

COUNTY OF HENRICO

VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For The Fiscal Year Ended
June 30, 2012**

**Prepared By
The Director of Finance**



Henrico County

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

**COUNTY OF HENRICO, VIRGINIA
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 for the Fiscal Year Ended June 30, 2012**

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Introductory Section



Henrico County

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

Virgil R. Hazelett, P.E.
County Manager

November 16, 2012

The Honorable Board of Supervisors
County of Henrico
Virginia

Honorable Members of the Board:

We are pleased to present the County of Henrico's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This report is intended to provide informative and relevant financial data for the residents of the County, the Board of Supervisors, investors, creditors and any other interested readers. It includes all statements and disclosures necessary for the reader to obtain a thorough understanding of the County's financial activities. The reader should pay particular attention to the required Management's Discussion and Analysis, a narrative review of the financial statements included in this document. Any individual with comments or questions concerning this report is encouraged to contact the County of Henrico's Department of Finance at (804) 501-5200. This report may also be found online at www.co.henrico.va.us.

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

KPMG LLP, a certified public accounting firm, audited the County's basic financial statements. As an independent auditor, KPMG LLP rendered an unqualified opinion stating that the County's basic financial statements for the fiscal year ended June 30, 2012, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report. The independent audit of the financial statements of the County is part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the

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financial statements, but also on the government's internal controls and compliance with legal requirements, with additional emphasis on the administration of federal and state awards. This "Single Audit" information is available in a separately issued report, which is available upon request from the Department of Finance.

Profile of the Government

The County of Henrico is located in central Virginia and surrounds the City of Richmond on the north side of the James River and constitutes approximately a third of the Richmond Metropolitan area. The County's location in the middle of the eastern seaboard is within 750 miles of two-thirds of the nation's population and is ideal for commerce due to the intersection of Interstate-95 and Interstate-64 as well as its accessibility along Interstate-295, from Route 895 and Route 288, major rail lines and the James River, which is home to an international port. It is also home to Richmond International Airport, the primary airport for the Richmond Metropolitan Area. Henrico County is also convenient to nearby oceanic ports in the Tidewater region of Virginia. Currently, based on the recent county population estimates, 311,726 Henrico County residents (approximately one third of the Richmond Metropolitan area) live in a well-planned community of approximately 244 square miles that consists of highly developed urban and suburban areas, as well as undeveloped agricultural and forest land.

Henrico's history as a community dates back to 1607 when Captain Christopher Newport and a band of adventurers from Jamestown (consisting of Captain John Smith, George Percy and others) rowed ashore at the foot of the James River. Captain Newport erected a cross and claimed the land for God and England. Four years after the discovery and exploration, Sir Thomas Dale, Deputy Governor of Virginia, founded Henrico and named it for Prince Henry Frederick, eldest son of King James I. In another four months, it was a bustling community as John Rolfe successfully cultivated a Spanish-type of tobacco similar to that produced in Varinas, Spain, giving birth to America's tobacco industry. In 1614, Rolfe married Princess Pocahontas, daughter of the Great Indian King Powhatan.

Her profile now appears on the Henrico County Seal as a symbol of Henrico's place in our nation's history. In 1634, Henrico became one of the original eight shires in the Virginia Colony. Since it was adopted by its voters in 1934, the County of Henrico has operated under the County Manager form of government with five voter-elected members on the Board of Supervisors who serve four-year terms and represent five distinct magisterial districts. The Chairman of the Board of Supervisors is elected annually by the members of the Board, and the Board also hires the County Manager who serves at their pleasure. The duties of the County Manager include implementing the approved ordinances and policies of the Board of Supervisors, appointing the County's Department Directors, and managing the day-to-day operations of the County government. Henrico County's Manager is also the Director of Public Safety for the County. The County government is responsible for providing a wide array of public services including public safety (fire and police protection, as well as building code enforcement), a full service water and sewer system, the maintenance of the third largest road system in the Commonwealth of Virginia, and an array of recreational and cultural services. The County government also provides the majority of the funding for a nationally

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recognized public school system, though the schools are operated by a legally distinct entity and a separately elected School Board.

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

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

Economic Overview

As the nation enters the sixth year of this economic downturn, Henrico County remains one of the few localities in the Commonwealth that has weathered this period of economic difficulty without significant service delivery reductions, without raising taxes on its citizens and businesses, and without laying off employees. Despite the many issues faced by a recession that is uniquely challenging in terms of depth and duration, Henrico County continues to exemplify excellence in local government finance and administration.

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

In December 2011, the Richmond metro region was named the 12th best U.S. metro center for

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business by *Dow Jones MarketWatch*, earning exemplary scores in the categories of economic stability and company concentration, which included the per capita sales performance of Fortune 500, S&P 500 and private companies, as well as per capita economic output, income and labor measurements. These favorable statistics were, in part, supported by the concentration of major corporations in Henrico County, including the corporate headquarters for two Fortune 500 companies, Genworth Financial and Altria. In addition to these companies, Henrico County is also home to Phillip Morris U.S.A. (a subsidiary of Altria), Alfa Laval, Hamilton Beach-Proctor Silex, The Brinks Company, Markel Corporation, and Southern States Cooperative, along with over fifty companies based in twelve nations outside the United States that maintain offices in Henrico County. All of these companies have invested heavily in the County, and the Richmond Metropolitan Area has benefitted from their presence.

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

Despite the continuing tough economic climate, and the loss of jobs attributable to the recession, employment statistics for Henrico County exhibit a better picture when compared to national averages. According to the Virginia Employment Commission, as of August 2012 the County's unemployment rate (not seasonally adjusted) of 5.6 percent is below Virginia's overall rate of 5.8 percent. This rate is considerably lower than the National rate of 8.2 percent. This relatively low unemployment rate is indicative of the foundational economic strength of the County, as well as the resiliency and perseverance of state and local employers and the County's educated, talented workforce. Reinforcing this assumption is the strength of wages in Henrico County relative to both the state and the nation. The average weekly wage in Henrico County increased by 0.8 percent from Q1 2011 to Q1 2012, rising to \$1,031, and has increased by 8.9 percent since Q1 2009. The Q1 2012 figure is 1.2 percent higher than the State average weekly wage of \$1,019, and 4.8 percent higher than the U.S. figure of \$984 for the same period.

The economic downturn has also affected the real estate market in Henrico in both the residential and commercial sectors. The real estate tax base fell by approximately 3.3 percent for 2012, which is greater than the 0.98 percent decline recognized the year prior, though still a significant improvement over the 7.98 percent drop recognized in 2010. Residential foreclosures increased sharply each year from 2008 to 2010 as compared to the average of the previous seven years, which has had a direct impact on residential values. In 2011, residential foreclosures as a percentage of all transfers remained high at 25 percent, though there has been marginal improvement through the first two quarters of 2012, as only 20 percent of all transfers have been attributable to foreclosures. As evidenced by these statistics, foreclosures continue to cause distress in the local residential housing market. There are, however, some clear positive trends occurring in Virginia's housing market, with increases in the number of sales, as well as sales prices and a decrease in the number of days on the

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market, recognized throughout the first and second quarters of 2012. However, these statewide positive trends are due to improvements in the Northern Virginia housing market, and the recovery in Henrico County and the rest of central Virginia's housing market typically lags that of Northern Virginia. In the area of commercial real estate, a number of positive trends have emerged in Henrico County. While local residential values declined by 4.9 percent for 2012, commercial real estate valuation posted a slight increase of 0.7 percent after two preceding years of declines. In addition, for the fiscal year ended June 30, 2012, total construction permit data, including permits for the construction of single family, residential and commercial dwellings, were at a four year high, indicative of a slowly recovering market. Henrico's business friendly environment, combined with a well educated workforce, should position the County for a healthy economic recovery and corresponding housing recovery.

Henrico County is still one of the Commonwealth's leaders in retail sales as it ranks second behind only Fairfax County in total annual taxable sales. The most recent annual data from the Virginia Department of Taxation shows that Henrico County's annual taxable sales for 2011 were \$4.86 billion, a 3.1 percent increase from 2010, though still 4.1 percent lower than the \$5.1 billion of taxable sales for 2007 generated prior to the onset of the recession. However, Henrico continues to be one of the strongest economically performing localities in the Commonwealth. Through Q3 2012, local sales tax revenues were up 1.3 percent relative to the same period in 2011, showing positive signs of growth and a slow economic recovery. In addition, Henrico's 2011 total taxable sales per capita is second among the Commonwealth's top 15 localities in total annual taxable sales, another indication that the County has grown to be a destination for shoppers locally, regionally and statewide. Henrico was able to establish itself as a destination for shoppers starting with Regency Square, built in the 1970s, and more recently with Short Pump Town Center, White Oak Village in Eastern Henrico, and Short Pump Station in Western Henrico.

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

Financial Guidelines

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

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General Guidelines:

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

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

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

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

Capital Improvement Program Guidelines:

The County will develop a Five-Year Capital Improvement Program annually, inclusive of the capital needs of the Henrico County Public Schools. The Board of Supervisors approves a "Capital Budget" after legal advertising and public hearing requirements have been met.

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

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

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

Debt Guidelines:

A long-term debt affordability analysis will be completed on an annual basis as a means of ensuring that the County does not exceed its ability to service current and future debt requirements. This

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analysis will verify that the County is maintaining the following prescribed ratios and will be performed in conjunction with the County's Capital Improvement Program Process. The guidelines that are utilized are as follows:

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

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

Revenues:

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

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

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

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

Fund Balance Guidelines:

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

FY03: 17.8%	FY08: 18.0%
FY04: 18.0%	FY09: 18.0%
FY05: 18.0%	FY10: 18.0%
FY06: 18.0%	FY11: 18.0%
FY07: 18.0%	FY12: 15.0%

During the FY06 budget process, the Board of Supervisors (the Board) agreed with a policy recommendation to maintain the unassigned fund balance at a level of 18.0 percent of General Fund expenditures effective June 30, 2006. This policy was reviewed during the annual budget process for FY13 and it was recommended that the Board approve a reduction in the percentage. The percentage of unassigned fund balance was reduced to 15.0 percent of General Fund expenditures,

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effective June 30, 2012. The County will continue to monitor this percentage during the annual budget process for future fiscal years. The County will not use its unassigned fund balance to subsidize current operations.

Major Initiatives and Accomplishments

In response to the economic challenges presented by the recession, Henrico County has engaged in an ongoing effort to make substantive reforms to the way it operates in order to yield both short and long term spending reductions and greater operational efficiencies. In pursuit of these cost saving and efficiency objectives, during the development of the FY2010-11 and FY2011-12 budgets, a committee was established whose purpose was to change the way Henrico County does business. The efforts of the County Manager, the Committee and the collective contribution of both General Government and Schools staff culminated in the “Changing the Way Henrico Does Business” document, which outlined a list of strategies that cumulatively generated \$56.5 million in sustainable cost savings without any personnel layoffs or reductions in essential services. It was also emphasized by the County Manager that the severity and longevity of the economic downturn would necessitate a continuous reevaluation of the County’s operating practices.

Henrico County maintains one of the leanest governmental and educational systems in the country, and the level of cooperation exercised between Henrico County’s General Government and Public Schools is certainly not the norm among other localities throughout the country. In order to capitalize on the unique, highly collaborative relationship between these two entities, as well as to continue to expand upon the cost savings efforts previously established, the Resource Conservation Initiatives Program (RCIP) Committee was formed in January 2012. The Committee’s objective was to capture and memorialize many of the budget reduction strategies developed throughout the development of the “Changing the Way Henrico Does Business” document, as well as propose new cost saving and efficiency maximizing practices that have been, or can be, achieved through the consolidation of County resources or the utilization of operational best practices. The Committee’s efforts, with the support of the County Manager and Boards of both General Government and Schools, resulted in an additional \$27.9 million of one-time savings, and \$5.1 million of ongoing savings.

Despite fewer available resources, the County has also continued its commitment to delivering the quality and quantity of services that Henrico’s citizens expect. Henrico has continued to issue debt and expand its infrastructure to meet the growing needs of the County, and in doing so has saved millions of dollars in debt service costs and low construction prices, due in part to the prevailing economic environment, and also to the County’s AAA bond rating.

On August 15, 2011, shortly after Standard and Poor’s had downgraded the U.S.’s long-term credit rating, Henrico County reaffirmed its AAA rating from the three primary bond rating agencies - Moody’s, Standard and Poor’s, and Fitch - maintaining its position as one of the best financially managed localities in the nation. Furthermore, it is believed that Henrico County was the first municipality in the country to achieve this AAA reaffirmation by all three rating agencies following the historic downgrade of the U.S. As of this writing, only 35 counties in the nation enjoy the triple

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AAA distinction, which represents just over 1 percent of all localities nationwide. Despite the poor economic conditions that exist, Henrico County has capitalized on its premier credit rating by taking advantage of extremely low interest rates. For example, in FY2012, Henrico issued the last of two series of 2005 general obligation bonds at once. Henrico County achieved a True Interest Cost of 2.84 percent, which yielded a cost avoidance of \$24.7 million in interest payments over the 20 year span of the bonds, relative to the budgeted interest rate of 6.0 percent, representing a significant savings to taxpayers. The \$73.5 million general obligation bond issue represents the remainder of more than \$349 million in debt approved by voters in 2005, which has been apportioned to capital projects in the 2012 and 2013 fiscal years.

In addition, Henrico County has been proactive in further capitalizing on its AAA bond rating and the attractive interest rate environment by refunding existing debt to realize significant cost savings. In September 2012, Henrico County refunded \$37.5 million in Series 2005 and 2006 debt, achieving a remarkably low True Interest Cost of 2.2 percent, and a savings of \$2.3 million. Since 2009, the County has refunded over \$320 million in debt, averaging a True Interest Cost of 2.91 percent and achieving \$20.1 million in debt service cost savings.

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

On January 1, 2008, Henrico County’s health care program transitioned to a self-insurance program from a fully insured program. This transition involves the County paying claims and third party administrative fees. Self-insurance allows the County to more fully control all aspects of the plan, including setting rates to smooth out the impact of increases on employees and the County, while maintaining adequate funding to cover claims, expenses and reserves. Fiscal Year 2012 was the fourth full fiscal year under the self-insurance program. Since the transition to the self-insurance program, the County’s healthcare cost increases have been below the growth trend experienced nationally.

Future Challenges

The impact of the recession and the slow pace of growth have resulted in a significant decline in nearly all County revenue streams, particularly in the areas of state aid and real estate tax, which combined account for approximately two-thirds of total General Fund revenues.

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The Approved Annual Fiscal Plan for FY2012-13 projects state aid at approximately \$291 million, or 39.6 percent of General Fund revenues, reflecting an increase of approximately \$9.9 million or 3.5 percent from the FY2011-12 allocation. However, despite the increase from the previous fiscal year, budgeted estimates remain \$35 million below actual State revenues collected in FY2008-09. While state aid is currently far below what it was four fiscal years ago, at nearly 40.0 percent it comprises a larger portion of the General Fund budget than it has historically. This is due to the steep declines in other locally generated revenues and the unprecedented budget reductions that have been required since the onset of the recession.

While in FY2011-12 the state recorded its second consecutive year of revenue surpluses since the recession began, the significant underfunding of various programs has created a structural imbalance that will likely create significant funding obstacles in the coming fiscal years. These include, among other things, obligations to education, as well as the restoration of payments to the Virginia Retirement System, which will have significant implications for localities with respect to state aid and VRS contribution rate levels. For the fiscal year ended 2012, the State recognized a \$448.5 million surplus, which included \$129 million in revenue above budgeted levels, as well as \$319 million in targeted general fund programmatic and higher education expenditure savings. However, after allocating the majority of the surplus to various programs, just \$41.8 million is available for discretionary use, an amount that is far less than what is needed to restore funding for education, transportation, VRS and other programs to prior year funding levels.

Of the FY2011-12 discretionary surplus available, \$30 million is earmarked for a fund as a contingency for the state economy in the event that automatic federal spending cuts commonly referred to as “sequestration”, occur in January 2013. The results of these automatic spending cuts would be devastating to Virginia given its dependency on both defense and non-defense federal government contracts, and would likely have a significant impact on the availability of funding for state aid in the coming fiscal years.

Another issue of importance is the pending increase in VRS rates, particularly for teachers, which would likely occur in FY2014-15. The potential increase is unknown at this time, but information provided by the VRS Board has indicated that a coming fiscal year increase to pension rates for teachers would be approximately \$11.1 million.

On a similar note, beginning in fiscal year 2015, a new GASB pronouncement – known as GASB 68 – requires the reporting of an entity’s net pension liability. This requirement will likely have a significant impact on Henrico, due in large part to the state’s underfunding of teacher pensions. The effect of requiring school boards to report a net pension liability will, in Henrico’s case, result in its liabilities exceeding its assets and for the first time result in a negative asset total being reported. The net pension liability cannot be reduced without significant future cost increases, which may have significant budgetary impacts for Henrico well into the future.

Real Estate valuations will continue to present significant revenue challenges over the next several years, but by monitoring market conditions on a regular basis, Henrico will be in a position to adjust revenue estimates accordingly. Currently, real estate values in Henrico are experiencing slow to

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negative growth. As of January 2012, the assessed value of real property in the County totaled \$30.6 billion, which is an overall decline of approximately \$1 billion or 3.28 percent from January 1, 2011.

Reducing unemployment is a vital step toward improving the economy. Nationally, unemployment was at 8.2 percent in August 2012 while the State was at 5.8 percent and the County's unemployment rate was at 5.6 percent. While Henrico's unemployment rate remains significantly lower than both the State rate and the national average, the loss of several large employers the past few years through bankruptcy has pushed the County's unemployment rate to levels not seen in many years. However, there are some positives occurring in the local economy that serve as an indication that Henrico is recovering, and poised to return to an unemployment rate that more mirrors pre-recession historical averages in the not-too-distant future.

Like the rest of the country, Henrico County's businesses have struggled to operate in this economic environment, and some businesses have been forced into bankruptcy and/or closure as a result. However, some companies have sought to capitalize on the unique opportunity to position themselves in Henrico County to take advantage of its high quality infrastructure, talented and diverse workforce and business friendly atmosphere. When Qimonda, one of the world's largest semiconductor manufacturers and suppliers filed for bankruptcy in 2009, subsequently closing its doors in 2010, it made available over 200 acres of property and 1.3 million square feet of facilities in Henrico County. In March 2010, Quality Technology Services (QTS) opportunistically acquired the property with plans to convert the former fabrication facilities into a data center, investing over \$100 million over several years to create a data center campus, where it will offer custom data centers and managed services for medium to large enterprises and government agencies.

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Henrico, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the thirty-first consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

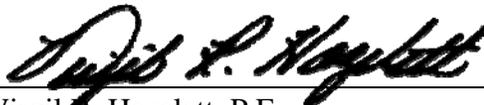
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Honorable Board of Supervisors
November 16, 2012

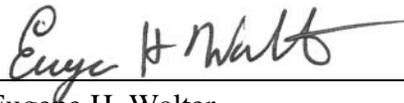
Acknowledgements

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

Respectfully submitted,



Virgil R. Hazelett, P.E.
County Manager



Eugene H. Walter
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Henrico
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

COUNTY OF HENRICO, VIRGINIA
Directory of Officials
June 30, 2012

BOARD OF SUPERVISORS

Richard W. Glover, Chairman	Brookland District
David A. Kaechele, Vice Chairman	Three Chopt District
Patricia S. O'Bannon	Tuckahoe District
Frank J. Thornton	Fairfield District
Tyrone E. Nelson	Varina District

ADMINISTRATIVE OFFICIALS

Virgil R. Hazelett	County Manager
George T. Drumwright, Jr.	Deputy County Manager for Community Services
Angela N. Harper	Deputy County Manager for Special Services
Randall R. Silber	Deputy County Manager for Community Development
John A. Vithoukias	Deputy County Manager for Administration
Timothy A. Foster	Deputy County Manager for Community Operations
Eugene H. Walter	Director of Finance
Joseph P. Rapisarda, Jr.	County Attorney

ELECTED SCHOOL BOARD

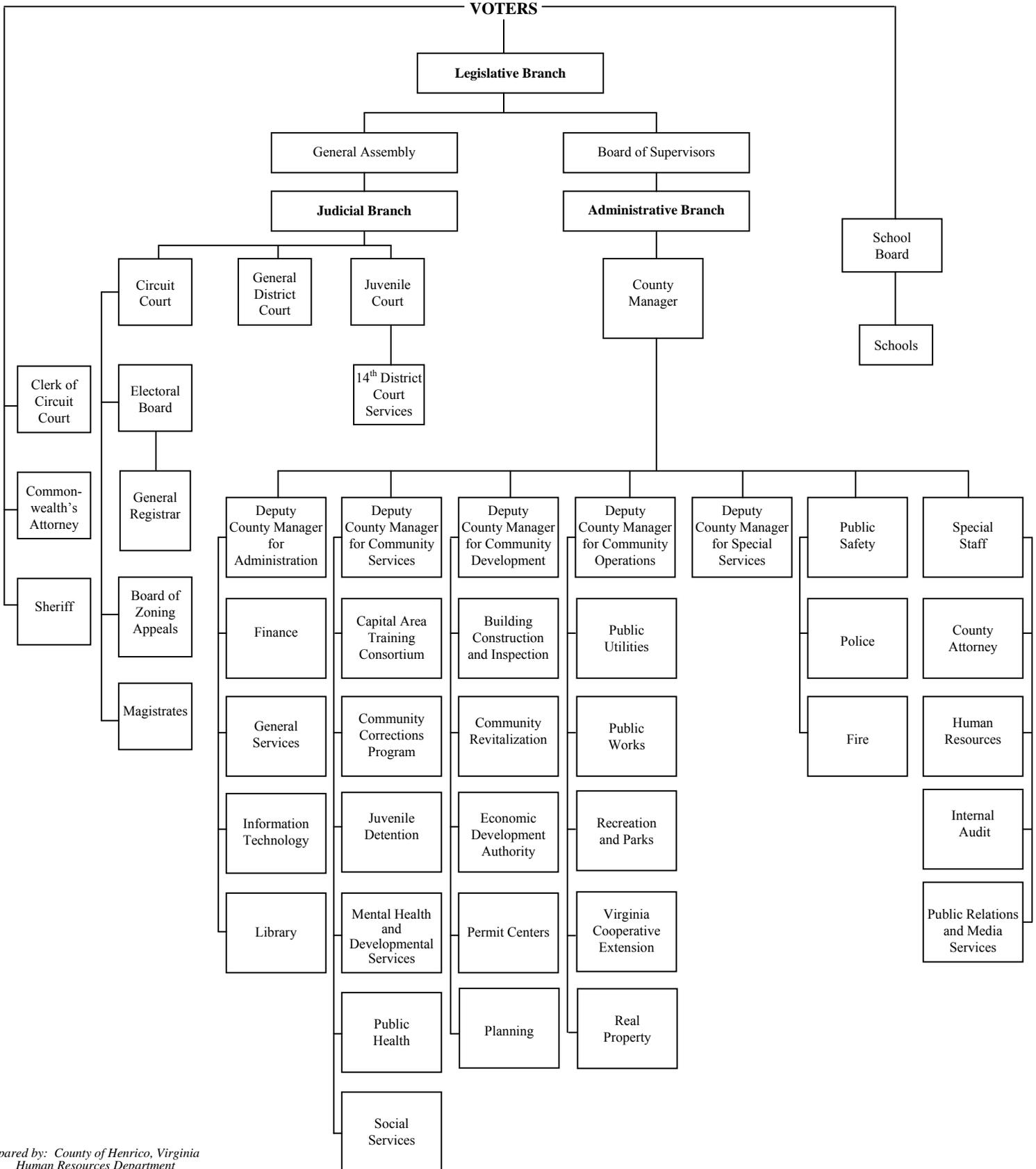
Diana D. Winston, Chair	Three Chopt District
Beverly L. Cocke, Vice Chair	Brookland District
Lamont Bagby	Fairfield District
John W. Montgomery, Jr.	Varina District
Lisa A. Marshall	Tuckahoe District

ADMINISTRATIVE OFFICIALS - SCHOOLS

Dr. Patrick J. Russo	Superintendent of Schools
Dr. Patrick C. Kinlaw	Deputy Superintendent
Dr. Eric Jones	Assistant Superintendent for Secondary Education
Ed Buzzelli	Assistant Superintendent for Operations
Kevin Smith	Assistant Superintendent for Finance
Dr. Chris Corallo	Assistant Superintendent for Elementary Education
Dr. Bondy Shay Gibson	Assistant Superintendent for Exceptional Education



County of Henrico, Virginia Organization Chart





Henrico County

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



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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Henrico, Virginia (the County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* (the Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Henrico, Virginia as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



U.S. generally accepted accounting principles require that Management's Discussion and Analysis on pages 3 through 12, the budgetary comparison information on pages 69 through 77, and the schedules of funding progress on pages 57 and 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information listed as Other Supplemental Information in the table of contents and the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplemental Information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplemental Information and the schedule of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole. The Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

November 16, 2012

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

The following discussion and analysis of the County of Henrico's (County) financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2012 (FY 2012). Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FY 2012

The General Fund, on a current financial resource basis, reported expenditures and other financial sources and uses in excess of revenues by \$8.6 million (Exhibit 4) after making transfers out of \$81.7 million, which include transfers to the Capital Projects Fund for \$9.4 million, Special Revenue Fund for \$19.5 million and Debt Service Fund for \$52.8 million. In addition, the General Fund contributed \$192.9 million to the County's component units.

On a government-wide basis for governmental activities, the County had expenses net of program revenues of \$544.2 million. The general revenues of \$542.9 million were exceeded by expenses net of program revenues by \$1.3 million (Exhibit 2).

The County's total net assets, excluding component units, on the government-wide basis totaled \$2,325.1 million at June 30, 2012 (Exhibit 1).

On September 1, 2011, the County issued General Obligation Public Improvement Bonds in the amount of \$66,075,000. The proceeds of these bonds are being used to finance General Government and School capital projects.

Subsequent to June 30, 2012, the County issued General Obligation Public Improvement Refunding Bonds, Series 2012 in the amount of \$37,500,000. The proceeds of these bonds will be used to refund and defease portions of General Obligation Public Improvement Bonds, Series 2005, Series 2006 and Series 2010A.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

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

The primary focus of the basic governmental financial statements is on both the County as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the County's overall financial status. The fund financial statements focus on the individual components of the County government, reporting the County's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund statements) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the County's financial accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The County has three types of funds:

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

The governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as, *balances of spendable resources* available at the end of the fiscal year. The

governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the County's programs. Since this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided at the bottom of the governmental funds financial statements that explains the relationship (or reconciles the differences) between the two types of statements. (Exhibits 3 and 4)

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

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

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Schedule of Net Assets

The following table reflects a summary of the County's net assets at June 30, 2011 and 2012 (in millions):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Component Units</u>	
	2011	2012	2011	2012	2011	2012	2011	2012
Current and Other Assets	\$ 629.2	\$ 631.1	\$ 132.3	\$ 122.4	\$ 761.5	\$ 753.5	\$ 51.7	\$ 44.4
Capital Assets	<u>1,365.4</u>	<u>1,409.2</u>	<u>1,096.4</u>	<u>1,111.5</u>	<u>2,461.8</u>	<u>2,520.7</u>	<u>247.8</u>	<u>246.1</u>
Total Assets	<u>1,994.6</u>	<u>2,040.3</u>	<u>1,228.7</u>	<u>1,233.9</u>	<u>3,223.3</u>	<u>3,274.2</u>	<u>299.5</u>	<u>290.5</u>
Long-term Liabilities	585.5	625.2	182.7	175.2	768.2	800.4	35.4	25.9
Other Liabilities	<u>110.2</u>	<u>117.6</u>	<u>32.1</u>	<u>31.1</u>	<u>142.3</u>	<u>148.7</u>	<u>12.3</u>	<u>12.2</u>
Total Liabilities	<u>695.7</u>	<u>742.8</u>	<u>214.8</u>	<u>206.3</u>	<u>910.5</u>	<u>949.1</u>	<u>47.7</u>	<u>38.1</u>
Net Assets:								
Invested In Capital Assets, Net of Related Debt	946.8	1,009.0	923.6	946.6	1,870.4	1,955.6	223.1	232.0
Restricted	169.1	159.3	16.5	16.5	185.6	175.8	4.3	5.4
Unrestricted	<u>183.0</u>	<u>129.2</u>	<u>73.8</u>	<u>64.5</u>	<u>256.8</u>	<u>193.7</u>	<u>24.4</u>	<u>15.0</u>
Total Net Assets	<u>\$ 1,298.9</u>	<u>\$ 1,297.5</u>	<u>\$ 1,013.9</u>	<u>\$ 1,027.6</u>	<u>\$ 2,312.8</u>	<u>\$ 2,325.1</u>	<u>\$ 251.8</u>	<u>\$ 252.4</u>

The County's combined net assets increased by 0.5 percent, or \$12.3 million to \$2,325.1 million from \$2,312.8 million, an overall improvement resulting from the increase in net assets in both the Governmental and Business-Type Activities (Exhibit 1).

Net assets of the County's governmental activities decreased 0.1 percent, or \$1.4 million to \$1,297.5 million (Exhibit 1). Invested In Capital Assets, Net of Related Debt increased by \$62.2 million, which was due to an increase in Capital Assets. Restricted net assets had a decrease of \$9.8 million. The governmental activities unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by \$53.8 million to \$129.2 million at June 30, 2012 (Exhibit 1). The component units' net assets increased 0.2 percent or \$0.6 million from \$251.8 million to \$252.4 million primarily due to increases in contributions received in the current year.

The decrease in net assets of governmental activities was mainly due to a combination of capital outlay expenditures of \$93.8 million; which are added back to net assets as the result of an increase in capital assets capitalized during the year. This was offset by depreciation expense of \$52.3 million for FY 2012, and a decrease of \$2.8 million in the total governmental fund balance for FY 2012. These changes were offset by a \$39.2 million in debt activities during FY 2012. Other significant activities effecting net assets are activities which are not reported in the governmental funds that provide current financial resources of \$1.7 million and the use of current financial resources of \$2.6 million.

The net assets of business-type activities increased 1.4 percent or \$13.7 million from \$1,013.9 million to \$1,027.6 million. Unrestricted assets available for the continuing operation of these activities, water and sewer, and the golf course, were \$64.5 million as of June 30, 2012.

Schedule of Activities

The following chart shows the revenues and expenses of the governmental activities for the fiscal years ended June 30, 2011 and 2012 (in millions):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Component Units</u>	
	2011	2012	2011	2012	2011	2012	2011	2012
Revenues:								
Program Revenues:								
Charges for Services	\$ 46.3	\$ 46.6	\$ 92.7	\$ 98.3	\$ 139.0	\$ 144.9	\$ 13.2	\$ 13.1
Operating Grants and Contributions	118.0	113.0	-	-	118.0	113.0	256.0	261.9
Capital Grants and Contributions	-	-	8.3	6.9	8.3	6.9	.1	.1
General Revenues:								
Property Taxes	356.3	355.1	-	-	356.3	355.1	-	-
Other Taxes	128.1	130.6	-	-	128.1	130.6	-	-
Other	62.0	57.2	3.4	.5	65.4	57.7	1.3	1.0
Payment from Primary Government	-	-	-	-	-	-	201.3	196.3
Total Revenues	<u>\$ 710.7</u>	<u>\$ 702.5</u>	<u>\$ 104.4</u>	<u>\$ 105.7</u>	<u>\$ 815.1</u>	<u>\$ 808.2</u>	<u>\$ 471.9</u>	<u>\$ 472.4</u>

Expenses:

General Government	\$ 88.4	\$ 96.7	\$ -	\$ -	\$ 88.4	\$ 96.7	\$ -	\$ -
Judicial Administration	11.1	11.1	-	-	11.1	11.1	-	-
Public Safety	169.8	172.5	-	-	169.8	172.5	5.0	5.3
Public Works	72.0	75.3	-	-	72.0	75.3	-	-
Health and Welfare	61.0	60.6	-	-	61.0	60.6	-	-
Education	209.5	205.6	-	-	209.5	205.6	457.3	466.5
Parks, Recreation and Cultural	34.3	35.0	-	-	34.3	35.0	-	-
Community Development	26.7	27.9	-	-	26.7	27.9	-	-
Interest on Long-term Debt	18.5	19.2	-	-	18.5	19.2	-	-
Water and Sewer	-	-	92.0	90.8	92.0	90.8	-	-
Golf Course	-	-	1.2	1.2	1.2	1.2	-	-
Total Expenses	<u>\$ 691.3</u>	<u>\$ 703.9</u>	<u>\$ 93.2</u>	<u>\$ 92.0</u>	<u>\$ 784.5</u>	<u>\$ 795.9</u>	<u>\$ 462.3</u>	<u>\$ 471.8</u>
Change in Net Assets	<u>19.4</u>	<u>(1.4)</u>	<u>11.2</u>	<u>13.7</u>	<u>30.6</u>	<u>12.3</u>	<u>9.6</u>	<u>.6</u>
Net Assets at beginning of year	<u>1,279.5</u>	<u>1,298.9</u>	<u>1,002.7</u>	<u>1,013.9</u>	<u>2,282.2</u>	<u>2,312.8</u>	<u>242.2</u>	<u>251.8</u>
Net Assets at end of year	<u>\$ 1,298.9</u>	<u>\$ 1,297.5</u>	<u>\$ 1,013.9</u>	<u>\$ 1,027.6</u>	<u>\$ 2,312.8</u>	<u>\$ 2,325.1</u>	<u>\$ 251.8</u>	<u>\$ 252.4</u>

REVENUES

For the fiscal year ended June 30, 2012, revenues from governmental activities totaled \$702.5 million, a decrease of \$8.2 million from fiscal year 2011. Real Estate Tax Revenues, the County's largest revenue source, which reflects the recognition of the second half calendar year 2011 and the first half of calendar year 2012 real property tax, collected during fiscal year 2012 totaled \$273.4 million a decrease of \$4.3 million or 1.5 percent from fiscal 2011. The County Board of Supervisor maintained the Real Estate Tax Rate at the current amount of 87 cents per \$100 of assessed value for calendar year 2012.

In fiscal year 2012, the County recorded \$66.8 million in personal property tax revenue from County residents, and received Personal Property Tax Relief from the Commonwealth of Virginia (the Commonwealth) of \$37.0 million for total personal property tax related receipts of \$103.8 million. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the Commonwealth's share of the local personal property tax payment for a calendar year was frozen at 70 percent for qualified vehicles. During the 2004 General Assembly, the Commonwealth's obligation for car tax relief was capped at \$950 million annually. Each jurisdiction's share of the \$950 million will be based on the total 2004 reimbursement as of December 31, 2005. The County's share for 2011 of \$37.0 million will be paid in three installments beginning in July 2012. At June 30, 2012, the County accrued \$18.4 million for the first half of the 2012 calendar year.

Business-type activities produced total revenues of \$105.7 million, an increase of \$1.3 million from fiscal year 2011. The largest business-type source of revenue is the County's Water and Sewer activity, which produced \$97.3 million in charges for services and \$6.9 million in operating grants and contributions. (Exhibit 2)

EXPENSES

For the fiscal year ended June 30, 2012, expenses for governmental activities totaled \$703.9 million, an increase of \$12.6 million from fiscal year 2011. Included in this activity are employee compensation and benefits, payments for educational expenses to the School Board, and the cost of general governmental activities such as public safety, recreation, and libraries.

Education continues to be one of the County's highest priorities and commitments. Major items contributed by the County include \$192.9 million for School operations and \$2.7 million for School capital improvement projects (Exhibit 4).

The expenses of business-type activities, which result from the operations of the County's Water and Sewer activity and Golf Course activity, totaled \$92.0 million, a decrease of \$ 1.2 or 0.1 percent over fiscal year 2011 (Exhibit 2). The Water and Sewer activity accounts for \$90.8 million of the total expenses of \$92.0 million.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

For the fiscal year ended June 30, 2012, the governmental funds reflect a combined fund balance of \$469.8 million, a decrease of \$2.8 million from fiscal year 2011 (Exhibit 3). Included in the combined fund balance is the General Fund, which accounts for \$213.7 million (Exhibit 3) of the total combined balance. This is a decrease of \$8.6 million or 0.4 percent from the General Fund balance of \$222.3 million recorded at June 30, 2011. The current General Fund Balance was impacted by General Fund Revenues, which decreased by \$1.1 million from fiscal year 2011. The most significant decrease occurred in the major revenue category of General Property Taxes (Real Estate and Personal Property Taxes), which decreased \$2.1 million; some of this decrease was offset by increases in Other Local Taxes, which increased \$2.3 million; and Miscellaneous revenues, which increased \$0.8 million. At the same time, General Fund Expenditures increased by \$5.0 million or 0.9 percent from fiscal year 2011. Other Financing Uses decreased by \$15.9 million or 16.5 percent over fiscal year 2011. Finally, the following items affected the fund balance and should be noted:

- The General Fund contributed \$9.4 million to the Capital Projects Fund to finance various capital projects, \$19.5 million to the Special Revenue Fund and \$52.8 million for debt service.
- The General Fund contributed \$192.9 million to fund the fiscal year 2012 School Board operations, a decrease of \$4.1 million or 2.1 percent from the fiscal 2011 contribution.

Highlights of other Governmental Funds are as follows:

- The Special Revenue Fund Balance of \$40.7 million (Exhibit 4) increased \$1.5 million over fiscal year 2011. The increase is due to revenues of \$53.6 million and other financing sources and uses of \$17.2 million which exceeded expenditures of \$69.3 million. The major function of the Special Revenue Fund is to account for State and Federal grants received by the County. State and Federal grants accounted for \$35.7 million in revenues and \$52.7 million in expenditures along with the County's solid waste function, which accounted for \$12.9 million in revenues and \$10.9 million in expenditures during fiscal year 2012.
- The Debt Service Fund Balance decreased by \$2.0 million to \$2.8 million (Exhibit 4) during fiscal year 2012. The decrease is due to expenditures exceeding revenues and other financing sources by

\$2.0 million. During the fiscal year, expenditures for debt service were \$55.3 million and the Fund received transfers from the General Fund of \$52.8 million.

- The Capital Projects Fund Balance of \$212.6 million (Exhibit 4) is an increase of \$6.3 million, or 3.1 percent in comparison to fiscal year 2011. During the fiscal year, expenditures for capital projects were \$83.3 million, and transfers in totaled \$11.7 million, \$9.4 million from the General Fund and \$2.3 million the Special Revenue Fund. During the fiscal year, the County issued bonds with total proceeds of \$73.5 million to finance capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Budget
(in millions)

	<u>Original</u>	<u>Revised</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 466.4	\$ 467.9	\$ 475.6
Intergovernmental	124.0	128.1	132.3
Other	<u>25.9</u>	<u>26.0</u>	<u>25.0</u>
Total Revenues	<u>\$ 616.3</u>	<u>\$ 622.0</u>	<u>\$ 632.9</u>
Expenditures and Other Financing Uses:			
Expenditures	\$ 549.1	\$ 582.0	\$ 561.0
Other Financing Uses	<u>83.2</u>	<u>93.5</u>	<u>80.5</u>
Total Expenditures and Other Financing Uses	<u>632.3</u>	<u>675.5</u>	<u>641.5</u>
Change in Fund Balance	<u>\$ (16.0)</u>	<u>\$ (53.5)</u>	<u>\$ (8.6)</u>

Expenditures and other financing uses exceeded revenues by \$8.6 million in the General Fund for fiscal year 2012.

Actual General Fund revenues were more than the original budgeted revenues by \$16.6 million during fiscal year 2012. This increase is attributable in part to collections of other local taxes such as business license and bank franchise tax revenues, which account for \$10.8 million of the increase. Actual revenue collections exceeded the revised budget by \$10.8 million. Actual General Fund expenditures were more than the original budget by \$11.9 million, and less than the revised budget by \$21.1 million.

During fiscal year 2012, the County Board of Supervisors amended the budget four times. These budget amendments or supplemental appropriation resolutions were primarily for the following purposes:

- To reappropriate monies to pay for continuing programs whose fiscal year extended beyond June 30, 2011.
- To reappropriate grant revenues authorized in fiscal year 2011 or earlier, but not expended or encumbered as of June 30, 2011.
- To appropriate grants or donations accepted or adjusted in fiscal year 2012.
- To appropriate funds for program enhancements, small-scale capital projects or other operational needs that were not anticipated in the original fiscal year 2012 budget.

CAPITAL ASSETS

At the end of fiscal year 2012, the County's governmental activities (including Internal Service Funds) had net capital assets totaling \$1,409.2 million, which represents a net increase of \$43.8 million or 3.2 percent over the previous fiscal year-end balance. In the County of Henrico, infrastructure assets include roads, bridges, and water and wastewater systems.

Capital Assets (in millions)

	Governmental Activities		Business-type Activities		Total		Component Units	
	2011	2012	2011	2012	2011	2012	2011	2012
Non-Depreciable Assets:								
Land	\$ 345.6	\$ 357.6	\$ 17.2	\$ 17.3	\$ 362.8	\$ 374.9	\$ 41.9	\$ 41.9
Construction in Progress	142.5	147.2	80.1	55.1	222.6	202.3	16.1	14.6
Other Capital Assets:								
Building	737.7	759.2	334.4	359.5	1,072.1	1,118.7	262.0	273.5
Infrastructure	571.1	603.3	951.2	992.8	1,522.3	1,596.1	-	-
Equipment	178.1	193.1	116.2	116.5	294.3	309.6	122.9	130.5
Improvements other than Buildings	50.4	55.2	3.7	3.7	54.1	58.9	27.0	28.3
Accumulated Depreciation On Other Capital Assets	(660.0)	(706.4)	(406.5)	(433.3)	(1,066.5)	(1,139.7)	(222.3)	(242.6)
Total	<u>\$ 1,365.4</u>	<u>\$ 1,409.2</u>	<u>\$ 1,096.3</u>	<u>\$ 1,111.6</u>	<u>\$ 2,461.7</u>	<u>\$ 2,520.8</u>	<u>\$ 247.6</u>	<u>\$ 246.2</u>

The business-type activities capital assets grew by \$15.3 million to \$1,111.3 million, an increase of 1.4 percent over the previous fiscal year. The County's business-type activities are made up of the County's water and sewer activities and the County-owned golf course.

The component unit's capital assets decreased by \$1.4 million to \$246.2 million, a decrease of 0.5 percent from the previous fiscal year. The School Board accounted for the major portion of the net decrease. More detailed information about the County's capital assets is presented in Note 6 of the notes to the financial statements.

LONG-TERM DEBT

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

In March 2005, the County voters authorized the issuance of \$349.3 million of general obligation bonds. Proceeds from the issuance of these bonds provide financing for future public improvements, including County and School facilities. To date, the County has issued \$334.4 million of the voter approved bonds, which reduced the amount of approved but not issued to \$14.9 million as of June 30, 2012.

At the end of fiscal year 2012, the County had \$497.1 million in outstanding General Obligation Bonds, an increase of \$35.6 million, or 7.7 percent, over last fiscal year. More detailed information about the County's long-term liabilities is presented in Note 7 of the notes to the financial statements.

During 2012, Moody's Investors Services, Inc., Standard & Poor's (S&P) and Fitch rating agencies, all reaffirmed the County of Henrico's triple-AAA bond rating, in connection with the issuance of the general obligation public improvement bonds previously described. The County received AAA bond ratings from both Moody's and S&P for the first time in 1977. In 1998, Fitch IBCA bestowed a AAA rating on the County.

Subsequent to June 30, 2012, the County issued General Obligation Public Improvement Refunding Bonds, Series 2012 on September 19, 2012 in the amount of \$37,500,000. The proceeds of the Bonds will be used to (i) advance refund and defease \$19,450,000 of the outstanding principal of the General Obligation Public Improvement Bonds, Series 2005, (ii) advance refund and defease \$17,975,000 of the outstanding principal of the General Obligation Public Improvement Bonds, Series 2006, and (iii) to advance refund and defease General Obligation Public Improvement Bonds, series 2010A. In connection with the issuance of the refunding bonds, Moody's Investors Services, Inc., Standard & Poor's (S&P) and Fitch rating agencies, again all reaffirmed the County of Henrico's triple-AAA bonding rating.

ECONOMIC FACTORS

According to the Virginia Employment Commission, as of June 30, 2012, the County had a net increase of 22,391 jobs since 2002, resulting in total employment of 166,525. The County's unemployment rate, which was reported at 5.8 percent as of June 30, 2012, was slightly lower than that posted for the state (6.0 percent) and well below the federal rate (8.4 percent) as of June 30, 2012. As of 2007 (the latest data available from the U.S. Bureau of Economic Analysis), the County's per capita income of \$44,079 registered higher than both the national average of \$39,635 and the Commonwealth of Virginia average of \$41,727.

OTHER INFORMATION

During fiscal year 2008, the County joined the Virginia Pooled OPEB Trust Fund, an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. For the year ended June 30, 2012, the County contributed \$7.7 million, which did not fully fund the Annual Required Contribution (ARC) of \$9.3 million and resulted in a reduction of the Net OPEB Asset of \$1.6 million down to a balance of \$4.6 million. More detailed information about the County's OPEB Plan is presented in Note 11 of the notes to the financial statements.

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

At June 30, 2012, the County's investment portfolio amounted to \$346.5 million, and contained obligations of the United States and agencies thereof, high quality municipal bonds and prime commercial paper. The County's investment strategy has remained unchanged during fiscal 2012. While this strategy has resulted in reduced yields, which impacted investment earnings available for operations in fiscal year 2012, the County has not experienced any significant adverse decline in the fair value of the County's investment and cash equivalents. More detailed information about the County's investments is presented in Note 2 of the notes to the financial statements.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, P.O. Box 90775, Henrico, VA 23273-0775. Additional financial information can be found on our web-site www.co.henrico.va.us.

COUNTY OF HENRICO, VIRGINIA
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and temporary investments	\$ 570,648,025	\$ 51,395,132	\$ 622,043,157	\$ 20,448,936
Receivables, net	17,525,699	21,720,379	39,246,078	-
Due from other governments	36,931,483	-	36,931,483	14,419,311
Internal balances	(3,941,409)	3,941,409	-	-
Due from component unit	1,365,739	-	1,365,739	-
Due from Primary Government	-	-	-	9,437,726
Inventories	746,263	1,571,112	2,317,375	-
Prepays	-	18,306	18,306	-
Other assets	7,777,917	7,171,491	14,949,408	30,282
Restricted cash	-	36,579,297	36,579,297	71,063
Capital assets:				
Land and construction in progress	504,762,979	72,353,930	577,116,909	56,504,469
Other capital assets, net	904,447,332	1,039,160,406	1,943,607,738	189,639,624
Capital assets, net	1,409,210,311	1,111,514,336	2,520,724,647	246,144,093
Total Assets	2,040,264,028	1,233,911,462	3,274,175,490	290,551,411
Liabilities:				
Accounts payable	53,608,219	12,928,652	66,536,871	2,026,536
Deposits payable	-	845,582	845,582	-
Accrued liabilities	28,757,525	2,215,026	30,972,551	2,777,242
Amounts held for others	5,941,556	-	5,941,556	83,738
Unearned revenues	19,844,106	15,994,155	35,838,261	5,913,737
Due to Primary Government	-	-	-	1,365,739
Due to component units	9,437,726	-	9,437,726	-
Long-term liabilities due within one year	68,465,142	9,657,464	78,122,606	16,725,884
Long-term liabilities due in more than one year	556,708,628	164,706,955	721,415,583	9,164,898
Total Liabilities	742,762,902	206,347,834	949,110,736	38,057,774
Net Assets:				
Invested in capital assets, net of related debt	1,009,019,399	946,576,839	1,955,596,238	232,109,135
Restricted for:				
Highways, Streets and Buildings	80,727,504	-	80,727,504	-
Debt service	37,787,410	16,515,628	54,303,038	-
Grants	40,737,774	-	40,737,774	5,369,206
Unrestricted net assets	129,229,039	64,471,161	193,700,200	15,015,296
Total Net Assets	\$ 1,297,501,126	\$ 1,027,563,628	\$ 2,325,064,754	\$ 252,493,637

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, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 96,745,140	\$ 12,212,420	\$ 1,468,239	\$ -
Judicial administration	11,157,733	89,799	5,198,969	-
Public safety	172,498,511	3,190,461	29,489,952	-
Public works	75,271,902	13,667,000	41,056,547	-
Health and welfare	60,571,660	10,225,246	29,299,727	-
Education	205,558,074	-	-	-
Parks, recreation and culture	34,986,937	1,496,695	194,515	-
Community development	27,902,655	5,748,846	6,306,551	-
Interest on long-term debt	19,177,341	-	-	-
Total Governmental Activities	703,869,953	46,630,467	113,014,500	-
Business-type activities:				
Water and Sewer	90,829,569	97,317,538	-	6,903,620
Belmont Park Golf Course	1,241,345	979,449	-	-
Total Business-type Activities	92,070,914	98,296,987	-	6,903,620
Total Primary Government	<u>\$ 795,940,867</u>	<u>\$ 144,927,454</u>	<u>\$ 113,014,500</u>	<u>\$ 6,903,620</u>
Component Units:				
School Board	\$ 466,518,237	\$ 8,511,049	\$ 261,953,929	\$ -
James River Juvenile Detention Commission	5,256,935	4,543,382	-	114,020
Total Component Units	<u>\$ 471,775,172</u>	<u>\$ 13,054,431</u>	<u>\$ 261,953,929</u>	<u>\$ 114,020</u>

General Revenues:

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

Change in net assets

Net Assets at June 30, 2011

Net Assets at June 30, 2012

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

Net (Expenses) Revenues and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (83,064,481)	\$ -	\$ (83,064,481)	\$ -
(5,868,965)	-	(5,868,965)	-
(139,818,098)	-	(139,818,098)	-
(20,548,355)	-	(20,548,355)	-
(21,046,687)	-	(21,046,687)	-
(205,558,074)	-	(205,558,074)	-
(33,295,727)	-	(33,295,727)	-
(15,847,258)	-	(15,847,258)	-
(19,177,341)	-	(19,177,341)	-
(544,224,986)	-	(544,224,986)	-
-	13,391,589	13,391,589	-
-	(261,896)	(261,896)	-
-	13,129,693	13,129,693	-
<u>\$ (544,224,986)</u>	<u>\$ 13,129,693</u>	<u>\$ (531,095,293)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (196,053,259)
-	-	-	(599,533)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (196,652,792)</u>
\$ 355,137,846	\$ -	\$ 355,137,846	\$ -
55,913,302	-	55,913,302	-
28,486,699	-	28,486,699	-
10,627,232	-	10,627,232	-
17,439,674	-	17,439,674	-
18,075,409	-	18,075,409	-
2,225,206	1,051,604	3,276,810	14,854
54,052,889	491,619	54,544,508	-
455,963	-	455,963	463,553
452,014	(1,026,367)	(574,353)	554,868
-	-	-	196,300,254
<u>\$ 542,866,234</u>	<u>\$ 516,856</u>	<u>\$ 543,383,090</u>	<u>\$ 197,333,529</u>
\$ (1,358,752)	\$ 13,646,549	\$ 12,287,797	\$ 680,737
<u>1,298,859,878</u>	<u>1,013,917,079</u>	<u>2,312,776,957</u>	<u>251,812,900</u>
<u>\$ 1,297,501,126</u>	<u>\$1,027,563,628</u>	<u>\$ 2,325,064,754</u>	<u>\$ 252,493,637</u>

**COUNTY OF HENRICO, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

Exhibit 3

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Assets:					
Cash and temporary investments	\$ 255,130,685	\$ 42,162,871	\$ 2,757,410	\$ 235,151,509	\$ 535,202,475
Receivables, net	14,799,598	2,720,188	-	-	17,519,786
Due from other governmental units	32,849,496	4,035,392	-	46,595	36,931,483
Due from component unit	1,187,059	-	-	-	1,187,059
Due from other funds	681,130	-	-	-	681,130
Advance to other fund	112,500	-	-	-	112,500
Total Assets	<u>\$ 304,760,468</u>	<u>\$ 48,918,451</u>	<u>\$ 2,757,410</u>	<u>\$ 235,198,104</u>	<u>\$ 591,634,433</u>
Liabilities:					
Accounts payable	\$ 51,031,135	666,520	\$ -	\$ 1,289,457	\$ 52,987,112
Accrued liabilities	11,322,749	2,041,027	-	7,043,199	20,406,975
Amounts held for others	5,845,075	96,481	-	-	5,941,556
Unearned revenues	22,075,006	5,257,759	-	-	27,332,765
Due to component units	-	-	-	9,437,726	9,437,726
Due to other funds	835,242	118,890	-	4,809,494	5,763,626
Total liabilities	<u>91,109,207</u>	<u>8,180,677</u>	<u>-</u>	<u>22,579,876</u>	<u>121,869,760</u>
Fund Balances:					
Unspendable	112,500	-	-	-	112,500
Restricted	4,532,044	28,532,032	-	-	33,064,076
Committed	10,000,000	-	-	212,618,228	222,618,228
Assigned	89,409,554	12,205,742	2,757,410	-	104,372,706
Unassigned	109,597,163	-	-	-	109,597,163
Total fund balances	<u>213,651,261</u>	<u>40,737,774</u>	<u>2,757,410</u>	<u>212,618,228</u>	<u>469,764,673</u>
Total Liabilities and Fund Balances	<u>\$ 304,760,468</u>	<u>\$ 48,918,451</u>	<u>\$ 2,757,410</u>	<u>\$ 235,198,104</u>	

Adjustments for the Statement of Net Assets:

Capital assets used in government activities are not current financial resources and therefore are not reported as assets in the governmental funds. (Note 6)	\$ 1,395,938,523
Deferred revenue that has not been recognized as revenue in the current period and therefore is reported as liabilities in the governmental funds. (Note 3)	7,488,659
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)	(616,783,252)
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.	(8,350,550)
Other assets reported in governmental activities are not deferred and recorded as assets in the governmental funds.	7,622,178
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.	41,680,793
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.	140,102
Net Assets of Governmental Activities	<u>\$ 1,297,501,126</u>

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

**COUNTY OF HENRICO, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Exhibit 4

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues:					
General property taxes	\$ 348,585,062	\$ 2,557,392	\$ -	\$ -	\$ 351,142,454
Other local taxes	127,091,069	2,262,956	-	-	129,354,025
Licenses and permits	3,485,886	-	-	-	3,485,886
Fines and forfeitures	2,957,579	-	-	-	2,957,579
Revenue from use of money and property	2,485,053	178,774	-	452,908	3,116,735
Charges for services	3,850,613	22,428,375	-	-	26,278,988
Miscellaneous	5,953,648	586,936	-	320,634	6,861,218
Recovered costs	6,251,661	656,732	-	-	6,908,393
Intergovernmental	132,267,240	24,963,898	-	3,631,071	160,862,209
Total Revenues	632,927,811	53,635,063	-	4,404,613	690,967,487
Expenditures:					
Current operating:					
General government	62,610,677	4,773,190	-	-	67,383,867
Judicial administration	10,184,905	870,171	-	-	11,055,076
Public safety	161,575,521	6,803,811	-	-	168,379,332
Public works	42,639,184	11,432,015	-	-	54,071,199
Health and welfare	22,544,626	37,797,354	-	-	60,341,980
Parks, recreation, and culture	30,803,865	22,370	-	-	30,826,235
Community development	20,111,777	7,598,944	-	-	27,710,721
Education	192,875,168	-	-	2,750,476	195,625,644
Miscellaneous	17,349,779	-	471,703	-	17,821,482
Debt service:					
Principal	238,073	14,175	32,290,000	-	32,542,248
Interest and other charges	43,532	2,548	22,563,583	-	22,609,663
Capital outlay	-	-	-	80,574,134	80,574,134
Total Expenditures	560,977,107	69,314,578	55,325,286	83,324,610	768,941,581
Excess (deficiency) of revenues over (under) expenditures	71,950,704	(15,679,515)	(55,325,286)	(78,919,997)	(77,974,094)
OTHER FINANCING (USES) SOURCES:					
Transfers in	-	19,454,580	52,854,043	11,720,480	84,029,103
Transfers out	(81,726,991)	(2,300,000)	-	(2,112)	(84,029,103)
Issuance of bonds	-	-	459,659	65,615,341	66,075,000
Bond premium on bonds issued	-	-	-	7,884,659	7,884,659
Capital lease obligations incurred	1,166,978	55,537	-	-	1,222,515
Total other financing (uses) sources, net	(80,560,013)	17,210,117	53,313,702	85,218,368	75,182,174
Net change in fund balance	(8,609,309)	1,530,602	(2,011,584)	6,298,371	(2,791,920)
Fund Balances - June 30, 2011	222,260,570	39,207,172	4,768,994	206,319,857	472,556,593
Fund Balances - June 30, 2012	\$ 213,651,261	\$ 40,737,774	\$ 2,757,410	\$ 212,618,228	\$ 469,764,673

Adjustments for the Statement of Activities:

Net change in fund balances - total governmental funds	\$ (2,791,920)
Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	32,542,248
Revenues not in governmental funds that do provide current financial resources are reported as revenues in the Statement of Activities. (Note 3)	1,732,436
Governmental funds report capital outlays as expenditures while governmental activities capitalize those outlays to allocate those expenditures over the asset life.	93,781,890
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.	(2,640,377)
Depreciation expense is reported in the Statement of Activities but is not reported as an expense in the governmental funds. (Note 6)	(52,345,635)
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)	3,432,322
Debt proceeds are recorded as revenues in governmental funds, but are not reported as revenues in the Statement of Activities	(75,182,174)
Internal service funds charge the costs of maintenance and healthcare services to governmental funds and are a reduction of expenses in the Statement of Activities	(588,002)
Internal service fund revenues not recorded in the governmental funds.	700,460
Change in Net Assets of Governmental Activities	<u>\$ (1,358,752)</u>

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

COUNTY OF HENRICO, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

Exhibit 5

	Business Type Activities - Enterprise Funds			Internal Service Funds
	Water and Sewer Revenue	Belmont Park Golf Course	Total	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 51,395,132	\$ -	\$ 51,395,132	\$ 35,445,550
Receivables, net	21,720,379	-	21,720,379	5,913
Due from other funds	320,633	-	320,633	1,047,510
Due from component unit	-	-	-	178,680
Inventories	1,571,112	-	1,571,112	746,263
Other assets	18,306	-	18,306	15,637
Restricted cash and cash equivalents	36,579,297	-	36,579,297	-
Total current assets	<u>111,604,859</u>	<u>-</u>	<u>111,604,859</u>	<u>37,439,553</u>
Noncurrent assets:				
Other assets	7,171,491	-	7,171,491	-
Due from other funds	4,488,861	-	4,488,861	-
Capital assets:				
Land and construction in progress	72,103,439	250,491	72,353,930	-
Other capital assets, net	<u>1,037,642,173</u>	<u>1,518,233</u>	<u>1,039,160,406</u>	<u>13,271,788</u>
Capital assets, net	<u>1,109,745,612</u>	<u>1,768,724</u>	<u>1,111,514,336</u>	<u>13,271,788</u>
Total non-current assets	<u>1,121,405,964</u>	<u>1,768,724</u>	<u>1,118,685,827</u>	<u>13,271,788</u>
Total assets	<u>1,233,010,823</u>	<u>1,768,724</u>	<u>1,230,290,686</u>	<u>50,711,341</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 12,889,291	\$ 39,361	\$ 12,928,652	\$ 621,107
Deposits payable	845,582	-	845,582	-
Due to other funds	74,937	680,648	755,585	18,923
Accrued liabilities	2,193,866	21,160	2,215,026	-
Unearned revenues	15,994,155	-	15,994,155	-
Long-term liabilities due within one year	<u>9,634,949</u>	<u>22,515</u>	<u>9,657,464</u>	<u>8,288,022</u>
Total current liabilities	<u>41,632,780</u>	<u>763,684</u>	<u>42,396,464</u>	<u>8,928,052</u>
Noncurrent liabilities:				
Advance from other fund	-	112,500	112,500	-
Long-term liabilities due in more than one year	<u>164,676,079</u>	<u>30,876</u>	<u>164,706,955</u>	<u>102,496</u>
Total non-current liabilities	<u>164,676,079</u>	<u>143,376</u>	<u>164,819,455</u>	<u>102,496</u>
Total liabilities	<u>206,308,859</u>	<u>907,060</u>	<u>207,215,919</u>	<u>9,030,548</u>
NET ASSETS:				
Invested in capital assets, net of related debt	944,808,115	1,768,724	946,576,839	13,267,693
Restricted for debt service	16,515,628	-	16,515,628	-
Unrestricted	65,378,221	(907,060)	64,471,161	28,413,100
Total Net Assets	<u>\$ 1,026,701,964</u>	<u>\$ 861,664</u>	<u>\$ 1,027,563,628</u>	<u>\$ 41,680,793</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
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	\$ 45,313,525	\$ -	\$ 45,313,525	\$ -
Sewer system	45,091,566	-	45,091,566	-
Golf course fees	-	979,449	979,449	-
Interdepartmental charges	-	-	-	22,036,261
Contributions	-	-	-	81,858,923
Other	997,791	78,848	1,076,639	849,990
Total operating revenues	91,402,882	1,058,297	92,461,179	104,745,174
Operating Expenses:				
Purchased services	12,843,887	53,534	12,897,421	-
Utility charges	5,222,489	44,631	5,267,120	106,011
Personnel services and benefits	16,543,123	599,088	17,142,211	85,215,777
Professional services	9,590,575	140,454	9,731,029	58,233
Materials and supplies	6,235,263	192,147	6,427,410	14,661,377
Maintenance and repairs	1,909,589	31,222	1,940,811	2,703,320
Other expenses	3,174,537	67,154	3,241,691	1,694,159
Depreciation	29,184,205	113,115	29,297,320	2,010,333
Total operating expenses	84,703,668	1,241,345	85,945,013	106,449,210
Operating income (loss)	6,699,214	(183,048)	6,516,166	(1,704,036)
Nonoperating Revenues (Expenses):				
Investment income	1,051,604	-	1,051,604	42,825
Connection fees	6,912,447	-	6,912,447	-
Contributions	435,975	55,644	491,619	-
Interest expense	(6,125,901)	-	(6,125,901)	-
Gain on sale of equipment	-	-	-	130,477
Other	(2,092,742)	(10,264)	(2,103,006)	74,352
Total nonoperating revenues, net	181,383	45,380	226,763	247,654
Income (loss) before capital contributions	6,880,597	(137,668)	6,742,929	(1,456,382)
Capital contributions - donated assets	6,903,620	-	6,903,620	526,255
Change in net assets	13,784,217	(137,668)	13,646,549	(930,127)
Total Net Assets - June 30, 2011	1,012,917,747	999,332	1,013,917,079	42,610,920
Total Net Assets - June 30, 2012	\$ 1,026,701,964	\$ 861,664	\$ 1,027,563,628	\$ 41,680,793

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

**COUNTY OF HENRICO, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	\$ 91,030,623	\$ 1,058,297	\$ 92,088,920	\$ 105,140,492
Payments to suppliers	(35,422,623)	(505,153)	(35,927,776)	(101,144,980)
Payments to employees	(18,967,710)	(594,488)	(19,562,198)	(3,745,719)
Net cash provided by (used in) operating activities	<u>36,640,290</u>	<u>(41,344)</u>	<u>36,598,946</u>	<u>249,793</u>
Cash Flows From Capital and Related Financing Activities:				
Purchase of capital assets	(37,647,465)	(14,300)	(37,661,765)	(1,929,090)
Proceeds from sale of capital assets	108,835	-	108,835	376,675
Connection fees paid by contractors	6,750,172	-	6,750,172	-
Debt service contributions	435,975	-	435,975	-
Contributions	479,752	55,644	535,396	-
Interest paid on bonds	(8,608,765)	-	(8,608,765)	-
Principal paid on debt	(8,070,000)	-	(8,070,000)	(1,085)
Net cash (used in) provided by capital and related financing activities	<u>(46,551,496)</u>	<u>41,344</u>	<u>(46,510,152)</u>	<u>(1,553,500)</u>
Cash Flows From Investing Activities:				
Investment income received	1,038,757	-	1,038,757	42,825
Net (Decrease) Increase in Cash	<u>(8,872,449)</u>	<u>-</u>	<u>(8,872,449)</u>	<u>(1,260,882)</u>
Total Cash and Cash Equivalents - June 30, 2011	<u>96,846,878</u>	<u>-</u>	<u>96,846,878</u>	<u>36,706,432</u>
Total Cash and Cash Equivalents - June 30, 2012	<u>\$ 87,974,429</u>	<u>\$ -</u>	<u>\$ 87,974,429</u>	<u>\$ 35,445,550</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:				
Operating income (loss)	\$ 6,699,214	\$ (183,048)	\$ 6,516,166	\$ (1,704,036)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	29,184,205	113,115	29,297,320	2,010,333
Decrease in accounts receivable	573,609	-	573,609	600,883
(Increase) decrease in inventories	(70,452)	-	(70,452)	80,381
Increase in due from other funds	-	-	-	(170,078)
Increase in due from component unit	-	-	-	(35,487)
Decrease (increase) in other assets	1,694	542	2,236	(1,050)
Increase (decrease) in accounts payable	920,520	(765)	919,755	(329,338)
Increase in deposits payable	214,762	-	214,762	-
Increase in due to other fund	-	24,140	24,140	4,092
Decrease in deferred revenues	(982,422)	-	(982,422)	-
Increase (decrease) increase in other liabilities	99,160	4,672	103,832	(205,907)
Net cash provided by (used in) operating activities	<u>\$ 36,640,290</u>	<u>\$ (41,344)</u>	<u>\$ 36,598,946</u>	<u>\$ 249,793</u>
Reconciliation to Cash and Cash Equivalents on the Statement of Net Assets:				
Cash and cash equivalents	\$ 51,395,132	\$ -	\$ 51,395,132	\$ 35,445,550
Restricted cash and cash equivalents	36,579,297	-	36,579,297	-
Total Cash and Cash Equivalents - June 30, 2012	<u>\$ 87,974,429</u>	<u>\$ -</u>	<u>\$ 87,974,429</u>	<u>\$ 35,445,550</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 fiscal year ended June 30, 2012 was \$6,903,620.

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

**COUNTY OF HENRICO, VIRGINIA
STATEMENT OF FIDUCIARY
NET ASSETS
JUNE 30, 2012**

Exhibit 8

	Agency Funds
Assets:	
Cash and cash equivalents	\$ 615,610
Total Assets	<u>\$ 615,610</u>
Liabilities:	
Amounts held for others	\$ 615,455
Accounts payable	155
Total Liabilities	<u>\$ 615,610</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, 2012**

Exhibit 9

	School Board	James River Juvenile Detention Commission	Total
Assets:			
Cash and cash equivalents	\$ 16,512,530	\$ 3,936,406	\$ 20,448,936
Restricted cash	-	71,063	71,063
Due from Primary Government	9,437,726	-	9,437,726
Due from other governmental units	14,333,720	85,591	14,419,311
Other assets	20,978	9,304	30,282
Total current assets	<u>40,304,954</u>	<u>4,102,364</u>	<u>44,407,318</u>
Capital assets:			
Land and construction in progress	56,474,469	30,000	56,504,469
Other capital assets, net	182,578,415	7,061,209	189,639,624
Capital assets, net	<u>239,052,884</u>	<u>7,091,209</u>	<u>246,144,093</u>
Total assets	<u>279,357,838</u>	<u>11,193,573</u>	<u>290,551,411</u>
Liabilities:			
Accounts payable	\$ 1,794,590	\$ 231,946	\$ 2,026,536
Accrued liabilities	2,777,242	-	2,777,242
Amounts held for others	83,738	-	83,738
Unearned revenues	5,912,965	772	5,913,737
Due to Primary Government	163,278	1,202,461	1,365,739
Long-term liabilities due within one year	16,005,944	719,940	16,725,884
Total current liabilities	<u>26,737,757</u>	<u>2,155,119</u>	<u>28,892,876</u>
Long-term liabilities due in more than one year	<u>7,303,501</u>	<u>1,861,397</u>	<u>9,164,898</u>
Total liabilities	<u>34,041,258</u>	<u>4,016,516</u>	<u>38,057,774</u>
Net Assets:			
Invested in capital assets, net of related debt	227,446,832	4,662,303	232,109,135
Restricted grants	5,276,149	93,057	5,369,206
Unrestricted	12,593,599	2,421,697	15,015,296
Total net assets	<u>\$ 245,316,580</u>	<u>\$ 7,177,057</u>	<u>\$ 252,493,637</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, 2012**

Exhibit 10

Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	JRJDC	Total
Governmental Activities:						
School Board:						
Instructional	\$ 466,518,237	\$ 8,511,049	\$ 261,953,929	\$ -	\$(196,053,259)	\$ -
Total School Board	466,518,237	8,511,049	261,953,929	-	(196,053,259)	-
Business-Type Activities:						
James River Juvenile Detention Commission	5,256,935	4,543,382	-	114,020	-	(599,533)
Total Component Units	<u>\$ 471,775,172</u>	<u>\$ 13,054,431</u>	<u>\$ 261,953,929</u>	<u>\$ 114,020</u>	<u>\$(196,053,259)</u>	<u>\$ (599,533)</u>
General revenues:						
Interest and investment earnings				\$ -	\$ 14,854	\$ 14,854
Recovered costs				463,553	-	463,553
Miscellaneous				554,868	-	554,868
Payment from Primary Government				195,625,644	674,610	196,300,254
Total general revenues				<u>\$ 196,644,065</u>	<u>\$ 689,464</u>	<u>\$ 197,333,529</u>
Change in net assets				\$ 590,806	\$ 89,931	\$ 680,737
Net Assets at June 30, 2011				244,725,774	7,087,126	251,812,900
Net Assets at June 30, 2012				<u>\$ 245,316,580</u>	<u>\$ 7,177,057</u>	<u>\$ 252,493,637</u>

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

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

In accordance with GAAP, the County has presented those entities which comprise the reporting entity (the primary government and discretely presented component units) in the government-wide statements.

Discretely Presented Component Units:

School Board

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

James River Juvenile Detention Commission

The James River Juvenile Detention Commission ("JRJDC" or "Commission") is a separate organization established to provide a juvenile detention facility for the Counties of Goochland, Henrico and Powhatan. There are five voting members of the Commission, of which three members represent the County and one each represents the Counties of Goochland and Powhatan. Their respective county boards appoint the five Commission members. The Commission is financially dependent on the member jurisdictions. The operating costs are allocated among the member jurisdictions based on proportionate usage. Complete financial statements for the Commission may be obtained from the JRJDC Chairman George T. Drumwright, Jr., P.O. Box 90775, Henrico, VA 23273.

Joint Ventures:

Capital Region Airport Commission

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

Greater Richmond Convention Center Authority

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

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

B. Government-wide and Fund Accounting Statements

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

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

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

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

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

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

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

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

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

The Statement of Net Assets presents the County's investment in capital assets, net of related debt, restricted net assets and unrestricted net assets. Investment in capital assets, net of related debt, consists of net capital assets less related long-term liabilities. Restricted net assets consist of amounts restricted by external sources related to capital projects, debt service and amounts received in the Special Revenue Fund. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources, as they are needed.

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

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

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

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

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

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

Governmental Funds:

General Fund

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

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Special Revenue Fund

The Special Revenue Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Fund consists mainly of state and federal grants that have specific grant restrictions imposed. A portion of the revenues received in this fund is used to reduce the landfill liability each year. The Special Revenue Fund is considered a major fund for reporting purposes.

Debt Service Fund

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

Capital Projects Fund

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

Proprietary Funds:

Enterprise Funds

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

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

Internal Service Funds

The Internal Service Funds accounts for the County's Central Automotive Maintenance operations, Technology Replacement operations and self-funded health insurance fund. Resources for these funds come from interdepartmental charges. The effect of the interdepartmental activity has been eliminated from the government-wide financial statements using a net profit allocation method. The excess revenue

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

for the fund is allocated to the appropriate functional activity within governmental, business-type and component unit activities. The Internal Service Funds are included in governmental activities for government-wide reporting purposes. Inter-fund services that are provided and used are not eliminated in the process of consolidation. External revenues received are reported within governmental activities for government-wide reporting purposes.

Fiduciary Funds:

Agency Funds

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

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

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

C. Capital Assets and Long-Term Liabilities

Capital outlays are recorded as expenditures of the General, Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold of \$5,000 for land and equipment and \$25,000 for buildings, improvements and infrastructure are met. In accordance with GAAP, infrastructure has been capitalized retroactively to 1980. Depreciation is recorded on general capital assets on a governmental-wide basis using the straight-line method. The estimated useful lives are as follows:

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

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

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

Proprietary Funds

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

Depreciation of all exhaustible capital assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported as a contra-asset account on the Proprietary Funds' statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

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

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

D. Estimates

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

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Government-Wide Financial Statements

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

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Governmental Funds' Financial Statements

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related assets are recorded when susceptible to accrual, (i.e., both measurable and available to finance operations during the year.) Accordingly, real and personal property taxes are recorded as receivables when billed and recognized as revenues when available and collected, net of allowances for un-collectible amounts. As required by Virginia statute, property taxes not collected within 60 days after year end are reflected as deferred revenues - uncollected property taxes. Sales and utility taxes, which are collected by the State and public utilities and subsequently remitted to the County, are recognized as revenues and receivables when collected by the State and the utility (generally in the month preceding receipt by the County). Licenses, permits, and fines are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants used for the purpose of funding specific expenditures, are recognized when earned (i.e., fiscal year in which all eligibility requirements, including time requirements, if any, have been satisfied) or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies.

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

Proprietary Funds

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

Fiduciary Funds

Agency Funds utilize the accrual basis of accounting.

E. Budgets and Budgetary Accounting

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

The County adheres to the following procedures in establishing the budgetary data reflected in the supplementary financial information and schedules:

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 County Board of Supervisors (the "Board") a proposed operating budget for the fiscal year commencing July 1, which includes the proposed school budget. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. The Board will hold a public hearing on the total County budget (including Schools) and then adopt the County budget before the end of April. Prior to May 1, the budget is legally enacted through passage of a resolution. Prior to July 1, the Board approves the Appropriations Resolution (the "Resolution"). The Resolution places legal restrictions on expenditures at the function level.

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The County Manager is authorized to transfer budgeted amounts between departments within any fund; however, the Board must approve any revisions that alter the total budgeted amounts and/or appropriations of any fund. Although legal restrictions on expenditures are established at the function level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets.

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

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

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Fund and Capital Projects Fund. While appropriations lapse at the end of the fiscal year for the General Fund and Special Revenue Fund, the succeeding year's budget ordinance specifically provides for the re-appropriation of year-end encumbrances

H. Inventories and Prepaid Expenses

Proprietary Funds

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

I. Interest Costs

In accordance with GAAP, the cost of properties for the Water and Wastewater segment of the Enterprise Funds includes net interest costs incurred during the construction period on funds borrowed to finance the acquisition or construction of major facilities. For the year ended June 30, 2012, the Water and Sewer Enterprise Fund incurred interest costs of \$8,582,853, of which \$2,456,952 was capitalized.

J. Bond Issuance Costs

Bond issuance costs are deferred and amortized using the straight-line method over the term of the related bond issues. For the year ended June 30, 2012, the County had \$3,038,263 in unamortized bond issuance costs.

K. Accrued Compensated Absences

Annual leave is granted to all permanent County employees and certain permanent County School System ("School") employees. County and School employees can earn annual leave at the rate of 4 hours for every 80 standard hours worked up to a maximum of 9 hours for every 80 standard hours after 20 years of service. While there is no requirement that annual leave be taken, the maximum permissible accumulation is 468 hours for County employees and 52 days for School employees. Accumulated annual leave vests and the County is obligated to make payment even if the employee terminates. The current and non-current liability for unused and unpaid annual leave attributable to the County's Governmental Funds is recorded in the government-wide financial statements. The amounts attributable to the Proprietary Funds (Enterprise and Internal Service Funds) are charged to expense and corresponding liabilities established in the applicable Proprietary Funds.

County and School Board employees can earn sick leave at the rate of 4 hours for every 80 standard hours worked and 13 days per year, respectively, without limitation on accumulation. Sick leave is non-vesting with the exception of employees retiring from service. Retiring employees are vested at a rate of \$2.50 for every hour of sick leave earned with a maximum payment of \$5,000. In accordance with GAAP, the liability has been recorded using the termination payment method.

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

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

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

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

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

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by the governing body itself, or subordinate high-level body or official possessing such authority in accordance with government's policy. The expression of intent does not have to be made prior to year-end. The County's Board of Supervisors, County Manager and the Director of Finance have the authority to assign fund balances. The County Manager and the Director of Finance received authority to assign fund balances from the County's Board of Supervisors.

Unassigned fund balance is the residual fund balance amount for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes. Unassigned fund balance is only shown in the County's and School's General Fund balances.

Effective with the implementation of GAAP relating to unassigned fund balances, the County's previous policy related to "unreserved fund balance" was redefined to be a policy for "unassigned fund balance." Unassigned fund balance is maintained at a level of 15.0 percent of General Fund expenditures. The policy of maintaining this reserve is examined on an annual basis during the annual budget process.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Fund balances:				
Non-spendable				
Advance to Fund	\$ 112,500	\$ -	\$ -	\$ -
Restricted for:				
Road Construction	4,267,019	-	-	-
Imaging System Upgrades	265,025	-	-	-
Work Training Programs	-	86,752	-	-
Community Development	-	5,431,236	-	-
Drug Enforcement	-	2,680,056	-	-
Mental Health Programs	-	12,786,273	-	-
Social Service Programs	-	7,547,715	-	-
Committed to:				
Public Works	-	-	-	3,848,372
Technology Improvements	900,000	-	-	3,798,645
Building and Grounds	-	-	-	8,733,042
Road Maintenance	-	-	-	68,285,299
Community Development	6,400,000	-	-	1,226,876
Landfill Expansion	-	-	-	6,391,114
Public Safety Projects	-	-	-	24,916,503
Parks and Recreation	200,000	-	-	4,934,077
Judicial Administration	-	-	-	1,756,787
Libraries	-	-	-	13,357,706
Education Projects	2,500,000	-	-	75,369,807
Assigned to:				
Public Works	5,026,274	12,205,742	-	-
General Government	63,265,663	-	-	-
Capital projects	21,202,238	-	-	-
Debt Service	-	-	2,757,410	-
Unassigned	<u>109,597,163</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ 213,735,882</u>	<u>\$40,737,774</u>	<u>\$ 2,757,410</u>	<u>\$ 212,618,228</u>

Schools have restricted fund balance for various education program grants of \$5,276,149 in the Schools Special Revenue Fund. Schools also have committed fund balance in the Schools Capital Projects Fund of \$16,452,942 for various high school, middle school and elementary school construction and renovation projects. Schools also have \$7,290,728 in assigned fund balance and \$696,625 in unassigned fund balance in the Schools General Fund.

M. Statement of Cash Flows

The County has presented a statement of cash flows for the Proprietary Funds. For purposes of this statement, cash and cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and investments with original maturities of 90 days or less.

N. GASB Statement No. 20 Election

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

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O. New Accounting Pronouncements

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

P. Future Accounting Pronouncements

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by establishing recognition, measurement, and disclosure requirements for service concession arrangements for both transferors and governmental operators. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The objective of this Statement is to improve financial reporting for governmental entities by amending the requirements of GASB Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet user needs and address reporting entity issues. This Statement amends the criteria for blending and will improve the information presented about the financial reporting entity. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2013.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2014.

In March 2012, GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No.62*. This objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted for the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No.

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62. *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27.* This objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pension by State and Local Government Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures.* The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2015.

NOTE 2. DEPOSITS AND INVESTMENTS

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

The County maintains a cash and temporary investment pool that is available for use by all funds, except School Activity Agency Funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and temporary investments". In addition, cash and investments are separately held for several of the County's funds. Highly liquid investments with maturities of 90 days or less from date of purchase are considered cash equivalents. In accordance with GAAP, investments are shown at fair value except for commercial paper, banker's acceptances, Treasury and Agency obligations that have a remaining maturity at the time of purchase of one year or less, which are shown at amortized cost. As of June 30, 2012, the difference between amortized cost and the fair value of those securities held at amortized cost is immaterial to the basic financial statements. Fair value is based on quoted market prices, which are provided by the County's Investment Manager, Sterling Capital, as of June 30, 2012. The net increase in fair value of investments during the year ended June 30, 2012, was \$914,530. This amount takes into account all changes in fair value that occurred during the fiscal year.

Deposits - Bank

At June 30, 2012, the carrying value of the County's deposits with banks was \$126,371,993 and the bank balance was \$129,438,695. 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 \$4,527,820 and the bank balance was \$4,637,688. All of the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. The carrying amount of deposits for the James River Juvenile Detention Commission, a discretely presented component unit, was \$3,371,358, and the bank balance was

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\$3,371,358. All of the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Deposits – Fiscal Agent

At June 30, 2012, the County had deposits of \$10,612,534 with fiscal agents representing funds to meet debt service requirements in accordance with various bond resolutions and trust indentures. These deposits were collateralized in accordance with the provision of the Act.

Investments

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

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

U.S. Treasury Obligations (bills, notes and bonds)	100%
U.S. Government Agency Securities and Instrumentalities	70%
Banker's Acceptance (BA's)	40%
Money Market	40%
Certificates of Deposit (CD's) Commercial Banks	90%
Certificates of Deposit (CD's) Savings & Loan Associations	10%
Commercial Paper	35%
Local Government Investment Pool (maximum \$50 million)	75%
Municipal Bonds	70%

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

Primary Government

	Fair Value	Policy	Percent of Portfolio
Municipal Bonds	\$ 55,889,726	70%	10.70%
U.S Government Agencies	179,517,144	70%	34.38%
Commercial Paper	87,764,961	35%	16.81%
U.S. Government Money Market Funds	198,924,246	40%	38.10%
Total Investments	\$ 522,096,077		100.00%

Component Units

	Fair Value	Percent of Policy	Portfolio
Municipal Bonds	\$ 2,002,486	70%	15.87%
U.S Government Agencies	6,431,961	70%	50.97%
Commercial Paper	3,144,551	35%	24.92%
U.S. Government Money Market Funds	1,040,323	40%	8.24%
Total Investments	\$ 12,619,321		100.00%

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The County's portfolio manager, Sterling Capital, provided the day-to-day management of investments during fiscal year 2012. In addition, the County's contract with the portfolio manager requires that at the time funds are invested, collateral will be received and held in the County's name in the Trust Department of the County's independent third-party custodian, Branch Banking and Trust (BB&T) Bank. The County and its discretely presented component units' investments are subject to interest rate, credit and custodial risk as described below:

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

Credit Risk – State Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, obligations of any city, county, or town situated in one of the states of the United States, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, money market mutual funds and State Treasurers Local Government Investment Pool. During the fiscal year, the County made investments in obligations of the United States and agencies thereof, municipal bonds, commercial paper and money market funds. All investments were in compliance with the State Statutes governing investments of Public funds. The credit quality of obligations of U.S. government agencies held in the portfolio for the Federal National Mortgage Association (FNMA), the Federal Home Loan Banks (FHLB), and the Federal Home Loan Mortgage Corporation (FHLMC), received AAA ratings from Moody's and Standard & Poor's ratings ranged from AA+ to AAA. The credit quality of the municipal bonds held in the portfolio received ratings from Moody's and Standard & Poor's ranged from Aa3 to AAA. The commercial paper held in the portfolio received ratings from Moody's and Standard & Poor's of P-1 and A-1. The County used one money market mutual funds during the fiscal year, the State Non-Arbitrage Pool is rated AAAM by Standard and Poor's, and BB&T Collateralized Deposit Program for Virginia Public Depositors.

Custodial Risk – For an investment, custodial risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investment guidelines require that at the time funds are invested, collateral will be received and held in the County's name in the Trust Department of the County's independent third-party custodian, BB&T Bank.

As of June 30, 2012, the County had the following investments and maturities:

Primary Government

	<u>Investment Maturities (in years)</u>		
	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>
Municipal Bonds	\$ 55,889,726	\$ 32,860,699	\$ 23,029,027
U.S. Government Agencies	179,517,144	12,097,228	167,419,916
Commercial Paper	87,764,961	87,764,961	-
W&S Reserve	5,862,995	5,862,995	-
W&S Reserve-County	1,488,658	1,488,659	-
U.S. Government Money Market Funds	<u>191,572,593</u>	<u>191,572,593</u>	<u>-</u>
Total Investments	<u>\$ 522,096,077</u>	<u>\$ 331,647,134</u>	<u>\$ 190,448,943</u>
Total Deposits	126,371,993		
Total Held By Fiscal Agent	10,612,534		
Total Cash on Hand	112,182		
Total Deposits and Investments	<u>\$ 659,192,786</u>		

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Component Units:

School Board

	Investment Maturities (in years)		
	Fair Value	Less than 1 year	1-5 years
Municipal Bonds	\$ 2,002,486	\$ 1,177,374	\$ 825,112
U.S. Government Agencies	6,431,961	433,434	5,998,527
Commercial Paper	3,144,551	3,144,551	-
U.S. Government Money Market Funds	404,712	404,712	-
Total Investments	\$ 11,983,710	\$ 5,160,071	\$ 6,823,639
Total Deposits	4,527,820		
Total Cash on Hand	1,000		
Total Deposits and Investments	\$ 16,512,530		

James River Juvenile Detention Commission

	Investment Maturities (in years)		
	Fair Value	Less than 1 year	1-5 years
U.S. Government Money Market Funds	\$ 635,611	\$ 635,611	\$ -
Total Deposits	3,371,358		
Total Cash on Hand	500		
Total Deposits and Investments	\$ 4,007,469		
Total Deposit and Investments-Reporting Entity	\$ 679,712,785		

The School Activity Funds' cash of \$4,851,195 and Mental Health and Developmental Services Fund cash of \$45,278, not under the control of the Director of Finance, is not pooled with the Reporting Entity cash and investments, and therefore, is not included in the above presentation. These deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

NOTE 3. RECEIVABLES

Receivables at June 30, 2012 consist of the following:

Primary Government

	Governmental Activities		Business-Type Activities	
	General	Special Revenue	Enterprise Funds	Total
Receivables:				
Interest	\$ 1,031,947	\$ -	\$ -	\$ 1,031,947
Taxes	20,633,588	-	-	20,633,588
Accounts	1,170,102	3,444,779	22,004,279	26,619,160
Gross Receivables	22,835,637		22,004,279	48,284,695
Less: Allowances for Doubtful Accounts	8,036,039	724,591	283,900	9,044,530
Receivables, net	\$ 14,799,598	\$ 2,720,188	\$ 21,720,379	\$ 39,240,165

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Central Automotive Maintenance has a receivable of \$5,913 as of June 30, 2012 which is included on a government-wide basis. Long-term assets on a government-wide basis also include taxes receivable of \$7,488,659 that is not available to pay for current period expenditures and, therefore, are included in unearned revenues for the governmental funds. Tax revenue reported in the government-wide statements includes \$1,732,436 of revenue that does not provide current financial resources, and therefore, is not included in the governmental funds.

Component Units

<u>Receivables:</u>	<u>School Board</u>	<u>JRJDC</u>	<u>Total</u>
Intergovernmental	<u>\$ 14,333,720</u>	<u>\$ 85,591</u>	<u>\$ 14,419,311</u>

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

NOTE 4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in April and are payable in two installments on June 5th and December 5th. Installments due on June 5, 2012, are levied for fiscal year 2012 and installments due on December 5, 2012, are levied for fiscal year 2013. The County bills and collects its own property taxes. Property taxes levied are recorded as receivables, net of allowance for estimated uncollectible accounts, to the extent that they are currently due.

The Virginia General Assembly passed SB 4005, the Personal Property Tax Relief Act ("PPTRA") in April 1998. The bill provides for the State to reimburse a portion of the tangible Personal Property Tax levied on personal use cars, motorcycles and trucks. In 1998, the reimbursement was 12.5 percent of the tax on the first \$20,000 of the value of the qualifying vehicle. The reimbursement rate was 27.5 percent for tax year 1999, and increased to 47.5 percent for tax year 2000 and 70.0 percent for tax years 2001 through 2005. The reimbursement rate for 2006 and thereafter is determined by each locality based upon their share of the \$950 million allocated by the Commonwealth for personal property tax relief on qualifying vehicles. For tax year 2011, the State reimbursement receivable is reflected as a due from other governments. Revenue for the State reimbursement is recorded as non-categorical aid from the State. Localities will continue to assess and administer the Personal Property Tax Relief program.

NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units for Governmental Funds at June 30, 2012 include:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Commonwealth of Virginia:			
Non-categorical aid for:			
Local Sales and Use Tax	\$ 4,697,234	\$ -	\$ -
PPTRA	18,460,463	-	-
Rolling Stock Tax	28,058	-	-
State Recordation Fees	350,003	-	-
Richmond Center	2,656,800	-	-
Categorical aid for:			
Public Works	-	-	8,087
Public Safety	747,485	57,675	-
Social Services	1,154,627	648,782	-
Treasurer	2,375,766	-	-
Correction & Detention	598,820	49,682	-
Finance	1,480,480	-	-
Mental Health & Development Services	-	73,924	-
Circuit Court	141,505	-	-
Library	4,058	-	-
Commonwealth's Attorney	<u>154,197</u>	<u>12,329</u>	<u>-</u>
Total due from the Commonwealth of Virginia	<u>32,849,496</u>	<u>842,392</u>	<u>8,087</u>

COUNTY OF HENRICO, VIRGINIA
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**Federal Government:
Categorical aid:**

Work Training Grants (CATC)	-	973,247	-
Public Safety	-	1,096,246	-
Public Works	-	-	27,973
Correction & Detention	-	20,366	-
Commonwealth Attorney	-	3,475	-
Community Development Block Grant	-	<u>289,666</u>	<u>10,535</u>
Total due from the Federal government	-	<u>3,042,758</u>	<u>38,508</u>
Total due from other governmental units	<u>\$ 32,849,496</u>	<u>\$ 4,035,392</u>	<u>\$ 46,595</u>

Amounts due from other governmental units for the School Board Component Unit at June 30, 2012 include:

	<u>School Board</u>
Commonwealth of Virginia: Non-categorical aid for:	
State Sales and Use Tax	\$ 3,775,634
Categorical aid for:	
Education	<u>1,718,452</u>
Total due from the Commonwealth of Virginia	<u>5,494,086</u>
Federal Government Categorical Aid:	
Education	<u>8,839,634</u>
Total due from the Federal government	<u>8,839,634</u>
Total due from other governmental units	<u>\$ 14,333,720</u>

NOTE 6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2012 follows:

Governmental Activities	<u>Balance June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Capital Assets Not Being Depreciated:				
Land	\$ 345,619,959	\$ 11,952,936	\$ -	\$ 357,572,895
Construction in progress	<u>142,479,400</u>	<u>61,140,428</u>	<u>56,429,744</u>	<u>147,190,084</u>
Total Capital Assets Not Being Depreciated	<u>\$ 488,099,359</u>	<u>\$ 73,093,364</u>	<u>\$ 56,429,744</u>	<u>\$ 504,762,979</u>
Other Capital Assets:				
Buildings	\$ 737,694,016	\$ 21,527,453	\$ -	\$ 759,221,469
Infrastructure	571,140,473	32,197,927	-	603,338,400
Equipment	178,144,009	23,657,800	8,667,188	193,134,621
Improvements other than buildings	<u>50,373,920</u>	<u>5,016,823</u>	<u>168,991</u>	<u>55,221,752</u>
Total Other Capital Assets	<u>\$1,537,352,418</u>	<u>\$ 82,400,003</u>	<u>\$ 8,836,179</u>	<u>\$1,610,916,242</u>
Less Accumulated Depreciation for:				
Buildings	\$ (153,419,351)	\$ (14,939,484)	\$ -	\$ (168,358,835)
Infrastructure	(368,169,474)	(17,015,071)	-	(385,184,545)
Equipment	(117,348,896)	(20,087,381)	(7,739,317)	(129,696,960)
Improvements other than buildings	<u>(21,083,529)</u>	<u>(2,314,032)</u>	<u>(168,991)</u>	<u>(23,228,570)</u>
Total Accumulated Depreciation	<u>\$ (660,021,250)</u>	<u>\$ (54,355,968)</u>	<u>\$ (7,908,308)</u>	<u>\$ (706,468,910)</u>
Total Net of Depreciation	<u>\$1,365,430,527</u>	<u>\$ 101,137,399</u>	<u>\$ 57,357,615</u>	<u>\$1,409,210,311</u>

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Government activities capital assets net of accumulated depreciation at June 30, 2012 are comprised of the following:

General Capital Assets, Net	\$1,409,210,311
Internal Service Fund Capital Assets, Net	<u>(13,271,788)</u>
Combined Adjustment	<u>\$1,395,938,523</u>

Depreciation for the fiscal year ended June 30, 2012 was charged to governmental functions as follows:

General Government Administration	\$ 8,498,839
Judicial Administration	92,763
Public Safety	7,429,721
Public Works	23,523,351
Education	9,932,430
Health and Welfare	269,808
Parks and Recreation	4,424,749
Community Development	184,307
Total Depreciation	<u>\$ 54,355,968</u>
Internal Service Fund Depreciation	<u>(2,010,333)</u>
Combined Adjustment	<u>\$ 52,345,635</u>

Business Type Activities

<u>Water and Sewer:</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital Assets Not Being Depreciated:				
Land	\$ 16,990,313	\$ -	\$ -	\$ 16,990,313
Construction in progress	80,108,001	39,533,171	64,528,046	55,113,126
Total Capital Assets Not Being Depreciated	<u>\$ 97,098,314</u>	<u>\$ 39,533,171</u>	<u>\$ 64,528,046</u>	<u>\$ 72,103,349</u>
Other Capital Assets:				
Buildings	\$ 332,501,333	\$ 28,641,893	\$ 3,509,726	\$ 357,633,500
Equipment	115,260,141	821,973	477,734	115,604,380
Improvements	1,426,652	-	-	1,426,652
Infrastructure	951,190,506	42,539,044	952,710	992,776,840
Total Other Capital Assets	<u>\$ 1,400,378,632</u>	<u>\$ 72,002,910</u>	<u>\$ 4,940,170</u>	<u>\$ 1,467,441,372</u>
Less Accumulated Depreciation for:				
Buildings	\$ (86,739,226)	\$ (6,747,473)	\$ (1,738,578)	\$ (91,748,121)
Equipment	(59,557,965)	(7,843,665)	(439,790)	(66,961,840)
Improvements	(918,825)	(39,671)	-	(958,496)
Infrastructure	<u>(255,768,885)</u>	<u>(14,553,395)</u>	<u>(191,538)</u>	<u>(270,130,742)</u>
Total Accumulated Depreciation	<u>\$ (402,984,901)</u>	<u>\$ (29,184,204)</u>	<u>\$ (2,369,906)</u>	<u>\$ (429,799,199)</u>
Total Net of Depreciation	<u>\$ 1,094,492,045</u>	<u>\$ 82,351,877</u>	<u>\$ 67,098,310</u>	<u>\$ 1,109,745,612</u>
<u>Belmont Park Golf Course:</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital Assets Not Being Depreciated:				
Land	\$ 250,491	\$ -	\$ -	\$ 250,491
Total Capital Assets Not Being Depreciated	<u>\$ 250,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,491</u>
Other Capital Assets:				
Buildings	\$ 1,907,587	\$ -	\$ -	\$ 1,907,587
Equipment	923,275	14,300	65,126	872,449
Improvements	<u>2,341,902</u>	<u>-</u>	<u>-</u>	<u>2,341,902</u>
Total Other Capital Assets	<u>\$ 5,172,764</u>	<u>\$ 14,300</u>	<u>\$ 65,126</u>	<u>\$ 5,121,938</u>
Less Accumulated Depreciation for:				
Buildings	\$ (863,686)	\$ (30,365)	\$ -	\$ (894,052)
Equipment	(534,813)	(46,321)	(54,861)	(526,272)
Improvements	<u>(2,146,952)</u>	<u>(36,429)</u>	<u>-</u>	<u>(2,183,381)</u>
Total Accumulated Depreciation	<u>\$ (3,545,451)</u>	<u>\$ (113,115)</u>	<u>\$ (54,861)</u>	<u>\$ (3,603,705)</u>
Total Net of Depreciation	<u>\$ 1,877,804</u>	<u>\$ (98,815)</u>	<u>\$ 10,265</u>	<u>\$ 1,768,724</u>

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Component Units

<u>School Board:</u>	<u>Balance June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Capital Assets Not Being Depreciated:				
Land	\$ 41,897,236	\$ -	\$ -	\$ 41,897,236
Construction in progress	16,219,945	7,711,447	9,354,159	14,577,233
Total Capital Assets Not Being Depreciated	<u>\$ 58,117,181</u>	<u>\$ 7,711,447</u>	<u>\$ 9,354,159</u>	<u>\$ 56,474,469</u>
Other Capital Assets:				
Buildings	\$ 252,687,728	\$ 11,488,436	\$ -	\$ 264,176,164
Equipment	122,664,602	7,967,769	328,159	130,304,212
Improvements	26,831,075	1,088,788	113,743	27,806,120
Total Other Capital Assets	<u>\$ 402,183,405</u>	<u>\$ 20,544,933</u>	<u>\$ 441,902</u>	<u>\$ 422,286,496</u>
Accumulated Depreciation	<u>(219,610,961)</u>	<u>(20,516,017)</u>	<u>(418,897)</u>	<u>(239,708,081)</u>
Total Net of Depreciation	<u>\$ 240,689,625</u>	<u>\$ 7,740,423</u>	<u>\$ 9,377,164</u>	<u>\$ 239,052,884</u>

All depreciation for the fiscal year ended June 30, 2012 was charged to the education function.

<u>James River Juvenile Detention Center:</u>	<u>Balance June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Capital Assets Not Being Depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Other Capital Assets:				
Building	\$ 9,243,433	\$ -	\$ -	\$ 9,243,433
Improvements	237,874	-	-	237,874
Equipment	241,875	272,895	38,167	476,603
Total Other Capital Assets	<u>\$ 9,753,182</u>	<u>\$ 272,895</u>	<u>\$ 38,167</u>	<u>\$ 9,987,910</u>
Accumulated Depreciation	<u>(2,681,222)</u>	<u>(253,646)</u>	<u>\$ (38,167)</u>	<u>(2,896,701)</u>
Total Net of Depreciation	<u>\$ 7,071,960</u>	<u>\$ 19,249</u>	<u>\$ -</u>	<u>\$ 7,091,209</u>

NOTE 7. LONG-TERM DEBT

Governmental Activities

The following is a summary of the changes in the total long-term liabilities for the year ended June 30, 2012:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
General obligation (GO) bonds	\$ 461,425,000	\$ 66,075,000	\$ 30,430,000	\$ 497,070,000
Capital lease obligations	35,902,455	1,222,515	2,113,334	35,011,636
Accrued claims payable	24,157,204	10,651,436	10,589,167	24,212,473
Accrued compensated absences	18,409,261	19,273,161	18,081,456	19,600,966
Pension liabilities	3,393,092	51,361	-	3,444,453
Landfill post-closure costs	<u>9,328,726</u>	<u>-</u>	<u>206,043</u>	<u>9,122,683</u>
Total	<u>\$ 552,615,738</u>	<u>\$ 97,273,473</u>	<u>\$ 61,420,000</u>	<u>\$ 588,462,211</u>
Premium on bonds	<u>32,933,769</u>	<u>7,884,659</u>	<u>4,106,869</u>	<u>36,711,559</u>
Total long-term debt	<u>\$ 585,549,507</u>			<u>\$ 625,173,770</u>
Current maturities	<u>(64,819,207)</u>			<u>(68,465,142)</u>
Net long-term liabilities	<u>\$ 520,730,300</u>			<u>\$ 556,708,628</u>

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The current maturity of long-term liabilities at June 30, 2012 consists of the following:

General obligation bonds	\$ 35,030,000
Capital lease obligations	3,477,743
Accrued claims payable	10,503,966
Accrued compensated absences	19,251,941
Landfill post-closure costs	<u>201,492</u>
Total current maturities	<u>\$ 68,465,142</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, 2012 were:

Long-term liabilities (detail above)	\$ 625,173,770
Internal Service Fund long-term liabilities	<u>(8,390,518)</u>
Combined adjustment	<u>\$ 616,783,252</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 \$674,547, which represents the change in accrued interest on bonds payable as of June 30, 2012.

In November 2000 and March 2005, the County’s voters authorized the issuance of general obligation bonds. In 2000, voters authorized \$237,000,000, of which \$236,948,800 has been issued as of June 30, 2009. In 2005, voters authorized an additional \$349,300,000 in bonds, of which \$196,199,909 has been issued as of June 30, 2010. The County plans to issue the remaining bonds in future fiscal years.

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

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

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

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

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

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

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

On May 13, 2009, the County sold \$33,785,000 General Obligation Public Improvement Refunding Bonds – Series 2009 to advance refund, \$20,010,000 of the County’s Series 2001 General Obligation Public Improvement Bonds and \$13,320,000 of the County’s Series 2002 General Obligation Public Improvement Bonds. The interest rate on the 2009 bond issue is between 2 percent and 5 percent and the final maturity will occur on March 1, 2022. The principal payments range from \$100,000 to \$3,110,000. The County reduced its aggregate debt service payments by approximately \$ 1.8 million over the next 13 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$5.23 million. The proceeds of the 2009 Refunding Issue were deposited in a trust fund and were used to purchase U.S. Government Obligations that will mature and bear interest payable at times and in amounts sufficient to pay interest when due on the Refunded Bonds to their respective redemption dates and to pay the redemption prices of the Refunded Bonds on such dates. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (of which \$0 remained outstanding at June 30, 2012) nor the assets placed in the trust fund are reflected in the County’s financial statements.

On May 3, 2010, the County sold \$119,735,000 General Obligation Public Improvement Refunding Bonds – Series 2010 to refund, prior to maturity, portions of the following bonds: General Obligation Public Improvement Bonds Series 2004, 2005, 2006, 2008 and 2008A and General Obligation Public Improvement and Refunding Bonds Series 2003. The interest rate on the 2010 bond issue is between 3 percent and 5 percent and the final maturity will occur on July 15, 2025. The principal payments range from \$475,000 to \$18,040,000. The County reduced its aggregate debt service payments by approximately \$3.9 million over the next 15 years and obtained an economic gain of (difference between the present value of the old and new debt service payments) of \$6.5 million. The proceeds of the 2010 Refunding Issue were deposited in a trust fund and were used to purchase U. S. Government Obligations that will mature and bear interest payable at times and in amounts sufficient to pay interest when due on the Refunded Bonds to their respective redemption dates and to pay the redemption prices of the Refunded Bonds on such dates. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (of which \$121,865,000 remained outstanding at June 30, 2012) nor the assets placed in the trust fund are reflected in the County’s financial statements.

On July 20, 2010, the County sold General Obligation Public Improvement Bonds, Series 2010A in the aggregate principal amount of \$72,205,000. The proceeds of the Bonds will be used to finance capital school improvement projects, library facilities, fire stations, recreation and park facilities improvements and various road projects in the County, pursuant to the voter authorizations at elections held in the County on March 8, 2005. The Bonds mature on August 1st in each of the years 2011 through 2030. The interest rate ranges from 2 percent to 5 percent.

On September 1, 2011, the County sold General Obligation Public Improvement Bonds, Series 2011 in the aggregate principal amount of \$66,075,000. The proceeds of the Bonds will be used to finance capital school improvement projects, library facilities, fire stations, recreation and park facilities improvements and various road projects in the County, pursuant to the voter authorizations at elections held in the County on March 8, 2005. The Bonds mature on August 1st in each of the years 2012 through 2031. The interest rate ranges from 2 percent to 5 percent.

As of June 30, 2012, the County’s bonds are subject to the provisions of the Internal Revenue Service Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The County has recorded an estimated arbitrage rebate liability in the Governmental activities of \$288,734 at June 30, 2012. The Water and Sewer Fund has recorded an estimated arbitrage rebate liability of \$1,307,731 at June 30, 2012.

COUNTY OF HENRICO, VIRGINIA
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General Obligation Bonds

Details of general obligation bonds for the County at June 30, 2012 are as follows:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance</u>
VPSA 1996 Bonds	5.00-6.00	11/01/96	07/15/16	\$ 30,595,000	\$ 7,645,000
VPSA 1999A Bonds	4.35-5.23	05/01/99	07/15/19	35,740,000	14,280,000
VPSA 2000 Bonds	5.00-6.25	05/01/00	07/15/20	15,215,000	6,840,000
VPSA 2008 Bonds	4.00-5.00	07/02/08	07/15/28	44,440,000	37,765,000
2003 G.O. Bonds	2.00-5.00	01/15/03	01/15/23	107,545,000	5,755,000
2004 G.O. Bonds	4.00-5.25	05/15/04	07/15/24	38,920,000	5,835,000
2005 G.O. Bonds	3.25-5.00	08/17/05	07/15/25	77,815,000	35,010,000
2006 G.O. Bonds	4.00-5.00	11/15/06	12/01/26	71,915,000	35,950,000
2008 G.O. Bonds	3.25-5.00	1/31/08	12/01/27	29,810,000	17,890,000
2008A G.O. Bonds	3.50-5.00	11/14/08	12/01/28	93,090,000	45,195,000
2009 G.O. Bonds	2.00-5.00	05/13/09	03/01/22	33,785,000	30,975,000
2010 G.O. Bonds	3.00-5.00	05/27/10	07/15/25	119,735,000	119,260,000
2010A G.O. Bonds	2.00-5.00	07/20/10	08/01/30	72,205,000	68,595,000
2011 G.O. Bonds	2.00-5.00	09/01/11	08/01/31	66,075,000	<u>66,075,000</u>
TOTAL					<u>\$ 497,070,000</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>
2013	\$35,030,000	\$21,420,009
2014	36,065,000	19,926,843
2015	34,415,000	18,478,899
2016	34,410,000	16,951,115
2017	34,375,000	15,366,808
2018-2022	158,245,000	53,701,819
2023-2027	118,340,000	21,416,400
2028-2031	<u>46,190,000</u>	<u>3,273,869</u>
TOTAL	<u>\$ 497,070,000</u>	<u>\$ 170,535,762</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. The County has no sinking fund or legal debt margin requirements. All general obligation bonds, except VPSA bonds, have been authorized by public referendum. The VPSA bonds have been issued by the adoption of a resolution by the County Board of Supervisors. The County is independent of any city, town or other political jurisdiction; therefore, there is no overlapping debt or taxing power.

COUNTY OF HENRICO, VIRGINIA
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Business-Type Activities

A summary of the Water and Sewer Fund ("Fund") and the Belmont Park Golf Course, long-term debt and the individual components of long-term debt at June 30, 2012 are as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Water and Sewer Revenue Bonds:				
2002 Refunding Bonds – 17,345,000 3.0% to 4.625%	\$ 2,515,000	\$ -	\$ 1,285,000	\$ 1,230,000
2006 Revenue and Refunding Bonds - \$86,265,000, 4.25% to 5.00%	76,485,000	-	2,170,000	74,315,000
2009 Refunding Bonds - \$70,360,000, 2.25% to 5.00%	64,745,000	-	4,615,000	60,130,000
2010 Refunding Bonds - \$22,915,000, 2.25% to 5.00%	22,915,000	-	-	22,915,000
2010 Build America Bonds - \$9,800,000, 2.25% to 5.00%	<u>9,800,000</u>	<u>-</u>	<u>-</u>	<u>9,800,000</u>
Total bonds payable	<u>\$ 176,460,000</u>	<u>\$ -</u>	<u>\$ 8,070,000</u>	<u>\$ 168,390,000</u>
Other Liabilities:				
Capital lease obligations	\$ 16,110	\$ 14,160	\$ 9,708	\$ 20,562
Accrued compensated absences	1,132,070	1,095,539	992,427	1,235,182
Pension liabilities	<u>238,422</u>	<u>3,609</u>	<u>-</u>	<u>242,031</u>
Total long-term liabilities	<u>\$ 177,846,602</u>	<u>\$ 1,113,308</u>	<u>\$ 9,072,135</u>	<u>\$ 169,887,775</u>
Premium on bonds payable	<u>4,833,222</u>	<u>-</u>	<u>356,578</u>	<u>4,476,644</u>
Total long-term debt	<u>\$ 182,679,824</u>			<u>\$ 174,364,419</u>
Current maturities	<u>(9,518,880)</u>			<u>(9,657,464)</u>
Net long-term liabilities	<u>\$ 173,160,944</u>			<u>\$ 164,706,955</u>

Current maturities of long-term debt at June 30, 2012, consist of the following:

Revenue bonds	\$ 8,565,000
Capital lease obligations	9,597
Accrued compensated absences	1,082,867
Total current maturities	<u>\$ 9,657,464</u>

In prior years, the County defeased certain Water and Sewer Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not reflected in the County's financial statements. At June 30, 2012, \$57,610,000 of Water and Sewer System Revenue Bonds, which were considered defeased, remained outstanding.

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

- One-half of the net operating revenues of the Fund, as defined, during any 24 consecutive months out of the 30 months immediately preceding the issuance of the additional bonds, shall have been not less than 1.25 times the maximum annual debt service requirement on all bonds then outstanding and the proposed additional bonds; and the
- Net operating revenues of the Fund, as defined, during the first full fiscal year following the date upon which the project or undertaking for which the proposed additional bonds are being issued is anticipated to be completed, shall be estimated by a nationally recognized consulting engineer to be not less than 2.18 times the annual debt service requirement on account of all bonds then outstanding and the proposed additional bonds.

COUNTY OF HENRICO, VIRGINIA
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Net operating revenues were 2.18 times the annual debt service requirements for the year ended June 30, 2012.

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

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

On February 19, 2009, the County issued \$70,360,000 of Water and Sewer Refunding Bonds to refund the entire outstanding balance of the 1999 bond series. The interest rate on these bonds is between 2.25% and 5% and the final maturity will occur on May 1, 2028. The principal payments range from \$315,000 to \$5,065,000. The advance refunding resulted in the recognition of an accounting gain of \$2,150,208 for the year ended June 30, 2010. The Fund reduced its aggregate debt service payments by approximately \$5,650,606 over the next 20 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$5,406,608. The interest due on the bonds as of July 1 has been accrued as of June 30, in accordance with the related covenants. Cash has been restricted for these accruals. In addition, net assets have been restricted and cash has been restricted in an amount equal to the maximum annual debt service requirement for the bonds.

On December 22, 2009, the County issued \$22,915,000 of Water and Sewer Refunding Bonds to refund the entire outstanding balance of the Variable Rate Series 1997 VRA Bonds. The interest rate on these bonds is between 2% and 5% and the final maturity will occur on May 1, 2028. The principal payments range from \$1,175,000 to \$2,050,000. The Water and Sewer Revenue Fund reduced its aggregate debt service payments by \$44,418,268 over the next 20 years.

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

Principal and interest payment on the Bonds for the five fiscal years subsequent to June 30, 2012 and thereafter follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 8,565,000	\$ 7,950,628
2014	7,815,000	7,588,991
2015	5,700,000	7,351,053
2016	5,980,000	7,078,003
2017	6,190,000	6,865,066
2018-2022	35,075,000	30,183,240
2023-2027	44,495,000	20,738,995
2028-2032	30,270,000	10,508,965
2033-2036	<u>24,300,000</u>	<u>2,887,368</u>
Total	<u>\$ 168,390,000</u>	<u>\$ 101,152,309</u>

COUNTY OF HENRICO, VIRGINIA
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JUNE 30, 2012

Component Units

School Board:

The Board of Supervisors has authorized the School Board to borrow funds from the Literary Fund of the Commonwealth of Virginia (the "Literary Fund") to finance repairs to eligible educational facilities. For each facility qualifying for a loan, the School Board borrowed funds from the Literary Fund in the form of a demand note with interest ranging from 3.00 percent to 5.00 percent with maturities through May 1, 2009, to cover the repair costs incurred. Once the repair of a facility has been completed, the demand note was converted into a 20-year note payable with annual installments due on the anniversary date of the note. There were no outstanding Literary Fund loans at June 30, 2012.

The School Board's outstanding debt as of June 30, 2012 is as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Capital lease obligations	\$ 21,698,861	\$ 56,595	\$ 10,149,404	\$ 11,606,052
Accrued claims payable	5,197,181	3,504,739	2,671,096	6,030,824
Accrued compensated absences	<u>5,410,431</u>	<u>4,659,486</u>	<u>4,397,348</u>	<u>5,672,569</u>
Total School Board Current Maturities	\$ 32,306,473 <u>(17,623,150)</u>	\$ 8,220,820	\$ 17,217,848	\$ 23,309,445 <u>(16,005,944)</u>
Net long-term liabilities	<u>\$ 14,683,323</u>			<u>\$ 7,303,501</u>

Current maturities of long-term debt at June 30, 2012, consist of the following:

Capital lease obligations	\$ 8,295,994
Accrued claims payable	3,099,548
Accrued compensated absences	<u>4,610,402</u>
Total current maturities	<u>\$ 16,005,944</u>

James River Juvenile Detention Commission:

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

JRJDC's outstanding debt as of June 30, 2012 is as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Facility revenue bond	\$ 2,960,000	\$ -	\$ 535,000	\$ 2,425,000
Capital lease obligations	5,963	-	2,057	3,906
Accrued compensated absences	<u>130,020</u>	<u>208,629</u>	<u>186,218</u>	<u>152,431</u>
Total JRJDC	\$ 3,095,983	\$ 208,629	\$ 723,275	2,581,337
Current Maturities	<u>(667,077)</u>			<u>(719,940)</u>
Net long-term liabilities	<u>\$ 2,428,906</u>			<u>\$ 1,861,397</u>

Current maturities of long-term debt at June 30, 2012, consist of the following:

Revenue bonds	\$ 565,000
Capital lease obligations	2,509
Accrued compensated absences	152,431
Total current maturities	<u>\$ 719,940</u>

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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Principal and interest payments for future fiscal years subsequent to June 30, 2011 are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 565,000	\$ 106,878
2014	590,000	78,106
2015	620,000	47,964
2016	<u>650,000</u>	<u>16,327</u>
Total	<u>\$ 2,425,000</u>	<u>\$ 249,275</u>

Capital Leases

The County has entered into agreements for the leasing of buildings, computer hardware, automotive vehicles and equipment. These leases meet the criteria of a capital lease as defined by GAAP, which states a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. As such, \$22,051,136 of equipment and \$36,425,000 of buildings has been capitalized as of June 30, 2012. The acquisition of capital assets through capital lease obligations is reflected as expenditure and other financing source in the General or Capital Projects Funds when the obligations are incurred. Payments to satisfy capital lease obligations are recorded as debt service expenditure in the General or Debt Service Funds when the cash outlays are made. Capital assets capitalized under these lease agreements are pledged as collateral on the obligations.

The County and the Economic Development Authority of the County of Henrico, Virginia (“EDA” or “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. Also, on October 1, 1999, the County entered into a \$39,605,000 Public Facility lease Revenue Refunding Bond agreement with the EDA. These bonds were sold November 1, 1999.

The bond proceeds along with \$27,743,200 from the Commonwealth of Virginia were used to refund the EDA’s Public Facility Lease Revenue Bond (Henrico County Regional Jail Project) series 1994, in the aggregate outstanding principal amount of \$62,695,000 maturing through 2021. The proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be paid and the liability has been removed from the County’s financial statements. This advanced refunding was undertaken to reduce the total debt service payments over 22 years by \$5,525,405 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$1,623,790.

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

The Schools have entered into agreements for the leasing of computer hardware and equipment. These leases meet the criteria of a capital lease as defined by GAAP. As such, \$11,606,052 of equipment and has been capitalized as of June 30, 2012.

COUNTY OF HENRICO, VIRGINIA
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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>
2013	\$ 394,913	\$ 4,482,775	\$ 8,314,778	\$ 13,192,466
2014	371,401	4,947,150	3,301,530	8,620,081
2015	321,948	4,951,675	9,997	5,283,620
2016	226,642	4,950,650	-	5,177,292
2017	109,155	4,965,250	-	5,074,405
2018-2022	<u>-</u>	<u>16,527,887</u>	<u>-</u>	<u>16,527,887</u>
Total minimum lease payments	\$ 1,424,059	\$ 40,825,387	\$ 11,626,305	\$ 53,875,751
Less amount representing interest	<u>97,423</u>	<u>7,140,387</u>	<u>20,253</u>	<u>7,258,063</u>
Present value of future minimum lease payments	<u>\$ 1,326,636</u>	<u>\$ 33,685,000</u>	<u>\$ 11,606,052</u>	<u>\$ 46,617,688</u>

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

<u>Years</u>	<u>Equipment Lease Obligations</u>
2013	\$ 3,056
2014	<u>1,456</u>
Total minimum lease payments	4,512
Less amount representing interest	<u>606</u>
Present value of future minimum lease payments	<u>\$ 3,906</u>

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

<u>Years</u>	<u>Equipment Lease Obligations</u>
2013	\$ 13,072
2014	4,802
2015	4,802
2016	<u>1,978</u>
Total minimum lease payments	24,654
Less amount representing interest	<u>4,092</u>
Present value of future minimum lease payments	<u>\$ 20,562</u>

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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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 \$8,032,523 for these cases and potential counterclaims where the County is the plaintiff. It is probable that approximately \$1,605,000 of these claims will result in an unfavorable outcome for the County. These claims are covered under the County's self-insurance program as discussed in note 8C. The County intends to defend its position in these claims vigorously. It is the opinion of County management, based on the advice of the County Attorney, that any losses incurred as a result of claims existing as of June 30, 2012 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, 2012 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, will not be material to the County's financial statements.

C. Risk Management

The County and School Board maintain a self-insurance program ("Program") for workers' compensation claims, certain property and casualty risks, health care and other claims. Insurance carriers cover workers' compensation claims in excess of \$850,000 per occurrence. VaCOR, through the Travelers Insurance Company, covers property claims in excess of \$1,000,000 per occurrence. VaCOR, through Genesis Insurance Company covers liability claims between \$2,000,000 and \$7,000,000 per occurrence. The County's estimated and recorded liability for claims payable at June 30, 2012 includes actuarial estimates of probable losses on claims received and claims incurred but not reported. The liability also includes non-incremental claims adjustment expenses. The County has recorded expenditures of \$809,027 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, 2012, that are expected to be liquidated with current resources. The amount of settlements has not exceeded insurance coverage in each of the past three years.

Effective January 1, 2008, the County began participating in a self-funded health care program covering medical and prescription drug costs. The County pays all covered claims up to \$500,000 per individual per year. Individual claims that exceed \$500,000 per year are covered by specific excess risk insurance. Additionally, claims in the aggregate that exceed 125% of projected claims for the year are covered by aggregate excess risk insurance. The carrier of the excess risk policy is Coventry Health and Life Insurance Company. The County has recorded \$8,071,000 for health care claims incurred but not reported in the Health Care Fund at June 30, 2012.

In addition, the County has recorded \$16,141,473 for the County and \$6,030,824 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, 2012 that are not expected to be liquidated with current resources. Also, the County has assigned \$10,000,000 of the June 30, 2012 General Fund's Fund balance as a self-insurance reserve.

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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At June 30, 2012, the County and Schools had an outstanding claims liability as follows:

	<u>FY 2012</u>		<u>FY 2011</u>	
	<u>County</u>	<u>Schools</u>	<u>County</u>	<u>Schools</u>
Balance, July 1	\$ 24,157,204	\$ 5,197,181	\$ 22,279,822	\$ 5,277,573
Current year claims and changes in estimates	10,644,436	3,504,739	14,605,668	2,024,535
Claim payments	<u>(10,589,167)</u>	<u>(2,671,096)</u>	<u>(12,728,286)</u>	<u>(2,104,927)</u>
Balance, June 30	<u>\$ 24,212,473</u>	<u>\$ 6,030,824</u>	<u>\$ 24,157,204</u>	<u>\$ 5,197,181</u>

D. Commitments

At June 30, 2012, the County had contractual commitments for the construction of various projects as follows:

	<u>Primary Government</u>	<u>Component Unit-Schools</u>
Capital Projects Funds:		
Computer and Technology Improvements	\$ 3,798,645	\$ -
Buildings and Grounds	8,733,042	-
Road Maintenance and Drainage	68,276,649	-
Community Development	1,226,876	-
Landfill Expansion and Development	6,391,116	-
Public Safety Projects	14,455,854	-
Parks and Recreation	4,934,077	-
Judicial Administration	1,756,787	-
Libraries	13,357,705	-
Other Projects	20,623,172	-
Education Projects	69,055,655	16,452,942
Total	<u>\$ 212,609,578</u>	<u>\$ 16,452,952</u>
Enterprise Funds:		
Wastewater Treatment Projects	\$ 15,297,880	
Water Plant Projects	52,351,838	
Computer and Information Systems	695,146	
Total	<u>\$ 68,344,864</u>	

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 \$2,269,373 for fiscal year 2012.

At June 30, 2012, 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>	
2013	\$ 2,315,629	\$ 578	\$ 425,019	\$ 9,523	\$ 2,750,749
2014	2,185,533	579	348,997	9,523	2,544,632
2015	1,777,048	193	237,246	2,993	2,017,480
2016	1,583,712	-	241,925	-	1,825,637
2017	1,198,302	-	222,769	-	1,421,071
2018-2022	1,777,393	-	-	-	1,777,393
2023	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21</u>
Total	<u>\$10,837,638</u>	<u>\$ 1,350</u>	<u>\$1,475,956</u>	<u>\$ 22,039</u>	<u>\$12,336,983</u>

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

F. Capital Asset Leasing

The County is the lessor of real estate and other equipment under various operating lease agreements for periods ranging from one to fifty years. The cost and accumulated depreciation on leased property at June 30, 2012, was \$8,359,522 and \$308,749, respectively.

At June 30, 2012, minimum rentals receivable for these existing leases were as follows:

<u>Years</u>	<u>Total</u>
2013	\$ 614,127
2014	491,789
2015	385,074
2016	329,292
2017	269,903
2018-2022	869,253
2023-2027	332,278
2028-2032	<u>369,625</u>
Total	<u>\$3,661,341</u>

The Water and Sewer Fund is the lessor of real estate and other equipment under various operating lease agreements for periods ranging from one to thirty years. The cost and accumulated depreciation on leased property at June 30, 2012, was \$4,425,486 and \$926,286, respectively.

COUNTY OF HENRICO, VIRGINIA
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At June 30, 2012, minimum rentals receivable for these existing leases were as follows:

<u>Years</u>	<u>Total</u>
2013	\$ 53,128
2014	31,967
2015	35,776
2016	36,044
2017	36,130
2018-2022	115,822
2023-2027	<u>56,734</u>
Total	<u>\$ 365,601</u>

The School Board is the lessor of real estate under an operating lease agreement for a period of twenty-five years. The cost of the leased property at June 30, 2012, was \$2,977,811.

At June 30, 2012, minimum rentals receivable for these existing leases were as follows:

<u>Years</u>	<u>Total</u>
2013	\$ 18,587
2014	19,144
2015	19,718
2016	20,310
2017	20,919
2018-2022	109,363
2023-2027	132,614
2028-2032	<u>291,034</u>
Total	<u>\$ 631,689</u>

G. Contingent Liabilities

Capital Region Airport Commission

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

Environmental Risk

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

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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NOTE 9. DEFINED BENEFIT PENSION PLAN – AGENT MULTIPLE-EMPLOYER

A. Plan Description

The County and School Board Non-Professional Group contribute to an agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System (“VRS”). All full-time, salaried permanent employees must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (“AFC”) for each year of credited service (1.85 percent to Sheriffs and if the employer elects, to other employees in hazardous positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2011-Annual-Report.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual salary to the VRS. The employer may assume this 5 percent member contribution, which the County has done. In addition, the County and School Board Non-Professional Group are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board Non-Professional Group’s contribution rates for the fiscal year ended 2012 were 12.16 percent and 16.95 percent, respectively, of annual covered payroll.

C. Annual Pension Cost

For 2012, the County annual pension cost of \$37,635,742 was not equal to the required and actual contributions; the School Board Non-Professional Group’s cost of \$127,028 was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return, (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year for general government employees and 3.50 percent to 4.75 percent for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) 2.5 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5 percent. The actuarial value of the County and School Board Non-Professional assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NET PENSION OBLIGATION (NPO)

Annual Required Contribution (ARC)	\$ 37,580,772
Interest on NPO	254,206
Adjustment to the ARC	<u>(199,236)</u>
Annual Pension Cost	37,635,742
Contributions made	<u>(37,580,772)</u>
Increase in NPO	54,970
NPO beginning of year	<u>3,631,514</u>
NPO end of year	<u>\$ 3,686,484</u>

The Net Pension Obligation at June 30, 2012 consists of \$3,444,453 for Governmental Activities and \$242,031 for Business-Type Activities as presented in Note 7.

TREND INFORMATION FOR COUNTY

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
June 30, 2010	\$24,465,833	99.9%	\$ 3,613,813
June 30, 2011	\$37,374,749	99.9%	\$ 3,631,514
June 30, 2012	\$37,635,742	99.9%	\$ 3,686,484

TREND INFORMATION FOR SCHOOL BOARD NON-PROFESSIONAL

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
June 30, 2010	\$ 448,307	100.00%	\$ 0
June 30, 2011	\$ 106,615	100.00%	\$ 0
June 30, 2012	\$ 127,028	100.00%	\$ 0

D. **Funded Status and Funding Progress**

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

COUNTY OF HENRICO, VIRGINIA
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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, 2009	\$786,485,788	\$970,994,237	\$184,508,449	81.00%	\$223,675,627	82.49%
June 30, 2010	\$796,236,438	\$1,070,264,240	\$274,027,802	74.40%	\$221,394,928	123.77%
June 30, 2011	\$818,539,851	\$1,115,413,687	\$296,873,836	73.38%	\$217,173,997	136.70%

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, 2009	\$6,211,508	\$9,715,734	\$ 3,504,226	63.93%	\$ 2,439,176	143.66%
June 30, 2010	\$6,165,206	\$7,347,070	\$ 1,181,864	83.91%	\$ 593,051	199.29%
June 30, 2011	\$5,729,701	\$8,930,153	\$ 3,200,452	64.16%	\$ 551,917	579.88%

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

A. Plan Description

The School Board contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the “VRS”). All full-time, salaried permanent employees must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (‘AFC’) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2011-Annual-Report.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual salary to the VRS. The employer may assume this 5 percent member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia (1950) and approved by the VRS Board of Trustees. The School Board’s contribution rate for the fiscal year ended 2012 was 6.33 percent of covered payroll for the first nine months of the fiscal year and zero for the last three months. The School Board’s contributions to VRS for the years ending 2012, 2011, and 2010 were \$26,519,992, \$20,491,886, and \$14,532,319, respectively, and are equal to the required contributions for each year.

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

Plan Provisions

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

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

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

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

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

Membership

At June 30, 2012, membership consisted of:

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation (Asset)

In accordance with GAAP, an actuarial study was prepared calculating the postemployment healthcare cost as of June 30, 2012. The actuarial evaluation estimated the Unfunded Actuarial Accrued Liability (“UAAL”) at \$61,745,683 and an ARC of \$9,313,294. The postemployment healthcare cost was determined under the Projected Unit Credit Actuarial Cost Method. The calculation was based on a 7.0 percent discount rate and the amortization of the UAAL over 30 years. This represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and the amortization of the UAAL over 30 years. The actuarial evaluation was calculated using a level percentage of projected payroll amortization method and an open amortization period. An inflation rate assumption was not applicable to the actuarial evaluation. The current ARC of \$9,313,294 is 0.43 percent of annual

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

covered payroll. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for the year ended June 30, 2012.

NET OPEB OBLIGATION (ASSET)

Annual Required Contribution (ARC)	\$ 9,313,294
Interest on Net OPEB Asset	(430,700)
Adjustment to the ARC	<u>369,479</u>
Annual OPEB Cost	9,252,073
Contributions made	<u>(7,683,133)</u>
Decrease in Net OPEB Asset	1,568,940
Net OPEB Asset beginning of year	<u>(6,152,855)</u>
Net OPEB Asset end of year	<u><u>\$ (4,583,915)</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the fiscal year ended June 30, 2012 is as follows:

TREND INFORMATION FOR COUNTY

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL OPEB COST</u>	<u>PERCENTAGE OF OPEB CONTRIBUTED</u>	<u>NET OPEB ASSET</u>
June 30, 2010	\$9,310,430	100.70%	\$ (6,614,955)
June 30, 2011	\$9,689,500	95.23%	\$ (6,152,855)
June 30, 2012	\$9,252,073	83.04%	\$ (4,583,915)

The Net OPEB Asset and bond issuance costs are included in the Statement of Net Assets. The adjustment from modified accrual to full accrual is as follows:

Balances at June 30, 2012 were:	
Net OPEB Asset (detail above)	\$ 4,583,915
Bond Issuance Costs (Note 1)	<u>3,038,263</u>
Combined adjustment	<u><u>\$ 7,622,178</u></u>

Funded Status and Funding Progress

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

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded 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, 2010	\$18,186,171	\$90,510,200	\$72,324,029	20.10%	\$457,044,230	15.82%
June 30, 2011	\$25,006,703	\$86,752,386	\$61,745,683	28.83%	\$447,799,793	13.79%
June 30, 2012	\$27,448,869	\$93,258,736	\$65,809,868	29.43%	\$453,649,907	13.79%

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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Actuarial Methods and Assumptions

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

In the June 30, 2012 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 7.00 percent rate of return and an annual healthcare cost trend rate of 9.00 percent trending down over the next eight years to a rate of 5.00 percent for future years. The remaining amortization period at June 30, 2012 for the UAAL was 26 years.

NOTE 12. DEFINED COMPENSATION PLAN

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

Eligible retirees receive 24 percent of their final compensation annually for a period not to exceed 7 years or until they reach full, unreduced Social Security retirement age, whichever occurs first. Retirees’ final compensation includes regular pay, including supplements but does not include overtime. Retirement compensation is adjusted pro-rata for the cost of living increases or decreases that are approved by the School Board. As a condition of the Program, participants are required to work 20 days per year. The total maximum days worked is limited to 140 days over a 7-year period. During the fiscal year ended June 30, 2012, an expenditure of \$6,117,966 was recognized in the government-wide financial statements for the compensation paid under the Early Retirement Program during the current year.

NOTE 13. INTERFUND AND COMPONENT UNIT OBLIGATIONS

The General Fund has an advance due from Belmont Park Golf Course for \$112,500 for a loan. The General Fund also has a receivable due from Belmont Park Golf Course for \$678,667 for a loan. The Water and Sewer Fund has a receivable due from the Capital Projects Fund for a loan. The Health Care Fund has a receivable due from each of the funds listed below for health care contributions due as of June 30, 2012.

Receivables and payables balances at June 30, 2012 were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 681,130	\$ 835,242
Special Revenue Fund	-	118,890
Water and Sewer Fund	4,809,494	74,937
Capital Projects Fund	-	4,809,494
Belmont Park Golf Course	-	680,648
Component Unit – School Board	-	163,278
Component Unit – JRJDC	-	15,402
Central Automotive Maintenance	-	18,923
Health Care Fund	1,226,190	-
	<u>\$ 6,716,814</u>	<u>\$ 6,716,814</u>

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

COUNTY OF HENRICO, VIRGINIA
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Component unit receivables and payables balances at June 30, 2012 were as follows:

	Receivables	Payables
General Fund	\$ 1,187,059	\$ -
Capital Projects Fund	-	9,437,726
Component Unit – School Board	9,437,726	-
Component Unit - JRJDC	-	1,187,059
	\$ 10,624,785	\$ 10,624,785

NOTE 14. FUND TRANSFERS

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

Inter-fund transfers for the year ended June 30, 2012 were as follows:

	Transfers Out	Transfers In
Governmental Funds:		
General Fund	\$ 81,726,991	\$ -
Special Revenue Fund	2,300,000	19,454,580
Debt Service Fund	-	52,854,043
Capital Projects Fund	2,112	11,720,480
	\$ 84,029,103	\$ 84,029,103

NOTE 15. RELATED-PARTY TRANSACTIONS

During fiscal year 2012, the County contributed \$780,611 to the Economic Development Authority, to foster economic development within the County, and the County received \$244,298 from the Capital Region Airport Commission for water and sewer services.

NOTE 16. UNEARNED REVENUES

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue related to the County's governmental funds and the School Board component unit, including advance property tax collections, totaling \$33,245,730 is comprised of the following:

A. Advance Grant Funding

This represents a liability incurred by the County for monies accepted from a grantor using an advancement method for payments. The liability is reduced and revenue is recorded when expenditures are made in accordance with the grantor's requirements. Advanced grant funding at June 30, 2012 totaled \$5,257,759 and \$5,898,424 in the Special Revenue Funds for the County and the School Board respectively.

B. Unearned Property Tax Revenue

Unearned revenue representing uncollected tax billings not available for funding of current expenditures totaled \$7,488,659 at June 30, 2012.

C. Advance Property Tax Collections

Property taxes due subsequent to June 30, 2012, but paid in advance by the taxpayers, totaled \$14,177,226 at June 30, 2012.

D. Other Unearned Revenue

This represents grant monies that the County is entitled to but is not yet an available resource at June 30, 2012. The County recorded \$409,121 in the General Fund for monies received in advance of expenditures

COUNTY OF HENRICO, VIRGINIA
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being made as of June 30, 2012. Unearned grant revenues for the Schools Special Revenue Fund totaled \$14,541 for USDA donated food inventory on hand at June 30, 2012.

Also, the Water and Sewer Enterprise Fund recorded unearned revenue in the amount of \$15,994,155, which consists of an advance payment from a customer of \$9,234,428 for water capacity, an advance from a customer of \$1,041,385 for sewer capacity and amounts held for contractors of \$5,718,342.

NOTE 17. SURETY BONDS

Surety bonds covered the following constitutional officers and County employees at June 30, 2012:

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
Eugene H. Walter – Director of Finance and Employees of the Director of Finance	\$ 1,000,000
Michael L. Wade – Sheriff and Employees of the Sheriff’s Office	\$ 30,000

Travelers Casualty and Surety Company of America

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

Fidelity and Deposit Company of Maryland

Virgil R. Hazelett – County Manager	\$ 100,000
Christopher L. Winstead – Director of Department of General Services	\$ 100,000
George T. Drumwright, Jr. – Deputy County Manager	\$ 100,000
Angela N. Harper – Deputy County Manager	\$ 100,000
Randall R. Silber – Deputy County Manager	\$ 100,000
John A. Vithoukaskas – Deputy County Manager	\$ 100,000
Timothy A. Foster – Deputy County Manager	\$ 100,000
Jane D. Crawley – Director of Department of Social Services	\$ 100,000
Mark J. Coakley – Registrar	\$ 100,000
Debra Hargrave – School Board Deputy Agent	\$ 10,000
Deborah N. Ward – School Board Deputy Clerk	\$ 10,000
Debra Sue M. Largen – School Board Clerk	\$ 10,000
Patrick Russo – School Superintendent and Deputy Agent	\$ 10,000
Kevin D. Smith – School Board Agent	\$ 10,000

NOTE 18. JOINT VENTURES

A. The Capital Region Airport Commission

The Capital Region Airport Commission (the "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

COUNTY OF HENRICO, VIRGINIA
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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.

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

B. The Greater Richmond Convention Center Authority

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

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

The Convention Authority has issued \$158,415,000 in Hotel Tax Revenue Bonds, which are secured by an 8 percent transient occupancy tax imposed and collected by the localities. The County recorded an expenditure of \$10,514,577 for transient occupancy tax to the Convention Authority during the year ended June 30, 2012.

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

NOTE 19. LANDFILL CLOSURE AND POSTCLOSURE CARE LIABILITY

State and Federal laws and regulations require the County to place a final cover on each phase of its Springfield Road landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the Springfield and Charles City Road Landfill site for thirty years after closure. In accordance with GAAP, \$9,122,683 has been reported as landfill closure and post-closure care liability in the County's financial statements at June 30, 2012. The balance represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the Eastern Phase and Phase I, 98.9 percent of Phase II's estimated capacity, and 97.8 percent of Phase III's and 54.5 percent of Phase IV's estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of \$1,173,765 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 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

COUNTY OF HENRICO, VIRGINIA
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The County plans to meet all Federal laws, regulations, and tests of financial assurance related to the financing of closure and post-closure care. The County estimates that the remaining life of the landfill is approximately 2 years and will be closed in September 2014.

NOTE 20. SPECIAL ASSESSMENT

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

On October 24, 2000, the Board of Supervisors adopted an ordinance authorizing the levy of the Special Assessments on the abutting properties within the SPTC District. On October 20, 2000 the Authority authorized the issuance of the Short Pump Town Center Community Development Authority, \$25,495,000 Taxable Special Assessment Bonds, Series 2003 (2003 Bonds). On September 24, 2003, the 2003 bonds were issued in accordance with the provisions of Article 6 of Chapter 51 of Title 15.2 of the Code of Virginia of 1950, as amended. The 2003 bonds financed (a) the cost of certain infrastructure improvements to benefit the District (b) the payment of capitalized interest through February 1, 2004 (c) funded the Debt Service Reserve Fund and (d) paid certain costs of issuance. Neither the faith and credit of the Commonwealth of Virginia (the Commonwealth), nor the faith and credit of the SPTC Authority, any county, city, town or other subdivision of the Commonwealth, including the County, are pledged to the payment of the principal or interest on the 2003 bonds. The final principal payment on the 2003 bonds of \$5,650,000 was paid on February 1, 2009, and the bonds were paid in full.

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

On October 10, 2006, the Board of Supervisors adopted an ordinance authorizing the levy of the Special Assessments on the properties within the RCC District. On January 7, 2007, the Authority authorized the issuance of the Reynolds Crossing Community Development Authority, \$14,594,000, Special Assessment Revenue bonds, Series 2007 (2007 Bonds). On June 19, 2007, the 2007 bonds were issued in accordance with provisions of the Virginia Water and Waste Authorities Act, Chapter 51, Section 15.2-5100 of the Code of Virginia, 1950, as amended. The 2007 bonds will finance (a) the cost of certain infrastructure improvements to benefit the RCC District (b) the payment of capitalized interest (c) fund the Debt Service Reserve fund and (d) pay certain costs of issuance. Neither the faith nor credit of the Commonwealth, or the RCC Authority, or any political subdivision thereof, including the County, is pledged to the payment of the principal or interest on the 2007 bonds. At June 30, 2012, the total Bonds outstanding were \$12,120,000. As of June 30, 2012, \$663,816 of interest was paid from the Debt Service Reserve Fund. The second principal payment of \$896,000 was paid March 1, 2012.

By memorandum of understanding between the County and the RCC District, dated November 1, 2006, the County will collect and pay to the District the Special Assessments levied on the District. The Special Assessments for 2012 and 2011 were \$1,634,000 and \$1,590,000, respectively. As of June 30, 2012, the County has collected \$817,000 for the 2012 first half special assessment and \$795,000 for the 2011 second half special assessments. These special assessment collections were paid to the RCC District on August 15, 2012 and February 15, 2012, respectively.

On December 12, 2006, the Board of Supervisors, by resolution created The Shops at White Oak Village Community Development Authority (SWOV Authority). The creation of the SWOV Authority was the result of a petition filed October 19, 2006 with the Board of Supervisors by the landowners within The Shops at White Oak Village Community Development Authority District (SWOV District). The SWOV District is located within an 136 acre

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

commercial and retail development known as “The Shops at White Oak Village.” The SWOV District consists of approximately 87 acres of land within the County. The SWOV District consists of an open-air regional retail center and outparcel development, with four major anchor stores.

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

At June 30, 2012, the total Bonds outstanding were \$16,686,000 and interest of \$1,185,610 was paid out of the Debt Service Reserve Fund. The third principal payment of \$2,722,000 was paid on March 1, 2012. By memorandum of understanding, between the County and the SWOV District, dated September 1, 2007, the County will collect and pay to the SWOV District the Special Assessments levied on the SWOV District. The Special Assessments for 2012 and 2011 were \$3,774,000 and \$3,834,000, respectively. As of June 30, 2012, the County has collected \$1,887,000 for the 2012 first half special assessment and \$1,917,000 for the 2011 second half special assessments. These special assessment collections were paid to the SWOV District on August 15, 2012 and February 15, 2012, respectively.

NOTE 21. JOINTLY GOVERNED ORGANIZATIONS

A. Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (the “CVWM Authority”) was established under the provision of the Virginia Water and Sewer Authorities Act. The CVWM Authority’s board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George, the Cities of Colonial Heights, Petersburg and Richmond, and the Town of Ashland. The 20-member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has three representatives serving. The CVWM Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest or responsibility in the Waste Authority. The County’s contribution and direct payments for special projects for the year ended June 30, 2012 were \$2,880,508.

B. Greater Richmond Partnership

The Greater Richmond Partnership is comprised of members from the City of Richmond and the Counties of Chesterfield, Hanover, and Henrico. Together in partnership with the business leadership of the area, the Greater Richmond Partnership’s purpose is to further economic development of the metropolitan area. The County has one representative serving on the Greater Richmond Partnership’s Board of Directors and the County contributed \$370,000 for the year ended June 30, 2012.

C. Richmond Metropolitan Convention and Visitors Bureau

The Richmond Metropolitan Convention and Visitors Bureau (“RMCVB”) serves the City of Richmond and the Counties of Chesterfield, Hanover and Henrico by promoting conventions, tourism and development in the metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved. The County has six representatives serving on RMCVB’s Board of Directors and contributed \$1,750,912 to RMCVB for the year ended June 30, 2012.

COUNTY OF HENRICO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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D. Richmond Regional Planning District Commission

The Richmond Regional Planning District Commission (“RRPDC”) is comprised of members from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The major functions of the RRPDC are to promote regional cooperation; coordinate the activities and policies of member local governments; resolve service delivery problems involving more than one government within the region and provide planning assistance to local governments. In accordance with its Charter, the RRPDC promotes the orderly physical, social and economic development of the region through planning and encouraging local governments to plan for the future. The County has six representatives serving on the RRPDC and paid total dues of \$166,307 for the year ended June 30, 2012.

NOTE 22. SUBSEQUENT EVENT

On September 19, 2012, the County sold General Obligation Public Improvement Refunding Bonds, Series 2012 in the aggregate principal amount of \$37,500,000. The proceeds of the Bonds will be applied (i) to advance refund and defease \$19,450,000 outstanding principal amount of the County’s General Obligation Public Improvement Bonds, Series 2005, dated August 17, 2005 and maturing on July 15th in each of the years 2021 through 2025, which are subject to redemption and are to be redeemed on July 15, 2015, (ii) to advance refund and defease \$17,975,000 outstanding principal amount of the County’s General Obligation Public Improvement Bonds, Series 2006, dated November 15, 2006 and maturing on December 1st in each of the years 2022 through 2026, which are subject to redemption and are to be redeemed on December 1, 2016, and (iii) to advance refund and defease \$2,155,000 outstanding principal amount of the County’s General Obligation Public Improvement Bonds, Series 2010A, dated August 10, 2010 and maturing on August 1, 2013, which are to be paid at their stated maturity on August 1, 2103. The Bonds mature on February 1, 2013 and on August 1st in each of the years 2014 through 2026.

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 FISCAL YEAR ENDED JUNE 30, 2012

Exhibit 11
Page 1 of 3

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Current real property taxes	\$ 280,700,000	\$ 280,700,000	\$ 273,416,927	\$ (7,283,073)
Current personal property taxes	66,928,217	66,928,217	66,833,188	(95,029)
Delinquent real property taxes	2,500,000	2,500,000	6,661,018	4,161,018
Delinquent personal property taxes	1,200,000	1,200,000	1,282,261	82,261
Interest	275,000	275,000	393,259	118,259
Land redemption	55,000	55,000	(1,591)	(56,591)
Total general property taxes	<u>351,658,217</u>	<u>351,658,217</u>	<u>348,585,062</u>	<u>(3,073,155)</u>
Other local taxes:				
County recordation taxes	3,400,000	3,400,000	3,316,329	(83,671)
Local sales and use taxes	56,050,000	56,050,000	55,913,302	(136,698)
Consumer utility taxes	2,600,000	2,600,000	2,923,405	323,405
Business and professional license taxes	29,850,000	29,850,000	28,486,699	(1,363,301)
Motor vehicle license taxes	6,325,000	6,325,000	6,275,819	(49,181)
Hotel and motel taxes	9,200,000	10,700,000	10,627,232	(72,768)
Bank franchise taxes	5,000,000	5,000,000	17,439,674	12,439,674
Grantor's taxes	900,000	900,000	802,522	(97,478)
Daily rental tax	230,000	230,000	127,805	(102,195)
Consumption tax	1,200,000	1,200,000	1,178,282	(21,718)
Total other local taxes	<u>114,755,000</u>	<u>116,255,000</u>	<u>127,091,069</u>	<u>10,836,069</u>
Permits, privilege fees and regulatory licenses:				
Municipal library court fees	155,000	155,000	143,082	(11,918)
Transfer fees	10,800	10,800	6,882	(3,918)
Zoning application fees	150,000	150,000	138,955	(11,045)
Structure and equipment permits	2,000,000	2,000,000	2,355,166	355,166
Septic tank permits	5,000	5,000	29,200	24,200
Taxi cab certificates	6,300	6,300	16,550	10,250
Permits to purchase precious metal	2,000	2,000	17,565	15,565
Dog licenses	200,000	200,000	292,469	92,469
Other	441,100	555,889	486,017	(69,872)
Total permits, privilege fees and regulatory licenses	<u>2,970,200</u>	<u>3,084,989</u>	<u>3,485,886</u>	<u>400,897</u>
Fines and forfeitures:				
False alarm penalties	65,000	65,000	70,471	5,471
Traffic violations	2,300,000	2,300,000	2,858,261	558,261
Parking violations	25,000	25,000	28,847	3,847
Total fines and forfeitures	<u>2,390,000</u>	<u>2,390,000</u>	<u>2,957,579</u>	<u>567,579</u>
Revenue from use of money and property:				
Sale of equipment and publications	61,200	61,200	220,524	159,324
Rented county property	469,000	469,000	540,189	71,189
Use of money	9,139,000	9,139,000	1,724,340	(7,414,660)
Total revenue from use of money and property	<u>9,669,200</u>	<u>9,669,200</u>	<u>2,485,053</u>	<u>(7,184,147)</u>
Charges for services:				
Public works	150,000	150,000	169,920	19,920
Library	389,200	389,200	501,279	112,079
Sheriff fees	1,116,000	1,116,000	1,272,643	156,643
Commonwealth's Attorney fees	12,000	12,000	30,843	18,843
Public safety	15,000	15,000	18,956	3,956
Finance charges	510,000	510,000	305,530	(204,470)
Recreation	641,200	641,200	801,442	160,242
Information technology	750,000	750,000	750,000	-
Total charges for services	<u>3,583,400</u>	<u>3,583,400</u>	<u>3,850,613</u>	<u>267,213</u>

continued

COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Exhibit 11
Page 2 of 3

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund, continued:				
Miscellaneous	\$ 2,823,300	\$ 2,843,165	\$ 5,953,648	\$ 3,110,483
Total miscellaneous	<u>2,823,300</u>	<u>2,843,165</u>	<u>5,953,648</u>	<u>3,110,483</u>
Recovered costs:				
Finance	2,233,870	2,233,870	2,297,378	63,508
General services	799,403	799,403	2,349,900	1,550,497
Public health	55,000	55,000	33,831	(21,169)
Public works	378,000	378,000	432,408	54,408
Sheriff	1,000,000	1,000,000	1,128,330	128,330
Public safety	5,000	5,000	9,814	4,814
Total recovered costs	<u>4,471,273</u>	<u>4,471,273</u>	<u>6,251,661</u>	<u>1,780,388</u>
Total revenue from local sources	<u>492,320,590</u>	<u>493,955,244</u>	<u>500,660,571</u>	<u>6,705,327</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Rolling stock	125,000	125,000	151,386	26,386
Recovery of central costs	475,000	475,000	464,728	(10,272)
Mobile home sales and use tax	12,500	12,500	18,713	6,213
Motor vehicle rental tax	2,500,000	2,500,000	2,816,420	316,420
PPTRA revenue	37,001,783	37,001,783	37,001,783	-
Communications sales and use tax - HB568	14,500,000	14,500,000	13,420,035	(1,079,965)
Overweight truck citations	16,000	16,000	-	(16,000)
Total non-categorical aid	<u>54,630,283</u>	<u>54,630,283</u>	<u>53,873,065</u>	<u>(757,218)</u>
Shared expenses:				
Sheriff	9,994,400	9,994,400	10,505,192	510,792
Commonwealth's Attorney	1,560,000	1,560,000	1,786,354	226,354
Election commission	84,400	84,400	256,275	171,875
Finance	530,000	530,000	680,709	150,709
Circuit court	2,660,000	2,775,428	2,924,747	149,319
Total shared expenses	<u>14,828,800</u>	<u>14,944,228</u>	<u>16,153,277</u>	<u>1,209,049</u>
Categorical aid:				
Library	175,000	175,000	175,978	978
Public safety	10,735,000	10,795,744	11,437,473	641,729
Social services	3,988,200	5,807,186	6,038,283	231,097
Public works	28,745,000	28,745,000	31,912,822	3,167,822
Juvenile and domestic relations	492,500	492,500	477,816	(14,684)
Total categorical aid	<u>44,135,700</u>	<u>46,015,430</u>	<u>50,042,372</u>	<u>4,026,942</u>
Total revenue from the Commonwealth	<u>113,594,783</u>	<u>115,589,941</u>	<u>120,068,714</u>	<u>4,478,773</u>
Revenue from the Federal government:				
Social services	10,358,200	12,493,503	10,996,550	(1,496,953)
Public safety	27,000	27,000	1,201,976	1,174,976
Total revenue from the Federal government	<u>10,385,200</u>	<u>12,520,503</u>	<u>12,198,526</u>	<u>(321,977)</u>
Total intergovernmental	<u>123,979,983</u>	<u>128,110,444</u>	<u>132,267,240</u>	<u>4,156,796</u>
Total General Fund	<u>\$ 616,300,573</u>	<u>\$ 622,065,688</u>	<u>\$ 632,927,811</u>	<u>\$ 10,862,123</u>

continued

COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Exhibit 11
Page 3 of 3

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
Special Revenue Fund:				
Revenue from local sources:				
General property taxes:				
Current real property taxes	\$ -	\$ 5,424,000	\$ 1,895,821	\$ (3,528,179)
Current personal property taxes	-	-	661,571	661,571
Total general property taxes	-	5,424,000	2,557,392	(2,866,608)
Other local taxes:				
Local sales and use taxes	-	-	1,780,720	1,780,720
Business and professional license taxes	-	-	482,236	482,236
Total other local taxes	-	-	2,262,956	2,262,956
Revenue from use of money and property	234,216	234,216	178,774	(55,442)
Charges for services:				
Miscellaneous charges for services	8,968,524	9,374,842	9,678,096	303,254
Refuse collection billing	7,000,000	7,000,000	7,099,887	99,887
Landfill weighing fees	1,117,548	1,117,548	1,225,604	108,056
Recycle fees	144,713	144,713	320,287	175,574
Bulky waste collection fees	1,600,975	1,600,975	1,456,678	(144,297)
Leaf collection	3,064,001	3,064,001	2,569,358	(494,643)
Charges for street lights	72,500	72,500	78,465	5,965
Total charges for services	21,968,261	22,374,579	22,428,375	53,796
Miscellaneous revenues	1,348,972	1,472,186	586,936	(885,250)
Recovered costs:				
Recovered costs	534,431	585,910	614,490	28,580
Recoveries and rebates	1,300	-	42,242	42,242
Total recovered costs	535,731	585,910	656,732	70,822
Total revenue from local sources	24,087,180	30,090,891	28,671,165	(1,419,726)
Intergovernmental:				
Revenue from the Commonwealth:				
Division of litter control	25,000	25,000	32,907	7,907
Social services	4,698,050	4,698,050	3,070,096	(1,627,954)
Mental health and developmental services	6,920,746	7,007,127	6,677,790	(329,337)
Virginia department of corrections	1,351,449	1,381,515	1,379,927	(1,588)
Commonwealth's Attorney	195,045	195,045	215,941	20,896
Miscellaneous state grants	1,194,180	1,831,394	1,732,298	(99,096)
Total revenue from the Commonwealth	14,384,470	15,138,131	13,108,959	(2,029,172)
Revenue from the Federal government:				
Workforce investment	4,556,390	5,364,346	4,179,904	(1,184,442)
Community development block grants	-	1,977,686	2,126,647	148,961
Public safety	-	787,682	2,563,455	1,775,773
Mental health and developmental services	1,910,641	2,190,090	2,177,095	(12,995)
Miscellaneous federal grants	339,292	428,269	807,838	379,569
Total revenue from the Federal government	6,806,323	10,748,073	11,854,939	1,106,866
Total intergovernmental	21,190,793	25,886,204	24,963,898	(922,306)
Total Special Revenue Fund	\$ 45,277,973	\$ 55,977,095	\$ 53,635,063	\$ (2,342,032)
Grand Total Revenues - Primary Government	\$ 661,578,546	\$ 678,042,783	\$ 686,562,874	\$ 8,520,091

**COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Exhibit 12
Page 1 of 4**

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 1,104,851	\$ 1,124,685	\$ 1,019,937	\$ 104,748
Total legislative	<u>1,104,851</u>	<u>1,124,685</u>	<u>1,019,937</u>	<u>104,748</u>
General and financial administration:				
County Manager	3,835,863	4,031,424	3,973,284	58,140
County Attorney	2,031,459	2,037,767	1,988,247	49,520
Human resources	5,503,598	5,630,358	4,849,785	780,573
Finance	12,057,258	12,376,504	11,615,965	760,539
General services	20,036,497	27,903,484	24,092,348	3,811,136
Internal audit	387,370	401,220	401,265	(45)
Real property agent	576,838	603,863	603,856	7
Information technology	13,349,742	13,003,939	12,542,240	461,699
Total general and financial administration	<u>57,778,625</u>	<u>65,988,558</u>	<u>60,066,990</u>	<u>5,921,568</u>
Board of elections:				
Election commission	1,348,019	1,638,263	1,523,750	114,513
Total board of elections	<u>1,348,019</u>	<u>1,638,263</u>	<u>1,523,750</u>	<u>114,513</u>
Total general government administration	<u>60,231,495</u>	<u>68,751,506</u>	<u>62,610,677</u>	<u>6,140,829</u>
Judicial administration:				
Courts:				
Circuit Court	2,949,797	3,409,992	2,985,907	424,085
General District Court	214,897	289,926	270,898	19,028
Juvenile and Domestic Relations Court	2,344,697	2,350,236	2,219,344	130,892
Total Courts	<u>5,509,391</u>	<u>6,050,154</u>	<u>5,476,149</u>	<u>574,005</u>
Commonwealth's Attorney:				
Commonwealth's Attorney	4,643,213	4,708,765	4,708,756	9
Total Commonwealth's Attorney	<u>4,643,213</u>	<u>4,708,765</u>	<u>4,708,756</u>	<u>9</u>
Total judicial administration	<u>10,152,604</u>	<u>10,758,919</u>	<u>10,184,905</u>	<u>574,014</u>
Public safety:				
Law enforcement:				
Police department	64,476,715	67,365,619	65,224,695	2,140,924
Total law enforcement	<u>64,476,715</u>	<u>67,365,619</u>	<u>65,224,695</u>	<u>2,140,924</u>
Fire services:				
Fire department	49,708,268	52,475,535	50,572,509	1,903,026
Total fire services	<u>49,708,268</u>	<u>52,475,535</u>	<u>50,572,509</u>	<u>1,903,026</u>
Correction and detention:				
Sheriff	33,561,876	35,642,613	35,624,889	17,724
Juvenile and Domestic Relations District Court	3,281,089	3,281,089	3,281,089	-
Total correction and detention	<u>36,842,965</u>	<u>38,923,702</u>	<u>38,905,978</u>	<u>17,724</u>
Inspections:				
Building	4,273,187	4,274,868	3,916,754	358,114
Total inspections	<u>4,273,187</u>	<u>4,274,868</u>	<u>3,916,754</u>	<u>358,114</u>
Other protection:				
Office of emergency services	256,318	347,274	342,163	5,111
Animal protection	1,442,064	1,320,676	1,294,098	26,578
Building security	1,412,604	1,412,943	1,319,324	93,619
Total other protection	<u>3,110,986</u>	<u>3,080,893</u>	<u>2,955,585</u>	<u>125,308</u>
Total public safety	<u>158,412,121</u>	<u>166,120,618</u>	<u>161,575,521</u>	<u>4,545,097</u>

continued

COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Exhibit 12
Page 2 of 4

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund, continued:				
Public works:				
Maintenance of highways and streets:				
General administration	\$ 1,290,218	\$ 1,299,204	\$ 1,235,136	\$ 64,068
Mass transit	5,166,272	5,218,880	5,772,549	(553,669)
Design	2,204,233	2,040,698	1,915,092	125,606
Construction and maintenance	22,298,021	31,820,883	26,574,070	5,246,813
Traffic engineering	3,211,385	3,203,726	2,794,041	409,685
Miscellaneous	1,595,436	1,900,961	1,778,938	122,023
Total maintenance of highways and streets	<u>35,765,565</u>	<u>45,484,352</u>	<u>40,069,826</u>	<u>5,414,526</u>
Sanitation and waste removal:				
Leaf collection	3,064,001	3,064,001	2,569,358	494,643
Total sanitation and waste removal	<u>3,064,001</u>	<u>3,064,001</u>	<u>2,569,358</u>	<u>494,643</u>
Total public works	<u>38,829,566</u>	<u>48,548,353</u>	<u>42,639,184</u>	<u>5,909,169</u>
Health and social services:				
Health:				
Public health department	1,583,056	1,653,542	1,653,542	-
Total health	<u>1,583,056</u>	<u>1,653,542</u>	<u>1,653,542</u>	<u>-</u>
Social services:				
Service staff	5,428,195	5,236,373	4,984,621	251,752
Service/Eligibility Administration	5,143,494	5,205,126	5,084,081	121,045
Welfare programs	2,006,023	3,558,294	3,414,325	143,969
Public assistance	6,020,101	8,931,087	7,408,057	1,523,030
Total social services	<u>18,597,813</u>	<u>22,930,880</u>	<u>20,891,084</u>	<u>2,039,796</u>
Total health and social services	<u>20,180,869</u>	<u>24,584,422</u>	<u>22,544,626</u>	<u>2,039,796</u>
Parks, recreation and cultural:				
Parks and recreation:				
Department of recreation and parks	17,339,153	17,932,368	16,378,205	1,554,163
Sandston Community House	14,000	14,000	10,279	3,721
Total parks and recreation	<u>17,353,153</u>	<u>17,946,368</u>	<u>16,388,484</u>	<u>1,557,884</u>
Library:				
Library public services	15,917,916	15,445,629	14,415,381	1,030,248
Total library	<u>15,917,916</u>	<u>15,445,629</u>	<u>14,415,381</u>	<u>1,030,248</u>
Total parks, recreation and cultural	<u>33,271,069</u>	<u>33,391,997</u>	<u>30,803,865</u>	<u>2,588,132</u>
Community development:				
Planning and community development:				
Economic development	14,813,873	16,606,745	16,216,487	390,258
Planning and rezoning	3,893,506	3,896,344	3,579,756	316,588
Total planning and community development	<u>18,707,379</u>	<u>20,503,089</u>	<u>19,796,243</u>	<u>706,846</u>
Cooperative extension program:				
Agriculture	351,596	351,596	315,534	36,062
Total cooperative extension program	<u>351,596</u>	<u>351,596</u>	<u>315,534</u>	<u>36,062</u>
Total community development	<u>19,058,975</u>	<u>20,854,685</u>	<u>20,111,777</u>	<u>742,908</u>
Education:				
School Board	192,875,168	192,875,168	192,875,168	-
Total education	<u>192,875,168</u>	<u>192,875,168</u>	<u>192,875,168</u>	<u>-</u>

continued

COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Exhibit 12
Page 3 of 4

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund, continued:				
Miscellaneous:				
Cooperative projects	\$ 15,760,931	\$ 15,881,024	\$ 17,349,779	\$ (1,468,755)
Total miscellaneous	<u>15,760,931</u>	<u>15,881,024</u>	<u>17,349,779</u>	<u>(1,468,755)</u>
Debt service:				
Capital lease principal	238,073	238,073	238,073	-
Capital lease interest	43,532	43,532	43,532	-
Total debt service	<u>281,605</u>	<u>281,605</u>	<u>281,605</u>	<u>-</u>
Total General Fund	<u>\$ 549,054,403</u>	<u>\$ 582,048,297</u>	<u>\$ 560,977,107</u>	<u>\$ 21,071,190</u>
Special Revenue Fund:				
General government administration:				
General and financial administration:				
Workforce investment	\$ 4,971,937	\$ 9,243,480	\$ 4,773,190	\$ 4,470,290
Total general government administration	<u>4,971,937</u>	<u>9,243,480</u>	<u>4,773,190</u>	<u>4,470,290</u>
Judicial administration:				
Commonwealth's Attorney	858,274	1,317,022	870,171	446,851
Total judicial administration	<u>858,274</u>	<u>1,317,022</u>	<u>870,171</u>	<u>446,851</u>
Public safety:				
Law enforcement:				
Traffic accident investigation	1,423,867	7,401,874	3,890,858	3,511,016
Total law enforcement	<u>1,423,867</u>	<u>7,401,874</u>	<u>3,890,858</u>	<u>3,511,016</u>
Fire	-	545,421	248,864	296,557
Correction and detention:				
Community Diversion Program	1,815,156	1,887,729	1,718,879	168,850
Juvenile and Domestic Relations District Court	912,892	1,042,652	945,210	97,442
Total correction and detention	<u>2,728,048</u>	<u>2,930,381</u>	<u>2,664,089</u>	<u>266,292</u>
Total public safety	<u>4,151,915</u>	<u>10,877,676</u>	<u>6,803,811</u>	<u>4,073,865</u>
Public works:				
General administration	897,000	1,083,628	488,097	595,531
Maintenance of highways and streets	72,500	77,500	76,429	1,071
Solid waste collection and disposal	12,267,102	13,669,032	10,867,489	2,801,543
Total public works	<u>13,236,602</u>	<u>14,830,159</u>	<u>11,432,015</u>	<u>3,398,144</u>
Health and social services:				
Social services	8,796,782	12,431,145	6,473,598	5,957,547
Mental health and developmental services:				
Related services	4,732,933	5,420,044	4,241,991	1,178,053
Mental health	10,517,294	11,363,053	10,173,165	1,189,888
Developmental Services	9,917,871	10,947,236	9,771,332	1,175,904
Substance abuse	2,622,575	2,629,296	2,340,543	288,753
MH/DS administration	4,678,696	5,154,777	4,796,725	358,052
Total mental health and developmental services	<u>32,469,369</u>	<u>35,514,406</u>	<u>31,323,756</u>	<u>4,190,650</u>
Total health and social services	<u>41,266,151</u>	<u>47,945,551</u>	<u>37,797,354</u>	<u>10,148,197</u>
Parks, recreation and culture:				
Parks and recreation grants	-	25,587	22,370	3,217
Total parks, recreation and culture	<u>-</u>	<u>25,587</u>	<u>22,370</u>	<u>3,217</u>

continued

COUNTY OF HENRICO, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Exhibit 12
Page 4 of 4

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
Special Revenue Fund, continued:				
Community development:				
Planning and community development	\$ -	\$ 3,968,297	\$ 2,174,944	\$ 1,793,353
Economic development	100,201	6,390,343	5,424,000	966,343
Total community development	<u>100,201</u>	<u>10,358,640</u>	<u>7,598,944</u>	<u>2,759,696</u>
Debt service:				
Capital lease principal	14,175	14,175	14,175	-
Capital lease interest	2,548	2,548	2,548	-
Total debt service	<u>16,723</u>	<u>16,723</u>	<u>16,723</u>	<u>-</u>
 Total Special Revenue Fund	\$ 64,601,803	\$ 94,614,837	\$ 69,314,578	\$ 25,300,259
Grand Total Expenditures - Primary Government	\$ 613,656,206	\$ 676,663,134	\$ 630,291,685	\$ 46,371,449



Henrico County

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COUNTY OF HENRICO, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION
JUNE 30, 2012

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



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Other Supplemental Information



Henrico County

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COUNTY OF HENRICO

VIRGINIA

DEBT SERVICE FUND

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

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Schedule 1

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

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Schedule 2

Function, Activity, Element	Original	Revised	Actual	Variance
Primary Government:				
Debt Service Fund:				
Miscellaneous	\$ 50,000	\$ 333,640	\$ 471,703	\$ (138,063)
Debt Service:				
Principal payments	32,290,000	32,290,001	32,290,000	1
Interest payments	22,514,043	22,230,402	22,563,583	(333,181)
Total Debt Service	<u>54,804,043</u>	<u>54,520,403</u>	<u>54,853,583</u>	<u>(333,180)</u>
Total Debt Service Fund	<u>\$ 54,854,043</u>	<u>\$ 54,854,043</u>	<u>\$ 55,325,286</u>	<u>\$ (471,243)</u>



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COUNTY OF HENRICO

VIRGINIA

INTERNAL SERVICE FUNDS

Financial Statements

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

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

**COUNTY OF HENRICO, VIRGINIA
COMBINING STATEMENTS OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012**

Schedule 3

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
Assets:				
Cash and cash equivalents	\$ 7,373,797	\$ 8,853,752	\$ 19,218,001	\$ 35,445,550
Receivables, net	5,913	-	-	5,913
Due from other funds	-	-	1,047,510	1,047,510
Due from component unit	-	-	178,680	178,680
Inventories	746,263	-	-	746,263
Other assets	-	-	15,637	15,637
Total current assets	<u>8,125,973</u>	<u>8,853,752</u>	<u>20,459,828</u>	<u>37,439,553</u>
Capital Assets:				
Other capital assets, net	13,271,788	-	-	13,271,788
Capital assets, net	<u>13,271,788</u>	<u>-</u>	<u>-</u>	<u>13,271,788</u>
Total Assets	<u><u>\$ 21,397,761</u></u>	<u><u>\$ 8,853,752</u></u>	<u><u>\$ 20,459,828</u></u>	<u><u>\$ 50,711,341</u></u>
Liabilities:				
Accounts payable	\$ 620,394	\$ 713	\$ -	\$ 621,107
Accrued liabilities	-	-	-	-
Due to other funds	18,923	-	-	18,923
Long-term liabilities due within one year	217,022	-	8,071,000	8,288,022
Total current liabilities	<u>856,339</u>	<u>713</u>	<u>8,071,000</u>	<u>8,928,052</u>
Long-term liabilities due in more than one year	102,496	-	-	102,496
Total liabilities	<u>958,835</u>	<u>713</u>	<u>8,071,000</u>	<u>9,030,548</u>
Net Assets:				
Invested in capital assets, net of related debt	13,267,693	-	-	13,267,693
Unrestricted	7,171,233	8,853,039	12,388,828	28,413,100
Total net assets	<u>20,438,926</u>	<u>8,853,039</u>	<u>12,388,828</u>	<u>41,680,793</u>
Total Liabilities and Net Assets	<u><u>\$ 21,397,761</u></u>	<u><u>\$ 8,853,752</u></u>	<u><u>\$ 20,459,828</u></u>	<u><u>\$ 50,711,341</u></u>

**COUNTY OF HENRICO, VIRGINIA
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Schedule 4

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
Operating Revenues:				
Charges for services:				
Interdepartmental charges	\$ 20,223,369	\$ 1,812,892	\$ -	\$ 22,036,261
Contributions:				
Employer	-	-	60,878,940	60,878,940
Employee	-	-	15,508,602	15,508,602
Retiree	-	-	5,343,301	5,343,301
Disabled	-	-	128,080	128,080
Other	903	-	849,087	849,990
Total operating revenues	<u>20,224,272</u>	<u>1,812,892</u>	<u>82,708,010</u>	<u>104,745,174</u>
Operating Expenses:				
Utility charges	106,011	-	-	106,011
Personnel services and benefits	3,794,720	-	81,421,057	85,215,777
Professional services	58,233	-	-	58,233
Materials and supplies	12,382,677	2,278,700	-	14,661,377
Maintenance and repairs	2,703,320	-	-	2,703,320
Other expenses	227,673	-	1,466,486	1,694,159
Depreciation	2,010,333	-	-	2,010,333
Total operating expenses	<u>21,282,967</u>	<u>2,278,700</u>	<u>82,887,543</u>	<u>106,449,210</u>
Operating loss	<u>(1,058,695)</u>	<u>(465,808)</u>	<u>(179,533)</u>	<u>(1,704,036)</u>
Nonoperating (Expenses) Revenues:				
Gain on sale of equipment	130,477	-	-	130,477
Other income	74,352	-	-	74,352
Investment income	-	-	42,825	42,825
Total nonoperating revenues, net	<u>204,829</u>	<u>-</u>	<u>42,825</u>	<u>247,654</u>
Loss before capital contributions	<u>(853,866)</u>	<u>(465,808)</u>	<u>(136,708)</u>	<u>(1,456,382)</u>
Capital contributions - donated assets	<u>526,255</u>	<u>-</u>	<u>-</u>	<u>526,255</u>
Change in net assets	<u>(327,611)</u>	<u>(465,808)</u>	<u>(136,708)</u>	<u>(930,127)</u>
Total Net Assets - June 30, 2011	<u>20,766,537</u>	<u>9,318,847</u>	<u>12,525,536</u>	<u>42,610,920</u>
Total Net Assets - June 30, 2012	<u>\$ 20,438,926</u>	<u>\$ 8,853,039</u>	<u>\$ 12,388,828</u>	<u>\$ 41,680,793</u>

**COUNTY OF HENRICO, VIRGINIA
COMBINING STATEMENTS OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Schedule 5

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
Cash Flows From Operating Activities:				
Receipts from customers	\$ 20,223,135	\$ 1,812,892	\$ 83,104,465	\$ 105,140,492
Payments to suppliers	(15,423,710)	(2,625,677)	(83,095,593)	(101,144,980)
Payments to employees	(3,745,719)	-	-	(3,745,719)
Net cash provided by (used in) operating activities	<u>1,053,706</u>	<u>(812,785)</u>	<u>8,872</u>	<u>249,793</u>
Cash Flows From Capital and Related Financing Activities:				
Purchase of capital assets	(1,929,090)	-	-	(1,929,090)
Payment for capital lease obligations	(1,085)	-	-	(1,085)
Proceeds from sale of capital assets	376,675	-	-	376,675
Net cash used in capital and related financing activities	<u>(1,553,500)</u>	<u>-</u>	<u>-</u>	<u>(1,553,500)</u>
Cash Flows From Investing Activities:				
Investment income received	-	-	42,825	42,825
Net (decrease) increase in Cash	<u>(499,794)</u>	<u>(812,785)</u>	<u>51,697</u>	<u>(1,260,882)</u>
Cash and cash equivalents - June 30, 2011	<u>7,873,591</u>	<u>9,666,537</u>	<u>19,166,304</u>	<u>36,706,432</u>
Cash and cash equivalents - June 30, 2012	<u>\$ 7,373,797</u>	<u>\$ 8,853,752</u>	<u>\$ 19,218,001</u>	<u>\$ 35,445,550</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used In) Operating Activities:				
Operating loss	\$ (1,058,695)	\$ (465,808)	\$ (179,533)	\$ (1,704,036)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	2,010,333	-	-	2,010,333
Change in assets and liabilities:				
Receivables	(1,137)	-	602,020	600,883
Inventories	80,381	-	-	80,381
Due from other funds	-	-	(170,078)	(170,078)
Due from component unit	-	-	(35,487)	(35,487)
Other assets	-	-	(1,050)	(1,050)
Accounts payable	(31,001)	(298,337)	-	(329,338)
Due to other funds	4,092	-	-	4,092
Accrued liabilities	49,733	(48,640)	(207,000)	(205,907)
Net cash provided by (used in) operating activities	<u>\$ 1,053,706</u>	<u>\$ (812,785)</u>	<u>\$ 8,872</u>	<u>\$ 249,793</u>

Supplemental disclosures fo noncash investing and financing activities:

Central Automotive Maintenance received donated equipment during the fiscal year end June 30, 2012 valued at \$74,352.

COUNTY OF HENRICO
VIRGINIA

AGENCY FUNDS

Financial Statements

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

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

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

**COUNTY OF HENRICO, VIRGINIA
 COMBINING STATEMENTS OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2012**

Schedule 6

	Long-Term Disability	Agency Funds Special Welfare	Mental Health and Retardation	Total
Assets:				
Cash and cash equivalents	\$ 473,649	\$ 96,683	\$ 45,278	\$ 615,610
Total Assets	<u>\$ 473,649</u>	<u>\$ 96,683</u>	<u>\$ 45,278</u>	<u>\$ 615,610</u>
Liabilities:				
Amounts due to others	\$ 473,649	\$ 96,528	\$ 45,278	\$ 615,455
Accounts payable	-	155	-	155
Total Liabilities	<u>\$ 473,649</u>	<u>\$ 96,683</u>	<u>\$ 45,278</u>	<u>\$ 615,610</u>

COUNTY OF HENRICO, VIRGINIA
COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Schedule 7

	Balance July 1	Additions	Deletions	Balance June 30
Long Term Disability:				
Assets:				
Cash and cash equivalents	\$ 466,713	\$ 526,361	\$ 519,425	\$ 473,649
Total assets	<u>\$ 466,713</u>	<u>\$ 526,361</u>	<u>\$ 519,425</u>	<u>\$ 473,649</u>
Liabilities:				
Amounts due to others	\$ 466,713	\$ 526,361	\$ 519,425	\$ 473,649
Total liabilities	<u>\$ 466,713</u>	<u>\$ 526,361</u>	<u>\$ 519,425</u>	<u>\$ 473,649</u>
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 100,016	\$ 133,637	\$ 136,970	\$ 96,683
Total assets	<u>\$ 100,016</u>	<u>\$ 133,637</u>	<u>\$ 136,970</u>	<u>\$ 96,683</u>
Liabilities:				
Amounts due to others	\$ 99,861	\$ 131,328	\$ 134,661	\$ 96,528
Accounts payable	155	2,309	2,309	155
Total liabilities	<u>\$ 100,016</u>	<u>\$ 133,637</u>	<u>\$ 136,970</u>	<u>\$ 96,683</u>
Mental Health and Retardation:				
Assets:				
Cash and cash equivalents	\$ 48,533	281,048	\$ 284,303	\$ 45,278
Total assets	<u>\$ 48,533</u>	<u>\$ 281,048</u>	<u>\$ 284,303</u>	<u>\$ 45,278</u>
Liabilities:				
Amounts due to others	\$ 48,533	\$ 281,048	\$ 284,303	\$ 45,278
Total liabilities	<u>\$ 48,533</u>	<u>\$ 281,048</u>	<u>\$ 284,303</u>	<u>\$ 45,278</u>
Totals:				
Assets:				
Cash and cash equivalents	\$ 615,262	\$ 941,046	\$ 940,698	\$ 615,610
Total assets	<u>\$ 615,262</u>	<u>\$ 941,046</u>	<u>\$ 940,698</u>	<u>\$ 615,610</u>
Liabilities:				
Amounts due to others	\$ 615,107	\$ 938,737	\$ 938,389	\$ 615,455
Accounts payable	155	2,309	2,309	155
Total liabilities	<u>\$ 615,262</u>	<u>\$ 941,046</u>	<u>\$ 940,698</u>	<u>\$ 615,610</u>



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COUNTY OF HENRICO

VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT -
SCHOOL BOARD**

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

**COUNTY OF HENRICO, VIRGINIA
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
30-Jun-12**

Schedule 8

	Governmental Funds			Totals
	School General Fund	School Special Revenue Fund	School Capital Projects Fund	
Assets:				
Cash and cash equivalents	\$ 6,843,496	\$ 1,392,788	\$ 8,276,246	\$ 16,512,530
Receivables, net	5,654	-	-	5,654
Other assets	-	15,324	-	15,324
Due from Primary Government	-	-	9,437,726	9,437,726
Due from other governmental units	3,777,913	10,555,807	-	14,333,720
Total Assets	<u>\$ 10,627,063</u>	<u>\$ 11,963,919</u>	<u>\$ 17,713,972</u>	<u>\$ 40,304,954</u>
Liabilities:				
Accounts payable	\$ 1,135,071	\$ 514,835	\$ 1,381	\$ 1,651,287
Accrued liabilities	1,262,632	254,961	1,259,649	2,777,242
Amounts held for others	83,738	-	-	83,738
Due to Primary Government	158,269	5,009	-	163,278
Unearned revenues	-	5,912,965	-	5,912,965
Total liabilities	<u>2,639,710</u>	<u>6,687,770</u>	<u>1,261,030</u>	<u>10,588,510</u>
Fund balances:				
Restricted	-	5,276,149	-	5,276,149
Committed	-	-	16,452,942	16,452,942
Assigned	7,290,728	-	-	7,290,728
Unassigned	696,625	-	-	696,625
Total fund balances	<u>7,987,353</u>	<u>5,276,149</u>	<u>16,452,942</u>	<u>29,716,444</u>
Total Liabilities and Fund Balances	<u>\$ 10,627,063</u>	<u>\$ 11,963,919</u>	<u>\$ 17,713,972</u>	

Adjustments for the Statement of Net Assets:

Internal service fund net profit allocation to the School Board is included in the Statement of Net Assets as other assets, but is not included in the governmental funds.	\$ (143,303)
Capital assets used in School Board activities are not current financial resources and therefore are not reported as assets in the governmental funds.	239,052,884
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	<u>(23,309,445)</u>
Net Assets of Discretely Presented Component Unit - School Board	<u>\$ 245,316,580</u>

**COUNTY OF HENRICO, VIRGINIA
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Schedule 9

	Governmental Funds			Total
	School General Fund	School Special Revenue Fund	School Capital Projects Fund	
Revenues:				
Permits, privilege fees and regulatory licenses	\$ 396,404	\$ -	\$ -	\$ 396,404
Charges for services	128,850	8,382,199	-	8,511,049
Miscellaneous	-	158,464	-	158,464
Recovered costs	463,553	-	-	463,553
Intergovernmental:				
Federal	4,533,590	34,477,535	4,726,218	43,737,343
State	208,622,198	9,594,388	-	218,216,586
Total revenues	<u>214,144,595</u>	<u>52,612,586</u>	<u>4,726,218</u>	<u>271,483,399</u>
Expenditures:				
Education	397,081,474	51,545,887	-	448,627,361
Capital projects	-	-	14,664,383	14,664,383
Debt service:				
Principal retirement	10,149,404	-	-	10,149,404
Interest	121,822	-	-	121,822
Total expenditures	<u>407,352,700</u>	<u>51,545,887</u>	<u>14,664,383</u>	<u>473,562,970</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(193,208,105)</u>	<u>1,066,699</u>	<u>(9,938,165)</u>	<u>(202,079,571)</u>
Other Financing Sources:				
Capital lease obligations incurred	56,595	-	-	56,595
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Payment from Primary Government	192,875,168	-	2,750,476	195,625,644
Total other financing sources	<u>192,931,763</u>	<u>-</u>	<u>2,750,476</u>	<u>195,682,239</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(276,342)</u>	<u>1,066,699</u>	<u>(7,187,689)</u>	<u>(6,397,332)</u>
Fund Balances - June 30, 2011	<u>8,263,695</u>	<u>4,209,450</u>	<u>23,640,631</u>	<u>36,113,776</u>
Fund Balances - June 30, 2012	<u>\$ 7,987,353</u>	<u>\$ 5,276,149</u>	<u>\$ 16,452,942</u>	<u>\$ 29,716,444</u>

Adjustments for the Statement of Activities:

Deficiency of revenues and other sources under expenditures and other uses	\$ (6,397,332)
Repayment of debt principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	10,149,404
Depreciation expense is reported in the Statement of Activities but is not reported as an expense in the governmental funds.	(20,516,017)
Governmental funds report capital outlays as expenditures while School Board activities capitalize those outlays to allocate those expenditures over the life of the assets.	18,879,276
Capital lease proceeds are recorded as revenues in governmental funds, but are not reported as revenues in the Statement of Activities	(56,595)
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.	(372,149)
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.	<u>(1,095,781)</u>

Change in Net Assets of Discretely Presented Component Unit - School Board

\$ 590,806



Henrico County

**Proud of Our Progress;
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COUNTY OF HENRICO

VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT -
SCHOOL BOARD**

AGENCY FUND

Financial Statements

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

COUNTY OF HENRICO, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
AGENCY FUNDS
JUNE 30, 2012

Schedule 10

	Agency Funds
Assets:	
Cash and cash equivalents	\$ 4,851,195
Total Assets	\$ 4,851,195
Liabilities:	
Amounts held for others	\$ 4,851,195
Total Liabilities	\$ 4,851,195

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Schedule 11

	Balance July 1	Additions	Deletions	Balance June 30
School Activity Fund:				
Assets:				
Cash and cash equivalents	\$ 4,872,829	\$ 15,194,055	\$ 15,215,689	\$ 4,851,195
Total assets	<u>\$ 4,872,829</u>	<u>\$ 15,194,055</u>	<u>\$ 15,215,689</u>	<u>\$ 4,851,195</u>
Liabilities:				
Amounts due to others	\$ 4,872,829	\$ 15,194,055	\$ 15,215,689	\$ 4,851,195
Total liabilities	<u>\$ 4,872,829</u>	<u>\$ 15,194,055</u>	<u>\$ 15,215,689</u>	<u>\$ 4,851,195</u>

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
COMPONENT UNIT - SCHOOL BOARD
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Schedule 12
Page 1 of 2

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
Component Unit - School Board:				
General Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
High school parking fees	\$ 25,000	\$ 25,000	\$ 95,509	\$ 70,509
Facilities rental	350,000	350,000	300,895	(49,105)
Total permits, privilege fees and regulatory licenses	<u>375,000</u>	<u>375,000</u>	<u>396,404</u>	<u>21,404</u>
Charges for services:				
School fees and tuitions	145,000	145,000	128,850	(16,150)
Total charges for services	<u>145,000</u>	<u>145,000</u>	<u>128,850</u>	<u>(16,150)</u>
Recovered cost:				
Sale of vehicles, textbooks and equipment	120,000	120,000	77,420	(42,580)
Lost/damaged textbook payments	22,000	22,000	8,296	(13,704)
Payment for services - parks and recreation	175,000	175,000	156,847	(18,153)
Recovered cost - student activities	190,000	190,000	220,990	30,990
Total recovered cost	<u>507,000</u>	<u>507,000</u>	<u>463,553</u>	<u>(43,447)</u>
Total revenue from local sources	<u>1,027,000</u>	<u>1,027,000</u>	<u>988,807</u>	<u>(38,193)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Talented and gifted program	1,227,000	1,227,000	1,233,863	6,863
English as a second language	1,229,000	1,229,000	1,318,974	89,974
General appropriation - basic aid	116,600,000	116,600,000	116,948,740	348,740
Foster child reimbursement	152,000	152,000	283,537	131,537
Textbooks	1,106,000	1,106,000	1,388,063	282,063
Social security reimbursement	6,846,000	6,846,000	6,882,212	36,212
Retirement reimbursement	6,218,000	6,218,000	6,251,571	33,571
Life insurance reimbursement	245,000	245,000	246,773	1,773
Remedial education	2,182,000	2,182,000	2,193,534	11,534
Share of State sales tax - schools	45,981,000	45,981,000	46,286,808	305,808
SOQ - basic special education	14,483,000	14,483,000	14,559,579	76,579
Special education - homebound	117,000	117,000	153,985	36,985
Vocational education - local administrative and supervisory	479,000	479,000	424,333	(54,667)
Vocational education - equipment	-	-	-	-
Vocational education - SOQ occupational	2,209,000	2,209,000	2,220,953	11,953
Handicapped - foster home	765,000	765,000	569,000	(196,000)
Salary incentive K-3	2,278,000	2,278,000	2,023,194	(254,806)
R.O.T.C.	300,000	300,000	397,088	97,088
Adult basic aid	-	-	70,617	70,617
At risk	1,449,000	1,449,000	1,456,791	7,791
Other categorical aid	1,213,000	1,213,000	3,712,583	2,499,583
Total categorical aid	<u>205,079,000</u>	<u>205,079,000</u>	<u>208,622,198</u>	<u>3,543,198</u>
Total revenue from the Commonwealth	<u>205,079,000</u>	<u>205,079,000</u>	<u>208,622,198</u>	<u>3,543,198</u>
Revenue from the Federal government:				
Stabilizations Funds	-	-	1,382,300	1,382,300
Jobs Funds	-	3,151,290	3,151,290	-

continued

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
COMPONENT UNIT - SCHOOL BOARD
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Schedule 12
Page 2 of 2

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
Component Unit - School Board:				
General Fund, continued:				
Total revenue from the Federal government	-	3,151,290	4,533,590	1,382,300
Total intergovernmental	205,079,000	208,230,290	213,155,788	4,925,498
Total Component Unit - General Fund	\$ 206,106,000	\$ 209,257,290	\$ 214,144,595	\$ 4,887,305
Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria receipts	\$ 9,987,040	\$ 9,987,040	\$ 8,382,199	\$ (1,604,841)
Total charges for services	9,987,040	9,987,040	8,382,199	(1,604,841)
Miscellaneous:				
Miscellaneous	-	-	3,510	3,510
Recoveries and rebates	124,945	124,945	154,954	30,009
Total miscellaneous	124,945	124,945	158,464	33,519
Total revenue from local sources	10,111,985	10,111,985	8,540,663	(1,571,322)
Intergovernmental:				
Revenue from the Commonwealth:				
Juvenile detention center	1,176,515	1,176,515	1,305,269	128,754
Technology	1,818,000	1,818,000	1,257,502	(560,498)
Summer school	1,607,789	1,607,789	(76,449)	(1,684,238)
General adult education	464,942	464,942	739,779	274,837
State SOL	297,871	297,871	489,425	191,554
School lunch program	432,535	432,535	379,867	(52,668)
Other state educational grants	4,451,753	4,451,753	5,498,995	1,047,242
Total revenue from the Commonwealth	10,249,405	10,249,405	9,594,388	(655,017)
Revenue from the Federal Government:				
Title I	7,956,420	7,956,420	7,536,157	(420,263)
Title VI-B	9,347,998	9,347,998	5,656,962	(3,691,036)
Vocational federal act	1,177,371	1,177,371	279,829	(897,542)
Head start	1,617,834	1,617,834	1,417,833	(200,001)
Pre-school	243,690	243,690	97,385	(146,305)
School lunch program	8,549,997	8,549,997	7,512,952	(1,037,045)
School breakfast program	-	-	2,296,279	2,296,279
Other Federal educational grants	12,697,428	12,697,428	9,680,138	(3,017,290)
Total revenue from the Federal government	41,590,738	41,590,738	34,477,535	(7,113,203)
Total intergovernmental	51,840,143	51,840,143	44,071,923	(7,768,220)
Total Component Unit - Special Revenue Fund	\$ 61,952,128	\$ 61,952,128	\$ 52,612,586	\$ (9,339,542)
Grand Total Revenues - Component Unit - School Board	\$ 268,058,128	\$ 271,209,418	\$ 266,757,181	\$ (4,452,237)

**COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
COMPONENT UNIT - SCHOOL BOARD
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Schedule 13

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Component Unit - School Board:				
General Fund:				
Education:				
Administration of schools:				
Administration	\$ 46,051,209	\$ 48,774,276	\$ 46,667,164	\$ 2,107,112
Instructional	274,597,326	277,216,643	275,729,853	1,486,790
Educational programs and services	5,247,702	5,038,747	4,877,861	160,886
Transportation	23,493,240	28,429,248	26,506,794	1,922,454
Operation and maintenance	44,148,892	44,283,536	43,299,802	983,734
Total administration of schools	<u>393,538,369</u>	<u>403,742,450</u>	<u>397,081,474</u>	<u>6,660,976</u>
Debt Service:				
Principal retirement	10,149,404	10,149,404	10,149,404	-
Interest	121,822	121,822	121,822	-
Total debt service	<u>10,271,226</u>	<u>10,271,226</u>	<u>10,271,226</u>	<u>-</u>
Total education	<u>403,809,595</u>	<u>414,013,676</u>	<u>407,352,700</u>	<u>6,660,976</u>
Total Component Unit - General Fund	<u>\$ 403,809,595</u>	<u>\$ 414,013,676</u>	<u>\$ 407,352,700</u>	<u>\$ 6,660,976</u>
Special Revenue Fund:				
Education:				
Instruction	\$ 37,942,017	\$ 59,998,379	\$ 33,434,275	\$ 26,564,104
Other educational programs	4,915,594	9,105,692	(61,265)	9,166,957
Total education	<u>42,857,611</u>	<u>69,104,070</u>	<u>33,373,010</u>	<u>35,731,060</u>
School food service	<u>18,494,517</u>	<u>19,305,406</u>	<u>18,172,877</u>	<u>1,132,529</u>
Total Component Unit - Special Revenue Fund	<u>\$ 61,352,128</u>	<u>\$ 88,409,476</u>	<u>\$ 51,545,887</u>	<u>\$ 36,863,589</u>
Grand Total Expenditures - Component Unit - School Board	<u>\$ 465,161,723</u>	<u>\$ 502,423,153</u>	<u>\$ 458,898,587</u>	<u>\$ 43,524,566</u>

Statistical Section

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

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

Contents

Financial Trends

Tables I - IV

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

Revenue Capacity

Tables V - VIII

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

Debt Capacity

Tables IX - X

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

Demographic and Economic Information

Tables XI - XII

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

Operating Information

Tables XIII - XV

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

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

(\$ in thousands)

Table I

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 600,857	\$ 618,680	\$ 660,171	\$ 734,506	\$ 795,307	\$ 846,377	\$ 917,136	\$ 921,623	\$ 946,772	\$ 1,009,019
Restricted For:										
Capital Projects	34,207	39,903	45,800	42,176	83,043	87,472	73,835	86,705	94,717	80,728
Debt Service	25,127	24,589	28,288	27,293	30,881	32,847	40,667	38,006	35,199	37,787
Special Revenue	14,705	20,589	18,937	19,422	22,060	26,128	25,768	29,488	39,207	40,738
Unrestricted	90,342	101,333	114,439	143,902	161,949	184,450	214,984	203,684	182,965	129,229
Total Governmental Activities Net Assets	\$ 765,238	\$ 805,094	\$ 867,635	\$ 967,299	\$ 1,093,240	\$ 1,177,273	\$ 1,272,390	\$ 1,279,506	\$ 1,298,860	\$ 1,297,501
Business-type Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 670,198	\$ 725,502	\$ 773,417	\$ 815,710	\$ 826,625	\$ 863,944	\$ 885,430	\$ 909,604	\$ 923,622	\$ 946,577
Debt Service	11,592	11,590	11,470	11,453	15,885	15,699	15,129	16,704	16,516	16,516
Unrestricted	87,465	69,539	51,800	54,911	73,696	74,206	78,038	76,418	73,779	64,471
Total Business-Type Activities Net Assets	\$ 769,255	\$ 806,631	\$ 836,687	\$ 882,074	\$ 916,205	\$ 953,849	\$ 978,597	\$ 1,002,727	\$ 1,013,917	\$ 1,027,564
Primary Government:										
Invested in Capital Assets, Net of Related Debt	\$ 1,271,055	\$ 1,344,182	\$ 1,433,588	\$ 1,550,216	\$ 1,621,931	\$ 1,710,321	\$ 1,802,566	\$ 1,831,227	\$ 1,870,394	\$ 1,955,596
Restricted For:										
Highways, Streets, and Buildings	34,207	39,903	45,800	42,176	83,043	87,472	73,835	86,705	94,717	80,728
Debt Service	25,127	24,589	28,288	27,293	30,881	32,847	55,796	54,710	51,715	54,303
Restricted Grants	26,297	32,179	30,407	30,875	37,945	41,827	25,768	29,488	39,207	40,738
Unrestricted	177,807	170,872	166,239	198,813	235,645	258,656	293,022	280,102	256,744	193,700
Total Primary Government Net Assets	\$ 1,534,493	\$ 1,611,725	\$ 1,704,322	\$ 1,849,373	\$ 2,009,446	\$ 2,131,122	\$ 2,250,987	\$ 2,282,233	\$ 2,312,777	\$ 2,325,065

Table may not foot due to rounding

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

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

Table II

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General Government	\$ 61,261	\$ 66,700	\$ 72,848	\$ 67,016	\$ 79,015	\$ 100,488	\$ 97,244	\$ 102,595	\$ 88,351	\$ 96,745
Judicial Administration	5,811	5,950	6,475	6,835	7,585	8,053	8,493	10,943	11,100	11,158
Public Safety	113,224	119,776	128,215	142,050	151,289	161,509	167,439	165,026	169,856	172,498
Public Works	48,026	65,727	53,711	54,640	60,957	61,590	65,154	77,785	71,986	75,272
Health and Welfare	44,403	47,945	50,924	54,016	57,777	60,903	62,145	67,543	60,937	60,572
Education	162,722	172,148	176,443	182,180	180,070	196,102	190,186	193,146	209,564	205,558
Parks, Recreation and Culture	20,894	22,731	24,497	26,090	28,748	33,624	34,829	35,204	34,329	34,987
Community Development	15,640	23,141	29,639	26,838	29,359	30,083	26,080	25,428	26,692	27,903
Interest and Long-term Debt	15,094	15,023	13,755	16,804	17,171	17,522	23,609	27,698	18,520	19,177
Total Government Activities Expenses	487,075	539,141	556,507	576,469	611,971	669,874	675,178	705,368	691,335	703,870
Business-Type Activities:										
Water and Sewer	54,896	59,275	65,604	71,522	81,415	84,792	86,688	87,290	92,028	90,830
Belmont Park Golf Course	1,075	1,322	1,642	1,129	1,122	1,106	1,200	1,237	1,227	1,241
Total Business-Type Activities Expenses	55,971	60,597	67,246	72,651	82,537	85,898	87,888	88,527	93,255	92,071
Total Primary Government Expenses	\$ 543,046	\$ 599,738	\$ 623,753	\$ 649,120	\$ 694,508	\$ 755,772	\$ 763,066	\$ 793,895	\$ 784,590	\$ 795,941
Program Revenues										
Governmental Activities:										
Charges for services:										
General Government	\$ 14,131	\$ 20,189	\$ 18,509	\$ 18,439	\$ 18,941	\$ 16,298	\$ 18,208	\$ 15,207	\$ 11,461	\$ 12,212
Judicial Administration	103	114	126	101	113	103	104	81	88	90
Public Safety	4,424	5,070	4,826	4,770	4,107	2,160	2,129	2,765	3,153	3,190
Public Works	7,558	10,452	9,844	10,313	10,566	11,601	12,738	13,741	15,760	13,667
Health and Welfare	5,832	5,875	6,283	8,303	8,062	8,436	9,059	9,645	9,507	10,225
Parks, Recreation and Culture	1,026	1,051	1,240	1,148	1,285	1,395	1,351	1,444	1,439	1,497
Community Development	451	545	586	528	691	605	472	547	4,901	5,749
Operating grants and contributions	82,955	104,191	115,674	125,012	143,668	120,155	141,967	111,874	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Revenues	116,480	147,487	157,088	168,614	187,433	160,753	186,027	155,304	46,309	46,630
Business-Type Activities:										
Water and Sewer	63,359	66,119	92,605	113,022	108,688	116,085	110,179	106,220	91,827	97,318
Belmont Park Golf Course	696	729	691	943	931	986	964	868	867	979
Total Business-Type Activities Revenues	64,055	66,848	93,296	113,965	109,619	117,071	111,143	107,088	92,694	98,297
Total Primary Government Revenues	\$ 180,535	\$ 214,335	\$ 250,384	\$ 282,579	\$ 297,052	\$ 277,824	\$ 297,170	\$ 262,392	\$ 139,003	\$ 144,927

Table may not foot due to rounding

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

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

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

Table II (Cont'd)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense) Revenue										
Governmental Activities:										
General Government	\$ (44,657)	\$ (45,656)	\$ (53,265)	\$ (46,055)	\$ (59,019)	\$ (83,011)	\$ (77,796)	\$ (86,579)	\$ (75,510)	\$ (83,065)
Judicial Administration	(193)	(47)	445	703	(1,081)	(1,445)	(2,398)	(5,795)	(5,874)	(5,869)
Public Safety	(84,200)	(90,688)	(97,640)	(109,490)	(112,189)	(126,924)	(136,612)	(135,030)	(137,288)	(139,818)
Public Works	(15,771)	(26,759)	3,083	11,465	18,264	(4,879)	17,121	(26,246)	(12,395)	(20,548)
Health and Welfare	(14,614)	(15,467)	(17,429)	(17,912)	(20,361)	(20,980)	(20,828)	(25,890)	(21,057)	(21,047)
Education	(162,722)	(172,148)	(176,443)	(182,180)	(180,070)	(196,102)	(190,186)	(193,146)	(209,564)	(205,558)
Parks, Recreation and Culture	(19,623)	(20,818)	(23,023)	(24,706)	(27,140)	(31,998)	(33,158)	(33,555)	(32,711)	(33,296)
Community Development	(13,719)	(5,049)	(21,392)	(22,875)	(25,770)	(26,260)	(21,685)	(16,125)	(14,153)	(15,847)
Interest and Long-term Debt	(15,094)	(15,023)	(13,755)	(16,804)	(17,171)	(17,522)	(23,609)	(27,698)	(18,520)	(19,177)
Total Governmental Activities Net Expense	(370,593)	(391,655)	(399,419)	(407,854)	(424,537)	(509,121)	(489,151)	(550,064)	(527,072)	(544,225)
Business-Type Activities:										
Water and Sewer	8,463	6,844	27,001	41,500	27,273	31,293	23,491	18,929	8,137	13,392
Belmont Park Golf Course	(379)	(593)	(951)	(186)	(191)	(120)	(236)	(369)	(360)	(262)
Total Business-Type Activities Net Revenue	8,084	6,251	26,050	41,314	27,082	31,173	23,255	18,560	7,777	13,130
Total Primary Government Net Expense	\$ (362,509)	\$ (385,404)	\$ (373,369)	\$ (366,540)	\$ (397,455)	\$ (477,948)	\$ (465,896)	\$ (531,504)	\$ (519,295)	\$ (531,095)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property	\$ 241,471	\$ 264,499	\$ 288,230	\$ 312,238	\$ 350,196	\$ 377,200	\$ 383,557	\$ 366,203	\$ 356,285	\$ 355,138
Local Sales and Use	47,096	47,446	50,213	53,254	54,472	53,742	54,109	53,256	55,342	55,913
Business License	23,013	24,042	25,510	28,628	31,173	30,848	29,849	27,313	27,525	28,487
Hotel and Motel	6,937	8,108	8,308	9,139	10,305	10,489	9,640	9,006	9,389	10,627
Bank Franchise	9,334	10,654	7,901	4,904	5,120	11,114	17,220	14,579	18,906	17,440
Other	23,085	26,192	29,570	33,151	33,992	35,570	31,658	17,069	16,931	18,075
Interest and Investment Earnings	8,650	2,583	7,695	14,032	22,818	25,520	12,849	4,656	2,689	2,225
Grants and Contributions	38,382	42,134	43,063	50,635	39,482	47,612	43,735	61,238	57,854	54,053
Miscellaneous/Donated Assets	32,327	5,852	1,469	1,537	2,919	1,059	1,651	3,861	1,505	908
Total Governmental Activities	430,294	431,511	461,960	507,518	550,478	593,154	584,268	557,181	546,426	542,866
Business-Type Activities:										
Interest and Investment Earnings	1,804	692	788	1,079	5,811	4,788	1,015	646	714	1,051
Grants and Contributions	799	1,056	1,427	1,185	1,332	1,187	983	661	436	492
Miscellaneous/Donated Assets	21,571	29,378	1,790	1,810	(94)	495	(505)	4,262	2,264	(1,026)
Total Business-Type Activities	24,174	31,125	4,005	4,074	7,049	6,471	1,493	5,569	3,414	517
Total Primary Government	\$ 454,469	\$ 462,636	\$ 465,965	\$ 511,591	\$ 557,527	\$ 599,625	\$ 585,761	\$ 562,750	\$ 549,840	\$ 543,383
Change in Net Assets										
Government Activities	\$ 59,701	\$ 39,856	\$ 62,541	\$ 99,664	\$ 125,941	\$ 84,033	\$ 95,116	\$ 7,117	\$ 19,354	\$ (1,359)
Business Activities	32,258	37,376	30,055	45,388	34,131	37,644	24,748	24,129	11,191	13,647
Total Primary Government Net Assets	\$ 91,960	\$ 77,232	\$ 92,596	\$ 145,051	\$ 160,072	\$ 121,677	\$ 119,865	\$ 31,246	\$ 30,545	\$ 12,288

Table may not foot due to rounding

COUNTY OF HENRICO, VIRGINIA
FUND BALANCES-GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

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

Table III

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Unspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113	\$ 113
Restricted	-	-	-	-	-	-	-	-	4,512	4,532
Committed	-	-	-	-	-	-	-	-	5,000	10,000
Assigned	-	-	-	-	-	-	-	-	79,631	89,409
Unassigned	-	-	-	-	-	-	-	-	133,005	109,597
Total General Fund	123,516	135,249	156,001	194,614	203,279	234,792	247,327	242,864	222,261	213,651
All Other Governmental Funds:										
Unspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	26,738	28,532
Committed	-	-	-	-	-	-	-	-	208,320	212,618
Assigned	-	-	-	-	-	-	-	-	15,238	14,964
Unassigned	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	122,687	143,240	122,734	176,926	220,633	217,357	282,424	214,957	250,296	256,114
Total Fund Balances	\$ 246,203	\$ 278,489	\$ 278,735	\$ 371,540	\$ 423,912	\$ 452,149	\$ 529,751	\$ 457,822	\$ 472,557	\$ 469,765
General Fund:										
Reserved for:										
Advance to Other Funds	\$ 135	\$ 135	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113	\$ 113
Encumbrances	6,881	7,704	8,335	4,398	5,823	6,076	7,116	4,298		
Unreserved, reported in:										
Designated	21,478	25,058	40,111	76,912	74,614	98,599	100,889	101,927		
Undesignated	95,022	102,352	107,442	113,191	122,729	130,004	139,209	136,526		
Total General Fund	123,516	135,249	156,001	194,614	203,279	234,792	247,327	242,865		
All Other Governmental Funds:										
Reserved for:										
Encumbrances	41,737	33,794	34,090	87,000	70,168	70,725	96,054	69,556		
Unreserved, reported in:										
Designated:										
Special Revenue Fund	14,773	20,338	16,240	18,154	21,324	24,859	24,373	24,333		
Debt Service Fund	7,667	7,569	7,602	4,067	4,606	5,216	7,422	6,496		
Capital Project Fund	58,510	81,539	64,802	67,705	124,535	116,557	154,575	114,572		
Undesignated	-	-	-	-	-	-	-	-		
Total All Other Governmental Funds	122,687	143,240	122,734	176,926	220,633	217,357	282,424	214,957		
Total Fund Balances	\$ 246,203	\$ 278,489	\$ 278,735	\$ 371,540	\$ 423,912	\$ 452,149	\$ 529,751	\$ 457,822		

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

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

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

Table IV

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
General Property Taxes	\$ 240,665	\$ 264,120	\$ 287,165	\$ 316,998	\$ 346,403	\$ 371,556	\$ 377,532	\$ 367,444	\$ 353,555	\$ 351,142
Other Local Taxes	109,465	116,443	121,502	129,075	129,919	127,268	126,270	119,791	127,013	129,354
Licenses and Permits	3,932	3,756	4,421	4,345	4,596	4,202	3,032	2,665	2,963	3,486
Fines and Forfeitures	1,799	1,818	2,150	2,445	2,640	2,404	2,333	2,480	3,187	2,958
Use of Money and Property	8,650	3,050	8,236	14,459	23,310	26,302	13,761	7,185	3,673	3,117
Charges for Services	21,729	25,740	25,328	27,798	25,026	22,105	23,825	25,928	25,993	26,279
Miscellaneous	3,088	9,744	6,586	4,207	7,360	7,451	9,075	7,191	8,545	6,861
Recovered Costs	3,529	4,044	5,261	5,416	5,928	5,455	6,392	6,246	6,319	6,908
Intergovernmental Revenue	121,336	144,817	137,462	148,376	148,941	176,600	164,086	168,695	165,570	160,862
Total Government Revenues	514,193	573,532	598,111	653,119	694,123	743,343	726,306	707,625	696,818	690,967
Expenditures:										
General Government	52,803	53,719	58,125	61,718	62,556	66,566	65,526	68,009	66,831	67,384
Judicial Administration	5,766	5,897	6,429	6,847	7,527	8,210	8,609	10,933	10,872	11,055
Public Safety	112,049	119,168	125,721	141,916	149,915	159,842	167,650	161,797	166,872	168,379
Public Works	36,684	52,558	40,558	42,139	45,339	47,226	50,799	52,693	47,941	54,071
Health and Welfare	44,507	47,897	50,789	53,855	57,681	61,420	62,776	61,632	60,487	60,342
Parks, Recreation and Culture	19,598	21,354	23,230	24,742	27,298	30,377	31,698	30,639	29,873	30,826
Community Development	15,615	23,086	29,600	26,800	29,358	30,076	26,134	25,615	26,416	27,711
Education	160,294	169,678	174,162	179,897	176,899	188,503	184,328	192,895	200,633	195,626
Miscellaneous	6,667	8,752	9,387	1,851	13,507	20,092	21,545	21,209	16,072	17,821
Debt Service - Principal	22,137	23,258	22,747	26,442	29,306	32,890	30,452	35,155	32,477	32,542
- Interest	14,579	14,267	14,471	15,576	18,578	18,996	22,384	20,125	19,260	22,610
Capital Outlay	40,449	42,565	42,676	59,510	97,470	82,761	118,776	100,066	82,574	80,574
Total Government Expenditures	531,148	582,199	597,895	641,293	715,434	746,959	790,677	780,768	760,308	768,941
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,955)	(8,667)	216	11,826	(21,311)	(3,616)	(64,371)	(73,143)	(63,490)	(77,974)
Other Financing Sources (Uses):										
Transfers-in	69,964	73,257	89,401	105,108	146,445	108,134	115,122	96,503	96,801	84,029
Transfers-out	(69,964)	(73,257)	(89,401)	(105,108)	(146,445)	(108,134)	(115,122)	(96,503)	(96,801)	(84,029)
Issuance of Bonds	50,230	38,920	-	77,815	71,915	29,810	171,315	156,160	72,205	66,075
Issuance of Bond Premium	1,823	2,031	-	3,096	1,664	1,335	7,389	21,307	5,714	7,885
Issuance of Capital Lease Obligations	819	-	29	69	104	709	67	140	306	1,222
Payment to Escrow Agent	-	-	-	-	-	-	(36,799)	(176,393)	-	-
Total Other Financing Sources, Net	52,872	40,951	29	80,980	73,683	31,854	141,972	1,214	78,225	75,182
Net Change in Fund Balances	\$ 35,917	\$ 32,284	\$ 245	\$ 92,806	\$ 52,372	\$ 28,238	\$ 77,601	\$ (71,929)	\$ 14,735	\$ (2,792)
Debt service as a percentage of noncapital expenditures	8.15%	7.14%	7.07%	7.76%	8.31%	8.12%	8.28%	8.22%	7.94%	8.17%

Table may not foot due to rounding

Source: County of Henrico Comprehensive Annual Financial Reports Exhibit 4

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

(\$ in thousands)

Table V

Year	Real Property			Personal Property			Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value of Taxable Property			
	Residential Property	Commercial Property (1)	Public (3) Service Corp.	Total Real Property	Personal Property	Public (3) Service Corp.				Total Personal Property	Personal Property Tax Rate (2)	
2003	13,034,663	6,766,823	869,736	20,671,222	0.94	2,790,989	6,961	2,797,950	3.50	23,469,172	4.44	23,469,172
2004	14,820,557	7,482,898	889,991	23,193,446	0.94	2,792,062	7,090	2,799,152	3.50	25,992,598	4.44	25,992,598
2005	17,046,539	8,288,217	797,890	26,132,646	0.92	3,030,117	5,487	3,035,604	3.50	29,168,250	4.42	29,168,250
2006	20,093,473	9,188,028	801,743	30,083,244	0.90	3,721,480	3,789	3,725,269	3.50	33,808,513	4.40	33,808,513
2007	22,769,740	10,017,942	850,902	33,638,584	0.87	3,807,727	3,419	3,811,146	3.50	37,449,730	4.37	37,449,730
2008	24,247,110	10,492,965	851,142	35,591,217	0.87	4,022,204	3,803	4,026,007	3.50	39,617,224	4.37	39,617,224
2009	24,154,886	10,820,982	913,716	35,889,584	0.87	3,789,013	2,763	3,791,776	3.50	39,681,360	4.37	39,681,360
2010	22,613,681	9,403,294	976,312	32,993,287	0.87	3,068,020	3,704	3,071,724	3.50	36,065,011	4.37	36,065,011
2011	22,439,661	9,262,487	988,146	32,690,294	0.87	3,208,453	3,324	3,211,777	3.50	35,902,071	4.37	35,902,071
2012	21,340,606	9,326,319	980,339	31,647,264	0.87	3,432,535	3,433	3,435,968	3.50	35,083,232	4.37	35,083,232

Source: County of Henrico Director of Finance

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

(1) Includes commercial, industrial, manufacturing and agriculture

(2) Per \$100 of assessed value

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

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

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

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

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

Table VI

Tax Year	Real Property	Tangible Personal Property	Machinery and Tools	Aircraft	Semi- Conductor	Total Direct Rate
2012	\$ 0.87	\$ 3.50	\$ 1.00	\$ 1.60	\$ 0.40	\$ 7.37
2011	\$ 0.87	\$ 3.50	\$ 1.00	\$ 1.60	\$ 0.40	\$ 7.37
2010	0.87	3.50	1.00	1.60	0.40	7.37
2009	0.87	3.50	1.00	1.60	0.40	7.37
2008	0.87	3.50	1.00	1.60	0.40	7.37
2007	0.87	3.50	1.00	1.60	0.55	7.52
2006	0.90	3.50	1.00	1.60	0.55	7.55
2005	0.92	3.50	1.00	1.60	0.55	7.57
2004	0.94	3.50	1.00	1.60	1.00	8.04
2003	0.94	3.50	1.00	1.60	1.00	8.04

Source: County of Henrico Director of Finance

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

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

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

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

Table VII

Taxpayer	Type of Business	Calendar Year 2012			Calendar Year 2011			Calendar Year 2003		
		Real/Personal Property Assessed Valuation	Rank	Percent of Total Valuation	Real/Personal Property Assessed Valuation	Rank	Percent of Total Valuation	Real/Personal Property Assessed Valuation	Rank	Percent of Total Valuation
Virginia Power Company	Utility	480,779,926	1	1.37%	463,535,687	1	1.29%	371,274,669	2	1.59%
Forest City (Short Pump TC, White Oak, etc)	Retail and Offices	327,201,300	2	0.93%	388,845,900	2	1.08%	-	N/A	-
Verizon	Utility	275,747,131	3	0.79%	304,851,389	3	0.85%	237,962,036	3	1.02%
Highwoods Properties	Offices and Warehouses	239,462,800	4	0.68%	257,376,000	4	0.72%	173,775,400	4	0.74%
General Services Corporation	Apartments	225,270,600	5	0.64%	190,094,300	7	0.53%	-	N/A	-
The Wilton Companies etals	Office, Retail & Warehouse	217,046,500	6	0.62%	216,121,600	5	0.60%	-	N/A	-
HCA Health Services of VA	Hospital	169,321,052	7	0.48%	145,988,626	10	0.41%	106,104,852	6	0.45%
Weinstein Family	Apartments	159,713,700	8	0.46%	-	-	0.00%	-	N/A	-
United Dominion Realty Trust	Apartments	120,251,000	9	0.34%	165,629,200	8	0.46%	92,901,700	8	0.40%
Lingerfelt Companies	Offices	117,284,400	10	0.33%	-	-	-	-	-	-
Liberty Property, LP	Warehouses and Offices	-	-	0.00%	210,226,800	6	0.59%	173,284,900	5	0.74%
Gumenick	Apartments	-	-	0.00%	155,696,500	9	0.43%	-	N/A	-
Qimonda AG (Infineon Technologies)	Industrial	-	-	0.00%	-	-	0.00%	423,324,000	1	1.81%
Sovran Bank, as Trustee	Regency Shopping Center	-	-	0.00%	-	-	0.00%	100,276,800	7	0.43%
VAC Limited	Apartments	-	-	0.00%	-	-	0.00%	90,520,700	9	0.39%
Circuit City Stores, Inc.	Retail Distribution Center & Stores	-	-	0.00%	-	-	0.00%	83,912,159	10	0.36%
North Park Associates	Virginia Center Commons	-	-	-	-	-	0.00%	-	N/A	-
Totals		\$ 2,332,078,409		6.65%	\$ 2,498,366,002		6.96%	\$ 1,853,337,216		7.93%
Total Assessed Values		\$ 35,083,231,701			\$ 35,902,070,827			\$ 23,362,793,396		

Source: County of Henrico Director of Finance

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

Table VIII

Year	Original Fiscal Year Levy	Collections within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2003	\$ 273,732,728	\$ 264,255,359	96.5%	\$ 9,177,369	\$ 273,432,728	99.9%
2004	296,552,199	284,758,490	96.0%	11,562,088	296,320,578	99.9%
2005	324,711,836	310,097,233	95.5%	9,581,896	319,679,129	98.5%
2006	339,091,487	323,450,975	95.4%	8,538,873	331,989,848	97.9%
2007	352,305,000 (1)	331,949,276	94.2%	7,507,777	339,457,053	96.4%
2008	369,929,993	364,474,006	98.5%	4,881,310	369,355,316	99.8%
2009	380,661,375	371,078,746	97.5%	9,305,798	380,384,544	99.9%
2010	365,521,825	357,859,027	97.9%	7,479,652	365,338,679	99.9%
2011	349,268,894	336,136,985	96.2%	4,910,291	341,047,276	97.6%
2012	347,803,213	341,709,567	98.2%	N/A (2)	341,709,567	98.2%

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

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

(2) Fiscal year 2012 collections in subsequent years will be available as of the next reporting period.

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

Table IX

Fiscal Year	General Bonded Debt			Net Bonded Debt	Percentage of Personal Income (3)	Percentage of Estimated Actual Value of Taxable Property	Per Capita Debt	Capital Leases
	General Obligation Bonds (2)	Less, Amounts Designated for Principal Payments	Capital Leases					
2003	235,893,137	7,667,047	-	228,226,090	2.2%	1.0%	811.99	73,995,115
2004	257,032,495	7,568,786	-	249,463,709	2.2%	1.0%	863.99	68,127,765
2005	239,750,753	7,602,585	-	232,148,168	1.9%	0.8%	791.28	61,436,460
2006	296,672,986	4,067,585	-	292,605,401	2.3%	0.9%	977.17	55,748,161
2007	345,172,939	4,606,347	-	340,566,592	2.6%	0.9%	1,125.77	49,771,138
2008	348,534,427	5,216,511	-	343,317,916	2.5%	0.9%	1,123.50	43,865,892
2009	458,800,000	7,421,544	-	451,378,456	3.5%	1.1%	1,466.31	41,106,810
2010	420,720,000	6,496,004	-	414,223,996	3.1%	1.1%	1,349.55	36,568,194
2011	461,425,000	4,768,994	-	456,656,006	3.4%	1.3%	1,470.97	35,902,455
2012	497,070,000	2,757,410	-	494,312,590	3.6%	1.4%	1,577.91	35,011,636

Fiscal Year	Business-Type Activities			Total Primary Government	Percentage of Personal Income (3)	Percentage of Estimated Actual Value of Taxable Property	Per Capita Debt	Component Units		
	Water & Sewer Revenue Bonds	Capital Leases	Capital Leases					School Board	Facility Bond	Capital Leases
2003	147,545,000	-	-	449,766,205	4.3%	1.9%	1,600.20	17,016,888	6,445,000	-
2004	140,915,000	-	-	458,506,474	4.1%	1.8%	1,587.98	10,563,008	6,080,000	-
2005	134,005,000	-	-	427,589,628	3.6%	1.5%	1,457.45	5,261,503	5,695,000	-
2006	126,935,000	-	-	475,288,562	3.8%	1.4%	1,587.24	15,453,321	5,290,000	13,343
2007	199,895,000	12,444	-	590,245,174	4.4%	1.6%	1,951.11	19,268,975	4,870,000	9,661
2008	191,960,000	7,718	-	579,151,526	4.2%	1.5%	1,895.25	21,733,285	4,425,000	5,780
2009	181,405,000	2,729	-	673,892,995	5.2%	1.7%	2,189.16	11,963,471	3,960,000	1,688
2010	182,720,000	23,332	-	633,535,522	4.8%	1.8%	2,064.07	20,337,101	3,470,000	7,549
2011	176,460,000	16,110	-	669,034,571	4.9%	1.9%	2,155.08	21,698,861	2,960,000	5,963
2012	168,390,000	20,562	-	697,734,788	5.0%	2.0%	2,227.26	11,606,052	2,425,000	3,906

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

(1) There are no limitations imposed by State Law or Local Ordinance on the amount of general obligation debt that may be issued either directly or indirectly. However, with certain exceptions, all debt, which is secured by the general obligation of a county, must be approved at public referendum prior to issuance.

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

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

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

Table X

Fiscal Year	Operating Revenue	Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2003	65,588,634	37,018,352	28,570,282	6,385,000	6,325,785	12,710,785	2.25
2004	68,286,629	40,437,572	27,849,057	6,630,000	5,898,343	12,528,343	2.22
2005	71,356,235	41,407,841	29,948,394	6,910,000	5,890,723	12,800,723	2.34
2006	81,934,311	41,915,291	40,019,020	7,070,000	5,980,027	13,050,027	3.07
2007	82,750,017	44,816,131	37,933,886	8,470,000	9,708,681	18,178,681	2.09
2008	86,691,475	52,062,041	34,629,434	8,205,000	9,252,708	17,457,708	1.98
2009	87,194,067	54,609,318	32,584,749	8,680,000	7,302,706	15,982,706	2.04
2010	83,321,061	54,265,948	29,055,113	6,780,000	8,162,621	14,942,621	1.94
2011	88,550,725	57,029,837	31,520,888	6,260,000	8,471,819	14,731,819	2.14
2012	91,838,857	55,519,463	36,319,394	8,070,000	8,582,853	16,652,853	2.18

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

(1) Water and Sewer Fund only.

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

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

Table XI

Year	County Population (1)	Total Personal Income (2) (\$000)	Per Capita Income (2)	Average Daily Student Enrollment (3)	Unemployment Rate (4)
2003	281,069	10,532,157	38,361	43,366	4.1%
2004	288,735	11,089,421	39,564	44,637	3.7%
2005	293,382	11,954,001	41,733	46,030	3.6%
2006	299,443	12,641,949	43,375	46,910	3.0%
2007	302,518	13,348,887	45,036	47,537	2.8%
2008	305,580	13,839,779	46,102	48,226	3.9%
2009	307,832	12,978,091	42,584	48,822	7.6%
2010	306,935	13,265,139	43,151	48,230	7.0%
2011	310,445	13,558,536 (6)	44,047 (6)	48,431	6.2%
2012	313,270 (5)	13,858,422 (6)	44,961 (6)	48,659	5.8%

Sources:

- (1) Henrico County 3-C Reports. Estimates from these reports are as of December 31 of the respective year.
- (2) U.S. Department of Commerce (Bureau of Economic Analysis in Henrico County, Annual)
- (3) Commonwealth of Virginia Superintendent's Annual Report
- (4) Virginia Employment Commission (Henrico County Economic Profile 10/30/2012)
- (5) Based on a trend average 2006-2010
- (6) Calculation based on trend average 2006 - 2010

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

Table XII

<u>Employer</u>	2012 (1)			2011			2010			2009			2008		
	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment
Henrico County School Board	5,000-9,999	1	3.9%	5,000-9,999	1	4.2%	5,000-9,999	1	4.3%	5,000-9,999	1	4.3%	5,000-9,999	1	4.0%
Capital One Bank	1,000-4,999	2	2.5%	1,000-4,999	3	2.5%	1,000-4,999	3	2.5%	1,000-4,999	3	2.5%	1,000-4,999	3	2.5%
County of Henrico	1,000-4,999	3	2.4%	1,000-4,999	2	2.5%	1,000-4,999	2	2.6%	1,000-4,999	2	2.6%	1,000-4,999	2	2.5%
Bon Secours Richmond Health System(2)	1,000-4,999	4	1.8%	1,000-4,999	4	1.9%	1,000-4,999	4	1.9%	1,000-4,999	4	1.9%	1,000-4,999	4	1.9%
Henrico Doctors' Hospital (HCA)	1,000-4,999	5	1.8%	1,000-4,999	6	1.9%	1,000-4,999	6	1.9%	1,000-4,999	6	1.9%	1,000-4,999	9	1.9%
Admiral Security Services	1,000-4,999	6	1.8%	1,000-4,999	7	1.9%	1,000-4,999	8	1.9%	1,000-4,999	9	2.0%	1,000-4,999	12	1.9%
Anthem (Blue Cross & Blue Shield)	1,000-4,999	7	1.8%	1,000-4,999	5	1.9%	1,000-4,999	5	1.9%	1,000-4,999	5	2.0%	1,000-4,999	5	1.9%
Bank of America	1,000-4,999	8	1.8%	1,000-4,999	8	1.9%	1,000-4,999	7	1.9%	1,000-4,999	7	2.0%	1,000-4,999	8	1.9%
Wells Fargo Bank NA	1,000-4,999	9	1.8%	1,000-4,999	9	1.9%	1,000-4,999	9	1.9%	1,000-4,999	-	-	-	N/A	-
United States Postal Service	1,000-4,999	10	1.8%	1,000-4,999	10	1.9%	1,000-4,999	12	1.9%	1,000-4,999	-	-	-	N/A	-
Walmart	1,000-4,999	11	1.8%	1,000-4,999	11	1.9%	1,000-4,999	11	1.9%	1,000-4,999	12	2.0%	1,000-4,999	14	1.9%
GNA Corporation	1,000-4,999	12	1.8%	1,000-4,999	13	1.9%	1,000-4,999	10	1.9%	1,000-4,999	11	2.0%	1,000-4,999	11	1.9%
Martin's Food Market	1,000-4,999	13	1.8%	1,000-4,999	12	1.9%	500-999	15	0.5%	500-999	-	-	500-999	-	N/A
Altria Corporate Services Inc	500-999	14	1.8%	500-999	14	0.5%	1,000-4,999	13	1.9%	1,000-4,999	13	2.0%	1,000-4,999	-	N/A
Kroger	500-999	15	1.8%	500-999	15	0.5%	500-999	17	0.5%	500-999	20	0.5%	500-999	18	0.5%
Access America	500-999	16	0.5%	500-999	17	0.5%	500-999	-	-	500-999	-	-	500-999	-	N/A
Market Service, Inc	500-999	17	0.5%	500-999	18	0.5%	500-999	20	0.5%	500-999	19	0.5%	500-999	-	N/A
Dominion Resources	500-999	19	0.5%	500-999	16	0.5%	500-999	14	0.5%	500-999	16	0.5%	500-999	17	0.5%
SunTrust Bank	500-999	19	0.5%	500-999	19	0.5%	500-999	-	-	500-999	-	-	500-999	-	N/A
Virginia Department of Social Services	500-999	20	0.5%	-	N/A	-	500-999	18	0.5%	500-999	18	0.5%	500-999	16	0.5%
Verizon Virginia, Inc.	-	N/A	-	500-999	20	0.5%	500-999	16	0.5%	500-999	17	0.5%	500-999	19	0.5%
Ukrops	-	N/A	-	-	-	-	500-999	19	0.5%	1,000-4,999	10	2.0%	1,000-4,999	10	1.9%
Circuit City Stores	-	N/A	-	-	-	-	-	N/A	-	1,000-4,999	8	2.0%	1,000-4,999	6	1.9%
First Union National Bank	-	N/A	-	-	-	-	-	N/A	-	1,000-4,999	14	2.0%	1,000-4,999	13	1.9%
Qimonda North America Corp	-	N/A	-	-	-	-	-	N/A	-	1,000-4,999	15	2.0%	1,000-4,999	7	1.9%
Totals			32.6%			32.0%			32.2%			35.3%			31.4%
Total County Employment (3)	166,525			155,163			154,233			153,486			160,459		

Source: Virginia Employment Commission
 Employees and percentage of employment based on size code as published by VEC
 (1) 2012 Data as of 1st Qtr 2012
 (2) Non-Resident Employer of Henrico County Citizens
 (3) VEC Monthly (June) Not Seasonally Adjusted Labor Force

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

Table XIII

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture & Home Extension	5	5	5	5	3	3	3	3	3	2
Belmont Golf Course	9	9	9	9	9	9	9	9	9	9
Board of Supervisors	5	5	5	5	5	5	5	5	5	5
Building Inspections	55	55	55	59	59	61	61	58	58	56
Central Automotive Maintenance	61	61	61	64	65	65	65	65	65	67
Circuit Court Services	6	6	7	7	8	8	8	8	8	8
Commonwealth's Attorney	43	43	45	45	50	56	56	54	54	56
Community Corrections	2	2	2	2	2	2	2	2	2	2
Community Revitalization	-	-	17	17	19	19	19	18	18	17
County Attorney	18	18	18	18	18	18	18	18	18	18
County Manager	13	13	13	13	13	13	13	13	13	13
Electoral Board	9	9	9	10	10	9	9	9	9	8
Finance	158	159	160	160	166	166	167	159	159	157
Fire	407	462	477	491	522	531	540	539	539	539
General Services	148	149	149	150	157	160	161	156	156	155
Human Resources	51	55	51	50	55	57	56	53	53	52
Hold Complement (2)	-	-	-	-	-	-	-	-	-	19
Information Technology	84	84	85	85	91	90	89	83	83	85
Internal Audit	4	4	4	4	4	4	4	4	4	4
Juvenile Detention & VJCCCA	29	29	31	31	31	33	33	33	33	33
Library	118	118	131	144	178	178	183	173	173	168
Mental Health	223	223	223	223	224	225	225	220	220	220
Permit Centers	17	17	17	17	19	19	19	18	18	17
Planning	58	57	43	46	50	50	50	49	49	46
Police	755	756	763	785	810	799	799	797	799	798
Public Relations & Media Services	14	17	19	19	20	20	20	19	19	19
Public Utilities	300	310	310	310	316	320	320	308	309	307
Public Works	251	258	259	259	265	266	266	258	258	254
Real Property	7	7	7	7	7.5	7.5	7.5	7	7	7
Recreation & Parks	140	140	144	152	167	172	172	168	178	178
Sheriff	358	358	360	360	362	378	377	371	371	371
Social Services	143	142	146	149	154	157	168	168	168	168
Solid Waste	70	69	69	78	78	75	75	70	69	69
Sub-total General Government	3,561	3,640	3,694	3,774	3,938	3,976	4,000	3,915	3,927	3,927
Education	5,450	5,599	5,908	6,081	6,231	6,422	6,588	6,634	6,567.30	6,564.25
Total Government Employees	9,011	9,239	9,602	9,855	10,168	10,397	10,587	10,549	10,494.30	10,491.25

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

(1) The County's personnel complement reflected here includes only those positions funded either wholly or in part with County funds. Positions funded 100% by non-County funds (294 as of March 5, 2012) are not included. General Government positions are based on headcount while Education positions are measured using FTE.

(2) Certain approved, vacant and frozen positions have been removed from the department where previously assigned and are being held in the Hold Complement until reassignment is made.

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

Table XIV

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 (1)
General Government										
Finance:										
Standard & Poor G.O. Bond Rating	AAA									
Moody's G.O. Bond Rating	Aaa									
Fitch G.O. Bond Rating	AAA									
Land Parcels Reviewed	101,611	101,686	103,487	105,742	107,533	109,333	109,970	110,369	112,383	112,783
Vehicles Assessed	288,428	326,000	339,000	347,000	348,862	349,306	328,204	347,913	347,790	337,860
GFOA Award CAFR - # of Years	21	22	23	24	25	26	27	28	29	30
GFOA Award Budget - # of Years	14	15	16	17	18	19	20	21	22	23
General Services:										
Fleet Annual Miles Driven	20,437,855	21,455,860	22,135,909	22,170,727	22,601,564	24,000,000	24,594,634	25,112,408	24,681,815	24,841,250
Gallons of Fuel Consumed	2,433,078	2,554,269	2,595,253	2,649,446	2,723,080	2,867,559	2,963,209	3,007,474	2,955,906	2,975,000
Total Work Orders Completed	16,359	16,661	19,247	26,963	28,301	30,490	24,589	20,361	22,308	24,550
Information Technology										
Internet Pages Accessed	7,714,010	12,846,893	8,840,785	8,840,785	12,207,405	13,861,882	16,629,902	19,212,527	19,121,527	19,294,500
Internet Site Visits	-	-	1,870,150	1,870,150	2,637,719	2,744,028	2,280,415	2,269,242	2,269,242	2,252,000
Central Computer Average Uptime	99.8%	99.4%	99.2%	99.1%	99.6%	99.8%	99.8%	99.8%	99.8%	99.8%
Judicial Administration										
Clerk of Circuit Court:										
Deed Book Entries	77,694	101,478	75,432	82,426	76,146	67,768	50,160	50,440	37,682	43,000
Civil Cases	2,764	2,838	2,947	2,831	2,881	3,001	2,852	3,104	3,034	3,200
Criminal Cases	6,734	7,208	8,196	8,113	8,613	8,001	6,971	7,133	6,431	7,500
General District Courts:										
New Criminal Cases Filed	9,105	8,663	9,271	10,422	10,475	7,878	10,386	10,620	15,196	12,874
New Civil Cases Filed	40,788	38,436	38,855	39,095	37,502	33,134	43,284	42,329	40,411	41,849
New Traffic Cases Filed	63,361	55,243	63,727	68,642	72,102	62,073	66,924	76,218	80,481	72,604
Commonwealth Attorney:										
Criminal Cases	22,171	21,602	26,163	25,980	25,532	26,000	25,084	25,038	34,061	35,050
Traffic Cases	80,985	82,402	98,664	99,567	96,553	97,000	94,356	107,397	109,152	109,250
Public Safety										
Police:										
Calls for Service	217,444	222,614	202,244	200,158	205,189	209,292	197,808	193,173	192,726	196,581
Criminal Arrests	17,925	18,747	21,132	21,925	24,815	25,311	21,399	20,330	20,716	21,130
Traffic Arrests	42,332	43,614	51,945	56,811	51,496	52,525	53,051	63,009	65,481	66,791
Fire Protection:										
Calls For Service	31,092	34,086	34,192	35,365	37,962	39,043	36,931	37,575	39,120	39,871
EMS and Rescue Calls	20,087	21,534	23,114	24,229	25,722	27,100	27,293	28,028	29,114	30,091
Fire Incidents	1,221	1,221	1,092	1,223	1,204	1,183	1,025	915	1,110	1,087
Sheriff:										
Civil Papers Served	120,708	123,344	119,079	120,370	121,201	123,098	115,186	120,746	116,434	120,000
Annual Commitments to Jail	9,984	10,882	11,610	12,201	12,588	12,600	13,605	16,888	17,623	16,424
Average Daily Inmate Population	1,047	1,062	1,005	1,169	1,234	1,300	1,164	1,140	1,167	1,175
Building Inspections:										
Total Permits Issued	18,485	20,535	21,928	20,907	18,509	20,000	12,819	11,975	12,208	12,500
Total Inspections	84,105	88,631	98,185	95,661	86,130	85,500	59,795	51,495	51,351	56,225
Public Works										
Public Works:										
Lane Miles Maintained	3,088	3,138	3,212	3,277	3,231	3,310	3,348	3,385	3,402	3,406
Traffic Signals Maintained	122	126	131	136	138	130	138	140	144	146
Development Plans Reviewed	1,689	1,654	1,420	1,415	1,630	1,536	1,026	776	653	500
Health and Social Services										
Public Health:										
Patient Visits	21,932	24,623	25,190	25,700	26,000	26,050	26,308	28,545	27,531	27,531
Water/Sewer Inspection Applications	416	305	400	397	350	350	195	179	179	243

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

Table XIV

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 (1)
<i>Health and Social Services cont.</i>										
Social Services:										
Clients Entering Employment	206	372	476	369	531	525	545	609	483	575
Clients Employed After 90 Days	206	282	319	277	409	404	436	493	367	432
Education										
Schools:										
Cost Per Student	\$ 7,163	\$ 7,235	\$ 7,642	\$ 7,832	\$ 8,485	\$ 8,957	\$ 9,369	\$ 9,485	\$ 9,015	\$ 9,041
Teaching Positions	3,152	3,154	3,394	3,489	3,554	3,657	3,791	3,815	3,720	3,737
Student/Teacher Ratio	13.8	14.2	13.6	13.4	13.4	13.2	12.7	13.0	13.0	13.0
Parks, Recreation and Cultural:										
Recreation:										
Park Visitation	2,881,811	3,098,697	3,253,600	3,595,204	3,401,181	3,500,000	3,537,272	4,001,371	3,951,571	4,100,000
Program Participants	443,450	475,226	267,912	264,393	306,575	350,000	306,498	396,900	397,000	397,000
Recreation Programs	1,578	2,273	13,604	13,514	16,364	16,550	17,234	15,848	16,400	16,400
Library:										
Customer Visits	1,364,874	1,389,948	1,487,188	1,447,124	1,446,004	1,632,666	1,865,118	1,904,924	2,046,163	2,040,073
Annual Circulation of Materials	3,003,501	2,606,087	2,637,910	2,637,296	2,695,776	2,690,534	3,584,375	3,786,229	3,905,151	3,860,738
Customer Visits	1,364,874	1,389,948	1,487,188	1,447,124	1,446,004	1,632,666	1,865,118	1,904,924	2,046,163	2,040,073
Community Development										
Economic Development:										
Prospects Available	95	95	95	95	95	95	95	95	95	95
Retention Calls	690	690	690	690	464	580	690	650	650	650
Successful Prospects	30	30	30	38	36	38	30	38	38	35
Planning:										
Reviews Completed	479	490	604	490	537	289	326	256	300	270
Petitions and Permits Processed	265	275	300	275	262	122	110	85	87	93
Maps Prepared	2,119	2,200	2,591	2,200	1,603	1,588	848	743	1,036	819
Community Development (con't)										
Community Revitalization:										
Community Maintenance Cases	N/A	7,960	8,861	8,882	8,996	9,075	10,985	11,345	11,004	11,250
Inspections Completed	N/A	17,345	21,903	21,304	22,133	22,500	27,513	29,138	27,499	28,100
Volunteers Hours Worked	N/A	7,580	4,903	7,423	7,154	7,511	5,024	6,242	2,488	2,600
Permit Center:										
Permit Applications Received	6,153	7,519	7,500	6,886	6,298	5,873	4,253	4,225	4,519	5,208
Permit Applications Reviewed	11,450	13,401	14,010	13,675	11,605	11,307	6,954	7,156	7,113	7,840
Permits Issued	2,685	3,430	4,775	4,229	5,763	5,151	4,168	4,035	4,447	5,141
Inquires	20,172	20,890	21,621	24,184	23,348	20,404	15,248	14,072	13,295	13,707
Public Utilities										
Solid Waste:										
Number of Customers	28,495	29,657	31,085	32,346	34,364	36,000	37,647	39,117	39,862	40,400
Tons of Waste Collected	54,219	88,531	78,561	100,079	108,614	97,800	91,855	81,785	83,264	84,700
Tons Deposited in Public Use Areas	35,586	40,552	39,539	32,346	37,078	30,000	40,272	32,212	29,700	31,000
Water and Sewer:										
Number of Water Customers	84,492	86,400	88,200	90,000	91,482	92,800	94,886	91,776	92,243	92,600
Number of Sewer Customers	83,052	84,900	86,600	88,391	89,790	91,000	91,631	88,854	89,355	89,800
Fire Hydrants in Service	9,697	9,972	10,264	10,561	11,054	11,200	11,567	11,799	11,969	12,100

Source: Approved County Budget

(1) FY2012 column data is revised budget not actual, where actual data is not yet available

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

Table XV

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Vehicles	N/A	313	337	340	410	533	728	487	575	559
Building Square Footage	2,044,571	2,065,008	2,079,633	2,132,633	2,182,633	2,194,808	2,194,808	2,203,193	2,225,054	2,552,351
Food Service Facilities	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police:										
Police Stations	2	2	2	2	2	2	2	2	2	2
Police Field Offices	2	2	2	2	2	2	2	2	3	3
Vehicles	N/A	659	636	648	650	638	651	711	740	734
Sheriff:										
Vehicles	55	57	55	54	55	55	55	60	59	61
Prisoner Facilities	2	2	2	2	2	2	2	2	2	2
Juvenile & Domestic Relations										
Juvenile Detention Facilities	2	2	2	2	2	2	2	2	2	2
Fire Protection:										
Stations	18	18	19	19	20	20	20	20	20	20
Vehicles	N/A	181	193	164	169	168	168	175	177	177
Public Works:										
Miles of Maintained Roads	1,263	1,272	1,279	1,298	1,311	1,317	1,327	1,338	1,339	1,349
Miles of Storm Drainage	972	1,033	1,042	1,062	1,078	1,093	1,102	1,116	1,116	1,116
Vehicles	N/A	272	298	311	306	299	323	323	315	333
Education										
Schools:										
School Facilities	66	68	68	68	70	70	71	71	71	73
Vehicles	N/A	947	911	1,033	1,070	1,096	1,158	1,131	1,137	1,173
Recreation and Cultural										
Recreation:										
Recreation/Community Centers	14	15	15	17	17	17	20	17	20	20
Developed Park Acreage	1723	1772	1772	1800	1897	1900	2505	2505	2505	2505
Athletic Fields/Courts	374	374	403	407	417	419	419	423	410	410
County Golf Courses	1	1	1	1	1	1	1	1	1	1
Library:										
Number of Libraries	10	10	10	10	10	10	11	10	11	11
Titles in Collection	182,447	285,423	275,065	298,528	326,326	331,242	327,455	329,141	324,527	314,907
Volumes in Collection	449,302	702,895	656,680	823,864	895,954	1,042,188	901,837	924,076	860,640	863,149
Public Utilities										
Water and Sewer:										
Miles of Water Mains	1,337	1,370	1,403	1,431	1,463	1,495	1,515	1,528	1,548	1,558
Miles of Sewer Mains	1,304	1,324	1,345	1,364	1,391	1,420	1,445	1,443	1,450	1,456
Vehicles	N/A	327	328	341	341	347	354	353	358	358
Landfills	1	1	1	1	1	1	1	1	1	1

Source: Approved County Budget

(1) FY2012 column data is revised budget not actual, where actual data is not yet available

SINGLE AUDIT SECTION



Henrico County

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



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

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Henrico, Virginia (the County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, Federal awarding agencies and, pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 16, 2012



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

**Independent Auditors' Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the County of Henrico, Virginia's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on The County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a



federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 16, 2012

COUNTY OF HENRICO, VIRGINIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **Unqualified opinions**
- (b) Significant deficiencies in internal control over financial reporting disclosed by the audit of the financial statements: **None reported**
- (c) Material weaknesses in internal control over financial reporting disclosed by the audit of the financial statements: **None**
- (d) Noncompliance which is material to the financial statements: **None**
- (e) Significant deficiencies in internal control over major programs: **None reported**
- (f) Material weaknesses in internal control over major programs: **None**
- (g) The type of report issued on compliance for major programs: **Unqualified opinion**
- (h) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **None**
- (i) Major programs:
 - Child Nutrition Cluster (CFDA No. 10.553 and 10.555)
 - Workforce Investment Act Cluster (CFDA No. 17.258, ARRA and non-ARRA 17.259, and 17.278)
 - Special Education Cluster (CFDA No. 84.027, 84.173, ARRA 84.391 and ARRA 84.392)
 - State Fiscal Stabilization Fund (CFDA No. ARRA 84.394)
 - Child Care Development Fund Cluster (CFDA No. 93.575 and 93.596)
 - Education Jobs Fund (CFDA No. 84.410)
 - Temporary Assistance for Needy Families (CFDA No. 93.558)
 - State Administrative Matching Grant for the Supplemental Nutrition Assistance Program (CFDA No. ARRA and non-ARRA 10.561)
 - Energy Efficiency and Conservation Block Grant (CFDA No. ARRA 81.128)
- (j) Dollar threshold used to distinguish between Type A and Type B programs: \$2,156,781
- (k) Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133: **No**

(Continued)

COUNTY OF HENRICO, VIRGINIA
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Henrico County, Virginia
As of June 30, 2012

Reference Number	Fiscal Year	Audit Finding	Corrective Action
11-1	2011	<p>11-1: Eligibility – Child Care Development Fund Cluster</p> <p><i>Last Year's Recommendation: The County should implement corrective action aimed at enhancing internal controls related to the retention of complete documentation supporting all participant eligibility determinations in accordance with County and grantor record retention requirements.</i></p>	<p>Corrective Action Taken. Management has enhanced its internal controls that will ensure full compliance. Staff received policy training to ensure that all documentation was properly completed and retained in the participant's file.</p>
11-2	2011	<p>11-2: Allowable Costs – Special Education Cluster</p> <p><i>Last Year's Recommendation: The County should ensure time and effort reporting is completed properly, timely and retained in accordance with grantor requirements.</i></p>	<p>Corrective Action Taken. Management has enhanced its internal controls that will ensure full compliance. Administrators are completing time certifications semi-annually as required by OMB Circular A-87.</p>
11-3	2011	<p>11-3: Subrecipient Monitoring – Workforce Investment Act Adult Program Cluster</p> <p><i>Last Year's Recommendation: The County should ensure management decisions related to audit findings identified in subrecipient audit reports are adequately documented.</i></p>	<p>Corrective Action Taken. Management has established a process to respond to issued audit reports within the six month required period.</p>

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2012

FEDERAL GRANTING AGENCY/RECIPIENT STATE AGENCY/ GRANT PROGRAM/GRANT NUMBER	FEDERAL CATALOG NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED-THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF AGRICULTURE:			
PASS-THROUGH AWARDS:			
STATE DEPARTMENT OF EDUCATION:			
SCHOOL BREAKFAST PROGRAM	* 10.553	\$ 2,296,279	\$ -
NATIONAL SCHOOL LUNCH PROGRAM	* 10.555	7,512,952	-
SUBTOTAL PASS-THROUGH STATE DEPARTMENT OF EDUCATION		9,809,231	-
STATE DEPARTMENT OF SOCIAL SERVICES:			
STATE ADMIN MATCHING GRANT FOR THE SUPPLEMENTAL NUTRITION ASSIST PRGM	* 10.561	1,735,779	-
ARRA-STATE ADMIN MATCHING GRANT FOR THE SUPPLEMENTAL NUTRITION ASSIST PRGM	* 10.561	163,628	-
SUBTOTAL PASS-THROUGH STATE DEPARTMENT OF SOCIAL SERVICES		1,899,407	-
STATE DEPARTMENT OF JUVENILE JUSTICE:			
SCHOOL BREAKFAST PROGRAM	* 10.553	26,349	-
NATIONAL SCHOOL LUNCH PROGRAM	* 10.555	79,938	-
SUBTOTAL PASS-THROUGH STATE DEPARTMENT OF JUVENILE JUSTICE		106,287	-
NON-CASH AWARDS:			
STATE DEPARTMENT OF AGRICULTURE:			
NATIONAL SCHOOL LUNCH PROGRAM	* 10.555	868,769	-
SUBTOTAL NON-CASH AWARDS STATE DEPARTMENT OF AGRICULTURE		868,769	-
TOTAL NATIONAL SCHOOL LUNCH PROGRAM	* 10.555	8,461,659	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		\$ 12,683,694	\$ -
U.S. DEPARTMENT OF COMMERCE:			
PASS THROUGH AWARDS:			
STATE DEPARTMENT OF COMMERCE:			
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT PROGRAM	11.555	\$ 1,799,008	\$ -
TOTAL U.S. DEPARTMENT OF COMMERCE		\$ 1,799,008	\$ -
U.S. DEPARTMENT OF EDUCATION:			
DIRECT AWARDS:			
FEDERAL PELL GRANT PROGRAM	84.063	\$ 165,277	\$ -
TOTAL DIRECT AWARDS		165,277	-
PASS-THROUGH AWARDS:			
STATE DEPARTMENT OF EDUCATION:			
EDUCATIONAL CONSOLIDATION AND IMPROVEMENT ACT OF 1981:			
ADULT EDUCATION BASIC GRANTS TO STATES	84.002	349,149	-
TITLE I GRANTS TO LOCAL EDUCATION AGENCIES	84.010	7,788,283	-
TITLE I PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	84.013	174,208	-
TOTAL EDUCATIONAL CONSOLIDATION AND IMPROVEMENT ACT OF 1981		8,311,640	-
TITLE VI:			
ASSISTANCE TO STATES FOR EDUCATION OF HANDICAPPED CHILDREN:			
SPECIAL EDUCATION GRANTS TO STATES	* 84.027	6,190,537	-
SPECIAL EDUCATION PRESCHOOL-GRANT	* 84.173	97,385	-
TOTAL TITLE VI		6,287,922	-
TITLE VI-B:			
VOCATIONAL EDUCATION:			
CAREER AND TECHNICAL EDUCATION-BASIC GRANTS TO STATES	84.048	279,830	-
TOTAL VOCATIONAL EDUCATION:		279,830	-
SPECIAL PROJECTS:			

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2012

FEDERAL GRANTING AGENCY/RECIPIENT STATE AGENCY/ GRANT PROGRAM/GRANT NUMBER	FEDERAL CATALOG NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED-THROUGH TO SUBRECIPIENTS
EDUCATION ASSISTANCE	84.000	9,278	-
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES NATIONAL PROGRAMS	84.186	306	-
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	93,455	-
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	464,762	-
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	245,365	-
FOREIGN LANGUAGE ASSISTANCE	84.293	100,400	-
EDUCATION TECHNOLOGY STATE GRANTS	84.318	47,759	-
ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	259,713	-
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	1,450,299	-
TEACHER INCENTIVE FUND	84.374	334,354	-
ARRA-TITLE II EDUCATION TECHNOLOGY STATE GRANTS	84.386	31,613	-
ARRA-EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.387	3,241	-
ARRA-SCHOOL IMPROVEMENT GRANTS	84.388	32,089	-
ARRA-TITLE I GRANTS TO LOCAL EDUCATION AGENCIES	84.389	9,216	-
ARRA-SPECIAL EDUCATION GRANTS TO STATES	* 84.391	4,980,047	-
ARRA-SPECIAL EDUCATION - PRESCHOOL GRANTS	* 84.392	143,906	-
ARRA-STATE FISCAL STABILIZATION FUND (SFSF)-EDUC STATE GRANTS, RECOVERY ACT	* 84.394	6,108,518	-
EDUCATION JOBS FUND	* 84.410	3,151,290	-
TOTAL SPECIAL PROJECTS		17,465,611	-
SUBTOTAL PASS-THROUGH STATE DEPARTMENT OF EDUCATION		32,345,003	-
TOTAL U.S. DEPARTMENT OF EDUCATION		\$ 32,510,280	\$ -
U.S. DEPARTMENT OF ENERGY:			
DIRECT AWARDS:			
ARRA-ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT	* 81.128	\$ 1,698,368	\$ -
TOTAL U.S. DEPARTMENT OF ENERGY		\$ 1,698,368	\$ -
U.S. DEPARTMENT OF FOUNDATION ON THE ARTS AND HUMANITIES:			
DIRECT AWARDS:			
VIRGINIA COMMISSION FOR THE ARTS:			
PROMOTION OF THE HUMANITIES CHALLENGE GRANTS	45.130	\$ 5,000	\$ -
TOTAL U.S. DEPARTMENT OF FOUNDATION ON THE ARTS AND HUMANITIES		\$ 5,000	\$ -
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
DIRECT AWARDS:			
ADMINISTRATION FOR CHILDREN, YOUTH & FAMILIES - HEAD START	93.600	\$ 1,417,833	\$ -
TOTAL DIRECT AWARDS		1,417,833	-
PASS- THROUGH AWARDS:			
STATE DEPARTMENT OF MENTAL HEALTH AND MENTAL RETARDATION:			
SPECIAL EDUCATION GRANTS FOR INFANTS AND FAMILIES	84.181	486,418	-
ARRA- SPECIAL EDUC. GRANTS FOR INFANTS AND FAMILIES RECOVERY ACT	84.393	92,367	-
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	542,880	-
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	1,055,430	-
SUBTOTAL PASS-THROUGH STATE DEPARTMENT OF MENTAL HEALTH AND MENTAL RETARDATION		2,177,095	-
STATE DEPARTMENT OF SOCIAL SERVICES:			
PASS- THROUGH AWARDS:			
PROMOTING SAFE AND STABLE FAMILIES	93.556	786,452	-
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	* 93.558	2,061,584	-
REFUGEE AND ENTRANT ASSISTANCE-STATE ADMINISTERED PROGRAMS	93.566	47,652	-
LOW-INCOME HOME ENERGY ASSISTANCE	93.568	96,446	-
CHILD CARE AND DEVELOPMENT BLOCK GRANT	* 93.575	1,420,883	-
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOP FUND	* 93.596	1,430,511	-
FOSTER CARE-TITLE IV-E	93.658	773,225	-
TOTAL FOSTER CARE		773,225	-
ADOPTION ASSISTANCE	93.659	476,373	-
TOTAL ADOPTION ASSISTANCE		476,373	-

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2012

FEDERAL GRANTING AGENCY/RECIPIENT STATE AGENCY/ GRANT PROGRAM/GRANT NUMBER	FEDERAL CATALOG NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED-THROUGH TO SUBRECIPIENTS
SOCIAL SERVICES BLOCK GRANT	93.667	853,455	-
CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	93.674	61,383	-
CHILDREN'S HEALTH INSURANCE PROGRAM	93.767	50,721	-
MEDICAL ASSISTANCE PROGRAM	93.778	1,144,811	-
SUBTOTAL PASS-THROUGH STATE DEPARTMENT OF SOCIAL SERVICES		9,203,496	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		\$ 12,798,424	\$ -
DEPARTMENT OF HOMELAND SECURITY:			
DIRECT AWARDS:			
PUBLIC ASSISTANCE GRANTS	97.036	1,171,122	-
TOTAL DIRECT AWARDS		1,171,122	-
PASS THROUGH AWARDS:			
STATE DEPARTMENT OF EMERGENCY SERVICES:			
METROPOLITAN MEDICAL RESPONSE SYSTEM GRANT	90.071	32,990	-
STATE DOMESTIC PREPAREDNESS EQUIPMENT SUPPORT PROGRAM	97.004	43,895	-
URBAN AREAS SECURITY INITIATIVE	97.008	47,115	-
STATE HOMELAND SECURITY PROGRAM (SHSP)	97.073	235,007	-
BUFFER ZONE PROTECTION PROGRAM	97.078	151,640	-
SUBTOTAL STATE DEPARTMENT OF EMERGENCY SERVICES		510,647	-
TOTAL DEPARTMENT OF HOMELAND SECURITY		\$ 1,681,769	\$ -
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
DIRECT AWARDS:			
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	\$ 812,095	\$ 687,953
HOME INVESTMENT PARTNERSHIPS PROGRAM	14.239	131,816	552,664
ARRA-HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM	14.257	-	19,183
TOTAL U.S OF HOUSING AND URBAN DEVELOPMENT		\$ 943,911	\$ 1,259,800
U.S. DEPARTMENT OF JUSTICE:			
DIRECT AWARDS:			
DRUG COURT DISCRETIONAL GRANT PROGRAM	16.585	15,874	-
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606	30,421	-
BULLETPROOF VEST PARTNERSHIP PROGRAM	16.607	9,233	-
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	73,589	-
ARRA-EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT (JAG) PROGRAM	16.804	9,545	-
TOTAL DIRECT AWARDS		138,662	-
PASS- THROUGH AWARDS:			
STATE DEPARTMENT OF CRIMINAL JUSTICE SERVICES:			
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANTS	16.523	33,827	-
JUVENILE JUSTICE AND DELINQUENCY PREVENTION TITLE II GRANT	16.540	30,530	-
CRIME VICTIM ASSISTANCE	16.575	271,927	-
SUBTOTAL STATE DEPARTMENT OF CRIMINAL JUSTICE SERVICES		336,284	-
TOTAL U.S. DEPARTMENT OF JUSTICE		\$ 474,946	\$ -
U. S. DEPARTMENT OF LABOR:			
PASS- THROUGH AWARDS:			
WIA ADULT PROGRAM	* 17.258	106,698	1,100,406
TOTAL WIA ADULT PROGRAM		106,698	1,100,406
WIA YOUTH ACTIVITIES	* 17.259	547,850	552,057
ARRA-WIA YOUTH ACTIVITIES	* 17.259	6,295	-
TOTAL WIA YOUTH ACTIVITIES		554,145	552,057
WIA DISLOCATED WORKERS	* 17.278	724,364	1,142,234
TOTAL WIA DISLOCATED WORKERS PROGRAM		724,364	1,142,234
SUBTOTAL STATE GOVERNOR'S EMPLOYMENT AND TRAINING COUNCIL		1,385,207	2,794,697
TOTAL U.S. DEPARTMENT OF LABOR		\$ 1,385,207	\$ 2,794,697

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2012

FEDERAL GRANTING AGENCY/RECIPIENT STATE AGENCY/ GRANT PROGRAM/GRANT NUMBER	FEDERAL CATALOG NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED-THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF TRANSPORTATION:			
PASS- THROUGH AWARDS:			
STATE DEPARTMENT OF MOTOR VEHICLES:			
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	\$ 145,559	\$ -
STATE DEPARTMENT OF TRANSPORTATION:			
HIGHWAY PLANNING AND CONSTRUCTION	20.205	1,712,046	-
SUBTOTAL STATE DEPARTMENT OF TRANSPORTATION		1,712,046	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>\$ 1,857,605</u>	<u>\$ -</u>
TOTAL FEDERAL EXPENDITURES		<u>\$ 67,838,212</u>	<u>\$ 4,054,497</u>

NOTES:

* DENOTES MAJOR FEDERAL PROGRAM

(A)BASIS OF ACCOUNTING-THE SUPPLEMENTARY SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE IS PREPARED ON THE MODIFIED ACCURAL BASIS. EXPENDITURES ARE RECOGNIZED WHEN THEY BECOME A DEMAND ON CURRENT AVAILABLE FINANCIAL RESOURCES. CERTAIN FEDERAL FINANCIAL ASSISTANCE PROGRAMS ARE IN THE FORM OF NONCASH AWARDS(SEE NOTE D). FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENT IS TREATED AS AN EXPENDITURE WHEN IT IS PAID TO THE SUBRECIPIENT.

(B)REPORTING ENTITY-THE COUNTY OF HENRICO, VIRGINIA, FOR PURPOSE OF THE SUPPLEMENTARY SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE INCLUDES ALL THE FUNDS OF THE PRIMARY GOVERNMENT AS DEFINED BY GASB STATEMENT 14, THE FINANCIAL REPORTING ENTITY. THE COUNTY OF HENRICO, VIRGINIA, ADMINISTERS CERTAIN FEDERAL FINANCIAL ASSISTANCE PROGRAMS THROUGH SUBRECIPIENTS. THOSE SUBRECIPIENT ARE ALSO NOT CONSIDERED PART OF THE COUNTY OF HENRICO, VIRGINIA, REPORTING ENTITY.

(C)PASS-THROUGH AWARDS-THE COUNTY OF HENRICO, VIRGINIA, RECEIVES CERTAIN FEDERAL FINANCIAL ASSISTANCE FROM PASS-THROUGH AWARDS OF THE COMMONWEALTH OF VIRGINIA. THE AMOUNTS RECEIVED ARE SEPERATELY IDENTIFIED.

(D)NONCASH AWARDS-CERTAIN FEDERAL FINANCIAL ASSISTANCE PROGRAMS DO NOT INVOLVE CASH AWARDS TO THE COUNTY OF HENRICO, VIRGINIA. THESE PROGRAMS ARE DONATED COMMODITIES AND FOOD STAMPS AS FOLLOWS:

U. S. DEPARTMENT OF AGRICULTURE:

DONATED COMMODITIES CFDA # 10.555 (MAJOR)

VALUE OF COMMODITIES ISSUED \$8,111

VALUE OF COMMODITIES ON HAND \$1,224

DONATED COMMODITIES CFDA # 10.555 (MAJOR)

VALUE OF COMMODITIES ISSUED \$860,657

VALUE OF COMMODITIES ON HAND \$14,541

Totals by Clusters:

Child Nutrition Cluster (CFDA 10.553, 10.555)	10,784,287
Special Education Cluster IDEA (CFDA 84.027, 84.173, 84.391, 84.392)	11,411,875
Title I, Part A Cluster (CFDA 84.010, 84.389)	7,797,499
Early Intervention Services (IDEA) Cluster (CFDA 84.181, 84.393)	578,785
Child Care Development Fund Cluster (CFDA 93.575, 93.596)	2,851,394
Head Start Cluster (CFDA 93.600, 93.708)	1,417,833
Community Development Block Grant Entitlement (CFDA 14.218, 14.253)	1,500,048
WIA Cluster (CFDA 17.258, 17.259, 17.278)	4,179,904
Edward Byrne Memorial Justice Assistance Grant (JAG) Cluster (CFDA 16.738, 16.803, 16.804)	83,134
Education for Homeless Children and Youth Cluster (CFDA 84.196, 84.387)	96,696



Henrico County

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Excited About Our Future**