

**NEW ISSUE
BOOK-ENTRY-ONLY**

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

(See "RATINGS" herein)

In the opinion of Bond Counsel, 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 EXEMPTION" herein for a description of certain other provisions of law which may affect the federal tax treatment of interest on the Bonds.) In addition, in the opinion of Bond Counsel, under the existing laws of the Commonwealth of Virginia, such interest is not includable in computing the Virginia income tax.



\$107,545,000

**HENRICO COUNTY, VIRGINIA
GENERAL OBLIGATION PUBLIC IMPROVEMENT AND
GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS, SERIES 2003**

Dated: January 15, 2003

Due: As Shown On the Inside Cover Hereof

Henrico County, Virginia's (the "County") General Obligation Public Improvement and General Obligation Public Improvement Refunding Bonds, Series 2003 (the "Bonds") in the aggregate principal amount of \$107,545,000 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 in "Appendix D -Book-Entry-Only System" herein. The Bonds mature on January 15 and July 15 in each of the years 2004 through 2013, both inclusive, and January 15 in each of the years 2014 through 2023, both inclusive, in such amounts and having such assigned CUSIP numbers as set forth on the inside cover hereof. Interest on the Bonds is payable semi-annually at the rates as shown on the inside cover hereof commencing on July 15, 2003 and on each January 15 and July 15, thereafter. Interest on the Bonds will be calculated on the basis of a 30 day month and a 360 day year. The Director of Finance of the County is the Registrar and Paying Agent for the Bonds.

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

The Bonds will be general obligations of the County and the full faith and credit of the County will be irrevocably pledged to the punctual payment of the principal of and premium, if any, 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 premium, if any, 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.

Electronic bids for the Bonds were received by the County on January 14, 2003. The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Hawkins, Delafield & Wood, New York, New York, Bond Counsel. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about February 6, 2003.

Dated: January 14, 2003

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND CUSIPS

Date	Principal Amount	Interest Rate	Price	CUSIP Numbers
January 15, 2004	\$8,245,000	3.000%	101.748%	426056 RG4
July 15, 2004	1,075,000	2.000	100.895	426056 RH2
January 15, 2005	8,335,000	3.000	102.898	426056 RJ8
July 15, 2005	1,875,000	2.000	101.555	426056 RK5
January 15, 2006	9,250,000	4.500	107.910	426056 RL3
July 15, 2006	1,835,000	2.500	102.561	426056 RM1
January 15, 2007	7,985,000	2.625	101.899	426056 RN9
July 15, 2007	1,795,000	2.500	101.602	426056 RP4
January 15, 2008	7,765,000	5.000	111.158	426056 RQ2
July 15, 2008	1,755,000	2.500	99.595	426056 RR0
January 15, 2009	7,675,000	5.000	110.981	426056 RS8
July 15, 2009	1,720,000	3.000	100.173	426056 RT6
January 15, 2010	5,790,000	5.000	110.795	426056 RU3
July 15, 2010	1,690,000	3.250	100.000	426056 RV1
January 15, 2011	5,730,000	5.000	110.465	426056 RW9
July 15, 2011	1,660,000	3.500	100.143	426056 RX7
January 15, 2012	2,510,000	5.000	110.218	426056 RY5
July 15, 2012	1,635,000	3.500	98.809	426056 RZ2
January 15, 2013	2,510,000	5.000	109.943	426056 SA6
July 15, 2013	1,610,000	3.750	99.655	426056 SB4
January 15, 2014	2,510,000	4.000	100.569*	426056 SC2
January 15, 2015	2,510,000	4.000	99.528	426056 SD0
January 15, 2016	2,510,000	4.000	98.310	426056 SE8
January 15, 2017	2,510,000	4.250	99.789	426056 SF5
January 15, 2018	2,510,000	4.250	98.799	426056 SG3
January 15, 2019	2,510,000	4.375	99.147	426056 SH1
January 15, 2020	2,510,000	4.500	99.645	426056 SJ7
January 15, 2021	2,510,000	4.500	98.664	426056 SK4
January 15, 2022	2,510,000	4.700	100.075*	426056 SL2
January 15, 2023	2,510,000	4.750	100.000	426056 SM0

(Accrued interest from January 15, 2003 to be added)

*Priced to par call on January 15, 2013.

HENRICO COUNTY, VIRGINIA

BOARD OF SUPERVISORS

DAVID A. KAECELE, *Chairman*

PATRICIA S. O'BANNON, *Vice-Chairman*

JAMES B. DONATI, JR.

RICHARD W. GLOVER

FRANK J. THORNTON

COUNTY OFFICIALS

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

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

HARVEY L. HINSON, *Deputy County Manager for Community Development*

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

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

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

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

RETA R. BUSHER, CPA, *Director of Finance*

BOND COUNSEL

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67 Wall Street
New York, New York 10005
(212) 820-9300

FINANCIAL ADVISOR

BB&T Capital Markets,
a division of Scott & Stringfellow, Inc.
2 South Ninth Street
Richmond, Virginia 23219
(804) 649-3900

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

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

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

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OFFICIAL STATEMENT
of
HENRICO COUNTY, VIRGINIA
relating to its
\$107,545,000
GENERAL OBLIGATION PUBLIC IMPROVEMENT AND
GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS, SERIES 2003

INTRODUCTION

This Official Statement, which includes the cover page and appendices, is to provide information in connection with the issuance by Henrico County, Virginia (the "County"), a political subdivision of the Commonwealth of Virginia (the "Commonwealth"), of its General Obligation Public Improvement and General Obligation Public Improvement Refunding Bonds, Series 2003, in the aggregate principal amount of \$107,545,000. The Bonds will be general obligations of the County to the payment of which the full faith and credit of the County are irrevocably pledged. This Official Statement has been approved and authorized by the County for use in connection with the issuance and sale of the Bonds. Financial and other information contained in this Official Statement have been prepared by the County from its records, except where other sources are noted. The information is not intended to indicate future or continuing trends in the financial or economic status of the County. This Official Statement should be read in its entirety.

DESCRIPTION OF THE BONDS

Authorization

The Bonds are to be issued to finance capital improvements in the County and to refund certain outstanding bonds of the County. The Bonds to be issued to finance capital improvements in the County were approved by the voters of the County at an election held in the County on November 7, 2000, and were authorized to be issued by a resolution duly adopted by the Board of Supervisors of the County on November 26, 2002, and pursuant to the Public Finance Act of 1991, being Chapter 26, Title 15.2, Code of Virginia of 1950, as amended (the "Act"). The Bonds to be issued to refund certain outstanding Bonds of the County were authorized to be issued by a resolution duly adopted by said Board on November 12, 2002, and the aforementioned resolution duly adopted by said Board on November 26, 2002 (collectively, the "Resolution") and pursuant to the Act.

General

The full faith and credit of the County are irrevocably pledged to the payment of the Bonds. The Bonds are dated January 15, 2003, payable in semi-annual installments on January 15 and July 15 in each of the years 2004 through 2013, both inclusive, and in annual installments on January 15 in each of the years 2014 through 2023, both inclusive and in such amounts all 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 semi-annually January 15 and July 15, commencing July 15, 2003. The Bonds are subject to redemption prior to their stated maturities at the option of the County. See "Redemption of the Bonds."

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

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

The Bonds will be issued as registered bonds, in denominations of \$5,000 or integral multiples thereof, initially in book-entry form only in the name of Cede & Co., as nominee for DTC. Individual purchases of

beneficial ownership in the Bonds will be made in principal amounts of \$5,000 and multiples thereof. Individual purchasers of beneficial ownership interest in the Bonds (the "Beneficial Owners") will not receive physical delivery of bond certificates. If the book-entry system is discontinued, bond certificates will be delivered as described in the Resolution and Beneficial Owners will become registered owners of the Bonds. Registered owners of the Bonds, whether Cede & Co. or, if the book-entry system is discontinued, the Beneficial Owners, will be defined in this Official Statement as the "Bondholders". SO LONG AS CEDE & CO. IS THE SOLE BONDHOLDER, AS NOMINEE FOR DTC, REFERENCE IN THIS OFFICIAL STATEMENT TO BONDHOLDERS MEANS CEDE & CO. AND DOES NOT MEAN THE BENEFICIAL OWNERS.

Book-Entry-Only System

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

Redemption of the Bonds

The Bonds maturing on or before July 15, 2013 will not be subject to optional redemption before their respective maturity dates.

The Bonds maturing on or after January 15, 2014 may be redeemed prior to their respective maturity dates, on or after January 15, 2013, at the option of the County, as a whole or in part at any time at the price of par together with the interest accrued thereon to the date fixed for redemption.

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

CAPITAL PROGRAM AND PURPOSES OF ISSUE

The voters of the County, at an election held in the County on November 7, 2000, approved the issuance of general obligation bonds of the County, as follows: \$170,500,000 for school capital improvement purposes, acquisition of future school sites and such other school construction and improvements as may be required by the actual educational needs in the County, \$28,400,000 for library facilities, \$13,600,000 for fire stations, \$16,000,000 for recreation and parks facilities improvements, acquisition of future park sites and such other recreation and parks construction and improvements as may be required by the actual recreational needs of the County, and \$8,500,000 for various road projects. The County issued \$37,110,000 principal amount of Public Improvement Bonds, Series 2001 on June 14, 2001 for capital school improvement projects in the County and \$27,035,000 principal amount of Public Improvement Bonds, Series 2002 on February 21, 2002 for capital school improvement projects, library facilities, fire stations, recreation and parks facilities improvements and various road projects in the County.

\$51,789,332 of the proceeds of the Bonds are to be used to finance school capital improvements, fire stations, recreation and parks facilities improvements and various road projects in the County pursuant to such

voter authorization. It is anticipated that the County will issue and sell the remaining authorization of such bonds from time to time over the next four years.

As described in "PLAN OF REFUNDING" below, a portion of the proceeds of the Bonds are to be used to refund in advance of their stated maturities certain outstanding school bonds of the County and certain outstanding public improvement refunding bonds of the County.

PLAN OF REFUNDING

Certain of the Bonds are being issued to provide a portion of the moneys required to refund \$16,000,000 principal amount Special Obligation School Financing Bonds Henrico County Series 1993 of the Virginia Public School Authority, holder of the County's outstanding School Bonds, Series 1993 which are being simultaneously refunded (the "Authority Refunded School Bonds"), representing the principal amounts of the Authority Refunded School Bonds maturing on July 15, 2004 to 2013, both inclusive and \$42,085,000 principal amount of the County's Public Improvement Refunding Bonds, Series 1993 (the "Refunded 1993 Bonds"), representing the principal amount of the Refunded 1993 Bonds maturing on January 15, 2004 to 2011, both inclusive (collectively, the "Refunded Bonds").

Upon delivery of the Bonds, the County will enter into a Refunding Trust Agreement (the "Refunding Trust Agreement for the Authority Refunded School Bonds") with Wachovia Bank, N.A., as Refunding Trustee (the "Trustee") and the Virginia Public School Authority. The Refunding Trust Agreement for the Authority Refunded School Bonds creates an irrevocable Virginia Public School Authority Special Obligation School Financing Bonds, Henrico County Refunding Trust Fund, which is to be held by the Trustee and is to be applied solely to the payment of the Authority Refunded School Bonds. The County will deposit a portion of the proceeds of the Bonds with the Trustee for deposit in such refunding trust fund in an amount which will be invested, at the direction of the County, in direct, non-callable obligations of the United States of America ("Government Securities") maturing in amounts and bearing interest at rates sufficient without reinvestment to pay the redemption price of the Authority Refunded School Bonds maturing on July 15 in each of the years 2004 through 2013, both inclusive, which are to be redeemed on July 15, 2003, such redemption price being an amount equal to 102% of the principal amount of the Authority Refunded School Bonds, together with the interest accrued on the principal amount to be redeemed to the date fixed for the redemption thereof. The Virginia Public School Authority Special Obligation School Financing Bonds, Henrico County Refunding Trust Fund, including the interest earnings on the Government Securities, is pledged solely for the benefit of the holders of the Authority Refunded School Bonds.

Upon delivery of the Bonds, the County will enter into a Refunding Trust Agreement (the "Refunding Trust Agreement for the Refunded 1993 Bonds") with the Trustee. The Refunding Trust Agreement for the Refunded 1993 Bonds creates an irrevocable Public Improvement Refunding Bonds, Series 1993 Refunding Trust Fund, which is to be held by the Trustee and is to be applied solely to the payment of the Refunded 1993 Bonds. The County will deposit a portion of the proceeds of the Bonds with the Trustee for deposit in such refunding trust fund in an amount which will be invested, at the direction of the County, in Government Securities maturing in amounts and bearing interest at rates sufficient without reinvestment to pay the redemption price of the Refunded 1993 Bonds maturing on January 15 in each of the years 2004 through 2011, both inclusive, which are to be redeemed on March 13, 2003, such redemption price being an amount equal to 102% of the principal amount of the Refunded 1993 Bonds, together with the interest accrued on the principal amount to be redeemed to the date fixed for the redemption thereof. The Public Improvement Refunding Bonds, Series 1993 Refunding Trust Fund for the Refunded 1993 Bonds, including the interest earnings on the Government Securities, is pledged solely for the benefit of the holders of the Refunded 1993 Bonds.

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 premium, if any, 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 premium, if any, 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 the Bonds to the purposes of issuance described above:

Sources:	
Principal amount of the Bonds	\$107,545,000.00
Original Issue Premium.....	4,659,252.25
Accrued Interest	<u>249,991.22</u>
Total Sources	\$112,454,243.47
 Uses:	
Deposit to Refunding Trust Funds	\$59,880,400.00
Deposit to Projects Fund	51,789,332.00
Accrued Interest	249,991.22
Issuance Expenses ¹	208,658.90
Underwriters' Discount	<u>325,861.35</u>
Total Uses	\$112,454,243.47

¹ Includes cost of issuance and contingency.

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 County's outstanding general obligation bonds, following the issuance of the Bonds.

<u>Bond Year</u> <u>Ending June 30</u>	<u>Debt Service on</u> <u>Outstanding Bonds**</u>	<u>Debt Service on the Bonds</u>			<u>Total</u> <u>Debt Service</u>
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2003	\$ 26,457,385				\$ 26,457,385
2004	15,218,959	\$ 8,245,000	\$ 4,285,564	\$ 12,530,564	27,749,523
2005	13,213,333	9,410,000	4,027,464	13,437,464	26,650,797
2006	12,856,397	11,125,000	3,747,914	14,872,914	27,729,311
2007	12,444,071	9,820,000	3,289,976	13,109,976	25,554,047
2008	11,809,278	9,560,000	3,034,995	12,594,995	24,404,273
2009	11,475,314	9,430,000	2,602,370	12,032,370	23,507,684
2010	11,137,468	7,510,000	2,170,883	9,680,883	20,818,351
2011	10,794,533	7,420,000	1,828,120	9,248,120	20,042,653
2012	10,453,917	4,170,000	1,485,108	5,655,108	16,109,025
2013	10,110,517	4,145,000	1,301,945	5,446,945	15,557,462
2014	9,764,578	4,120,000	1,117,645	5,237,645	15,002,223
2015	9,413,199	2,510,000	987,058	3,497,058	12,910,257
2016	9,048,146	2,510,000	886,658	3,396,658	12,444,804
2017	8,669,877	2,510,000	786,258	3,296,258	11,966,135
2018	6,814,510	2,510,000	679,583	3,189,583	10,004,093
2019	6,520,549	2,510,000	572,908	3,082,908	9,603,457
2020	6,225,474	2,510,000	463,095	2,973,095	9,198,569
2021	4,192,030	2,510,000	350,145	2,860,145	7,052,175
2022	1,396,500	2,510,000	237,195	2,747,195	4,143,695
2023		2,510,000	119,225	2,629,225	2,629,225
Total*	\$208,016,035	\$107,545,000	\$33,974,105	\$141,519,105	\$349,535,140

* Totals may not add due to rounding

** Does not include debt service on bonds refunded by the Bonds

THE COUNTY

Set forth in this section is certain information, including economic and demographic information, with respect to the County.

General

The County is situated in central Virginia and surrounds the City of Richmond (the "City" or "Richmond") on the north side of the James River. Although much of the County's 244.06 square miles consists of highly developed urban and suburban areas, there is also a considerable amount of undeveloped agricultural and forest land. In Virginia, cities and counties are distinct units of government and do not overlap. Thus, the County is responsible for providing all local government services to its residents. Population of the County is currently estimated to be 276,876 for 2002 and is expected to continue to grow in the foreseeable future.

Form of Government

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

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

Elected Officials

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

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

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

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

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

Certain County Staff Members

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

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

Harvey L. Hinson, whose experience with Henrico County covers over 37 years, was appointed Deputy County Manager for Community Development in March 1992. Prior to his appointment, he served as the Assistant Director of Planning for two years and has held various positions in both the County's Planning Office and the Department of Public Works. Mr. Hinson holds a Bachelor's degree in Urban Studies, a Master's degree in Urban and Regional Planning, and a Certificate in Civil Engineering Technology, all from Virginia Commonwealth University.

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

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

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

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

Reta R. Busher was appointed Director of Finance on April 10, 2002. She previously has served the County as the Deputy Director of Finance since 1999 and as Director of the Office of Management and Budget from 1993 to 1999. Prior to her work with Henrico County, Ms. Busher served Roanoke County, Virginia as Director of the Office of Management and Budget and as Assistant Staff and Senior Accountant for Peat, Marwick, Mitchell & Company Ms. Busher holds a Bachelor's degree in Accounting from the College of William and Mary and is a Certified Public Accountant.

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 25 fiscal years. The County's general purpose financial statements as of and for the year ended June 30, 2002, included in this Official Statement in Appendix A, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein. The County has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its annual financial statements each year since the fiscal year ended June 30, 1982. The Certificate of Achievement is awarded annually for excellence, clarity and comprehensiveness in financial reporting.

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

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

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

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

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

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

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

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

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

Budgetary Procedure

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

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

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

The County Manager and his staff hold hearings with the various departments and after review submit a proposed fiscal plan to the Board of Supervisors. The Board of Supervisors also hold 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 2003. Please refer to the County's audited financial statements, included in this Official Statement as Appendix A, for a detailed review of General Fund revenues and expenditures for the fiscal year ended June 30, 2002.

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, 2002, property taxes (including penalties for late payment of prior years' taxes) represent approximately 39.1% of total General Fund and School Operating receipts. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in April and are payable in two installments on June 5th and December 5th. The County bills and collects its own property taxes. Property taxes levied are recorded as receivables, net of allowance for estimated uncollectible accounts, to the extent that they are currently due.

In April 1998, the Virginia General Assembly passed the Personal Property Tax Relief Act of 1998. The Act provides for the Commonwealth to reimburse a portion of the tangible Personal Property Tax levied on personal use cars, motorcycles and trucks. Reimbursement rates are contingent upon the State meeting revenue projections. If projections are not met, the rates to localities will be frozen at the previous level. The reimbursement was 12.5% of the tax on the first \$20,000 of the value of the qualifying vehicle in tax year 1998. The reimbursement rate was 27.5% for tax year 1999, and increased to 47.5% for tax year 2000, and 70% for tax years 2001 and 2002. The reimbursement rate for 2003 and thereafter will be determined by the state annually. For tax year 2002, the State reimbursement receivable is reflected as a due from other governments and is offset by deferred revenue. 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 represent approximately 17.5% of total General Fund and School Operating receipts in the fiscal year ended June 30, 2002.

Revenues from the Commonwealth of Virginia. The County is reimbursed by the Commonwealth of Virginia for a portion of shared expenses including certain expenditures for social services, the Sheriff's office, courts, the office of the Commonwealth Attorney and the Clerk of the Circuit Court. Additionally, the County receives a share of the net profits from the State Alcoholic Beverage Control Board's liquor sales. The County also receives a significant amount of State aid in support of public school operations. Revenue from the Commonwealth of Virginia represents approximately 38.2% of total General Fund and School Operating receipts in the fiscal year ended June 30, 2002.

Other Revenue. Other sources of revenue account for approximately 5.1% of total General Fund Revenue for the fiscal year ended June 30, 2002. The principal source of other revenue to the General Fund is interest on investments which, accounts for an estimated 1.6% of General Fund and School Operating Revenue.

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 represents approximately 53.4% of the total General Fund and School Operating disbursements for fiscal year ending June 30, 2002.

Costs of General County Government. The County pays from the General Fund the costs of general County government. These costs include expenditures for public safety (police, fire, etc.), courts, administration and support, social services, libraries, health, recreation, and street and highway maintenance. This classification, based on preliminary figures, represents approximately 46.6% of total General Fund and School Operating disbursements in the fiscal year ended June 30, 2002. 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 represent approximately 6.0% of total General Fund and School Operating disbursements in the fiscal year ended June 30, 2002.

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 represents approximately 4.0% of total General Fund disbursements in the fiscal year ended June 30, 2002.

Summary of General Fund Revenues, Expenditures and Fund Balances

The financial data shown in the following table represents a summary for the five fiscal years ended June 30, 2002, of the County's General and School Operating Fund revenues, expenditures and fund balances. This summary has been compiled from the audited financial statements of the County for the five fiscal years ended June 30, 2002. The summary of the financial statements for the five fiscal years ended June 30, 2002, should be read in connection with those financial statements and notes thereto.

	<u>Fiscal Year Ended June 30</u>				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues:					
General Property Taxes	\$198,413,167	\$209,582,693	\$211,261,491	\$217,144,579	\$226,258,366
Other Local Taxes	82,346,015	90,182,828	95,457,377	102,029,232	101,467,945
Permits, Privilege Fees & Regulatory Licenses	3,880,549	3,641,252	3,778,235	4,305,060	3,882,240
Fines & Forfeitures	1,686,419	1,886,104	1,711,050	1,836,373	1,875,895
Revenues from Use of Money & Property	11,309,659	11,457,314	13,059,453	17,389,364	9,330,829
Charges for Services	7,176,083	7,757,297	8,077,442	8,558,536	9,259,037
Miscellaneous	2,078,027	650,333	1,666,157	2,234,802	1,804,142
Recovered Costs	2,744,486	2,509,360	2,777,970	3,339,226	3,400,421
Intergovernmental	<u>140,347,260</u>	<u>163,632,261</u>	<u>185,915,214</u>	<u>213,717,174</u>	<u>220,960,895</u>
Total Revenues	<u>\$449,981,665</u>	<u>\$491,299,442</u>	<u>\$523,704,389</u>	<u>\$570,554,346</u>	<u>\$578,239,770</u>
Expenditures:					
General Govt. Admin.	\$ 34,276,487	\$ 37,823,223	\$ 40,938,259	\$ 45,164,227	\$ 46,745,434
Judicial Admin.	3,991,082	4,066,901	4,650,409	4,744,015	4,899,826
Public Safety	84,663,860	85,589,321	93,548,744	100,566,776	103,380,580
Public Works	16,971,437	21,295,843	22,688,817	29,622,698	28,957,949
Health & Welfare	10,896,142	13,975,286	14,528,851	15,659,444	16,596,536
Education	206,307,962	220,746,535	238,913,758	253,212,280	278,728,620
Parks, Recreation & Cultural	14,533,112	15,491,606	16,924,941	18,445,377	18,649,111
Community Development	9,642,383	10,053,370	11,696,376	12,848,134	13,813,452
Miscellaneous	3,521,937	3,508,599	4,430,057	6,020,503	5,882,900
Debt Service Principal Retirement	838,632	848,133	687,272	694,568	4,011,831
Debt Service Interest	<u>236,610</u>	<u>194,563</u>	<u>148,155</u>	<u>190,970</u>	<u>297,628</u>
Total Expenditures	<u>\$385,879,644</u>	<u>\$413,593,380</u>	<u>\$449,155,639</u>	<u>\$487,168,992</u>	<u>\$521,963,867</u>
Excess of Revenue over Expenditures	\$ 64,102,021	\$ 77,706,062	\$ 74,548,750	\$ 83,385,354	\$ 56,275,903
Other Financing Sources (Uses):					
Issuance of Cap. Lease Obligation	\$ 65,842	\$ 907,376	\$ 502,831	\$ 627,846	\$ 20,455,774
Operating Transfers In	2,621	802,834			
To Debt Service Fund	(24,544,769)	(28,892,561)	(31,800,559)	(29,283,848)	(34,140,925)
To Capital Project Fund	(28,495,038)	(31,975,134)	(15,417,121)	(19,973,545)	(22,980,206)
To Other Funds	(11,514,248)	(9,832,808)	(11,311,003)	(12,081,564)	(13,382,712)
Total Other Financing Sources (Uses)	<u>\$(64,485,592)</u>	<u>\$(68,990,293)</u>	<u>\$(58,025,852)</u>	<u>\$(60,711,111)</u>	<u>\$(50,048,069)</u>
Excess (deficiency) Revenue & Other Sources Over Expend. & Other Uses					
	\$ (383,571)	\$ 8,715,769	\$ 16,522,898	\$ 22,674,243	\$ 6,227,834
Fund Balance, July 1	68,612,716	68,229,145	75,704,849	89,878,766	112,553,009
Residual Equity Transfers	<u>0</u>	<u>(1,240,065)</u>	<u>(2,348,981)</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	<u>\$ 68,229,145</u>	<u>\$ 75,704,849</u>	<u>\$89,878,766</u>	<u>\$112,553,009</u>	<u>\$118,780,843</u>
Analysis of Fund Balance					
Fund Balances:					
Reserved & Designated	\$33,697,536	\$ 31,557,452	\$31,927,933	\$ 36,859,796	\$ 32,927,790
Undesignated	<u>34,531,609</u>	<u>44,147,397</u>	<u>57,950,833</u>	<u>75,693,213</u>	<u>85,853,053</u>
TOTAL	<u>\$68,229,145</u>	<u>\$ 75,704,849</u>	<u>\$89,878,766</u>	<u>\$112,553,009</u>	<u>\$118,780,843</u>

Summary of Annual Fiscal Plan for the Fiscal Year Ending June 30, 2003

The County's Fiscal Plan for the fiscal year ending June 30, 2003, reflects a growing tax base, a healthy local economy, and a continuing commitment to provide increased quality services and facilities for a growing population. While projected revenues continue to increase, actual receipts are being closely monitored. Real Property taxes are projected to increase a moderate 6.9% over the previous fiscal year. Personal Property taxes are projected to increase 4.5%. These increases are realistic and should be met because they anticipate moderate but continued growth. Expenditure increases include a 4.0% merit and wage adjustment increase for both school and general government employees.

The County anticipates an increase in the General Fund budget for fiscal year 2003 of 6.0%. Anticipated increases in revenues will provide ample resources to provide continued levels of quality service for the citizens of Henrico County.

As set forth in the Annual Fiscal Plan, anticipated General Fund revenues, expenditures and transfers are summarized below for the fiscal year ending June 30, 2003:

<u>Revenues and Transfers</u>		<u>Expenditures</u>	
General property taxes	\$266,465,700	General government administration	\$40,398,738
Other local taxes	101,659,900	Financial Administration	9,947,336
Revenue from use of money and property	14,008,300	Public safety	106,100,080
Intergovernmental revenue	191,220,400	Public works	22,748,624
Permits, fees & licenses	4,049,700	Health and welfare	16,915,251
Fines and forfeitures	2,569,000	Education	283,866,755
Charges for services	8,887,900	Parks, recreation and cultural	20,033,351
Miscellaneous	4,845,200	Judicial Administration	5,348,883
Transfers to other funds	<u>(66,964,452)</u>	Community development	14,515,854
Total Projected Revenues and Transfers	<u>\$526,741,648</u>	Miscellaneous	<u>6,866,776</u>
		Total Budgeted Expenditures	<u>\$526,741,648</u>

Population

The County's population has increased rapidly since 1960, as shown in the following table:

<u>Calendar</u>	<u>Population</u>	<u>Calendar</u>	<u>Population</u>
<u>Year</u>		<u>Year</u>	
1960	117,339	1995	239,683
1970	154,364	1996	243,273
1980	179,562	1997	247,832
1990	221,287	1998	254,194
1991	223,729	1999	259,179
1992	226,684	2000	267,031
1993	230,729	2001	271,447
1994	235,229	2002	276,876

Source: Population estimates provided by Henrico County Planning Office.

Taxable Retail Sales Data

The following table presents the taxable retail sales, number of retail merchants and taxable retail sales per capita. As in many other metro areas in the Mid-Atlantic region, the County's taxable retail sales per capita have steadily increased since 1990. 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⁽¹⁾</u>	<u>Taxable Retail Sales (000)⁽²⁾</u>	<u>Number of Merchants</u>	<u>Taxable Retail Sales Per Capita</u>
1990	221,287	\$2,421,707	3,530	\$10,944
1991	223,729	2,256,420	3,532	10,086
1992	226,684	2,405,278	4,221	10,611
1993	230,729	2,653,625	5,169	11,501
1994	235,229	2,757,439	5,164	11,722
1995	239,683	2,977,931	5,292	12,424
1996	243,273	3,104,943	5,288	12,763
1997	247,832	3,359,351	5,396	13,555
1998	254,194	3,571,221	5,418	14,049
1999	259,179	3,829,852	5,514	14,777
2000	267,031	4,054,871	5,475	15,185
2001	271,447	3,902,580	5,617	14,377

Sources: ⁽¹⁾ Population estimates provided by Henrico County Planning Office.

⁽²⁾ Commonwealth of Virginia, Department of Taxation. Data excludes automobile and prescription drug sales.

Construction Activity

Despite the recession in the early 1990's, the County has experienced steady construction activity in both the residential and commercial development areas. Selected data are presented below to show construction activity in the County for the past decade.

Building Permits and Value

<u>Fiscal Year</u>	<u>Total Dwelling Units⁽¹⁾</u>		<u>Total Construction Permits⁽²⁾</u>	
	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>
1992	1,558	\$101,191,913	15,538	\$241,555,206
1993	1,704	116,876,979	16,502	250,261,760
1994	1,850	145,599,513	17,487	295,629,293
1995	1,670	128,632,424	18,085	327,830,746
1996	1,724	141,923,506	17,936	468,942,405
1997	1,659	147,811,577	19,675	516,388,721
1998	1,815	174,510,589	19,590	577,495,134
1999	2,083	209,258,966	20,336	529,785,425
2000	1,683	172,007,574	18,758	609,571,108
2001	1,641	175,048,202	18,880	672,373,503
2002	1,672	182,444,684	16,409	473,056,295

Source: Department of Building Construction & Inspections, Henrico County.

⁽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)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Single Family	\$174,511	\$209,259	\$172,007	\$175,048	\$182,445
Multi-Family	24,489	20,268	2,145	32,039	24,855
Industrial	0	14,131	7,465	6,554	2,966
Office	22,587	26,337	50,419	40,165	40,769
Institutional	4,979	6,046	4,400	675	4,490
Commercial & Etc.	<u>350,929</u>	<u>253,745</u>	<u>373,135</u>	<u>417,893</u>	<u>217,521</u>
Total	<u>\$577,495</u>	<u>\$529,786</u>	<u>\$609,571</u>	<u>\$672,374</u>	<u>\$473,046</u>

Source: Department of Building Construction & Inspections, Henrico County.

Housing

The data in the table below present the characteristics of residential housing in the County. As of December 31, 2001, single family housing units represented approximately 65% of all residential housing. The percentage of the housing stock consisting of multifamily units has grown steadily throughout the period presented.

	<u>1970</u>		<u>1980</u>		<u>1990</u>		<u>2000</u>		<u>2001</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	39,050	79%	47,257	67%	56,994	63%	73,744	65%	75,103	65%
Multifamily, Condominiums, Apartments & Town Houses	<u>10,477</u>	<u>21</u>	<u>23,171</u>	<u>33</u>	<u>35,426</u>	<u>37</u>	<u>39,297</u>	<u>35</u>	<u>39,781</u>	<u>35</u>
Total	49,527	100%	70,428	100%	95,420	100%	113,041	100%	114,884	100%

Source: Henrico County Planning Office.

Commerce, Industry and Employment

The County's economy and its tax base have grown steadily throughout the 1980's and 1990's. The County's Planning Office has estimated that the County's 2002 population is approximately 22.1% higher than it was ten years ago. Retail sales rose over \$1.5 billion or 61.1% between 1990 and 2001, according to the Virginia Department of Taxation. During the period from 1980 through the first quarter of 2002, total non-agricultural employment in the County increased by 92,347 or 150%. Many major industries have located in the County during the last decade, including some that expanded or relocated from another part of the metropolitan area. All growth, whether new, relocated, or expanded, contributed to the increased employment and tax base in the County.

The result of these events has been an increase in Henrico's capacity to raise revenue and provide services. Between fiscal years 1992 and 2002, the County's total General Property tax revenues increased by over \$80.4 million or 55.1%. During the same period, the Personal Property Tax rate remained constant at \$3.50 per \$100 assessed value and the real estate tax rate was reduced from \$.98 per \$100 assessed value to \$.94 per \$100 assessed value. Moderate industrial and residential growth is expected to continue in the foreseeable future, particularly in the eastern portion of the County. Thus, the upward trend in revenue growth is expected to continue.

Employment

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

Area Total Employment by Place of Residence

Date	Henrico County		Chesterfield County		City of Richmond		Hanover County		Goochland County	
	County	Unemployment	County	Unemployment	Richmond	Unemployment	County	Unemployment	County	Unemployment
September 2001	137,608	4.5%	140,008	3.1%	91,387	6.5%	47,323	3.2%	9,043	3.0%
October 2001	138,175	4.1	140,584	3.1	91,783	6.3	47,518	3.1	9,080	2.8
November 2001	139,406	4.0	141,636	3.2	92,580	6.1	47,941	3.3	9,161	2.5
December 2001	138,472	3.9	140,867	3.2	91,961	5.8	47,620	3.2	9,100	2.9
January 2002	140,621	3.7	143,276	3.2	93,520	5.8	46,428	3.0	9,254	2.9
February 2002	141,654	3.5	144,124	3.0	94,073	5.6	48,714	2.8	9,309	2.9
March 2002	142,187	3.4	144,668	2.9	94,427	5.6	48,698	2.8	9,344	2.8
April 2002	142,029	3.4	144,505	2.8	94,322	5.6	48,843	2.8	9,333	2.7
May 2002	142,040	3.6	144,516	2.9	94,330	6.1	48,847	2.8	9,334	3.0
June 2002	142,779	3.8	145,266	3.1	94,621	6.8	49,101	3.1	9,383	3.3
July 2002	144,619	3.5	147,140	3.0	96,042	6.3	49,734	2.7	9,504	2.7
August 2002	142,705	3.8	145,193	3.2	94,771	7.0	49,076	3.0	9,378	3.0
September 2002	140,690	3.8	143,143	3.3	93,433	6.8	48,383	2.8	9,245	3.1

Source: Virginia Employment Commission.

Employment by Industry Type

	Calendar Year 1990		Calendar Year 2000 ⁽²⁾		Calendar Year 2001 ⁽³⁾		Calendar Year 2002 ⁽⁴⁾	
	<u>Metro⁽¹⁾</u>	<u>Henrico</u>	<u>Metro⁽²⁾</u>	<u>Henrico</u>	<u>Metro⁽¹⁾</u>	<u>Henrico</u>	<u>Metro⁽²⁾</u>	<u>Henrico</u>
	Henrico % of <u>Metro</u>		Henrico % of <u>Metro</u>		Henrico % of <u>Metro</u>		Henrico % of <u>Metro</u>	
Non-Agricultural								
Employment	418,706	116,914	427,834	151,483	425,890	153,328	431,150	153,908
Manufacturing	57,805	14,062	51,748	15,906	52,150	16,223	40,867	11,194
Non-Manufacturing	362,915	103,483	431,203	152,537	429,047	154,270	431,684	153,938
Transportation	21,969	5,253	25,974	7,799	26,384	8,052	24,806	7,731
Trade, Wholesale,								
Retail & Government	175,435	45,411	195,164	59,688	191,721	58,831	158,026	43,560
Financial, Real Estate								
and Insurance	37,839	14,700	47,722	28,401	49,763	29,431	43,456	26,525
Services	97,117	29,189	127,822	45,601	127,631	47,399	175,124	67,048
Mining	212	108	352	98	310	69	232	72
Construction	27,775	8,192	30,796	9,893	30,076	9,542	29,506	8,972
	<u>1,199,773</u>	<u>337,312</u>	<u>1,338,615</u>	<u>471,406</u>	<u>1,332,972</u>	<u>477,145</u>	<u>1,334,851</u>	<u>472,948</u>
		28.1%		35.2%		35.8%		35.4%
		27.9%		35.4%		36.0%		35.7%
		24.3		30.7		31.1		27.4
		28.5		35.4		36.0		35.7
		23.9		30.0		30.5		31.2
		25.9		30.6		30.7		27.6
		38.8		59.5		59.1		61.0
		30.1		35.7		37.1		38.3
		50.9		27.8		22.3		31.0
		29.5		32.1		31.7		30.4
		28.1%		35.2%		35.8%		35.4%

Source: Virginia Employment Commission

(1) Metro defined as Counties of Henrico, Hanover, and Chesterfield, and City of Richmond.

(2) Fourth Quarter 2000.

(3) First Quarter 2001.

(4) First Quarter 2002.

Median Household Income

	Calendar Year 2000	Calendar Year 1990
Henrico County	\$49,185	\$35,604
Chesterfield County	58,537	43,604
Commonwealth of Virginia	46,677	35,073
United States	41,944	29,943

Source: Virginia Employment Commission.

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.

Major Private, Non-Retail Employers

<u>Employers</u>	<u>Approximate Number Employed</u>
Capital One	9,000-10,000
Circuit City Stores, Inc.	4,000-5,000
Bank of America	2,000-3,000
Bon Secours (St. Mary's)	2,000-3,000
Trigon Health Care	2,000-3,000
Henrico Doctors' Hospital	1,500-2,500
G. E. Financial Assurance	1,100-1,200
Infineon Technologies Richmond	1,000-2,000
Wachovia Bank (First Union)	1,000-2,000
SunTrust Service Corp.	1,000-2,000
Verizon (Bell Atlantic)	1,000-2,000
Carmax	1,000-2,000
Cadmus Communications	1,000-2,000
Southern States Cooperative	700-800
Kraft Foods, Inc. (Nabisco)	700-800
Colonial Mechanical	700-800
Wyeth Ayerst Laboratories	600-700
Dominion Virginia Power	600-700
Ted Lansing	600-700
McKesson HBOC, Inc. (General Medical Corp.)	500-600
Courtyard Management Co.	500-600
First Health Services	500-600
Servicemaster Services, Inc.	500-600
Markel Service Inc.	500-600
Westminster-Canterbury Corporation	400-500

Sources: Economic Development Authority of Henrico County, Virginia, the Virginia Employment Commission (1st quarter 2001), and *Richmond Times Dispatch* Top 50 Area Employers List - December 5, 2001.

Economic Development

A number of large corporations locate their corporate headquarters in Henrico County. Circuit City Stores, Owens and Minor, and The Pittston Company comprise the Fortune 500 companies that are located within the County. Southern States Cooperative and Trigon Blue Cross/Blue Shield of Virginia are Fortune 1000 companies that also call Henrico County home. Other large corporate headquarters include GE Financial Assurance, Hamilton Beach-Proctor Silex, Invensys Controls, and Markel Services Inc. In addition, 63 diverse foreign-based firms representing 13 countries are currently based in the County.

Six years ago, Infineon Technologies Richmond, a large computer chip manufacturer, chose Henrico County over numerous locations throughout the world. Infineon Technologies Richmond now employs more than 1,600 regional residents. In February 1998, Applied Materials, a multi-billion dollar multi-national corporation, chose to move a facility to Henrico County. In 1999, Hewlett-Packard chose to construct an 800,000 square foot facility which assembles laser jet printers in Henrico County. In 2000, Hewlett-Packard occupied an additional 640,000 square feet within the White Oak Technology Park for an assembly and distribution facility, which made Hewlett-Packard's investment in Henrico County exceed \$55.0 million in a two year time frame. Other technology companies which have recently migrated to Henrico include Alfa Laval, Discovery Therapeutics, Cisco Systems, West Coast Quartz and Wyeth Ayerst Laboratories.

Tax Base Data

The following data are presented to illustrate trends and characteristics of the assessed value of real and personal property which are major sources of County-derived revenue. Of Henrico's \$18.24 billion in taxable real estate, nearly 34% is classified as commercial.

Assessed Value of All Taxable Property Last Ten Calendar Years

Calendar Year	Assessed Value Real Estate	Personal Property	Assessed Value Public Service Corp. ⁽¹⁾		Total Assessed Value
			Real Estate	Personal Property	
1993	\$10,652,928,870	\$1,368,690,196	\$611,423,093	\$4,907,184	\$12,637,949,343
1994	10,859,535,997	1,491,653,653	673,273,970	4,678,366	13,029,141,986
1995	11,223,741,047	1,783,652,862	665,416,866	4,615,592	13,677,426,367
1996	11,679,268,500	2,048,069,501	663,203,417	4,615,592	14,395,157,010
1997	12,438,859,000	2,146,750,188	721,875,439	5,214,034	15,312,698,661
1998	13,284,448,300	2,411,094,393	730,696,946	4,807,832	16,431,047,471
1999	14,195,583,300	2,609,580,250	735,466,744	4,713,473	17,545,343,767
2000	15,192,653,250	2,749,570,928	782,847,363	5,229,877	18,730,301,418
2001	16,778,229,150	2,853,452,157	827,287,178	5,820,189	20,464,788,674
2002	18,245,823,150	2,859,762,405	851,848,275	4,521,265	21,961,955,095

Source: Henrico County Department of Finance.

⁽¹⁾ Source: State Corporation Commission.

Property Tax Rates

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

Tax Rates (Per \$100 of Assessed Value)

<u>Calendar Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery and Tools</u>	<u>Aircraft</u>
1993	\$0.98	\$3.50	\$1.00	\$2.40
1994	0.98	3.50	1.00	2.40
1995	0.98	3.50	1.00	1.60
1996	0.96	3.50	1.00	1.60
1997	0.94	3.50	1.00	1.60
1998	0.94	3.50	1.00	1.60
1999	0.94	3.50	1.00	1.60
2000	0.94	3.50	1.00	1.60
2001	0.94	3.50	1.00	1.60
2002	0.94	3.50	1.00	1.60

Source: Director of Finance, Henrico County.

Property Tax Levies And Collections Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Current Levy</u>	<u>Current Taxes Collected</u>	<u>Percent of Levy</u>	<u>Current Year Collection of Prior Year Taxes</u>	<u>Total Taxes Collected</u>	<u>Collections as Percent of Current Levy</u>	<u>Outstanding⁽²⁾ Delinquent Taxes</u>	<u>Delinquent Taxes as Percent of Current Levy</u>
1993	\$154,151,850	\$149,519,295	97.0%	\$2,113,614	\$151,632,909	98.4%	\$11,309,098	7.3%
1994	161,313,804	158,859,768	98.5	2,228,619	161,088,387	99.9	11,878,559	7.4
1995	169,573,470	169,445,926	99.9	2,015,942	171,461,868	101.1	11,979,412	7.1
1996	180,291,605	175,796,767	97.5	1,792,386	177,589,153	98.5	13,395,443	7.4
1997	181,374,952	182,062,526	100.4	2,219,975	184,282,501	101.6	13,753,926	7.6
1998	198,885,854	196,629,230	98.9	1,181,449	197,810,679	99.5	15,310,502	7.7
1999	213,104,377	208,625,574	97.9	4,331,072	212,956,646	99.9	17,456,967	8.2
2000	229,275,318	223,791,021	97.6	2,368,741	226,159,762	98.6	15,904,301	6.9
2001	242,153,271	240,101,152	99.2	1,765,024	241,866,176	99.9	19,879,337	8.2
2002	252,230,397	258,347,048 ⁽¹⁾	102.4	1,491,398	259,838,446	103.0	16,826,456	6.7

Source: Henrico County Department of Finance.

⁽¹⁾ Includes \$33,890,771 received from the Commonwealth of Virginia pursuant to the Personal Property Tax Relief Act of 1998.

⁽²⁾ Includes First Half Property Taxes due June 5th

Vehicle and Business License Receipts

<u>Year</u>	<u>Vehicle Receipts</u>	<u>Business Receipts</u>	<u>Year</u>	<u>Vehicle Receipts</u>	<u>Business Receipts</u>
1993	\$4,081,959	\$16,886,170	1998	\$4,917,713	\$21,461,298
1994	4,203,378	17,778,781	1999	5,008,137	21,054,310
1995	4,342,034	20,037,113	2000	5,103,630	22,253,067
1996	4,593,998	20,912,128	2001	5,292,185	23,092,646
1997	4,780,795	21,792,075	2002	5,226,643	22,315,226

Source: Henrico County Department of Finance.

Principal Taxpayers As of June 30, 2002

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

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation⁽¹⁾</u>
Infineon Technologies	Industrial	\$ 565,741,900	2.576%
Dominion Virginia Power	Utility	366,780,913	1.670
Verizon	Utility	237,841,254	1.083
Highwood Realty, L.P.	Offices & Warehouses	215,779,300	0.983
Liberty Property, L.P.	Offices & Warehouses	155,558,300	0.708
Taubman Regency Square Assoc. LLC	Shopping Center	99,446,800	0.453
Circuit City Stores, Inc.	Office and Retail	83,178,154	0.379
United Dominion Realty Trust	Apartments	80,881,100	0.368
VAC Limited Partnership	Apartments	77,746,600	0.354
North Park Associates, L.P.	Shopping Center	67,991,900	0.310
	Total	<u>\$1,950,946,221</u>	<u>8.883%</u>

Source: Henrico County Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002.

⁽¹⁾ Total Real Estate and Personal Property Assessed Valuation for calendar year 2002 was \$21,961,955,095.

The assessed value of real and personal property of these large entities in the County represents 8.883% of the total assessed value of all real property and personal property of \$21,961,955,095.

DEBT ADMINISTRATION

Issuance and Authorization of Bonded Indebtedness

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

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

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

As of June 30, 2002, the County's outstanding bonded indebtedness was as follows:

General Obligation Bonds	\$201,670,000
Water and Sewer Revenue Bonds	153,930,000
Lease Revenue Bonds*	77,040,000
Literary Fund Obligations	<u>1,599,929</u>
Subtotal	\$434,239,929
Less: Water and Sewer Revenue Bonds	<u>153,930,000</u>
Total Net Debt	<u>\$280,309,929</u>

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

Bond Amortization Requirements

Principal and interest payments on the outstanding general obligation bonded indebtedness of the County as of June 30, 2002 are presented in the following table:

TOTAL GENERAL OBLIGATION BONDS AND SCHOOL BONDS*

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$16,480,000	\$9,977,385	\$ 26,457,385
2004	15,990,000	9,000,054	24,990,054
2005	15,865,000	8,226,453	24,091,453
2006	15,745,000	7,454,167	23,199,167
2007	14,460,000	6,674,956	21,134,956
2008	14,085,000	5,970,563	20,055,563
2009	13,995,000	5,286,419	19,281,419
2010	12,130,000	4,595,248	16,725,248
2011	12,075,000	3,995,268	16,070,268
2012	8,865,000	3,398,917	12,263,917
2013	8,865,000	2,971,517	11,836,517
2014	8,865,000	2,541,578	11,406,578
2015	7,265,000	2,148,199	9,413,199
2016	7,265,000	1,783,146	9,048,146
2017	7,255,000	1,414,877	8,669,877
2018	5,730,000	1,084,510	6,814,510
2019	5,730,000	790,549	6,520,549
2020	5,730,000	495,474	6,225,474
2021	3,945,000	247,030	4,192,030
2022	<u>1,330,000</u>	<u>66,500</u>	<u>1,396,500</u>
Total**	<u>\$201,670,000</u>	<u>\$78,122,810</u>	<u>\$279,792,810</u>

Source: Henrico County Department of Finance.

* Includes debt service on the Refunded Bonds

**Totals may not add due to rounding

Principal and interest payments on outstanding Economic Development Authority leases of the County as of June 30, 2002 are presented in the following table:

TOTAL GENERAL LEASE OBLIGATIONS

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 4,955,000	\$ 3,965,223	\$ 8,920,223
2004	5,205,000	3,738,178	8,943,178
2005	5,465,000	3,495,662	8,960,662
2006	5,740,000	3,237,470	8,977,470
2007	6,035,000	2,962,768	8,997,768
2008	6,330,000	2,670,270	9,000,270
2009	2,565,000	2,354,540	4,919,540
2010	2,710,000	2,217,397	4,927,397
2011	2,860,000	2,075,545	4,935,545
2012	3,015,000	1,928,382	4,943,382
2013	3,170,000	1,769,973	4,939,973
2014	3,350,000	1,600,608	4,950,608
2015	3,540,000	1,418,507	4,958,507
2016	3,735,000	1,223,023	4,958,023
2017	3,960,000	1,009,656	4,969,656
2018	3,185,000	777,603	3,962,603
2019	2,560,000	586,550	3,146,550
2020	2,720,000	424,850	3,144,850
2021	2,885,000	258,606	3,143,606
2022	<u>3,055,000</u>	<u>87,831</u>	<u>3,142,831</u>
Total	<u>\$ 77,040,000</u>	<u>\$ 37,802,642</u>	<u>\$114,842,642</u>

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, net long-term indebtedness includes General Lease Obligations and certain Literary Fund loans as of the fiscal year ended June 30, 2002, bringing the total to \$272,737,939.

Net Long-Term Indebtedness Per Capita

<u>Fiscal Year Ending June 30</u>	<u>Net Long-Term Indebtedness</u>	<u>Estimated Population⁽¹⁾</u>	<u>Indebtedness Per Capita</u>
1993	\$169,895,508	230,729	\$ 736.34
1994	157,696,786	235,229	670.40
1995	213,659,415	239,683	891.42
1996	259,909,535	243,273	1,068.39
1997	278,630,041	247,832	1,124.27
1998	257,008,429	254,194	1,011.07
1999	275,145,750	259,179	1,061.61
2000	246,705,297	267,031	923.88
2001	266,836,991	271,447	983.02
2002	272,737,939	276,876	985.05

Source: Henrico County Department of Finance.

⁽¹⁾ All years from Henrico County Planning Office.

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

<u>Fiscal Year Ending June 30</u>	<u>Net Long-Term Indebtedness</u>	<u>Assessed Value</u>	<u>Percentage</u>
1993	\$169,895,508	\$12,637,949,343	1.34%
1994	157,696,786	13,029,141,986	1.21
1995	213,659,415	13,677,426,367	1.56
1996	259,909,535	14,395,157,010	1.81
1997	278,630,041	15,312,698,661	1.82
1998	257,008,429	16,431,047,471	1.56
1999	275,145,750	17,545,343,767	1.57
2000	246,705,297	18,730,301,418	1.32
2001	266,836,991	20,464,788,674	1.30
2002	272,737,939	21,961,955,095	1.24

Source: Henrico County Department of Finance.

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

<u>Fiscal Year Ending June 30</u>	<u>Debt Service Requirements⁽¹⁾</u>	<u>Disbursements⁽²⁾</u>	<u>Percentage</u>
1993	\$19,416,075	\$341,679,225	5.68%
1994	21,218,130	353,452,200	6.00
1995	21,488,918	378,484,757	5.68
1996	28,296,392	408,178,199	6.93
1997	26,196,712	431,463,235	6.07
1998	31,346,391	468,369,087	6.69
1999	32,678,696	498,059,838	6.56
2000	30,963,749	542,227,420	5.71
2001	31,754,565	584,838,845	5.43
2002	33,833,406	625,648,555	5.41

Source: Henrico County Department of Finance.

⁽¹⁾ Includes interest and other debt service costs.

⁽²⁾ Includes General, Special Revenue, and Debt Service Funds.

Lease Commitments and Contractual Obligations

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

<u>Year</u>	<u>Amount</u>
2003	\$ 16,564,372
2004	15,970,095
2005	15,466,972
2006	11,549,196
Thereafter	<u>79,366,824</u>
Total minimum lease payments	\$138,917,459
Less amount representing interest	<u>40,082,224</u>
Present value of all future minimum lease payments	<u>\$ 98,835,235</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

Richmond Metropolitan Authority. In September 1994, the Richmond Metropolitan Authority (the "RMA") issued \$2,750,000 of stadium refunding revenue bonds (the "1994 RMA Bonds") to refund stadium revenue bonds issued by RMA in 1984 in the original principal amount of \$3,810,000 (the "1984 RMA Bonds").

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

Debt service for the entire amount of the RMA Revenue Bonds is payable during future fiscal years ending June 30 as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2003	\$350,000	\$55,000
2004	400,000	34,000
2005	<u>400,000</u>	<u>12,000</u>
Total	<u>\$1,150,000</u>	<u>\$101,000</u>

During the fiscal year 2001, the County made contributions of \$282,000 to the RMA for its pro rata portion of the debt service and for capital improvements. The stadium facility had a net operating loss of \$54,753 for the year ended June 30, 2002.

Joint Ventures

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

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

The percentage shares of the jurisdictions involved include the following:

City of Richmond	29.27%
County of Henrico	31.44%
County of Chesterfield	30.17%
County of Hanover	<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.

During fiscal year 2002, the Commission's budget was not formally approved by the County; the Commission did not receive any significant subsidies from the County; and the County did not receive any funds from the Commission for repayment of its contribution.

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

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

The Convention Authority was created to acquire, finance, expand, renovate, construct, lease, operate and maintain the facility and grounds of a visitors and convention center or centers including the facility and grounds currently known as the Richmond Centre. The primary purpose of the Convention Authority is to issue revenue bonds to finance the expansion of the Richmond Centre facility and to construct access, streetscape, or other on-site/off-site improvements. Once the expansion is complete, the Convention Authority will have responsibility for the operation and maintenance of the convention center.

The Convention Authority has issued \$158,415,000 in Hotel Tax Revenue Bonds, which are secured by an 8 percent transient occupancy tax imposed and collected by the localities. The County recorded an expenditure of \$6,599,200 for transient occupancy tax to the Convention Authority during the year ended June 30, 2002.

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

Employee Retirement and Pension Plans

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

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 2003 is \$80,111,932. Shown below is a summary of the approved CIP for fiscal year 2003 and proposed expenditures for the five-year plan in addition to a summary of projected funding sources:

**Capital Improvement Program Summary
Fiscal Year 2002-03 through Fiscal Year 2006-07**

<u>By Department:</u>	<u>Approved FY 2002-03</u>	<u>Requested FY 2002-03</u>	<u>Requested FY 2003-04</u>	<u>Requested FY 2004-05</u>	<u>Requested FY 2005-06</u>	<u>Requested FY 2006-07</u>	<u>Total Five Years</u>
Fund 21 - Capital Projects Fund							
CATC	\$ 0	\$ 4,536,173	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,536,173
Education	49,533,532	51,515,576	12,306,667	18,080,934	49,933,989	32,385,296	164,222,462
Finance	1,000,000	1,000,000	0	0	0	0	1,000,000
Fire	4,000,000	5,089,783	1,500,000	2,900,000	1,900,000	6,472,765	17,862,548
General Services	2,163,000	11,033,176	11,205,430	30,715,632	13,095,950	63,611,055	129,661,243
Human Resources	200,000	7,775,343	0	0	0	0	7,775,343
MH/MR	0	1,340,294	0	1,934,992	0	0	3,275,286
Police	0	435,146	0	0	0	0	435,146
Public Library	0	4,289,351	13,488,241	12,528,320	0	13,961,153	44,267,065
Public Utilities-Landfill	1,500,000	1,500,000	3,700,000	2,100,000	0	0	7,300,000
Public Works-Drainage	0	0	7,602,623	7,045,958	9,719,491	9,167,094	33,535,166
Public Works-GIS	500,000	750,000	300,000	300,000	300,000	300,000	1,950,000
Public Works-Roadway	4,005,400	4,005,400	4,005,400	4,005,400	4,005,400	2,305,400	18,327,000
Recreation	3,200,000	15,127,866	34,630,982	24,192,943	23,749,543	16,007,871	113,709,205
Total Fund 21:	\$66,101,932	\$108,398,108	\$ 88,739,343	\$103,804,179	\$102,704,373	\$144,210,634	\$547,856,637
Fund 51 Enterprise Fund - Public Utilities							
Public Utilities - Sewer	\$11,050,000	\$ 11,050,000	\$ 30,635,000	\$ 12,250,000	\$ 14,565,000	\$ 23,575,000	\$ 92,075,000
Public Utilities - Water	2,960,000	2,960,000	1,675,000	1,610,000	1,643,000	1,610,000	9,498,000
Total Fund 51:	\$14,010,000	\$ 14,010,000	\$ 32,310,000	\$ 13,860,000	\$ 16,208,000	\$ 25,185,000	\$101,573,000
Fund 52 Enterprise Fund -Belmont Golf Course							
Recreation/Belmont Golf Course	\$ 0	\$ 353,150	\$ 3,193,307	\$ 617,415	\$ 390,651	\$ 272,675	\$ 4,827,198
Total Fund 52:	\$ 0	\$ 353,150	\$ 3,193,307	\$ 617,415	\$ 390,651	\$ 272,675	\$ 4,827,198
Grand Total:	\$80,111,932	\$122,761,258	\$124,242,650	\$118,281,594	\$119,303,024	\$169,668,309	\$654,256,835
<u>By Revenue Source</u>	<u>Approved FY 2002-03</u>	<u>Requested FY 2002-03</u>	<u>Requested FY 2003-04</u>	<u>Requested FY2004-05</u>	<u>Requested FY 2005-06</u>	<u>Requested FY 2006-07</u>	<u>Total Five Years</u>
Fund 21 - Capital Projects Fund							
Gas Tax	\$ 2,305,400	\$ 2,305,400	\$ 2,305,400	\$ 2,305,400	\$ 2,305,400	\$ 2,305,400	\$ 11,527,000
General Fund	5,987,000	46,677,132	53,127,276	76,017,845	45,874,984	112,019,938	333,717,175
G.O. Bonds - Education	42,889,332	42,889,332	3,680,423	9,454,690	41,307,745	23,759,052	121,091,242
G.O. Bonds - Gen Gov't	8,900,000	8,900,000	19,800,000	7,800,000	7,090,000	0	43,590,000
Landfill Revenue	1,500,000	1,500,000	3,700,000	2,100,000	0	0	7,300,000
Special Revenue Fund	376,000	0	0	0	0	0	0
State Lottery	4,144,200	6,126,244	6,126,244	6,126,244	6,126,244	6,126,244	30,631,220
Total Fund 21:	\$66,101,932	\$108,398,108	\$ 88,739,343	\$103,804,179	\$102,704,373	\$144,210,634	\$547,856,637
Enterprise Funds	\$14,010,000	\$ 14,010,000	\$ 32,310,000	\$ 13,860,000	\$ 16,208,000	\$ 25,185,000	\$101,573,000
Total Fund 51:	\$14,010,000	\$ 14,010,000	\$ 32,310,000	\$ 13,860,000	\$ 16,208,000	\$ 25,185,000	\$101,573,000
Other Local Funds	\$ 0	\$ 353,150	\$ 3,193,307	\$ 617,415	\$ 390,651	\$ 272,675	\$ 4,827,198
Total Fund 52:	\$ 0	\$ 353,150	\$ 3,193,307	\$ 617,415	\$ 390,651	\$ 272,675	\$ 4,827,198
Grand Total:	\$ 80,111,932	\$122,761,258	\$124,242,650	\$118,281,594	\$119,303,024	\$169,668,309	\$654,256,835

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Hawkins, Delafield & Wood, Bond Counsel, 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 is also of the opinion that, under the existing laws of the Commonwealth of Virginia, interest on the Bonds is not includable in computing the Virginia income tax.

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

Certain Ongoing Federal Tax Requirements and Covenants

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

Certain Collateral Federal Tax Consequences

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

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

Original Issue Discount

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

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

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

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles. 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.

Possible Government Action

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated by the Internal Revenue Service involving either the Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

UNDERWRITING

The Bonds were awarded pursuant to electronic competitive bidding via PARITY on January 14, 2003 to a group of underwriters led by Salomon Smith Barney, Inc. (the "Underwriter") at a price to the County that resulted in an Underwriter's discount of \$325,861.35 from the initial public offering prices shown on the inside cover page of this Official Statement. The Underwriter has supplied the initial public offering prices shown on the inside cover page of this Official Statement. The Underwriter may offer to sell the Bonds to certain dealers and others at prices lower than the initial public offering prices shown on the inside cover page of this Official Statement.

RATINGS

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

APPROVAL OF LEGAL PROCEEDINGS

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

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

VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by BB&T Capital Markets, a division of Scott & Stringfellow, Inc., as financial advisor on behalf of the County relating to (i) computations of forecasted receipts of principal and interest on the investments in the Government Securities deposited in the respective refunding trust funds and the forecasted payments of principal and interest to redeem the Refunded Bonds and (ii) computation of the yields on the Bonds and the Government Securities was examined by The Arbitrage Group LLC. Such computations were based solely on assumptions and information supplied by BB&T Capital Markets, a division of Scott & Stringfellow, Inc., as financial advisor on behalf of the County. The Arbitrage Group LLC has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

INDEPENDENT AUDITORS

The financial statements of Henrico County, Virginia, as of and for the year ended June 30, 2002, included in this Official Statement as Appendix A have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein.

FINANCIAL ADVISOR

BB&T Capital Markets, a division of Scott & Stringfellow, Inc., 2 South Ninth Street, Richmond, Virginia 23219, serves as financial advisor to the County on debt management and capital financing matters and has assisted the County in the issuance and sale of the Bonds.

LITIGATION

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

CERTIFICATE CONCERNING OFFICIAL STATEMENT

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

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

CONTINUING DISCLOSURE

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

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

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Any questions concerning the contents of this Official Statement should be directed to the following: Reta R. Busher, CPA, County Director of Finance (804) 501-5200; Peter H. Shea, Senior Vice President, BB&T Capital Markets, a division of Scott & Stringfellow, Inc. (804) 649-3984; or Edward J. McCormick, Esquire, Hawkins, Delafield & Wood, (212) 820-9466.

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.

HENRICO COUNTY, VIRGINIA

/s/ Virgil R. Hazelett, P.E.

County Manager

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APPENDIX A

**AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS OF THE COUNTY
FOR THE YEAR ENDED JUNE 30, 2002**



Henrico County

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

INDEPENDENT AUDITORS REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discreetly presented component units and each major fund of the County of Henrico, Virginia (the "County"), as of and for the year then ended, June 30, 2002, 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 an opinion 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinion.

In our opinion, the respective financial statements referred to above present fairly, in all material respects, the respective statement of net assets or financial position of the governmental activities, the business-type activities, the aggregate discreetly presently component units and each major fund, as of June 30, 2002, and the respective changes in net assets and financial position and respective cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the County has implemented the new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments, as of June 30, 2002. As described in Note 6, due to the implementation of the new reporting model, the County has restated beginning net assets for the Enterprise Funds in the net amounts of \$572,114 and \$117,824 for the Water and Sewer Revenue Fund and the Belmont Park Golf Course Fund, respectively.

The Management's Discussion and Analysis on pages 3 through 12 are not a required part of the basic financial statements but it is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The accompanying financial information listed as supplemental schedules in the foregoing table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the County. These financial statements and schedules are also the responsibility of the management of the County. Such additional information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

Deloitte + Touche LLP

November 27, 2002

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis of the County of Henrico's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2002. Please read it in conjunction with the transmittal letter at the front of this report and the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FY 2002

The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financial sources and uses by \$5.2 million (Exhibit 4) after making transfers to the capital projects fund for \$23.0 million, special revenue fund for \$13.4 million and debt service fund for \$34.1 million. In addition, the County contributed \$157.3 million to the County's component units.

On a government-wide basis for governmental activities, the County had expenses net of program revenue of \$360.0 million, the general revenues of \$390.4 million exceeded expenses net of program revenues by \$30.4 million (Exhibit 2).

The County's total net assets, excluding component units, on the government-wide basis totaled \$1,440.9 million at June 30, 2002 (Exhibit 1).

On February 21, 2002, the County issued \$27.0 million in general obligation bonds at a true interest cost of 4.4 percent. The tax-exempt bonds, which will mature incrementally over the next 20 years, will be used to finance public improvements, including County and School facilities and infrastructure.

On March 15, 2002, the County issued \$17.3 million in Water and Sewer Refunding Bonds to refund the entire outstanding balance of the 1992 bond series. The true interest cost of the bonds was 4.1 percent, and resulted in an economic gain of \$1.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The primary focus of local government financial statements over the last 20 years has been summarized fund type information on a current financial resource basis. This approach has been modified and for the first time, the County's financial statements present two types of statements, each with a different snapshot of the County's finances. The new focus is on both the County as a whole (government-wide) and the fund financial statements. The government-wide financial statements, which are new, provide both long-term and short-term information about the County's overall financial status. The fund financial statements, which have been

provided in the past, 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 better off or worse off 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 used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

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

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the County's most significant funds. The fund financial statements provide more information about the County's most significant funds, not the County as a whole.

The County has three types of funds:

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

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

In accordance with GASB Statement No. 34, the County is not required to restate prior periods for the purposes of providing comparative information. However, in future years, when prior year information is available, a comparative analysis of government-wide information will be presented.

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets for the year ended June 30, 2002 (in millions):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Current and Other Assets	\$ 285.9	\$ 154.8	\$ 440.7	\$ 30.0
Capital Assets	<u>794.7</u>	<u>761.5</u>	<u>1,556.2</u>	<u>163.3</u>
Total Assets	<u>\$ 1,080.6</u>	<u>\$ 916.3</u>	<u>\$ 1,996.9</u>	<u>\$ 193.3</u>
Long-term Liabilities	\$ 291.9	\$ 148.5	\$ 440.4	\$ 24.4
Other Liabilities	<u>83.2</u>	<u>32.4</u>	<u>115.6</u>	<u>15.3</u>
Total Liabilities	<u>\$ 375.1</u>	<u>\$ 180.9</u>	<u>\$ 556.0</u>	<u>\$ 39.7</u>
Net Assets:				
Invested Capital Assets, Net of Related Debt	\$ 541.1	\$ 607.5	\$ 1,148.6	\$ 140.3
Restricted	115.1	11.7	126.8	-
Unrestricted	<u>49.3</u>	<u>116.2</u>	<u>165.5</u>	<u>13.3</u>
Total Net Assets	<u>\$ 705.5</u>	<u>\$ 735.4</u>	<u>\$ 1,440.9</u>	<u>\$ 153.6</u>

The County's combined net assets (which is the County's bottom line) increased to \$1,440.9 million from \$1,357.6 million as a result of the increase in net assets in both the Governmental and Business-Type Activities (Exhibit 2). Net assets of the County's governmental funds were \$705.5 million (Exhibit 2). The governmental activities unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, was \$49.3 million (Exhibit 1). The component units' net assets' increased from \$113.6 million to \$153.6 million and is primarily related to increases to Education.

The net assets of business-type activities increased from \$682.5 million to \$735.4 million. Unrestricted assets available for the continuing operation of these activities, water and sewer, and the golf course, were \$116.2 million as of June 30, 2002.

Statement of Activities

The following chart shows the revenue and expenses of the governmental activities (in millions):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 32.2	\$ 66.9	\$ 99.1	\$ 8.3
Operating Grants and Contributions	81.7	3.1	84.8	144.0
General Revenues:				
Property Taxes	236.2	-	236.2	-
Other Taxes	101.5	-	101.5	-
Other	52.7	36.6	89.3	5.8
Payment from Primary Government	-	-	-	157.3
Total Revenue	<u>\$ 504.3</u>	<u>\$ 106.6</u>	<u>\$ 610.9</u>	<u>\$ 315.4</u>
Expenses:				
General Government	\$ 64.4	\$ -	\$ 64.4	\$ -
Judicial Administration	5.2	-	5.2	-
Public Safety	108.0	-	108.0	4.2
Public Works	47.7	-	47.7	-
Health and Welfare	41.8	-	41.8	-
Education	157.3	-	157.3	271.2
Parks, Recreation and Cultural	19.8	-	19.8	-
Community Development	15.8	-	15.8	-
Interest on Long-term Debt	13.9	-	13.9	-
Water and Sewer	-	52.7	52.7	-
Golf Course	-	1.0	1.0	-
Total Expenses	<u>\$ 473.9</u>	<u>\$ 53.7</u>	<u>\$ 527.6</u>	<u>\$ 275.4</u>
Change in Net Assets	<u>30.4</u>	<u>52.9</u>	<u>83.3</u>	<u>40.0</u>
Net Assets on July 1	<u>675.1</u>	<u>682.5</u>	<u>1,357.6</u>	<u>113.6</u>
Net Assets at June 30	<u>\$ 705.5</u>	<u>\$ 735.4</u>	<u>\$ 1,440.9</u>	<u>\$ 153.6</u>

REVENUES

For the fiscal year ended June 30, 2002, revenues from governmental activities totaled \$504.3 million. Real Estate Tax Revenues, the County's largest revenue source, which reflects the accrual of the second half calendar year 2001 and the first half of calendar year 2002 real property tax billing, were \$175.4 million. The County's assessed real property tax base for calendar year 2002 increased 8.7 percent to \$18.2 billion.

In fiscal year 2002, the County recorded \$49.5 million in personal property tax revenue from County residents, and received reimbursement from the Commonwealth of \$33.9 million for total personal property tax related receipts of \$83.4 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 calendar year 2001 (FY 2002) was 70 percent of most taxpayers' payments.

Grants and contributions not restricted to specific programs provided revenues of \$41.6 million, which include revenues from the Commonwealth. These FY 2002 revenues included the \$33.9 million for the County's PPTRA reimbursement as discussed above.

Business-type activities produced total revenues of \$106.6 million. The largest business-type source is the County's Water and Sewer activity, which produced \$ 65.9 million in charges for services and \$21.3 million in grants and contributions and \$14.9 million in connection fees (Exhibit 2).

EXPENSES

For the fiscal year ended June 30, 2002, expenses for governmental activities totaled \$473.9 million that includes increases for employee compensation, payments for educational expenses to the School Board, public safety, recreation, libraries and debt service.

With historically low unemployment levels and high demand for skilled employees in both the public and private sectors in this region, it is important that the County provide competitive compensation levels for our employees. The FY 2002 expenses included funding for a combined merit pay increase and wage adjustment of 4.0 percent for all eligible County and School Board employees effective the first payday in July.

Education continues to be one of the County's highest priorities and commitments. The County's total contribution to the School Board for FY 2002 totaled \$157.3 million. The County contributed \$145.3 million to School operations and \$12.0 million for the school's capital improvement projects.

The expenses of Business-type Activities, which result from the operations of the County's Water and Sewer activity and Golf Course activity, totaled \$53.7 million (Exhibit 2). The Water and Sewer activity accounts for \$52.7 million of the total expenses.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

For the fiscal year ended June 30, 2002, the governmental funds reflect a combined fund balance of \$210.3 million (Exhibit 3). Included in the General Fund Balance of \$114.5 million (Exhibit 4) are \$5.2 million of revenues in excess of expenditures and other financing sources and uses. The primary reason for the General Fund's increase in fund balance mirrors those highlighted in the analysis of governmental activities in the government-wide statements. In addition, these other changes in fund balance should be noted:

- The General Fund contributed \$23.0 million to the Capital Projects Fund to finance various capital projects, \$13.4 million for the Special Revenue Fund and \$34.1 million for debt service.
- The General Fund contributed \$157.3 million to fund the FY 2002 school board operations, debt service and capital improvement projects.
- The County spent \$46.9 million in the Capital Projects Fund and issued \$27.0 million in General Obligation bonds to support these projects.

General Fund Budget (in millions)

	<u>Original</u>	<u>Revised</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 317.8	\$ 317.8	\$ 327.7
Intergovernmental	96.8	98.4	103.0
Other	<u>28.4</u>	<u>28.4</u>	<u>28.7</u>
Total Revenues	<u>\$ 443.0</u>	<u>\$ 444.6</u>	<u>\$ 459.4</u>
Expenditures and Transfers:			
Expenditures	\$ 237.8	\$ 398.4	\$ 384.6
Transfers	<u>69.4</u>	<u>69.6</u>	<u>69.6</u>
Total Expenditures and Transfers	<u>452.1</u>	<u>468.0</u>	<u>454.2</u>
Change in Fund Balance	<u>\$ (9.1)</u>	<u>\$ (23.4)</u>	<u>\$ 5.2</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund

Revenue and other financing sources exceeded expenditures and other financing uses by \$5.2 million in the General Fund for FY 2002.

Actual General Fund revenues exceeded original budgeted revenues by \$16.4 million during FY 2002. This increase is attributable in part to increased real estate assessments and other increased local taxes such as personal property, business license and bank franchise tax revenues. Revenue collections exceeded the revised budget by \$14.8 million. Actual General Fund expenditures were greater than the original budget by \$1.9 million, which was due in part to supplemental appropriations, and were less than the revised budget by \$13.8 million. During the fiscal year 2002, County Board of Supervisors amended the budget five 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 extends beyond June 30.
- To reappropriate grant revenues authorized in Fiscal Year 2001 or earlier, but not expended or encumbered as of June 30, 2001.
- To appropriate grants or donations accepted or adjusted in FY 2002.
- To appropriate funds for program enhancements or small-scale capital projects, or other operational needs that were not anticipated in the original FY 2002 budget.

CAPITAL ASSETS

At the end of fiscal year 2002, the County's governmental activities (including internal service funds) had net capital assets totaling \$794.7 million (Note 6), which represents a net increase of \$34.0 million, or 4.5 percent over the previous fiscal year-end balance. As part of the implementation of GASB Statement No. 34, the County included \$373.0 million in infrastructure assets. In Henrico, infrastructure assets include roads, bridges, and water and sewer systems.

**Governmental Activities
Change in Capital Assets
(in millions)**

	<u>Balance FY 2001</u>	<u>Net Additions/ Deletions</u>	<u>Balance FY 2002</u>
Non-Depreciable Assets:			
Land	\$ 258.7	\$ 6.5	\$ 265.2
Construction in Progress	51.8	23.4	75.2
Other Capital Assets:			
Building	338.0	5.6	343.6
Infrastructure	356.9	16.1	373.0
Equipment	67.0	6.7	73.7
Improvements Other than Buildings	18.6	1.9	20.5
Accumulated Depreciation on other Capital Assets	<u>(330.3)</u>	<u>(26.2)</u>	<u>(356.5)</u>
Total	<u>\$ 760.7</u>	<u>\$ 34.0</u>	<u>\$ 794.7</u>

The FY 2002 net additions/deletions to construction-in-progress totaled \$23.4 million, and included improvements to public buildings, schools, recreation facilities and infrastructure.

The FY 2002 Capital Budget totaling \$56.8 million is funded by the General Fund and a \$27.0 million general obligation bond issue. The Capital Budget will provide for the construction of schools, fire stations and infrastructure.

LONG-TERM DEBT

In November 2000, the County's voters approved a \$237.0 million General Obligation Bond Referendum. The referendum included projects for Schools, Fire, Public Library, Public Works (roads projects), and Recreation and Parks. To date the County has issued \$64.1 million of the total voter approved bonds, \$27.0 million in 2002 and \$37.1 million in 2001, leaving a balance of \$172.9 million in bonds approved but not issued. The County anticipates issuing an additional \$51.8 million in approved bonds during FY 2003.

On February 15, 2002, the County sold \$27.0 million in general obligation bonds at a true interest cost of 4.4 percent. The tax-exempt bonds, which will mature incrementally over the next 20 years, will be used to finance public improvements, including County and School facilities and infrastructure. At the end of fiscal year 2002, the County had \$201.7 million in outstanding general obligation bonds, an increase of \$12.1 million, or 6.4 percent, from last year. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

Moody's Investors Services, Inc., Standard & Poor's (S&P) and Fitch rating agencies, all reaffirmed the County of Henrico's triple-AAA bond rating, in conjunction with the issuance of the \$27 million in general obligation bonds in 2002. The County first received AAA bond ratings from both Moody's and S&P for the first time in 1977. In 1998, Fitch, the newest bond-rating agency bestowed an AAA rating on the County.

On March 15, 2002, the County issued \$17.3 million 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 3.0 percent and 4.6 percent and the final maturity will occur on May 1, 2013. Although the advance refunding resulted in the recognition of an accounting loss for the fiscal year ended June 30, 2002, the transaction obtained an economic gain of \$1.7 million. At fiscal year end the Water and Sewer business-type activity had bonds payable of \$153.9 million, a decrease of \$6.0 million or 3.7 percent.

ECONOMIC FACTORS

In the last five years, the County added over 5,962 jobs, with total employment increasing to just over 138,000 by December 2001. Most of this gain was generated by the services sector (information technology, business services, health services, engineering and management and associations), and accounted for 28.9 percent of all jobs in the County. The County's unemployment rate (3.8 percent as of September 2002) continues to be lower than both the state and federal rates (4.1 percent and 5.6 percent respectively). As of 2000 (the latest data available from the U.S. Bureau of Economic Analysis), the County's per capita income of \$33,286 registered considerably higher than both the national average of \$29,469 and the \$31,120 average in the state of Virginia.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, 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 27032, Richmond, VA 23273-7032. Additional finance information can be found on our web-site www.co.henrico.va.us.

**COUNTY OF HENRICO, VIRGINIA
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2002**

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and temporary investments	\$ 259,306,199	\$ 104,646,659	\$ 363,952,858	\$ 23,234,068
Receivables, net	17,693,845	14,817,518	32,511,363	-
Due from other governments	14,809,159	-	14,809,159	6,736,290
Internal balances	(8,015,824)	8,015,824	-	-
Due from component unit	957,465	-	957,465	-
Inventories	454,787	856,847	1,311,634	-
Prepays	-	20,000	20,000	-
Other assets	-	2,251,778	2,251,778	53,333
Restricted cash	687,050	24,194,026	24,881,076	31,245
Capital Assets:				
Land and construction in progress	340,423,993	233,090,406	573,514,399	28,378,784
Other capital assets, net	454,271,963	528,391,504	982,663,467	134,898,615
Capital assets, net	<u>794,695,956</u>	<u>761,481,910</u>	<u>1,556,177,866</u>	<u>163,277,399</u>
Total Assets	<u>\$ 1,080,588,637</u>	<u>\$ 916,284,562</u>	<u>\$ 1,996,873,199</u>	<u>\$ 193,332,335</u>
Liabilities:				
Accounts payable	\$ 40,056,580	\$ 17,631,466	\$ 57,688,046	\$ 3,492,628
Deposits payable	4,729,534	443,765	5,173,299	-
Accrued liabilities	5,418,124	1,710,278	7,128,402	14,362
Amounts held for others	-	-	-	3,547,342
Deferred revenues	10,889,309	6,248,387	17,137,696	1,951,330
Due to primary government	-	-	-	957,465
Long-term liabilities due within one year	22,029,038	6,385,000	28,414,038	5,358,204
Long-term liabilities due in more than one year	291,928,917	148,512,630	440,441,547	24,364,358
Total Liabilities	<u>\$ 375,051,502</u>	<u>\$ 180,931,526</u>	<u>\$ 555,983,028</u>	<u>\$ 39,685,689</u>
Net Assets:				
Invested in capital assets, net of related debt	\$ 541,151,684	\$ 607,491,145	\$ 1,148,642,829	\$ 140,336,654
Restricted	115,053,231	11,707,820	126,761,051	40,754
Unrestricted assets	49,332,220	116,154,071	165,486,291	13,269,238
Total Net Assets	<u>\$ 705,537,135</u>	<u>\$ 735,353,036</u>	<u>\$ 1,440,890,171</u>	<u>\$ 153,646,646</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, 2002**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
General government	\$ 64,387,473	\$ 13,578,831	\$ 2,422,339	\$ -
Judicial administration	5,224,410	208,317	5,576,187	-
Public safety	108,007,314	4,518,915	23,676,800	-
Public works	47,644,177	7,262,669	24,944,262	-
Health and welfare	41,836,883	5,260,294	22,926,104	-
Education	157,315,672	-	-	-
Parks, recreation and culture	19,819,017	927,902	343,831	-
Community development	15,751,872	439,473	1,888,459	-
Interest on long-term debt	13,982,451	-	-	-
Total Governmental Activities	473,969,269	32,196,401	81,777,982	-
Business-type activities:				
Water and Sewer	52,698,836	65,931,192	3,101,557	-
Belmont Park Golf Course	1,057,607	913,210	-	-
Total Business-type Activities	53,756,443	66,844,402	3,101,557	-
Total Primary Government	\$ 527,725,712	\$ 99,040,803	\$ 84,879,539	\$ -
Component Units:				
School Board	\$ 271,184,219	\$ 8,168,672	\$ 141,186,212	\$ -
James River Juvenile Detention Center	4,169,550	173,875	2,702,347	46,265
Total Component Units	\$ 275,353,769	\$ 8,342,547	\$ 143,888,559	\$ 46,265

General Revenues:

- Taxes:
 - Property
 - Other
- Interest and investment earnings
- Grants and contributions
- Connection fees
- Donated assets
- Payment from Commonwealth of Virginia
- Payment from Henrico County
- Recovered costs
- Miscellaneous
- Gain / loss on sale of assets
- Educational contribution
- Total primary government
- Change in net assets

Net Assets at July 1 2001, restated (Note 6)

Net Assets at June 30, 2002

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

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (48,386,303)	\$ -	\$ (48,386,303)	\$ -
560,094	-	560,094	-
(79,811,599)	-	(79,811,599)	-
(15,437,246)	-	(15,437,246)	-
(13,650,485)	-	(13,650,485)	-
(157,315,672)	-	(157,315,672)	-
(18,547,284)	-	(18,547,284)	-
(13,423,940)	-	(13,423,940)	-
(13,982,451)	-	(13,982,451)	-
(359,994,886)	-	(359,994,886)	-
-	16,333,913	16,333,913	-
-	(144,397)	(144,397)	-
-	16,189,516	16,189,516	-
<u>\$ (359,994,886)</u>	<u>\$ 16,189,516</u>	<u>\$ (343,805,370)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (121,829,335)
-	-	-	(1,247,063)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (123,076,398)</u>
\$ 236,198,462	\$ -	\$ 236,198,462	\$ -
101,467,945	-	101,467,945	-
10,256,270	2,138,408	12,394,678	24,710
41,590,849	934,043	42,524,892	-
-	14,897,347	14,897,347	-
-	17,222,695	17,222,695	-
-	-	-	3,641,400
-	-	-	809,038
-	-	-	389,521
773,123	1,479,999	2,253,122	1,002,109
114,265	-	114,265	-
-	-	-	157,284,901
<u>\$ 390,400,914</u>	<u>\$ 36,672,492</u>	<u>\$ 427,073,406</u>	<u>\$ 163,151,679</u>
\$ 30,406,028	\$ 52,862,008	\$ 83,268,036	\$ 40,075,281
675,131,107	682,491,028	1,357,622,135	113,571,365
<u>\$ 705,537,135</u>	<u>\$ 735,353,036</u>	<u>\$ 1,440,890,171</u>	<u>\$ 153,646,646</u>

**COUNTY OF HENRICO, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2002**

Exhibit 3

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Assets:					
Cash and temporary investments	\$ 144,559,131	\$ 14,215,752	\$ 6,884,939	\$ 83,541,724	\$ 249,201,546
Receivables, net	16,531,720	1,161,807	-	-	17,693,527
Due from other governmental units	12,219,853	2,589,306	-	-	14,809,159
Due from component unit	957,465	-	-	-	957,465
Restricted cash	-	-	687,050	-	687,050
Total Assets	\$ 174,268,169	\$ 17,966,865	\$ 7,571,989	\$ 83,541,724	\$ 283,348,747
Liabilities:					
Accounts payable	\$ 36,417,906	\$ 1,821,073	\$ -	\$ 1,569,223	\$ 39,808,202
Deposits payable	4,723,334	6,200	-	-	4,729,534
Accrued liabilities	-	-	-	548,682	548,682
Deferred revenues	18,613,559	1,347,243	-	-	19,960,802
Due to other funds	-	-	-	8,015,824	8,015,824
Total liabilities	59,754,799	3,174,516	-	10,133,729	73,063,044
Fund Balances:					
Reserved for:					
Encumbrances	4,552,095	859,583	-	25,402,275	30,813,953
Unreserved, reported in:					
Designated	24,108,222	13,932,766	7,571,989	48,005,720	93,618,697
Undesignated	85,853,053	-	-	-	85,853,053
Total fund balances	114,513,370	14,792,349	7,571,989	73,407,995	210,285,703
Total Liabilities and Fund Balances	\$ 174,268,169	\$ 17,966,865	\$ 7,571,989	\$ 83,541,724	\$ 283,348,747

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)	\$ 781,823,663
Deferred revenue that has been recognized in the current period and therefore is not reported as liabilities in the governmental funds. (Note 3)	9,071,493
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)	(313,720,958)
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. (Note 7)	(4,869,442)
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.	22,993,376
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.	(46,700)

Net Assets of Governmental Activities \$ 705,537,135

**COUNTY OF HENRICO, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

Exhibit 4

	General Fund	Special Revenue	Debt Service	Capital Projects	Governmental Funds
Revenues:					
General property taxes	\$ 226,258,366	\$ -	\$ -	\$ -	\$ 226,258,366
Other local taxes	101,467,945	-	-	-	101,467,945
Licenses and permits	3,492,309	-	-	-	3,492,309
Fines and forfeitures	1,875,895	-	-	-	1,875,895
Revenue from use of money and property	9,330,829	46,890	40,463	1,623,135	11,041,317
Charges for services	9,131,531	11,631,792	-	-	20,763,323
Miscellaneous	1,804,142	416,265	-	771,512	2,991,919
Recovered costs	3,010,900	359,732	-	-	3,370,632
Intergovernmental	103,065,296	16,811,329	-	1,883,316	121,759,941
Total Revenues	459,437,213	29,266,008	40,463	4,277,963	493,021,647
Expenditures:					
Current operating:					
General government	46,745,434	1,626,481	-	-	48,371,915
Judicial administration	4,899,826	584,730	-	-	5,484,556
Public safety	103,380,580	4,137,523	-	-	107,518,103
Public works	28,957,949	6,323,514	-	-	35,281,463
Health and welfare	16,596,536	25,416,746	-	-	42,013,282
Parks, recreation, and culture	18,649,111	223,177	-	-	18,872,288
Community development	13,813,452	1,966,578	-	-	15,780,030
Education	144,862,224	-	429,236	11,993,441	157,284,901
Miscellaneous	5,882,900	-	-	-	5,882,900
Debt service:					
Principal	615,787	-	19,630,000	-	20,245,787
Interest and other charges	183,490	-	12,974,893	-	13,158,383
Capital outlay					
	-	-	-	46,864,798	46,864,798
Total Expenditures	384,587,289	40,278,749	33,034,129	58,858,239	516,758,406
Excess (deficiency) of revenues over expenditures	74,849,924	(11,012,741)	(32,993,666)	(54,580,276)	(23,736,759)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	13,382,712	34,140,925	22,980,206	70,503,843
Operating transfers out	(70,503,843)	-	-	-	(70,503,843)
Bond proceeds	-	-	-	27,035,000	27,035,000
Capital lease proceeds	890,760	-	-	-	890,760
Total other financing sources (uses)	(69,613,083)	13,382,712	34,140,925	50,015,206	27,925,760
Net change in fund balance	5,236,841	2,369,971	1,147,259	(4,565,070)	4,189,001
Fund Balances - July 1, 2001	109,276,529	12,422,378	6,424,730	77,973,065	206,096,702
Fund Balances - June 30, 2002	\$ 114,513,370	\$ 14,792,349	\$ 7,571,989	\$ 73,407,995	\$ 210,285,703

Adjustments for the Statement of Activities:

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.	\$ 20,245,787
Revenues in governmental funds that do provide current financial resources are not reported as revenues in the Statement of Activities. (Note 3)	9,940,096
Governmental funds report capital outlays as expenditures while governmental activities capitalize those outlays to allocate those expenditures over the life of the assets.	55,454,461
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. (Note 7)	(5,233,367)
Depreciation expense is reported in the Statement of Activities but is not reported as an expense in the governmental funds. (Note 6)	(26,907,203)
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)	(824,068)
Bond and capital lease proceeds are recorded as revenues in governmental funds, but are not reported as revenues in the Statement of Activities.	(27,925,760)
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.	53,530
Internal service fund revenues not recorded in the governmental funds.	1,413,551
Change in Net Assets of Governmental Activities	\$ 30,406,028

**COUNTY OF HENRICO, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2002**

Exhibit 5

	Business Type Activities - Enterprise Funds			Internal Service Funds
	Water and Sewer Revenue	Belmont Park Golf Course	Total	
Assets:				
Cash and cash equivalents	\$ 104,169,035	\$ 477,624	\$ 104,646,659	\$ 10,104,653
Receivables, net	14,817,518	-	14,817,518	318
Due from other funds	8,015,824	-	8,015,824	-
Inventories	856,847	-	856,847	454,787
Prepays	20,000	-	20,000	-
Restricted cash	24,194,026	-	24,194,026	-
Total current assets	<u>152,073,250</u>	<u>477,624</u>	<u>152,550,874</u>	<u>10,559,758</u>
Other assets	2,251,778	-	2,251,778	
Capital Assets:				
Land and Construction in Progress	232,787,451	302,955	233,090,406	-
Other Capital Assets, Net	<u>526,328,836</u>	<u>2,062,668</u>	<u>528,391,504</u>	<u>12,872,293</u>
Capital Assets, Net	759,116,287	2,365,623	761,481,910	12,872,293
Total Assets	<u>\$ 913,441,315</u>	<u>\$ 2,843,247</u>	<u>\$ 916,284,562</u>	<u>\$ 23,432,051</u>
Liabilities:				
Accounts payable	\$ 17,596,103	\$ 35,363	\$ 17,631,466	\$ 201,678
Deposits payable	443,765	-	443,765	-
Accrued liabilities	1,710,278	-	1,710,278	-
Deferred revenues	<u>6,248,387</u>	<u>-</u>	<u>6,248,387</u>	<u>-</u>
Total current liabilities	25,998,533	35,363	26,033,896	201,678
Long-term liabilities due within one year	6,385,000	-	6,385,000	-
Long-term liabilities due in more than one year	148,483,132	29,498	148,512,630	236,997
Total liabilities	<u>180,866,665</u>	<u>64,861</u>	<u>180,931,526</u>	<u>438,675</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	605,125,522	2,365,623	607,491,145	12,872,293
Restricted	11,707,820	-	11,707,820	-
Unrestricted Assets	<u>115,741,308</u>	<u>412,763</u>	<u>116,154,071</u>	<u>10,121,083</u>
Total net assets	732,574,650	2,778,386	735,353,036	22,993,376
Total Liabilities and Net Assets	<u>\$ 913,441,315</u>	<u>\$ 2,843,247</u>	<u>\$ 916,284,562</u>	<u>\$ 23,432,051</u>

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
JUNE 30, 2002**

Exhibit 6

	Business Type Activities - Enterprise Funds			Internal Service Funds
	Water and Sewer Revenue	Belmont Park Golf Course	Total	
Operating Revenues:				
Charges for services:				
Water system	\$ 32,599,962	\$ -	\$ 32,599,962	\$ -
Sewer system	33,331,230	-	33,331,230	-
Golf course fees	-	913,210	913,210	-
Interdepartmental charges	-	-	-	11,896,064
Other	1,397,074	82,925	1,479,999	3,140
Total operating revenue	67,328,266	996,135	68,324,401	11,899,204
Operating Expenses:				
Purchased services	13,128,297	22,365	13,150,662	-
Payment in lieu of taxes	3,973,305	-	3,973,305	-
Utility charges	2,404,481	52,994	2,457,475	-
Personnel services and benefits	9,997,044	446,261	10,443,305	2,508,867
Professional services	3,255,777	100,633	3,356,410	-
Materials and supplies	2,701,855	91,120	2,792,975	3,623,181
Maintenance and repairs	576,833	200,568	777,401	1,014,381
Other expenses	1,791,387	30,176	1,821,563	3,091,423
Depreciation	14,121,299	109,633	14,230,932	1,512,814
Total operating expenses	51,950,278	1,053,750	53,004,028	11,750,666
Operating income (loss)	15,377,988	(57,615)	15,320,373	148,538
Nonoperating Revenues (Expenses):				
Investment income	2,138,408	-	2,138,408	-
Gain (loss) on sale of equipment	-	(3,857)	(3,857)	114,265
Interest expense	(748,558)	-	(748,558)	-
Connection fees	14,897,347	-	14,897,347	-
Donated assets	17,222,695	-	17,222,695	-
Contribution in-aid	-	-	-	1,297,678
Debt service contributions	934,043	-	934,043	-
Other	3,101,557	-	3,101,557	-
Total nonoperating revenues (expenses)	37,545,492	(3,857)	37,541,635	1,411,943
Change in net assets	52,923,480	(61,472)	52,862,008	1,560,481
Total Net Assets - July 1, 2001, restated (Note 6)	679,651,170	2,839,858	682,491,028	21,432,895
Total Net Assets - June 30, 2002	\$ 732,574,650	\$ 2,778,386	\$ 735,353,036	\$ 22,993,376

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
JUNE 30, 2002**

Exhibit 7

	Business Type Activities - Enterprise Funds			Internal Service Funds
	Water and Sewer Revenue	Belmont Park Golf Course	Total	
Cash Flows From Operating Activities:				
Receipts from customers	\$ 66,019,437	\$ 996,135	\$ 67,015,572	\$ 11,899,381
Payments to suppliers	(16,178,223)	(502,919)	(16,681,142)	(7,793,492)
Payments to employees	(9,911,546)	(446,261)	(10,357,807)	(2,487,085)
Payment in lieu of taxes	(3,973,305)	-	(3,973,305)	-
Net cash provided by operating activities	<u>35,956,363</u>	<u>46,955</u>	<u>36,003,318</u>	<u>1,618,804</u>
Cash Flows From Non-Capital and Related Financing Activities:				
Payment on advance from the general fund	-	(100,000)	(100,000)	-
Cash Flows From Capital and Related Financing Activities:				
Purchase of capital assets	(91,640,132)	(49,416)	(91,689,548)	(1,403,267)
Proceeds from sale of capital assets	69,093	-	69,093	238,635
Connection fees paid by contractors	14,897,347	-	14,897,347	-
Capital contribution	-	-	-	1,297,678
Debt service contributions	934,043	-	934,043	-
Contribution from State	7,587,205	-	7,587,205	-
Payments to IRS	(405,468)	-	(405,468)	-
Interest paid on bonds	(7,151,562)	-	(7,151,562)	-
Principal paid on bonds	(5,960,000)	-	(5,960,000)	-
Net cash (used in) provided by capital and related financing activities	<u>(81,669,474)</u>	<u>(49,416)</u>	<u>(81,718,890)</u>	<u>133,046</u>
Cash Flows From Investing Activities				
Interest income	2,138,408	-	2,138,408	-
Net (Decrease) Increase in Cash	<u>(43,574,703)</u>	<u>(102,461)</u>	<u>(43,677,164)</u>	<u>1,751,850</u>
Cash and Cash Equivalents- July 1, 2001	<u>171,937,764</u>	<u>580,085</u>	<u>172,517,849</u>	<u>8,352,803</u>
Cash and Cash Equivalents - June 30, 2002	<u>\$ 128,363,061</u>	<u>\$ 477,624</u>	<u>\$ 128,840,685</u>	<u>\$ 10,104,653</u>
Reconciliation of Operating Income (Loss) to Net Cash by Operating Activities:				
Operating income (loss)	\$ 15,377,988	\$ (57,615)	\$ 15,320,373	148,538
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	14,121,299	109,633	14,230,932	1,512,814
Increase in accounts and notes receivable	(825,643)	-	(825,643)	(177)
Decrease in inventories	64,113	-	64,113	115,764
Increase in prepaids	(10,000)	-	(10,000)	-
Increase in other assets	(15,567)	-	(15,567)	-
Increase (decrease) in accounts payable	7,704,758	(2,612)	7,702,146	(170,012)
Increase in deposits payable	37,514	-	37,514	-
Increase (decrease) in accrued compensated absences	22,602	(2,451)	20,151	11,877
Decrease in deferred revenue	(520,701)	-	(520,701)	-
Net cash provided by operating activities	<u>\$ 35,956,363</u>	<u>\$ 46,955</u>	<u>\$ 36,003,318</u>	<u>\$ 1,618,804</u>
Reconciliation to Cash Income and Cash Equivalents on the Balance Sheet:				
Cash and cash equivalents	\$ 104,169,035	\$ 477,624	\$ 104,646,659	10,104,653
Restricted cash and cash equivalents	24,194,026	-	24,194,026	-
Cash - June 30, 2002	<u>\$ 128,363,061</u>	<u>\$ 477,624</u>	<u>\$ 128,840,685</u>	<u>\$ 10,104,653</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 \$ 17,222,695.

**COUNTY OF HENRICO, VIRGINIA
STATEMENT OF NET ASSETS
FIDUCIARY NET ASSETS
JUNE 30, 2002**

Exhibit 8

	Agency Funds
Assets:	
Cash and cash equivalents	\$ 2,689,489
Total Assets	<u>\$ 2,689,489</u>
Liabilities:	
Payable to others	\$ 2,689,489
Total Liabilities	<u>\$ 2,689,489</u>

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, 2002**

Exhibit 9

	School Board	James River Juvenile Detention Center	Total
Assets:			
Cash and cash equivalents	\$ 19,584,697	\$ 3,649,371	\$ 23,234,068
Restricted cash	-	31,245	31,245
Due from other governmental units	6,657,581	78,709	6,736,290
Other assets	30,771	22,562	53,333
Total current assets	<u>26,273,049</u>	<u>3,781,887</u>	<u>30,054,936</u>
Capital assets:			
Land and construction in progress	28,348,784	30,000	28,378,784
Other capital assets, net	125,633,035	9,265,580	134,898,615
Capital assets, net	<u>153,981,819</u>	<u>9,295,580</u>	<u>163,277,399</u>
Total Assets	<u>\$ 180,254,868</u>	<u>\$ 13,077,467</u>	<u>\$ 193,332,335</u>
Liabilities:			
Accounts payable	\$ 3,262,808	\$ 229,820	\$ 3,492,628
Accrued liabilities	14,362	-	14,362
Amounts held for others	3,547,342	-	3,547,342
Deferred revenues	1,951,330	-	1,951,330
Due to primary government	-	957,465	957,465
Total current liabilities	<u>8,775,842</u>	<u>1,187,285</u>	<u>9,963,127</u>
Long-term liabilities due within one year	5,008,204	350,000	5,358,204
Long-term liabilities due in more than one year	17,919,358	6,445,000	24,364,358
Total liabilities	<u>31,703,404</u>	<u>7,982,285</u>	<u>39,685,689</u>
Net Assets:			
Invested in capital assets, net of related debt	137,440,153	2,896,501	140,336,654
Restricted	-	40,754	40,754
Unrestricted assets	11,111,311	2,157,927	13,269,238
Total net assets	<u>148,551,464</u>	<u>5,095,182</u>	<u>153,646,646</u>
Total Liabilities and Net Assets	<u>\$ 180,254,868</u>	<u>\$ 13,077,467</u>	<u>\$ 193,332,335</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, 2002**

Exhibit 10

	Program Revenues					Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board		JRDC
Governmental Activities:							
School Board:							
Instructional	\$ 271,184,219	\$ 8,168,672	\$ 141,186,212	\$ -	\$ (121,829,335)	\$ -	\$ (121,829,335)
Total School Board	271,184,219	8,168,672	141,186,212	-	(121,829,335)	-	(121,829,335)
Business Type Activities:							
James River Juvenile Detention Center	4,169,550	173,875	2,702,347	46,265	-	(1,247,063)	(1,247,063)
Total Component Units	\$ 275,353,769	\$ 8,342,547	\$ 143,888,559	\$ 46,265	\$ (121,829,335)	\$ (1,247,063)	\$ (123,076,398)
General revenues:							
Interest and investment earnings				\$ -	\$ 24,710	\$ -	\$ 24,710
Payment from County				-	809,038	-	809,038
Payment from the Commonwealth				-	3,641,400	-	3,641,400
Recovered costs				389,521	-	-	389,521
Miscellaneous				1,002,109	-	-	1,002,109
Educational contribution				157,284,901	-	-	157,284,901
Total general revenues				<u>\$ 158,676,531</u>	<u>\$ 4,475,148</u>	<u>\$ -</u>	<u>\$ 163,151,679</u>
Change in net assets				\$ 36,847,196	\$ 3,228,085	\$ -	\$ 40,075,281
Net Assets at July 1 2001				111,704,268	1,867,097	-	113,571,365
Net Assets at June 30, 2002				<u>\$ 148,551,464</u>	<u>\$ 5,095,182</u>	<u>\$ -</u>	<u>\$ 153,646,646</u>



Henrico County

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

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Management’s Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of "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 government’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 directly presented component units. Governments will report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and will report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities – The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of the government’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).

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government’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 the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government’s original budget to the current comparison of final budget and actual results.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

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 unit, on the other hand, is reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

In accordance with the Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, the County has presented those entities which comprise the primary government along with discretely presented component units in the government-wide financial statements.

Discretely Presented Component Units:

School Board

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

James River Juvenile Detention Commission

The James River Juvenile Detention Commission ("JRJDC") is a separate organization established to provide juvenile detention facilities for the Counties of Goochland, Henrico and Powhatan. There are five voting members of the Commission, of which three members represent Henrico and one each represents Goochland and Powhatan. The five Commission members are appointed by their respective county boards. 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 Chairman George T. Drumwright, Jr., P.O. Box 27032, Richmond, VA. 23273.

Joint Venture:

Capital Region Airport Commission

The Capital Region Airport Commission is an intergovernmental joint venture and issues separate financial statements. The required information regarding the joint venture is presented in Note 17.

B. Government-wide and Fund Accounting Statements

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the County as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, 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,

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

operating and capital grants and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or the business-type activity.

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

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

The County's fiduciary funds, which consist of agency funds, are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension 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 revised model is on the County as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

Governmental Funds:

General Fund

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

A significant part of the General Fund's revenues is used to maintain and operate the general government, 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 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 specified purposes. The Special Revenue Fund is considered a major fund for reporting purposes.

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Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on all governmental fund 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 and the Special Revenue Fund. The Debt Service Fund is considered a major fund for reporting purposes.

Capital Projects Fund

The Capital Projects Fund accounts 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. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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

Internal Service Funds

The Internal Service Funds accounts for the County's Central Automotive Maintenance operation and Technology Replacement Fund. Resources for these funds come from interdepartmental charges. The Internal Service Funds are included in governmental activities for government-wide reporting purposes. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. The excess revenue or expenses for the fund is allocated to the appropriate functional activity.

Fiduciary Funds:

Agency Funds

Agency Funds account for fiduciary funds administered by the County and are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Capital Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with a fund is determined by its measurement focus. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available resources to be spent". Governmental Fund operating statements present increases (revenues and

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other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Capital assets and long-term liabilities are not recorded in the fund financial statements, however, a reconciliation of the fund balance to the Statement of Net Assets in the governmental activities in the government-wide financial statements is provided to account for the differences between the two statements (i.e. capital assets and long-term liabilities, etc.).

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold of \$2,500 for land and equipment and \$25,000 for buildings, improvements and infrastructure is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Depreciation is recorded on general capital assets on a governmental-wide basis using the straight-line method. The estimated useful lives are as follows:

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

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Estimated historical cost was primarily used for land costs (for which the historical assessment records of the County were used). Donated fixed 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.

Long-term assets and long-term liabilities are not included in the fund financial statements but are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary Funds

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

Capital assets for the Proprietary Funds are stated at cost, net of accumulated depreciation. Gifts or contributions are recorded as an asset at their fair value at date of receipt. With the adoption of GASB No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, in 2001, the County also records the receipts of the gifts or contributions as revenues.

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

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

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

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D. Estimates

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

E. Basis of Accounting – Financial Statements

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

Government-Wide Financial Statements

The government-wide statements of net assets and statements of activities, all proprietary funds, and fiduciary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the balance sheet or on the statement of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The statements of net assets, statements of activities, financial statements of the Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

Governmental Funds Financial Statements

Governmental Funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible 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 utilities (generally in the month preceding receipt by the County).

Licenses, permits, and fines are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants used for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies.

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

Proprietary Funds

The accrual basis of accounting is used for the Enterprise and Internal Service Funds. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

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Fiduciary Funds

Agency Funds utilize the modified accrual basis of accounting.

F. Budgets and Budgetary Accounting

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

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

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

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

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

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

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 of Supervisors 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 of Supervisors that appropriations for Capital Projects continue until completion of the project. This is reaffirmed each year by the Board in an appropriation Board paper.

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 Funds and Capital Projects Fund. While appropriations lapse at the end of the fiscal year for the General Fund and Special Revenue Funds, the succeeding year's budget ordinance specifically provides for the re-appropriation of year-end encumbrances. Encumbrances which have been re-appropriated are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

H. Inventory and Prepaid Expenses

Proprietary Funds

Inventory consists mainly of supplies and spare parts held for consumption which are costed 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

In accordance with Financial Accounting Standards Board ("FASB") Statements No. 34 and 62, *Capitalization of Interest Cost and Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, the cost of properties for the Water and Sewer 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, 2002, the Water and Sewer Enterprise Fund incurred interest of \$7,053,268 of which \$6,304,710 was capitalized.

J. Bond Issuance Costs

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

K. Accrued Compensated Absences

Annual leave is granted to all permanent County employees and certain permanent County School System ("School") employees. County and School employees can earn annual leave at the rate of 4 hours for every 80 standard hours worked up to a maximum of 7 hours for every 80 standard hours after 20 years of service. While there is no requirement that annual leave be taken, the maximum permissible accumulation is 364 hours for County employees and 52 days for School employees. Accumulated annual leave vests and the County is obligated to make payment even if the employee terminates. The current and non-current liability for unused and unpaid annual leave attributable to the County's Governmental Funds is recorded in the government-wide financial statements. The 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 \$2.00 for every hour of sick leave earned with a maximum payment of \$4,000. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been recorded using the termination payment method.

L. Reserved and Designated Fund Balance

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

Designation of fund balance by purpose is as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Self-insurance (See Note 8-C)	\$ 5,500,000	\$ -	\$ -	\$ -
Debt service	-	-	7,571,989	-
Construction commitments	-	-	-	48,005,720
Capital projects	1,818,042	-	-	-
National School Lunch Prog.	-	-	-	-
High School Lunch Prog.	-	-	-	-
Street Lighting	-	531,530	-	-
State and Federal Grant	-	4,721,162	-	-
Solid Waste	-	7,978,675	-	-
For 2001-02 FY Budget	2,913,941	-	-	-
All Others	13,876,239	-	-	-
County Agency	-	701,399	-	-
Total designated for specific purposes	<u>\$ 24,108,222</u>	<u>\$ 13,932,766</u>	<u>\$ 7,571,989</u>	<u>\$ 48,005,720</u>

COUNTY OF HENRICO, VIRGINIA
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M. Statement of Cash Flows

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

N. GASB Statement No. 20 Election

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

O. New Accounting Pronouncements

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

The County also adopted Senate Bill 276 that was added to the Code of Virginia in 2002. This new legislation was enacted to revise the reporting of local school capital assets and related debt for financial statement purposes. Under the new law, local governments now 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. The County has incorporated the requirements of this new legislation in the fiscal year 2002 CAFR.

In May 2002, the Governmental Accounting Standards Board issued Statement No. 39 *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*. This Statement provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements of the County. The County will adopt this Statement for the fiscal year ending 2004.

NOTE 2. DEPOSITS AND INVESTMENTS

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 "Equity in cash and temporary investments". In addition, cash and investments are separately held for several of the County's funds.

Highly liquid investments with maturities of 90 days or less from date of purchase are considered cash equivalents. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are shown at fair value; except for commercial paper, banker's acceptances, Treasury and Agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices which are provided by the County's Investment Manager,

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Wachovia Bank, as of June 30, 2002. The net increase in fair value of investments during the year ended June 30, 2002, was \$1,094,394. This amount takes into account all changes in fair value that occurred during the year.

The County participates in a Government Money Market Fund and a State Non-Arbitrage Pool which are SEC-registered.

Deposits

At June 30, 2002, the carrying value of the County's deposits with banks was \$50,234,997 and the bank balance was \$56,897,138. 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 \$2,615,734 and the bank balance was \$2,962,632. All of the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

The carrying amount of deposits for the James River Juvenile Detention Commission, a discretely presented component unit, was \$2,746,146 and the bank balance was \$2,746,146. All of the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Investments

Statutes authorize the County to invest in obligations of the United States of America or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The County's investments are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its safekeeping agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the financial institution's trust department or safekeeping agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its safekeeping agent.

COUNTY OF HENRICO, VIRGINIA
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At year-end, the County's investment balances were as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government Securities	\$193,080,604	-	-	\$ 193,080,604	\$ 193,080,604
Commercial Paper	61,596,624	-	-	61,596,624	61,596,624
Total	\$254,677,228	-	-	254,677,228	254,677,228

Investments Not Subject to Categorization:

Investments in Government Money Market Fund	9,190,141	9,190,141
Investment in State Non-Arbitrage Pool	70,300,580	70,300,580
Total Investments	\$ 334,167,949	\$ 334,167,949
Total Deposits	50,234,997	50,234,997
Total Held by Fiscal Agent	7,026,211	7,026,211
Total Cash on Hand	94,266	94,266
Total Deposits and Investments	\$ 391,523,423	\$ 391,523,423

At year-end, the Schools' investment balances were as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government Securities	\$ 10,053,700	-	-	\$ 10,053,700	\$ 10,053,700
Commercial Paper	3,207,334	-	-	3,207,334	3,207,334
Total	\$ 13,261,034	-	-	13,261,034	13,261,034

Investments Not Subject to Categorization:

Investments in Government Money Market Fund	478,530	478,530
Total Investments	\$ 13,739,564	\$ 13,739,564
Total Deposits	2,615,734	2,615,734
Total Cash on Hand	1,000	1,000
Total Deposits and Investments	\$ 16,356,298	\$ 16,356,298

At year-end, the James River Juvenile Detention Commission's investment balances were as follows:

	Carrying Amount	Fair Value
Investments Not Subject to Categorization:		
Investment in Government Money Market Fund	\$ 934,070	\$ 934,070
Total Investments	\$ 934,070	\$ 934,070
Total Deposits	2,746,146	2,746,146
Total Cash on Hand	400	400
Total Deposits and Investments	\$ 3,680,616	\$ 3,680,616

The School Activity Funds' cash of \$3,228,399, 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.

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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NOTE 3. RECEIVABLES

Receivables at June 30, 2002 consist of the following:

Primary Government

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables:				
Interest	\$ 1,381,845	\$ -	\$ -	\$ 1,381,845
Taxes	16,826,456	-	-	16,826,456
Accounts	<u>2,947,171</u>	<u>2,823,197</u>	<u>15,101,418</u>	<u>20,871,786</u>
Gross Receivables	21,155,472	2,823,197	15,101,418	39,080,087
Less: Allowances for Doubtful Accounts	<u>4,623,752</u>	<u>1,661,390</u>	<u>283,900</u>	<u>6,569,042</u>
Net Receivables	<u>\$ 16,531,720</u>	<u>\$ 1,161,807</u>	<u>\$ 14,817,518</u>	<u>\$ 32,511,045</u>

Long-term assets on a government-wide basis include taxes receivable of \$9,071,493 that are not available to pay for current period expenditures and are therefore are offset by the deferred revenue for the governmental funds. Tax revenue reported on a government-wide basis included \$9,940,096 of revenue that does not provide current financial resources, and therefore, is not reported in the governmental funds.

Component Units

	<u>School Board</u>	<u>JRJDC</u>	<u>Total</u>
Receivables:			
Accounts	\$ -	\$ 65,080	\$ 65,080
Intergovernmental	<u>6,657,581</u>	<u>13,629</u>	<u>6,671,210</u>
Total Receivables	<u>\$ 6,657,581</u>	<u>\$ 78,709</u>	<u>\$ 6,736,290</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. The County bills and collects its own property taxes. Property taxes levied are recorded as receivables, net of allowance for estimated un-collectible accounts, to the extent that they are currently due.

The Virginia General Assembly passed S.B. 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. Reimbursement rates are contingent upon the State meeting revenue projections. If projections are not met, the rates to localities will be frozen at the previous level. The reimbursement was 12.5 percent of the tax on the first \$20,000 of the value of the qualifying vehicle, in tax year 1998 and made directly to the taxpayers. The reimbursement rate was 27.5 percent for tax year 1999 increasing to 47.5 percent for tax year 2000, and 70.0 percent for tax years 2001 and 2002. Reimbursements after the year 1998 are made to the localities. For tax year 2002, the State reimbursement receivable is reflected as a due from other governments and is offset by deferred revenue. 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at June 30 include:

	<u>General</u>	<u>Special Revenue</u>	<u>School Board</u>
Commonwealth of Virginia:			
Non-categorical aid for:			
Local Sales and Use Tax	\$ 3,953,317	\$ -	\$ -
State Sales and Use Tax	-	-	2,552,142
Rolling Stock Tax	137,511	-	-
Richmond Center Fees	1,649,800	-	-
ABC Tax	106,473	-	-
Wine Tax	83,566	-	-
State Recordation Fees	329,481	-	-
Clerk Excess Fees	79,363	-	-
Registrar Fees	80,849	-	-
PPTRA Revenue	160,244	-	-
Categorical aid for:			
Education	-	-	1,784,135
Social Services	1,100,988	815,136	-
Treasurer	163,039	-	-
Public Works	-	81,932	-
Correction & Detention	3,784,694	206,758	-
Mental Health & Mental Retardation	-	130,834	-
Circuit Court	340,983	-	-
Commonwealth Attorney	117,865	62,765	-
Public Safety	-	1,871	-
Miscellaneous	43,060	-	-
Total due from the Commonwealth of Virginia	<u>12,131,233</u>	<u>1,299,296</u>	<u>4,336,277</u>
Federal Government:			
Categorical aid:			
Education	-	-	2,321,304
Work Training Grants (CATC)	-	320,088	-
Public Safety	-	305,341	-
Correction & Detention	-	50,865	-
Recreation & Parks	-	28,014	-
Community Development Block Grant	-	572,771	-
Social Services	88,620	-	-
Total due from the Federal Government	<u>88,620</u>	<u>1,277,079</u>	<u>2,321,304</u>
Local Governments:			
Work Training Grants (CATC)	-	12,931	-
Total due from Local Governments	<u>-</u>	<u>12,931</u>	<u>-</u>
Total due from Other Governmental Units	<u>\$ 12,219,853</u>	<u>\$ 2,589,306</u>	<u>\$ 6,657,581</u>

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 6. CAPITAL ASSETS AND RELATED RESTATEMENT

A summary of changes in capital assets follows:

Governmental Activities

	Restated Balance June 30, 2001	Increases	Decreases	Balance June 30, 2002
Capital Assets Not Being Depreciated:				
Land	\$ 258,778,879	\$ 6,437,322	\$ -	\$ 265,216,201
Construction in Progress	51,768,060	39,388,279	15,948,547	75,207,792
Total Capital Assets Not Being Depreciated	\$ 310,546,939	\$ 45,825,601	\$ 15,948,547	\$ 340,423,993
Other Capital Assets:				
Buildings	\$ 337,999,067	\$ 5,622,248	\$ -	\$ 343,621,315
Infrastructure	356,912,999	16,133,614	-	373,046,613
Equipment	67,069,890	7,480,171	943,260	73,606,801
Improvements other than buildings	18,599,243	1,942,098	-	20,541,341
Total Other Capital Assets	\$ 780,581,199	\$ 31,178,131	\$ 943,260	\$ 810,816,070
Less Accumulated Depreciation for:				
Buildings	\$ (59,378,766)	\$ (6,474,158)	\$ -	\$ (65,852,924)
Infrastructure	(232,807,975)	(12,520,061)	-	(245,328,036)
Equipment	(30,058,983)	(7,037,375)	(716,847)	(36,379,511)
Improvements other than buildings	(8,108,027)	(875,609)	-	(8,983,636)
Total Accumulated Depreciation	\$ (330,353,751)	\$ (26,907,203)	\$ (716,847)	\$ (356,544,107)
Total Net of Depreciation	\$ 760,774,387	\$ 50,096,529	\$ 16,174,960	\$ 794,695,956

Government activities capital assets net of accumulated depreciation at June 30, 2002 are comprised of the following:

General Capital Assets, Net	\$ 794,695,956
Internal Service Fund Capital Assets, Net	(12,872,293)
Combined Adjustment	<u>\$ 781,823,663</u>

The gross cost and accumulated depreciation balances at June 30, 2001 were restated to capitalize infrastructure assets and record accumulated depreciation in accordance with the adoption of GASB Statement No. 34. As a result of the adoption of GASB Statement No. 34, the County hired an independent appraisal firm to conduct an inventory and appraisal of the majority of the County's capital assets and infrastructure. As a result of this process, certain items previously recorded as capital assets were not found and were removed from the County's records. Other items were found that were not recorded, but should have been recorded in the prior years. In addition, certain items were reclassified from one category to another category. The appraisal firm used the cost approach to value infrastructure and other assets as needed. The cost approach is based on the proposition that an informed purchaser would pay no more for a property than the cost of producing a substitute property with the same utility as the subject property. It considers the maximum value of the property to a knowledgeable buyer which would be the amount currently required to construct or purchase a new asset of equal utility. When the subject asset is not new, the current cost must be adjusted for depreciation and obsolescence as of the effective date of the appraisal.

The gross cost balances at June 30, 2001 were also restated to reflect an increase in the County's capitalization threshold to for land and equipment to \$2,500 and buildings and improvements to \$25,000.

Balances as of June 30, 2001 were restated to reflect the GASB Statement No. 34 and the legislation change as follows:

	Balance June 30, 2001	Restatement	Restated Balance June 30, 2001
Land	\$ 32,185,333	\$ 226,593,546	\$ 258,778,879
Buildings	220,722,759	117,276,308	337,999,067
Improvements	9,019,026	9,580,217	18,599,243
Equipment	122,800,686	(55,730,796)	67,069,890
Infrastructure	-	356,912,999	356,912,999
Construction in Progress	34,937,461	16,830,599	51,768,060
Total	419,665,265	671,462,873	1,091,128,138
Accumulated Depreciation	(7,728,913)	(322,624,838)	(330,353,751)
Total, net	\$ 411,936,352	\$ 348,838,035	\$ 760,774,387

COUNTY OF HENRICO, VIRGINIA
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JUNE 30, 2002

Depreciation was charged to governmental functions as follows:

General Government Administration	\$ 3,795,139
Judicial Administration	66,616
Public Safety	5,466,940
Public Works	13,833,623
Education	2,035,962
Health and Welfare	183,164
Parks and Recreation	1,521,549
Community Development	4,210
Total Depreciation	<u>\$ 26,907,203</u>

Business Type Activities

Water and Sewer:

	<u>Restated Balance June 30, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2002</u>
Capital Assets Not Being Depreciated:				
Land	\$ 11,262,274	\$ -	\$ -	\$ 11,262,274
Other Capital Assets:				
Buildings	121,449,148	3,458,565	233,784	124,673,929
Equipment	34,073,513	592,362	4,726,152	29,939,723
Improvements	633,226	-	-	633,226
Infrastructure	561,693,520	17,074,863	-	578,768,383
Construction in progress	129,835,709	98,816,115	7,126,647	221,525,177
Total Capital Assets	<u>\$ 858,947,390</u>	<u>\$ 119,941,905</u>	<u>\$ 12,086,583</u>	<u>\$ 966,802,712</u>
Accumulated Depreciation	<u>(195,973,402)</u>	<u>(14,121,297)</u>	<u>2,408,274</u>	<u>(207,686,425)</u>
Total Net of Depreciation	<u>\$ 662,973,988</u>	<u>\$ 105,820,608</u>	<u>\$ 9,678,309</u>	<u>\$ 759,116,287</u>

Water and Sewer - balances, as of June 30, 2001 were restated to reflect the effects of the inventory and appraisal mentioned above as follows:

	<u>Balance June 30, 2001</u>	<u>Reclassification</u>	<u>Restatement</u>	<u>Restated Balance June 30, 2001</u>
Land	\$ 11,314,709	\$ -	\$ (52,435)	\$ 11,262,274
Buildings	47,145,893	72,305,282	1,997,973	121,449,148
Equipment	31,587,957	6,011,047	(3,525,491)	34,073,513
Improvements	640,651,087	(640,009,849)	(8,012)	633,226
Infrastructure	-	561,693,520	-	561,693,520
Construction in Progress	129,835,709	-	-	129,835,709
Total	<u>860,535,355</u>	<u>-</u>	<u>(1,587,965)</u>	<u>858,947,390</u>
Accumulated Depreciation	<u>(198,133,481)</u>	<u>-</u>	<u>(2,160,079)</u>	<u>(195,973,402)</u>
Total, net	<u>\$ 662,401,874</u>	<u>\$ -</u>	<u>\$ 572,114</u>	<u>\$ 662,973,988</u>

Belmont Golf Course:

	<u>Balance June 30, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>Restated Balance June 30, 2002</u>
Capital Assets Not Being Depreciated:				
Land	\$ 250,491	\$ -	\$ -	\$ 250,491
Other Capital Assets:				
Buildings	1,909,782	-	2,195	1,907,587
Equipment	708,234	46,476	69,540	685,170
Improvements	2,178,659	-	1,653	2,177,006
Construction in progress	44,623	7,841	-	52,464
Total Capital Assets	<u>\$ 5,091,789</u>	<u>\$ 54,317</u>	<u>\$ 73,388</u>	<u>\$ 5,072,718</u>
Accumulated Depreciation	<u>(2,666,993)</u>	<u>(109,633)</u>	<u>(69,531)</u>	<u>(2,707,095)</u>
Total Net of Depreciation	<u>\$ 2,424,796</u>	<u>\$ (55,316)</u>	<u>\$ 3,857</u>	<u>\$ 2,365,623</u>

COUNTY OF HENRICO, VIRGINIA
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JUNE 30, 2002

The capital asset balances as of June 30, 2001 were restated to reflect the effects of the inventory and appraisal mentioned above as follows:

	<u>Balance June 30, 2001</u>	<u>Restatement</u>	<u>Restated Balance June 30, 2001</u>
Land	\$ 250,491	\$ -	\$ 250,491
Buildings	1,819,358	90,424	1,909,782
Equipment	644,394	63,840	708,234
Improvements	2,042,655	136,004	2,178,659
Construction in Progress	44,623	-	44,623
Total	<u>4,801,521</u>	<u>290,268</u>	<u>5,091,789</u>
Accumulated Depreciation	<u>(2,494,549)</u>	<u>(172,444)</u>	<u>(2,666,993)</u>
Total, net	<u>\$ 2,306,972</u>	<u>\$ 117,824</u>	<u>\$ 2,424,796</u>

Component Units

School Board:

	<u>Restated Balance June 30, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2002</u>
Capital Assets Not Being Depreciated:				
Land	\$ 16,415,040	\$ 19,714	\$ -	\$ 16,434,754
Other Capital Assets:				
Buildings	167,603,193	16,974,434	-	184,577,627
Equipment	39,952,181	18,432,961	95,429	58,289,713
Improvements	20,074,194	-	-	20,074,194
Construction in progress	13,166,984	14,451,818	15,704,772	11,914,030
Total Capital Assets	<u>\$ 257,211,592</u>	<u>\$ 49,878,927</u>	<u>\$ 15,800,201</u>	<u>\$ 291,290,318</u>
Accumulated Depreciation	<u>(126,187,343)</u>	<u>(11,193,531)</u>	<u>(72,375)</u>	<u>(137,308,499)</u>
Total Net of Depreciation	<u>\$ 131,024,249</u>	<u>\$ 38,685,396</u>	<u>\$ 15,727,826</u>	<u>\$ 153,981,819</u>

All depreciation was charged to education.

Component unit - School Board – balances, as of June 30, 2001 were restated to reflect the implementation of GASB Statement No. 34 and the legislation change as follows:

	<u>Balance June 30, 2001</u>	<u>Restatement</u>	<u>Restated Balance June 30, 2001</u>
Land	\$ 21,670,320	\$ (5,255,280)	\$ 16,415,040
Buildings	245,974,404	(78,371,211)	167,603,193
Equipment	82,679,578	(42,727,397)	39,952,181
Improvements	258,252	19,815,942	20,074,194
Construction in Progress	29,997,583	(16,830,599)	13,166,984
Total	<u>380,580,137</u>	<u>(123,368,545)</u>	<u>257,211,592</u>
Accumulated Depreciation	<u>-</u>	<u>(126,187,343)</u>	<u>(126,187,343)</u>
Total, net	<u>\$ 380,580,13</u>	<u>\$ (249,555,888)</u>	<u>\$ 131,024,249</u>

James River Juvenile Detention Center:

	<u>Balance June 30, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2002</u>
Capital Assets Not Being Depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Other Capital Assets:				
Building	8,701,593	528,247	-	9,229,840
Building Improvements	198,274	-	-	198,274
Furniture, Fixtures & Equipment	334,784	14,155	200,460	148,479
Construction in Progress	32,429	492,420	524,849	-
Total Capital Assets	<u>9,297,080</u>	<u>1,034,822</u>	<u>725,309</u>	<u>9,606,593</u>
Accumulated Depreciation	<u>(68,820)</u>	<u>(249,797)</u>	<u>(7,604)</u>	<u>(311,013)</u>
Total Net of Depreciation	<u>\$ 9,228,260</u>	<u>\$ 785,025</u>	<u>\$ 717,705</u>	<u>\$ 9,295,580</u>

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 7. LONG-TERM DEBT

Governmental Activities

The following is a summary of the changes within the total long-term liabilities of governmental activities for the year ended June 30, 2002:

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
General obligation bonds	\$ 189,535,000	\$ 27,035,000	\$ 14,900,000	\$ 201,670,000
Capital lease obligations	83,287,435	890,760	5,345,788	78,832,407
Accrued claims payable	5,886,680	7,147,191	2,538,694	10,495,177
Accrued compensated absences	12,345,871	422,528	-	12,768,399
Pension liabilities	3,968,931	-	-	3,968,931
Landfill post-closure costs	<u>6,020,699</u>	<u>202,342</u>	<u>-</u>	<u>6,223,041</u>
Total	<u>\$ 301,044,616</u>	<u>\$ 35,697,821</u>	<u>\$ 22,784,482</u>	<u>\$ 313,957,955</u>
Current maturities				<u>(22,029,038)</u>
Net long-term liabilities				<u>\$ 291,928,917</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, 2002 were:	
Long-term liabilities (detail above)	\$ 313,957,955
Internal Service Fund long-term liabilities	<u>(236,997)</u>
Combined adjustment	<u>\$ 313,720,958</u>

Under the modified accrual basis of accounting used in the fund financial statements for the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The adjustment from modified accrual to full accrual is composed of the following items:

Compensated absences	\$ 422,528
Claims payable	4,608,497
Landfill	<u>202,342</u>
Combined adjustment	<u>\$ 5,233,367</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 \$824,068, which represents the change in accrued interest on bonds payable as of June 30, 2002.

In prior years, the County sold the \$90,970,000 General Obligation Public Improvement Refunding Bonds - Series of 1993 ("1993 Refunding Issue") to refund, prior to maturity, portions of the following bonds: General Obligation Public Improvement Bonds - Series 1980, 1985, and 1990; and Virginia Public School Authority (VPSA) Bonds, Series 1988 and 1990. The proceeds of the 1993 Refunding Issue were deposited in a trust fund and were used to purchase U.S. Government obligations that are scheduled to mature and pay interest in amounts necessary to provide the funds to pay the Refunded Debt. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (of which \$43,975,000 remained outstanding at June 30, 2002) nor the assets placed in the trust fund is reflected in the financial statements.

In November 2000, the County's voters authorized the issuance of general obligation bonds for \$237,000,000 of which only \$64,145,000 has been issued as of June 30, 2002. The County plans to issue the remaining bonds in future fiscal years.

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

General Obligation Bonds

Details of general obligation bonds recorded in the General Long-Term Obligation Account Group for the County at June 30, 2002 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>
Public Improvement Refunding 1993 Bonds	2.40-5.35	04/01/93	01/15/11	\$ 90,970,000	\$ 48,980,000
VPSA 1993 Bonds	5.10-5.25	05/15/93	07/15/13	32,000,000	19,200,000
VPSA 1994A Bonds	6.34	04/01/94	12/15/06	6,750,000	1,650,000
VPSA 1996 Bonds	5.00-6.00	11/01/96	07/15/16	30,595,000	22,945,000
VPSA 1999A Bonds	4.35-5.225	05/01/99	08/01/19	35,740,000	32,160,000
VPSA 2000 Bonds	5.00-6.25	05/01/00	08/01/20	15,215,000	14,450,000
2001 G.O. Bonds	4.50-5.00	05/15/01	01/15/21	37,110,000	35,250,000
2002 G.O. Bonds	3.00-5.00	02/21/02	04/01/22	27,035,000	<u>27,035,000</u>
TOTAL					<u>\$ 201,670,000</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>
2003	\$ 16,480,000	\$ 9,977,385
2004	15,990,000	9,000,054
2005	15,865,000	8,226,453
2006	15,745,000	7,454,167
2007	14,460,000	6,674,956
2008-2012	61,150,000	23,246,415
2013-2017	39,515,000	10,859,317
2018-2022	<u>22,465,000</u>	<u>2,684,063</u>
TOTAL	<u>\$ 201,670,000</u>	<u>\$ 78,122,810</u>

General obligation bonds are backed by the full faith and credit of the County and are issued primarily for construction in progress for various purposes. There are no sinking fund requirements. The County has no legal debt margin requirement. All Henrico County general obligation bonds, except Virginia Public School Authority bonds, have been authorized by public referendum. The Virginia Public School Authority bonds have been issued by the adoption of a resolution by the County Board of Supervisors.

The County is autonomous and independent of any city, town or other political jurisdiction. There is no overlapping debt or taxing power.

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Business-Type Activities

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

	<u>Balance July 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30</u>
Water & Sewer Revenue Bonds:				
1992 Refunding Bonds - \$33,150,000 4.2% to 6.45%	\$ 19,900,000	\$ -	\$ 19,900,000	\$ -
1994 Refunding Bonds - \$41,345,000 3.5% to 5.88%	12,520,000	-	1,275,000	11,245,000
1997 Virginia Resource Authority Bonds - \$32,000,000 Variable Interest Rate	30,605,000	-	520,000	30,085,000
1999 Revenue and Refunding Bonds - \$101,000,000 3.1% to 5.25%	96,890,000	-	1,635,000	95,255,000
2002 Refunding Bonds - 17,345,000 3.0% to 4.625%	-	17,345,000	-	17,345,000
Total bonds payable	\$ 159,915,000	\$ 17,345,000	\$ 23,330,000	\$ 153,930,000
Other liabilities:				
Accrued compensated absences	\$ 663,690	\$ 25,053	\$ -	\$ 688,743
Pension liabilities	278,887	-	-	278,887
Net long-term liabilities	\$ 160,857,577	\$ 17,370,053	\$ 23,330,000	\$ 154,897,630
Current maturities (payable from restricted assets)	(5,960,000)			(6,385,000)
Net long-term liabilities	\$ 154,897,577			\$ 148,512,630

In prior years, the County defeased certain Water and Sewer Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At June 30, 2002, \$71,210,000 of Water and Sewer System Revenue Bonds, which were considered defeased, remained outstanding.

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

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

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

Net operating revenues were 2.64 times the annual debt service requirements for the year ended June 30, 2002.

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.

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

The interest due on the Bonds as of July 1 has been accrued as of June 30, as required by the related covenants. Cash has been restricted for these accruals. In addition, retained earnings have been reserved and cash has been restricted in an amount equal to the maximum annual debt service requirement for the Bonds.

Principal and interest payment on the Bonds for the five fiscal years subsequent to June 30, 2002 and thereafter follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 6,385,000	\$ 7,743,032
2004	6,630,000	7,384,711
2005	6,910,000	7,097,787
2006	7,070,000	6,816,316
2007	7,340,000	6,526,035
2008-2012	35,460,000	27,878,918
2013-2017	24,645,000	19,444,999
2018-2022	23,040,000	13,806,695
2023-2027	29,585,000	7,051,620
2028	<u>6,865,000</u>	<u>438,361</u>
Total	<u>\$ 153,930,000</u>	<u>\$ 104,188,474</u>

Component Units

School Board:

The Board of Supervisors has authorized the School Board to borrow funds from the Literary Fund of the Commonwealth of Virginia (the "Literary Fund") to finance repairs to eligible educational facilities. For each facility qualifying for a loan, the School Board borrowed funds from the Literary Fund in the form of a demand note with interest ranging from 3.00 percent to 5.00 percent with maturities through May 1, 2009, to cover the repair costs incurred. Once the repair of a facility has been completed, the demand note is converted into a 20-year note payable with annual installments due on the anniversary date of the note. Total outstanding loans at June 30, 2002 were \$1,599,929. Loans made by the Literary Fund are recorded as specific liens against the educational facilities for which the funds were borrowed.

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

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Capital lease obligations	\$ 372,696	\$ 19,565,014	\$ 3,396,044	\$ 16,541,666
Literary fund loans	1,956,721	-	356,792	1,599,929
Accrued claims payable	3,376,712	-	1,394,838	1,981,874
Accrued compensated absences	<u>2,703,403</u>	<u>100,690</u>	<u>-</u>	<u>2,804,093</u>
Total School Board	<u>\$ 8,409,532</u>	<u>\$ 19,665,704</u>	<u>\$ 5,147,674</u>	<u>\$ 22,927,562</u>
Current Maturities				<u>(5,008,204)</u>
Net long-term liabilities				<u>\$ 17,919,358</u>

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 356,792	\$ 59,918
2004	320,642	47,381
2005	261,742	35,948
2006	207,767	26,272
2007	190,047	18,217
2008-2009	<u>262,939</u>	<u>14,187</u>
Total	<u>\$ 1,599,929</u>	<u>\$ 201,923</u>

James River Juvenile Detention Commission:

On December 1, 1998, JRJDC entered into a \$10,000,000 Revenue and Bond Anticipation Note, series 1998, having an interest rate of 3.5 percent. The note proceeds provided temporary financing to JRJDC and construction funds. JRJDC paid \$6,358,600 of the note on February 1, 2001 and the remaining balance of \$3,641,000 on the note on December 1, 2001.

On November 15, 2000, JRJDC issued a \$7,125,000 Facility Revenue Bond, Series 2000, having an interest rate of 4.914 percent. The bond proceeds provided permanent financing to JRJDC, debt repayment and additional construction funds.

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

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Facility revenue bond	\$ 7,125,000	\$ -	\$ 330,000	\$ 6,795,000
Revenue and bond anticipation note	<u>3,641,400</u>	-	<u>3,641,400</u>	-
Total	<u>\$ 10,766,400</u>	<u>\$ -</u>	<u>\$ 3,971,400</u>	<u>\$ 6,795,000</u>
Current Maturities				<u>(350,000)</u>
Net long-term liabilities				<u>\$ 6,445,000</u>

Principal and interest payments for future fiscal years subsequent to June 30, 2002 are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 350,000	\$ 329,950
2004	365,000	312,969
2005	385,000	293,456
2006	405,000	273,778
2007	420,000	253,226
2008 - 2012	2,445,000	921,434
2013 - 2016	<u>2,425,000</u>	<u>249,276</u>
Total	<u>\$ 6,795,000</u>	<u>\$ 2,634,088</u>

COUNTY OF HENRICO, VIRGINIA
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Capital Leases

The County has entered into agreements for the leasing of buildings, computer hardware, automotive vehicles and equipment. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases* ("FASB Statement 13"), which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. As such, \$30,053,593 of equipment and \$64,479,386 of buildings have been capitalized as of June 30, 2002. The acquisition of fixed assets through capital lease obligations is reflected as an expenditure and other financing source in the General or Capital Projects Funds when the obligations are incurred. Payments to satisfy capital lease obligations are recorded as a debt service expenditure in the General or Debt Service Funds when the cash outlays are made. Assets capitalized under these lease agreements are pledged as collateral on the obligations.

The County and the Henrico Economic Development Authority 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. Finally, on October 1, 1999, the County entered into a \$39,605,000 Public Facility lease Revenue Refunding Bond agreement with the Henrico Economic Development Authority. These bonds were sold November 1, 1999. The proceeds along with certain other funds from the Commonwealth of Virginia (\$27,743,200) will be used to refund the Authority's Public Facility Lease Revenue Bond (Henrico County Regional Jail Project) series 1994, in the aggregate outstanding principal amount of \$64,850,000 maturing thru 2021. The proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be paid and the liability has been removed from the financial statements. This advanced refunding was undertaken to reduce the total debt service payments over the next 22 years by \$5,525,405 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$1,623,790.

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

<u>Years</u>	<u>Equipment Lease Obligations</u>	<u>EDA Lease Obligations</u>	<u>Schools</u>	<u>Total Future Minimum Lease Payments</u>
2003	\$ 741,933	\$ 8,920,222	\$ 5,510,183	\$ 15,172,338
2004	592,351	8,943,178	5,510,182	15,045,711
2005	429,045	8,960,662	5,501,111	14,890,818
2006	277,538	8,977,470	2,000,000	11,255,008
2007	51,314	8,997,767	-	9,049,081
2008-2012	-	28,726,134	-	28,726,134
2013-2017	-	24,776,768	-	24,776,768
2018-2022	-	<u>16,540,441</u>	-	<u>16,540,441</u>
Total minimum lease payments	\$ 2,092,181	\$ 114,842,642	\$ 18,521,476	\$ 135,456,299
Less amount representing interest	<u>299,774</u>	<u>37,802,642</u>	<u>1,979,810</u>	<u>40,082,226</u>
Present value of future minimum lease payments	<u>\$ 1,792,407</u>	<u>\$ 77,040,000</u>	<u>\$ 16,541,666</u>	<u>\$ 95,374,073</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 \$2,795,000 for these cases and potential counterclaims where the County is the plaintiff. It is probable that approximately \$1,200,000 of these claims will result in an unfavorable outcome for the County. These claims are covered under the County's self-insurance program as discussed in note 8C. The County intends to defend its position in these claims vigorously. It is the opinion of

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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County management, based on the advice of the County Attorney, that any losses incurred as a result of claims existing as of June 30, 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, 2002 have not yet been completed. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

C. Risk Management

The County and School Board maintain a self-insurance program (the "Program") for workers' compensation claims, certain property and casualty risks and other claims. Workers' compensation claims in excess of \$500,000 per occurrence are covered by insurance carriers. Property claims between \$500,000 and \$250,000,000 per occurrence are covered by Travelers Insurance Company. During the past three years, no excess claims were processed with these insurance carriers. The County's estimated and recorded liability for claims payable at June 30, 2002, includes actuarial estimates of probable losses on claims received and claims incurred but not reported. The County has recorded expenditures of \$501,806 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, 2002, that are expected to be liquidated with current resources. In addition, the County has recorded \$10,495,177 for the County and \$1,981,874 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, 2002 that are not expected to be liquidated with current resources. Also, the County has designated \$5,500,000 of the June 30, 2002 General Fund balance as a self-insurance reserve.

	<u>FY 2001</u>		<u>FY 2002</u>	
	<u>County</u>	<u>Schools</u>	<u>County</u>	<u>Schools</u>
Balance, July 1	\$ 6,424,445	\$ 1,577,903	\$ 5,886,680	\$ 3,376,712
Current year claims and changes in estimates	1,914,369	2,819,568	7,147,191	(548,607)
Claim payments	<u>(2,452,134)</u>	<u>(1,020,759)</u>	<u>(2,538,694)</u>	<u>(846,231)</u>
Balance, June 30	<u>\$ 5,886,680</u>	<u>\$ 3,376,712</u>	<u>\$ 10,495,177</u>	<u>\$ 1,981,874</u>

D. Commitments

At June 30, 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 Information Systems	\$ 1,476,600	\$ -
Buildings & Grounds	1,368,181	-
Road Maintenance & Drainage	1,884,176	-
Community Development	114,246	-
Landfill #1 Expansion and Development	95,605	-
Public Safety Projects	792,876	-
Courts and Justice	1,542,269	-
Parks & Recreation	2,023,634	-
Education Projects	<u>16,104,687</u>	<u>4,616,961</u>
Total	\$ 25,402,274	\$ 4,616,961
Enterprise Funds:		
Wastewater Treatment Projects	\$ 59,286,627	
Water Plant Projects	<u>36,843,494</u>	
Total	\$ 96,130,121	

COUNTY OF HENRICO, VIRGINIA
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E. Operating Leases

The County leases real estate, certain data processing equipment and other equipment under various long-term operating lease agreements for which rent expenditures aggregated \$1,289,663 for fiscal year 2002.

At June 30, 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>	
2003	\$ 1,074,357	\$ 157,814	\$ 101,228	\$ 58,635	\$ 1,392,034
2004	646,921	128,039	92,792	56,632	924,384
2005	513,052	47,011	-	16,091	576,154
2006	276,590	17,598	-	-	294,188
2007	70,400	-	-	-	70,400
2008-2012	102,000	-	-	-	102,000
2013-2017	<u>102,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,000</u>
Total	<u>\$ 2,785,320</u>	<u>\$ 350,462</u>	<u>\$ 194,020</u>	<u>\$ 131,358</u>	<u>\$ 3,461,160</u>

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

F. Capital Asset Leasing

The County is the lessor of real estate and other equipment under various operating lease agreements for periods ranging from one to fifty years. The cost and accumulated depreciation on leased property at June 30, 2002, was \$19,414,458 and \$1,255,878, respectively.

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

<u>Years</u>	
2003	\$ 320,348
2004	271,913
2005	242,033
2006	220,854
2007	204,160
2008-2012	1,020,800
2013-2017	994,750
2018-2022	<u>479,538</u>
	<u>\$ 3,754,396</u>

G. Contingent Liabilities

Capital Region Airport Commission

See Note 17, "Joint Ventures", for a discussion of the County's contingent liability relating to the Capital Region Airport Commission.

COUNTY OF HENRICO, VIRGINIA
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JUNE 30, 2002

Richmond Metropolitan Authority ("RMA") Baseball Stadium Facility

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

Debt service for the entire amount of the RMA Revenue Bonds is payable during future fiscal years ending June 30 as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 350,000	\$ 55,000
2004	400,000	34,000
2005	<u>400,000</u>	<u>12,000</u>
Total	<u>\$ 1,150,000</u>	<u>\$ 101,000</u>

During the fiscal year ended June 30, the County made contributions of \$282,000 to the RMA for its pro-rata portion of the debt service and for capital improvements. The Stadium Facility had a net operating loss of \$54,753 for the year ended June 30, 2002.

Environmental Risk

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

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

A. Plan Description

The County and School Board Non-Professional Group contributes to the Virginia Retirement System ("VRS"), an agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent employees must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final salary ("AFS") for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent per year beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained at P.O. Box 2500, Richmond, VA 23218-2500

COUNTY OF HENRICO, VIRGINIA
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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 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 2002 were 7.50 percent and 15.50 percent respectively, of annual covered payroll.

C. Annual Pension Cost

For 2002, the County annual pension cost of \$11,458,872 was equal to the required and actual contributions; the School Board Non-Professional Group's cost of \$275,770 was also equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return, (b) projected salary increases ranging from 4.25 percent to 6.10 percent per year, and (c) 3.0 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3 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. Un-funded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis within a period of 30 years or less.

NET PENSION OBLIGATION (NPO)

Annual Required Contribution (ARC)	\$	11,458,872
Interest on NPO		-
Adjustment to the ARC		-
Annual Pension Cost		11,458,872
Contributions made		(11,458,872)
Increase in NPO		-
NPO beginning of year		4,247,818
NPO end of year		\$ 4,247,818

TREND INFORMATION FOR COUNTY

<u>FISCAL YEAR</u> <u>ENDING</u>	<u>ANNUAL PENSION</u> <u>COST (APC)</u>	<u>PERCENTAGE OF</u> <u>APC CONTRIBUTED</u>	<u>NET PENSION</u> <u>OBLIGATION</u>
June 30, 2000	\$ 12,490,720	97.43%	\$ 4,247,818
June 30, 2001	10,880,390	100.00%	4,247,818
June 30, 2002	11,458,872	100.00%	4,247,818

TREND INFORMATION FOR SCHOOL BOARD NON-PROFESSIONAL

<u>FISCAL YEAR</u> <u>ENDING</u>	<u>ANNUAL PENSION</u> <u>COST (APC)</u>	<u>PERCENTAGE OF</u> <u>APC CONTRIBUTED</u>	<u>NET PENSION</u> <u>OBLIGATION</u>
June 30, 2000	\$ 349,290	100.00%	\$ 0
June 30, 2001	269,444	100.00%	0
June 30, 2002	275,770	100.00%	0

COUNTY OF HENRICO, VIRGINIA
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JUNE 30, 2002

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, 1999	\$388,653,817	\$410,635,920	\$21,982,103	94.65%	\$126,399,248	17.39%
June 30, 2000	454,266,589	442,950,933	(11,315,656)	102.55%	133,361,166	- 8.48%
June 30, 2001	504,700,061	489,223,614	(15,476,447)	103.16%	143,709,890	- 10.77%

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, 1999	\$ 4,386,151	\$ 7,077,376	\$ 2,691,225	61.97%	\$ 1,565,684	171.89%
June 30, 2000	5,056,826	7,025,603	1,968,777	71.98%	1,639,113	120.11%
June 30, 2001	5,450,183	7,473,918	2,023,735	72.92%	1,712,403	118.18%

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

A. Plan Description

The School Board contributes to the Virginia Retirement System (“VRS”), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the “System”). All full-time, salaried permanent employees must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final salary (“AFS”) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained 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 2002 was 3.68 percent of annual covered payroll. The School Board’s contributions to VRS for the years ending 2002, 2001 and 2000 were \$5,667,262, \$11,323,531, and \$12,883,329, respectively, are equal to the required contributions for each year.

COUNTY OF HENRICO, VIRGINIA
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JUNE 30, 2002

NOTE 11. INTER-FUND OBLIGATIONS

Individual inter-fund receivables and payables balances at June 30, 2002 are as follows:

	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 957,465	\$ -
Enterprise Funds:		
Water and Sewer	8,015,824	-
Capital Projects Fund	-	8,015,824
Component Unit - JRJDC	-	957,465
	\$ 8,973,289	\$ 8,973,289

NOTE 12. FUND TRANSFERS

Transfers within the County are made between the general fund, special revenue fund, debt service fund, capital projects fund and the school board. 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 at June 30, 2002 are as follows:

	Transfers Out	Transfers In
Governmental Funds:		
General Fund	\$ 70,503,843	\$ -
Special Revenue Fund	-	13,382,712
Debt Service Fund	-	34,140,925
Capital Projects Fund	-	22,980,206
	\$ 70,503,843	\$ 70,503,843

Transfers between primary government and component unit at June 30 are as follows:

	Transfers Out	Transfers In
Governmental Funds:		
General Fund	\$144,862,224	\$ -
Debt Service Fund	429,236	-
Capital Projects Fund	11,993,441	-
Component Unit - School Board	-	157,284,901
	\$157,284,901	\$157,284,901

NOTE 13. RELATED-PARTY TRANSACTIONS

During fiscal year 2002, the County contributed \$2,766,525 to the Economic Development Authority to foster economic development within the County, also the County received \$240,987 from the Capital Region Airport Commission for water and sewer services.

NOTE 14. DEFERRED REVENUE

Deferred 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. Deferred revenue, including advance property tax collections, totaling \$21,912,132 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

COUNTY OF HENRICO, VIRGINIA
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accordance with the grantor's requirements. If expenditures are not made, the funds may revert back to the grantor. Advanced grant funding at June 30, 2002 totaled \$1,347,243 and \$1,951,330 in the Special Revenue Funds for the County and the School Board respectively.

B. Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$9,071,493 at June 30, 2002.

C. Advance Property Tax Collections

Property taxes due subsequent to June 30, 2002, but paid in advance by the taxpayers, totaled \$9,542,066 at June 30, 2002.

Also, the Water and Sewer Enterprise Fund recorded deferred revenue in the amount of \$6,248,388, an advance payment from a customer of the new sewer plant currently under construction.

NOTE 15. SEGMENT INFORMATION

The County has within its operations, two enterprise funds which provide water and sewer and golf course services. The County also is the fiscal agent for the James River Juvenile Detention Commission which provides detention facility services to juveniles. JRJDC is a discretely presented component unit of the County.

The segment information for the Water and Sewer Revenue Fund, Golf Course Fund and JRJDC as of June 30 is as follows:

Condensed Statement of Net Assets	<u>Water and Sewer Revenue Fund</u>	<u>Golf Course Fund</u>	<u>JRJDC</u>	<u>Total</u>
Assets:				
Current assets	\$ 152,073,250	\$ 477,624	\$ 3,781,887	\$ 156,332,761
Other assets	2,251,778	-	-	2,251,778
Capital assets, net	<u>759,116,287</u>	<u>2,365,623</u>	<u>9,295,580</u>	<u>770,777,490</u>
Total assets	<u>913,441,315</u>	<u>2,843,247</u>	<u>13,077,467</u>	<u>929,362,029</u>
Liabilities:				
Current liabilities	25,998,533	35,363	1,187,285	27,221,181
Non-current liabilities	<u>154,868,132</u>	<u>29,498</u>	<u>6,795,000</u>	<u>161,692,630</u>
Total liabilities	<u>180,866,665</u>	<u>64,861</u>	<u>7,982,285</u>	<u>188,913,811</u>
Net assets:				
Invested in capital assets, net of related debt	605,125,522	2,365,623	2,896,501	610,387,646
Restricted	11,707,820	-	40,754	11,748,574
Unrestricted	<u>115,741,308</u>	<u>412,763</u>	<u>2,157,927</u>	<u>118,311,998</u>
Total net assets	<u>\$ 732,574,650</u>	<u>\$ 2,778,386</u>	<u>\$ 5,095,182</u>	<u>\$ 740,448,218</u>

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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	<u>Water & Sewer Revenue Fund</u>	<u>Golf Course Fund</u>	<u>JRJDC</u>	<u>Total</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating revenues	\$ 67,328,266	\$ 996,135	\$ 2,922,487	\$ 71,246,888
Depreciation and amortization expense	14,121,299	109,633	251,489	14,482,421
Other operating expenses	37,828,979	944,117	3,338,343	42,111,439
Operating income	<u>15,377,988</u>	<u>(57,615)</u>	<u>(667,345)</u>	<u>14,653,028</u>
Non-operating revenues (expenses):				
Investment income	2,138,408	-	24,710	2,163,118
Interest expense	(748,558)	-	-	(378,157)
Connection fees	14,897,347	-	-	14,897,347
Donated assets	17,222,695	-	-	17,222,695
Contributions	934,043	-	4,450,438	5,384,481
Other	3,101,557	(3,857)	(201,561)	3,091,585
Change in net assets	52,923,480	(61,472)	3,228,085	56,090,093
Beginning net assets	679,651,170	2,839,858	1,867,097	684,358,125
Ending net assets	<u>\$ 732,574,650</u>	<u>\$ 2,778,386</u>	<u>\$ 5,095,182</u>	<u>\$ 740,448,218</u>

Condensed Statement of Cash Flows

Net cash provided (used) by:				
Operating activities	\$ 35,956,363	\$ 46,955	\$ (704,317)	\$ 35,299,001
Non-capital financing activities	-	(100,000)	4,450,438	4,350,438
Capital and related financing activities	(81,669,474)	(49,416)	(4,893,840)	(86,612,729)
Investing activities	2,138,408	-	24,710	2,163,118
Net decrease	(43,574,703)	(102,461)	(1,123,009)	(44,800,173)
Beginning cash and cash equivalents	171,937,764	580,085	4,803,625	177,321,474
Ending cash and cash equivalents	<u>\$ 128,363,061</u>	<u>\$ 477,624</u>	<u>\$ 3,680,616</u>	<u>\$ 132,521,301</u>

NOTE 16. SURETY BONDS

The following constitutional officers and County employees were covered by surety bonds at June 30, 2002:

Constitutional Officers - Self Insurance Plan, Commonwealth of Virginia

Yvonne Smith - Clerk of the Circuit Court and
Employees of the Clerk of the Circuit Court \$ 1,120,000

Reta R. Busher - Director of Finance and
Employees of the Director of Finance 1,000,000

Michael L. Wade - Sheriff and
Employees of the Sheriff 3,000

American Manufacturers

Kenneth R. Crush - School Board Agent 10,000
David Myers - School Board Deputy Agent 10,000
Teresa Robins - School Board Clerk 10,000
Coleen Smith - School Board Deputy Clerk 10,000

Lumberman's Mutual Casualty Company

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

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Janet C. Coon - Registrar
Paul N. Proto - Director of Department of General Services

100,000
100,000

NOTE 17. JOINT VENTURES

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

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

The percentage shares of the jurisdictions involved include the following:

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

During fiscal year 2002, the Commission's budget was not formally approved by the County; the Commission did not receive any significant subsidies from the County; and the County did not receive any funds from the Commission for repayment of its contribution.

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

- B. The Greater Richmond Convention Center Authority (Convention Authority), a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998 pursuant to the Public Recreational Facilities Authorities Act, Chapter 56 of Title 15.2, 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.

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

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 \$6,599,200 for transient occupancy tax to the Convention Authority during the year ended June 30, 2002.

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

NOTE 18. LANDFILL CLOSURE AND POSTCLOSURE CARE LIABILITY

State and Federal laws and regulations require the County to place a final cover on each phase of its Springfield Road landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the Springfield and Charles City Road Landfill site for thirty years after closure. In accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs*, \$6,223,041 has been reported as landfill closure and post-closure care liability in the County's financial statements at June 30, 2002. 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, 73.5 percent of Phase II's estimated capacity, and 10.57 percent of Phase III's estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of \$3,576,726 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 2002. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County plans to meet all Federal laws, regulations, and tests of financial assurance related to the financing of closure and post-closure care. The County estimates that the remaining life of the landfill is approximately eight years and will be closed in 2010.

NOTE 19. JOINTLY GOVERNED ORGANIZATIONS

A. Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (the "Waste Authority") was established under the provision of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George, the Cities of Colonial Heights, Petersburg and Richmond, and the Town of Ashland. The 20 member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has three representatives serving. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest or responsibility in the Waste Authority. The County's contribution and direct payments for special projects for the year ended June 30, 2002 were \$1,690,814.

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 \$375,000 for the year ended June 30, 2002.

C. Metropolitan Richmond Convention and Visitors Bureau

The Metropolitan Richmond Convention and Visitors Bureau (MRCVB) 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 MRCVB's Board of Directors and contributed \$766,000 to MRCVB for the year.

COUNTY OF HENRICO, VIRGINIA
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JUNE 30, 2002

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 \$157,380 for the year ended June 30, 2002.

NOTE 20. SUBSEQUENT EVENTS

On November 26, 2002, the County Board of Supervisors authorized the issuance of General Obligation Public Improvement Refunding Bonds, Series 2003, of Henrico County, Virginia in an amount not to exceed \$115,000,000 of principal. The purpose of these bonds is to provide funding for certain School capital improvements, fire stations, recreation and parks facilities and road projects in the County, and the refunding in advance of maturity a portion of the County's outstanding Public Improvement Refunding Bond, Series 1993 and outstanding School bonds issued through the Virginia Public School Authority, Series 1993 Bonds.



Henrico County

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

Required Supplemental Information Other Than
Management's Discussion and Analysis



Henrico County

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

**COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

Exhibit 11
Page 1 of 5

Fund, Major and Minor Revenue Sources	Original	Revised	Actual	Variance Favorable (Unfavorable)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Current real property taxes	\$ 167,449,900	\$ 167,449,900	\$ 175,438,867	\$ 7,988,967
Current personal property taxes	48,015,529	48,015,529	49,463,962	1,448,433
Delinquent real property taxes	725,000	725,000	211,199	(513,801)
Delinquent personal property taxes	700,000	700,000	747,669	47,669
Interest	575,000	575,000	310,690	(264,310)
Land redemption	200,000	200,000	85,979	(114,021)
Total general property taxes	<u>217,665,429</u>	<u>217,665,429</u>	<u>226,258,366</u>	<u>8,592,937</u>
Other local taxes:				
County recordation taxes	1,578,900	1,578,900	2,095,575	516,675
Local sales and use taxes	44,790,600	44,790,600	43,991,897	(798,703)
Consumer utility taxes	4,784,300	4,784,300	4,790,235	5,935
Business and professional license taxes	23,200,000	23,200,000	22,315,226	(884,774)
Franchise license private public utility	2,384,000	2,384,000	2,723,331	339,331
Motor vehicle license taxes	5,350,000	5,350,000	5,226,644	(123,356)
Hotel and motel taxes	6,634,200	6,634,200	6,624,432	(9,768)
Bank franchise taxes	7,300,000	7,300,000	8,611,762	1,311,762
Grantor's taxes	700,000	700,000	734,408	34,408
Daily rental tax	2,461,000	2,461,000	3,366,013	905,013
Consumption tax	950,000	950,000	988,422	38,422
Total other local taxes	<u>100,133,000</u>	<u>100,133,000</u>	<u>101,467,945</u>	<u>1,334,945</u>
Permits, privilege fees and regulatory licenses:				
Municipal library court fees	120,000	120,000	138,427	18,427
Transfer fees	8,500	8,500	9,475	975
Zoning application fees	425,000	425,000	328,025	(96,975)
Structure and equipment permits	2,605,000	2,605,000	2,704,805	99,805
Septic tank permits	5,000	5,000	3,485	(1,515)
Taxi cab certificates	3,000	3,000	5,050	2,050
Permits to purchase precious metal	2,000	2,000	400	(1,600)
Dog licenses	140,000	140,000	113,380	(26,620)
Other	107,000	107,000	189,262	82,262
Total permits, privilege fees and regulatory licenses	<u>3,415,500</u>	<u>3,415,500</u>	<u>3,492,309</u>	<u>76,809</u>
Fines and forfeitures:				
False alarm penalties	112,000	112,000	99,774	(12,226)
Traffic violations	1,625,000	1,625,000	1,690,032	65,032
Parking violations	110,000	110,000	86,089	(23,911)
Total fines and forfeitures	<u>1,847,000</u>	<u>1,847,000</u>	<u>1,875,895</u>	<u>28,895</u>
Revenue from use of money and property:				
Sale of equipment and publications	111,500	111,500	66,188	(45,312)
Rented county property	167,000	167,000	316,551	149,551
Use of money	10,373,000	10,373,000	8,948,090	(1,424,910)
Total revenue from use of money and property	<u>10,651,500</u>	<u>10,651,500</u>	<u>9,330,829</u>	<u>(1,320,671)</u>
Charges for services:				
Public works	120,000	120,000	163,198	43,198
Library	216,500	216,500	258,547	42,047
Sheriff fees	217,300	217,300	376,053	158,753
Commonwealth's attorney fees	8,000	8,000	11,174	3,174
Public safety	2,309,500	2,309,500	2,866,795	557,295
Finance charges	4,116,300	4,116,300	4,201,643	85,343
Recreation	508,400	508,400	515,859	7,459
Information technology	600,000	600,000	738,262	138,262
Total charges for services	<u>8,096,000</u>	<u>8,096,000</u>	<u>9,131,531</u>	<u>1,035,531</u>

continued

**COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

Exhibit 11
Page 2 of 5

Fund, Major and Minor Revenue Sources	Original	Revised	Actual	Variance Favorable (Unfavorable)
Primary Government:				
General Fund, continued:				
Miscellaneous	\$ 2,095,100	\$ 2,117,084	\$ 1,804,142	\$ (312,942)
Total miscellaneous	<u>2,095,100</u>	<u>2,117,084</u>	<u>1,804,142</u>	<u>(312,942)</u>
Recovered costs:				
Finance	1,381,100	1,381,100	1,461,849	80,749
General services	80,000	80,000	271,194	191,194
Public health	60,000	60,000	44,636	(15,364)
Public works	237,000	237,000	282,869	45,869
Juvenile detention	-	-	1,183	1,183
Sheriff	475,000	475,000	883,794	408,794
Public safety	18,500	18,500	22,152	3,652
Social services	-	-	43,223	43,223
Total recovered costs	<u>2,251,600</u>	<u>2,251,600</u>	<u>3,010,900</u>	<u>759,300</u>
Total revenue from local sources	<u>346,155,129</u>	<u>346,177,113</u>	<u>356,371,917</u>	<u>10,194,804</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
ABC profits	550,000	550,000	696,325	146,325
Wine tax	325,000	325,000	370,240	45,240
Rolling stock	135,000	135,000	137,520	2,520
Recovery of central costs	396,000	396,000	517,979	121,979
Mobile home sales and use tax	15,000	15,000	28,435	13,435
Motor vehicle rental tax	1,975,000	1,975,000	2,499,288	524,288
PPTRA revenue	33,890,771	33,890,771	33,890,771	-
Overweight truck citations	7,000	7,000	64,015	57,015
Total non-categorical aid	<u>37,293,771</u>	<u>37,293,771</u>	<u>38,204,573</u>	<u>910,802</u>
Shared expenses:				
Sheriff	9,319,000	9,319,000	9,469,073	150,073
Commonwealth's attorney	1,338,400	1,368,270	1,365,938	(2,332)
Election commission	80,000	80,000	80,848	848
Finance	761,500	761,500	848,863	87,363
Circuit court	3,386,800	3,949,328	3,719,226	(230,102)
Total shared expenses	<u>14,885,700</u>	<u>15,478,098</u>	<u>15,483,948</u>	<u>5,850</u>
Categorical aid:				
Library	315,000	315,000	310,598	(4,402)
Public safety	10,464,500	10,464,500	10,344,943	(119,557)
Social services	3,763,000	4,214,004	4,036,967	(177,037)
Public works	20,796,100	20,796,100	24,880,207	4,084,107
Juvenile and domestic relations	648,500	648,500	826,818	178,318
Miscellaneous state grants	-	-	4,295	4,295
Total categorical aid	<u>35,987,100</u>	<u>36,438,104</u>	<u>40,403,828</u>	<u>3,965,724</u>
Total revenue from the Commonwealth	<u>88,166,571</u>	<u>89,209,973</u>	<u>94,092,349</u>	<u>4,882,376</u>
Revenue from the Federal Government:				
Social services	8,614,000	9,158,704	8,930,063	(228,641)
Public safety	19,500	19,500	42,884	23,384
Total revenue from the Federal Government	<u>8,633,500</u>	<u>9,178,204</u>	<u>8,972,947</u>	<u>(205,257)</u>
Total intergovernmental	<u>96,800,071</u>	<u>98,388,177</u>	<u>103,065,296</u>	<u>4,677,119</u>
Total General Fund	<u>\$ 442,955,200</u>	<u>\$ 444,565,290</u>	<u>\$ 459,437,213</u>	<u>\$ 14,871,923</u>

continued

COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

Exhibit 11
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Fund, Major and Minor Revenue Sources	Original	Revised	Actual	Variance Favorable (Unfavorable)
Primary Government:				
Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Miscellaneous charges for services	\$ 4,390,693	\$ 4,461,541	\$ 4,979,787	\$ 518,246
Refuse collection billing	3,276,000	3,276,000	3,305,129	29,129
Landfill weighing fees	850,000	850,000	743,732	(106,268)
Recycle fees	60,000	60,000	73,238	13,238
Bulky waste collection fees	647,500	647,500	696,822	49,322
Leaf Collection	1,731,759	1,731,759	1,731,759	-
Charges for street lights	93,993	93,993	101,325	7,332
Total charges for services	<u>11,049,945</u>	<u>11,120,793</u>	<u>11,631,792</u>	<u>510,999</u>
Revenue from use of money and property	<u>101,677</u>	<u>101,677</u>	<u>46,890</u>	<u>(54,787)</u>
Miscellaneous revenue:				
Recovered costs	371,104	381,890	359,732	(22,158)
Miscellaneous	415,753	1,315,055	415,545	(899,510)
Recoveries and rebates	1,300	1,300	720	(580)
Total miscellaneous revenue	<u>788,157</u>	<u>1,698,245</u>	<u>775,997</u>	<u>(922,248)</u>
Total revenue from local sources	<u>11,939,779</u>	<u>12,920,715</u>	<u>12,454,679</u>	<u>(466,036)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Division of Litter Control	17,000	17,000	31,027	14,027
Social services	4,092,225	4,225,639	2,304,070	(1,921,569)
Mental health and retardation	4,858,822	5,562,555	5,240,413	(322,142)
Virginia department of corrections	1,972,836	1,972,489	1,967,557	(4,932)
Commonwealth's attorney	395,813	249,192	270,916	21,724
Miscellaneous state grants	383,613	493,415	303,594	(189,821)
Total revenue from the Commonwealth	<u>11,720,309</u>	<u>12,520,290</u>	<u>10,117,577</u>	<u>(2,402,713)</u>
Revenue from the Federal Government:				
Jobs training partnership act	1,004,251	1,978,296	1,400,228	(578,068)
Community development block grants	-	1,907,000	1,765,792	(141,208)
Public safety	198,725	565,185	497,158	(68,027)
Mental health and retardation	1,918,077	2,217,404	2,243,461	26,057
Miscellaneous federal grants	20,000	445,260	787,113	341,853
Total revenue from the Federal Government	<u>3,141,053</u>	<u>7,113,145</u>	<u>6,693,752</u>	<u>(419,393)</u>
Total intergovernmental	<u>14,861,362</u>	<u>19,633,435</u>	<u>16,811,329</u>	<u>(2,822,106)</u>
Total Special Revenue Fund	<u>\$ 26,801,141</u>	<u>\$ 32,554,150</u>	<u>\$ 29,266,008</u>	<u>\$ (3,288,142)</u>
Debt Service Fund:				
Revenue from local sources:				
Miscellaneous	\$ -	\$ -	\$ 40,463	\$ 40,463
Total revenue from local sources	<u>-</u>	<u>-</u>	<u>40,463</u>	<u>40,463</u>
Grand Total Revenues - Primary Government	<u>\$ 469,756,341</u>	<u>\$ 477,119,440</u>	<u>\$ 488,743,684</u>	<u>\$ 11,624,244</u>
Component Unit - School Board:				
Operating Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
High school parking fees	\$ 25,000	\$ 25,000	\$ 21,536	\$ (3,464)
Facilities rental	400,000	400,000	368,395	(31,605)
Total permits, privilege fees and regulatory licenses	<u>425,000</u>	<u>425,000</u>	<u>389,931</u>	<u>(35,069)</u>

continued

COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

Exhibit 11
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Fund, Major and Minor Revenue Sources	Original	Revised	Actual	Variance Favorable (Unfavorable)
Component Unit - School Board:				
Operating Fund, continued				
Charges for services:				
School fees and tuitions	\$ 145,000	\$ 145,000	\$ 127,506	\$ (17,494)
Total charges for services	<u>145,000</u>	<u>145,000</u>	<u>127,506</u>	<u>(17,494)</u>
Recovered cost:				
Sale of vehicles, textbooks and equipment	93,000	93,000	85,036	(7,964)
Lost/damaged textbook payments	35,000	35,000	30,301	(4,699)
Payment for services - parks and recreation	165,000	165,000	158,225	(6,775)
Recovered cost - student activities	145,000	145,000	115,959	(29,041)
Total recovered cost	<u>438,000</u>	<u>438,000</u>	<u>389,521</u>	<u>(48,479)</u>
Total revenue from local sources	<u>1,008,000</u>	<u>1,008,000</u>	<u>906,958</u>	<u>(101,042)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Talented and gifted program	731,400	731,400	729,381	(2,019)
English as a second language	196,101	196,101	266,837	70,736
General appropriation - basic aid	62,392,400	62,392,400	63,131,234	738,834
Foster child reimbursement	152,000	152,000	103,033	(48,967)
Textbooks	1,244,400	1,244,400	1,240,960	(3,440)
Social security reimbursement	3,743,800	3,743,800	3,685,671	(58,129)
Retirement reimbursement	2,736,000	2,736,000	1,976,470	(759,530)
State lottery proceeds	3,840,499	5,070,005	5,187,876	117,871
Remedial education	873,600	873,600	850,944	(22,656)
Share of State sales tax - schools	30,625,300	30,625,300	28,683,101	(1,942,199)
SOQ - basic special education	7,131,100	7,131,100	7,111,461	(19,639)
Special education - homebound	157,000	157,000	138,908	(18,092)
Vocational education - local administrative and supervisory	413,400	413,400	363,007	(50,393)
Vocational education - equipment	55,000	55,000	23,507	(31,493)
Vocational education - SOQ occupational	1,076,800	1,076,800	1,117,823	41,023
Handicapped - foster home	375,000	375,000	343,711	(31,289)
Salary incentive K-3	1,488,000	1,488,000	1,348,324	(139,676)
R.O.T.C.	245,000	245,000	226,458	(18,542)
Adult basic aid	40,300	40,300	53,728	13,428
Maintenance reserve	304,700	304,700	303,909	(791)
At risk	739,100	739,100	735,813	(3,287)
Other categorical aid	899,000	899,000	12,822	(886,178)
Total categorical aid	<u>119,459,900</u>	<u>120,689,406</u>	<u>117,634,978</u>	<u>(3,054,428)</u>
Total revenue from the Commonwealth	<u>119,459,900</u>	<u>120,689,406</u>	<u>117,634,978</u>	<u>(3,054,428)</u>
Revenue from the Federal Government:				
Adult education - Federal funds	125,000	125,000	260,621	135,621
Total revenue from the Federal Government	<u>125,000</u>	<u>125,000</u>	<u>260,621</u>	<u>135,621</u>
Total intergovernmental	<u>119,584,900</u>	<u>120,814,406</u>	<u>117,895,599</u>	<u>(2,918,807)</u>
Total Component Unit - Operating Fund	<u>\$ 120,592,900</u>	<u>\$ 121,822,406</u>	<u>\$ 118,802,557</u>	<u>\$ (3,019,849)</u>
Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria receipts	\$ 8,093,483	\$ 8,093,483	\$ 8,041,166	\$ (52,317)
Total charges for services	<u>8,093,483</u>	<u>8,093,483</u>	<u>8,041,166</u>	<u>(52,317)</u>
Miscellaneous:				
Miscellaneous	195,997	806,977	369,959	(437,018)
Recoveries and rebates	253,000	253,000	242,219	(10,781)
Total miscellaneous	<u>448,997</u>	<u>1,059,977</u>	<u>612,178</u>	<u>(447,799)</u>
Total revenue from local sources	<u>8,542,480</u>	<u>9,153,460</u>	<u>8,653,344</u>	<u>(500,116)</u>

continued

**COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

Exhibit 11
Page 5 of 5

Fund, Major and Minor Revenue Sources	Original	Revised	Actual	Variance Favorable (Unfavorable)
Component Unit - School Board:				
Special Revenue Fund, continued				
Intergovernmental:				
Revenue from the Commonwealth:				
Juvenile detention center	\$ 636,867	\$ 636,867	\$ 624,812	\$ (12,055)
Technology	1,714,000	1,771,695	1,642,816	(128,879)
Summer school	1,307,494	1,307,494	759,280	(548,214)
General adult education	938,300	938,300	693,103	(245,197)
Electronic classroom	456,221	425,360	427,834	2,474
Project "YES"	311,703	301,219	301,217	(2)
State SOL	1,201,079	1,391,382	1,813,076	421,694
School lunch grant	166,522	166,522	161,751	(4,771)
Other state educational grants	1,058,755	1,644,457	2,044,928	400,471
Total revenue from the Commonwealth	<u>7,790,941</u>	<u>8,583,296</u>	<u>8,468,817</u>	<u>(114,479)</u>
Revenue from the Federal Government:				
Title I	2,048,414	2,613,906	2,074,896	(539,010)
Title VI-B	3,733,693	3,733,693	3,911,434	177,741
Vocational federal act	1,108,720	1,345,100	1,043,776	(301,324)
Head start	947,991	1,335,251	1,200,183	(135,068)
Pre-school	191,320	218,321	209,413	(8,908)
Title II	135,000	178,303	112,945	(65,358)
School lunch program	2,679,312	2,679,312	2,419,382	(259,930)
School breakfast program	406,845	406,845	350,827	(56,018)
Other Federal educational grants	5,474,875	2,812,104	2,428,975	(383,129)
Total revenue from the Federal Government	<u>16,726,170</u>	<u>15,322,835</u>	<u>13,751,831</u>	<u>(1,571,004)</u>
Total intergovernmental	<u>24,517,111</u>	<u>23,906,131</u>	<u>22,220,648</u>	<u>(1,685,483)</u>
Total Component Unit - Special Revenue Fund	<u>\$ 33,059,591</u>	<u>\$ 33,059,591</u>	<u>\$ 30,873,992</u>	<u>\$ (2,185,599)</u>
Grand Total Revenues - Component Unit - School Board	<u>\$ 153,652,491</u>	<u>\$ 154,881,997</u>	<u>\$ 149,676,549</u>	<u>\$ (5,205,448)</u>

**COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

Exhibit 12
Page 1 of 4

Function, Activity, Element	Original	Revised	Actual	Variance Favorable (Unfavorable)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 868,822	\$ 890,495	\$ 875,265	\$ 15,230
Total legislative	<u>868,822</u>	<u>890,495</u>	<u>875,265</u>	<u>15,230</u>
General and financial administration:				
County manager	2,236,790	2,427,228	2,215,360	211,868
County attorney	1,354,938	1,543,832	1,525,958	17,874
Human resources	5,034,564	5,269,519	3,137,100	2,132,419
Finance	9,540,113	9,914,469	9,139,391	775,078
General services	16,139,593	17,241,491	16,803,250	438,241
Internal audit	268,772	268,772	254,820	13,952
Real property agent	438,411	438,411	436,102	2,309
Information technology	11,676,795	12,287,215	11,508,119	779,096
Total general and financial administration	<u>46,689,976</u>	<u>49,390,937</u>	<u>45,020,100</u>	<u>4,370,837</u>
Board of elections:				
Election commission	930,441	1,059,248	850,069	209,179
Total board of elections	<u>930,441</u>	<u>1,059,248</u>	<u>850,069</u>	<u>209,179</u>
Total general government administration	<u>48,489,239</u>	<u>51,340,680</u>	<u>46,745,434</u>	<u>4,595,246</u>
Judicial administration:				
Courts:				
Circuit Court	2,207,001	2,846,728	2,148,766	697,962
General District Court	154,356	54,379	53,600	779
Juvenile and Domestic Relations Court	67,631	70,631	60,035	10,596
Total Courts	<u>2,428,988</u>	<u>2,971,738</u>	<u>2,262,401</u>	<u>709,337</u>
Commonwealth's Attorney:				
Commonwealth's attorney	2,630,834	2,660,704	2,637,425	23,279
Total commonwealth's attorney	<u>2,630,834</u>	<u>2,660,704</u>	<u>2,637,425</u>	<u>23,279</u>
Total judicial administration	<u>5,059,822</u>	<u>5,632,442</u>	<u>4,899,826</u>	<u>732,616</u>
Public safety:				
Law enforcement:				
Police department	44,036,873	45,178,908	42,427,106	2,751,802
Total law enforcement	<u>44,036,873</u>	<u>45,178,908</u>	<u>42,427,106</u>	<u>2,751,802</u>
Fire services:				
Fire department	28,381,021	30,768,317	30,286,804	481,513
Total fire services	<u>28,381,021</u>	<u>30,768,317</u>	<u>30,286,804</u>	<u>481,513</u>
Correction and detention:				
Sheriff	22,156,722	22,260,135	22,145,685	114,450
Juvenile and Domestic Relations District Court	3,444,217	3,456,730	3,374,584	82,146
Total correction and detention	<u>25,600,939</u>	<u>25,716,865</u>	<u>25,520,269</u>	<u>196,596</u>
Inspections:				
Building	3,173,762	3,229,799	2,934,286	295,513
Total inspections	<u>3,173,762</u>	<u>3,229,799</u>	<u>2,934,286</u>	<u>295,513</u>
Other protection:				
Office of emergency services	240,303	624,424	385,077	239,347
Animal protection	853,594	866,404	819,307	47,097
Building security	1,003,264	1,048,477	1,007,731	40,746
Total other protection	<u>2,097,161</u>	<u>2,539,305</u>	<u>2,212,115</u>	<u>327,190</u>
Total public safety	<u>103,289,756</u>	<u>107,433,194</u>	<u>103,380,580</u>	<u>4,052,614</u>
Public works:				
Maintenance of highways and streets:				
General administration	879,802	938,302	909,999	28,303
Mass transit	2,220,537	2,598,667	2,519,371	79,296
Design	1,842,258	1,966,258	1,756,168	210,090
Construction and maintenance	12,519,582	18,831,423	16,184,191	2,647,232
Traffic engineering	2,548,954	3,181,749	2,850,858	330,891
Miscellaneous	1,017,184	1,030,542	2,497,103	(1,466,561)
Total maintenance of highways and streets	<u>21,028,317</u>	<u>28,546,941</u>	<u>26,717,690</u>	<u>1,829,251</u>

continued

COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

Exhibit 12
Page 2 of 4

Function, Activity, Element	Original	Revised	Actual	Variance Favorable (Unfavorable)
Primary Government:				
General Fund, continued:				
Sanitation and waste removal:				
Leaf collection	\$ 2,315,185	\$ 2,240,259	\$ 2,240,259	\$ -
Total sanitation and waste removal	<u>2,315,185</u>	<u>2,240,259</u>	<u>2,240,259</u>	<u>-</u>
Total public works	<u>23,343,502</u>	<u>30,787,200</u>	<u>28,957,949</u>	<u>1,829,251</u>
Health and social services:				
Health:				
Public health department	1,326,711	1,374,550	1,355,227	19,323
Total health	<u>1,326,711</u>	<u>1,374,550</u>	<u>1,355,227</u>	<u>19,323</u>
Social services:				
Fuel assistance	34,454	34,454	21,522	12,932
Service/Eligibility Administration	6,752,901	6,839,220	6,570,165	269,055
Welfare programs	1,154,897	1,381,850	1,194,690	187,160
Public assistance	7,085,014	8,068,895	7,454,932	613,963
Total social services	<u>15,027,266</u>	<u>16,324,419</u>	<u>15,241,309</u>	<u>1,083,110</u>
Total health and social services	<u>16,353,977</u>	<u>17,698,969</u>	<u>16,596,536</u>	<u>1,102,433</u>
Parks, recreation and cultural:				
Parks and recreation:				
Department of recreation and parks	10,411,177	10,538,662	10,307,494	231,168
Sandston Community House	14,000	14,000	12,776	1,224
Total parks and recreation	<u>10,425,177</u>	<u>10,552,662</u>	<u>10,320,270</u>	<u>232,392</u>
Library:				
Library administration	8,266,550	8,330,066	8,101,807	228,259
Branch library	227,725	229,187	227,034	2,153
Total library	<u>8,494,275</u>	<u>8,559,253</u>	<u>8,328,841</u>	<u>230,412</u>
Total parks, recreation and cultural	<u>18,919,452</u>	<u>19,111,915</u>	<u>18,649,111</u>	<u>462,804</u>
Community development:				
Planning and community development:				
Economic development	10,366,959	11,212,509	10,803,549	408,960
Planning and rezoning	2,782,509	2,814,264	2,704,673	109,591
Total planning and community development	<u>13,149,468</u>	<u>14,026,773</u>	<u>13,508,222</u>	<u>518,551</u>
Cooperative extension program:				
Agriculture	339,445	367,903	305,230	62,673
Total cooperative extension program	<u>339,445</u>	<u>367,903</u>	<u>305,230</u>	<u>62,673</u>
Total community development	<u>13,488,913</u>	<u>14,394,676</u>	<u>13,813,452</u>	<u>581,224</u>
Miscellaneous:				
Cooperative projects	8,060,427	6,331,882	5,882,900	448,982
Total miscellaneous	<u>8,060,427</u>	<u>6,331,882</u>	<u>5,882,900</u>	<u>448,982</u>
Debt service:				
Capital lease principal	615,787	615,787	615,787	-
Capital lease interest	183,490	183,490	183,490	-
Total debt service	<u>799,277</u>	<u>799,277</u>	<u>799,277</u>	<u>-</u>
Total General Fund	<u>\$ 237,804,365</u>	<u>\$ 253,530,235</u>	<u>\$ 239,725,065</u>	<u>\$ 13,805,170</u>

continued

**COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

Exhibit 12
Page 3 of 4

Function, Activity, Element	Original	Revised	Actual	Variance Favorable (Unfavorable)
Primary Government:				
Special Revenue Fund:				
General government administration:				
General and financial administration:				
Jobs Training Partnership Act	\$ 1,685,538	\$ 3,340,195	\$ 1,626,481	\$ 1,713,714
Total general government administration	<u>1,685,538</u>	<u>3,340,195</u>	<u>1,626,481</u>	<u>1,713,714</u>
Judicial administration:				
Commonwealth's attorney:				
Commonwealth's attorney	461,413	719,324	584,730	134,594
Total judicial administration	<u>461,413</u>	<u>719,324</u>	<u>584,730</u>	<u>134,594</u>
Public safety:				
Law enforcement:				
Traffic accident investigation	1,039,085	1,599,178	1,631,961	(32,783)
Total law enforcement	<u>1,039,085</u>	<u>1,599,178</u>	<u>1,631,961</u>	<u>(32,783)</u>
Fire	-	253,479	81,520	171,959
Correction and detention:				
Community Diversion Program	938,989	960,509	934,941	25,568
Juvenile and Domestic Relations District Court	1,338,545	1,631,216	1,489,101	142,115
Total correction and detention	<u>2,277,534</u>	<u>2,591,725</u>	<u>2,424,042</u>	<u>167,683</u>
Total public safety	<u>3,316,619</u>	<u>4,444,382</u>	<u>4,137,523</u>	<u>306,859</u>
Public works:				
General administration	100,000	982,416	28,722	953,694
Maintenance of highways and streets	65,600	65,600	58,198	7,402
Solid waste collection and disposal	7,415,616	7,742,535	6,236,594	1,505,941
Total public works	<u>7,581,216</u>	<u>8,790,551</u>	<u>6,323,514</u>	<u>2,467,037</u>
Health and social services:				
Social services				
Social services	6,636,402	9,531,434	4,438,634	5,092,800
Mental health and mental retardation:				
Related services	6,547,875	7,147,458	6,514,086	633,372
Mental Health	5,364,293	6,019,818	5,698,893	320,925
Mental retardation	6,246,938	6,608,723	6,347,880	260,843
Substance abuse	2,318,661	2,406,586	2,167,049	239,537
Sheltered employment	287,200	332,762	250,204	82,558
Total mental health and mental retardation	<u>20,764,967</u>	<u>22,515,347</u>	<u>20,978,112</u>	<u>1,537,235</u>
Total health and social services	<u>27,401,369</u>	<u>32,046,781</u>	<u>25,416,746</u>	<u>6,630,035</u>
Parks, recreation and culture:				
Library grants	-	6,779	5,000	1,779
Parks and recreation grants	-	51,753	218,177	(166,424)
Total parks, recreation and culture	<u>-</u>	<u>58,532</u>	<u>223,177</u>	<u>(164,645)</u>
Community development:				
Planning and community development	-	2,783,549	1,766,578	1,016,971
Economic development	205,000	236,256	200,000	36,256
Total community development	<u>205,000</u>	<u>3,019,805</u>	<u>1,966,578</u>	<u>1,053,227</u>
Total Special Revenue Fund	<u>40,651,155</u>	<u>52,419,570</u>	<u>40,278,749</u>	<u>10,627,478</u>
Debt Service Fund:				
Principal retirement	\$ 19,630,000	\$ 19,630,000	\$ 19,630,000	\$ -
Interest	14,031,688	14,031,688	12,961,088	1,070,600
Other	50,000	50,000	13,805	36,195
Total Debt Service Fund	<u>\$ 33,711,688</u>	<u>\$ 33,711,688</u>	<u>\$ 32,604,893</u>	<u>\$ 1,106,795</u>
Grand Total Expenditures - Primary Government	<u>\$ 312,167,208</u>	<u>\$ 339,661,493</u>	<u>\$ 312,608,707</u>	<u>\$ 25,539,443</u>

continued

**COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

Exhibit 12
Page 4 of 4

Function, Activity, Element	Original	Revised	Actual	Variance Favorable (Unfavorable)
Component Unit - School Board:				
Operating Fund:				
Education:				
Administration of schools:				
Administration	\$ 20,771,661	\$ 23,383,927	\$ 21,775,984	\$ 1,607,943
Instructional	213,181,521	211,083,012	208,983,988	2,099,024
Educational programs and services	3,704,543	3,916,396	3,848,974	67,422
Transportation	16,277,665	16,165,783	15,307,122	858,661
Operation and maintenance	28,849,688	30,253,732	28,812,552	1,441,180
Total administration of schools	<u>282,785,078</u>	<u>284,802,850</u>	<u>278,728,620</u>	<u>6,074,230</u>
Debt Service:				
Principal retirement	3,396,044	3,396,044	3,396,044	-
Interest	114,138	114,138	114,138	-
Total debt service	<u>3,510,182</u>	<u>3,510,182</u>	<u>3,510,182</u>	<u>-</u>
Total education	<u>286,295,260</u>	<u>288,313,032</u>	<u>282,238,802</u>	<u>6,074,230</u>
Total Component Unit - Operating Fund	\$ 286,295,260	\$ 288,313,032	\$ 282,238,802	\$ 6,074,230
Special Revenue Fund:				
Education:				
Instruction	\$ 19,890,623	\$ 25,945,544	\$ 17,575,547	\$ 8,369,997
Other educational programs	1,569,806	2,346,073	2,082,223	263,850
Total education	<u>21,460,429</u>	<u>28,291,617</u>	<u>19,657,770</u>	<u>8,633,847</u>
School food service	<u>11,842,742</u>	<u>11,886,517</u>	<u>11,244,894</u>	<u>641,623</u>
Total Component Unit - Special Revenue Fund	\$ 33,303,171	\$ 40,178,134	\$ 30,902,664	\$ 9,275,470
Debt Service Fund:				
Principal retirement	\$ 356,792	\$ 356,792	\$ 356,792	\$ -
Interest	72,444	72,444	72,444	-
Total Debt Service Fund	\$ 429,236	\$ 429,236	\$ 429,236	\$ -
Grand Total Expenditures - Component Unit - School Board	\$ 320,027,667	\$ 328,920,402	\$ 313,570,702	\$ 15,349,700



Henrico County

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

FORM OF BOND COUNSEL OPINION

Board of Supervisors
of Henrico County
Richmond, Virginia

Lady and Gentlemen:

HENRICO COUNTY, VIRGINIA,
GENERAL OBLIGATION PUBLIC IMPROVEMENT AND
GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS, SERIES 2003
\$107,545,000

At your request we have examined into the validity of \$107,545,000 General Obligation Public Improvement and General Obligation Public Improvement Refunding Bonds, Series 2003 (the "Bonds") of Henrico County, Virginia (the "County"). The Bonds are dated January 15, 2003, are in fully registered form, payable in semi annual installments on January 15 and July 15 in each of the years 2004 through 2013, both inclusive, and in annual installments on January 15 in each of the years 2014 through 2023, both inclusive, and in such amounts as set forth below, and bear interest from their date at the rates per annum set forth below payable on July 15, 2003, and semiannually on each January 15 and July 15 thereafter:

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
January 15, 2004	\$8,245,000	3.000%	July 15, 2011	\$1,660,000	3.500%
July 15, 2004	1,075,000	2.000	January 15, 2012	2,510,000	5.000
January 15, 2005	8,335,000	3.000	July 15, 2012	1,635,000	3.500
July 15, 2005	1,875,000	2.000	January 15, 2013	2,510,000	5.000
January 15, 2006	9,250,000	4.500	July 15, 2013	1,610,000	3.750
July 15, 2006	1,835,000	2.500	January 15, 2014	2,510,000	4.000
January 15, 2007	7,985,000	2.625	January 15, 2015	2,510,000	4.000
July 15, 2007	1,795,000	2.500	January 15, 2016	2,510,000	4.000
January 15, 2008	7,765,000	5.000	January 15, 2017	2,510,000	4.250
July 15, 2008	1,775,000	2.500	January 15, 2018	2,510,000	4.250
January 15, 2009	7,675,000	5.000	January 15, 2019	2,510,000	4.375
July 15, 2009	1,720,000	3.000	January 15, 2020	2,510,000	4.500
January 15, 2010	5,790,000	5.000	January 15, 2021	2,510,000	4.500
July 15, 2010	1,690,000	3.250	January 15, 2022	2,510,000	4.700
January 15, 2011	5,730,000	5.000	January 15, 2023	2,510,000	4.750

The Bonds are subject to redemption upon the terms and at the prices set forth therein.

The Bonds recite that they are issued by the County in compliance with and pursuant to the Constitution and laws of the Commonwealth of Virginia, including the Public Finance Act of 1991, Chapter 26 of Title 15.2, Code of Virginia 1950, as amended, certain of the Bonds being approved by the voters of the County at an election held on November 7, 2000 and pursuant to resolutions duly adopted by the Board of Supervisors of the County to provide funds for school capital projects, library facilities, fire stations, recreation and parks facilities improvements and various road projects in the County and to provide for the refunding of certain outstanding public improvement bonds and school bonds of the County.

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

In our opinion, the Bonds have been duly authorized and issued in accordance with the Constitution and laws of the Commonwealth of Virginia and constitute valid and legally binding obligations of the County, and the County has power and is obligated to levy ad valorem taxes upon all property subject to taxation by the County, without limitation as to rate or amount, sufficient to provide for the payment of the principal of and interest on the Bonds as the same respectively become due and payable.

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 with certain covenants referred to below, interest on the Bonds 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 such interest 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 this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County and others in connection with the Bonds, and we have assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

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

We express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. We have rendered this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date 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,

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") dated as of February 6, 2003 is executed and delivered in connection with the issuance of \$107,545,000 principal amount of General Obligation Public Improvement and General Obligation Public Improvement Refunding Bonds, Series 2003 (the "Bonds") of Henrico County, Virginia (the "County") and pursuant to a resolution duly adopted by the Board of Supervisors of the County on November 26, 2002 (the "Resolution"). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article I hereof. Pursuant to the Resolution, the County agrees as follows:

ARTICLE I

Definitions

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

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

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

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

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

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

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
 - (vii) modifications to rights of securityholders;
 - (viii) bond calls;
 - (ix) defeasances;
 - (x) release, substitution, or sale of property securing repayment of the securities; and
 - (xi) rating changes.
- (6) “Material Event Notice” means notice of a Material Event.
- (7) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.
- (8) “NRMSIR” means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the date of this Certificate are Bloomberg Municipal Repository, DPC Data Inc., FT Interactive Data and Standard & Poor’s J.J. Kenny Repository. Filing information relating to such NRMSIRs is set forth in Exhibit A hereto.
- (9) “Official Statement” means the “final official statement” as defined in paragraph (f)(3) of the Rule.
- (10) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities and Exchange Act of 1934, as amended (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Certificate, including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.
- (11) “SEC” means the United States Securities and Exchange Commission.
- (12) “SID” means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.
- (13) “State” means the Commonwealth of Virginia.
- (14) “Unaudited Financial Statements” means the same as Audited Financial Statements, except the same shall not have been audited.
- (15) “Underwriters” means Salomon Smith Barney, Inc.

ARTICLE II

The Undertaking

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

Section 2.2. Annual Financial Information.

(a) The County shall provide Annual Financial Information for the County with respect to each fiscal year of the County, commencing with fiscal year beginning July 1, 2002, by no later than six months after the end of the respective fiscal year, to each NRMSIR and the SID.

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

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

Section 2.4. Notices of Material Events.

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

(b) Upon any legal defeasance of the Bonds, the County shall provide notice of such defeasance to (i) each NRMSIR or the MSRB and (ii) the SID, which notice shall state whether the Bonds to be defeased have been defeased to maturity or to redemption and the timing of such maturity or redemption.

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

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

Section 2.7. No Previous Non-Compliance. The County represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE III

Operating Rules

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

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

Section 3.3. Material Event Notices. Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 3.4. Transmission of Information and Notices. Unless otherwise required by law and, in the County's sole determination, subject to technical and economic feasibility, the County shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the County's information and notices.

ARTICLE IV

Termination, Amendment and Enforcement

Section 4.1. Termination.

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

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

Section 4.2. Amendment.

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

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

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

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of any such amendment shall be provided by the County to (i) either the MSRB or each NRMSIR and (ii) the SID.

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. Beneficial owners of Bonds shall be third-party beneficiaries of this Certificate.

(b) Except as provided in this subparagraph (b), the provisions of this Certificate shall create no rights in any person or entity. 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 Bond holders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the County's obligations under this Certificate and the Resolution. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, 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, and any suits and actions arising out of this Certificate shall be instituted and tried only in the Circuit Court of Henrico County, Virginia or the United States District Court for the Eastern District of Virginia, Richmond Division; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, I have hereunto executed this Certificate this 6th day of February, 2003.

HENRICO COUNTY, VIRGINIA

By: _____
Director of Finance

**EXHIBIT A
to Continuing Disclosure Certificate**

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

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

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

FT Interactive Data
Attention: NRMSIR
100 Williams Street
New York, New York 10038
Telephone: (212) 771-6899
Facsimile: (212) 771-7390 (secondary market information)
(212) 771-7391 (primary market information)
E-mail: NRMSIR@FTID.com

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

BOOK-ENTRY-ONLY SYSTEM

The description that follows is based solely on information furnished by DTC.

The Depository Trust Company (“DTC”), New York, New York, 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 certificate for the Bonds will be issued for each maturity as set forth on the inside cover of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade-settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 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 interests in the 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. 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.





