,000	650,000	650,000	1,000,000	1,000,000	8,950,000
Information Technology - GIS	150,000	300,000	300,000	300,000	300,000	300,000	1,500,000
Mental Health	0	91,158	856,813	0	4,392,872	29,922,419	35,263,262
Police	0	2,793,893	0	0	0	0	2,793,893
Public Library	37,170,000	38,679,656	1,620,373	0	45,933,848	0	86,233,877
Public Works - Drainage	0	0	17,614,384	16,263,141	25,987,892	24,224,165	84,089,582
Public Works - Roadway	850,000	3,235,611	850,000	850,000	850,000	850,000	6,635,611
Recreation	3,200,000	26,240,805	86,811,839	50,187,692	39,432,414	63,803,790	266,476,540
Sheriff	0	4,594,298	1,241,314	37,844,661	0	0	43,680,273
<b>Total</b>	<b>51,068,792</b>	<b>236,525,408</b>	<b>309,644,092</b>	<b>210,776,984</b>	<b>204,788,591</b>	<b>284,281,979</b>	<b>1,246,017,054</b>
<b>Fund 22 Vehicle Replacement Reserve</b>							
Education	2,500,000	0	0	0	0	0	0
Fire	1,500,000	0	0	0	0	0	0
Police	2,574,800	0	0	0	0	0	0
<b>Total</b>	<b>6,574,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund 51 Enterprise Fund</b>							
Public Utilities - Sewer	18,958,219	18,958,219	20,064,280	58,516,340	34,972,075	83,917,680	216,428,594
Public Utilities - Water	70,806,000	70,806,000	19,350,000	14,224,440	172,571,000	91,703,740	368,655,180
<b>Total</b>	<b>89,764,219</b>	<b>89,764,219</b>	<b>39,414,280</b>	<b>72,740,780</b>	<b>207,543,075</b>	<b>175,621,420</b>	<b>585,083,774</b>
<b>Fund 52 Enterprise Fund</b>							
Recreation	0	0	72,600	701,992	445,131	1,391,714	2,611,437
<b>Total</b>	<b>0</b>	<b>0</b>	<b>72,600</b>	<b>701,992</b>	<b>445,131</b>	<b>1,391,714</b>	<b>2,611,437</b>
<b>Grand Total</b>	<b>147,407,811</b>	<b>326,289,627</b>	<b>349,130,972</b>	<b>284,219,756</b>	<b>412,776,797</b>	<b>461,295,113</b>	<b>1,833,712,265</b>

**Capital Improvement Program Summary**  
**Fiscal Year 2012-13 through Fiscal Year 2016-17**

By Revenue Source	Approved FY2012-13	Requested FY2012-13	Requested FY2013-14	Requested FY2014-15	Requested FY2015-16	Requested FY2016-17	Total Requested
<b>Fund 21 Capital Projects Fund</b>							
General Fund	10,000,000	19,195,254	11,899,503	12,212,879	16,643,991	13,337,243	73,288,870
General Fund - Public Works	850,000	850,000	850,000	850,000	850,000	850,000	4,250,000
G.O. Bonds - Education - 2005	18,792	18,792	0	0	0	0	18,792
G.O. Bonds - Gen Gov't - 2005	40,200,000	40,200,000	0	0	0	0	40,200,000
No Funding Source	0	176,261,362	296,894,589	197,714,105	187,294,600	270,094,736	1,128,259,392
<b>Total</b>	<b>51,068,792</b>	<b>236,525,408</b>	<b>309,644,092</b>	<b>210,776,984</b>	<b>204,788,591</b>	<b>284,281,979</b>	<b>1,246,017,054</b>
<b>Fund 22 Vehicle Replacement Reserve</b>							
Designated Vehicle Replacement	6,574,800	0	0	0	0	0	0
<b>Total</b>	<b>6,574,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund 51 Enterprise Fund</b>							
Enterprise Fund	89,764,219	89,764,219	39,414,280	72,740,780	207,543,075	175,621,420	585,083,774
<b>Total</b>	<b>89,764,219</b>	<b>89,764,219</b>	<b>39,414,280</b>	<b>72,740,780</b>	<b>207,543,075</b>	<b>175,621,420</b>	<b>585,083,774</b>
<b>Fund 52 Enterprise Fund</b>							
Enterprise Fund	0	0	72,600	701,992	445,131	1,391,714	2,611,437
<b>Total</b>	<b>0</b>	<b>0</b>	<b>72,600</b>	<b>701,992</b>	<b>445,131</b>	<b>1,391,714</b>	<b>2,611,437</b>
<b>Grand Total</b>	<b>147,407,811</b>	<b>326,289,627</b>	<b>349,130,972</b>	<b>284,219,756</b>	<b>412,776,797</b>	<b>461,295,113</b>	<b>1,833,712,265</b>

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE COUNTY OF HENRICO, VIRGINIA,  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**COUNTY OF HENRICO**

**VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For The Fiscal Year Ended  
June 30, 2011**

**Prepared By  
The Director of Finance**



**Henrico County**

**Proud of Our Progress;  
Excited About Our Future**

**COUNTY OF HENRICO, VIRGINIA**  
**Directory of Officials**  
**June 30, 2011**

**BOARD OF SUPERVISORS**

Frank J. Thornton, Chairman .....	Fairfield District
Richard W. Glover, Vice Chairman .....	Brookland District
Patricia S. O'Bannon .....	Tuckahoe District
David A. Kaechele .....	Three Chopt District
James B. Donati, Jr. ....	Varina District

**ADMINISTRATIVE OFFICIALS**

Virgil R. Hazelett .....	County Manager
George T. Drumwright, Jr. ....	Deputy County Manager for Community Services
Angela N. Harper .....	Deputy County Manager for Special Services
Randall R. Silber .....	Deputy County Manager for Community Development
Leon T. Johnson .....	Deputy County Manager for Administration
Robert K. Pinkerton .....	Deputy County Manager for Community Operations
John A. Vithoukas .....	Director of Finance
Joseph P. Rapisarda, Jr. ....	County Attorney

**ELECTED SCHOOL BOARD**

Lamont Bagby, Chairman .....	Fairfield District
Diana D. Winston, Vice Chair .....	Three Chopt District
Linda L. McBride .....	Brookland District
John W. Montgomery, Jr. ....	Varina District
Lisa A. Marshall .....	Tuckahoe District

**ADMINISTRATIVE OFFICIALS - SCHOOLS**

Dr. Patrick J. Russo .....	Superintendent of Schools
Ed Buzzelli .....	Assistant Superintendent for Operations
Dr. Patrick C. Kinlaw .....	Assistant Superintendent for Administrative Services
Kevin Smith .....	Assistant Superintendent for Finance
Dr. Jean S. Murray .....	Assistant Superintendent for Instruction

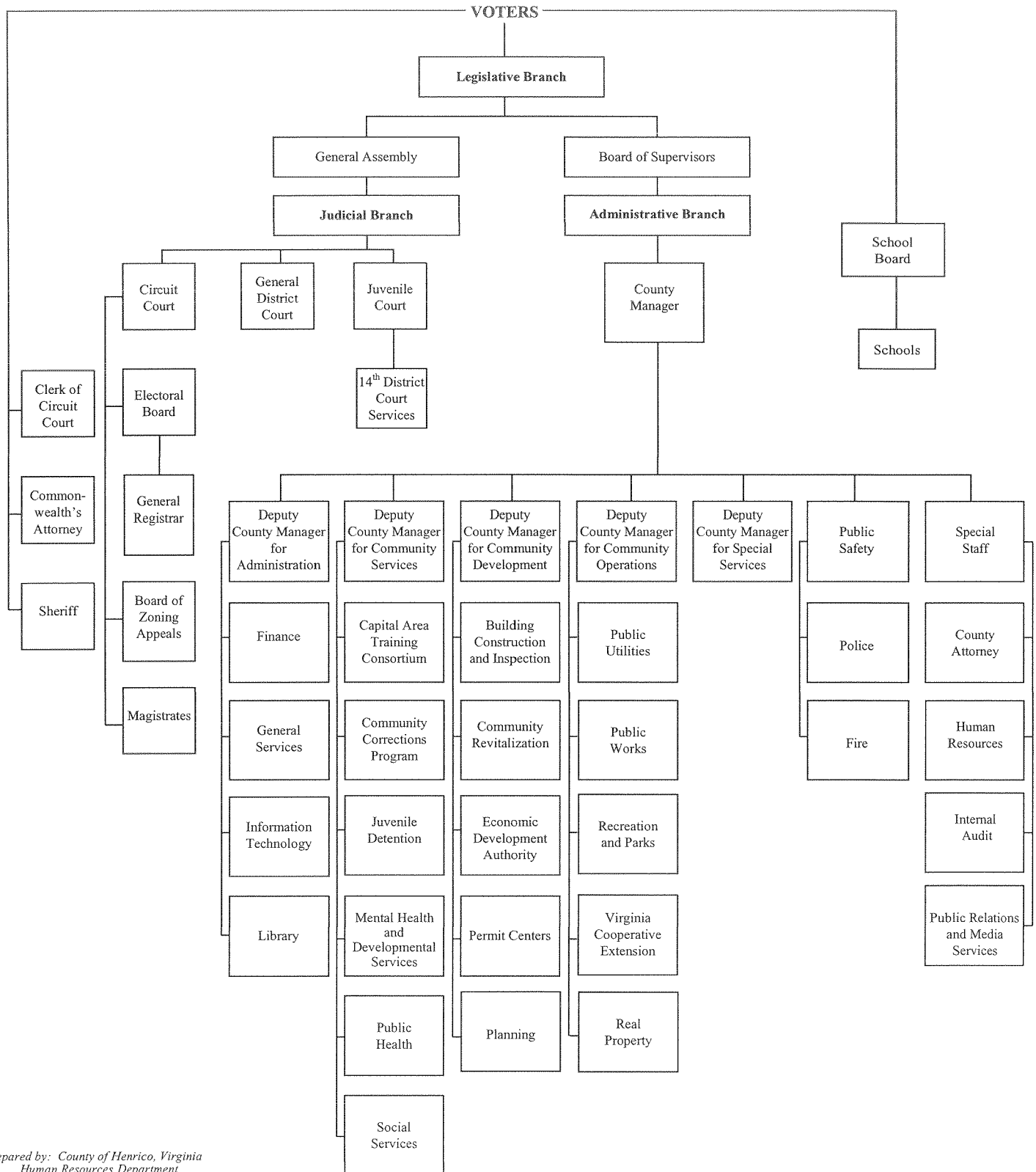


**Henrico County**

**Proud of Our Progress;  
Excited About Our Future**



# County of Henrico, Virginia Organization Chart





**Henrico County**

**Proud of Our Progress;  
Excited About Our Future**



**COUNTY OF HENRICO, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 for the Fiscal Year Ended June 30, 2011**

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## **Introductory Section**



**Henrico County**

**Proud of Our Progress;  
Excited About Our Future**



Virgil R. Hazelett, P.E.  
County Manager

COMMONWEALTH OF VIRGINIA  
COUNTY OF HENRICO

November 18, 2011

The Honorable Board of Supervisors  
County of Henrico  
Virginia

Honorable Members of the Board:

We are pleased to present the County of Henrico's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This report is intended to provide informative and relevant financial data for the residents of the County, the Board of Supervisors, investors, creditors and any other interested readers. It includes all statements and disclosures necessary for the reader to obtain a thorough understanding of the County's financial activities. The reader should pay particular attention to the required Management's Discussion and Analysis, a narrative review of the financial statements included in this document. Any individual with comments or questions concerning this report is encouraged to contact the County of Henrico's Department of Finance at (804) 501-5200. This report may also be found online at [www.co.henrico.va.us](http://www.co.henrico.va.us).

The financial statements included in this report conform to the U.S. generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB). The County's management is responsible for the establishment and maintenance of accounting and other internal controls to accomplish three purposes: ensuring compliance with applicable laws and County policies, safeguarding assets, and properly recording reliable information for the preparation of the County's financial statements in accordance with GAAP. Because their cost should not outweigh their benefits, the County's comprehensive framework of internal controls is designed to provide reasonable assurance that financial statements will be free from material misstatement rather than absolute assurance. County management is responsible for the accuracy and fairness of the presentation of the financial statements and other information as presented herein and, to the best of management's knowledge, the data presented in this report is accurate in all material respects.

KPMG LLP, a certified public accounting firm, audited the County's basic financial statements. As an independent auditor, KPMG LLP rendered an unqualified opinion stating that the County's basic financial statements for the fiscal year ended June 30, 2011, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report. The independent audit of the financial statements of the County is part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single

The Honorable Board of Supervisors  
November 18, 2011

Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements, with additional emphasis on the administration of federal and state awards. This "Single Audit" information is available in a separately issued report, which is available upon request from the Department of Finance.

### **Profile of the Government**

The County of Henrico is located in central Virginia and surrounds the City of Richmond on the north side of the James River and constitutes a third of the Richmond Metropolitan area. The County's location in the middle of the eastern seaboard is within 750 miles of two-thirds of the nation's population and is ideal for commerce due to the intersection of Interstate-95 and Interstate-64 as well as its accessibility along Interstate-295, from Route 895 and Route 288, major rail lines and the James River, which is home to an international port. It is also home to Richmond International Airport, the primary airport for the Richmond Metropolitan Area. Henrico County is also convenient to nearby oceanic ports in the Tidewater region of Virginia. Currently, based on the recent county population estimates, 311,250 Henrico County residents (approximately one third of the Richmond Metropolitan area) live in a well-planned community of approximately 244 square miles that consists of highly developed urban and suburban areas, as well as undeveloped agricultural and forest land.

Henrico's history as a community dates back to 1607 when Captain Christopher Newport and a band of adventurers from Jamestown (consisting of Captain John Smith, George Percy and others) rowed ashore at the foot of the James River. Captain Newport erected a cross and claimed the land for God and England. Four years after the discovery and exploration, Sir Thomas Dale, Deputy Governor of Virginia, founded Henrico and named it for Prince Henry Frederick, eldest son of King James I. In another four months, it was a bustling community as John Rolfe successfully cultivated a Spanish-type of tobacco similar to that produced in Varinas, Spain, giving birth to America's tobacco industry. During 2011, the County is been celebrating the 400<sup>th</sup> anniversary of the founding of Henrico through a variety of festivities and events. In 1614, Rolfe married Princess Pocahontas, daughter of the Great Indian King Powhatan. Her profile now appears on the Henrico County Seal as a symbol of Henrico's place in our nation's history. In 1634, Henrico became one of the original eight shires in the Virginia Colony. Since it was adopted by its voters in 1934, the County of Henrico has operated under the County Manager form of government with five voter-elected members on the Board of Supervisors who serve four-year terms and represent five distinct magisterial districts. The Chairman of the Board of Supervisors is elected annually by the members of the Board, and the Board also hires the County Manager who serves at their pleasure. The duties of the County Manager include implementing the approved ordinances and policies of the Board of Supervisors, appointing the County's Department Directors, and managing the day-to-day operations of the County government. Henrico County's Manager is also the Director of Public Safety for the County. The County government is responsible for providing a wide array of public services including public safety (fire and police protection, as well as building code enforcement), a

The Honorable Board of Supervisors  
November 18, 2011

full service water and sewer system, the maintenance of the third largest road system in the Commonwealth of Virginia, and an array of recreational and cultural services. The County government also provides the majority of the funding for a nationally recognized public school system, though the schools are operated by a legally distinct entity and a separately elected School Board.

The financial reporting entity includes all of the funds of the County, the primary government, as well as all of its component units. Two discretely presented component units, the School Board and the James River Juvenile Detention Commission (JRJDC), are included in the reporting entity because of the County's financial accountability for these organizations. These component units are reported in separate columns in the County's basic financial statements. Additional information concerning these legally separate organizations can be found in the notes to the financial statements.

The annual budget serves as the foundation for the County's financial planning and control. The County Manager presents his proposed budget request to the Board in early March of each year. That body then undertakes an intensive review of that budget in a series of public meetings. Those meetings are referred to as the "Legislative Budget Reviews." The Board then holds a public hearing on the proposed budget in April prior to adopting the final budget. Legal budgetary restrictions are established at the governmental function level (i.e. Division of Police), with effective administrative controls maintained through detailed line-item budgets. It is County policy that the County Manager is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total budgeted amounts and/or appropriations of any fund must be approved by the Board of Supervisors. Budget to actual comparisons are provided in this report for governmental funds where an appropriated annual budget has been adopted. These comparisons are presented in the Other Required Supplementary Information Section of the financial statements.

### **Economic Overview**

While it is easy to succeed in good times, it is how a locality performs during difficult economic times that defines excellence in local government finance and administration. Because Henrico County residents live and work in a low-tax, high-quality community with one of the premier public school systems in the nation, the local economy is well positioned to continue to weather these tough economic conditions better than most localities. The Board of Supervisors has fostered this environment through consistently demanding innovation, effective planning and financial prudence when allocating public resources, while also incrementally reducing tax rates when economically feasible. With an emphasis on superior customer service, sound financial management, and sustainable economic development, Henrico County has been and will continue to be a community of choice.

The Honorable Board of Supervisors  
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In December 2010, the metro region was named the seventh best U.S. metro center for business by *Dow Jones MarketWatch*, and is currently ranked among the nation's 50 best places for business and careers by *Forbes*. One of the contributing factors to these rankings was the concentration of major corporations in Henrico County, including the corporate headquarters for two Fortune 500 companies, Genworth Financial and Altria. In addition to these companies, Henrico County is also home to Phillip Morris U.S.A. (a subsidiary of Altria), Alfa Laval, Hamilton Beach-Proctor Silex, The Brinks Company, Markel Corporation, and Southern States Cooperative, along with over fifty companies based in twelve nations outside the United States that maintain offices in Henrico County. All of these companies have invested heavily in the County, and the Richmond Metropolitan Area has benefitted from their presence.

In addition, the Richmond International Raceway (RIR) located in Henrico County, hosts NASCAR races that attract nearly 95,000 fans per race from across the U.S. and over 12 foreign countries. A unique feature of RIR's strategic placement within Henrico is that it is accessible within a day's travel to 50 percent of the country, which, along with NASCAR's loyal fan base and growing popularity, makes it a popular destination for race enthusiasts. As a result, the economic impact to the local area is significant, with each race generating an estimated \$41.5 million in tax revenue and income generated through the fan's patronage of local stores, restaurants and hotels.

Despite the tough economic conditions, and the loss of jobs attributable to the recession, employment statistics for Henrico County exhibit a better picture when compared to national averages. According to the Virginia Employment Commission, as of August 2011 the County's unemployment rate (not seasonally adjusted) of 6.5 percent is equal to Virginia's overall rate of 6.5 percent. This rate is considerably lower than the National rate of 9.1 percent. This relatively low unemployment rate is indicative of the foundational economic strength of the County, as well as the resiliency and perseverance of state and local employers and the County's educated, talented workforce. Reinforcing this assumption is the strength of wages in Henrico County relative to both the state and the nation. The average weekly wage in Henrico County increased by 6.2 percent from Q1 2010 to Q1 2011, rising to \$1,027, and has increased by 8.4 percent since Q1 2009. The Q1 2011 figure is 6.1 percent higher than the State average weekly wage of \$968, and 20.2 percent higher than the U.S. figure of \$854 for the same period.

Although reductions in the real estate tax base for 2011 were less than the previous year, the market continues to decline. 2011 saw a reduction of one percent as compared to a loss of almost eight percent in 2010. Some appreciation is being seen in the apartment market, but values in most other sectors are flat or declining. One positive indicator is a decrease in residential foreclosure rates. In the first nine months of 2011 only 586 foreclosures have been recorded, as compared to 742 for the same period in 2010. This represents a reduction of 156 or 21% fewer for this year. The reduction in foreclosures may indicate we are close to reaching equilibrium of supply and demand where more normal market conditions will occur in the next few years.



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Regardless, the Henrico real estate market continues to be more stable than many other parts of the country.

Henrico County is still one of the Commonwealth's leaders in retail sales as it ranks second behind only Fairfax County in total annual taxable sales. The most recent annual data from the Virginia Department of Taxation shows that Henrico County's annual taxable sales for 2010 were \$4.7 billion, a 1.8 percent increase from 2009, though still lower than the \$4.9 billion of taxable sales for 2008, which is a reflection of the continued weakness in the economy. However, in the first quarter of FY11, local sales tax revenues were up 3.4 percent relative to the same period in FY10, showing positive signs of growth and a slow economic recovery. Henrico's taxable sales per capita is the fourth highest among the Commonwealth's top fifteen localities in total annual taxable sales, another indication that the County continues to grow as a regional and statewide shopper's destination. Henrico was able to establish itself as a destination for shoppers starting with Regency Square Shopping Center, built in the 1970s, and more recently with Short Pump Town Center. The County will continue to be a locality sought by regional shoppers with the recently opened Shoppes at White Oak Village in Eastern Henrico and Short Pump Station in Western Henrico.

The presence of these business and corporate entities would not be possible were it not for the favorable business environment that Henrico County has fostered throughout the years. Since 1978, the Board of Supervisors has prudently decreased the Real Estate Tax Rate six times. In addition to these decreases, Henrico is also the lowest taxing metropolitan locality in Virginia when compared to the 15 largest localities. The low tax burden combined with a record of prudent fiscal management and excellent services creates an enticing environment for businesses that are looking to relocate their operations.

### **Financial Guidelines**

The following informal guidelines represent principles and practices that guide the County and help to foster the County's financial stability. These are not the only financial guidelines, but are those that have had a major impact in recent years or will have a major impact on Henrico's future financial position. For a complete listing of the County's Financial Guidelines, please see the County's Annual Fiscal Plan at <http://www.co.henrico.va.us/finance/omb.html>.

#### **General Guidelines:**

The County of Henrico will strive to maintain its (AAA/Aaa/AAA) General Obligation Bond ratings with Standard and Poors, Moody's Investor Service and Fitch IBCA, respectively. These excellent bond ratings mean two things for our residents. First, our financial management has been examined by three separate agencies that analyze local government finances on a daily basis and they have awarded Henrico County the highest possible scores. Second, the County's high credit rating allows us to obtain the most competitive interest rates when financing long-term capital improvement projects which, in turn, saves our County residents tax dollars.

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The County of Henrico will utilize technological advances as a means of increasing employee productivity and reducing the need for new positions.

The County of Henrico will allocate new dollars (after meeting fixed commitments such as debt service requirements and benefits changes) to the areas of Education and Public Safety first.

The County of Henrico will attempt to utilize benefits of new economic development successes as a means of maintaining the low tax rate environment our residents currently enjoy. In addition, the County will maintain a balance between the need for real estate tax relief for our residents with the long-term operational needs of the County.

#### **Capital Improvement Program Guidelines:**

The County will develop a Five-Year Capital Improvement Program annually, inclusive of the capital needs of the Henrico County Public Schools. The Board of Supervisors will approve the first year of this plan as the “Capital Budget” after legal advertising and public hearing requirements have been met.

The County’s Capital Improvement Program will utilize debt financing as a funding source only after it has been determined that the County can afford to service this debt and associated operating costs in subsequent years. The County will attempt to maximize the use of pay-as-you-go financing for capital projects.

The County will ensure that all operating costs arising from approved capital projects are accounted for in the operating budget, through the compilation of an annual crosswalk analysis that captures all such costs.

The County will maintain its physical assets at a level adequate to protect the County’s capital investment and minimize future maintenance and replacement costs. The operating budget will provide for the adequate maintenance of these facilities and infrastructure.

#### **Debt Guidelines:**

A long-term debt affordability analysis will be completed on an annual basis as a means of ensuring that the County does not exceed its ability to service current and future debt requirements. This analysis will verify that the County is maintaining the following prescribed ratios and will be performed in conjunction with the County’s Capital Improvement Program Process. The guidelines that are utilized are as follows:

- Debt Service as a Percentage of General Fund Expenditures: 7.75%
- Debt Service as a Percentage of Assessed Value: 1.49%
- General Obligation Bonded Debt per Capita: \$1,650

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The County will adopt annual water and sewer rates that will generate sufficient revenues to meet the legal requirements of Enterprise Fund bond covenants. These rates will also allow for adequate capital replacement in water and sewer systems.

**Revenues:**

Multi-Year revenue and expenditure forecasts for all County funds will be included as a part of the Adopted Annual Fiscal Plan.

The County of Henrico will attempt to maintain a stable but diversified revenue base as a means of sheltering it from fluctuations in the economy.

The County will continue to strive to exceed a 70% residential – 30% commercial real estate assessment ratio. Maintaining a healthy commercial ratio will help the County maintain current tax rates while continuing to enhance service delivery efforts – particularly in the area of Education.

While revenues are monitored continually, a report is compiled quarterly that depicts current year trends, receipts, and explains any unanticipated revenue variances.

**Fund Balance Guidelines:**

The County has, over time, maintained a healthy unassigned fund balance – as compared to similar sized Virginia localities. As a percentage of actual General Fund expenditures, the County’s undesignated fund balance has been:

FY02: 16.7%	FY07: 18.0%
FY03: 17.8%	FY08: 18.0%
FY04: 18.0%	FY09: 18.0%
FY05: 18.0%	FY10: 18.0%
FY06: 18.0%	FY11: 18.0%

During the FY06 budget process, the Board of Supervisors agreed with a policy recommendation to maintain the undesignated fund balance at a level of 18.0 percent of General Fund expenditures effective June 30, 2006. The policy of maintaining this reserve will be examined on an annual basis, during the annual budget process.

The County will not use its undesignated fund balance to subsidize current operations.

### Major Initiatives and Accomplishments

In response to the economic challenges presented by the recession, Henrico County has engaged in an ongoing effort to make substantive reforms to the way it operates in order to yield both short and long term spending reductions and greater operational efficiencies. What began as a request for department heads and key officials to meet together and share ideas on how to best maintain service levels despite the economic downturn resulted in a series of meetings involving all levels of executive and departmental management who collectively sought to change the way Henrico does business.

When comparing FY2008-09 actual revenue collections, through the FY2010-11 approved budget, Henrico County lost \$91.5 million in General Fund revenue, representing a loss of more than ten percent of total collections in just two fiscal years. In order for Henrico County to continue to deliver high quality services despite the economic environment that exists, the County Manager, in consultation with the Board of Supervisors and with staff assistance, began to implement actions to permanently reduce expenditures and maximize operational efficiencies. During the development of the FY2010-11 budget it became clear that to continue service levels without imposing potentially damaging budgetary cuts would require making changes to the way each County department operates, including cutting back on non-essential activities, wasteful and duplicative functions, and reducing the cost of delivering services to citizens. In response, the County Manager, with the full support of the Board, began holding monthly “Changing How Henrico Does Business” meetings with all County department heads and key officials, including staff from Henrico County Public Schools. These meetings encouraged ideas and discussion on ways that each County operation could find sustainable cost savings through realizing greater efficiencies. The meetings were, and continue to be fruitful, with the total effort thus far resulting in \$23.2 million in one-time cost savings, and \$33.3 million in sustainable, annual cost savings.

On August 15, 2011, shortly after Standard and Poor’s had downgraded the U.S.’s long-term credit rating, Henrico County reaffirmed its AAA rating from the three primary bond rating agencies - Moody’s, Standard and Poor’s, and Fitch - maintaining its position as one of the best financially managed localities in the nation. Furthermore, it is believed that Henrico County was the first municipality in the country to achieve this AAA reaffirmation by all three rating agencies following the historic downgrade of the U.S. As of this writing, only 34 counties in the nation enjoy the triple AAA distinction, which represents just over 1 percent of all localities nationwide. Despite the poor economic conditions that exist, Henrico County capitalized on its premier credit rating by taking advantage of extremely low interest rates, issuing the last two series of 2005 general obligation bonds at once. Henrico County achieved a True Interest Cost of 2.84 percent, which yielded a cost avoidance of \$24.7 million in interest payments over the 20 year span of the bonds, relative to the budgeted interest rate of 6.0 percent, representing a significant savings to taxpayers. The \$73.5 million general obligation bond issue represents the remainder of more than \$349 million in debt approved by voters in 2005, which will be apportioned to capital projects in the 2012 and 2013 fiscal years. For this recent and prior series

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bond issues, Henrico's triple AAA bond rating has afforded the County the ability to obtain the best interest rates possible at the time the bonds were issued.

In times of economic difficulty, shoring up the current revenue base is a top priority. To this end, the 2008 initiative to change County mailing addresses from "Richmond, VA" to "Henrico, VA", whereby "Henrico, VA" became the primary mailing address for most County residents and businesses, has continued to help the County stop the loss of an estimated \$5 million annually in County tax revenues. These are revenues that were and continue to be mistakenly paid to the City of Richmond due to the prevalence of "Richmond, VA" addresses in the County. This misallocation of revenue has been substantially mitigated, as "Henrico, VA" is now the primary mailing address for over 84,000 residences and businesses in the County, and is now recognized on many websites internationally. Henrico continues to comprise over 40 percent of total taxable retail sales in the region, including the City of Richmond and Counties of Chesterfield, Henrico and Hanover.

On January 1, 2008, Henrico County's health care program transitioned to a self-insurance program from a fully insured program. This transition involves the County paying claims and third party administrative fees. Self-insurance allows the County to more fully control all aspects of the plan, including setting rates to smooth out the impact of increases on employees and the County, while maintaining adequate funding to cover claims, expenses and reserves. Fiscal Year 2011 was the third full fiscal year under the self-insurance program.

As a result of GASB Statement No. 45 financial reporting requirements, which became effective July 1, 2007, the County established an irrevocable benefit trust in FY08. This trust allows the County to account for the cost of Other Post-employment (non-pension) Employee Benefits (OPEB) and all outstanding obligations and commitments related to OPEB in a manner similar to its reporting for financial information for pensions. The County was one of the founding members of the Virginia Pooled OPEB Trust Fund, administered by the Virginia Municipal League. Henrico County first fully funded its Annual Required Contribution to the OPEB plan in FY08 and the FY11 budget continued to fully meet the anticipated funding requirements. An actuarial update for June 30, 2010 revealed that with the pay-as-you-go portion, the County's funding percentage for the second full year of the requirement was 100 percent and resulted in a Net OPEB Asset of approximately \$6.1 million at June 30, 2011.

### **Future Challenges**

The ongoing weakness in the economy and its impact on state revenues will continue to put a significant strain on local revenues. The Approved Annual Fiscal Plan for FY12 projects state aid at approximately \$281 million, or 34.2 percent of General Fund revenues, reflecting an increase of approximately \$5.9 million or 2.1 percent from the FY11 allocation.

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While the State reported a surplus of revenues for FY11, there are a number of standing commitments that offset that balance, and increases to program costs will likely create significant funding obstacles in the coming fiscal year. These include, among others, obligations to education, as well as the restoration of payments to the Virginia Retirement System, which will have significant implications for localities with respect to state aid and VRS contribution rate levels. In recognition of the dire economic and budgetary issues that persist, the state has instructed agency heads to develop additional budget savings plans for the upcoming biennial budget, FY13 and FY14, that could each achieve two percent, four percent, or six percent expenditure reductions, respectively. As a result, state aid will continue to remain a significant unknown in Henrico's budget development process for FY13.

From FY08 through FY11, the state had made over \$11.3 billion in expenditure reductions. Many of these reductions were made through funding reductions to localities that have resulted in localities having to absorb significant costs that were previously funded by the state. Including Aid for Education, overall State Aid to Henrico has declined \$54.0 million since FY08, which cumulatively represented 15.7 percent of all State revenues in the General Fund in FY2007-08.

The current economic climate continues to present many challenges to both the state and to localities, and there is continued uncertainty with state revenue projections and any resulting future reductions in state aid distributions to Henrico. Both known and projected reductions have been factored into the County's revenue estimates. In addition, as part of the final FY12 budget balancing, the County utilized a disciplined revenue estimation approach in all areas where State Aid funded General Fund operations. For FY13, additional budget reductions, inclusive of State Aid for Education, are anticipated. In order to meet these reduced revenue estimates, the County is continuing to take actions to reduce the budget, as well as absorb the incremental expenditure increases to accommodate fixed costs, including benefit changes and costs associated with opening new facilities.

Real Estate valuations will continue to present significant revenue challenges over the next several years, but by monitoring market conditions on a regular basis, Henrico will be in a position to adjust revenue estimates accordingly. Currently, real estate values in Henrico are experiencing slow to no growth. As of January 2011, the assessed value of real property in the County totaled \$31.7 billion, which is an overall decline of \$314.8 million or 0.98 percent from January 1, 2010. The number of foreclosures, while small relative to the number of parcels, continues to impact real estate valuations. However, the decline in total assessed value represents an improvement from the prior, year over year drop in value of 7.82 percent. Residential real estate values declined by \$171.2 million or 0.53 percent and commercial real estate values declined by \$143.6 million or 0.45 percent.

Reducing unemployment is a vital step toward improving the economy. Nationally unemployment was at 9.1 percent in August 2011 while both the State and the County were at 6.5 percent. While Henrico's unemployment rate remains significantly lower than the national average, the loss of

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several large employers the past few years through bankruptcy has pushed the County's unemployment rate to levels not seen in many years. However, there are some positives occurring in the local economy that serve as an indication that Henrico is recovering, and poised to return to an unemployment rate that more mirrors pre-recession historical averages in the not-too-distant future.

When the former Henrico based, Fortune 500 consumer electronics retailer Circuit City filed for bankruptcy in November 2008, vacating the 300,000 square foot facility that it had occupied since 1990, it appeared as though the poor economic conditions may leave the facility dormant for some time. However, recognizing a valuable opportunity, local real estate development company Pruitt & Associates purchased the property, and subsequently leased nearly all the available square footage to Mondial Assistance USA, a rapidly growing company that provides travel insurance. Mondial, which is a subsidiary of Europe-based Allianz, the largest casualty and property insurer in the world, plans to move into the building in early 2012, and expand its operations to include more than 1,000 local employees.

Because economic indicators having the greatest impact on the County's revenues often lag during an economic recovery, Henrico County's leadership is continuing to examine opportunities to redefine the way Henrico does business. The efficiencies and savings identified as a result of this effort, combined with the conservative fiscal management routinely employed by Henrico will allow the County to continue to provide services to our citizens at the level they have come to expect.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Henrico, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the twenty-seventh consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Department of Finance. We would like to express our particular appreciation to all members of the Accounting Division who directly assisted and contributed to its preparation. We would also like to thank the Board of Supervisors for their interest, guidance and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



Virgil R. Hazelett, P.E.  
County Manager



John A. Vithoukas  
Special Economic Advisor to the County Manager/  
Director of Finance



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Henrico  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



**Henrico County**

**Proud of Our Progress;  
Excited About Our Future**



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, 2011, 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, 2011, 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.

As discussed in note 1(O) to the financial statements, the County adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

The accompanying Management's Discussion and Analysis on pages 3 through 12, the budgetary comparison information on pages 68 through 76, and the schedules of funding progress in notes 9 and 11 on pages 53 through 58 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.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Supplementary Information listed as the Introductory Section, Other Supplemental Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplemental Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

November 18, 2011

**COUNTY OF HENRICO, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2011 (FY 2011). 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 2011**

The General Fund, on a current financial resource basis, reported expenditures and other financial sources and uses in excess of revenues by \$20.6 million (Exhibit 4) after making transfers out of \$96.8 million, which include transfers to the Capital Projects Fund for \$27.6 million, Special Revenue Fund for \$19.3 million and Debt Service Fund for \$49.8 million. In addition, the General Fund contributed \$197.0 million to the County's component units.

On a government-wide basis for governmental activities, the County had expenses net of program revenues of \$527.0 million. The general revenues of \$546.4 million exceeded expenses net of program revenues by \$19.4 million (Exhibit 2).

The County's total net assets, excluding component units, on the government-wide basis totaled \$2,312.8 million at June 30, 2011 (Exhibit 1).

On July 20, 2010, the County issued General Obligation Public Improvement Bonds in the amount of \$72,205,000. The proceeds of these bonds will be used to finance General Government and School capital projects.

Subsequent to June 30, 2011, the County issued General Obligation Public Improvement Bonds on September 1, 2011, in the amount of \$66,075,000. The proceeds of the Bonds will be used to finance General Government and School capital projects.

**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 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, report 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 is 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 financial 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 (JRJDC). 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** – The County's basic services are included in four major governmental funds. The general fund, special revenue fund, debt service fund and capital projects fund financial information is presented separately in the governmental fund balance sheet and within the governmental fund statement of revenues, expenditures, and changes in fund balance.

The governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as, *balances of spendable resources* available at the end of the fiscal year. 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. Since 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 explains the relationship (or reconciles the 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 operations, the Technology Replacement Fund and the self insured Healthcare 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 at June 30, 2010 and 2011 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2010	2011	2010	2011	2010	2011	2010	2011
Current and Other Assets	\$ 613.3	\$ 629.2	\$ 156.1	\$ 132.3	\$ 769.4	\$ 761.5	\$ 50.2	\$ 51.7
Capital Assets	<u>1,317.4</u>	<u>1,365.4</u>	<u>1,067.9</u>	<u>1,096.4</u>	<u>2,385.3</u>	<u>2,461.8</u>	<u>237.3</u>	<u>247.8</u>
<b>Total Assets</b>	<u>\$ 1,930.7</u>	<u>\$ 1,994.6</u>	<u>\$ 1,224.0</u>	<u>\$ 1,228.7</u>	<u>\$ 3,154.7</u>	<u>\$ 3,223.3</u>	<u>\$ 287.5</u>	<u>\$ 299.5</u>
Long-term Liabilities	\$ 541.5	\$ 585.5	\$ 189.2	\$ 182.7	\$ 730.7	\$ 768.2	\$ 34.0	\$ 35.4
Other Liabilities	<u>109.7</u>	<u>110.2</u>	<u>32.1</u>	<u>32.1</u>	<u>141.8</u>	<u>142.3</u>	<u>11.3</u>	<u>12.3</u>
<b>Total Liabilities</b>	<u>\$ 651.2</u>	<u>\$ 695.7</u>	<u>\$ 221.3</u>	<u>\$ 214.8</u>	<u>\$ 872.5</u>	<u>\$ 910.5</u>	<u>\$ 45.3</u>	<u>\$ 47.7</u>
Net Assets:								
Invested In Capital Assets, Net of Related Debt	\$ 921.6	\$ 946.8	\$ 909.6	\$ 923.6	\$ 1,831.2	\$ 1,870.4	\$ 213.5	\$ 223.1
Restricted	<u>154.2</u>	<u>169.1</u>	<u>16.7</u>	<u>16.5</u>	<u>170.9</u>	<u>185.6</u>	<u>2.4</u>	<u>4.3</u>
Unrestricted	<u>203.7</u>	<u>183.0</u>	<u>76.4</u>	<u>73.8</u>	<u>280.1</u>	<u>256.8</u>	<u>26.3</u>	<u>24.4</u>
<b>Total Net Assets</b>	<u>\$ 1,279.5</u>	<u>\$ 1,298.9</u>	<u>\$ 1,002.7</u>	<u>\$ 1,013.9</u>	<u>\$ 2,282.2</u>	<u>\$ 2,312.8</u>	<u>\$ 242.2</u>	<u>\$ 251.8</u>

The County's combined net assets increased by 1.3 percent, or \$30.6 million to \$2,312.8 million from \$2,282.2 million, an overall improvement resulting from the increase in net assets in both the Governmental and Business-Type Activities (Exhibit 1).

Net assets of the County's governmental activities increased 1.5 percent, or \$19.4 million to \$1,298.9 million (Exhibit 1). Invested In Capital Assets, Net of Related Debt increased by \$25.2 million, which was due to an increase in Capital Assets. Restricted net assets had an increase of \$14.9 million. The governmental activities unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by \$20.7 million to \$183.0 million at June 30, 2011 (Exhibit 1). The component units' net assets increased 4.0 percent or \$9.6 million from \$242.2 million to \$251.8 million primarily due to increases in contributions received in the current year.

The net assets of governmental activities increase was mainly due to capital outlay expenditures of \$111.6 million which are added back to net assets as the result of an increase in capital assets capitalized during the year. This was offset by depreciation expense of \$58.7 million for 2011, and an increase of \$14.7 million in the total governmental fund balance for 2011. These changes were offset by a \$45.0 million in debt activities during 2011. Other significant factors effecting net assets are the allocation of \$3.6 million of internal service loss for 2011.

The net assets of business-type activities increased 1.1 percent or \$11.2 million from \$1,002.7 million to \$1,013.9 million. Unrestricted assets available for the continuing operation of these activities, water and sewer, and the golf course, were \$73.8 million as of June 30, 2011.

### Schedule of Activities

The following chart shows the revenues and expenses of the governmental activities for the fiscal years ended June 30, 2010 and 2011 (in millions):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Component Units</u>		
	2010	2011	2010	2011	2010	2011	2010	2011	
<b>Revenues:</b>									
<b>Program Revenues:</b>									
Charges for Services	\$ 43.4	\$ 46.3	\$ 89.3	\$ 92.7	\$ 132.7	\$ 139.0	\$ 13.5	\$ 13.2	
Operating Grants and Contributions	111.9	118.0	-	-	111.9	118.0	258.3	256.0	
Capital Grants and Contributions	-	-	17.8	8.3	17.8	8.3	.1	.1	
<b>General Revenues:</b>									
Property Taxes	366.2	356.3	-	-	366.2	356.3	-	-	
Other Taxes	121.2	128.1	-	-	121.2	128.1	-	-	
Other	69.7	62.0	5.6	3.4	75.3	65.4	1.0	1.3	
Payment from Primary Government	-	-	-	-	-	-	193.5	201.3	
<b>Total Revenue</b>	<u>\$ 712.4</u>	<u>\$ 710.7</u>	<u>\$ 112.7</u>	<u>\$ 104.4</u>	<u>\$ 825.1</u>	<u>\$ 815.1</u>	<u>\$ 466.4</u>	<u>\$ 471.9</u>	



**Expenses:**

General Government	\$ 102.6	\$ 88.4	\$ -	\$ -	\$ 102.6	\$ 88.4	\$ -	\$ -
Judicial Administration	10.9	11.1	-	-	10.9	11.1	-	-
Public Safety	165.0	169.8	-	-	165.0	169.8	5.1	5.0
Public Works	77.8	72.0	-	-	77.8	72.0	-	-
Health and Welfare	67.6	61.0	-	-	67.6	61.0	-	-
Education	193.1	209.5	-	-	193.1	209.5	468.2	457.3
Parks, Recreation and Cultural	35.2	34.3	-	-	35.2	34.3	-	-
Community Development	25.4	26.7	-	-	25.4	26.7	-	-
Interest on Long-term Debt	27.7	18.5	-	-	27.7	18.5	-	-
Water and Sewer	-	-	87.3	92.0	87.3	92.0	-	-
Golf Course	-	-	1.2	1.2	1.2	1.2	-	-
<b>Total Expenses</b>	<u>\$ 705.3</u>	<u>\$ 691.3</u>	<u>\$ 88.5</u>	<u>\$ 93.2</u>	<u>\$ 793.8</u>	<u>\$ 784.5</u>	<u>\$ 473.3</u>	<u>\$ 462.3</u>
<b>Change in Net Assets</b>	<u>7.1</u>	<u>19.4</u>	<u>24.2</u>	<u>11.2</u>	<u>31.3</u>	<u>30.6</u>	<u>(6.9)</u>	<u>9.6</u>
<b>Net Assets at beginning of year</b>	<u>1,272.4</u>	<u>1,279.5</u>	<u>978.5</u>	<u>1,002.7</u>	<u>2,250.9</u>	<u>2,282.2</u>	<u>249.1</u>	<u>242.2</u>
<b>Net Assets at end of year</b>	<u>\$ 1,279.5</u>	<u>\$ 1,298.9</u>	<u>\$ 1,002.7</u>	<u>\$ 1,013.9</u>	<u>\$ 2,282.2</u>	<u>\$ 2,312.8</u>	<u>\$ 242.2</u>	<u>\$ 251.8</u>

**REVENUES**

For the fiscal year ended June 30, 2011, revenues from governmental activities totaled \$710.7 million, a decrease of \$1.7 million from fiscal year 2010. Real Estate Tax Revenues, the County's largest revenue source, which reflects the recognition of the second half calendar year 2010 and the first half of calendar year 2011 real property tax, collected during fiscal year 2011 totaled \$277.7 million a decrease of \$14.2 million or 4.9 percent from fiscal 2010. The County Board of Supervisor maintained the Real Estate Tax Rate at the current amount of 87 cents per \$100 of assessed value for the calendar year 2011.

In fiscal year 2011, the County recorded \$65.1 million in personal property tax revenue from County residents, and received Personal Property Tax Relief from the Commonwealth of Virginia (the Commonwealth) of \$37.0 million for total personal property tax related receipts of \$102.1 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 2011 of \$37.0 million will be paid in three installments beginning in July 2011. At June 30, 2011, the County accrued \$18.4 million for the first half of the 2011 calendar year.

Business-type activities produced total revenues of \$104.4 million, a decrease of \$8.3 million from fiscal year 2010. 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 \$8.3 million in operating grants and contributions. (Exhibit 2)

## **EXPENSES**

For the fiscal year ended June 30, 2011, expenses for governmental activities totaled \$691.3 million, a decrease of \$19.4 million from fiscal year 2010. Included in this activity are employee compensation and benefits, payments for educational expenses to the School Board, and the cost of general governmental activities such as public safety, recreation, and libraries.

Education continues to be one of the County's highest priorities and commitments. Major items contributed by the County include \$197.0 million for School operations and \$3.7 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 \$93.2 million, an increase of \$ 4.7 or 0.5 percent over fiscal year 2010 (Exhibit 2). The Water and Sewer activity accounts for \$92.0 million of the total expenses of \$93.2 million.

## **FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

For the fiscal year ended June 30, 2011, the governmental funds reflect a combined fund balance of \$472.6 million, an increase of \$14.7 million over fiscal year 2010 (Exhibit 3). Included in the combined fund balance is the General Fund, which accounts for \$222.3 million (Exhibit 3) of the total combined balance. This is a decrease of \$20.6 million or 8.5 percent from the General Fund balance of \$242.9 million recorded at June 30, 2010. The current General Fund Balance was impacted by General Fund Revenues, which decreased by \$6.3 million from fiscal year 2010. The most significant decrease occurred in the major revenue category of General Property Taxes (Real Estate and Personal Property Taxes), which decreased \$14.5 million; some of this decrease was offset increases in Other Local Taxes, which increased \$6.8 million; and Miscellaneous revenues, which increased \$1.6 million. At the same time General Fund Expenditures increased by \$1.9 million or 0.3 percent from fiscal year 2010. While the County continued its efforts to control expenditures during 2011, the County funded small pay increase, which impacted General Fund Expenditures for the fiscal year. Other Financing Uses increased by \$8.0 million or 9.0 percent over fiscal year 2010. Finally, the following items affected the fund balance and should be noted:

- The General Fund contributed \$27.6 million to the Capital Projects Fund to finance various capital projects, \$19.3 million to the Special Revenue Fund and \$49.8 million for debt service.
- The General Fund contributed \$197.0 million to fund the fiscal year 2011 School Board operations, an increase of \$7.1 million or 3.7 percent over the fiscal 2010 contribution.

Highlights of other Governmental Funds are as follows:

- The Special Revenue Fund Balance of \$39.2 million (Exhibit 4) increased \$9.7 million over fiscal year 2010. The increase is due to revenues of \$56.5 million and other financing sources and uses of \$19.3 million which exceeded expenditures of \$66.1 million. 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 \$37.8 million in revenues and \$51.9 million in expenditures along with the County's solid waste function, which accounted for \$13.8 million in revenues and \$10.0 million in expenditures during fiscal year 2011.

- The Debt Service Fund Balance decreased by \$1.7 million to \$4.8 million (Exhibit 4) during fiscal year 2011. The decrease is due to expenditures exceeding revenues and other financing sources by \$1.7 million. During the fiscal year, expenditures for debt service were \$52.0 million and the Fund received transfers from the General Fund of \$49.8 million.
- The Capital Projects Fund Balance of \$206.3 million (Exhibit 4) is an increase of \$27.3 million, or 15.3 percent in comparison to fiscal year 2010. During the fiscal year, expenditures for capital projects were \$86.2 million, revenues were \$8.5 million and transfers in totaled \$27.6 million from the General Fund. During the fiscal year, the County issued bonds with total proceeds of \$77.5 million to finance capital projects.

## GENERAL FUND BUDGETARY HIGHLIGHTS

### General Fund Budget (in millions)

	<u>Original</u>	<u>Revised</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 466.1	\$ 466.1	\$ 475.5
Intergovernmental	123.6	129.6	130.5
Other	<u>25.2</u>	<u>25.8</u>	<u>25.9</u>
Total Revenues	<u>\$ 614.9</u>	<u>\$ 621.5</u>	<u>\$ 631.9</u>
Expenditures and Other Financing Uses:			
Expenditures	\$ 551.0	\$ 576.6	\$ 555.9
Other Financing Uses	<u>79.5</u>	<u>98.3</u>	<u>96.6</u>
Total Expenditures and Other Financing Uses	<u>630.5</u>	<u>674.9</u>	<u>652.5</u>
Change in Fund Balance	<u>\$ (15.6)</u>	<u>\$ (53.4)</u>	<u>\$ (20.6)</u>

Expenditures and other financing uses exceeded revenues by \$20.6 million in the General Fund for fiscal year 2011.

Actual General Fund revenues were more than the original budgeted revenues by \$17.0 million during fiscal year 2011. This increase is attributable in part to collections of other local taxes such as business license and bank franchise tax revenues, which account for \$10.4 million of the increase. Actual revenue collections exceeded the revised budget by \$9.4 million. Actual General Fund expenditures were more than the original budget by \$4.9 million, and less than the revised budget by \$20.7 million.

During fiscal year 2011, the County Board of Supervisors amended the budget four 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, 2010.
- To reappropriate grant revenues authorized in fiscal year 2010 or earlier, but not expended or encumbered as of June 30, 2010.
- To appropriate grants or donations accepted or adjusted in fiscal year 2011.

- To appropriate funds for program enhancements, small-scale capital projects or other operational needs that were not anticipated in the original fiscal year 2011 budget.

## CAPITAL ASSETS

At the end of fiscal year 2011, the County's governmental activities (including Internal Service Funds) had net capital assets totaling \$1,365.4 million, which represents a net increase of \$48.0 million, or 3.6 percent over the previous fiscal year-end balance. In the County of Henrico, infrastructure assets include roads, bridges, and water and wastewater systems.

### Capital Assets (in millions)

	Governmental Activities		Business-type Activities		Total		Component Units	
	2010	2011	2010	2011	2010	2011	2010	2011
<b>Non-Depreciable Assets:</b>								
Land	\$ 342.9	\$ 345.6	\$ 17.2	\$ 17.2	\$ 360.1	\$ 362.8	\$ 41.9	\$ 41.9
Construction in Progress	195.1	142.5	56.5	80.1	251.6	222.6	16.1	16.1
<b>Other Capital Assets:</b>								
Building	644.5	737.7	331.4	334.4	975.9	1,072.1	247.2	262.0
Infrastructure	554.7	571.1	922.2	951.2	1,476.9	1,522.3	-	-
Equipment	151.7	178.1	115.2	116.2	266.9	294.3	160.9	122.9
Improvements other than Buildings	35.9	50.4	3.7	3.7	39.6	54.1	26.6	27.0
Accumulated Depreciation On Other Capital Assets	(607.4)	(660.0)	(378.4)	(406.5)	(985.8)	(1,066.5)	(255.4)	(222.3)
Total	<u>\$ 1,317.4</u>	<u>\$ 1,365.4</u>	<u>\$ 1,067.8</u>	<u>\$ 1,096.3</u>	<u>\$ 2,385.2</u>	<u>\$ 2,461.7</u>	<u>\$ 237.3</u>	<u>\$ 247.6</u>

The business-type activities capital assets grew by \$28.5 million to \$1,096.3 million, an increase of 2.7 percent over the previous fiscal year. The County's business-type activities are made up of the County's water and sewer activities and the County-owned golf course.

The component unit's capital assets increased by \$10.3 million to \$247.6 million, an increase of 4.3 percent over the previous fiscal year. The School Board accounted for the major portion of the net decrease. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

## LONG-TERM DEBT

On July 20, 2010, the County issued General Obligation Public Improvement Bonds, Series 2010A, in the amount of \$72,205,000. The proceeds will be used to finance school capital improvement projects, along with various County capital improvement projects. The bonds mature on August 1<sup>st</sup> in each of the years 2011 through 2030. The interest rates range between 2.0 percent and 5.0 percent.

In March 2005, the County voters authorized the issuance of \$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 \$268.3 million of the voter approved bonds, with a total of \$81.0 million in bonds approved but not issued. Subsequent to June 30, 2011, the County issued an additional \$66.1 million which will reduce the amount of approved but not issued to \$14.9 million.

At the end of fiscal year 2011, the County had \$461.4 million in outstanding General Obligation Bonds, an increase of \$40.7 million, or 9.7 percent, over last fiscal year. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

During 2011, 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 connection with the issuance of the general obligation bonds previously described. 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.

Subsequent to June 30, 2011, the County issued General Obligation Public Improvement Bonds on September 1, 2011, Series 2011 in the amount of \$66,075,000. The proceeds of the Bonds will be used to finance school capital improvement projects, along with various County capital improvement projects. The Bonds mature on August 1<sup>st</sup> in each of the years 2012 through 2031. The interest rate ranges from 2.0 percent to 5.0 percent.

## **ECONOMIC FACTORS**

According to the Virginia Employment Commission, as of June 30, 2011, the County had a net increase of 12,304 jobs since 2001, resulting in total employment of 155,163. The County's unemployment rate, which was reported at 6.2 percent as of June 30, 2011, was slightly lower than that posted for the state (6.3 percent) and well below the federal rate (9.3 percent) as of June 30, 2011. As of 2008 (the latest data available from the U.S. Bureau of Economic Analysis), the County's per capita income of \$45,911 registered higher than both the national average of \$40,166 and the Commonwealth of Virginia average of \$44,075.

## **OTHER INFORMATION**

During fiscal year 2008, the County joined the Virginia Pooled OPEB Trust Fund, an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. For the year ended June 30, 2011, the County contributed \$9.2 million, which did not fully fund the Annual Required Contribution (ARC) of \$9.7 million and resulted in a reduction of the Net OPEB Asset of down to a balance of \$6.2 million. More detailed information about the County's OPEB Plan is presented in Note 11 to the financial statements.

Funds of the Primary Government are invested in accordance with the County's Investment Guidelines which were created by the Director of Finance to ensure the effective management of the day-to-day investment activity of the County. The objective of these guidelines is to obtain the highest possible yield on available financial resources, within the constraints imposed by safety objectives, cash flow considerations and the laws of the Commonwealth of Virginia that restrict the placement of public funds.

At June 30, 2011, the County's investment portfolio amounted to \$434.3 million, and contained obligations of the United States and agencies thereof, high quality municipal bonds and prime commercial paper. The County's investment strategy has remained unchanged during fiscal 2011. While this strategy has resulted in reduced yields, which impacted investment earnings available for operations in fiscal year 2011, the County has not experienced any significant adverse decline in the fair value of the County's investment and cash equivalents. More detailed information about the County's investments is presented in Note 2 to the financial statements.

## **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 Director of Finance, P.O. Box 90775, Henrico, VA 23273-0775. Additional financial information can be found on our web-site [www.co.henrico.va.us](http://www.co.henrico.va.us).

**COUNTY OF HENRICO, VIRGINIA  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011**

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets:</b>				
Cash and temporary investments	\$ 566,864,454	\$ 60,371,868	\$ 627,236,322	\$ 23,656,797
Receivables, net	18,710,903	22,026,259	40,737,162	-
Due from other governments	37,360,099	-	37,360,099	17,124,289
Internal balances	(4,297,494)	4,297,494	-	-
Due from component unit	707,640	-	707,640	-
Due from Primary Government	-	-	-	10,596,577
Inventories	826,644	1,500,659	2,327,303	-
Prepays	-	20,000	20,000	-
Other assets	8,990,902	7,639,674	16,630,576	264,905
Restricted cash	-	36,475,010	36,475,010	71,733
Capital assets:				
Land and construction in progress	488,099,359	97,348,805	585,448,164	58,147,181
Other capital assets, net	877,331,168	999,021,044	1,876,352,212	189,614,404
Capital assets, net	<u>1,365,430,527</u>	<u>1,096,369,849</u>	<u>2,461,800,376</u>	<u>247,761,585</u>
<b>Total Assets</b>	<u>\$ 1,994,593,675</u>	<u>\$ 1,228,700,813</u>	<u>\$ 3,223,294,488</u>	<u>\$ 299,475,886</u>
<b>Liabilities:</b>				
Accounts payable	\$ 49,160,948	\$ 11,406,370	\$ 60,567,318	\$ 2,499,968
Deposits payable	-	804,576	804,576	-
Accrued liabilities	24,940,459	2,754,112	27,694,571	2,749,007
Amounts held for others	7,002,073	-	7,002,073	901,494
Unearned revenues	18,484,233	17,138,852	35,623,085	5,402,421
Due to Primary Government	-	-	-	707,640
Due to component units	10,596,577	-	10,596,577	-
Long-term liabilities due within one year	64,819,207	9,518,880	74,338,087	18,290,227
Long-term liabilities due in more than one year	520,730,300	173,160,944	693,891,244	17,112,229
<b>Total Liabilities</b>	<u>\$ 695,733,797</u>	<u>\$ 214,783,734</u>	<u>\$ 910,517,531</u>	<u>\$ 47,662,986</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	\$ 946,771,823	\$ 923,621,840	\$ 1,870,393,663	\$ 223,096,761
Restricted for:				
Highways, Streets and Buildings	94,717,337	-	94,717,337	-
Debt service	35,198,994	16,515,628	51,714,622	-
Grants	39,207,172	-	39,207,172	4,298,390
Unrestricted net assets	182,964,552	73,779,611	256,744,163	24,417,749
<b>Total Net Assets</b>	<u>\$ 1,298,859,878</u>	<u>\$ 1,013,917,079</u>	<u>\$ 2,312,776,957</u>	<u>\$ 251,812,900</u>

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, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 88,350,511	\$ 11,461,130	\$ 1,379,123	\$ -
Judicial administration	11,100,550	87,472	5,138,609	-
Public safety	169,855,956	3,152,983	29,414,930	-
Public works	71,986,185	15,759,915	43,831,062	-
Health and welfare	60,936,986	9,506,774	30,373,219	-
Education	209,563,974	-	-	-
Parks, recreation and culture	34,329,193	1,438,959	179,526	-
Community development	26,692,058	4,901,405	7,637,960	-
Interest on long-term debt	18,519,751	-	-	-
Total Governmental Activities	691,335,164	46,308,638	117,954,429	-
Business-type activities:				
Water and Sewer	92,027,575	91,827,401	-	8,336,842
Belmont Park Golf Course	1,227,058	867,096	-	-
Total Business-type Activities	93,254,633	92,694,497	-	8,336,842
<b>Total Primary Government</b>	<b>\$ 784,589,797</b>	<b>\$ 139,003,135</b>	<b>\$ 117,954,429</b>	<b>\$ 8,336,842</b>
<b>Component Units:</b>				
School Board	\$ 457,316,312	\$ 8,705,268	\$ 255,979,135	\$ -
James River Juvenile Detention Commission	5,076,215	4,557,811	-	146,173
<b>Total Component Units</b>	<b>\$ 462,392,527</b>	<b>\$ 13,263,079</b>	<b>\$ 255,979,135</b>	<b>\$ 146,173</b>

**General Revenues:**

Taxes:  
  Property  
  Local sales and use  
  Business licenses  
  Hotel and motel  
  Bank franchise  
  Other  
Interest and investment earnings  
Grants and contributions  
Recovered costs  
Miscellaneous  
Payment from Primary Government  
Total general revenues

Change in net assets

**Net Assets at June 30, 2010**

**Net Assets at June 30, 2011**

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
\$ (75,510,258)	\$ -	\$ (75,510,258)	\$ -
(5,874,469)	-	(5,874,469)	-
(137,288,043)	-	(137,288,043)	-
(12,395,208)	-	(12,395,208)	-
(21,056,993)	-	(21,056,993)	-
(209,563,974)	-	(209,563,974)	-
(32,710,708)	-	(32,710,708)	-
(14,152,693)	-	(14,152,693)	-
(18,519,751)	-	(18,519,751)	-
(527,072,097)	-	(527,072,097)	-
-	8,136,668	8,136,668	-
-	(359,962)	(359,962)	-
-	7,776,706	7,776,706	-
<u>\$ (527,072,097)</u>	<u>\$ 7,776,706</u>	<u>\$ (519,295,391)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (192,631,909)
-	-	-	(372,231)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (193,004,140)</u>
\$ 356,284,735	\$ -	\$ 356,284,735	\$ -
55,342,248	-	55,342,248	-
27,525,602	-	27,525,602	-
9,389,088	-	9,389,088	-
18,906,021	-	18,906,021	-
16,930,787	-	16,930,787	-
2,688,767	714,317	3,403,084	22,836
57,853,825	435,975	58,289,800	-
356,151	-	356,151	488,446
1,148,718	2,263,528	3,412,246	760,662
-	-	-	201,308,046
<u>\$ 546,425,942</u>	<u>\$ 3,413,820</u>	<u>\$ 549,839,762</u>	<u>\$ 202,579,990</u>
\$ 19,353,845	\$ 11,190,526	\$ 30,544,371	\$ 9,575,850
<u>1,279,506,033</u>	<u>1,002,726,553</u>	<u>2,282,232,586</u>	<u>242,237,050</u>
<u>\$ 1,298,859,878</u>	<u>\$1,013,917,079</u>	<u>\$ 2,312,776,957</u>	<u>\$ 251,812,900</u>

**COUNTY OF HENRICO, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

Exhibit 3

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>Assets:</b>					
Cash and temporary investments	\$ 256,526,490	\$ 40,704,110	\$ 4,768,994	\$ 228,158,428	\$ 530,158,022
Receivables, net	15,603,105	2,501,002	-	-	18,104,107
Due from other governmental units	31,083,934	4,176,251	-	2,099,914	37,360,099
Due from component unit	556,905	-	-	-	556,905
Due from other funds	654,630	-	-	-	654,630
Advance to other fund	112,500	-	-	-	112,500
<b>Total Assets</b>	<u>\$ 304,537,564</u>	<u>\$ 47,381,363</u>	<u>\$ 4,768,994</u>	<u>\$ 230,258,342</u>	<u>\$ 586,946,263</u>
<b>Liabilities:</b>					
Accounts payable	\$ 45,612,047	1,032,545	\$ -	\$ 1,221,768	\$ 47,866,360
Accrued liabilities	8,507,177	1,718,628	-	6,990,012	17,215,817
Amounts held for others	6,881,450	120,623	-	-	7,002,073
Unearned revenues	20,581,518	5,207,642	-	-	25,789,160
Due to component units	-	-	-	10,596,577	10,596,577
Due to other funds	694,802	94,753	-	5,130,128	5,919,683
<b>Total liabilities</b>	<u>82,276,994</u>	<u>8,174,191</u>	<u>-</u>	<u>23,938,485</u>	<u>114,389,670</u>
<b>Fund Balances:</b>					
Unspendable	112,500	-	-	-	112,500
Restricted	4,511,658	26,738,408	-	-	31,250,066
Committed	5,000,000	-	2,000,000	206,319,857	213,319,857
Assigned	79,630,562	12,468,764	2,768,994	-	94,868,320
Unassigned	133,005,850	-	-	-	133,005,850
<b>Total fund balances</b>	<u>222,260,570</u>	<u>39,207,172</u>	<u>4,768,994</u>	<u>206,319,857</u>	<u>472,556,593</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 304,537,564</u>	<u>\$ 47,381,363</u>	<u>\$ 4,768,994</u>	<u>\$ 230,258,342</u>	

**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)	\$ 1,352,431,905
Deferred revenue that has not been recognized as revenue in the current period and therefore is reported as liabilities in the governmental funds. (Note 3)	7,304,927
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)	(576,963,955)
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.	(7,676,002)
Other assets reported in governmental activities are not deferred and recorded as assets in the governmental funds.	8,976,315
Internal service funds are used by management to charge the costs of equipment replacement; and, therefore, the assets and liabilities of the internal service fund are included in government activities in the Statement of Net Assets.	42,610,920
Internal service fund 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.	(380,825)
Net Assets of Governmental Activities	<u>\$ 1,298,859,878</u>

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, 2011**

Exhibit 4

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues:</b>					
General property taxes	\$ 350,724,287	\$ 2,830,748	\$ -	\$ -	\$ 353,555,035
Other local taxes	124,770,450	2,242,900	-	-	127,013,350
Licenses and permits	2,963,163	-	-	-	2,963,163
Fines and forfeitures	3,186,609	-	-	-	3,186,609
Revenue from use of money and property	3,084,422	181,867	-	406,943	3,673,232
Charges for services	3,940,946	22,052,585	-	-	25,993,531
Miscellaneous	5,204,945	732,799	-	933,193	6,870,937
Recovered costs	5,819,406	499,383	-	-	6,318,789
Intergovernmental	132,131,443	27,958,563	-	7,153,621	167,243,627
<b>Total Revenues</b>	<b>631,825,671</b>	<b>56,498,845</b>	<b>-</b>	<b>8,493,757</b>	<b>696,818,273</b>
<b>Expenditures:</b>					
Current operating:					
General government	62,008,270	4,822,747	-	-	66,831,017
Judicial administration	10,018,154	853,954	-	-	10,872,108
Public safety	159,450,439	7,421,739	-	-	166,872,178
Public works	37,798,541	10,142,327	-	-	47,940,868
Health and welfare	25,059,596	35,426,987	-	-	60,486,583
Parks, recreation, and culture	29,865,193	7,820	-	-	29,873,013
Community development	18,986,462	7,429,870	-	-	26,416,332
Education	196,973,886	-	-	3,658,850	200,632,736
Miscellaneous	15,594,617	-	477,836	-	16,072,453
Debt service:					
Principal	164,957	12,196	32,300,000	-	32,477,153
Interest and other charges	14,678	1,172	19,243,700	-	19,259,550
Capital outlay	-	-	-	82,574,398	82,574,398
<b>Total Expenditures</b>	<b>555,934,793</b>	<b>66,118,812</b>	<b>52,021,536</b>	<b>86,233,248</b>	<b>760,308,389</b>
Excess (deficiency) of revenues over (under) expenditures	75,890,878	(9,619,967)	(52,021,536)	(77,739,491)	(63,490,116)
<b>OTHER FINANCING (USES) SOURCES:</b>					
Transfers in	-	19,339,124	49,832,472	27,629,203	96,800,799
Transfers out	(96,800,799)	-	-	-	(96,800,799)
Issuance of bonds	-	-	462,054	71,742,946	72,205,000
Issuance of bond premium	-	-	-	5,713,957	5,713,957
Issuance of capital leases	306,234	-	-	-	306,234
Total other financing (uses) sources, net	(96,494,565)	19,339,124	50,294,526	105,086,106	78,225,191
Net change in fund balance	(20,603,687)	9,719,157	(1,727,010)	27,346,615	14,735,075
<b>Fund Balances - June 30, 2010</b>	<b>242,864,257</b>	<b>29,488,015</b>	<b>6,496,004</b>	<b>178,973,242</b>	<b>457,821,518</b>
<b>Fund Balances - June 30, 2011</b>	<b>\$ 222,260,570</b>	<b>\$ 39,207,172</b>	<b>\$ 4,768,994</b>	<b>\$ 206,319,857</b>	<b>\$ 472,556,593</b>

**Adjustments for the Statement of Activities:**

Net change in fund balances - total governmental funds	\$ 14,735,075
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.	32,477,153
Revenues not in governmental funds that do provide current financial resources are reported as revenues in the Statement of Activities. (Note 3)	486,800
Governmental funds report capital outlays as expenditures while governmental activities capitalize those outlays to allocate those expenditures over the asset life.	108,621,553
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.	506,508
Depreciation expense is reported in the Statement of Activities but is not reported as an expense in the governmental funds. (Note 6)	(56,738,730)
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)	739,799
Debt proceeds are recorded as revenues in governmental funds, but are not reported as revenues in the Statement of Activities	(78,225,191)
Internal service funds charge the costs of maintenance and healthcare services to governmental funds and are a reduction of expenses in the Statement of Activities	(3,617,300)
Internal service fund revenues not recorded in the governmental funds.	368,178
Change in Net Assets of Governmental Activities	<b>\$ 19,353,845</b>

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, 2011**

Exhibit 5

	Business Type Activities - Enterprise Funds			Internal Service Funds
	Water and Sewer Revenue	Belmont Park Golf Course	Total	
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 60,371,868	\$ -	\$ 60,371,868	\$ 36,706,432
Receivables, net	22,026,259	-	22,026,259	606,796
Due from other funds	5,130,128	-	5,130,128	882,441
Due from component unit	-	-	-	138,184
Inventories	1,500,659	-	1,500,659	826,644
Other assets	20,000	-	20,000	14,587
Restricted cash	36,475,010	-	36,475,010	-
Total current assets	125,523,924	-	125,523,924	39,175,084
Noncurrent assets:				
Other assets	7,639,132	542	7,639,674	-
Capital assets:				
Land and construction in progress	97,098,314	250,491	97,348,805	-
Other capital assets, net	997,393,731	1,627,313	999,021,044	12,998,622
Capital assets, net	1,094,492,045	1,877,804	1,096,369,849	12,998,622
Total non-current assets	1,102,131,177	1,878,346	1,104,009,523	12,998,622
<b>Total Assets</b>	<b>\$ 1,227,655,101</b>	<b>\$ 1,878,346</b>	<b>\$ 1,229,533,447</b>	<b>\$ 52,173,706</b>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 11,366,244	\$ 40,126	\$ 11,406,370	\$ 913,763
Deposits payable	804,576	-	804,576	-
Due to other funds	63,626	656,508	720,134	14,831
Accrued liabilities	2,733,599	20,513	2,754,112	48,640
Unearned revenues	17,138,852	-	17,138,852	-
Long-term liabilities due within one year	9,495,587	23,293	9,518,880	8,495,004
Total current liabilities	41,602,484	740,440	42,342,924	9,472,238
Noncurrent liabilities:				
Advance from other fund	-	112,500	112,500	-
Long-term liabilities due in more than one year	173,134,870	26,074	173,160,944	90,548
Total non-current liabilities	173,134,870	138,574	173,273,444	90,548
Total liabilities	214,737,354	879,014	215,616,368	9,562,786
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	921,744,036	1,877,804	923,621,840	12,993,197
Restricted for debt service	16,515,628	-	16,515,628	-
Unrestricted net assets	74,658,083	(878,472)	73,779,611	29,617,723
Total net assets	1,012,917,747	999,332	1,013,917,079	42,610,920
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,227,655,101</b>	<b>\$ 1,878,346</b>	<b>\$ 1,229,533,447</b>	<b>\$ 52,173,706</b>

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, 2011**

Exhibit 6

	Business Type Activities - Enterprise Funds			Internal Service Funds
	Water and Sewer Revenue	Belmont Park Golf Course	Total	
<b>Operating Revenues:</b>				
Charges for services:				
Water system	\$ 44,585,836	\$ -	\$ 44,585,836	\$ -
Sewer system	42,746,043	-	42,746,043	-
Golf course fees	-	867,096	867,096	-
Interdepartmental charges	-	-	-	20,940,802
Contributions	-	-	-	77,703,120
Other	782,871	78,118	860,989	957,493
<b>Total operating revenues</b>	<b>88,114,750</b>	<b>945,214</b>	<b>89,059,964</b>	<b>99,601,415</b>
<b>Operating Expenses:</b>				
Purchased services	10,752,040	54,028	10,806,068	-
Utility charges	4,701,106	55,400	4,756,506	109,040
Personnel services and benefits	16,678,760	588,945	17,267,705	84,198,960
Professional services	13,222,929	131,815	13,354,744	36,520
Materials and supplies	6,353,986	186,659	6,540,645	13,360,607
Maintenance and repairs	1,950,040	31,227	1,981,267	2,662,436
Other expenses	3,370,976	62,230	3,433,206	1,521,336
Depreciation	28,381,955	116,754	28,498,709	1,940,486
<b>Total operating expenses</b>	<b>85,411,792</b>	<b>1,227,058</b>	<b>86,638,850</b>	<b>103,829,385</b>
Operating income (loss)	2,702,958	(281,844)	2,421,114	(4,227,970)
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	714,317	-	714,317	64,307
Connection fees	4,495,522	-	4,495,522	-
Debt service contributions	435,975	-	435,975	-
Interest expense	(6,615,783)	-	(6,615,783)	-
Other	1,391,414	11,125	1,402,539	131,673
<b>Total nonoperating revenues</b>	<b>421,445</b>	<b>11,125</b>	<b>432,570</b>	<b>195,980</b>
Income (loss) before capital contributions	3,124,403	(270,719)	2,853,684	(4,031,990)
Capital contributions - donated assets	8,336,842	-	8,336,842	152,653
Change in net assets	11,461,245	(270,719)	11,190,526	(3,879,337)
<b>Total Net Assets - June 30, 2010</b>	<b>1,001,456,502</b>	<b>1,270,051</b>	<b>1,002,726,553</b>	<b>46,490,257</b>
<b>Total Net Assets - June 30, 2011</b>	<b>\$ 1,012,917,747</b>	<b>\$ 999,332</b>	<b>\$ 1,013,917,079</b>	<b>\$ 42,610,920</b>

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, 2011**

Exhibit 7

	Business Type Activities - Enterprise Funds			Internal Service Funds
	Water and Sewer Revenue	Belmont Park Golf Course	Total	
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers	\$ 87,248,259	\$ 945,214	\$ 88,193,473	\$ 98,580,789
Payments to suppliers	(37,625,448)	(322,601)	(37,948,049)	(92,386,183)
Payments to employees	(19,251,601)	(590,388)	(19,841,989)	(3,583,417)
Net cash provided by operating activities	<u>30,371,210</u>	<u>32,225</u>	<u>30,403,435</u>	<u>2,611,189</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Purchase of assets	(46,864,633)	(32,225)	(46,896,858)	(1,809,989)
Proceeds from sale of capital assets	10,331	-	10,331	207,018
Connection fees paid by contractors	4,530,178	-	4,530,178	-
Debt service contributions	435,975	-	435,975	-
Contributions	1,524,845	-	1,524,845	-
Interest paid on bonds	(8,496,565)	-	(8,496,565)	-
Principal paid on debt	(6,260,000)	-	(6,260,000)	(245)
Net cash used in capital and related financing activities	<u>(55,119,869)</u>	<u>(32,225)</u>	<u>(55,152,094)</u>	<u>(1,603,216)</u>
<b>Cash Flows From Investing Activities:</b>				
Investment income received	1,330,184	-	1,330,184	64,307
<b>Net (Decrease) Increase in Cash</b>	<u>(23,418,475)</u>	<u>-</u>	<u>(23,418,475)</u>	<u>1,072,280</u>
<b>Cash and Cash Equivalents - June 30, 2010</b>	<u>120,265,353</u>	<u>-</u>	<u>120,265,353</u>	<u>35,634,152</u>
<b>Cash and Cash Equivalents - June 30, 2011</b>	<u>\$ 96,846,878</u>	<u>\$ -</u>	<u>\$ 96,846,878</u>	<u>\$ 36,706,432</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ 2,702,958	\$ (281,844)	\$ 2,421,114	\$ (4,227,970)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	28,381,955	116,754	28,498,709	1,940,486
Decrease (increase) in accounts receivable	56,791	-	56,791	(601,226)
Increase in inventories	(247,395)	-	(247,395)	(114,450)
Increase in due from other funds	-	-	-	(1,020,625)
Decrease (increase) in other assets	-	737	737	(721)
Increase (decrease) in accounts payable	329,075	(3,194)	325,881	(82,924)
Increase in deposits payable	7,988	-	7,988	-
Increase in due to other fund	63,626	201,192	264,818	14,831
Decrease in deferred revenues	(982,422)	-	(982,422)	-
Increase (decrease) increase in other liabilities	58,634	(1,420)	57,214	6,703,788
<b>Net cash provided by operating activities</b>	<u>\$ 30,371,210</u>	<u>\$ 32,225</u>	<u>\$ 30,403,435</u>	<u>\$ 2,611,189</u>
<b>Reconciliation to Cash and Cash Equivalents on the Statement of Net Assets:</b>				
Cash and cash equivalents	\$ 60,371,868	\$ -	\$ 60,371,868	\$ 36,706,432
Restricted cash and cash equivalents	<u>36,475,010</u>	<u>-</u>	<u>36,475,010</u>	<u>-</u>
<b>Cash - June 30, 2011</b>	<u>\$ 96,846,878</u>	<u>\$ -</u>	<u>\$ 96,846,878</u>	<u>\$ 36,706,432</u>

**Supplemental disclosure of noncash investing and 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 \$8,336,842. Belmont Golf Course received donated equipment during the year valued at \$11,125.

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

**COUNTY OF HENRICO, VIRGINIA**  
**STATEMENT OF FIDUCIARY**  
**NET ASSETS**  
**JUNE 30, 2011**

Exhibit 8

	Agency Funds
<b>Assets:</b>	
Cash and cash equivalents	\$ 615,262
<b>Total Assets</b>	<b>\$ 615,262</b>
 <b>Liabilities:</b>	
Amounts held for others	\$ 615,107
Accounts payable	155
<b>Total Liabilities</b>	<b>\$ 615,262</b>

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, 2011**

Exhibit 9

	School Board	James River Juvenile Detention Commission	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 19,944,416	\$ 3,712,381	\$ 23,656,797
Restricted cash	-	71,733	71,733
Due from Primary Government	10,596,577	-	10,596,577
Due from other governmental units	17,065,884	58,405	17,124,289
Other assets	251,997	12,908	264,905
Total current assets	<u>47,858,874</u>	<u>3,855,427</u>	<u>51,714,301</u>
Capital assets:			
Land and construction in progress	58,117,181	30,000	58,147,181
Other capital assets, net	182,572,444	7,041,960	189,614,404
Capital assets, net	<u>240,689,625</u>	<u>7,071,960</u>	<u>247,761,585</u>
<b>Total Assets</b>	<u>\$ 288,548,499</u>	<u>\$ 10,927,387</u>	<u>\$ 299,475,886</u>
<b>Liabilities:</b>			
Accounts payable	\$ 2,327,422	\$ 172,546	\$ 2,499,968
Accrued liabilities	2,749,007	-	2,749,007
Amounts held for others	901,494	-	901,494
Unearned revenues	5,400,145	2,276	5,402,421
Due to Primary Government	138,184	569,456	707,640
Long-term liabilities due within one year	17,623,150	667,077	18,290,227
Total current liabilities	<u>29,139,402</u>	<u>1,411,355</u>	<u>30,550,757</u>
Long-term liabilities due in more than one year	14,683,323	2,428,906	17,112,229
Total liabilities	<u>43,822,725</u>	<u>3,840,261</u>	<u>47,662,986</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	218,990,764	4,105,997	223,096,761
Restricted grants	4,209,450	88,940	4,298,390
Unrestricted	21,525,560	2,892,189	24,417,749
Total net assets	<u>244,725,774</u>	<u>7,087,126</u>	<u>251,812,900</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 288,548,499</u>	<u>\$ 10,927,387</u>	<u>\$ 299,475,886</u>

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, 2011**

Exhibit 10

Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	JRJDC	Total	
<b>Governmental Activities:</b>							
School Board:							
Instructional	\$ 457,316,312	\$ 8,705,268	\$ 255,979,135	\$ -	\$ (192,631,909)	\$ -	\$ (192,631,909)
Total School Board	457,316,312	8,705,268	255,979,135	-	(192,631,909)	-	(192,631,909)
<b>Business-Type Activities:</b>							
James River Juvenile Detention Commission	5,076,215	4,557,811	-	146,173	-	(372,231)	(372,231)
<b>Total Component Units</b>	<b>\$ 462,392,527</b>	<b>\$ 13,263,079</b>	<b>\$ 255,979,135</b>	<b>\$ 146,173</b>	<b>\$ (192,631,909)</b>	<b>\$ (372,231)</b>	<b>\$ (193,004,140)</b>

**General revenues:**

Interest and investment earnings	\$ -	\$ 22,836	\$ 22,836
Recovered costs	488,446	-	488,446
Miscellaneous	760,662	-	760,662
Payment from Primary Government	200,632,736	675,310	201,308,046
Total general revenues	<u>\$ 201,881,844</u>	<u>\$ 698,146</u>	<u>\$ 202,579,990</u>
Change in net assets	\$ 9,249,935	\$ 325,915	\$ 9,575,850
<b>Net Assets at June 30, 2010</b>	235,475,839	6,761,211	242,237,050
<b>Net Assets at June 30, 2011</b>	<u>\$ 244,725,774</u>	<u>\$ 7,087,126</u>	<u>\$ 251,812,900</u>

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

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**NOTES TO FINANCIAL STATEMENTS**  
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**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 significant accounting policies:

A. Reporting Entity

As required by GAAP, the County's 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 of the County's discretely presented component unit has a June 30 fiscal year-end.

In accordance with GAAP, the County has presented those entities which comprise the reporting entity (the primary government and discretely presented component units) in the government-wide 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 County's 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 the Counties of 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 90775, Henrico, 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 for 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 for the joint venture is presented in Note 18.

B. Government-wide and Fund Accounting Statements

In accordance with GAAP, the County's financial statements are comprised of the following components:

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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, net of accumulated depreciation 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).

Fund financial Statements - The Fund financial statements organize and report the financial transactions and balances of the County on the basis of fund categories. Separate statements for each of the County's three fund categories – Governmental (General, Capital Projects), Proprietary (e.g., water and sewer) and Fiduciary are presented. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. For the governmental funds, the financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances, which are presented on current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

For the proprietary funds, the financial statements consist of a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows. For the fiduciary funds, the financial statements consist of a Statement of Fiduciary Net Assets.

Reconciliation of Government-wide and Fund Financial Statements - Since the Governmental funds' financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds' Balance Sheet and total Governmental activities net assets as shown on the Government-wide Statement of Net Assets is presented in Exhibit 3. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances and the change in net assets of Governmental activities as shown on the Government-wide Statement of Activities is presented in Exhibit 4.

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.

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

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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 presents the County's 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. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources, as they are needed.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (e.g., public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues (e.g., 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 (e.g., 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 the 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' financial statements are presented on a current financial resource measurement focus and the modified accrual basis of accounting, which 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 (e.g., 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 Commonwealth of Virginia ("Commonwealth" or "State").

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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 Belmont Park 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 operations, Technology Replacement operations and self-funded health insurance 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.

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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.

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with a fund are 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 (e.g., revenues and other financing sources) and decreases (e.g., 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 for the governmental activities in the government-wide financial statements is provided to account for the differences between the two statements and measurement focuses (e.g., capital assets and long-term liabilities, etc.).

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.

C. Capital Assets and Long-Term Liabilities

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 \$5,000 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
Infrastructure	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.

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.

Proprietary Funds

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

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Depreciation of all exhaustible capital assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported as a contra-asset account 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
Infrastructure	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 statement of revenues, expenses and changes in net assets.

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. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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.

Government-Wide Financial Statements

The government-wide financial statements consist of separate statements of net assets and of activities. Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met and amounts are measurable. Assets and all liabilities associated with the operation of these activities are included on the Statement of Net Assets.

Governmental Funds' Financial Statements

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related assets are recorded when susceptible to accrual, i.e., both 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 (i.e., fiscal year in which all eligibility requirements, including time requirements, if any, have been satisfied) 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. An exception to this general rule is principal and interest on general long-term debt which are recorded when paid.

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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.

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 1<sup>st</sup>.

Prior to April 1, the County Manager submits to the County 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 Board 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

H. Inventory and Prepaid Expenses

Proprietary Funds

Inventory consists mainly of supplies and spare parts held for consumption, which are valued by methods, which 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.



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I. Interest Costs

In accordance with GAAP, 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, 2011, the Water and Sewer Enterprise Fund incurred interest costs of \$8,471,819, of which \$1,856,036 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. For the year ended June 30, 2011, the County had \$2,823,460 in unamortized bond issuance costs.

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 9 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 468 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 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 GAAP, the liability has been recorded using the termination payment method.

L. Nonspendable, Restricted, Committed Assigned and Unassigned Fund Balance

The County's governmental fund balance classifications are categorized as nonspendable, restricted, committed assigned and unassigned based on the constraints placed on those resources by various levels of authority both within and external to the County. The County spends restricted fund balance amounts first, then committed fund balance amounts, then assigned fund balance amounts and then unassigned fund balance amounts.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories, long-term loans and notes receivable. The County has nonspendable fund balance of \$112,500, which is a long-term loan to Belmont Golf Course.

Restricted fund balances are amounts that are restricted for specific purposes by external parties such as creditors, grantors, constitutional provisions or through enabling legislation. Enabling legislation authorizes the government to levy, assess, or charge external resource providers and includes a legally enforceable requirement that the resources be used for a particular purpose specified in the legislation.

Committed fund balances are amounts that can only be used for specific purposes pursuant to formal action of the government's highest level of decision-making authority (i.e., the County's Board of Supervisors). Committed amounts cannot be used for any other purpose unless the commitment is changed by similar action of the Board of Supervisors and the committing action must be taken prior to year-end although the exact dollar amount may be determined in a subsequent period. The highest levels of formal action approved by the County's Board of Supervisor are ordinances and resolutions.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by the governing body itself, or subordinate high-level body or official possessing such authority in accordance with government's policy.

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The expression of intent does not have to be made prior to year-end. The County's Board of Supervisors, County Manager and the Director of Finance have the authority to assign fund balances.

Unassigned fund balance is the residual fund balance amount for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes. Unassigned fund balance is only shown in the County's and School's General Fund balances. Effective with the implementation of GAAP relating to unassigned fund balances, the County's previous policy related to "unreserved fund balance" was redefined to be a policy for "unassigned fund balance." Unassigned fund balance is maintained at a level of 18.0 percent of General Fund expenditures. The policy of maintaining this reserve will be examined on an annual basis during the annual budget process.

The County's fund balance consists of the following balances:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
<b>Fund balances:</b>				
<b>Non-spendable</b>				
Advance to Fund	\$ 112,500	\$ -	\$ -	\$ -
<b>Restricted for:</b>				
Road Construction	4,259,424	-	-	-
Imaging System Upgrades	252,234	-	-	-
Work Training Programs	-	44,905	-	-
Community Development	-	6,034,889	-	-
Drug Enforcement	-	2,130,889	-	-
Mental Health Programs	-	12,043,447	-	-
Social Service Programs	-	6,484,278	-	-
<b>Committed to:</b>				
Public Works	1,000,000	-	-	-
Technology Improvements	1,500,000	-	-	16,255,313
Building and Grounds	-	-	-	9,749,240
Road Maintenance	-	-	-	71,269,872
Community Development	-	-	-	691,214
Landfill Expansion	-	-	-	4,571,667
Public Safety Projects	-	-	-	12,182,695
Parks and Recreation	-	-	-	5,373,070
Judicial Administration	-	-	-	4,161,835
Libraries	-	-	-	10,575,170
Education Projects	2,500,000	-	-	71,489,781
<b>Assigned to:</b>				
Public Works	2,392,096	12,468,764	-	-
General Government	52,842,106	-	-	-
Capital projects	24,396,360	-	-	-
Debt Service	-	-	4,768,994	-
<b>Unassigned</b>	<u>133,005,850</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Fund Balance</b>	<u>\$ 222,260,570</u>	<u>\$39,207,172</u>	<u>\$ 4,768,994</u>	<u>\$ 206,319,857</u>

Schools have restricted fund balance for various education program grants of \$4,209,450 in the Schools Special Revenue Fund. Schools also have committed fund balance in the Schools Capital Projects Fund of \$23,640,631 for various high school, middle school and elementary school construction and renovation projects. Schools also have \$7,542,969 in assigned fund balance and \$720,726 in unassigned fund balance in the Schools General Fund.

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M. Statement of Cash Flows

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

GAAP requires enterprise activities to apply all applicable GASB pronouncements, as well as FASB pronouncements, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. As allowed under GAAP, management has elected not to apply FASB pronouncements issued after November 30, 1989.

O. New Accounting Pronouncements

The County adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The adoption of GASB Statement No. 54 has changed the classifications of fund balance as presented in the County's fund financial statements for fiscal year 2011. GASB Statement No. 54 also changed fund definitions which did not impact the County for fiscal year 2011.

The County adopted GASB Statement No. 59, *Financial Instruments Omnibus*, during 2011. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The adoption of GASB Statement No. 59 had no effect on the County's financial statements for fiscal year 2011.

P. Future Accounting Pronouncements

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. This Statement also amends portions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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, 2012.

**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 JRJDC 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 ("VRS"), 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

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accordance with GAAP, 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, which are shown at amortized cost. As of June 30, 2011, 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, Sterling Capital, as of June 30, 2011. The net increase in fair value of investments during the year ended June 30, 2011, was \$1,094,555. This amount takes into account all changes in fair value that occurred during the fiscal year.

Deposits - Bank

At June 30, 2011, the carrying value of the County's deposits with banks was \$78,690,061 and the bank balance was \$89,587,489. 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 \$3,160,872 and the bank balance was \$3,600,450. 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 \$3,148,290, and the bank balance was \$3,148,290. 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, 2011, the County had deposits of \$10,647,335 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, obligations of any city, county, or town situated in any one of the states of the United States, 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 municipal bonds, 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 (bills, notes and bonds)	100%
U.S. Government Agency Securities and Instrumentalities	70%
Banker's Acceptance (BA's)	40%
Money Market	40%
Certificates of Deposit (CD's) Commercial Banks	90%
Certificates of Deposit (CD's) Savings & Loan Associations	10%
Commercial Paper	35%
Local Government Investment Pool (maximum \$50 million)	75%
Municipal Bonds	70%

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The County further limits 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**

	<u>Fair Value</u>	<u>Policy</u>	<u>Percent of Portfolio</u>
U.S. Treasury	\$ 65,463,960	70%	11.39%
Municipal Bonds	48,306,917	70%	8.40%
U.S. Government Agencies	136,483,404	70%	23.74%
Commercial Paper	124,401,134	35%	21.64%
Negotiable Bank Certificate of Deposit	3,845,628	90%	0.67%
U.S. Government Money Market Funds	196,326,667	40%	34.16%
Total Investments	<u>\$ 574,827,710</u>		<u>100.00%</u>

**Component Units**

	<u>Fair Value</u>	<u>Policy</u>	<u>Percent of Portfolio</u>
U.S. Treasury	\$ 2,631,197	70%	15.10%
Municipal Bonds	1,941,603	70%	11.15%
U.S. Government Agencies	5,485,686	70%	31.49%
Commercial Paper	5,000,062	35%	28.71%
Negotiable Bank Certificate of Deposit	154,568	90%	0.89%
U.S. Government Money Market Funds	2,204,753	40%	12.66%
Total Investments	<u>\$ 17,417,869</u>		<u>100.00%</u>

The County's portfolio manager, Sterling Capital, provided the day-to-day management of investments during fiscal year 2011. 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, Branch Banking and Trust (BB&T) 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, obligations of any city, county, or town situated in one of the states of the United States, 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, municipal bonds, commercial paper and money market funds. All investments were in compliance with the State Statutes governing investments of Public funds. The credit quality of obligations of U.S. government agencies held in the portfolio for the Federal National Mortgage Association (FNMA), the Federal Home Loan Banks (FHLB), and the Federal Home Loan Mortgage Corporation (FHLMC), received AAA ratings from Moody's and Standard & Poor's ratings ranged from AA+ to AAA. The credit quality of the municipal bonds held in the portfolio received ratings from Moody's and Standard & Poor's ranged from AA- to AAA. The commercial paper held in the portfolio received ratings from Moody's and Standard & Poor's of P-1 and A-1. 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 Federated Government Obligation Fund is rated AAA 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, BB&T Bank. As of June 30, 2011, the County had the following investments and maturities:

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**Primary Government**

	<b>Investment Maturities (in years)</b>		
	<b>Fair Value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>
U.S. Treasury	\$ 65,463,960	\$ 40,999,900	\$ 24,464,060
Municipal Bonds	48,306,917	46,763,170	1,543,747
U.S. Government Agencies	136,483,404	57,756,063	78,727,341
Commercial Paper	124,401,134	124,401,134	-
Negotiable Bank Certificate of Deposit	3,845,628	3,845,628	-
U.S. Government Money Market Funds	196,326,667	186,713,067	9,613,600
Total Investments	<u>\$ 574,827,710</u>	<u>\$ 460,478,962</u>	<u>\$ 114,347,748</u>
Total Deposits	78,690,071		
Total Held By Fiscal Agent	10,647,335		
Total Cash on Hand	112,945		
Total Deposits and Investments	<u>\$ 664,278,061</u>		

**Component Units:**

**School Board**

	<b>Investment Maturities (in years)</b>		
	<b>Fair Value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>
U.S. Treasury	\$ 2,631,197	\$ 1,647,912	\$ 983,285
Municipal Bonds	1,941,603	1,879,555	62,048
U.S. Government Agencies	5,485,686	2,321,393	3,164,293
Commercial Paper	5,000,062	5,000,062	-
Negotiable Bank Certificate of Deposit	154,568	154,568	-
U.S. Government Money Market Funds	1,569,428	1,183,028	386,400
Total Investments	<u>\$ 16,782,544</u>	<u>\$ 12,186,518</u>	<u>\$ 4,596,026</u>
Total Deposits	3,160,872		
Total Cash on Hand	1,000		
Total Deposits and Investments	<u>\$ 19,944,416</u>		

**James River Juvenile Detention Commission**

	<b>Investment Maturities (in years)</b>		
	<b>Fair Value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>
U.S. Government Money Market Funds	\$ 635,324	\$ 635,324	\$ -
Total Deposits	3,148,290		
Total Cash on Hand	500		
Total Deposits and Investments	<u>\$ 3,784,114</u>		

Total Deposit and Investments-Reporting Entity \$ 688,006,591

The School Activity Funds' cash of \$4,872,829 and Mental Health and Developmental Services Fund cash of \$48,533, 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.

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**NOTE 3. RECEIVABLES**

Receivables at June 30, 2011 consist of the following:

**Primary Government**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
<u>Receivables:</u>	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Funds</u>	<u>Total</u>
Interest	\$ 1,057,939	\$ -	\$ -	\$ 1,057,939
Taxes	19,602,258	-	-	19,602,258
Accounts	<u>1,550,888</u>	<u>3,033,042</u>	<u>22,310,159</u>	<u>26,894,089</u>
Gross Receivables	22,211,085	3,033,042	22,310,159	47,554,286
Less: Allowances for Doubtful Accounts	<u>6,607,980</u>	<u>532,040</u>	<u>283,900</u>	<u>7,423,920</u>
Receivables, net	<u>\$ 15,603,105</u>	<u>\$ 2,501,002</u>	<u>\$ 22,026,259</u>	<u>\$ 40,130,366</u>

Central Automotive Maintenance has a receivable of \$4,776 as of June 30, 2011 which is included on a government-wide basis. Long-term assets on a government-wide basis also include taxes receivable of \$7,304,927 that is not available to pay for current period expenditures and, therefore, are included in unearned revenues for the governmental funds. Tax revenue reported in the government-wide statements includes \$486,800 of revenue that does not provide current financial resources, and therefore, is not included in the governmental funds.

**Component Units**

	<u>School Board</u>	<u>JRJDC</u>	<u>Total</u>
<u>Receivables:</u> Intergovernmental	<u>\$ 17,065,884</u>	<u>\$ 58,405</u>	<u>\$ 17,124,289</u>

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. Installments due on June 5, 2011, are levied for fiscal year 2011 and installments due on December 5, 2011, are levied for fiscal year 2012. 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 is 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 2011, 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.

**COUNTY OF HENRICO, VIRGINIA**  
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**NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS**

Amounts due from other governmental units for Governmental Funds at June 30, 2011 include:

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>Commonwealth of Virginia:</b>			
<b>Non-categorical aid for:</b>			
Local Sales and Use Tax	\$ 4,654,919	\$ -	\$ -
PPTRA	18,460,463	-	-
Rolling Stock Tax	22,767	-	-
State Recordation Fees	372,036	-	-
Richmond Center	2,347,279	-	-
<b>Categorical aid for:</b>			
Public Works	-	-	2,529
Public Safety	658,937	-	-
Social Services	1,472,920	580,543	-
Treasurer	2,128,913	-	-
Correction & Detention	592,390	364,054	-
Finance	65,127	-	-
Mental Health & Development Services	-	76,237	-
Circuit Court	143,586	-	-
Library	9,337	-	-
Commonwealth's Attorney	155,260	14,575	-
Total due from the Commonwealth of Virginia	31,083,934	1,035,409	2,529
<b>Federal Government:</b>			
<b>Categorical aid:</b>			
Work Training Grants (CATC)	-	1,149,953	-
Public Safety	-	1,666,193	-
Public Works	-	-	2,072,387
Correction & Detention	-	24,867	-
Commonwealth Attorney	-	4,426	-
Community Development Block Grant	-	295,403	24,998
Total due from the Federal government	-	3,140,842	2,097,385
Total due from other governmental units	\$ 31,083,934	\$ 4,176,251	\$ 2,099,914

Amounts due from other governmental units for the School Board Component Unit at June 30, 2011 include:

	<b>School Board</b>
<b>Commonwealth of Virginia:</b>	
<b>Non-categorical aid for:</b>	
State Sales and Use Tax	\$ 3,516,212
<b>Categorical aid for:</b>	
Education	2,066,697
Total due from the Commonwealth of Virginia	5,582,909



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<b>Federal Government Categorical Aid:</b>	
Education	<u>11,482,975</u>
Total due from the Federal government	<u>11,482,975</u>
Total due from other governmental units	<u>\$ 17,065,884</u>

**NOTE 6. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2011 follows:

<b>Governmental Activities</b>	<b>Balance June 30, 2010</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2011</b>
Capital Assets Not Being Depreciated:				
Land	\$ 342,934,286	\$ 3,232,707	\$ 547,034	\$ 345,619,959
Construction in progress	<u>195,144,476</u>	<u>59,147,622</u>	<u>111,812,698</u>	<u>142,479,400</u>
Total Capital Assets Not Being Depreciated	<u>\$ 538,078,762</u>	<u>\$ 62,380,329</u>	<u>\$112,359,732</u>	<u>\$ 488,099,359</u>
Other Capital Assets:				
Buildings	\$ 644,465,933	\$ 93,228,083	\$ -	\$ 737,694,016
Infrastructure	554,678,283	16,462,190	-	571,140,473
Equipment	151,685,969	33,172,066	6,714,026	178,144,009
Improvements other than buildings	<u>35,939,156</u>	<u>14,434,764</u>	<u>-</u>	<u>50,373,920</u>
Total Other Capital Assets	<u>\$1,386,769,341</u>	<u>\$ 157,297,103</u>	<u>\$ 6,714,026</u>	<u>\$1,537,352,418</u>
Less Accumulated Depreciation for:				
Buildings	\$(138,598,888)	\$(14,820,463)	\$ -	\$(153,419,351)
Infrastructure	(351,034,625)	(17,134,849)	-	(368,169,474)
Equipment	(98,366,571)	(25,072,305)	(6,089,980)	(117,348,896)
Improvements other than buildings	<u>(19,431,930)</u>	<u>(1,651,599)</u>	<u>-</u>	<u>(21,083,529)</u>
Total Accumulated Depreciation	<u>\$(607,432,014)</u>	<u>\$(58,679,216)</u>	<u>\$(6,089,980)</u>	<u>\$(660,021,250)</u>
Total Net of Depreciation	<u>\$1,317,416,089</u>	<u>\$ 160,998,216</u>	<u>\$ 112,983,778</u>	<u>\$1,365,430,527</u>

Government activities capital assets net of accumulated depreciation at June 30, 2011 are comprised of the following:

General Capital Assets, Net	\$1,365,430,527
Internal Service Fund Capital Assets, Net	<u>(12,998,622)</u>
Combined Adjustment	<u>\$1,352,431,905</u>

Depreciation for the fiscal year ended June 30, 2011 was charged to governmental functions as follows:

General Government Administration	\$ 12,433,769
Judicial Administration	118,575
Public Safety	7,205,979
Public Works	24,941,184
Education	8,931,238
Health and Welfare	282,482
Parks and Recreation	4,582,299
Community Development	<u>183,690</u>
Total Depreciation	<u>\$ 58,679,216</u>
Internal Service Fund Depreciation	<u>(1,940,486)</u>
Combined Adjustment	<u>\$ 56,738,730</u>

**Business Type Activities**

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<u>Water and Sewer:</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 16,990,313	\$ -	\$ -	\$ 16,990,313
Construction in progress	<u>56,537,297</u>	<u>48,784,673</u>	<u>25,213,969</u>	<u>80,108,001</u>
Total Capital Assets Not Being Depreciated	<u>\$ 73,527,610</u>	<u>\$ 48,784,673</u>	<u>\$ 25,213,969</u>	<u>\$ 97,098,314</u>
<b>Other Capital Assets:</b>				
Buildings	\$ 329,497,136	\$ 3,004,197	\$ -	\$ 332,501,333
Equipment	114,199,125	1,288,180	227,164	115,260,141
Improvements	1,426,652	-	-	1,426,652
Infrastructure	<u>922,203,670</u>	<u>29,194,431</u>	<u>207,595</u>	<u>951,190,506</u>
Total Other Capital Assets	<u>\$ 1,367,326,583</u>	<u>\$ 33,486,808</u>	<u>\$ 434,759</u>	<u>\$ 1,400,378,632</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	\$ (80,300,239)	\$ (6,438,987)	\$ -	\$ (86,739,226)
Equipment	(51,979,151)	(7,796,267)	(217,453)	(59,557,965)
Improvements	(879,154)	(39,671)	-	(918,825)
Infrastructure	<u>(241,788,242)</u>	<u>(14,107,030)</u>	<u>(126,387)</u>	<u>(255,768,885)</u>
Total Accumulated Depreciation	<u>\$ (374,946,786)</u>	<u>\$ (28,381,955)</u>	<u>\$ (343,840)</u>	<u>\$ (402,984,901)</u>
Total Net of Depreciation	<u>\$ 1,065,907,407</u>	<u>\$ 53,889,526</u>	<u>\$ 25,304,888</u>	<u>\$ 1,094,492,045</u>
<u>Belmont Golf Course:</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 250,491	\$ -	\$ -	\$ 250,491
Total Capital Assets Not Being Depreciated	<u>\$ 250,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,491</u>
<b>Other Capital Assets:</b>				
Buildings	\$ 1,907,587	\$ -	\$ -	\$ 1,907,587
Equipment	1,009,939	43,350	130,014	923,275
Improvements	<u>2,341,902</u>	<u>-</u>	<u>-</u>	<u>2,341,902</u>
Total Other Capital Assets	<u>\$ 5,259,428</u>	<u>\$ 43,350</u>	<u>\$ 130,014</u>	<u>\$ 5,172,764</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	\$ (833,321)	\$ (30,365)	\$ -	\$ (863,686)
Equipment	(616,493)	(48,334)	(130,014)	(534,813)
Improvements	<u>(2,108,897)</u>	<u>(38,055)</u>	<u>-</u>	<u>(2,146,952)</u>
Total Accumulated Depreciation	<u>\$ (3,558,711)</u>	<u>\$ (116,754)</u>	<u>\$ (130,014)</u>	<u>\$ (3,545,451)</u>
Total Net of Depreciation	<u>\$ 1,951,208</u>	<u>\$ (73,404)</u>	<u>\$ -</u>	<u>\$ 1,877,804</u>

**COUNTY OF HENRICO, VIRGINIA**  
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**Component Units**

<u>School Board:</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital Assets Not Being Depreciated:				
Land	\$ 41,881,381	\$ 15,855	\$ -	\$ 41,897,236
Construction in progress	16,130,346	11,467,049	11,377,450	16,219,945
Total Capital Assets Not Being Depreciated	<u>\$ 58,011,727</u>	<u>\$ 11,482,904</u>	<u>\$ 11,377,450</u>	<u>\$ 58,117,181</u>
Other Capital Assets:				
Buildings	\$ 237,918,794	\$ 14,768,934	\$ -	\$ 252,687,728
Equipment	160,726,690	16,943,032	55,005,120	122,664,602
Improvements	26,430,362	400,713	-	26,831,075
Total Other Capital Assets	<u>\$ 425,075,846</u>	<u>\$ 32,112,679</u>	<u>\$ 55,005,120</u>	<u>\$ 402,183,405</u>
Accumulated Depreciation	<u>(253,059,010)</u>	<u>(21,531,408)</u>	<u>(54,979,457)</u>	<u>(219,610,961)</u>
Total Net of Depreciation	<u>\$ 230,028,563</u>	<u>\$ 22,064,175</u>	<u>\$ 11,403,113</u>	<u>\$ 240,689,625</u>

All depreciation for the fiscal year ended June 30, 2011 was charged to the education function.

<u>James River Juvenile Detention Center:</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
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	228,197	13,678	-	241,875
Total Other Capital Assets	<u>\$ 9,709,504</u>	<u>\$ 13,678</u>	<u>\$ -</u>	<u>\$ 9,723,182</u>
Accumulated Depreciation	<u>(2,427,712)</u>	<u>(253,510)</u>	<u>\$ -</u>	<u>(2,681,222)</u>
Total Net of Depreciation	<u>\$ 7,311,792</u>	<u>\$ (239,832)</u>	<u>\$ -</u>	<u>\$ 7,071,960</u>

**NOTE 7. LONG-TERM DEBT**

**Governmental Activities**

The following is a summary of the changes in the total long-term liabilities for the year ended June 30, 2011:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
General obligation (GO) bonds	\$ 420,720,000	\$ 72,205,000	\$ 31,500,000	\$ 461,425,000
Capital lease obligations	36,568,194	311,658	977,397	35,902,455
Accrued claims payable	22,279,822	14,605,668	12,728,286	24,157,204
Accrued compensated absences	18,464,131	19,189,425	19,244,295	18,409,261

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Pension liabilities	3,376,552	16,540	-	3,393,092
Landfill post-closure costs	<u>9,362,578</u>	<u>-</u>	<u>33,852</u>	<u>9,328,726</u>
Total	<u>\$ 510,771,277</u>	<u>\$ 106,328,291</u>	<u>\$ 64,483,830</u>	<u>\$ 552,615,738</u>
Premium on bonds	<u>30,772,866</u>	<u>5,713,957</u>	<u>3,553,054</u>	<u>32,933,769</u>
Total long-term debt	<u>\$ 541,544,143</u>			<u>\$ 585,549,507</u>
Current maturities	<u>(65,579,222)</u>			<u>(64,819,207)</u>
Net long-term liabilities	<u>\$ 475,964,921</u>			<u>\$ 520,730,300</u>

The current maturity of long-term liabilities at June 30, 2011 consists of the following:

General obligation bonds	\$ 30,430,000
Capital lease obligations	1,983,848
Accrued claims payable	13,962,368
Accrued compensated absences	18,409,261
Landfill	<u>33,730</u>
Total current maturities	<u>\$ 64,819,207</u>

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, 2011 were:	
Long-term liabilities (detail above)	\$ 585,549,507
Internal Service Fund long-term liabilities	<u>(8,585,552)</u>
Combined adjustment	<u>\$ 576,963,955</u>

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 \$2,813,255, which represents the change in accrued interest on bonds payable as of June 30, 2011.

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 \$236,948,800 has been issued as of June 30, 2009. In 2005, voters authorized an additional \$349,300,000 in bonds, of which \$196,199,909 has been issued as of June 30, 2010. 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.

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On August 2, 2005, the County sold General Obligation Public Improvement Bonds, Series 2005 in the aggregate principal amount of \$77,815,000 to provide funding for certain school capital 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 15<sup>th</sup> 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 to provide funding for certain 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 1<sup>st</sup> in each of the years 2007 through 2026.

On January 10, 2008, the County sold General Obligation Public Improvement Bonds, Series 2008 in the aggregate principal amount of \$29,810,000 to provide funding for certain school capital improvement projects, fire stations and facilities in the County, pursuant to the voter authorization at an election held on March 8, 2005. The Bonds mature on December 1 in each of the years 2008 through 2027.

On July 2, 2008, the County sold Virginia Public School Authority (VPSA) Special Obligation School Financing Bonds, Series 2008, in the aggregate principal amount of \$44,440,000 to provide funding for various school capital improvement projects. The interest rates on these bonds range between 3.5 percent and 5.0 percent. The bonds mature on July 15<sup>th</sup> in each of the years 2009 through 2028.

On November 13, 2008, the County sold County of Henrico, Virginia General Obligation Public Improvement Bonds, Series 2008A, in the aggregate principal amount of \$93,090,000 to provide funding for various county and school capital improvement projects. The interest rates on these bonds range between 3.5 percent and 5.0 percent. The bonds mature on December 1<sup>st</sup> in each of the years 2009 through 2028.

On May 13, 2009, the County sold \$33,785,000 General Obligation Public Improvement Refunding Bonds – Series 2009 to advance refund, \$20,010,000 of the County's Series 2001 General Obligation Public Improvement Bonds and \$13,320,000 of the County's Series 2002 General Obligation Public Improvement Bonds. The interest rate on the 2009 bond issue is between 2 percent and 5 percent and the final maturity will occur on March 1, 2022. The principal payments range from \$100,000 to \$3,110,000. The County reduced its aggregate debt service payments by approximately \$ 1.8 million over the next 13 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$5.23 million. The proceeds of the 2009 Refunding Issue were deposited in a trust fund and were used to purchase U.S. Government Obligations that will mature and bear interest payable at times and in amounts sufficient to pay interest when due on the Refunded Bonds to their respective redemption dates and to pay the redemption prices of the Refunded Bonds on such dates. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (of which \$13,320,000 remained outstanding at June 30, 2011) nor the assets placed in the trust fund are reflected in the County's financial statements.

On May 3, 2010, the County sold \$119,735,000 General Obligation Public Improvement Refunding Bonds – Series 2010 to refund, prior to maturity, portions of the following bonds: General Obligation Public Improvement Bonds Series 2004, 2005, 2006, 2008 and 2008A and General Obligation Public Improvement and Refunding Bonds Series 2003. The interest rate on the 2010 bond issue is between 3 percent and 5 percent and the final maturity will occur on July 15, 2025. The principal payments range from \$475,000 to \$18,040,000. The County reduced its aggregate debt service payments by approximately \$3.9 million over the next 15 years and obtained an economic gain of (difference between the present value of the old and new debt service payments) of \$6.5 million. The proceeds of the 2010 Refunding Issue were deposited in a trust fund and were used to purchase U. S. Government Obligations that will mature and bear interest payable at times and in amounts sufficient to pay interest when due on the Refunded Bonds to their respective redemption dates and to pay the redemption prices of the Refunded Bonds on such dates. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (of which \$124,570,000 remained outstanding at June 30, 2011) nor the assets placed in the trust fund are reflected in the County's financial statements.

On July 20, 2010, the County sold General Obligation Public Improvement Bonds, Series 2010A in the aggregate principal amount of \$72,205,000. 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 March 8, 2005. The Bonds mature on August 1st in each of the years 2011 through 2030. The interest rate ranges from 2 percent to 5 percent.

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As of June 30, 2011, 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 of \$1,593,206 at June 30, 2011. The Water and Sewer Fund has recorded an estimated arbitrage rebate liability of \$1,320,579 at June 30, 2011.

General Obligation Bonds

Details of general obligation bonds for the County at June 30, 2011 are as follows:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance</u>
VPSA 1996 Bonds	5.00-6.00	11/01/96	07/15/16	\$ 30,595,000	\$ 9,175,000
VPSA 1999A Bonds	4.35-5.23	05/01/99	07/15/19	35,740,000	16,065,000
VPSA 2000 Bonds	5.00-6.25	05/01/00	07/15/20	15,215,000	7,600,000
VPSA 2008 Bonds	4.00-5.00	07/02/08	07/15/28	44,440,000	39,990,000
2002 G.O. Bonds	3.00-5.00	02/01/02	04/01/22	27,035,000	1,335,000
2003 G.O. Bonds	2.00-5.00	01/15/03	01/15/23	107,545,000	9,925,000
2004 G.O. Bonds	4.00-5.25	05/15/04	07/15/24	38,920,000	7,780,000
2005 G.O. Bonds	3.25-5.00	08/17/05	07/15/25	77,815,000	38,900,000
2006 G.O. Bonds	4.00-5.00	11/15/06	12/01/26	71,915,000	39,545,000
2008 G.O. Bonds	3.25-5.00	1/31/08	12/01/27	29,810,000	19,380,000
2008A G.O. Bonds	3.50-5.00	11/14/08	12/01/28	93,090,000	47,145,000
2009 G.O. Bonds	2.00-5.00	05/13/09	03/01/22	33,785,000	33,120,000
2010 G.O. Bonds	3.00-5.00	05/27/10	07/15/25	119,735,000	119,260,000
2010A G.O. Bonds	2.00-5.00	07/20/10	08/01/30	72,205,000	<u>72,205,000</u>
<b>TOTAL</b>					<u>\$ 461,425,000</u>

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 30,430,000	\$ 19,982,846
2013	31,730,000	18,685,871
2014	32,765,000	17,275,206
2015	31,115,000	15,942,762
2016	31,105,000	14,563,603

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2017-2021	147,530,000	51,882,621
2022-2026	111,500,000	21,365,369
2027-2030	<u>45,250,000</u>	<u>3,433,438</u>
<b>TOTAL</b>	<b><u>\$ 461,425,000</u></b>	<b><u>\$ 163,131,716</u></b>

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. The County has no sinking fund or legal debt margin requirements. All 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 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 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, 2011 are as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
<b>Water and Sewer Revenue Bonds:</b>				
2002 Refunding Bonds – 17,345,000 3.0% to 4.625%	\$ 3,850,000	\$ -	\$ 1,335,000	\$ 2,515,000
2006 Revenue and Refunding Bonds - \$86,265,000, 4.25% to 5.00%	78,565,000	-	2,080,000	76,485,000
2009 Refunding Bonds - \$70,360,000, 2.25% to 5.00%	67,590,000	-	2,845,000	64,745,000
2010 Refunding Bonds - \$22,915,000, 2.25% to 5.00%	22,915,000	-	-	22,915,000
2010 Build America Bonds - \$9,800,000, 2.25% to 5.00%	<u>9,800,000</u>	<u>-</u>	<u>-</u>	<u>9,800,000</u>
Total bonds payable	<u>\$ 182,720,000</u>	<u>\$ -</u>	<u>\$ 6,260,000</u>	<u>\$ 176,460,000</u>
<b>Other Liabilities:</b>				
Capital lease obligations	\$ 23,332	\$ -	\$ 7,222	\$ 16,110
Accrued compensated absences	1,007,281	1,231,951	1,107,162	1,132,070
Pension liabilities	<u>237,261</u>	<u>1,161</u>	<u>-</u>	<u>238,422</u>
Total long-term liabilities	<u>\$ 183,987,874</u>	<u>\$ 1,233,112</u>	<u>\$ 7,374,384</u>	<u>\$ 177,846,602</u>
Premium on bonds payable	<u>5,193,854</u>	<u>-</u>	<u>360,632</u>	<u>4,833,222</u>
Total long-term debt	<u>\$ 189,181,728</u>			<u>\$ 182,679,824</u>
Current maturities	<u>(7,189,628)</u>			<u>(9,518,880)</u>
Net long-term liabilities	<u>\$ 181,992,100</u>			<u>\$ 173,160,944</u>

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Current maturities of long-term debt at June 30, 2011, consist of the following:

Revenue bonds	\$ 8,400,000
Capital lease obligations	8,110
Accrued compensated absences	<u>1,110,770</u>
Total current maturities	<u>\$ 9,518,880</u>

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 reflected in the County's financial statements. At June 30, 2010, \$57,610,000 of Water and Sewer System Revenue Bonds, which were considered defeased, remained outstanding.

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 2.14 times the annual debt service requirements for the year ended June 30, 2011.

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 1<sup>st</sup> in each of the years 2007 through 2036. The Water and Sewer Revenue 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.

On February 19, 2009, the County issued \$70,360,000 of Water and Sewer Refunding Bonds to refund the entire outstanding balance of the 1999 bond series. The interest rate on these bonds is between 2.25% and 5% and the final maturity will occur on May 1, 2028. The principal payments range from \$315,000 to \$5,065,000. The advance refunding resulted in the recognition of an accounting gain of \$2,150,208 for the year ended June 30, 2010. The Fund reduced its aggregate debt service payments by approximately \$5,650,606 over the next 20 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$5,406,608. 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 December 22, 2009, the County issued \$22,915,000 of Water and Sewer Refunding Bonds to refund the entire outstanding balance of the Variable Rate Series 1997 VRA Bonds. The interest rate on these bonds is between 2% and 5% and the final maturity will occur on May 1, 2028. The principal payments range from \$1,175,000 to \$2,050,000. The Water and Sewer Revenue Fund reduced its aggregate debt service payments by \$44,418,268 over the next 20 years.



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The County also issued \$9,800,000 of Taxable-Recovery Zone Economic Development Bonds (RZEDB). Pursuant to the American Recovery and Investment Act of 2009, the County will receive a cost subsidy payment from the United States Treasury equal to 45% of the interest payable on the Series 2009B Bonds on each interest payment date. These bonds were issued at a taxable interest rate of between 5.853% and 6.153% and the final maturity will occur on May 1, 2036.

Principal and interest payment on the Bonds for the five fiscal years subsequent to June 30, 2011 and thereafter follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 8,400,000	\$ 8,303,903
2013	8,565,000	7,950,628
2014	7,815,000	7,588,991
2015	5,700,000	7,351,053
2016	5,980,000	7,078,003
2017-2021	33,590,000	31,672,244
2022-2026	42,390,000	22,847,544
2027-2031	34,705,000	12,236,643
2032-2036	<u>29,315,000</u>	<u>4,757,199</u>
<b>Total</b>	<b><u>\$ 176,460,000</u></b>	<b><u>\$ 109,786,208</u></b>

**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 was converted into a 20-year note payable with annual installments due on the anniversary date of the note. There were no outstanding Literary Fund loans at June 30, 2011.

The School Board's outstanding debt as of June 30, 2011 is as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital lease obligations	\$ 20,337,101	\$ 12,918,105	\$ 11,556,345	\$ 21,698,861
Accrued claims payable	5,277,573	2,024,535	2,104,927	5,197,181
Accrued compensated absences	<u>4,792,502</u>	<u>6,580,505</u>	<u>5,962,576</u>	<u>5,410,431</u>
Total School Board	\$ 30,407,176	\$ 21,523,145	\$ 19,623,848	\$ 32,306,473
Current Maturities	<u>(15,438,044)</u>			<u>(17,623,150)</u>
Net long-term liabilities	<u>\$ 14,969,132</u>			<u>\$ 14,683,323</u>

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Current maturities of long-term debt at June 30, 2011, consist of the following:

Capital lease obligations	\$ 10,139,856
Accrued claims payable	2,072,863
Accrued compensated absences	<u>5,410,431</u>
<b>Total current maturities</b>	<b><u>\$ 17,623,150</u></b>

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, 2011 is as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Facility revenue bond	\$ 3,470,000	\$ -	\$ 510,000	\$ 2,960,000
Capital lease obligations	7,549	-	1,586	5,963
Accrued compensated absences	<u>122,194</u>	<u>185,547</u>	<u>177,721</u>	<u>130,020</u>
<b>Total JRJDC</b>	<b>\$ 3,599,743</b>	<b><u>\$ 185,547</u></b>	<b><u>\$ 689,307</u></b>	<b>3,095,983</b>
Current Maturities	<u>(634,037)</u>			<u>(667,077)</u>
<b>Net long-term liabilities</b>	<b><u>\$ 2,965,706</u></b>			<b><u>\$ 2,428,906</u></b>

Current maturities of long-term debt at June 30, 2011, consist of the following:

Revenue bonds	\$ 535,000
Capital lease obligations	2,057
Accrued compensated absences	<u>130,020</u>
<b>Total current maturities</b>	<b><u>\$ 667,077</u></b>

Principal and interest payments for future fiscal years subsequent to June 30, 2011 are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 535,000	\$ 134,610
2013	565,000	106,878
2014	590,000	78,106
2015	620,000	47,964
2016	<u>650,000</u>	<u>16,327</u>
<b>Total</b>	<b><u>\$ 2,960,000</u></b>	<b><u>\$ 383,885</u></b>

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 GAAP, which states a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. As such, \$20,560,295 of equipment and \$36,425,000 of buildings has been capitalized as of June 30, 2011. 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

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to satisfy capital lease obligations are recorded as 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 were 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 through 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 County’s financial statements. This advanced refunding was undertaken to reduce the total debt service payments over 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.

On August 27, 2009, the Economic Development Authority of Henrico, County Virginia (the “Authority”) issued \$10,210,000 Governmental Projects Lease Revenue Refunding Bonds, Series 2009A to refund a portion of the Authority’s Series 1996 and Series 1998 Lease Revenue Bonds and \$26,215,000 Public Facility Lease Revenue Refunding Bonds, Series 2009B to refund a portion of the Authority’s Series 1999 Public Lease Revenue Refunding Bonds. The interest rate on the 2009A Refunding Bonds is between 2% and 3.25%. The principal payments range from \$80,000 to \$1,740,000 with the final maturity on June 1, 2018. The interest rate on the 2009B Refunding Bonds is between 3% and 5%. The principal payments range from \$1,035,000 to \$2,935,000 with the final maturity on June 1, 2018.

The Schools have entered into agreements for the leasing of computer hardware and equipment. These leases meet the criteria of a capital lease as defined by GAAP. As such, \$21,698,861 of equipment and has been capitalized as of June 30, 2011.

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

<u>Years</u>	<u>Equipment Lease Obligations</u>	<u>EDA Lease Obligations</u>	<u>Schools</u>	<u>Total Future Minimum Lease Payments</u>
2012	\$ 146,813	\$ 3,287,763	\$ 10,260,756	\$ 13,695,332
2013	111,563	4,482,775	8,294,997	12,889,335
2014	87,817	4,947,150	3,281,750	8,316,717
2015	58,914	4,951,675	686	5,011,275
2016	1,421	4,950,650	-	4,952,071
2017-2021	-	18,351,712	-	18,351,712
2022-2026	<u>-</u>	<u>3,141,425</u>	<u>-</u>	<u>3,141,425</u>
Total minimum lease payments	\$ 406,528	\$ 44,113,150	\$ 21,838,189	\$ 66,357,867
Less amount representing interest	<u>49,073</u>	<u>8,568,150</u>	<u>139,328</u>	<u>8,756,551</u>
Present value of future minimum lease payments	<u>\$ 357,455</u>	<u>\$ 35,545,000</u>	<u>\$ 21,698,861</u>	<u>\$ 57,601,316</u>

**COUNTY OF HENRICO, VIRGINIA**  
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JRJDC entered into a capital lease agreement for \$8,400 during fiscal year 2010 for the leasing of copier equipment. Future minimum lease payments under this capital lease for fiscal years ending June 30 are as follows:

<u>Years</u>	<u>Equipment Lease Obligations</u>
2012	\$ 3,107
2013	3,056
2014	<u>1,456</u>
Total minimum lease payments	7,619
Less amount representing interest	<u>1,656</u>
Present value of future minimum lease payments	<u>\$ 5,963</u>

The Water and Sewer Fund entered into capital lease agreements for copier equipment for \$24,123 during fiscal year 2010. Future minimum lease payments under this capital lease for fiscal years ending June 30, are as follows:

<u>Years</u>	<u>Equipment Lease Obligations</u>
2012	\$ 8,614
2013	<u>7,594</u>
Total minimum lease payments	16,208
Less amount representing interest	<u>98</u>
Present value of future minimum lease payments	<u>\$ 16,110</u>

**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 \$2,118,555 for these cases and potential counterclaims where the County is the plaintiff. It is probable that approximately \$323,500 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, 2011 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, 2011 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.

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C. Risk Management

The County and School Board maintain a self-insurance program ("Program") for workers' compensation claims, certain property and casualty risks, health care and other claims. Insurance carriers cover workers' compensation claims in excess of \$750,000 per occurrence. VaCOR, through the Travelers Insurance Company, covers property claims in excess of \$1,000,000 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, 2011 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 \$775,207 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, 2011, 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.

Effective January 1, 2008, the County began participating in a self-funded health care program covering medical and prescription drug costs. The County pays all covered claims up to \$500,000 per individual per year. Individual claims that exceed \$500,000 per year are covered by specific excess risk insurance. Additionally, claims in the aggregate that exceed 125% of projected claims for the year are covered by aggregate excess risk insurance. The carrier of the excess risk policy is Coventry Health and Life Insurance Company. The County has recorded \$8,278,000 for health care claims incurred but not reported in the Health Care Fund at June 30, 2011.

In addition, the County has recorded \$15,879,204 for the County and \$5,197,181 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, 2010 that are not expected to be liquidated with current resources. Also, the County has assigned \$10,000,000 of the June 30, 2011 General Fund's Fund balance as a self-insurance reserve.

At June 30, 2011, the County and Schools had an outstanding claims liability as follows:

	<u>FY 2010</u>		<u>FY 2011</u>	
	<u>County</u>	<u>Schools</u>	<u>County</u>	<u>Schools</u>
Balance, July 1	\$ 21,268,551	\$ 5,295,567	\$ 22,279,822	\$ 5,277,573
Current year claims and changes in estimates	13,242,730	2,010,106	14,605,668	2,024,535
Claim payments	<u>(12,279,822)</u>	<u>(2,028,100)</u>	<u>(12,728,286)</u>	<u>(2,104,927)</u>
Balance, June 30	<u>\$ 22,279,822</u>	<u>\$ 5,277,573</u>	<u>\$ 24,157,204</u>	<u>\$ 5,197,181</u>

D. Commitments

At June 30, 2011, the County had contractual commitments for the construction of various projects as follows:

	<u>Primary Government</u>	<u>Component Unit-Schools</u>
Capital Projects Funds:		
Computer and Technology Improvements	\$ 4,124,624	\$ -
Buildings and Grounds	2,593,577	-
Road Maintenance and Drainage	8,989,026	-
Community Development	185,985	-
Landfill Expansion and Development	392,599	-
Public Safety Projects	3,572,675	-
Parks and Recreation	2,411,801	-
Judicial Administration	511,884	-
Libraries	2,248,423	-

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Education Projects	44,484,798	15,722,666
<b>Total</b>	<u>\$ 69,515,392</u>	<u>\$ 15,722,666</u>
Enterprise Funds:		
Wastewater Treatment Projects	\$ 29,191,140	
Water Plant Projects	47,639,349	
Computer and Information Systems	1,525,697	
<b>Total</b>	<u>\$ 78,356,186</u>	

**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 \$ 2,522,841 for fiscal year 2011.

At June 30, 2011, the approximate annual long-term commitments for these operating leases were as follows:

<u>Years</u>	<u>County</u>		<u>School Board</u>		<u>Total</u>
	<u>Real Property</u>	<u>Other Equipment</u>	<u>Real Property</u>	<u>Other Equipment</u>	
2012	\$ 1,808,993	\$ 1,960	\$ 457,158	\$ 1,262	\$ 2,269,373
2013	807,642	-	249,654	-	1,057,296
2014	590,862	-	170,125	-	760,987
2015	251,237	-	54,796	-	306,033
2016	20,401	-	55,826	-	76,227
2017-2021	18,705	-	32,949	-	51,654
2022	<u>23</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23</u>
<b>Total</b>	<u>\$ 3,497,863</u>	<u>\$ 1,960</u>	<u>\$1,020,508</u>	<u>\$ 1,262</u>	<u>\$ 4,521,593</u>

All lease obligations (both capital and operating) are contingent upon the Board of Supervisors appropriating funds for each years' 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, 2011, was \$8,361,799 and \$255,826, respectively.

At June 30, 2011, minimum rentals receivable for these existing leases were as follows:

<u>Years</u>	<u>Total</u>
2012	\$ 627,680
2013	566,788
2014	498,345
2015	377,762
2016	290,983
2017-2021	992,652
2022-2026	342,869
2027-2031	259,101
Total	<u>\$ 3,956,180</u>

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The Water and Sewer Fund is the lessor of real estate and other equipment under various operating lease agreements for periods ranging from one to thirty years. The cost and accumulated depreciation on leased property at June 30, 2011, was \$4,425,486 and \$886,381, respectively.

At June 30, 2011, minimum rentals receivable for these existing leases were as follows:

<u>Years</u>	<u>Total</u>
2012	\$ 49,204
2013	27,965
2014	28,014
2015	31,499
2016	31,767
2017-2021	114,988
2022-2026	<u>43,928</u>
Total	<u>\$ 327,365</u>

The School Board is the lessor of real estate under an operating lease agreement for a period of twenty-five years. The cost of the leased property at June 30, 2011, was \$2,977,811.

At June 30, 2011, minimum rentals receivable for these existing leases were as follows:

<u>Years</u>	<u>Total</u>
2012	\$ 18,045
2013	18,586
2014	19,144
2015	19,718
2016	20,310
2017-2021	111,062
2022-2026	128,752
2027-2036	<u>319,149</u>
Total	<u>\$ 654,766</u>

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.

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 contribute to an agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System ("VRS"). 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

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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 compensation (“AFC”) for each year of credited service (1.85 percent to Sheriffs and if the employer elects, to other employees in hazardous positions receiving enhanced benefits). 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. AFC is defined as the highest consecutive 36 months of reported compensation. 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/Publications/2009-Annual-Report.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 2011 were 12.16 percent and 16.95 percent, respectively, of annual covered payroll.

**C. Annual Pension Cost**

For 2011, the County annual pension cost of \$37,374,749 was not equal to the required and actual contributions; the School Board Non-Professional Group’s cost of \$106,615 was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2010 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 5.60 percent per year for general government employees and 3.50 percent to 4.75 percent for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, 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. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a open basis. The remaining amortization period at June 30, 2010 was 20 years.

**NET PENSION OBLIGATION (NPO)**

Annual Required Contribution (ARC)	\$ 37,357,048
Interest on NPO	271,036
Adjustment to the ARC	<u>(253,335)</u>
Annual Pension Cost	37,374,749
Contributions made	<u>(37,357,048)</u>
Increase in NPO	17,701
NPO beginning of year	<u>3,613,813</u>
NPO end of year	<u><u>\$ 3,631,514</u></u>

The Net Pension Obligation at June 30, 2011 consists of \$3,393,092 for Governmental Activities and \$238,422 for Business-Type Activities as presented in Note 7.



COUNTY OF HENRICO, VIRGINIA  
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TREND INFORMATION FOR COUNTY

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
June 30, 2009	\$24,327,745	99.9%	\$ 3,605,965
June 30, 2010	\$24,465,833	99.9%	\$ 3,613,813
June 30, 2011	\$37,374,749	99.9%	\$ 3,631,514

TREND INFORMATION FOR SCHOOL BOARD NON-PROFESSIONAL

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
June 30, 2009	\$ 483,902	100.00%	\$ 0
June 30, 2010	\$ 448,307	100.00%	\$ 0
June 30, 2011	\$ 106,615	100.00%	\$ 0

D. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment and mortality. The amounts determined from the actuarial study regarding the funded status of the Plan and annual pension cost of the County are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHEDULE OF FUNDING PROGRESS FOR COUNTY

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Un-funded Actuarial Accrued Liability (UAAL)</u>	<u>Ratio Funded Obligation</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
June 30, 2008	\$769,150,424	\$901,602,524	\$132,452,100	85.31%	\$211,277,190	62.69%
June 30, 2009	\$786,485,788	\$970,994,237	\$184,508,449	81.00%	\$223,675,627	82.49%
June 30, 2010	\$796,236,438	\$1,070,264,240	\$274,027,802	74.40%	\$221,394,928	123.77%

SCHEDULE OF FUNDING PROGRESS FOR SCHOOL BOARD NON-PROFESSIONAL

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Un-funded Actuarial Accrued Liability (UAAL)</u>	<u>Ratio Funded Obligation</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
June 30, 2008	\$ 6,138,632	\$9,548,261	\$ 3,409,629	64.29%	\$ 2,300,563	148.21%
June 30, 2009	\$ 6,211,508	\$9,715,734	\$ 3,504,226	63.93%	\$ 2,439,176	143.66%
June 30, 2010	\$ 6,165,206	\$7,347,070	\$ 1,181,864	83.91%	\$ 593,051	199.29%

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10. DEFINED BENEFIT PENSION PLAN – COST-SHARING MULTIPLE-EMPLOYER**

**A. Plan Description**

The School Board contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the “VRS”). 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 compensation (‘AFC’) 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. AFC is defined as the highest consecutive 36 months of reported compensation. 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/2009-Annual-Report.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 2011 was 3.93 percent of covered payroll for the first nine months of the fiscal year and zero for the last three months. The School Board’s contributions to VRS for the years ending 2011, 2010, and 2009 were \$20,491,886, \$14,532,319, and \$20,222,996, respectively, and are equal to the required contributions for each year.

**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

In addition to the pension benefits described in Notes 9 and 10, the County provides two types of other postemployment health care benefits (“OPEB”) for retired employees through a single-employer defined benefit plan (“Plan”). The benefit levels, employee contributions and employer contributions are governed by the County and can be amended by the County.

The County participates in the Virginia Pooled OPEB Trust Fund (“Trust Fund”), an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League (“VML”) at P.O. Box 12164, Richmond, Virginia 23241.

**Plan Provisions**

The County provides health and dental care benefits during retirement for retirees and their dependents. Employees who wish to have County sponsored health and dental care coverage must enroll within 31 days of the date their employment coverage ends. Employees retiring with an immediate VRS monthly retirement payment may elect to be covered under the County sponsored medical and dental plan at the time they retire.

Eligible retirees under the age of 65 and their dependents, can remain in the County’ health and dental plans. Medicare eligible retirees at age 65, move to a Medicare carve-out plan which is coordinated with Medicare. Upon the death of the retiree, surviving spouses may elect to remain in the County’s plan.

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Current Henrico County retirees who qualify for health benefits receive an implicit rate subsidy by participating in the active employee health care risk pool. The County also provides a retiree health care supplement for retirees who meet the following eligibility conditions:

1. Retirees who are not eligible for the VRS health care credit.
2. Retirees must have a minimum of 20 full years of VRS service, 10 of which must be with the County.
3. The supplement will be paid only to eligible retirees who choose to remain in the County's group plan.
4. Employees retiring on a VRS disability will receive the monthly supplement for the greater of 30 years or their actual years of VRS service.

Effective January 1, 2006, the monthly supplement is \$3.00 for each full year of service. The plan is not capped; therefore, all VRS service will be recognized for the supplement.

Membership

At June 30, 2011, membership consisted of:

Retirees and beneficiaries	1,321
Active employees	<u>10,408</u>
Total participants	<u>11,729</u>

Funding Policy

The County currently plans to contribute amounts to the Virginia Pooled OPEB Trust Fund sufficient to fully fund the Annual Required Contribution ("ARC"), an actuarially determined contribution amount in accordance with the parameters of GAAP.

Annual OPEB Cost and Net OPEB Obligation (Asset)

In accordance with GAAP, an actuarial study was prepared calculating the postemployment healthcare cost as of June 30, 2011. The actuarial evaluation estimated the Unfunded Actuarial Accrued Liability ("UAAL") at \$85,177,368 and an ARC of \$9,755,300. The postemployment healthcare cost was determined under the Projected Unit Credit Actuarial Cost Method. The calculation was based on a 7.0 percent discount rate and the amortization of the UAAL over 30 years. This represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and the amortization of the UAAL over 30 years. The current ARC of \$9,755,300 is .44 percent of annual covered payroll. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for the year ended June 30, 2011.

**NET OPEB OBLIGATION (ASSET)**

Annual Required Contribution (ARC)	\$ 9,755,300
Interest on Net OPEB Obligation (Asset)	(463,000)
Adjustment to the ARC	<u>397,200</u>
Annual OPEB Cost	9,689,500
Contributions made	<u>(9,227,400)</u>
Decrease in Net OPEB Asset	462,100
Net OPEB Obligation (Asset) beginning of year	<u>(6,614,955)</u>
Net OPEB Obligation (Asset) end of year	<u>\$ (6,152,855)</u>

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The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the fiscal year ended June 30, 2011 is as follows:

**TREND INFORMATION FOR COUNTY**

<b><u>FISCAL YEAR ENDED</u></b>	<b><u>ANNUAL OPEB COST</u></b>	<b><u>PERCENTAGE OF OPEB CONTRIBUTED</u></b>	<b><u>NET OPEB ASSET</u></b>
June 30, 2009	\$9,037,538	139.64%	\$ (6,549,785)
June 30, 2010	\$9,310,430	100.70%	\$ (6,614,955)
June 30, 2011	\$9,689,500	95.23%	\$ (6,152,855)

The Net OPEB Asset and other assets are reported in the Statement of Net Assets. The adjustment from modified accrual to full accrual is as follows:

Balances at June 30, 2011 were:	
Net OPEB Asset (detail above)	\$ 6,152,855
Bond Issuance Costs (Note 1)	<u>2,823,460</u>
Combined adjustment	<u>\$ 8,976,315</u>

**Funded Status and Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and health care cost trends. The amounts determined from the actuarial study regarding the funded status of the Plan and annual required contributions of the County are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**SCHEDULE OF FUNDING PROGRESS**

<b><u>Actuarial Valuation Date</u></b>	<b><u>Actuarial Value of Assets</u></b>	<b><u>Actuarial Accrued Liability (AAL)</u></b>	<b><u>Unfunded Actuarial Accrued Liability (UAAL)</u></b>	<b><u>Ratio Funded Obligation</u></b>	<b><u>Covered Payroll</u></b>	<b><u>UAAL as a Percentage of Covered Payroll</u></b>
June 30, 2009	\$11,024,022	\$85,177,368	\$74,153,346	12.94%	\$452,853,644	16.37%
June 30, 2010	\$18,186,171	\$90,510,200	\$72,324,029	20.10%	\$457,044,230	15.82%
June 30, 2011	\$25,006,703	\$86,752,386	\$61,745,683	28.83%	\$447,799,793	13.79%

**Actuarial Methods and Assumptions**

The projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the June 30, 2011 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 7.00 percent rate of return and an annual healthcare cost trend rate of 9.00 percent trending down over the next eight years to a rate of 5.00 percent for future years. The remaining amortization period at June 30, 2011 for the UAAL was 26 years.

COUNTY OF HENRICO, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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**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, 2011, an expenditure of \$7,696,537 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 Park Golf Course for \$112,500 for a loan. The General Fund also has a receivable due from Belmont Park Golf Course for \$654,630 for a loan. The Water and Sewer Fund has a receivable due from the Capital Projects Fund for a loan. The Health Care Fund has a receivable due from each of the funds listed below for health care contributions due as of June 30, 2011.

Receivables and payables balances at June 30, 2011 were as follows:

	<b>Receivables</b>	<b>Payables</b>
General Fund	\$ 654,630	\$ 694,802
Special Revenue Fund	-	94,753
Water and Sewer Fund	5,130,128	63,626
Capital Projects Fund	-	5,130,128
Belmont Park Golf Course	-	656,508
Component Unit – School Board	-	138,184
Component Unit – JRJDC	-	12,551
Central Automotive Maintenance	-	14,831
Health Care Fund	1,020,625	-
	<b>\$ 6,805,383</b>	<b>\$ 6,805,383</b>

The General Fund has a receivable due from JRJDC for operating expenses paid by the General Fund. The Capital Projects Fund has a payable to Schools for a loan.

Component unit receivables and payables balances at June 30, 2011 were as follows:

	<b>Receivables</b>	<b>Payables</b>
General Fund	\$ 556,905	\$ -
Capital Projects Fund	-	10,596,577
Component Unit – School Board	10,596,577	-
Component Unit - JRJDC	-	556,905
	<b>\$ 11,153,482</b>	<b>\$ 11,153,482</b>

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 14. FUND TRANSFERS**

Transfers within the County are made between the General Fund, Special Revenue Fund, Debt Service Fund and the Capital Projects Fund. 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, 2011 were as follows:

	<b>Transfers Out</b>	<b>Transfers In</b>
Governmental Funds:		
General Fund	\$ 96,800,799	\$ -
Special Revenue Fund	-	19,339,124
Debt Service Fund	-	49,832,472
Capital Projects Fund	-	27,629,203
	<u>\$ 96,800,799</u>	<u>\$ 96,800,799</u>

**NOTE 15. RELATED-PARTY TRANSACTIONS**

During fiscal year 2011, the County contributed \$1,618,626 to the Economic Development Authority, to foster economic development within the County, and the County received \$236,530 from the Capital Region Airport Commission for water and sewer services.

**NOTE 16. UNEARNED REVENUES**

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 \$31,189,305 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, 2011 totaled \$5,207,642 and \$5,388,588 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 \$7,304,927 at June 30, 2011.

C. Advance Property Tax Collections

Property taxes due subsequent to June 30, 2011, but paid in advance by the taxpayers, totaled \$12,931,754 at June 30, 2011.

D. Other Unearned Revenue

This represents grant monies that the County is entitled to but is not yet an available resource at June 30, 2010. The County recorded \$344,837 in the General Fund for monies received in advance of expenditures being made as of June 30, 2011. Unearned grant revenues for the Schools Special Revenue Fund totaled \$11,557 for USDA donated food inventory on hand at June 30, 2011.

Also, the Water and Sewer Enterprise Fund recorded deferred revenue in the amount of \$17,138,852, which consists of an advance payment from a customer of \$9,696,148 for water capacity, an advance from a customer of \$1,562,087 for sewer capacity and amounts held for contractors of \$5,880,617.

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 17. SURETY BONDS (UNAUDITED)**

Surety bonds covered the following constitutional officers and County employees at June 30, 2011:

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
John A. Vithoukias – Director of Finance and Employees of the Director of Finance	\$ 1,000,000
Michael L. Wade – Sheriff and Employees of the Sheriff’s Office	\$ 30,000

Travelers Casualty and Surety Company of America

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

Fidelity and Deposit Company of Maryland

Virgil R. Hazelett – County Manager	\$ 100,000
Paul N. Proto – Director of Department of General Services	\$ 100,000
George T. Drumwright, Jr. – Deputy County Manager	\$ 100,000
Angela N. Harper – Deputy County Manager	\$ 100,000
Randall R. Silber – Deputy County Manager	\$ 100,000
Leon T. Johnson – Deputy County Manager	\$ 100,000
Robert K. Pinkerton – Deputy County Manager	\$ 100,000
Jane D. Crawley – Director of Department of Social Services	\$ 100,000
Mark J. Coakley – Registrar	\$ 100,000
Debra Hargrave – School Board Deputy Agent	\$ 10,000
Deborah N. Ward – School Board Deputy Clerk	\$ 10,000
Debra Sue M. Largen – School Board Clerk	\$ 10,000
Patrick Russo – School Superintendent and Deputy Agent	\$ 10,000
Kevin D. Smith – School Board Agent	\$ 10,000

**NOTE 18. JOINT VENTURES**

A. The Capital Region Airport Commission

The Capital Region Airport Commission (the "Airport 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 Airport Commission for a 40 percent interest in the venture. The Counties of Chesterfield and Hanover became Airport Commission participants in fiscal year 1984 and fiscal year 1986, respectively.

The Airport 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 Airport 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 Airport 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 Airport Commission's budget contains estimated expenditures which exceed estimated revenues, then the governing bodies are required

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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to fund the deficit in proportion to their financial interests in the Airport 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	<u>9.12%</u>
	<u>100.00%</u>

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 Airport Commission can be obtained from their administrative office at South Airport Drive, Richmond, Virginia 23231.

**B. The Greater Richmond Convention Center Authority**

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 \$9,464,497 for transient occupancy tax to the Convention Authority during the year ended June 30, 2011.

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 GAAP \$9,328,726 has been reported as landfill closure and post-closure care liability in the County’s financial statements at June 30, 2011. 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, 98.9 percent of Phase II’s estimated capacity, and 97.8 percent of Phase III’s and 40.5 percent of Phase IV’s estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of \$1,586,513 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 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.



**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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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 3 years and will be closed in September 2014.

**NOTE 20. SPECIAL ASSESSMENT**

On September 26, 2000, the Board of Supervisors, by resolution, created the Short Pump Town Center Community Development Authority (SPTC Authority). The creation of the SPTC 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 SPTC Authority, any county, city, town or other subdivision of the Commonwealth, including the County, are pledged to the payment of the principal or interest on the 2003 bonds. At June 30, 2009, the total bonds outstanding were paid in full. The final principal payment of \$5,650,000 was paid on February 1, 2009.

On March 14, 2006, the Board of Supervisors, by resolution, created the Reynolds Crossing Community Development Authority (RCC Authority). The creation of the RCC 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 the 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, or the RCC Authority, or any political subdivision thereof, including the County, is pledged to the payment of the principal or interest on the 2007 bonds. At June 30, 2011, the total Bonds outstanding were \$13,016,000. As of June 30, 2011, \$705,790 of interest was paid from the Debt Service Reserve Fund. The second principal payment of \$823,000 was paid March 1, 2011.

By memorandum of understanding between the County and the RCC District, dated November 1, 2006, the County will collect and pay to the District the Special Assessments levied on the District. The Special Assessments for 2011 and 2010 were \$1,590,000 and \$365,000, respectively. As of June 30, 2011, the County has collected \$795,000 for the 2011 first half special assessment and \$182,500 for the 2010 second half special assessments. These special assessment collections were paid to the RCC District on August 15, 2011 and February 15, 2011, respectively.

On December 12, 2006, the Board of Supervisors, by resolution created The Shops at White Oak Village Community Development Authority (SWOV 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 as "The Shops at White Oak Village." The SWOV District consists of approximately 87 acres of land within the County. The SWOV District consists of an open-air regional retail center and outparcel development, with four major anchor stores.

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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On October 17, 2007, the SWOV Authority issued \$23,870,000 Special Assessment Revenue Bonds, Series 2007 (Bonds) which were used to finance the cost of infrastructure improvements within the SWOV District. Neither the faith nor the credit of the Commonwealth, or the SWOV Authority, or any political subdivision thereof, including the County, is pledged to the payment of principal or interest on the Bonds.

At June 30, 2011, the total Bonds outstanding were \$19,648,000 and interest of \$1,185,610 was paid out of the Debt Service Reserve Fund. The second principal payment of \$2,722,000 was paid on March 1, 2011. By memorandum of understanding, between the County and the SWOV District, dated September 1, 2007, the County will collect and pay to the SWOV District the Special Assessments levied on the SWOV District. The Special Assessments for 2011 and 2010 were \$3,834,000 and \$3,790,000, respectively. As of June 30, 2011, the County has collected \$1,917,000 for the 2011 first half special assessment and \$1,895,000 for the 2010 second half special assessments. These special assessment collections were paid to the SWOV District on August 15, 2011 and February 15, 2011, respectively.

**NOTE 21. JOINTLY GOVERNED ORGANIZATIONS**

A. Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (the "CVWM Authority") was established under the provision of the Virginia Water and Sewer Authorities Act. The CVWM 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 CVWM 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, 2011 were \$2,611,105.

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 \$370,000 for the year ended June 30, 2011.

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 \$1,766,847 to RMCVB for the year ended June 30, 2011.

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 \$166,307 for the year ended June 30, 2011.

**COUNTY OF HENRICO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 22. SUBSEQUENT EVENTS**

On September 1, 2011, the County sold General Obligation Public Improvement Bonds, Series 2011 in the aggregate principal amount of \$66,075,000. 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 March 8, 2005. The Bonds mature on August 1st in each of the years 2012 through 2031. The interest rate ranges from 2 percent to 5 percent.



**Henrico County**

**Proud of Our Progress;  
Excited About Our Future**

**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, 2011

Exhibit 11  
Page 1 of 3

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
<b>Primary Government:</b>				
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Current real property taxes	\$ 283,190,000	\$ 283,190,000	\$ 277,686,273	\$ (5,503,727)
Current personal property taxes	65,858,217	65,858,217	65,082,028	(776,189)
Delinquent real property taxes	2,000,000	2,000,000	6,356,206	4,356,206
Delinquent personal property taxes	750,000	750,000	1,212,614	462,614
Interest	275,000	275,000	376,798	101,798
Land redemption	55,000	55,000	10,368	(44,632)
Total general property taxes	<u>352,128,217</u>	<u>352,128,217</u>	<u>350,724,287</u>	<u>(1,403,930)</u>
Other local taxes:				
County recordation taxes	3,400,000	3,400,000	2,881,421	(518,579)
Local sales and use taxes	54,500,000	54,500,000	55,342,248	842,248
Consumer utility taxes	2,600,000	2,600,000	2,495,016	(104,984)
Business and professional license taxes	30,600,000	30,600,000	27,525,602	(3,074,398)
Motor vehicle license taxes	6,325,000	6,325,000	6,253,599	(71,401)
Hotel and motel taxes	9,200,000	9,600,000	9,389,088	(210,912)
Bank franchise taxes	5,000,000	5,000,000	18,906,021	13,906,021
Grantor's taxes	900,000	900,000	738,860	(161,140)
Daily rental tax	290,000	290,000	136,177	(153,823)
Consumption tax	1,200,000	1,200,000	1,102,418	(97,582)
Total other local taxes	<u>114,015,000</u>	<u>114,415,000</u>	<u>124,770,450</u>	<u>10,355,450</u>
Permits, privilege fees and regulatory licenses:				
Municipal library court fees	155,000	155,000	148,770	(6,230)
Transfer fees	10,800	10,800	6,440	(4,360)
Zoning application fees	150,000	150,000	129,515	(20,485)
Structure and equipment permits	2,000,000	2,000,000	1,893,656	(106,344)
Septic tank permits	14,000	14,000	14,665	665
Taxi cab certificates	6,300	6,300	13,522	7,222
Permits to purchase precious metal	2,000	2,000	9,400	7,400
Dog licenses	160,000	160,000	242,321	82,321
Other	366,100	460,242	504,874	44,632
Total permits, privilege fees and regulatory licenses	<u>2,864,200</u>	<u>2,958,342</u>	<u>2,963,163</u>	<u>4,821</u>
Fines and forfeitures:				
False alarm penalties	65,000	65,000	114,755	49,755
Traffic violations	2,200,000	2,200,000	3,044,250	844,250
Parking violations	50,000	50,000	27,604	(22,396)
Total fines and forfeitures	<u>2,315,000</u>	<u>2,315,000</u>	<u>3,186,609</u>	<u>871,609</u>
Revenue from use of money and property:				
Sale of equipment and publications	61,200	61,200	194,754	133,554
Rented county property	419,000	419,000	601,551	182,551
Use of money	9,139,000	9,139,000	2,288,117	(6,850,883)
Total revenue from use of money and property	<u>9,619,200</u>	<u>9,619,200</u>	<u>3,084,422</u>	<u>(6,534,778)</u>
Charges for services:				
Public works	150,000	150,000	159,060	9,060
Library	344,200	344,200	504,433	160,233
Sheriff fees	991,500	991,500	1,318,853	327,353
Commonwealth's Attorney fees	12,000	12,000	18,484	6,484
Public safety	15,000	15,000	10,675	(4,325)
Finance charges	510,000	510,000	437,202	(72,798)
Recreation	616,200	616,200	742,239	126,039
Information technology	750,000	750,000	750,000	-
Total charges for services	<u>3,388,900</u>	<u>3,388,900</u>	<u>3,940,946</u>	<u>552,046</u>

continued

**COUNTY OF HENRICO, VIRGINIA  
EXHIBIT OF REVENUES - BUDGET AND ACTUAL  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Exhibit 11  
Page 2 of 3

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
<b>Primary Government:</b>				
<b>General Fund, continued:</b>				
Miscellaneous	2,838,300	2,880,220	5,204,945	2,324,725
Total miscellaneous	<u>2,838,300</u>	<u>2,880,220</u>	<u>5,204,945</u>	<u>2,324,725</u>
Recovered costs:				
Finance	2,098,700	2,098,700	2,315,224	216,524
General services	790,577	790,577	1,604,458	813,881
Public health	55,000	55,000	134,884	79,884
Public works	378,000	378,000	606,689	228,689
Sheriff	900,000	900,000	1,140,265	240,265
Public safety	5,000	5,000	17,886	12,886
Total recovered costs	<u>4,227,277</u>	<u>4,227,277</u>	<u>5,819,406</u>	<u>1,592,129</u>
Total revenue from local sources	<u>491,396,094</u>	<u>491,932,156</u>	<u>499,694,228</u>	<u>7,762,072</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Rolling stock	105,000	105,000	45,740	(59,260)
Recovery of central costs	475,000	475,000	465,501	(9,499)
Mobile home sales and use tax	12,500	12,500	10,832	(1,668)
Motor vehicle rental tax	2,500,000	2,500,000	2,800,553	300,553
PPTRA revenue	37,001,783	37,001,783	37,001,783	-
Communications sales and use tax - HB568	14,500,000	14,500,000	13,698,421	(801,579)
Overweight truck citations	16,000	16,000	670	(15,330)
Total non-categorical aid	<u>54,610,283</u>	<u>54,610,283</u>	<u>54,023,500</u>	<u>(586,783)</u>
Shared expenses:				
Sheriff	9,694,400	9,694,400	10,544,718	850,318
Commonwealth's Attorney	1,560,000	1,560,000	1,798,606	238,606
Election commission	84,400	84,400	71,697	(12,703)
Finance	-	-	699,773	699,773
Circuit court	2,430,000	2,430,000	2,858,858	428,858
Total shared expenses	<u>13,768,800</u>	<u>13,768,800</u>	<u>15,973,652</u>	<u>2,204,852</u>
Categorical aid:				
Library	190,000	190,000	178,501	(11,499)
Public safety	11,375,000	11,655,983	11,526,709	(129,274)
Social services	3,988,200	6,618,340	6,841,153	222,813
Public works	28,745,000	28,745,000	30,778,773	2,033,773
Juvenile and domestic relations	530,500	530,500	417,552	(112,948)
Total categorical aid	<u>44,828,700</u>	<u>47,739,823</u>	<u>49,742,688</u>	<u>2,002,865</u>
Total revenue from the Commonwealth	<u>113,207,783</u>	<u>116,118,906</u>	<u>119,739,840</u>	<u>3,620,934</u>
Revenue from the Federal government:				
Social services	10,358,200	13,422,228	12,339,969	(1,082,259)
Public safety	27,000	27,000	51,634	24,634
Total revenue from the Federal government	<u>10,385,200</u>	<u>13,449,228</u>	<u>12,391,603</u>	<u>(1,057,625)</u>
Total intergovernmental	<u>123,592,983</u>	<u>129,568,134</u>	<u>132,131,443</u>	<u>2,563,309</u>
<b>Total General Fund</b>	<u>\$ 614,989,077</u>	<u>\$ 621,500,290</u>	<u>\$ 631,825,671</u>	<u>\$ 10,325,381</u>

continued

**COUNTY OF HENRICO, VIRGINIA**  
**EXHIBIT OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Exhibit 11  
Page 3 of 3

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
<b>Primary Government:</b>				
<b>Special Revenue Fund:</b>				
Revenue from local sources:				
General property taxes:				
Current real property taxes	\$ -	\$ 4,155,000	\$ 2,157,919	\$ (1,997,081)
Current personal property taxes	-	-	672,829	672,829
Total general property taxes	-	4,155,000	2,830,748	(1,324,252)
Other local taxes:				
Local sales and use taxes	-	-	1,879,390	1,879,390
Business and professional license taxes	-	-	363,510	363,510
Total other local taxes	-	-	2,242,900	2,242,900
Revenue from use of money and property	84,216	84,216	181,867	97,651
Charges for services:				
Miscellaneous charges for services	8,730,127	8,863,901	8,813,397	(50,504)
Refuse collection billing	6,660,000	6,660,000	7,088,742	428,742
Landfill weighing fees	1,371,845	1,371,845	1,141,354	(230,491)
Recycle fees	1,034,540	1,034,540	321,038	(713,502)
Bulky waste collection fees	678,800	678,800	1,540,955	862,155
Leaf collection	3,064,001	3,064,001	3,064,001	-
Charges for street lights	72,500	72,500	83,098	10,598
Total charges for services	21,611,813	21,745,587	22,052,585	306,998
Miscellaneous revenues	1,289,232	1,394,696	732,799	(661,897)
Recovered costs:				
Recovered costs	513,600	529,978	488,035	(41,943)
Recoveries and rebates	1,300	1,300	11,348	10,048
Total recovered costs	514,900	531,278	499,383	(31,895)
Total revenue from local sources	23,500,161	27,910,777	28,540,282	629,505
Intergovernmental:				
Revenue from the Commonwealth:				
Division of litter control	25,000	25,000	38,269	13,269
Social services	4,875,532	4,889,005	2,945,752	(1,943,253)
Mental health and developmental services	6,620,364	6,830,624	6,917,198	86,574
Virginia department of corrections	1,426,633	1,426,633	1,379,081	(47,552)
Commonwealth's Attorney	199,950	199,950	214,502	14,552
Miscellaneous state grants	960,796	492,619	2,770,354	2,277,735
Total revenue from the Commonwealth	14,108,275	13,863,831	14,265,156	401,325
Revenue from the Federal government:				
Workforce investment	4,053,691	4,739,830	4,691,587	(48,243)
Community development block grants	-	2,162,414	2,785,655	623,241
Public safety	-	2,431,400	3,358,732	927,332
Mental health and developmental services	1,904,184	2,278,345	2,278,744	399
Miscellaneous federal grants	574,221	838,279	578,689	(259,590)
Total revenue from the Federal government	6,532,096	12,450,268	13,693,407	1,243,139
Total intergovernmental	20,640,371	26,314,099	27,958,563	1,644,464
<b>Total Special Revenue Fund</b>	<b>\$ 44,140,532</b>	<b>\$ 54,224,876</b>	<b>\$ 56,498,845</b>	<b>\$ 2,273,969</b>
<b>Grand Total Revenues - Primary Government</b>	<b>\$ 659,129,609</b>	<b>\$ 675,725,166</b>	<b>\$ 688,324,516</b>	<b>\$ 12,599,350</b>



COUNTY OF HENRICO, VIRGINIA  
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Exhibit 12  
Page 1 of 4

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
<b>Primary Government:</b>				
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of Supervisors	\$ 1,096,518	\$ 1,116,268	\$ 1,071,545	\$ 44,723
Total legislative	<u>1,096,518</u>	<u>1,116,268</u>	<u>1,071,545</u>	<u>44,723</u>
General and financial administration:				
County Manager	3,778,174	3,811,305	3,760,830	50,475
County Attorney	2,006,181	2,126,976	2,121,139	5,837
Human resources	5,852,921	5,902,781	5,280,844	621,937
Finance	12,280,200	12,467,664	11,592,340	875,324
General services	20,076,792	26,690,159	24,641,637	2,048,522
Internal audit	376,385	390,937	390,043	894
Real property agent	572,006	572,460	558,417	14,043
Information technology	12,206,329	12,600,291	11,510,150	1,090,141
Total general and financial administration	<u>57,148,988</u>	<u>64,562,573</u>	<u>59,855,400</u>	<u>4,707,173</u>
Board of elections:				
Election commission	1,396,097	1,405,743	1,081,325	324,418
Total board of elections	<u>1,396,097</u>	<u>1,405,743</u>	<u>1,081,325</u>	<u>324,418</u>
Total general government administration	<u>59,641,603</u>	<u>67,084,584</u>	<u>62,008,270</u>	<u>5,076,314</u>
Judicial administration:				
Courts:				
Circuit Court	2,920,449	3,359,571	2,847,804	511,767
General District Court	218,202	306,912	301,129	5,783
Juvenile and Domestic Relations Court	2,392,054	2,356,537	2,255,564	100,973
Total Courts	<u>5,530,705</u>	<u>6,023,020</u>	<u>5,404,497</u>	<u>618,523</u>
Commonwealth's Attorney:				
Commonwealth's Attorney	4,555,170	4,625,163	4,613,657	11,506
Total Commonwealth's Attorney	<u>4,555,170</u>	<u>4,625,163</u>	<u>4,613,657</u>	<u>11,506</u>
Total judicial administration	<u>10,085,875</u>	<u>10,648,183</u>	<u>10,018,154</u>	<u>630,029</u>
Public safety:				
Law enforcement:				
Police department	63,850,251	67,115,876	65,975,926	1,139,950
Total law enforcement	<u>63,850,251</u>	<u>67,115,876</u>	<u>65,975,926</u>	<u>1,139,950</u>
Fire services:				
Fire department	49,027,826	50,770,242	48,839,270	1,930,972
Total fire services	<u>49,027,826</u>	<u>50,770,242</u>	<u>48,839,270</u>	<u>1,930,972</u>
Correction and detention:				
Sheriff	33,515,801	34,347,316	34,317,232	30,084
Juvenile and Domestic Relations District Court	3,281,789	3,281,789	3,281,789	-
Total correction and detention	<u>36,797,590</u>	<u>37,629,105</u>	<u>37,599,021</u>	<u>30,084</u>
Inspections:				
Building	4,330,403	4,332,994	4,044,431	288,563
Total inspections	<u>4,330,403</u>	<u>4,332,994</u>	<u>4,044,431</u>	<u>288,563</u>
Other protection:				
Office of emergency services	288,227	275,768	274,904	864
Animal protection	1,453,410	1,382,865	1,333,409	49,456
Building security	1,385,957	1,433,501	1,383,478	50,023
Total other protection	<u>3,127,594</u>	<u>3,092,134</u>	<u>2,991,791</u>	<u>100,343</u>
Total public safety	<u>157,133,664</u>	<u>162,940,351</u>	<u>159,450,439</u>	<u>3,489,912</u>

continued

COUNTY OF HENRICO, VIRGINIA  
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Exhibit 12  
Page 2 of 4

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
<b>Primary Government:</b>				
<b>General Fund, continued:</b>				
Public works:				
Maintenance of highways and streets:				
General administration	1,276,328	1,287,217	1,235,140	52,077
Mass transit	5,164,566	5,171,604	5,684,825	(513,221)
Design	2,213,172	2,225,813	2,145,628	80,185
Construction and maintenance	22,331,833	26,233,228	21,469,699	4,763,529
Traffic engineering	3,188,959	3,176,686	2,730,496	446,190
Miscellaneous	1,680,668	1,821,777	1,468,752	353,025
Total maintenance of highways and streets	<u>35,855,526</u>	<u>39,916,325</u>	<u>34,734,540</u>	<u>5,181,785</u>
Sanitation and waste removal:				
Leaf collection	3,064,001	3,064,001	3,064,001	-
Total sanitation and waste removal	<u>3,064,001</u>	<u>3,064,001</u>	<u>3,064,001</u>	<u>-</u>
Total public works	<u>38,919,527</u>	<u>42,980,326</u>	<u>37,798,541</u>	<u>5,181,785</u>
Health and social services:				
Health:				
Public health department	1,645,730	1,645,730	1,524,652	121,078
Total health	<u>1,645,730</u>	<u>1,645,730</u>	<u>1,524,652</u>	<u>121,078</u>
Social services:				
Service staff	5,401,229	5,250,198	5,111,248	138,950
Service/Eligibility Administration	5,034,948	5,159,688	5,099,667	60,021
Welfare programs	2,007,784	3,657,037	3,420,437	236,600
Public assistance	6,020,101	10,403,779	9,903,592	500,187
Total social services	<u>18,464,062</u>	<u>24,470,702</u>	<u>23,534,944</u>	<u>935,758</u>
Total health and social services	<u>20,109,792</u>	<u>26,116,432</u>	<u>25,059,596</u>	<u>1,056,836</u>
Parks, recreation and cultural:				
Parks and recreation:				
Department of recreation and parks	16,700,684	16,904,994	15,623,769	1,281,225
Sandston Community House	14,000	14,000	12,298	1,702
Total parks and recreation	<u>16,714,684</u>	<u>16,918,994</u>	<u>15,636,067</u>	<u>1,282,927</u>
Library:				
Library public services	15,634,256	15,673,080	14,229,126	1,443,954
Total library	<u>15,634,256</u>	<u>15,673,080</u>	<u>14,229,126</u>	<u>1,443,954</u>
Total parks, recreation and cultural	<u>32,348,940</u>	<u>32,592,074</u>	<u>29,865,193</u>	<u>2,726,881</u>
Community development:				
Planning and community development:				
Economic development	14,929,323	15,384,988	15,023,283	361,705
Planning and rezoning	4,072,703	4,173,492	3,622,430	551,062
Total planning and community development	<u>19,002,026</u>	<u>19,558,480</u>	<u>18,645,713</u>	<u>912,767</u>
Cooperative extension program:				
Agriculture	350,106	350,106	340,749	9,357
Total cooperative extension program	<u>350,106</u>	<u>350,106</u>	<u>340,749</u>	<u>9,357</u>
Total community development	<u>19,352,132</u>	<u>19,908,586</u>	<u>18,986,462</u>	<u>922,124</u>
Education:				
School Board	196,973,886	196,973,886	196,973,886	-
Total education	<u>196,973,886</u>	<u>196,973,886</u>	<u>196,973,886</u>	<u>-</u>

continued

COUNTY OF HENRICO, VIRGINIA  
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Exhibit 12  
Page 3 of 4

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
<b>Primary Government:</b>				
<b>General Fund, continued:</b>				
Miscellaneous:				
Cooperative projects	16,286,226	17,158,763	15,594,617	1,564,146
Total miscellaneous	<u>16,286,226</u>	<u>17,158,763</u>	<u>15,594,617</u>	<u>1,564,146</u>
Debt service:				
Capital lease principal	164,957	164,957	164,957	-
Capital lease interest	14,678	14,678	14,678	-
Total debt service	<u>179,635</u>	<u>179,635</u>	<u>179,635</u>	<u>-</u>
<b>Total General Fund</b>	<b><u>\$ 551,031,280</u></b>	<b><u>\$ 576,582,820</u></b>	<b><u>\$ 555,934,793</u></b>	<b><u>\$ 20,648,027</u></b>
<b>Special Revenue Fund:</b>				
General government administration:				
General and financial administration:				
Workforce investment	\$ 4,471,854	\$ 9,359,175	\$ 4,822,747	\$ 4,536,428
Total general government administration	<u>4,471,854</u>	<u>9,359,175</u>	<u>4,822,747</u>	<u>4,536,428</u>
Judicial administration:				
Commonwealth's Attorney	854,593	1,283,497	853,954	429,543
Total judicial administration	<u>854,593</u>	<u>1,283,497</u>	<u>853,954</u>	<u>429,543</u>
Public safety:				
Law enforcement:				
Traffic accident investigation	1,422,483	10,435,483	4,375,683	6,059,800
Total law enforcement	<u>1,422,483</u>	<u>10,435,483</u>	<u>4,375,683</u>	<u>6,059,800</u>
Fire	-	625,956	338,106	287,850
Correction and detention:				
Community Diversion Program	1,732,867	1,791,786	1,731,415	60,371
Juvenile and Domestic Relations District Court	982,819	1,087,331	976,535	110,796
Total correction and detention	<u>2,715,686</u>	<u>2,879,117</u>	<u>2,707,950</u>	<u>171,167</u>
Total public safety	<u>4,138,169</u>	<u>13,940,556</u>	<u>7,421,739</u>	<u>6,518,817</u>
Public works:				
General administration	897,000	1,122,069	47,297	1,074,772
Maintenance of highways and streets	72,500	72,500	67,288	5,212
Solid waste collection and disposal	12,166,612	12,345,735	10,027,742	2,317,993
Total public works	<u>13,136,112</u>	<u>13,540,304</u>	<u>10,142,327</u>	<u>3,397,977</u>
Health and social services:				
Social services	8,969,465	11,768,618	5,927,144	5,841,474
Mental health and developmental services:				
Related services	4,672,704	5,283,178	3,794,936	1,488,242
Mental health	10,301,225	10,739,957	9,671,721	1,068,236
Developmental Services	9,751,212	10,768,217	9,341,522	1,426,695
Substance abuse	2,605,049	2,660,428	2,316,715	343,713
MH/DS administration	4,671,261	4,793,417	4,374,949	418,468
Total mental health and developmental services	<u>32,001,451</u>	<u>34,245,197</u>	<u>29,499,843</u>	<u>4,745,354</u>
Total health and social services	<u>40,970,916</u>	<u>46,013,815</u>	<u>35,426,987</u>	<u>10,586,828</u>
Parks, recreation and culture:				
Parks and recreation grants	-	8,547	7,820	727
Total parks, recreation and culture	<u>-</u>	<u>8,547</u>	<u>7,820</u>	<u>727</u>

continued

**COUNTY OF HENRICO, VIRGINIA**  
**EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Exhibit 12  
 Page 4 of 4

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
<b>Primary Government:</b>				
<b>Special Revenue Fund, continued:</b>				
Community development:				
Planning and community development	-	4,362,310	2,374,870	1,987,440
Economic development	100,201	5,653,843	5,055,000	598,843
Total community development	<u>100,201</u>	<u>10,016,153</u>	<u>7,429,870</u>	<u>2,586,283</u>
Debt service:				
Capital lease principal	12,196	12,196	12,196	-
Capital lease interest	1,172	1,172	1,172	-
Total debt service	<u>13,368</u>	<u>13,368</u>	<u>13,368</u>	<u>-</u>
<b>Total Special Revenue Fund</b>	<u>\$ 63,685,213</u>	<u>\$ 94,175,415</u>	<u>\$ 66,118,812</u>	<u>\$ 28,056,603</u>
<b>Grand Total Expenditures - Primary Government</b>	<u>\$ 614,716,493</u>	<u>\$ 670,758,235</u>	<u>\$ 622,053,605</u>	<u>\$ 48,704,630</u>

**COUNTY OF HENRICO, VIRGINIA**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2010

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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.



**Henrico County**

**Proud of Our Progress;  
Excited About Our Future**

## **Other Supplemental Information**



**Henrico County**

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**COUNTY OF HENRICO**

**VIRGINIA**

**DEBT SERVICE FUND**

Debt Service Fund - To account for the accumulation of financial resources for payment of interest and principal on long-term governmental debt. Provided here to demonstrate compliance at the legal level of budgetary control.

COUNTY OF HENRICO, VIRGINIA  
 SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
 DEBT SERVICE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Schedule 1

Function, Activity, Element	Original	Revised	Actual	Variance
<b>Primary Government:</b>				
<b>Debt Service Fund:</b>				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Total Debt Service Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

COUNTY OF HENRICO, VIRGINIA  
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
 DEBT SERVICE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Schedule 2

Function, Activity, Element	Original	Revised	Actual	Variance
<b>Primary Government:</b>				
<b>Debt Service Fund:</b>				
Miscellaneous	\$ 50,000	\$ 50,000	\$ 477,836	\$ (427,836)
Debt Service:				
Principal payments	31,863,983	31,863,983	32,300,000	(436,017)
Interest payments	19,918,489	19,918,489	19,243,700	674,789
Total Debt Service	<u>51,782,472</u>	<u>51,782,472</u>	<u>51,543,700</u>	<u>238,772</u>
<b>Total Debt Service Fund</b>	<u>\$ 51,832,472</u>	<u>\$ 51,832,472</u>	<u>\$ 52,021,536</u>	<u>\$ (189,064)</u>



**Henrico County**

**Proud of Our Progress;  
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**COUNTY OF HENRICO**

**VIRGINIA**

**INTERNAL SERVICE FUNDS**

**Financial Statements**

Central Automotive Maintenance Fund - To account for the operating activities of the Central Motor Pool and Central Automotive Maintenance of County vehicles.

Technology Replacement Fund - To centralize the purchasing of computer equipment for participating County Agencies.

**COUNTY OF HENRICO, VIRGINIA  
COMBINING STATEMENTS OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2011**

Schedule 3

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 7,873,591	\$ 9,666,537	\$ 19,166,304	\$ 36,706,432
Receivables, net	4,776	-	602,020	606,796
Due from other funds	-	-	882,441	882,441
Due from component unit	-	-	138,184	138,184
Inventories	826,644	-	-	826,644
Other assets	-	-	14,587	14,587
Total current assets	<u>8,705,011</u>	<u>9,666,537</u>	<u>20,803,536</u>	<u>39,175,084</u>
Capital Assets:				
Other capital assets, net	12,998,622	-	-	12,998,622
Capital assets, net	<u>12,998,622</u>	<u>-</u>	<u>-</u>	<u>12,998,622</u>
<b>Total Assets</b>	<b><u>\$ 21,703,633</u></b>	<b><u>\$ 9,666,537</u></b>	<b><u>\$ 20,803,536</u></b>	<b><u>\$ 52,173,706</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 614,713	\$ 299,050	\$ -	\$ 913,763
Accrued liabilities	-	48,640	-	48,640
Due to other funds	14,831	-	-	14,831
Long-term liabilities due within one year	217,004	-	8,278,000	8,495,004
Total current liabilities	<u>846,548</u>	<u>347,690</u>	<u>8,278,000</u>	<u>9,472,238</u>
Long-term liabilities due in more than one year	90,548	-	-	90,548
Total liabilities	<u>937,096</u>	<u>347,690</u>	<u>8,278,000</u>	<u>9,562,786</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	12,993,197	-	-	12,993,197
Unrestricted	7,773,340	9,318,847	12,525,536	29,617,723
Total net assets	<u>20,766,537</u>	<u>9,318,847</u>	<u>12,525,536</u>	<u>42,610,920</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 21,703,633</u></b>	<b><u>\$ 9,666,537</u></b>	<b><u>\$ 20,803,536</u></b>	<b><u>\$ 52,173,706</u></b>

**COUNTY OF HENRICO, VIRGINIA  
COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Schedule 4

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
<b>Operating Revenues:</b>				
Charges for services:				
Interdepartmental charges	\$ 18,839,090	\$ 2,101,712	\$ -	\$ 20,940,802
Contributions:				
Employer	-	-	57,779,826	57,779,826
Employee	-	-	14,670,110	14,670,110
Retiree	-	-	5,100,164	5,100,164
Disabled	-	-	153,020	153,020
Other	52,545	-	904,948	957,493
<b>Total operating revenues</b>	<b>18,891,635</b>	<b>2,101,712</b>	<b>78,608,068</b>	<b>99,601,415</b>
<b>Operating Expenses:</b>				
Utility charges	109,040	-	-	109,040
Personnel services and benefits	3,594,848	-	80,604,112	84,198,960
Professional services	36,520	-	-	36,520
Materials and supplies	10,964,746	2,395,861	-	13,360,607
Maintenance and repairs	2,662,436	-	-	2,662,436
Other expenses	186,963	-	1,334,373	1,521,336
Depreciation	1,940,486	-	-	1,940,486
<b>Total operating expenses</b>	<b>19,495,039</b>	<b>2,395,861</b>	<b>81,938,485</b>	<b>103,829,385</b>
Operating loss	(603,404)	(294,149)	(3,330,417)	(4,227,970)
<b>Nonoperating (Expenses) Revenues:</b>				
Gain on sale of equipment	98,673	-	-	98,673
Other income	33,000	-	-	33,000
Investment income	-	-	64,307	64,307
<b>Total nonoperating revenues, net</b>	<b>131,673</b>	<b>-</b>	<b>64,307</b>	<b>195,980</b>
Loss before capital contributions	(471,731)	(294,149)	(3,266,110)	(4,031,990)
Capital contributions - donated assets	152,653	-	-	152,653
Change in net assets	(319,078)	(294,149)	(3,266,110)	(3,879,337)
<b>Total Net Assets - June 30, 2010</b>	<b>21,085,615</b>	<b>9,612,996</b>	<b>15,791,646</b>	<b>46,490,257</b>
<b>Total Net Assets - June 30, 2011</b>	<b>\$ 20,766,537</b>	<b>\$ 9,318,847</b>	<b>\$ 12,525,536</b>	<b>\$ 42,610,920</b>

**COUNTY OF HENRICO, VIRGINIA  
COMBINING STATEMENTS OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Schedule 5

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers	\$ 18,891,635	\$ 2,101,712	\$ 77,587,442	\$ 98,580,789
Payments to suppliers	(14,210,901)	(2,277,667)	(75,897,615)	(92,386,183)
Payments to employees	(3,583,417)	-	-	(3,583,417)
Net cash provided by (used in) operating activities	1,097,317	(175,955)	1,689,827	2,611,189
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Purchase of capital assets	(1,809,989)	-	-	(1,809,989)
Payment for capital leases	(245)	-	-	(245)
Proceeds from sale of capital assets	207,018	-	-	207,018
Net cash used in capital and related financing activities	(1,603,216)	-	-	(1,603,216)
<b>Cash Flows From Investing Activities:</b>				
Investment income received	-	-	64,307	64,307
<b>Net (decrease) increase in Cash</b>	<u>(505,899)</u>	<u>(175,955)</u>	<u>1,754,134</u>	<u>1,072,280</u>
<b>Cash and cash equivalents - June 30, 2010</b>	8,379,490	9,842,492	17,412,170	35,634,152
<b>Cash and cash equivalents - June 30, 2011</b>	<u>\$ 7,873,591</u>	<u>\$ 9,666,537</u>	<u>\$ 19,166,304</u>	<u>\$ 36,706,432</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used In) Operating Activities:</b>				
Operating loss	\$ (603,404)	\$ (294,149)	\$ (3,330,417)	\$ (4,227,970)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	1,940,486	-	-	1,940,486
Change in assets and liabilities:				
Receivables	794	-	(602,020)	(601,226)
Inventories	(114,450)	-	-	(114,450)
Due from other funds	-	-	(1,020,625)	(1,020,625)
Other assets	-	-	(721)	(721)
Accounts payable	(152,478)	69,554	-	(82,924)
Due to other funds	14,831	-	-	14,831
Accrued liabilities	11,538	48,640	6,643,610	6,703,788
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 1,097,317</u>	<u>\$ (175,955)</u>	<u>\$ 1,689,827</u>	<u>\$ 2,611,189</u>

Central Automotive Maintenance received donated equipment during the year valued at \$152,653.



**COUNTY OF HENRICO**

**VIRGINIA**

**AGENCY FUNDS**

**Financial Statements**

Long-Term Disability - To account for the receipt of contributions by County employees and the disbursement of disability payments related to the County's Long-Term Disability Plan.

Special Welfare - To account for receipts and disbursements of monies maintained in individual accounts for certain County welfare recipients.

Mental Health and Developmental Services - To account for receipts and disbursements of monies maintained for individual clients.

**COUNTY OF HENRICO, VIRGINIA**  
**COMBINING STATEMENTS OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2011**

Schedule 6

	Long-Term Disability	Agency Funds Special Welfare	Mental Health and Retardation	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 466,713	\$ 100,016	\$ 48,533	\$ 615,262
<b>Total Assets</b>	<u>\$ 466,713</u>	<u>\$ 100,016</u>	<u>\$ 48,533</u>	<u>\$ 615,262</u>
<b>Liabilities:</b>				
Amounts due to others	\$ 466,713	\$ 99,861	\$ 48,533	\$ 615,107
Accounts payable	-	155	-	155
<b>Total Liabilities</b>	<u>\$ 466,713</u>	<u>\$ 100,016</u>	<u>\$ 48,533</u>	<u>\$ 615,262</u>

**COUNTY OF HENRICO, VIRGINIA**  
**COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Schedule 7

	Balance July 1	Additions	Deletions	Balance June 30
<b>Long Term Disability:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 999,498	\$ 45,455	\$ 578,240	\$ 466,713
<b>Total assets</b>	<u>\$ 999,498</u>	<u>\$ 45,455</u>	<u>\$ 578,240</u>	<u>\$ 466,713</u>
<b>Liabilities:</b>				
Amounts due to others	\$ 999,498	\$ 45,455	\$ 578,240	\$ 466,713
<b>Total liabilities</b>	<u>\$ 999,498</u>	<u>\$ 45,455</u>	<u>\$ 578,240</u>	<u>\$ 466,713</u>
<b>Special Welfare:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 144,258	\$ 179,254	\$ 223,496	\$ 100,016
<b>Total assets</b>	<u>\$ 144,258</u>	<u>\$ 179,254</u>	<u>\$ 223,496</u>	<u>\$ 100,016</u>
<b>Liabilities:</b>				
Amounts due to others	\$ 144,085	\$ 178,339	\$ 222,563	\$ 99,861
Accounts payable	173	915	933	155
<b>Total liabilities</b>	<u>\$ 144,258</u>	<u>\$ 179,254</u>	<u>\$ 223,496</u>	<u>\$ 100,016</u>
<b>Mental Health and Retardation:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 57,776	273,911	\$ 283,154	\$ 48,533
<b>Total assets</b>	<u>\$ 57,776</u>	<u>\$ 273,911</u>	<u>\$ 283,154</u>	<u>\$ 48,533</u>
<b>Liabilities:</b>				
Amounts due to others	\$ 57,776	\$ 273,911	\$ 283,154	\$ 48,533
<b>Total liabilities</b>	<u>\$ 57,776</u>	<u>\$ 273,911</u>	<u>\$ 283,154</u>	<u>\$ 48,533</u>
<b>Totals:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,201,532	\$ 498,620	\$ 1,084,890	\$ 615,262
<b>Total assets</b>	<u>\$ 1,201,532</u>	<u>\$ 498,620</u>	<u>\$ 1,084,890</u>	<u>\$ 615,262</u>
<b>Liabilities:</b>				
Amounts due to others	\$ 1,201,359	\$ 497,705	\$ 1,083,957	\$ 615,107
Accounts payable	173	915	933	155
<b>Total liabilities</b>	<u>\$ 1,201,532</u>	<u>\$ 498,620</u>	<u>\$ 1,084,890</u>	<u>\$ 615,262</u>



**Henrico County**

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COUNTY OF HENRICO

VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT -**  
**SCHOOL BOARD**

School Board - The School Board is a legally separate organization providing educational services to residents within the government's jurisdiction, whose board is elected and fiscally dependent on the County. The School Board does not prepare a separate financial report at this time.

**COUNTY OF HENRICO, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**AS OF JUNE 30, 2011**

Schedule 8

	Governmental Funds			Totals
	School General Fund	School Special Revenue Fund	School Capital Projects Fund	
<b>Assets and Other Debits:</b>				
Cash and cash equivalents	\$ 7,386,485	\$ 257,373	\$ 12,300,558	\$ 19,944,416
Receivables, net	-	5,300	-	5,300
Other assets	5,331	12,520	-	17,851
Due from Primary Government	-	-	10,596,577	10,596,577
Due from other governmental units	3,517,658	10,344,136	3,204,090	17,065,884
<b>Total Assets and Other Debits</b>	<u>\$ 10,909,474</u>	<u>\$ 10,619,329</u>	<u>\$ 26,101,225</u>	<u>\$ 47,630,028</u>
<b>Liabilities and Equity:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,610,085	\$ 462,284	\$ 255,053	\$ 2,327,422
Accrued liabilities	-	543,466	2,205,541	2,749,007
Amounts held for others	901,494	-	-	901,494
Due to Primary Government	134,200	3,984	-	138,184
Unearned revenues	-	5,400,145	-	5,400,145
<b>Total liabilities</b>	<u>2,645,779</u>	<u>6,409,879</u>	<u>2,460,594</u>	<u>11,516,252</u>
<b>Equity:</b>				
<b>Fund balances:</b>				
Restricted	-	4,209,450	-	4,209,450
Committed	-	-	23,640,631	23,640,631
Assigned	7,542,969	-	-	7,542,969
Unassigned	720,726	-	-	720,726
<b>Total equity</b>	<u>8,263,695</u>	<u>4,209,450</u>	<u>23,640,631</u>	<u>36,113,776</u>
<b>Total Liabilities and Equity</b>	<u>\$ 10,909,474</u>	<u>\$ 10,619,329</u>	<u>\$ 26,101,225</u>	

**Adjustments for the Statement of Net Assets:**

Internal service fund net profit allocation to the School Board is included in the Statement of Net Assets as other assets, but is not included in the governmental funds.	\$ 228,846
Capital assets used in School Board activities are not current financial resources and therefore are not reported as assets in the governmental funds.	240,689,625
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	<u>(32,306,473)</u>
Net Assets of Discretely Presented Component Unit - School Board	<u>\$ 244,725,774</u>

**COUNTY OF HENRICO, VIRGINIA  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Schedule 9

	Governmental Funds			Total
	School General Fund	School Special Revenue Fund	School Capital Projects Fund	
<b>Revenues:</b>				
Permits, privilege fees and regulatory licenses	\$ 427,676	\$ -	\$ -	\$ 427,676
Charges for services	195,544	8,509,724	-	8,705,268
Miscellaneous	-	332,986	-	332,986
Recovered costs	488,446	-	-	488,446
Intergovernmental:				
Federal	5,088,030	38,141,232	7,479,898	50,709,160
State	195,941,770	9,328,205	-	205,269,975
<b>Total revenues</b>	<u>202,141,466</u>	<u>56,312,147</u>	<u>7,479,898</u>	<u>265,933,511</u>
<b>Expenditures:</b>				
Education	395,443,346	54,414,668	-	449,858,014
Capital projects	-	-	17,053,188	17,053,188
Debt service:				
Principal retirement	11,556,345	-	-	11,556,345
Interest	308,442	-	-	308,442
<b>Total expenditures</b>	<u>407,308,133</u>	<u>54,414,668</u>	<u>17,053,188</u>	<u>478,775,989</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(205,166,667)</u>	<u>1,897,479</u>	<u>(9,573,290)</u>	<u>(212,842,478)</u>
<b>Other Financing Sources:</b>				
Issuance of capital leases	12,918,105	-	-	12,918,105
Transfers in	-	-	200,000	200,000
Transfers out	(200,000)	-	-	(200,000)
Payment from Primary Government	196,973,886	-	3,658,850	200,632,736
<b>Total other financing sources</b>	<u>209,691,991</u>	<u>-</u>	<u>3,858,850</u>	<u>213,550,841</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	4,525,324	1,897,479	(5,714,440)	708,363
<b>Fund Balances - June 30, 2010</b>	<u>3,738,371</u>	<u>2,311,971</u>	<u>29,355,071</u>	<u>35,405,413</u>
<b>Fund Balances - June 30, 2011</b>	<u>\$ 8,263,695</u>	<u>\$ 4,209,450</u>	<u>\$ 23,640,631</u>	<u>\$ 36,113,776</u>

**Adjustments for the Statement of Activities:**

Deficiency of revenues and other sources under expenditures and other uses	\$ 708,363
Repayment of debt principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	11,556,345
Depreciation expense is reported in the Statement of Activities but is not reported as an expense in the governmental funds.	(21,531,408)
Governmental funds report capital outlays as expenditures while school board activities capitalize those outlays to allocate those expenditures over the life of the assets.	32,192,470
Capital lease proceeds are recorded as revenues in governmental funds, but are not reported as revenues in the Statement of Activities	(12,918,105)
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.	(220,193)
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.	(537,537)
<b>Change in Net Assets of Discretely Presented Component Unit - School Board</b>	<u>\$ 9,249,935</u>



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**COUNTY OF HENRICO**

**VIRGINIA**

**DISCRETELY PRESENTED COMPONENT UNIT -**

**SCHOOL BOARD**

**AGENCY FUND**

**Financial Statements**

School Activity Fund - To account for the receipt of funds received from various School activities.

**COUNTY OF HENRICO, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**AGENCY FUNDS**  
**JUNE 30, 2011**

Schedule 10

	Agency Funds
<b>Assets:</b>	
Cash and cash equivalents	\$ 4,872,829
<b>Total Assets</b>	<b>\$ 4,872,829</b>
 <b>Liabilities:</b>	
Amounts held for others	\$ 4,872,829
<b>Total Liabilities</b>	<b>\$ 4,872,829</b>

**COUNTY OF HENRICO, VIRGINIA**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Schedule 11

	Balance July 1	Additions	Deletions	Balance June 30
<b>School Activity Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,630,306	\$ 15,509,425	\$ 15,266,902	\$ 4,872,829
<b>Total assets</b>	<u>\$ 4,630,306</u>	<u>\$ 15,509,425</u>	<u>\$ 15,266,902</u>	<u>\$ 4,872,829</u>
<b>Liabilities:</b>				
Amounts due to others	\$ 4,630,306	\$ 15,509,425	\$ 15,266,902	\$ 4,872,829
<b>Total liabilities</b>	<u>\$ 4,630,306</u>	<u>\$ 15,509,425</u>	<u>\$ 15,266,902</u>	<u>\$ 4,872,829</u>

COUNTY OF HENRICO, VIRGINIA  
 SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
 COMPONENT UNIT - SCHOOL BOARD  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Schedule 12  
 Page 1 of 2

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
<b>Component Unit - School Board:</b>				
<b>General Fund:</b>				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
High school parking fees	\$ 25,000	\$ 25,000	\$ 104,011	\$ 79,011
Facilities rental	350,000	350,000	323,665	(26,335)
Total permits, privilege fees and regulatory licenses	<u>375,000</u>	<u>375,000</u>	<u>427,676</u>	<u>52,676</u>
Charges for services:				
School fees and tuitions	145,000	145,000	195,544	50,544
Total charges for services	<u>145,000</u>	<u>145,000</u>	<u>195,544</u>	<u>50,544</u>
Recovered cost:				
Sale of vehicles, textbooks and equipment	120,000	120,000	105,304	(14,696)
Lost/damaged textbook payments	22,000	22,000	11,847	(10,153)
Payment for services - parks and recreation	175,000	175,000	138,085	(36,915)
Recovered cost - student activities	190,000	190,000	233,210	43,210
Total recovered cost	<u>507,000</u>	<u>507,000</u>	<u>488,446</u>	<u>(18,554)</u>
Total revenue from local sources	<u>1,027,000</u>	<u>1,027,000</u>	<u>1,111,666</u>	<u>84,666</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Talented and gifted program	1,232,000	1,232,000	1,217,578	(14,422)
English as a second language	1,231,000	1,163,000	1,171,845	8,845
General appropriation - basic aid	118,848,000	117,012,000	110,908,741	(6,103,259)
Foster child reimbursement	152,000	152,000	391,423	239,423
Textbooks	2,069,000	1,439,000	1,421,589	(17,411)
Social security reimbursement	6,515,000	6,875,000	6,791,377	(83,623)
Retirement reimbursement	5,191,000	4,081,000	4,031,535	(49,465)
Life insurance reimbursement	273,000	246,000	243,516	(2,484)
Remedial education	2,190,000	2,190,000	2,164,582	(25,418)
Share of State sales tax - schools	42,677,000	43,434,727	44,548,374	1,113,647
SOQ - basic special education	11,279,000	14,545,000	14,367,415	(177,585)
Special education - homebound	119,000	119,000	113,171	(5,829)
Vocational education - local administrative and supervisory	505,000	505,000	382,691	(122,309)
Vocational education - equipment	-	-	59,794	59,794
Vocational education - SOQ occupational	1,670,000	2,218,000	2,191,640	(26,360)
Handicapped - foster home	937,000	937,000	473,789	(463,211)
Salary incentive K-3	2,738,000	2,238,000	1,957,814	(280,186)
R.O.T.C.	350,000	350,000	433,725	83,725
Adult basic aid	-	-	73,349	73,349
At risk	1,455,000	1,452,000	1,434,256	(17,744)
Other categorical aid	150,000	150,000	1,563,566	1,413,566
Total categorical aid	<u>199,581,000</u>	<u>200,338,727</u>	<u>195,941,770</u>	<u>(4,396,957)</u>
Total revenue from the Commonwealth	<u>199,581,000</u>	<u>200,338,727</u>	<u>195,941,770</u>	<u>(4,396,957)</u>
Revenue from the Federal government:				
Emergency Impact Aid Funds	125,000	125,000	-	(125,000)
Stabilizations Funds	-	-	5,088,030	5,088,030

continued

COUNTY OF HENRICO, VIRGINIA  
 SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
 COMPONENT UNIT - SCHOOL BOARD  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Schedule 12  
 Page 2 of 2

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
<b>Component Unit - School Board:</b>				
<b>General Fund, continued:</b>				
Total revenue from the Federal government	125,000	125,000	5,088,030	4,963,030
Total intergovernmental	199,706,000	200,463,727	201,029,800	566,073
<b>Total Component Unit - General Fund</b>	<b>\$ 200,733,000</b>	<b>\$ 201,490,727</b>	<b>\$ 202,141,466</b>	<b>\$ 650,739</b>
<b>Special Revenue Fund:</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria receipts	\$ 9,732,983	\$ 9,732,983	\$ 8,509,724	\$ (1,223,259)
Total charges for services	9,732,983	9,732,983	8,509,724	(1,223,259)
Miscellaneous:				
Miscellaneous	-	-	5,288	5,288
Recoveries and rebates	46,990	46,990	327,698	280,708
Total miscellaneous	46,990	46,990	332,986	285,996
Total revenue from local sources	9,779,973	9,779,973	8,842,710	(937,263)
Intergovernmental:				
Revenue from the Commonwealth:				
Juvenile detention center	1,127,165	1,127,165	1,142,761	15,596
Technology	-	1,818,000	1,663,914	(154,086)
Summer school	1,607,789	1,607,789	868,771	(739,018)
General adult education	465,943	465,943	1,274,005	808,062
State SOL	299,015	299,015	162,591	(136,424)
School lunch program	366,410	366,410	396,511	30,101
Other state educational grants	4,247,293	4,247,293	3,819,652	(427,641)
Total revenue from the Commonwealth	8,113,615	9,931,615	9,328,205	(603,410)
Revenue from the Federal Government:				
Title I	9,027,759	9,027,759	5,791,500	(3,236,259)
Title VI-B	9,174,704	9,174,704	4,489,382	(4,685,322)
Vocational federal act	1,278,338	1,278,338	305,631	(972,707)
Head start	1,350,447	1,350,447	1,233,157	(117,290)
Pre-school	256,942	256,942	156,020	(100,922)
School lunch program	8,538,892	8,538,892	6,811,959	(1,726,933)
School breakfast program	-	-	1,880,226	1,880,226
Other Federal educational grants	8,559,123	8,659,123	17,473,357	8,814,234
Total revenue from the Federal government	38,186,205	38,286,205	38,141,232	(144,973)
Total intergovernmental	46,299,820	48,217,820	47,469,437	(748,383)
<b>Total Component Unit - Special Revenue Fund</b>	<b>\$ 56,079,793</b>	<b>\$ 57,997,793</b>	<b>\$ 56,312,147</b>	<b>\$ (1,685,646)</b>
<b>Grand Total Revenues - Component Unit - School Board</b>	<b>\$ 256,812,793</b>	<b>\$ 259,488,520</b>	<b>\$ 258,453,613</b>	<b>\$ (1,034,907)</b>

COUNTY OF HENRICO, VIRGINIA  
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
 COMPONENT UNIT - SCHOOL BOARD  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Schedule 13

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
<b>Component Unit - School Board:</b>				
<b>General Fund:</b>				
Education:				
Administration of schools:				
Administration	\$ 49,687,110	\$ 50,690,945	\$ 47,132,252	\$ 3,558,693
Instructional	278,204,103	275,794,416	278,192,567	(2,398,151)
Educational programs and services	5,209,815	5,359,576	5,137,950	221,626
Transportation	23,916,567	26,182,050	23,644,713	2,537,337
Operation and maintenance	45,391,424	46,404,068	41,335,864	5,068,204
Total administration of schools	<u>402,409,019</u>	<u>404,431,055</u>	<u>395,443,346</u>	<u>8,987,709</u>
Debt Service:				
Principal retirement	11,556,345	11,556,345	11,556,345	-
Interest	308,442	308,442	308,442	-
Total debt service	<u>11,864,787</u>	<u>11,864,787</u>	<u>11,864,787</u>	<u>-</u>
Total education	<u>414,273,806</u>	<u>416,295,842</u>	<u>407,308,133</u>	<u>8,987,709</u>
<b>Total Component Unit - General Fund</b>	<b><u>\$ 414,273,806</u></b>	<b><u>\$ 416,295,842</u></b>	<b><u>\$ 407,308,133</u></b>	<b><u>\$ 8,987,709</u></b>
<b>Special Revenue Fund:</b>				
Education:				
Instruction	\$ 32,138,410	\$ 61,801,595	\$ 37,177,743	\$ 24,623,852
Other educational programs	5,256,108	5,622,263	507,931	5,114,332
Total education	<u>37,394,518</u>	<u>67,423,858</u>	<u>37,685,674</u>	<u>29,738,184</u>
School food service	<u>18,253,816</u>	<u>18,257,422</u>	<u>16,728,994</u>	<u>1,528,428</u>
<b>Total Component Unit - Special Revenue Fund</b>	<b><u>\$ 55,648,334</u></b>	<b><u>\$ 85,681,280</u></b>	<b><u>\$ 54,414,668</u></b>	<b><u>\$ 31,266,612</u></b>
<b>Grand Total Expenditures - Component Unit - School Board</b>	<b><u>\$ 469,922,140</u></b>	<b><u>\$ 501,977,122</u></b>	<b><u>\$ 461,722,801</u></b>	<b><u>\$ 40,254,321</u></b>

## Statistical Section

This component of the County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the basic financial statements, note disclosures, and required supplementary information indicate about the County's financial health over an extended period of time.

The goal of the statistical section is to be the chief source of information regarding the County's economic condition. For a more complete understanding of the data summarized herein, please refer to the County's previous Comprehensive Annual Financial Reports as well as the accompanying transmittal letter, management's discussion and analysis and the aforementioned basic financial statements, in their entirety (including the note disclosures and required supplementary information).

## Contents

### **Financial Trends**

**Tables I - IV**

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

### **Revenue Capacity**

**Tables V - VIII**

These schedules contain information to help the reader assess the County's most significant local revenue sources, the real and personal property tax.

### **Debt Capacity**

**Tables IX - X**

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

### **Demographic and Economic Information**

**Tables XI - XII**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

### **Operating Information**

**Tables XIII - XV**

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

**COUNTY OF HENRICO, VIRGINIA**  
**NET ASSETS BY COMPONENT**  
**LAST TEN FISCAL YEARS**

(accrual basis of accounting)  
(\$ in thousands)

Table I

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Activities:</b>										
Invested in Capital Assets, Net of Related Debt	\$ 541,152	\$ 600,857	\$ 618,680	\$ 660,171	\$ 734,506	\$ 795,307	\$ 846,377	\$ 917,136	\$ 921,623	\$ 946,772
Restricted For:										
Capital Projects	46,450	34,207	39,903	45,800	42,176	83,043	87,472	73,835	86,705	94,717
Debt Service	24,052	25,127	24,589	28,288	27,293	30,881	32,847	40,667	38,006	35,199
Special Revenue	14,792	14,705	20,589	18,937	19,422	22,060	26,128	25,768	29,488	39,207
Unrestricted	79,091	90,342	101,333	114,439	143,902	161,949	184,450	214,984	203,684	182,965
<b>Total Governmental Activities Net Assets</b>	<b>\$ 705,537</b>	<b>\$ 765,238</b>	<b>\$ 805,094</b>	<b>\$ 867,635</b>	<b>\$ 967,299</b>	<b>\$ 1,093,240</b>	<b>\$ 1,177,273</b>	<b>\$ 1,272,390</b>	<b>\$ 1,279,506</b>	<b>\$ 1,298,860</b>
<b>Business-type Activities:</b>										
Invested in Capital Assets, Net of Related Debt	\$ 607,491	\$ 670,198	\$ 725,502	\$ 773,417	\$ 815,710	\$ 826,625	\$ 863,944	\$ 885,430	\$ 909,604	\$ 923,622
Debt Service	11,708	11,592	11,590	11,470	11,453	15,885	15,699	15,129	16,704	16,516
Unrestricted	116,154	87,465	69,539	51,800	54,911	73,696	74,206	78,038	76,418	73,779
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 735,353</b>	<b>\$ 769,255</b>	<b>\$ 806,631</b>	<b>\$ 836,687</b>	<b>\$ 882,074</b>	<b>\$ 916,205</b>	<b>\$ 953,849</b>	<b>\$ 978,597</b>	<b>\$ 1,002,727</b>	<b>\$ 1,013,917</b>
<b>Primary Government:</b>										
Invested in Capital Assets, Net of Related Debt	\$ 1,148,643	\$ 1,271,055	\$ 1,344,182	\$ 1,433,588	\$ 1,550,216	\$ 1,621,931	\$ 1,710,321	\$ 1,802,566	\$ 1,831,227	\$ 1,870,394
Restricted For:										
Highways, Streets, and Buildings	46,450	34,207	39,903	45,800	42,176	83,043	87,472	73,835	86,705	94,717
Debt Service	24,052	25,127	24,589	28,288	27,293	30,881	32,847	55,796	54,710	51,715
Restricted Grants	26,500	26,297	32,179	30,407	30,875	37,945	41,827	25,768	29,488	39,207
Unrestricted	195,245	177,807	170,872	166,239	198,813	235,645	258,656	293,022	280,102	256,744
<b>Total Primary Government Net Assets</b>	<b>\$ 1,440,890</b>	<b>\$ 1,534,493</b>	<b>\$ 1,611,725</b>	<b>\$ 1,704,322</b>	<b>\$ 1,849,373</b>	<b>\$ 2,009,446</b>	<b>\$ 2,131,122</b>	<b>\$ 2,250,987</b>	<b>\$ 2,282,233</b>	<b>\$ 2,312,777</b>

**Note:** Accrual-basis financial information for Henrico County as a whole is only available back to 2002, the year GASB Statement 34 was implemented.

Table may not foot due to rounding.

Source: County of Henrico, Virginia Comprehensive Annual Financial Reports Exhibit I



**COUNTY OF HENRICO, VIRGINIA**  
**CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS**  
(accrual basis of accounting)  
(\$ in thousands)

Table II

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 64,387	\$ 61,261	\$ 66,700	\$ 72,848	\$ 67,016	\$ 79,015	\$ 100,488	\$ 97,244	\$ 102,595	\$ 88,351
Judicial Administration	5,224	5,811	5,950	6,475	6,835	7,585	8,053	8,493	10,943	11,100
Public Safety	108,007	113,224	119,776	128,215	142,050	151,289	161,509	167,439	165,026	169,856
Public Works	47,644	48,026	65,727	53,711	54,640	60,957	61,590	65,154	77,785	71,986
Health and Welfare	41,837	44,403	47,945	50,924	54,016	57,777	60,903	62,145	67,543	60,937
Education	157,316	162,722	172,148	176,443	182,180	180,070	196,102	190,186	193,146	209,564
Parks, Recreation and Culture	19,819	20,894	22,731	24,497	26,090	28,748	33,624	34,829	35,204	34,329
Community Development	15,752	15,640	23,141	29,639	26,838	29,359	30,083	26,080	25,428	26,692
Interest and Long-term Debt	13,982	15,094	15,023	13,755	16,804	17,171	17,522	23,609	27,698	18,520
<b>Total Government Activities Expenses</b>	<b>473,968</b>	<b>487,075</b>	<b>539,141</b>	<b>556,507</b>	<b>576,469</b>	<b>611,971</b>	<b>669,874</b>	<b>675,178</b>	<b>705,368</b>	<b>691,335</b>
Business-Type Activities:										
Water and Sewer	52,699	54,896	59,275	65,604	71,522	81,415	84,792	86,688	87,290	92,028
Belmont Park Golf Course	1,058	1,075	1,322	1,642	1,129	1,122	1,106	1,200	1,237	1,227
<b>Total Business-Type Activities Expenses</b>	<b>53,757</b>	<b>55,971</b>	<b>60,597</b>	<b>67,246</b>	<b>72,651</b>	<b>82,537</b>	<b>85,898</b>	<b>87,888</b>	<b>88,527</b>	<b>93,255</b>
<b>Total Primary Government Expenses</b>	<b>\$ 527,726</b>	<b>\$ 543,046</b>	<b>\$ 599,738</b>	<b>\$ 623,753</b>	<b>\$ 649,120</b>	<b>\$ 694,508</b>	<b>\$ 755,772</b>	<b>\$ 763,066</b>	<b>\$ 793,895</b>	<b>\$ 784,590</b>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for services:										
General Government	\$ 13,579	\$ 14,131	\$ 20,189	\$ 18,509	\$ 18,439	\$ 18,941	\$ 16,298	\$ 18,208	\$ 15,207	\$ 11,461
Judicial Administration	208	103	114	126	101	113	103	104	81	88
Public Safety	4,519	4,424	5,070	4,826	4,770	4,107	2,160	2,129	2,765	3,153
Public Works	7,263	7,558	10,452	9,844	10,313	10,566	11,601	12,738	13,741	15,760
Health and Welfare	5,260	5,832	5,875	6,283	8,303	8,062	8,436	9,059	9,645	9,507
Parks, Recreation and Culture	928	1,026	1,051	1,240	1,148	1,285	1,395	1,351	1,444	1,439
Community Development	439	451	545	586	528	691	605	472	547	4,901
Operating grants and contributions	81,778	82,955	104,191	115,674	125,012	143,668	120,155	141,967	111,874	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
<b>Total Governmental Activities Revenues</b>	<b>113,974</b>	<b>116,480</b>	<b>147,487</b>	<b>157,088</b>	<b>168,614</b>	<b>187,433</b>	<b>160,753</b>	<b>186,027</b>	<b>155,304</b>	<b>46,309</b>
Business-Type Activities:										
Water and Sewer	69,033	63,359	66,119	92,605	113,022	108,688	116,085	110,179	106,220	91,827
Belmont Park Golf Course	913	696	729	691	943	931	986	964	868	867
<b>Total Business-Type Activities Revenues</b>	<b>69,946</b>	<b>64,055</b>	<b>66,848</b>	<b>93,296</b>	<b>113,965</b>	<b>109,619</b>	<b>117,071</b>	<b>111,143</b>	<b>107,088</b>	<b>92,694</b>
<b>Total Primary Government Revenues</b>	<b>\$ 183,920</b>	<b>\$ 180,535</b>	<b>\$ 214,335</b>	<b>\$ 250,384</b>	<b>\$ 282,579</b>	<b>\$ 297,052</b>	<b>\$ 277,824</b>	<b>\$ 297,170</b>	<b>\$ 262,392</b>	<b>\$ 139,003</b>

Note: Accrual-basis financial information for Henrico County as a whole is only available back to 2002, the year GASB Statement 34 was implemented.

Table may not foot due to rounding

Source: County of Henrico, Virginia Comprehensive Annual Financial Reports Exhibit 2

**COUNTY OF HENRICO, VIRGINIA**  
**SCHEDULE OF CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS**

(accrual basis of accounting)  
(\$ in thousands)

Table II (Cont'd)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Net (Expense) Revenue</b>										
<b>Governmental Activities:</b>										
General Government	\$ (48,386)	\$ (44,657)	\$ (45,656)	\$ (53,265)	\$ (46,055)	\$ (59,019)	\$ (83,011)	\$ (77,796)	\$ (86,579)	\$ (75,510)
Judicial Administration	560	(193)	(47)	445	703	(1,081)	(1,445)	(2,398)	(5,795)	(5,874)
Public Safety	(79,812)	(84,200)	(90,688)	(97,640)	(109,490)	(112,189)	(126,924)	(136,612)	(135,030)	(137,288)
Public Works	(15,437)	(15,771)	(26,759)	3,083	11,465	18,264	(4,879)	17,121	(26,246)	(12,395)
Health and Welfare	(13,650)	(14,614)	(15,467)	(17,429)	(17,912)	(20,361)	(20,980)	(20,828)	(25,890)	(21,057)
Education	(157,316)	(162,722)	(172,148)	(176,443)	(182,180)	(180,070)	(196,102)	(190,186)	(193,146)	(209,564)
Parks, Recreation and Culture	(18,547)	(19,623)	(20,818)	(23,023)	(24,706)	(27,140)	(31,998)	(33,158)	(33,555)	(32,711)
Community Development	(13,424)	(13,719)	(5,049)	(21,392)	(22,875)	(25,770)	(26,260)	(21,685)	(16,125)	(14,153)
Interest and Long-term Debt	(13,982)	(15,094)	(15,023)	(13,755)	(16,804)	(17,171)	(17,522)	(23,609)	(27,698)	(18,520)
<b>Total Governmental Activities Net Expense</b>	<b>(359,994)</b>	<b>(370,593)</b>	<b>(391,655)</b>	<b>(399,419)</b>	<b>(407,854)</b>	<b>(424,537)</b>	<b>(509,121)</b>	<b>(489,151)</b>	<b>(550,064)</b>	<b>(527,072)</b>
<b>Business-Type Activities:</b>										
Water and Sewer	48,454	8,463	6,844	27,001	41,500	27,273	31,293	23,491	18,929	8,137
Belmont Park Golf Course	(144)	(379)	(593)	(951)	(186)	(191)	(120)	(236)	(369)	(360)
<b>Total Business-Type Activities Net Revenue</b>	<b>48,310</b>	<b>8,084</b>	<b>6,251</b>	<b>26,050</b>	<b>41,314</b>	<b>27,082</b>	<b>31,173</b>	<b>23,255</b>	<b>18,560</b>	<b>7,777</b>
<b>Total Primary Government Net Expense</b>	<b>\$ (311,684)</b>	<b>\$ (362,509)</b>	<b>\$ (385,404)</b>	<b>\$ (373,369)</b>	<b>\$ (366,540)</b>	<b>\$ (397,455)</b>	<b>\$ (477,948)</b>	<b>\$ (465,896)</b>	<b>\$ (531,504)</b>	<b>\$ (519,295)</b>
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental Activities:</b>										
Taxes										
Property	\$ 236,198	\$ 241,471	\$ 264,499	\$ 288,230	\$ 312,238	\$ 350,196	\$ 377,200	\$ 383,557	\$ 366,203	\$ 356,285
Local Sales and Use	43,992	47,096	47,446	50,213	53,254	54,472	53,742	54,109	53,256	55,342
Business License	22,315	23,013	24,042	25,510	28,628	31,173	30,848	29,849	27,313	27,525
Hotel and Motel	6,624	6,937	8,108	8,308	9,139	10,305	10,489	9,640	9,006	9,389
Bank Franchise	8,612	9,334	10,654	7,901	4,904	5,120	11,114	17,220	14,579	18,906
Other	19,925	23,085	26,192	29,570	33,151	33,992	35,570	31,658	17,069	16,931
Interest and Investment Earnings	10,256	8,650	2,583	7,695	14,032	22,818	25,520	12,849	4,656	2,689
Grants and Contributions	41,591	38,382	42,134	43,063	50,635	39,482	47,612	43,735	61,238	57,854
Miscellaneous/Donated Assets	887	32,327	5,852	1,469	1,537	2,919	1,059	1,651	3,861	1,505
<b>Total Governmental Activities</b>	<b>390,400</b>	<b>430,294</b>	<b>431,511</b>	<b>461,960</b>	<b>507,518</b>	<b>550,478</b>	<b>593,154</b>	<b>584,268</b>	<b>557,181</b>	<b>546,426</b>
<b>Business-Type Activities:</b>										
Interest and Investment Earnings	2,138	1,804	692	788	1,079	5,811	4,788	1,015	646	714
Grants and Contributions	934	799	1,056	1,427	1,185	1,332	1,187	983	661	436
Miscellaneous/Donated Assets	1,480	21,571	29,378	1,790	1,810	(94)	495	(505)	4,262	2,264
<b>Total Business-Type Activities</b>	<b>4,552</b>	<b>24,174</b>	<b>31,125</b>	<b>4,005</b>	<b>4,074</b>	<b>7,049</b>	<b>6,471</b>	<b>1,493</b>	<b>5,569</b>	<b>3,414</b>
<b>Total Primary Government</b>	<b>\$ 394,952</b>	<b>\$ 454,469</b>	<b>\$ 462,636</b>	<b>\$ 465,965</b>	<b>\$ 511,591</b>	<b>\$ 557,527</b>	<b>\$ 599,625</b>	<b>\$ 585,761</b>	<b>\$ 562,750</b>	<b>\$ 549,840</b>
<b>Change in Net Assets</b>										
Government Activities	\$ 30,406	\$ 59,701	\$ 39,856	\$ 62,541	\$ 99,664	\$ 125,941	\$ 84,033	\$ 95,116	\$ 7,117	\$ 19,354
Business Activities	52,862	32,258	37,376	30,055	45,388	34,131	37,644	24,748	24,129	11,191
<b>Total Primary Government Net Assets</b>	<b>\$ 83,268</b>	<b>\$ 91,960</b>	<b>\$ 77,232</b>	<b>\$ 92,596</b>	<b>\$ 145,051</b>	<b>\$ 160,072</b>	<b>\$ 121,677</b>	<b>\$ 119,865</b>	<b>\$ 31,246</b>	<b>\$ 30,545</b>

Note: Accrual-basis financial information for Henrico County as a whole is only available back to 2002, the year GASB Statement 34 was implemented.  
Table may not foot due to rounding

**COUNTY OF HENRICO, VIRGINIA**  
**FUND BALANCES-GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)  
(\$ in thousands)

Table III

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Fund:</b>										
Unspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113
Restricted	-	-	-	-	-	-	-	-	-	4,512
Committed	-	-	-	-	-	-	-	-	-	5,000
Assigned	-	-	-	-	-	-	-	-	-	79,631
Unassigned	-	-	-	-	-	-	-	-	-	133,005
<b>Total General Fund</b>	114,513	123,516	135,249	156,001	194,614	203,279	234,792	247,327	242,864	222,261
<b>All Other Governmental Funds:</b>										
Unspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	26,738
Committed	-	-	-	-	-	-	-	-	-	208,320
Assigned	-	-	-	-	-	-	-	-	-	15,238
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	95,773	122,687	143,240	122,734	176,926	220,633	217,357	282,424	214,957	250,296
<b>Total Fund Balances</b>	\$ 210,286	\$ 246,203	\$ 278,489	\$ 278,735	\$ 371,540	\$ 423,912	\$ 452,149	\$ 529,751	\$ 457,822	\$ 472,557
<b>General Fund:</b>										
Reserved for:										
Advance to Other Funds	\$ -	\$ 135	\$ 135	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113
Encumbrances	4,552	6,881	7,704	8,335	4,398	5,823	6,076	7,116	4,298	4,298
Unreserved, reported in:										
Designated	24,108	21,478	25,058	40,111	76,912	74,614	98,599	100,889	101,927	101,927
Undesignated	85,853	95,022	102,352	107,442	113,191	122,729	130,004	139,209	136,526	136,526
<b>Total General Fund</b>	114,513	123,516	135,249	156,001	194,614	203,279	234,792	247,327	242,865	242,865
<b>All Other Governmental Funds:</b>										
Reserved for:										
Encumbrances	26,262	41,737	33,794	34,090	87,000	70,168	70,725	96,054	69,556	69,556
Unreserved, reported in:										
Designated:										
Special Revenue Fund	13,933	14,773	20,338	16,240	18,154	21,324	24,859	24,373	24,333	24,333
Debt Service Fund	7,572	7,667	7,569	7,602	4,067	4,606	5,216	7,422	6,496	6,496
Capital Project Fund	48,006	58,510	81,539	64,802	67,705	124,535	116,557	154,575	114,572	114,572
Undesignated	-	-	-	-	-	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	95,773	122,687	143,240	122,734	176,926	220,633	217,357	282,424	214,957	214,957
<b>Total Fund Balances</b>	\$ 210,286	\$ 246,203	\$ 278,489	\$ 278,735	\$ 371,540	\$ 423,912	\$ 452,149	\$ 529,751	\$ 457,822	\$ 472,557

Notes: The Governmental Funds Fund Balances do not include the School Board or JRJDC component units to be consistent with the CAFR Financial Section.

Source: County of Henrico, Virginia Comprehensive Annual Financial Reports Exhibit 3

**COUNTY OF HENRICO, VIRGINIA**  
**CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)  
(\$ in thousands)

Table IV

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues:</b>										
General Property Taxes	\$ 226,258	\$ 240,665	\$ 264,120	\$ 287,165	\$ 316,998	\$ 346,403	\$ 371,556	\$ 377,532	\$ 367,444	\$ 353,555
Other Local Taxes	101,468	109,465	116,443	121,502	129,075	129,919	127,268	126,270	119,791	127,013
Licenses and Permits	3,492	3,932	3,756	4,421	4,345	4,596	4,202	3,032	2,665	2,963
Fines and Forfeitures	1,876	1,799	1,818	2,150	2,445	2,640	2,404	2,333	2,480	3,187
Use of Money and Property	11,041	8,650	8,236	8,236	14,459	23,310	26,302	13,761	7,185	3,673
Charges for Services	20,763	21,729	25,740	25,328	27,798	25,026	22,105	23,825	25,928	25,993
Miscellaneous	2,607	3,088	9,744	6,586	4,207	7,360	7,451	9,075	7,191	8,545
Recovered Costs	3,371	3,529	4,044	5,261	5,416	5,928	5,455	6,392	6,246	6,319
Intergovernmental Revenue	121,760	121,336	144,817	137,462	148,376	148,941	176,600	164,086	168,695	165,570
<b>Total Government Revenues</b>	<b>492,636</b>	<b>514,193</b>	<b>573,532</b>	<b>598,111</b>	<b>653,119</b>	<b>694,123</b>	<b>743,343</b>	<b>726,306</b>	<b>707,625</b>	<b>696,818</b>
<b>Expenditures:</b>										
General Government	48,372	52,803	51,719	58,125	61,718	62,556	66,566	65,526	68,009	66,831
Judicial Administration	5,485	5,766	5,897	6,429	6,847	7,527	8,210	8,609	10,933	10,872
Public Safety	107,518	112,049	119,168	125,721	141,916	149,915	159,842	167,650	161,797	166,872
Public Works	35,281	36,684	52,538	40,558	42,139	45,339	47,226	50,799	52,693	47,941
Health and Welfare	42,013	44,507	47,897	50,789	53,855	57,681	61,420	62,776	61,632	60,487
Parks, Recreation and Culture	18,872	19,598	21,354	23,230	24,742	27,298	30,377	31,698	30,639	29,873
Community Development	15,780	15,615	21,086	29,600	26,800	29,358	30,076	26,134	25,615	26,416
Education	157,285	160,294	169,678	174,162	179,897	176,899	188,593	184,328	192,895	200,633
Miscellaneous	5,883	6,667	8,752	9,387	1,851	13,507	20,092	21,545	21,209	16,072
Debt Service - Principal	20,246	22,137	23,258	22,747	26,442	29,306	32,890	30,452	35,155	32,477
- Interest	13,158	14,579	14,267	14,471	15,576	18,578	18,996	22,384	20,125	19,260
Capital Outlay	46,865	40,449	42,565	42,676	59,510	97,470	82,761	118,776	100,066	82,574
<b>Total Government Expenditures</b>	<b>516,738</b>	<b>531,148</b>	<b>582,199</b>	<b>597,895</b>	<b>641,293</b>	<b>715,434</b>	<b>746,959</b>	<b>790,677</b>	<b>780,768</b>	<b>760,308</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,122)	(16,955)	(8,667)	216	11,826	(21,311)	(3,616)	(64,371)	(73,143)	(63,490)
<b>Other Financing Sources (Uses):</b>										
Transfers-in	70,504	69,964	73,257	89,401	105,108	146,445	108,134	115,122	96,503	96,801
Transfers-out	(70,504)	(69,964)	(73,257)	(89,401)	(105,108)	(146,445)	(108,134)	(115,122)	(96,503)	(96,801)
Issuance of Bonds	27,035	50,230	38,920	-	77,815	71,915	29,815	171,315	156,160	72,205
Issuance of Bond Premium	385	1,823	2,031	-	3,096	1,664	1,335	7,389	21,307	5,714
Issuance of Capital Lease Obligations	891	819	-	29	69	104	709	67	140	306
Payment to Escrow Agent	-	-	-	-	-	-	-	(36,799)	(176,393)	-
<b>Total Other Financing Sources, Net</b>	<b>28,311</b>	<b>52,872</b>	<b>40,951</b>	<b>29</b>	<b>80,980</b>	<b>73,683</b>	<b>31,854</b>	<b>141,972</b>	<b>1,214</b>	<b>78,225</b>
<b>Net Change in Fund Balances</b>	<b>\$ 4,189</b>	<b>\$ 35,917</b>	<b>\$ 32,284</b>	<b>\$ 245</b>	<b>\$ 92,806</b>	<b>\$ 52,372</b>	<b>\$ 28,238</b>	<b>\$ 77,601</b>	<b>\$ (71,929)</b>	<b>\$ 14,735</b>
Debt service as a percentage of noncapital expenditures	7.24%	8.15%	7.14%	7.07%	7.76%	8.31%	8.12%	8.28%	8.22%	7.94%

Notes: Accrual-basis financial information for Henrico County as a whole is only available back to 2002; the year GASB Statement 34 was implemented. Table may not foot due to rounding.

Source: County of Henrico Comprehensive Annual Financial Reports Exhibit 4

**COUNTY OF HENRICO, VIRGINIA**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

(\$ in thousands)

Table V

Year	Real Property				Personal Property				Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value of Taxable Property	
	Residential Property	Commercial Property (1)	Public (3) Service Corp.	Total Real Property	Real Property Tax Rate (2)	Personal Property	Public (3) Service Corp.	Total Personal Property				Personal Property Tax Rate (2)
2002	11,986,442	6,353,182	851,848	19,191,472	0.94	2,859,762	4,521	2,864,283	3.50	22,055,755	4.44	22,055,755
2003	13,034,663	6,766,823	869,736	20,671,222	0.94	2,790,989	6,961	2,797,950	3.50	23,469,172	4.44	23,469,172
2004	14,820,557	7,482,898	889,991	23,193,446	0.94	2,792,062	7,090	2,799,152	3.50	25,992,598	4.44	25,992,598
2005	17,046,539	8,288,217	797,890	26,132,646	0.92	3,030,117	5,487	3,035,604	3.50	29,168,250	4.42	29,168,250
2006	20,093,473	9,188,028	801,743	30,083,244	0.90	3,721,480	3,789	3,725,269	3.50	33,808,513	4.40	33,808,513
2007	22,769,740	10,017,942	850,902	33,638,584	0.87	3,807,727	3,419	3,811,146	3.50	37,449,730	4.37	37,449,730
2008	24,247,110	10,492,965	851,142	35,591,217	0.87	4,022,204	3,803	4,026,007	3.50	39,617,224	4.37	39,617,224
2009	24,154,886	10,820,982	913,716	35,889,584	0.87	3,789,013	2,763	3,791,776	3.50	39,681,360	4.37	39,681,360
2010	22,613,681	9,403,294	976,312	32,993,287	0.87	3,068,020	3,704	3,071,724	3.50	36,065,011	4.37	36,065,011
2011	22,439,661	9,262,487	988,146	32,690,294	0.87	3,208,453	3,324	3,211,777	3.50	35,902,071	4.37	35,902,071

**Source:** County of Henrico Director of Finance

**Notes:** The County assesses property annually. Property is assessed at market value in accordance with State law, except as noted below in Virginia's Land Use Code.

(1) Includes commercial, industrial, manufacturing and agriculture

(2) Per \$100 of assessed value

(3) Source: State Corporation Commission and Department of Taxation

Title 58.1-3201 of the Code of Virginia provides for the assessment of real property at 100% of fair market value.

Title 58.1-3230 through 3244 of the Code of Virginia provides for the assessment of land based on use value rather than market value.

Use value is the assessment of the land for a specific purpose and is generally lower than market value. This is a local option statute adopted by Henrico County in 1976.

**COUNTY OF HENRICO, VIRGINIA**  
**DIRECT TAX RATES**  
**LAST TEN FISCAL YEARS**  
*(rate per \$100 of assessed value)*

Table VI

Tax Year	Real Property	Tangible Personal Property	Machinery and Tools	Aircraft	Semi-Conductor	Total Direct Rate
2011	\$ 0.87	\$ 3.50	\$ 1.00	\$ 1.60	\$ 0.40	\$ 7.37
2010	0.87	3.50	1.00	1.60	0.40	7.37
2009	0.87	3.50	1.00	1.60	0.40	7.37
2008	0.87	3.50	1.00	1.60	0.40	7.37
2007	0.87	3.50	1.00	1.60	0.55	7.52
2006	0.90	3.50	1.00	1.60	0.55	7.55
2005	0.92	3.50	1.00	1.60	0.55	7.57
2004	0.94	3.50	1.00	1.60	1.00	8.04
2003	0.94	3.50	1.00	1.60	1.00	8.04
2002	0.94	3.50	1.00	1.60	1.00	8.04

**Source:** County of Henrico Director of Finance

**Notes:** There are no overlapping tax rates within County of Henrico.

Qualifying volunteer rescue squad and fire department vehicles are taxed at the rate of \$1.00 per \$100 of assessed value.

Specially equipped vehicles for disabled veterans and for the handicapped are taxed at the rate of \$.01 per \$100 of assessed value.

**COUNTY OF HENRICO, VIRGINIA  
PRINCIPAL PROPERTY TAX PAYERS  
LAST TWO and TEN YEARS AGO**

Table VII

Taxpayer	Type of Business	Calendar Year 2011			Calendar Year 2010			Calendar Year 2002		
		Real/Personal Property Assessed Valuation	Rank	Percent of Total Valuation	Real/Personal Property Assessed Valuation	Rank	Percent of Total Valuation	Real/Personal Property Assessed Valuation	Rank	Percent of Total Valuation
Virginia Power Company	Utility	463,535,687	1	1.29%	440,809,316	1	1.22%	366,780,913	2	1.67%
Forest City (Short Pump TC, White Oak, etc)	Retail and Offices	388,845,900	2	1.08%	370,297,200	2	1.03%	-	N/A	-
Verizon	Utility	304,851,389	3	0.85%	308,808,485	3	0.86%	237,841,254	3	1.08%
Highwoods Properties	Offices and Warehouses	257,376,000	4	0.72%	258,164,500	4	0.72%	215,779,300	4	0.98%
The Wilton Companies etals	Office, Retail & Warehouse	216,121,600	5	0.60%	222,756,700	5	0.62%	-	N/A	-
Liberty Property, LP	Warehouses and Offices	210,226,800	6	0.59%	210,474,600	6	0.58%	155,558,300	5	0.71%
General Services Corporation	Apartments	190,094,300	7	0.53%	199,359,400	7	0.55%	-	N/A	-
United Dominion Realty Trust	Apartments	165,629,200	8	0.46%	152,852,800	9	0.42%	80,881,100	8	0.37%
Gumcnick	Apartments	155,696,500	9	0.43%	164,089,300	8	0.46%	-	N/A	-
HCA Health Services of VA	Hospital	145,988,626	10	0.41%	-	-	-	-	N/A	-
Weinstein Family	Apartments	-	-	-	151,335,400	10	0.42%	-	N/A	-
Qimonda AG (Infineon Technologies)	Industrial	-	-	-	-	-	-	565,741,900	1	2.58%
Sovran Bank, as Trustee	Regency Shopping Center	-	-	-	-	-	-	99,446,800	6	0.45%
VAC Limited	Apartments	-	-	-	-	-	-	77,746,600	9	0.35%
Circuit City Stores, Inc.	Retail Distribution Center & Stores	-	-	-	-	-	-	83,178,154	7	0.38%
North Park Associates	Virginia Center Commons	-	-	-	-	-	-	67,991,900	10	0.31%
Totals		\$ 2,498,366,002		6.96%	\$ 2,478,947,701		6.87%	\$ 1,950,946,221		8.88%
<b>Total Assessed Values</b>		\$ 35,902,070,827			\$ 36,065,011,440			\$ 21,961,955,095		

Source: County of Henrico Director of Finance

**COUNTY OF HENRICO, VIRGINIA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Table VIII

Year	Original Fiscal Year Levy	Collections within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2002	260,396,014	258,347,048	99.2%	9,733,728	268,080,776	103.0%
2003	\$ 273,732,728	\$ 264,255,359	96.5%	\$ 9,177,369	\$ 273,432,728	99.9%
2004	296,552,199	284,758,490	96.0%	11,562,088	296,320,578	99.9%
2005	324,711,836	310,097,233	95.5%	9,581,896	319,679,129	98.5%
2006	339,091,487	323,450,975	95.4%	8,537,729	331,988,704	97.9%
2007	352,305,000 (1)	331,949,276	94.2%	7,453,330	339,402,606	96.3%
2008	369,929,993	364,474,006	98.5%	4,721,854	369,195,860	99.8%
2009	380,661,375	371,078,746	97.5%	9,312,373	380,391,119	99.9%
2010	365,521,825	357,859,027	97.9%	6,519,343	364,378,370	99.7%
2011	349,268,894	336,136,985	96.2%	N/A (2)	336,136,985	96.2%

**Note:** The percentage of the original and adjusted levy's collected is not available for fiscal years prior to 2003.

(1) PPTRA amounts are no longer included in Levy or Collections as of FY2007.

(2) Fiscal year 2011 collections in subsequent years will be available as of the next reporting period.



Table IX

**COUNTY OF HENRICO, VIRGINIA  
RATIOS OF OUTSTANDING DEBT BY TYPE (1)  
LAST TEN FISCAL YEARS**

Fiscal Year	General Bonded Debt			Percentage of Personal Income (3)	Percentage of Estimated Actual Value of Taxable Property	Per Capita Debt	Capital Leases	
	General Obligation Bonds (2)	Less, Amounts Designated for Principal Payments	Net Bonded Debt				Capital Leases	Capital Leases
2002	203,269,929	7,571,989	195,697,940	2.0%	0.9%	712.03	78,832,407	
2003	235,893,137	7,667,047	228,226,090	2.2%	1.0%	811.99	73,995,115	
2004	257,032,495	7,568,786	249,463,709	2.4%	1.0%	863.99	68,127,765	
2005	239,750,753	7,602,585	232,148,168	2.1%	0.8%	791.28	61,436,460	
2006	296,672,986	4,067,585	292,605,401	2.4%	0.9%	977.17	55,748,161	
2007	345,172,939	4,606,347	340,566,592	2.7%	0.9%	1,125.77	49,771,138	
2008	348,534,427	5,216,511	343,317,916	2.6%	0.9%	1,123.50	43,865,892	
2009	458,800,000	7,421,544	451,378,456	3.2%	1.1%	1,466.31	41,106,810	
2010	420,720,000	6,496,004	414,223,996	2.8%	1.1%	1,349.55	36,568,194	
2011	461,425,000	4,768,994	456,656,006	3.0%	1.3%	1,467.17	35,902,455	

Fiscal Year	Business-Type Activities			Percentage of Personal Income (3)	Percentage of Estimated Actual Value of Taxable Property	Per Capita Debt	Component Units				
	Water & Sewer Revenue Bonds	Capital Leases	Total Primary Government				School Board	Capital Leases	Facility Bond	Capital Leases	JR/JDC
2002	153,930,000	-	428,460,347	4.4%	1.9%	1,558.90	16,541,666	6,795,000	-	-	-
2003	147,545,000	-	449,766,205	4.4%	1.9%	1,600.20	17,016,888	6,445,000	-	-	-
2004	140,915,000	-	458,506,474	4.3%	1.8%	1,587.98	10,563,008	6,080,000	-	-	-
2005	134,005,000	-	427,589,628	3.8%	1.5%	1,457.45	5,261,503	5,695,000	-	-	-
2006	126,935,000	-	475,288,562	3.9%	1.4%	1,587.24	15,453,321	5,290,000	13,343		
2007	199,895,000	12,444	590,245,174	4.6%	1.6%	1,951.11	19,268,975	4,870,000	9,661		
2008	191,960,000	7,718	579,151,526	4.3%	1.5%	1,895.25	21,733,285	4,425,000	5,780		
2009	181,405,000	2,729	673,892,995	4.8%	1.7%	2,189.16	11,963,471	3,960,000	1,688		
2010	182,720,000	23,332	633,535,522	4.3%	1.8%	2,064.07	20,337,101	3,470,000	7,549		
2011	176,460,000	16,110	669,034,571	4.4%	1.9%	2,149.51	21,698,861	2,960,000	5,963		

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) There are no limitations imposed by State Law or Local Ordinance on the amount of general obligation debt that may be issued either directly or indirectly.

However, with certain exceptions, all debt, which is secured by the general obligation of a county, must be approved at public referendum prior to issuance.

(2) The County's GO Bond (plus Literary Loans, if applicable).

(3) Calculations based on calculated trend (see Table XI Sources).

**COUNTY OF HENRICO, VIRGINIA  
PLEDGED REVENUE COVERAGE (1)  
LAST TEN FISCAL YEARS**

Table X

Fiscal Year	Operating Revenue	Operating Expenses (2)	Net Revenue Available for Debt Service			Interest	Total	Coverage
			Operating Expenses (2)	Principal	Interest			
2002	68,262,309	33,855,674	34,406,635	5,960,000	7,053,268	13,013,268	2.64	
2003	65,588,634	37,018,352	28,570,282	6,385,000	6,325,785	12,710,785	2.25	
2004	68,286,629	40,437,572	27,849,057	6,630,000	5,898,343	12,528,343	2.22	
2005	71,356,235	41,407,841	29,948,394	6,910,000	5,890,723	12,800,723	2.34	
2006	81,934,311	41,915,291	40,019,020	7,070,000	5,980,027	13,050,027	3.07	
2007	82,750,017	44,816,131	37,933,886	8,470,000	9,708,681	18,178,681	2.09	
2008	86,691,475	52,062,041	34,629,434	8,205,000	9,252,708	17,457,708	1.98	
2009	87,194,067	54,609,318	32,584,749	8,680,000	7,302,706	15,982,706	2.04	
2010	83,321,061	54,265,948	29,055,113	6,780,000	8,162,621	14,942,621	1.94	
2011	88,550,725	57,029,837	31,520,888	6,260,000	8,471,819	14,731,819	2.14	

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) Water and Sewer Fund only.

(2) The calculation of bond coverage operating expenses has been reduced by depreciation.

**COUNTY OF HENRICO, VIRGINIA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

Table XI

Year	County Population (1)	Total Personal Income (2) (\$000)	Per Capita Income (2)	Average Daily Student Enrollment (3)	Unemployment Rate (4)
2002	274,847	9,831,567	36,723	42,333	3.8%
2003	281,069	10,198,191	37,635	43,366	4.1%
2004	288,735	10,576,650	38,373	44,637	3.7%
2005	293,382	11,234,015	40,036	46,030	3.6%
2006	299,443	12,125,029	42,459	46,910	3.0%
2007	302,518	12,758,972	44,079	47,537	2.8%
2008	305,580	13,359,874 (6)	45,529 (6)	48,226	3.9%
2009	307,832	13,989,076 (6)	47,026 (6)	48,822	7.6%
2010	306,935	14,647,911 (6)	48,573 (6)	48,230	7.0%
2011	311,250 (5)	15,337,776 (6)	50,171 (6)	48,291	6.2%

**Sources:**

- (1) Henrico County 3-C Reports. Estimates from these reports are as of December 31 of the respective year.
- (2) Virginia Employment Commission (Bureau of Economic Analysis in Henrico County, Annual)
- (3) Commonwealth of Virginia Superintendent's Annual Report
- (4) Virginia Employment Commission (Henrico County Economic Profile 10/21/2011)
- (5) Based on a trend average 2001-2010
- (6) Calculation based on trend average 2001 - 2007

Table XII

**COUNTY OF HENRICO, VIRGINIA  
TOP TWENTY PRINCIPAL EMPLOYERS  
LAST FIVE FISCAL YEARS**

Employer	2011 (1)			2010			2009			2008			2007		
	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment
Henrico County School Board	5,000-9,999	1	4.2%	5,000-9,999	1	4.3%	5,000-9,999	1	4.3%	5,000-9,999	1	4.0%	5,000-9,999	1	3.9%
County of Henrico	1,000-4,999	2	2.5%	1,000-4,999	2	2.6%	1,000-4,999	2	2.6%	1,000-4,999	2	2.5%	1,000-4,999	3	2.5%
Capital One Bank	1,000-4,999	3	2.5%	1,000-4,999	3	2.5%	1,000-4,999	3	2.5%	1,000-4,999	3	2.5%	1,000-4,999	2	2.5%
Bon Secours Richmond Health System(2)	1,000-4,999	4	1.9%	1,000-4,999	4	1.9%	1,000-4,999	4	2.0%	1,000-4,999	4	1.9%	1,000-4,999	4	1.9%
Anthem (Blue Cross & Blue Shield)	1,000-4,999	5	1.9%	1,000-4,999	5	1.9%	1,000-4,999	5	2.0%	1,000-4,999	5	1.9%	1,000-4,999	5	1.9%
Henrico Doctors' Hospital (HCA)	1,000-4,999	6	1.9%	1,000-4,999	6	1.9%	1,000-4,999	6	2.0%	1,000-4,999	9	1.9%	1,000-4,999	10	1.9%
Admiral Security Services	1,000-4,999	7	1.9%	1,000-4,999	8	1.9%	1,000-4,999	9	2.0%	1,000-4,999	12	1.9%	1,000-4,999	12	1.9%
Bank of America	1,000-4,999	8	1.9%	1,000-4,999	7	1.9%	1,000-4,999	7	2.0%	1,000-4,999	8	1.9%	1,000-4,999	8	1.9%
Wells Fargo Bank NA	1,000-4,999	9	1.9%	1,000-4,999	9	1.9%	-	N/A	-	-	N/A	-	-	N/A	-
United States Postal Service	1,000-4,999	10	1.9%	1,000-4,999	12	1.9%	-	N/A	-	-	N/A	-	-	N/A	-
Walmart	1,000-4,999	11	1.9%	1,000-4,999	11	1.9%	1,000-4,999	12	2.0%	1,000-4,999	14	1.9%	1,000-4,999	14	1.9%
Martin's Food Market	1,000-4,999	12	1.9%	500-999	15	0.5%	-	N/A	-	-	N/A	-	-	N/A	-
GNA Corporation	1,000-4,999	13	1.9%	1,000-4,999	10	1.9%	1,000-4,999	11	2.0%	1,000-4,999	11	1.9%	1,000-4,999	11	1.9%
Altria Corporate Services Inc	1,000-4,999	14	1.9%	1,000-4,999	13	1.9%	1,000-4,999	13	2.0%	-	N/A	-	-	N/A	-
Kroger	1,000-4,999	15	1.9%	500-999	17	0.5%	500-999	20	0.5%	500-999	18	0.5%	500-999	20	0.5%
Dominion Resources	500-999	16	0.5%	500-999	14	0.5%	500-999	16	0.5%	500-999	17	0.5%	500-999	19	0.5%
Access America	500-999	17	0.5%	-	N/A	-	-	N/A	-	-	N/A	-	-	N/A	-
Market Service, Inc	500-999	18	0.5%	500-999	20	0.5%	500-999	19	0.5%	-	N/A	-	-	N/A	-
SunTrust Bank	500-999	19	0.5%	-	N/A	-	-	N/A	-	-	N/A	-	-	N/A	-
Verizon Virginia, Inc.	500-999	20	0.5%	500-999	16	0.5%	500-999	17	0.5%	500-999	19	0.5%	500-999	17	0.5%
Virginia Department of Social Services				500-999	18	0.5%	500-999	18	0.5%	500-999	16	0.5%	500-999	18	0.5%
Ukrops				500-999	19	0.5%	1,000-4,999	10	2.0%	1,000-4,999	10	1.9%	1,000-4,999	9	1.9%
Circuit City Stores				-	N/A	-	1,000-4,999	8	2.0%	1,000-4,999	6	1.9%	1,000-4,999	6	1.9%
First Union National Bank				-	N/A	-	1,000-4,999	14	2.0%	1,000-4,999	13	1.9%	1,000-4,999	13	1.9%
Qimonda North America Corp				-	N/A	-	1,000-4,999	15	2.0%	1,000-4,999	7	1.9%	1,000-4,999	7	1.9%
Totals			34.9%			32.2%			35.3%			31.4%			31.5%
<b>Total County Employment(3)</b>			<b>155,163</b>			<b>154,233</b>			<b>153,486</b>			<b>160,459</b>			<b>159,175</b>

Source: Virginia Employment Commission  
Employees and percentage of employment based on size code as published by VEC

(1) 2011 Data as of 1st Qtr 2011

(2) Non-Resident Employer of Henrico County Citizens

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

**COUNTY OF HENRICO, VIRGINIA  
GOVERNMENT EMPLOYEES BY DEPARTMENT (1)  
LAST TEN FISCAL YEARS**

Table XIII

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agriculture & Home Extension	5	5	5	5	5	3	3	3	3	3
Belmont Golf Course	9	9	9	9	9	9	9	9	9	9
Board of Supervisors	5	5	5	5	5	5	5	5	5	5
Building Inspections	55	55	55	55	59	59	61	61	58	58
Central Automotive Maintenance	58	61	61	61	64	65	65	65	65	65
Circuit Court Services	6	6	6	7	7	8	8	8	8	8
Commonwealth's Attorney	42	43	43	45	45	50	56	56	54	54
Community Corrections	2	2	2	2	2	2	2	2	2	2
Community Revitalization	-	-	-	17	17	19	19	19	18	18
County Attorney	17	18	18	18	18	18	18	18	18	18
County Manager	13	13	13	13	13	13	13	13	13	13
Electoral Board	9	9	9	9	10	9	9	9	9	9
Finance	157	158	159	160	160	166	166	167	159	159
Fire	386	407	462	477	491	522	531	540	539	539
General Services	148	148	149	149	150	157	160	161	156	156
Human Resources (2)	52	51	55	51	50	55	57	56	53	53
Information Technology	84	84	84	85	85	91	90	89	83	83
Internal Audit	4	4	4	4	4	4	4	4	4	4
Juvenile Detention & VJCCCA	29	29	29	31	31	31	33	33	33	33
Library	118	118	118	131	144	178	178	183	173	173
Mental Health	226	223	223	223	223	224	225	225	220	220
Permit Centers	17	17	17	17	17	19	19	19	18	18
Planning	58	58	57	43	46	50	50	50	49	49
Police	753	755	756	763	785	810	799	799	797	799
Public Relations & Media Services	7	14	17	19	19	20	20	20	19	19
Public Utilities	300	300	310	310	310	316	320	320	308	309
Public Works	246	251	258	259	259	265	266	266	258	258
Real Property	7	7	7	7	7	7.5	7.5	7.5	7	7
Recreation & Parks	140	140	140	144	152	167	172	172	168	178
Sheriff	358	358	358	360	360	362	378	377	371	371
Social Services	140	143	142	146	149	154	157	168	168	168
Solid Waste	66	70	69	69	78	78	75	75	70	69
<b>Sub-total General Government</b>	<b>3,517</b>	<b>3,561</b>	<b>3,640</b>	<b>3,694</b>	<b>3,774</b>	<b>3,938</b>	<b>3,976</b>	<b>4,000</b>	<b>3,915</b>	<b>3,927</b>
<b>Education</b>	<b>5,297</b>	<b>5,450</b>	<b>5,599</b>	<b>5,908</b>	<b>6,081</b>	<b>6,231</b>	<b>6,422</b>	<b>6,588</b>	<b>6,634</b>	<b>6,567</b>
<b>Total Government Employees</b>	<b>8,814</b>	<b>9,011</b>	<b>9,239</b>	<b>9,602</b>	<b>9,855</b>	<b>10,168</b>	<b>10,397</b>	<b>10,587</b>	<b>10,549</b>	<b>10,494</b>

Source: County of Henrico, Department of Human Resources (Education complement verified by School Finance Office)

(1) The County's personnel complement reflected here includes only those positions funded either wholly or in part with County funds. Positions funded 100% by non-County funds (28) as of January 31, 2011 are not included. General Government positions are based on headcount while Education positions are measured using FTE.

(2) Certain approved, vacant and frozen positions have been removed from the department where previously assigned and are being held in the Human Resources Department's complement until reassignment is made. Currently, all such positions have been eliminated.

**COUNTY OF HENRICO, VIRGINIA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

Table XIV

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (1)
<b>General Government</b>										
<b>Finance:</b>										
Standard & Poor G.O. Bond Rating	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Moody's G.O. Bond Rating	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Fitch G.O. Bond Rating	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Land Parcels Reviewed	99,898	101,611	101,686	103,487	105,742	107,533	109,333	109,970	110,369	112,170
Vehicles Assessed	288,428	288,428	326,000	339,000	347,000	348,862	349,306	328,204	347,913	33,846
GFOA Award CAFR - # of Years	20	21	22	23	24	25	26	27	28	29
GFOA Award Budget - # of Years	13	14	15	16	17	18	19	20	21	22
<b>General Services:</b>										
Fleet Annual Miles Driven	19,152,029	20,437,855	21,455,860	22,135,909	22,170,727	22,601,564	24,000,000	24,594,634	25,112,408	25,539,175
Gallons of Fuel Consumed	2,279,611	2,433,078	2,554,269	2,595,253	2,649,446	2,723,080	2,867,559	2,963,209	3,007,474	3,077,009
Total Work Orders Completed	16,008	16,359	16,661	19,247	26,963	28,301	30,490	24,589	20,361	22,700
<b>Information Technology</b>										
Internet Pages Accessed	3,918,828	7,714,010	12,846,893	8,840,785	8,840,785	12,207,405	13,861,882	16,629,902	19,212,527	19,294,500
Internet Site Visits	-	-	-	1,870,150	1,870,150	2,637,719	2,744,028	2,280,415	2,269,242	2,252,000
Central Computer Average Uptime	99.8%	99.8%	99.4%	99.2%	99.1%	99.6%	99.8%	99.8%	99.8%	99.8%
<b>Judicial Administration</b>										
<b>Clerk of Circuit Court:</b>										
Deed Book Entries	65,143	77,694	101,478	75,432	82,426	76,146	67,768	50,160	50,440	42,486
Civil Cases	2,761	2,764	2,838	2,947	2,831	2,881	3,001	2,852	3,104	3,212
Criminal Cases	6,409	6,734	7,208	8,196	8,113	8,613	8,001	6,971	7,133	6,981
<b>General District Courts:</b>										
New Criminal Cases Filed	8,652	9,105	8,663	9,271	10,422	10,475	7,878	10,386	10,620	11,698
New Civil Cases Filed	36,248	40,788	38,436	38,855	39,095	37,502	33,134	43,284	42,329	41,459
New Traffic Cases Filed	64,144	63,361	55,243	63,727	68,642	72,102	62,073	66,924	76,218	77,919
<b>Commonwealth Attorney:</b>										
Criminal Cases	21,217	22,171	21,602	26,163	25,980	25,532	26,000	25,084	25,038	25,100
Traffic Cases	70,000	80,985	82,402	98,664	99,567	96,553	97,000	94,356	107,397	107,600
<b>Public Safety</b>										
<b>Police:</b>										
Calls for Service	212,915	217,444	222,614	202,244	200,158	205,189	209,292	197,808	193,173	197,239
Criminal Arrests	17,286	17,925	18,747	21,132	21,925	24,815	25,311	21,399	20,330	20,736
Traffic Arrests	46,397	42,332	43,614	51,945	56,811	51,496	52,525	53,051	63,009	65,529
<b>Fire Protection:</b>										
Calls For Service	30,173	31,092	34,086	34,192	35,365	37,962	39,043	36,931	37,575	38,252
EMS and Rescue Calls	19,988	20,087	21,534	23,114	24,229	25,722	27,100	27,293	28,028	29,011
Fire Incidents	1,462	1,221	1,221	1,092	1,223	1,204	1,183	1,025	915	880
<b>Sheriff:</b>										
Civil Papers Served	116,688	120,708	123,344	119,079	120,370	121,201	123,098	115,186	120,746	115,704
Annual Committals to Jail	9,496	9,984	10,882	11,610	12,201	12,588	12,600	13,605	16,888	13,900
Average Daily Inmate Population	1,011	1,047	1,062	1,005	1,169	1,234	1,300	1,164	1,140	1,175
<b>Building Inspections:</b>										
Total Permits Issued	17,975	18,485	20,535	21,928	20,907	18,509	20,000	12,819	11,975	12,000
Total Inspections	77,601	84,105	88,631	98,185	95,661	86,130	85,500	59,795	51,495	54,399
<b>Public Works</b>										
<b>Public Works:</b>										
Lane Miles Maintained	3,063	3,088	3,138	3,212	3,277	3,231	3,310	3,348	3,385	3,393
Traffic Signals Maintained	120	122	126	131	136	138	130	138	140	141
Development Plans Reviewed	1,633	1,689	1,654	1,420	1,415	1,630	1,536	1,026	776	760
<b>Health and Social Services</b>										
<b>Public Health:</b>										
Patient Visits	23,958	21,932	24,623	25,190	25,700	26,000	26,050	26,308	28,545	28,545
Water/Sewer Inspection Applications	360	416	305	400	397	350	350	195	179	179

COUNTY OF HENRICO, VIRGINIA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS

Table XIV

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (1)
<i>Health and Social Services cont.</i>										
<b>Social Services:</b>										
Clients Entering Employment	300	206	372	476	369	531	525	545	609	378
Clients Employed After 90 Days	210	206	282	319	277	409	404	436	493	260
<b>Education</b>										
<b>Schools:</b>										
Cost Per Student	\$ 6,847	\$ 7,163	\$ 7,235	\$ 7,642	\$ 7,832	\$ 8,485	\$ 8,957	\$ 9,369	\$ 9,485	\$ 9,665
Teaching Positions	2,976	3,152	3,154	3,394	3,489	3,554	3,657	3,791	3,815	3,720
Student/Teacher Ratio	14.2	13.8	14.2	13.6	13.4	13.4	13.2	12.7	13.0	13.0
<b>Parks, Recreation and Cultural:</b>										
<b>Recreation:</b>										
Park Visitation	2,881,811	2,881,811	3,098,697	3,253,600	3,595,204	3,401,181	3,500,000	3,537,272	4,001,371	4,000,000
Program Participants	443,450	443,450	475,226	267,912	264,393	306,575	350,000	306,498	396,900	397,000
Recreation Programs	1,578	1,578	2,273	13,604	13,514	16,364	16,550	17,234	15,848	16,400
<b>Library:</b>										
Customer Visits	1,371,924	1,364,874	1,389,948	1,487,188	1,447,124	1,446,004	1,632,666	1,865,118	1,904,924	1,952,547
Annual Circulation of Materials	2,820,919	3,003,501	2,606,087	2,637,910	2,637,296	2,695,776	2,690,534	3,584,375	3,786,229	3,861,954
Customer Visits	1,371,924	1,364,874	1,389,948	1,487,188	1,447,124	1,446,004	1,632,666	1,865,118	1,904,924	1,952,547
<b>Community Development</b>										
<b>Economic Development:</b>										
Prospects Available	95	95	95	95	95	95	95	95	95	95
Retention Calls	690	690	690	690	690	464	580	690	650	650
Successful Prospects	30	30	30	30	38	36	38	30	38	38
<b>Planning:</b>										
Reviews Completed	429	479	490	604	490	537	289	326	256	270
Petitions and Permits Processed	302	265	275	300	275	262	122	110	85	93
Maps Prepared	2,305	2,119	2,200	2,591	2,200	1,603	1,588	848	743	819
<b>Community Development (con't)</b>										
<b>Community Revitalization:</b>										
Community Maintenance Cases	N/A	N/A	7,960	8,861	8,882	8,996	9,075	10,985	11,345	11,400
Inspections Completed	N/A	N/A	17,345	21,903	21,304	22,133	22,500	27,513	29,138	29,000
Volunteers Hours Worked	N/A	N/A	7,580	4,903	7,423	7,154	7,511	5,024	6,242	6,500
<b>Permit Center:</b>										
Permit Applications Received	5,792	6,153	7,519	7,500	6,886	6,298	5,873	4,253	4,225	4,675
Permit Applications Reviewed	9,391	11,450	13,401	14,010	13,675	11,605	11,307	6,954	7,156	7,435
Permits Issued	2,514	2,685	3,430	4,775	4,229	5,763	5,151	4,168	4,035	4,587
Inquires	18,701	20,172	20,890	21,621	24,184	23,348	20,404	15,248	14,072	13,203
<b>Public Utilities</b>										
<b>Solid Waste:</b>										
Number of Customers	26,945	28,495	29,657	31,085	32,346	34,364	36,000	37,647	39,117	40,200
Tons of Waste Collected	48,620	54,219	88,531	78,561	100,079	108,614	97,800	91,855	81,785	84,950
Tons Deposited in Public Use Areas	32,643	35,586	40,552	39,539	32,346	37,078	30,000	40,272	32,212	34,000
<b>Water and Sewer:</b>										
Number of Water Customers	83,168	84,492	86,400	88,200	90,000	91,482	92,800	94,886	91,776	92,100
Number of Sewer Customers	79,627	83,052	84,900	86,600	88,391	89,790	91,000	91,631	88,854	89,200
Fire Hydrants in Service	9,371	9,697	9,972	10,264	10,561	11,054	11,200	11,567	11,799	11,900

Source: Approved County Budget

(1) FY2011 column data is revised budget not actual, where actual data is not yet available

**COUNTY OF HENRICO, VIRGINIA  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

Table XV

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (1)
<b>General Government</b>										
Vehicles	N/A	N/A	313	337	340	410	533	728	487	575
Building Square Footage	2,020,338	2,044,571	2,065,008	2,079,633	2,132,633	2,182,633	2,194,808	2,194,808	2,203,193	2,225,054
Food Service Facilities	1	1	1	1	1	1	1	1	1	1
<b>Public Safety</b>										
<b>Police:</b>										
Police Stations	2	2	2	2	2	2	2	2	2	2
Police Field Offices	2	2	2	2	2	2	2	2	2	3
Vehicles	N/A	N/A	659	636	648	650	638	651	711	740
<b>Sheriff:</b>										
Vehicles	54	55	57	55	54	55	55	55	60	59
Prisoner Facilities	2	2	2	2	2	2	2	2	2	2
<b>Juvenile &amp; Domestic Relations</b>										
Juvenile Detention Facilities	2	2	2	2	2	2	2	2	2	2
<b>Fire Protection:</b>										
Stations	18	18	18	19	19	20	20	20	20	20
Vehicles	N/A	N/A	181	193	164	169	168	168	175	177
<b>Public Works:</b>										
Miles of Maintained Roads	1,250	1,263	1,272	1,279	1,298	1,311	1,317	1,327	1,338	1,339
Miles of Storm Drainage	911	972	1,033	1,042	1,062	1,078	1,093	1,102	1,116	1,116
Vehicles	N/A	N/A	272	298	311	306	299	323	323	315
<b>Education</b>										
<b>Schools:</b>										
School Facilities	65	66	68	68	68	70	70	71	71	71
Vehicles	N/A	N/A	947	911	1,033	1,070	1,096	1,158	1,131	1,137
<b>Recreation and Cultural</b>										
<b>Recreation:</b>										
Recreation/Community Centers	14	14	15	15	17	17	17	20	17	20
Developed Park Acreage	1712	1723	1772	1772	1800	1897	1900	2505	2505	2505
Athletic Fields/Courts	374	374	374	403	407	417	419	419	423	410
County Golf Courses	1	1	1	1	1	1	1	1	1	1
<b>Library:</b>										
Number of Libraries	10	10	10	10	10	10	10	11	10	11
Titles in Collection	185,795	182,447	285,423	275,065	298,528	326,326	331,242	327,455	329,141	324,527
Volumes in Collection	457,547	449,302	702,895	656,680	823,864	895,954	1,042,188	901,837	924,076	895,128
<b>Public Utilities</b>										
<b>Water and Sewer:</b>										
Miles of Water Mains	1,315	1,337	1,370	1,403	1,431	1,463	1,495	1,515	1,528	1,548
Miles of Sewer Mains	1,286	1,304	1,324	1,345	1,364	1,391	1,420	1,445	1,443	1,450
Vehicles	N/A	N/A	327	328	341	341	347	354	353	358
Landfills	1	1	1	1	1	1	1	1	1	1

Source: Approved County Budget

(1) FY2011 column data is revised budget not actual, where actual data is not yet available



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PROPOSED FORM OF OPINION OF BOND COUNSEL

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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  
REFUNDING BONDS, SERIES 2012, \$37,500,000

At your request we have examined into the validity of \$37,500,000 principal amount of General Obligation Public Improvement Refunding Bonds, Series 2012 (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 February 1 or on August 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 February 1, 2013 and semiannually on each February 1 and August 1 thereafter at the interest rate per annum stated opposite such year, to wit:

<u>Year</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2013	\$350,000	2.00%

<u>Year</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2014	\$ 15,000	2.00%
2015	15,000	2.00
2016	15,000	2.00
2017	15,000	2.00
2018	15,000	2.00
2019	15,000	2.00
2020	15,000	2.00
2021	2,000,000	2.00
2021	1,875,000	3.00
2022	7,435,000	4.00
2023	7,380,000	3.00
2024	7,360,000	5.00
2025	7,420,000	5.00
2026	3,575,000	5.00

The Bonds are not subject to redemption prior to their stated maturities.

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, as amended (the same being the Public Finance Act of 1991), and a resolution duly adopted by the

Board of Supervisors of the County under the Public Finance Act of 1991, for the purpose of refunding in advance of their stated maturities certain outstanding general obligation bonds of 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 statutes 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

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**PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Certificate"), dated October 3, 2012, is executed and delivered in connection with the issuance of \$37,500,000 principal amount of General Obligation Public Improvement Refunding Bonds, Series 2012, dated October 3, 2012 (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 February 14, 2012 (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) updated versions of 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 updated versions of the financial information and operating data with respect to the County included in the Official Statement and in Appendix A to the Official Statement, and (ii) information regarding amendments to this Certificate required pursuant to Sections 4.2(d) and (e) of this Certificate. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 1.1(1)(i) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When 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. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(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; *provided, however*, that, pursuant to Section 4.2(a) and (e) hereof, the County may from time to time, if required by federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. Notice of any such modification required by Section 4.2(a) hereof shall include a reference to the specific federal or State law or regulation describing such accounting principles or other description thereof.

(3) "Counsel" means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) "GAAP" means generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board or any successor to the duties and responsibilities of either of them.

(5) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934 or any successor thereto or to the functions of the MSRB contemplated by this Certificate.



(6) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the County or otherwise:

- (i) principal and interest payment delinquencies,
- (ii) non-payment related defaults, if material,
- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds,
- (vii) modifications to rights of Bondholders, if material,
- (viii) Bond calls, if material, and tender offers,
- (ix) defeasances,
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material,
- (xi) rating changes,
- (xii) bankruptcy, insolvency, receivership or similar event of the County,

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

- (xiii) the consummation of a merger, consolidation or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material, and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(7) “Official Statement” means the Official Statement, dated September 19, 2012, of the County relating to the Bonds.

(8) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities and Exchange Act of 1934 (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.

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

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

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

(12) "Underwriters" means Morgan Keegan & Company, Inc. and Davenport & Company LLC.

## ARTICLE II

### THE UNDERTAKING

SECTION 2.1. Purpose. This Certificate is being executed and delivered solely to assist the Underwriters in complying with paragraph (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, 2011, by no later than nine (9) months after the end of the respective fiscal year, to the MSRB.

(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 the MSRB.

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

SECTION 2.4. Notice Events. (a) If a Notice Event occurs, the County shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to the MSRB.

(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 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 notice of a Notice Event hereunder, in addition to that which is required by this Certificate. If the County chooses to do so, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

SECTION 2.6. Additional Disclosure Obligations. The County acknowledges and understands that other federal and State laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the County and that, under some circumstances, 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 2.7. No Previous Non-Compliance. The County represents that, in the previous five years, it has not failed to comply with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule relating to its general obligation bonds.

## 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) available to the public on the MSRB Internet website (currently, [www.emma.msrb.org](http://www.emma.msrb.org)) or (ii) filed with the SEC. The provisions of this Section 3.1 shall not apply to notices of Notice Events pursuant to Section 2.4 hereof.

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. Dissemination Agents. The County may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the County under this Certificate and revoke or modify any such designation.

SECTION 3.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet website address of which is [www.emma.msrb.org](http://www.emma.msrb.org).

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 3.5. Fiscal Year. (a) The County's current fiscal year is July 1 to June 30, and the County shall promptly notify the MSRB of each change in its fiscal year.

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

## ARTICLE IV

### EFFECTIVE DATE, TERMINATION, AMENDMENT AND ENFORCEMENT

SECTION 4.1. Effective Date; Termination. (a) This Certificate shall be effective upon the issuance of the Bonds.

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

(c) This Certificate, or any provision hereof, shall be null and void in the event that (i) the County shall have received an opinion of Counsel, addressed to the County, to the effect that those portions of the Rule which require this Certificate, or any such provision, 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 (ii) the County shall have delivered copies of such opinion to the MSRB.

SECTION 4.2. Amendment. (a) This Certificate may be amended by written certificate of the Director of Finance of the County, without the consent of the holders of the Bonds if all of the following conditions are satisfied: (i) 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, (ii) 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, (iii) the County shall have received an opinion of Counsel, addressed to the County, to the same effect as set forth in

clause (ii) above, (iv) the County shall have received an opinion of Counsel, addressed to the County, or a determination by an entity, in each case unaffiliated with the County (such as Bond Counsel), to the effect that the amendment does not materially impair the interests of the holders of the Bonds and (v) the County shall have delivered copies of such opinions and amendment to the MSRB.

(b) This Certificate may be amended by written certificate of the Director of Finance of the County, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (i) 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, (ii) the County shall have received an opinion of Counsel to the effect that performance by the County under this Certificate as so amended will not result in a violation of the Rule and (iii) the County shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Certificate may be amended by written certificate of the Director of Finance of the County, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (i) the County shall have received an opinion of Counsel, addressed to the County, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of the Staff of the SEC and (ii) the County shall have delivered copies of such opinion and amendment to the MSRB.

(d) 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.

(e) If an amendment is made pursuant to Section 4.2(a) hereof to the accounting principles to be followed by the County in preparing its financial statements, the Annual Financial Information for the fiscal 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 rights of the Bondholders 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. 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 the County 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

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

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**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 3.5 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 is rated AA+ by Standard & Poor’s. 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](http://www.dtcc.com) and [www.dtc.org](http://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 are, however, 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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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, and payment of redemption proceeds of, 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 principal and interest 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.