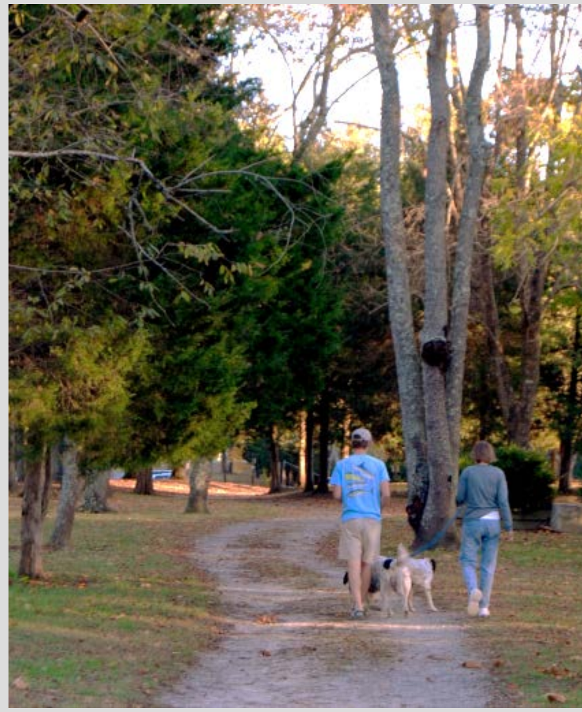

The Comprehensive Annual Financial Report

Hanover County, Virginia

For the year ended June 30, 2019

People, Tradition & Spirit

Hanovercounty.gov

COUNTY OF HANOVER, VIRGINIA

Comprehensive Annual Financial Report

For the Fiscal Year Ended

June 30, 2019

Hanover: People, Tradition, and Spirit

This document was prepared by the Department of Finance and Management Services, County of Hanover, Virginia, Post Office Box 470, 7507 Library Drive, Hanover, Virginia 23069-0470. For additional information, contact Jacob A. Sumner, CMA, CGFM, Director of Finance and Management Services, at (804) 365-6015 or by e-mail at fms@hanovercounty.gov. For information about the County, including the WEB-based version of this and other financial documents, refer to the County's web page at www.hanovercounty.gov.

COUNTY OF HANOVER, VIRGINIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019

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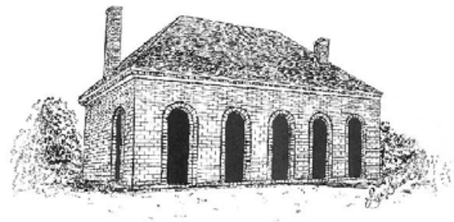
INTRODUCTORY SECTION



HANOVER COURTHOUSE

HANOVER COUNTY

ESTABLISHED IN 1720

FINANCE AND MANAGEMENT SERVICES DEPARTMENT

JACOB A. SUMNER, CMA, CGFM
DIRECTOR

P. O. BOX 470
7507 LIBRARY DRIVE
HANOVER, VA 23069

SHELLY H. WRIGHT
BUDGET DIVISION DIRECTOR

LAUREN K. NULL
FINANCE DIVISION DIRECTOR

STEVEN K. RUSCH
PURCHASING DIVISION DIRECTOR

PHONE: 804-365-6015
FAX: 804-365-6100
WWW.HANOVERCOUNTY.GOV

November 12, 2019

The Honorable Members of the Board of Supervisors
Citizens of the County
County of Hanover, Virginia

Honorable Members of the Board of Supervisors and Residents of the County of Hanover:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the County of Hanover (the County) for the fiscal year ended June 30, 2019. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with government auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This CAFR has been prepared by the County's Department of Finance and Management Services in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA).

This CAFR consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and fairness of presentation of the information presented in this financial report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed to ensure compliance with applicable laws and regulations and County policies, safeguard the County's assets, and compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and accurate, in all material respects, and presents fairly the financial position and results of operations of the various funds and component units of the County.

This CAFR is intended to provide informative and relevant financial information for the citizens of the County, the Board of Supervisors (the Board), investors, creditors and other interested readers. All are encouraged to contact the Department of Finance and Management Services with any comments or questions concerning this financial report.

Hanover: People, Tradition and Spirit

The County's financial statements have been audited by Cherry Bekaert LLP, a firm of licensed certified public accountants. The independent auditors' responsibility is to express opinions on the County's financial statements based on their audit. The auditors conducted the audit in accordance with professional auditing standards, which require that the auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The independent auditors concluded, based upon the audit evidence they obtained, that there was a reasonable basis for forming and expressing unmodified opinions that the County's financial statements as of and for the fiscal year ended June 30, 2019 are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report on the financial statements is presented as the first component of the Financial Section of this financial report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the requirements of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also report on the County's compliance with federal requirements for each major program as well as on internal control over compliance pursuant to the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, U.S. Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The independent auditors' report on the Single Audit for the County is available in the Compliance Section of this financial report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the independent auditors' report on the financial statements.

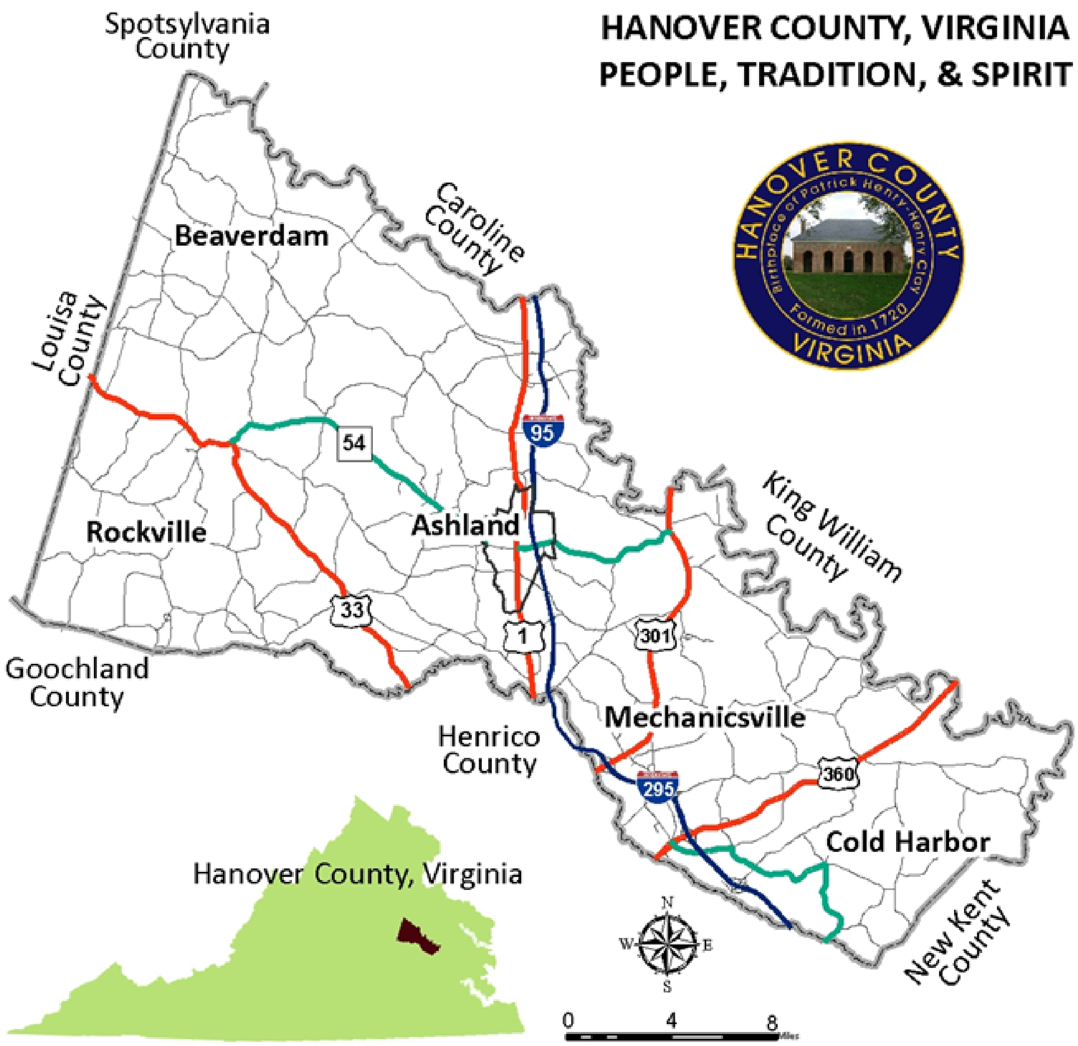
Profile of the County

The County was formed on November 26, 1720, by the Virginia General Assembly in "An Act for dividing New Kent County." It is named for King George I of England, who, at the time he came to the throne, was Elector of Hanover in Germany. Two of the County's native sons, Patrick Henry and Henry Clay, distinguished themselves as orators, patriots and statesmen in the early history of this Country. Prior to English colonization in the seventeenth century, the Pamunkey Indians populated this area. The northern boundary, the Pamunkey River, carries their name and they maintain a reservation on the lower part of the river in neighboring King William County. The Town of Ashland is located in central Hanover County and was incorporated in 1858.

The County currently employs the traditional board form of county government with a county administrator. Policies governing the administration of the County are set by a seven-member Board of Supervisors, each elected from the County's seven magisterial districts. This body also has responsibility for appointing the County Administrator. The County has taxing powers subject to statewide restrictions and tax limits.

Located in central Virginia, Hanover County is a 90-minute drive south of the nation's capital, Washington D.C., and 15 minutes north of the Commonwealth's capital, Richmond. Hanover County is more than 470 square miles in area, and is strategically located in the northern Greater Richmond Region, which also includes the City of Richmond and the counties of Chesterfield and Henrico. Hanover is bordered by the counties of Caroline, King William, New Kent, Henrico, Goochland, Spotsylvania and Louisa and by the Pamunkey, North Anna and

Chickahominy Rivers. The South Anna River is also located in the County. Home of the internationally renowned Hanover tomato, the County offers an appealing blend of both historic houses and the latest new home developments, a nationally recognized suburban school system, and a resilient economy with a balance between residential, commercial, industrial and agricultural tax bases.



The offices of the Board of Supervisors, County Administrator, County Attorney, Commissioner of the Revenue, Treasurer, Registrar, and the departments of Human Resources, Finance and Management Services, Internal Audit, Assessor, Public Information, and Information Technology constitute the general government administration of the County. The elected and appointed officials, along with the staff of the various departments, implement the laws and policies of the County by developing and executing the procedures that are necessary to provide general support services to residents of the County.

The Court system is made up of the Circuit Court, General District Court, Magistrate, Juvenile and Domestic Relations Court, Clerk of the Circuit Court, Court Services, and Commonwealth's Attorney. The public safety operations of the County include the Sheriff, Pamunkey Regional Jail, Juvenile Court Services Unit, Community

Corrections, Emergency Communications, Fire and Emergency Medical Services, Animal Control and Building Inspections.

Public Works administers capital projects of the County, maintains the stormwater management program, administers the State-sponsored erosion and sediment control law, and oversees solid waste management, the Cannery, the County Airport and the recycling service district operations. General Services provides property management of all County-owned, non-school related properties.

The Department of Social Services determines eligibility for public assistance programs, which are mandated by federal and state law and expenditures for services required by the Children's Services Act. The Community Services Board provides prevention, treatment, employment and support services for Hanover citizens and families with mental health, substance use and developmental disabilities. In addition, it provides adult services and supervised living services. Hanover is served by the Regional Health District of Hanover, Goochland, New Kent, and Charles City. Also included within human services expenditures is tax relief provided under the Tax Relief for the Elderly and Disabled Program.

Parks and Recreation provides and promotes leisure services such as park activities, educational and hobby programs, senior citizen activities, youth programs, adult athletic leagues, bus tours, special events, and other activities for County residents in addition to maintenance of the County's grounds. The Pamunkey Regional Library provides public library service to the County through six branch libraries, and remote access to the library collection through the library's web site.

The Planning Department is responsible for the Comprehensive Plan, demographics, and the acceptance, review, and disposition of all land use and subdivision applications. The services of the Economic Development Department are designed to attract, retain, generate, and facilitate expansion of high quality business and industry resulting in a stable and diverse local economy and an improved standard of living for the residents of the County.

The County's Department of Public Utilities operates and maintains public water and sanitary sewer systems in the "Suburban Service Area" (the crescent-shaped area north of the Chickahominy River, generally between Route 1 and Creighton Road including the Town of Ashland), the Doswell area, the Route 33 area, and the Hanover Courthouse area. The County provides utility service to approximately 21,600 water and 21,000 wastewater customers.

The County provides education through its public school system administered by the Hanover County School Board (School Board) and promotes industry and commerce through the Economic Development Authority of Hanover County, Virginia (the EDA). In accordance with GASB pronouncements, these agencies have been classified as discretely presented component units in the accompanying financial statements because they are legally separate entities for which the County is financially accountable. The School Board administers the County's schools and administers its own appropriations within the categories defined by the *Code of Virginia*, but is fiscally dependent upon the County because the Board of Supervisors approves the budget, levies the necessary taxes to finance operations and issues debt to finance school capital projects. The Board of Supervisors also approves transfers between education funds, and appoints School Board members. The EDA has the power to issue tax-exempt industrial development revenue bonds on behalf of qualifying enterprises wishing to utilize that form of financing, as well as to finance County facilities. Those bonds do not constitute a debt or pledge of the faith and credit of the County or the EDA, but represent limited obligations of the EDA payable solely from the revenue and receipts derived from the projects funded with the proceeds.

The annual budget serves as the foundation of the County's financial planning and control. All agencies of the County generally submit requests for appropriation to the County Administrator on or before December 1st each year. The County Administrator uses these requests as the starting point for developing a proposed budget. The County Administrator then presents the proposed budget to the Board. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the County's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., Sheriff's office) with the budget appropriation resolution adopted by the Board of Supervisors placing legal restrictions on expenditures at the fund level.

The County's adopted budget policy also requires Board of Supervisors approval of certain budget transfers above established thresholds and all requests for supplemental appropriations. The School Board is authorized to transfer budgeted amounts within the school funds, with any transfer that increases total revenues requiring subsequent Board of Supervisors approval. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented at Exhibit 6 as part of the basic financial statements. A more detailed General Fund budget-to-actual comparison by department is presented at Exhibit 13, and budget-to-actual comparisons for other governmental funds with appropriated annual budgets are presented in the Supplementary Information subsection of this report.

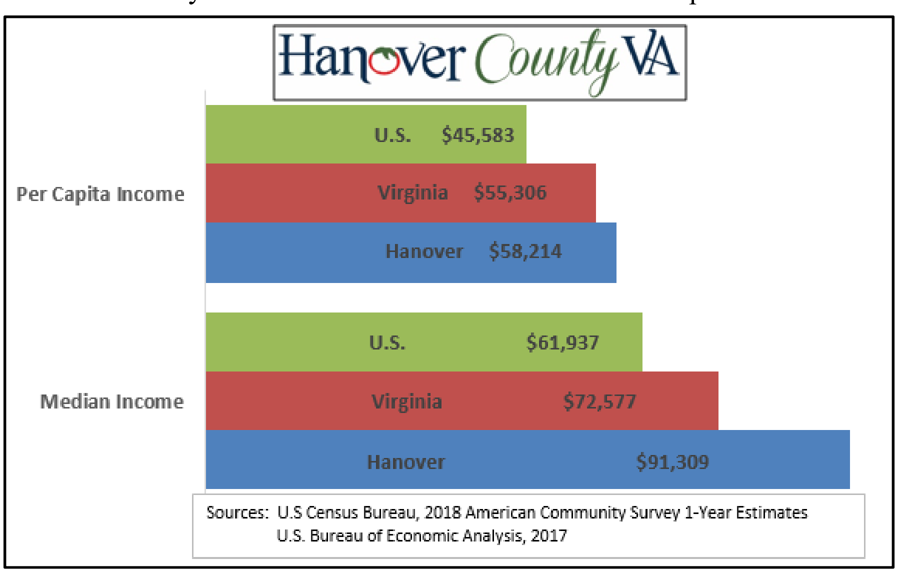
Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates. Hanover County's municipal bond rating continues to be AAA from the rating agencies, Fitch, Moody's and Standard & Poor's. All three agencies noted the County's sound financial management, solid economic indicators, low debt burden and strong reserves in affirming the AAA rating.

Local Economy:

Based on its strategic location in the northern Greater Richmond region of the mid-Atlantic and its suburban/rural character, the County is an attractive location for businesses relocating or expanding and for developers interested in the opportunities in the area's residential and commercial markets. The County is primarily served by Interstates 95 and 295, with Interstate 95 connecting the County to the metropolitan Richmond area to the south and providing the passage to Washington, D.C. to the north. Interstate 295 connects the eastern and western portions of the County together and represents the northern "loop" around the Richmond metropolitan area.

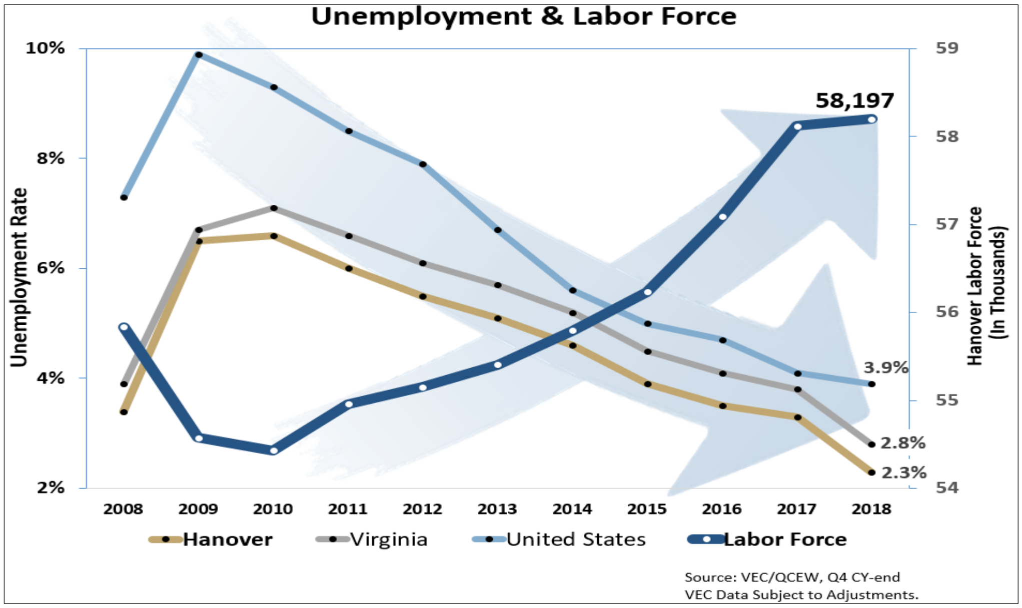
Hanover County has remained in a favorable financial position due in large part to the financial strength and diversification of the County's business community, its low reliance on federal jobs or procurement, its low debt levels and growing property tax base.



As the chart to the left illustrates, based on the most recent estimates available, Hanover enjoys a higher per capita income and median household income than the national and State averages. Comparatively, Hanover's per capita income of $58,214 is consistent with the Commonwealth's $55,306, while its median (mid-point) household income is 25.8% above the Commonwealth's and

47.4% above the national average. In addition, the U.S. Census Bureau's estimate of Hanover's mean (average) household income of $108,190 in 2018 is 7.2% above the Commonwealth's $100,884 and 23.1% higher than the United States' of $87,864.

The County also continues to attract and maintain diverse sectors of employment. The County's major employment sectors have been in trade, transportation and utilities; health and education services; and professional and business services. The County continues to add to its labor force while decreasing unemployment. This has contributed to Hanover's lowest unemployment rate since the recession and as illustrated in the chart comparably lower levels of unemployment than that of Virginia and the United States over the past ten years.



Approximately 2,250 new jobs were added to Hanover's job market. The County continues to target key industries poised for growth including: Professional Services, Advanced Manufacturing, Healthcare, and Supply Chain and Logistics. Within these growth industries, Hanover specifically works to recruit those with higher wage jobs.

Economic Development Update:

This marked another successful year for increased business investment in Hanover County. Over the last year, Hanover County has seen significant growth with multiple new business announcements and existing business expansion projects. Through these efforts, in FY19, more than 2,250 jobs were added to the local economy.

Cascades, a major international cardboard and tissue company, announced a $275 million investment in Hanover County that will create 140 well-paying jobs. This project alone was one of the top five announcements in Virginia over the past 12 months and one of the largest industrial projects in the Commonwealth during the same period. The company will take over the idle Bear Island Paper facility, and after full build out, will once again be one of county's largest taxpayers.

ChemTreat broke ground on a new 25,000 square foot applied technology laboratory and will create twenty new jobs. The laboratory will expand its industrial water treatment analysis business and create a research and development facility to develop new technologies for the water treatment and oil and gas sectors.

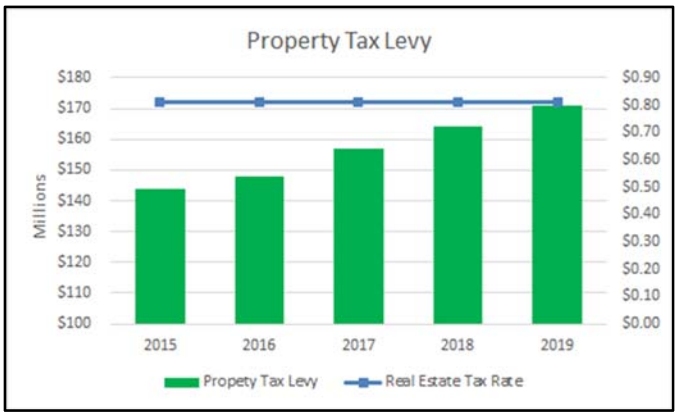
Delta Pure Filtration completed a 16,000 square foot expansion of its filter manufacturing and filtration system business making room for additional production equipment, research and development facilities, administrative offices and warehouse space.

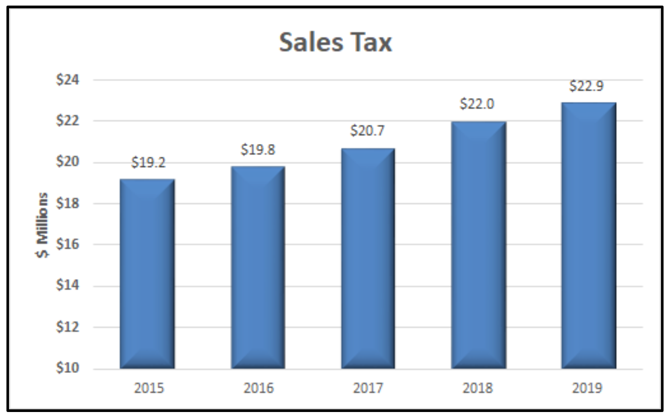
Publix Super Markets opened its first location in Hanover County at the Brandy Creek Commons in Mechanicsville with a 50,000 square foot facility employing approximately 130 associates. Kroger, also, completed a $4 million renovation of its Mechanicsville Turnpike location.

Hanover County has also continued to see strong growth in our tourism and agricultural based industries. Over the past year tourism dollars which include hotel, lodging and entertainment totaled over $258 million which is up almost 4.8% from the prior year. Agri-Business continues to be a major driver of our local economy with nearly 570 working farms producing annually over $49 million in agriculture products.

Additional information can be found at http://www.hanovervirginia.com/news-events.

As shown in the following charts, the fiscal health of our community and our local economy continues to be demonstrated with steady increases in our property tax revenue and taxable sales over a five year period.





Long-Term Financial Planning:

The County has long been recognized as formulating detailed public plans for its long-term financial planning. Planning enables the County to appropriately analyze issues and initiatives, receive public comment during public hearings, and formulate desired service level plans and phase-in funding to attain desired goals over the long term. Primarily, these long-term financial plans include the Five-Year Capital Improvements Program and Five-Year Financial Plan:

- Capital Improvements Program (CIP): The CIP is the County's plan for investing in facilities, equipment, and vehicles over the next five years, and includes those items with a unit cost greater than $50,000. The fiscal year 2020 capital budget for County, School and Public Utilities projects is $57.2 million. The County's budget policies recommend the use of "pay-as-you-go" CIP funding of 10% or more, to recognize the need to balance the use of debt with the use of other resources for funding. The fiscal year 2020 CIP includes 84.5% of "pay-as-you-go" funding (from non-debt sources) for County and School capital projects.
- Five-Year Financial Plan: The County's Five-Year Financial Plan represents the County's effort to quantify the fiscal impacts of future needs, matched with a projection of General Fund resources available to meet those needs. Each year this plan is adopted by the Board of Supervisors, thereby indicating to the public the County's expected tax rates, operating costs, capital improvements, debt service requirements, school allocations and service level plans. The plan is illustrated with detailed assumptions in the overview section of the budget document. Generally, the plan seeks to maintain or enhance all current budgetary objectives and Board-adopted initiatives.

Relevant Financial Policies:

The Hanover County Financial Policies are approved by the County Administrator and adopted by the Board of Supervisors. These policies apply to all County and School funds except the School Activity Funds as defined by the Department of Education. The financial policies address the methods for accounting, internal controls, procurement, revenues and grant management, guidelines for appropriate fund balance to maintain positive financial position as well as debt issuance and post-issuance compliance. The financial policies prescribe budget formulation and sound financial practices that include the adoption of a Five-Year Financial Plan and the Capital Improvements Program (CIP). Additionally, the Board has adopted a joint Deposit and Investment policy between the County and the Treasurer, as well as, a Deferred Compensation 457(b) and 403(b) Plan investment policy. These policies are periodically reviewed, with amendments approved by the Board, as necessary. To add clarification and more detail, most policies have associated regulations which are approved by the County Administrator.

Major Initiatives and Accomplishments:

In 2019, the County continued its renovation projects of the former Circuit Court and District Court buildings. The adaptive reuse project transformed the former Circuit Court Building into the Chenault-Weems Financial Services building housing the offices of the Commissioner of the Revenue and the Treasurer, as well, as the Finance Department and Internal Audit Department. Renovation commenced on the former District Court building with anticipated completion in fall 2020.

The County broke ground in May and commenced construction on the new Atlee Library. The 20,000 square foot facility will contain multipurpose rooms, reading areas, quite study rooms, media lab and children's areas.

Hanover County Public Schools (HCPS) continued their multi-year technology infrastructure plan. During the year, HCPS upgraded its internet bandwidth, installed new technology infrastructure, and expanded its Wi-Fi capability within its middle and high schools. HCPS, also, furthered its plan to provide laptops to all instructional staff.

The County completed the Atlee Road Extended project in November. Connecting Atlee Road to Atlee Station Road, the half-mile extension includes a bridge over the railroad, new traffic signals and sidewalks and accommodations for bicycles.

Further, the County enhanced its Community Development software system to enhance the online portal for citizens and developers. The system allows users to pay fees online, report Code violations, check status of the applications and track projects from rezoning to occupancy.

Awards and Acknowledgements

Hanover County continued to be recognized for excellence in operational and fiscal management during fiscal year 2019. The County's adopted mission (seen in the graphic below) is exemplified by the awards and acknowledgements noted in this section.

Fire/EMS

Chief Jethro Piland received a 2018 Governor's Fire Service Award for "Excellence in Virginia Fire Services" for his leadership during and after the firefighter involved crash on October 11, 2018 which resulted in one fatality and three injured firefighters.

The late Lieutenant Brad Clark was posthumously recognized as Virginia Career Firefighter of the Year. At the Fire Department Instructors Conference International in February, the late Lt. Clark was also honored with the 2019 Ray Downey Courage and Valor Award. This award is named after New York City Fire Department Deputy Chief Ray Downey, who lost his life while commanding rescue operations at the World Trade Center attack on September 11, 2001. Deputy Chief Downey was the most highly decorated firefighter in the history of FDNY.

Emergency Communications

The Hanover Emergency Communications Department joined an elite group of communication centers in the world by becoming accredited in all three public safety protocol disciplines. Hanover County Emergency Communications became the first in the state of Virginia to attain Triple ACE status. The department became the world's 14th Accredited Center of Excellence (ACE) in the Fire Priority Dispatch System and the 18th center in the world to achieve ACE for its use of the Police Priority Dispatch System. Hanover was already the world's 123rd ACE for its use of the Medical Priority Dispatch System. By achieving ACE in all three protocols, Hanover becomes the 16th emergency dispatch center in the world to attain International Academies of Emergency Dispatch (IAED™) status as a Triple ACE and is one of only twelve centers to hold the distinction currently.

Public Utilities

Several plants operated by the Hanover County Department of Public Utilities were recognized as being among the top performers in the nation and state. The Ashland and Totopotomoy Wastewater Treatment plants received Platinum Peak Performance Awards from the National Association of Clean Water Agencies (NACWA). These prestigious awards recognize 100% compliance with National Pollutant Discharge Elimination System (NPDES) permit requirements. The Ashland Wastewater Treatment Plant has achieved 20 consecutive years of perfect permit compliance and the Totopotomoy Wastewater Treatment Plant 14 years of perfect permit compliance. In addition, the Doswell Water Treatment Plant received an Excellence in Waterworks Operation Performance Award from the Virginia Department of Health's Office of Drinking Water.

Finance and Management Services

The Government Finance Officers Association (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to Hanover County for its CAFR for the fiscal year ended June 30, 2018. The County has received this prestigious award each fiscal year since 1985. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. Hanover County's CAFR was judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR. The GFOA is a non-profit professional association serving nearly 19,000 appointed and elected government finance professionals throughout North America.

The GFOA awarded a **Distinguished Budget Presentation Award** to Hanover County for its FY2018 budget. The County has received this prestigious award each fiscal year since 1990. This award reflects the commitment of the governing body and staff to meeting the highest principles of governmental budgeting. In order to receive the budget award, Hanover County had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well an entity's budget serves as a policy document; a financial plan; an operations guide; and a communications device.

The County utilizes its website www.hanovercounty.gov for presentation of the CAFR and budget document. The budget document serves as the best source of information for County's current and five year financial plan, new initiatives, capital improvements program and changes in service levels. In addition, the website provides many other topics of interest to County residents and service providers, and provides an excellent forum to recognize outstanding employees and their accomplishments. While many of those accomplishments could also be highlighted in this report, the remainder of this financial report will focus on the County's fiscal year 2019 results of operations and on an analysis of the financial statements.

The preparation of this report would not have been possible without the efficient and dedicated services of the Department of Finance and Management Services. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report, especially the Accounting Division team for their important contributions. Credit also must be given to the Board for their unfailing support for maintaining high standards of professionalism in the oversight of the County's finances.

Respectfully submitted,

Cecil R. Harris, Jr.
County Administrator

Jacob A. Sumner, CMA, CGFM
Director of Finance and Management Services

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Hanover

Virginia

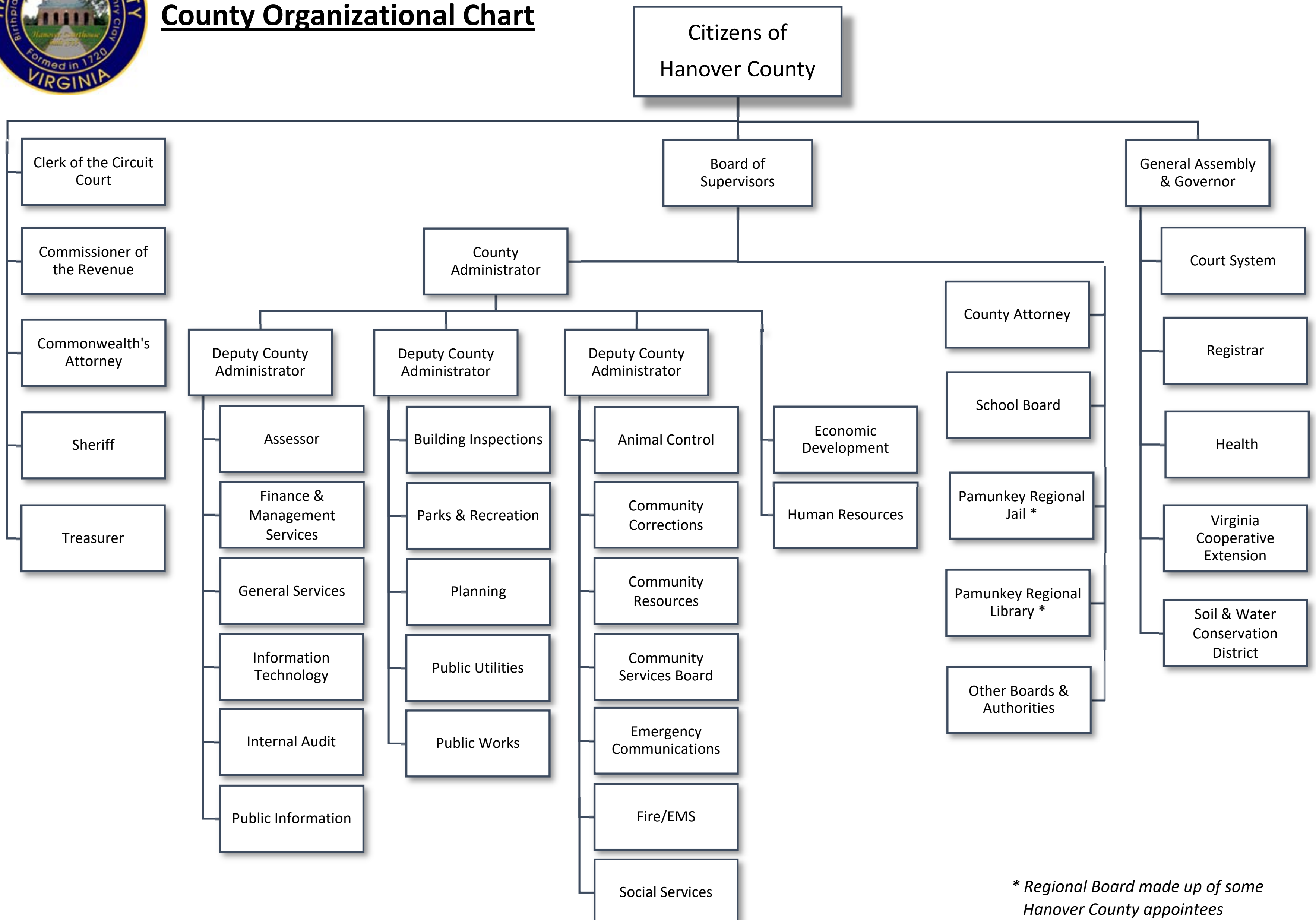
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

County Organizational Chart



DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2019

Board of Supervisors

W. Canova Peterson, Chair	Mechanicsville District
Scott A. Wyatt, Vice-Chair	Cold Harbor District
Sean Davis	Henry District
Wayne T. Hazzard	South Anna District
Angela Kelly-Wiecek	Chickahominy District
Faye O. Prichard	Ashland District
Aubrey M. Stanley	Beaverdam District

Constitutional Officers

Frank D. Hargrove, Jr.	Clerk of the Circuit Court
T. Scott Harris	Commissioner of Revenue
R. E. “Trip” Chalkley, III	Commonwealth’s Attorney
Colonel David R. Hines	Sheriff
M. Scott Miller	Treasurer

County Administrative Officials

Cecil R. Harris, Jr.	County Administrator
Dennis A. Walter	County Attorney
Kathleen T. Seay	Deputy County Administrator
Frank W. Harksen, Jr.	Deputy County Administrator
James P. Taylor	Deputy County Administrator
Jacob A. Sumner	Director of Finance & Management Services

School Board

Roger S. Bourassa, Chair	Mechanicsville District
John F. Axselle, III, Vice-Chair	Beaverdam District
Susan (Sue) P. Dibble	South Anna District
Ola J. Hawkins	Ashland District
Robert L. Hundley, Jr.	Chickahominy District
Norman K. Sulser	Cold Harbor District
George E. Sutton	Henry District

School Administrative Officials

Dr. Michael B. Gill	Superintendent of Schools
Terry S. Stone	Asst. Superintendent of Business and Operations
Jennifer E. Greif	Asst. Superintendent of Instruction
Mandy Baker	Asst. Superintendent of Human Resources
Amanda L. Six	Director of Budget & Financial Reporting
Yvonne Gibney	School Board Attorney
Chris Whitley	Public Information Officer

FINANCIAL SECTION

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Honorable Members of the Board of Supervisors
County of Hanover, Virginia

Report on the Financial Statements

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 Hanover, Virginia (the "County"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Hanover, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefits information, as listed in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Other Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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 basic 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 Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019, 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 solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
November 12, 2019

County of Hanover, Virginia
Management's Discussion and Analysis
(Unaudited)

As management of the County of Hanover, Virginia (the County), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the County as of and for the fiscal year ended June 30, 2019. We encourage readers to consider this discussion and analysis in conjunction with our letter of transmittal in the Introductory Section of this report and the County's basic financial statements, which follow this discussion and analysis.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2019 by $405.7 million (*net position*). Of this amount, $93.1 million (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by $16.4 million, of which the governmental activities increased by $8.4 million and business-type activities increased by $8.0 million.
- As of the close of fiscal year 2019, the County's governmental funds reported combined ending fund balances of $96.1 million, an increase of $12.6 million from prior year. Of the $96.1 million total, 78.2% ($75.1 million) is available for spending in compliance with County policies (sum of *committed, assigned* and *unassigned fund balances*), while *nonspendable and restricted fund balances* were 21.8% or $21.0 million of the total.
- The General Fund's unassigned fund balance was 13.3% of total General Fund revenues, which reflects an increase of $2.3 million to $33.2 million at June 30, 2019. This balance continues to meet and exceed the County's unassigned fund balance policy minimum of 10% of total General Fund revenues. In addition, the General Fund's assigned fund balance increased $1.4 million to $21.8 million at June 30, 2019. The $1.4 million increase is the net of increases and decreases to amounts assigned for various purposes, including education, public works, economic development, the subsequent fiscal year's adopted budget, the subsequent five-year financial plan, capital projects, and other County services.
- The County's total debt increased by $0.8 million (0.5%) to $168.5 million during fiscal year 2019. The increase is related to the County issuing $10.9 million in bonds through the VRA Program and $4.7 million through VPSA, but these amounts are partially offset by making principal payments on existing debt.

Overview of the Financial Statements

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

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The *Statement of Net Position* presents information on all of the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the resulting difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the County may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the County may have used previously accumulated funds.

The *Statement of Activities* presents information showing how the County's total net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the County, which are principally supported by taxes, intergovernmental revenues, and other non-exchange transactions (*governmental activities)* from other activities, which are intended to recover all or a significant portion of their costs primarily through user fees charged to external parties (*business-type activities*). The governmental activities of the County include general government administration; judicial administration; public safety; public works; human services; parks, recreation and cultural; community development; education; and interest on long-term debt, as well as the County's self-insurance activities. The business-type activities consist of public utilities and airport operations.

The government-wide financial statements (Exhibits 1 and 2) include not only the County itself (known as the *Primary Government*), but also a legally separate School Board and a legally separate Economic Development Authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the Primary Government itself.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

With the exception of *internal service fund* activity, (described under *Proprietary Funds which follows)*, ***Governmental Funds*** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

During fiscal year 2019, the County maintained four individual governmental funds. Information is presented separately in the governmental funds' financial statements for the General Fund, the County Improvements Fund, the Debt Service Fund, and the School Improvements Fund; all four of which are considered to be *major funds*. The County did not maintain any *nonmajor* governmental funds as of and for the year ended June 30, 2019. The governmental fund financial statements can be found at Exhibits 3 through 6 of this report.

The County maintains two different types of ***Proprietary Funds***: enterprise and internal service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its public utilities fund and its airport fund (a nonmajor fund). *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its employee healthcare benefit activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found at Exhibits 7 through 9 of this report along with data for the internal service fund.

Fiduciary funds are used to account for resources received and held in a fiduciary capacity for the benefit of individuals, private organizations, or other governments. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. However, the County is responsible for ensuring that fiduciary fund assets are used for their intended purposes. The County's fiduciary funds consist of an employee benefit trust fund, the Retiree Medical Benefits Trust Fund, and Agency Funds. The Retiree Medical Benefits Trust Fund is used to account for the receipt and disbursement of employer contributions and assets held in trust to provide healthcare benefits to retirees, and agency funds are used to report resources held in a purely custodial capacity for individuals, private organizations or other governments. The fiduciary fund financial statements can be found at Exhibits 10 and 11 of this report, while individual fund data for the agency funds can be found in the form of combining statements at Exhibits 17 and 18 of this report.

Notes to the financial statements: The notes to the financial statements provide additional information that is essential for a full understanding of the County's government-wide and fund financial statements.

Other information: In addition to the basic financial statements and accompanying notes thereto, this report also presents certain *schedules of required supplementary information* concerning the County's pension and other postemployment benefits to its current and future retirees. These schedules of required supplementary information can be found at Exhibit 12 of this report.

Other *supplementary information* is presented immediately following the required supplementary information at Exhibits 13 through 25 of this report. The County adopts an annual appropriated General Fund budget, for which a budgetary comparison statement has been provided to demonstrate compliance with this budget. This supplementary information can be found at Exhibit 13 of this report. The combining financial statements referred to earlier in connection with agency funds and individual fund statements and schedules are presented at Exhibits 14 through 25 of this report.

This report also contains a statistical section that supplements the basic financial statements by presenting detailed trend information, to assist the users to assess the economic condition of the County. We encourage our readers to review the statistical section, to better understand the County's operations, services and financial condition.

Compliance Section: Finally, this report contains a Compliance Section, including the County's Schedule of Expenditures of Federal Awards and related notes thereto, and the independent auditors' required reports on compliance and internal control.

Financial Analysis of the County as a Whole

Statement of Net Position

Table 1 summarizes the Statements of Net Position for the Primary Government as of June 30, 2019 and 2018:

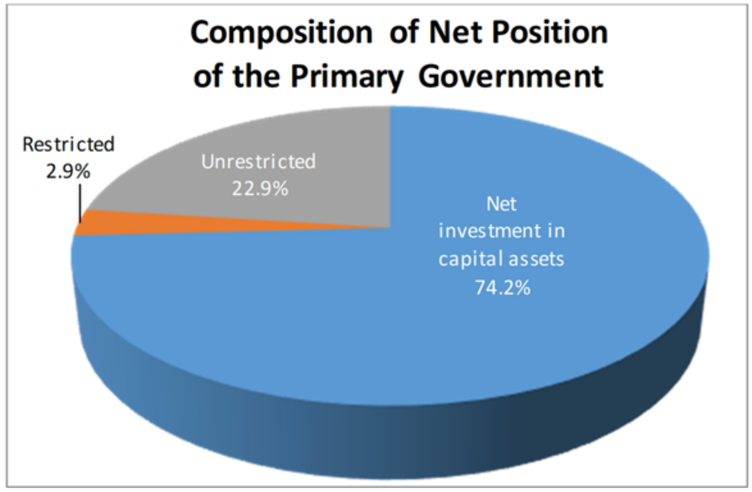
Table 1 — **County of Hanover, Virginia — Summary of Net Position ($ in millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 187.5	175.5	38.0	36.2	225.5	211.7
Capital assets	222.5	226.7	233.4	229.2	455.9	455.9
Total assets	410.0	402.2	271.4	265.4	681.4	667.6
Deferred outflows of resources	7.6	8.1	1.1	1.3	8.7	9.4
Long-term liabilities outstanding	181.8	180.4	17.9	19.3	199.7	199.7
Other liabilities	15.1	18.2	2.7	3.2	17.8	21.4
Total liabilities	196.9	198.6	20.6	22.5	217.5	221.1
Deferred inflows of resources	66.6	66.0	0.4	0.7	67.0	66.7
Net position:						
Net investment in capital assets	82.1	81.9	218.7	213.4	300.8	295.3
Restricted	7.9	8.2	3.9	3.8	11.8	12.0
Unrestricted	64.2	55.7	28.9	26.3	93.1	82.0
Total net position	$ 154.2	145.8	251.5	243.5	405.7	389.3

Changes in net position is a useful indicator of a County's financial position. Of interest, the County's assets and deferred outflows exceeded liabilities and deferred inflows by $405.7 million at the close of fiscal year 2019, representing an increase of $16.4 million from the net position at June 30, 2018.

As the following graph shows, by far the largest portion of the County's total net position ($301.0 million, 74.2% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and intangibles); less any related debt and deferred loss on refunding used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens, like water and wastewater services, schools, libraries, law enforcement, and fire and emergency medical services. Consequently, these assets are *not* available for future spending, as capital assets are generally not sold or otherwise disposed of during their useful life.

As also shown, an additional portion of the County's total net position ($11.8 million, 2.9% of total) represents resources that are subject to external restrictions on how they may be used, including amounts restricted for capital projects, grant programs, debt covenants and postemployment healthcare benefits. The remaining balance of unrestricted net position ($93.1 million, 22.9% of total) may be used to meet the County's ongoing obligations to citizens and creditors.



Statement of Activities

Table 2 summarizes the Statements of Activities of the Primary Government for the fiscal years ended June 30, 2019 and 2018:

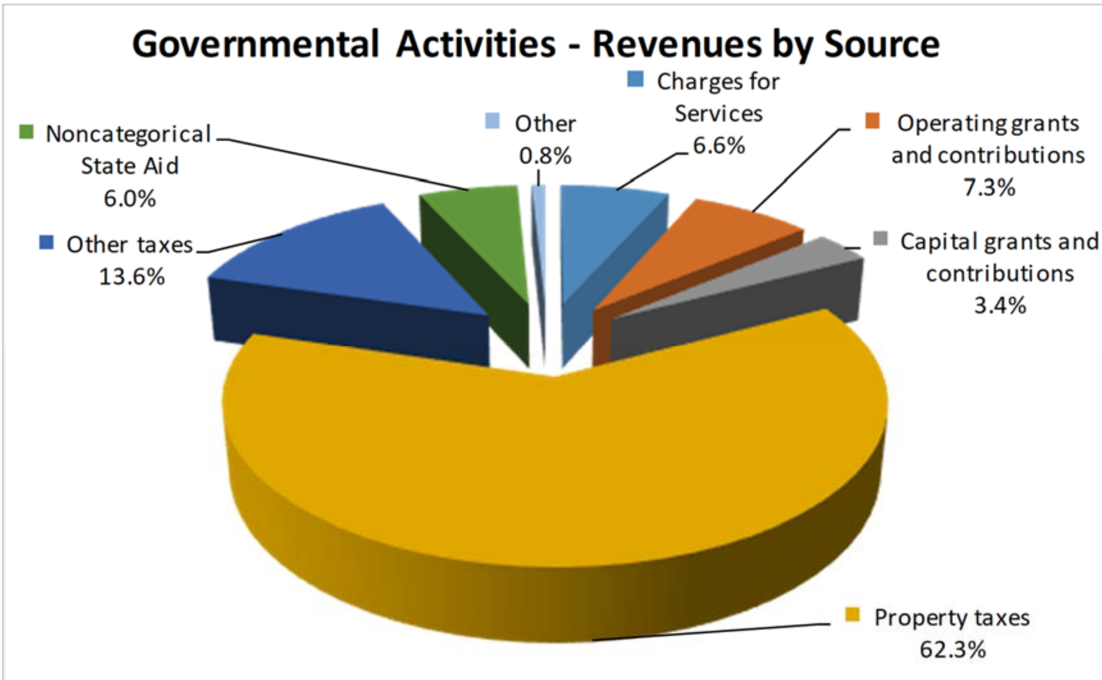
Table 2 — **County of Hanover, Virginia** **Summary of Changes in Net Position** **($ in millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Revenues:						
Program revenues:						
Charges for services	$ 17.1	15.6	31.7	30.3	48.8	45.9
Operating grants and contributions	19.0	18.6	-	-	19.0	18.6
Capital grants and contributions	8.9	14.2	4.2	8.1	13.1	22.3
General revenues:						
Property taxes	161.3	152.3	-	-	161.3	152.3
Other taxes	35.2	34.4	-	-	35.2	34.4
Noncategorical State aid	15.6	15.4	-	-	15.6	15.4
Grants and contributions	0.2	0.9	-	-	0.2	0.9
Other	1.9	0.2	1.0	0.1	2.9	0.3
Total revenues	259.2	251.6	36.9	38.5	296.1	290.1
Expenses:						
General government	18.3	16.0	-	-	18.3	16.0
Judicial administration	7.5	8.0	-	-	7.5	8.0
Public safety	63.1	60.7	-	-	63.1	60.7
Public works	20.6	27.9	-	-	20.6	27.9
Human services	24.9	23.4	-	-	24.9	23.4
Parks, recreation and cultural	6.7	6.5	-	-	6.7	6.5
Community development	5.7	5.3	-	-	5.7	5.3
Education	98.1	94.0	-	-	98.1	94.0
Interest on long-term debt *	5.8	5.9	-	-	5.8	5.9
Public utilities	-	-	28.3	25.9	28.3	25.9
Airport	-	-	0.7	0.7	0.7	0.7
Total expenses	250.7	247.7	29.0	26.6	279.7	274.3
Increase in net position before transfers	8.5	3.9	7.9	11.9	16.4	15.8
Transfers	(0.1)	(0.1)	0.1	0.1	-	-
Increase in net position	8.4	3.8	8.0	12.0	16.4	15.8
Total net position - beginning of year	145.8	142.0	243.5	231.5	389.3	373.5
Total net position - end of year	$ 154.2	145.8	251.5	243.5	405.7	389.3

* For business-type activities, interest on long-term debt is included in the functional expense category.

Governmental Activities: The increase in net position attributable to the County's governmental activities totaled $8.4 million for fiscal year 2019. Generally, net position changes are the result of the difference between revenues and expenses. Fiscal year 2019 revenues of $259.2 million represent an increase of $7.6 million, or 3.0% in comparison to the prior year, while expenses and transfers of $250.7 million represent an increase of $3.0 million, or 1.2% compared to the prior year.

The following chart illustrates the County's fiscal year 2019 governmental revenues by source as a percentage of total governmental revenues:



Taxes are the largest source of County revenues, totaling $196.5 million for fiscal year 2019, an increase of $9.8 million, or 5.2%, in comparison to fiscal year 2018. An increase in general property taxes of $9.0 million, or 5.9% was largely attributable to higher than projected real property tax revenue resulting from increased assessed values. Sales tax revenue increased by $.8 million, or 3.7%. General property taxes totaled $161.3 million for fiscal year 2019 and represent 82.1% of total taxes and 62.3% of all revenues.

Also in fiscal year 2019, $45.0 million, or 17.3% of total revenues, consisted of program revenues, including $17.1 million in charges for services, $19.0 million of operating grants and contributions, and $8.9 million of capital grants and contributions. General revenues, including $15.6 million of noncategorical state aid and $2.1 million of unrestricted grants and contributions and unrestricted investment earnings, accounted for the remaining revenues.

As shown in Table 2 and Table 3, the total expenses of all the County's governmental activities for fiscal year 2019 were $250.7 million, which represents an increase of $3.0 million, or 1.2% higher than fiscal year 2018. Increases in expenses for general government, public safety, human services, parks, recreation and cultural, community development, and education expenses of $2.3 million, $2.4 million, $1.5 million, $0.3 million, $0.4 million, and $4.1 million, respectively, were offset by decreases in judicial administration of $.5 million, public works of $7.4 million, and interest on long term debt of $0.1 million. As the following chart indicates, education continues to be one of the County's largest programs and highest priority, with education expenses totaling $98.1 million in fiscal year 2019. Public safety and human services are also strategic focus areas with expenses totaling $63.1 million and $24.9 million, respectively in fiscal year 2019.

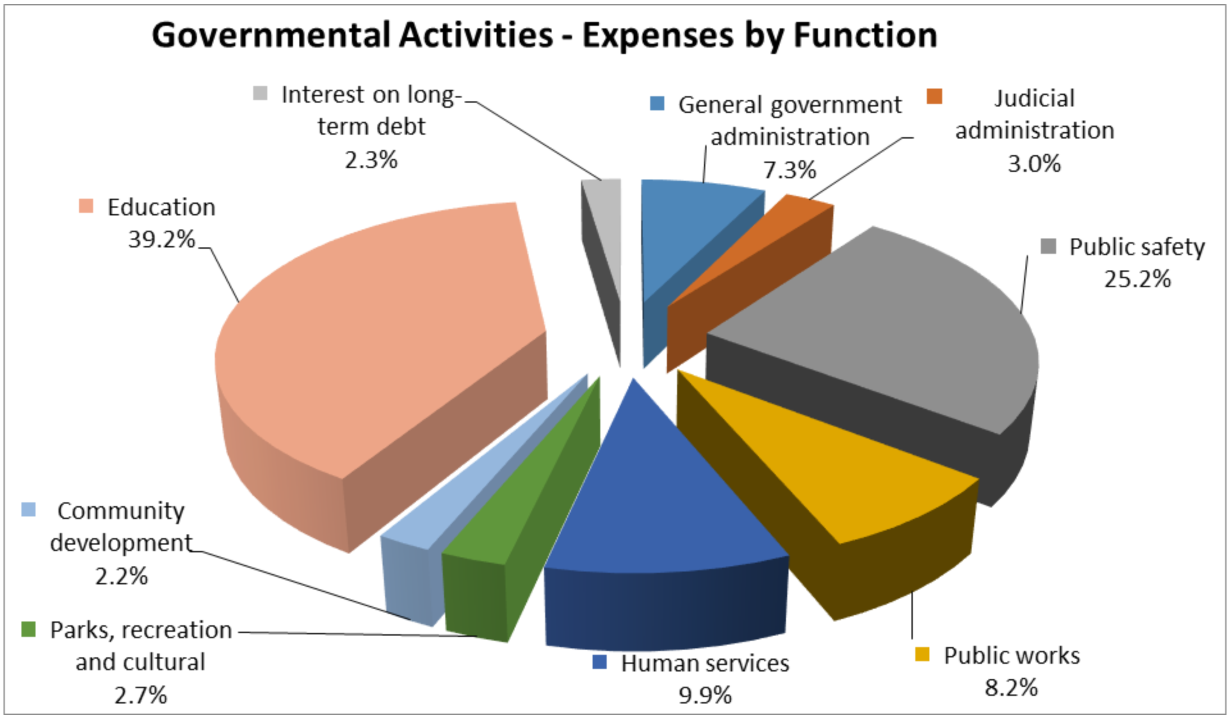


Table 3 presents the total cost of the County's governmental activities by function, as well as the net cost of each function (total cost less fees generated by each function and program-specific intergovernmental aid) for the fiscal year ended June 30, 2019 and 2018:

Table 3 — **Net Cost of Hanover County's Governmental Activities For the Fiscal Years Ended June 30 ($ in millions)**

	Total Cost of Services		Net Cost of Services	
Functions/Programs	**2019**	**2018**	**2019**	**2018**
General government	$ 18.3	16.0	$ 14.8	12.6
Judicial administration	7.5	8.0	4.8	5.2
Public safety	63.1	60.7	51.5	49.7
Public works	20.6	27.9	10.4	13.0
Human services	24.9	23.4	10.8	10.2
Parks, recreation and cultural	6.7	6.5	5.2	5.3
Community development	5.7	5.3	4.4	4.0
Education	98.1	94.0	98.1	93.4
Interest on long-term debt	5.8	5.9	5.8	5.9
Total	$ 250.7	247.7	$ 205.8	199.3

A portion of the $250.7 million cost of the County's governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of $17.1 million) and other governments and organizations that subsidized certain programs (i.e., operating and capital grants and contributions of $27.9 million). These combined program revenues of $53.1 million increased the total fiscal year 2019 cost of services from $205.8 million to the net cost of services of $191.1 million. The net cost of services was covered by the County's general revenues, consisting primarily of taxes and state aid.

Business-type Activities: Table 2 also summarizes the business-type activities. The County's business-type activities consist of its Public Utilities water and wastewater treatment services and its airport activities. The increase in the net position attributable to the County's business-type activities totaled $8.0 million for fiscal year 2019.

Public Utilities revenues totaled $36.6 million, of which $31.5 million, or 86.1%, was generated from charges for services and user fees. Nonoperating capacity fee revenue increased to $4.7 million from $4.4 million last year, based on revenue and the allocation of operating costs. Capital contributions increased $1.4 million to $4.1 million in 2019. Public Utilities expenses totaled $28.3 million for fiscal year 2019 compared to $25.9 million in fiscal year 2018.

Airport operating revenues totaled $227,988 in fiscal year 2019, compared to $221,373 in fiscal year 2018. The Airport had no nonoperating revenues in fiscal year 2019 and fiscal year 2018, while capital contributions decreased by $5.2 million to $0.1 million due to a federal and state grant project that occurred largely in fiscal year 2018. Airport nonoperating expenses were $51,146 and $55,688 in fiscal years 2019 and 2018, respectively.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In addition, the County's *fund balance classifications* are useful to identify the extent to which the County's fund balances are constrained and how binding those constraints are.

As of the end of fiscal year 2019, the County's governmental funds reported combined ending fund balances of $96.1 million (Exhibit 3), as compared to $83.5 million at June 30, 2018, an increase of $12.6 million. Of the $96.1 million fiscal year 2019 fund balance, $0.5 million is classified as *nonspendable* because it is invested in inventories and prepaid expenses and, therefore, is not in spendable form, $20.5 million is classified as *restricted* to indicate that it can only be spent for specific purposes as stipulated by external resource providers (for example, through debt covenants, grant agreements, or by laws or regulations of other governments), $0.5 million is classified as *committed* to indicate that it has been set aside for specific purposes by resolution of the County's Board of Supervisors, $41.4 million is *assigned* to indicate that County administration has identified specific purposes for the use of those funds, and the remaining $33.2 million is *unassigned.* Unassigned fund balances are technically available for any purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The General Fund is the primary operating fund of the County (Exhibits 3 through 6). The General Fund's fund balance increased $3.9 million (7.2%) during fiscal year 2019, to $56.7 million, of which $0.3 million is nonspendable, $0.9 million is restricted, $0.5 million is committed, $21.8 million is assigned and $33.2 million is unassigned. As one measure of the General Fund's liquidity, it is useful to compare the total of the County's committed, assigned and unassigned fund balances to total fund revenues. At the end of fiscal year 2019, the General Fund's committed, assigned and unassigned fund balances of $55.5 million represents 22.2% of total General Fund revenues of $250.0 million. In addition, General Fund's unassigned fund balance totaled $33.2 million, up from $30.9 million at the end of fiscal year 2018, which represents 13.3% of total General Fund revenues in 2019 and 13.0% in 2018, continuing to exceed the 10% minimum set by the County's fund balance policy. The $3.9 million fiscal year 2019 increase in the General Fund's fund balance resulted from General Fund revenues of $250.0 million less expenditures of $214.2 million and net other financing sources and uses of $31.9 million, as shown on Exhibit 4 to the financial statements.

The fund balance in the County Improvements Fund (Exhibit 4) increased by $10.2 million to $34.8 million during fiscal year 2019. The fund balance in the School Improvements Fund (Exhibit 4) decreased by $1.4

million to $4.0 million during fiscal year 2019. The fund balance in the Debt Service Fund (Exhibit 4) increased by $0.02 million to $.5 million fiscal year 2019.

Proprietary funds: The County's proprietary funds financial statements provide the same type of information presented in the business-type activities on the government-wide financial statements, as their basis of accounting is the same, but in more detail. Factors relating to the financial position and results of operations of the County's Public Utilities System and Airport have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

General Fund budget amendments resulted in an increase of $3.1 million, or 1.2% between the originally-adopted fiscal year 2019 budget appropriation for expenditures and transfers out and the final budget, with $1.2 million of the increase resulting from reappropriation of fiscal year 2018 budget commitments for completion of ongoing projects in fiscal year 2019. Encumbered balances account for 68.6% of the total reappropriation.

Capital Assets and Debt Administration

Capital assets: The County's investment in capital assets as of June 30, 2019, totals $456.0 million, net of accumulated depreciation. This represents an increase of $0.1 million, or 0.02% more than fiscal year 2019. Capital assets, net of accumulated depreciation, are illustrated in the following table:

	($ in millions)			
	Governmental Activities	Business-type Activities	Totals at June 30 2019	2018 *
Land	$ 9.9	11.2	21.1	21.0
Intangible assets	2.3	34.5	36.8	35.8
Buildings	134.5	42.6	177.1	181.8
Improvements other than buildings	14.9	123.9	138.8	126.8
Machinery and equipment	43.5	11.4	54.9	48.0
Infrastructure	14.1	-	14.1	13.5
Construction in progress	3.4	9.8	13.2	29.0
Total	$ 222.6	233.4	456.0	455.9

*Individual category sub-totals have been adjusted from prior year presentation due to a reclassification in asset category for certain assets.

Major capital asset activity during fiscal year 2019 included the following:

- The costs of completed water and wastewater infrastructure projects reported in the Public Utilities Fund totaling $10.6 million, funded by water and sewer user fees and capacity fees.
- Developers' contributions of water and wastewater lines totaled $4.1 million.
- The costs of completion of the Atlee Road extension totaling $2.5 million
- The costs of public safety improvements including ambulances and equipment upgrades, totaling $2.1 million, funded by general revenues.
- The costs of construction of a new Atlee Library, totaling $1.2 million.
- The costs of school facility improvements and equipment acquisition by the School Component Unit totaled $11.4 million.

Additional information on the County's capital assets and capital commitments can be found in notes IV.C and V.C to the financial statements.

Long-term debt: In the Commonwealth of Virginia, there is no State statute limiting the amount of general obligation debt a County may issue. However, with limited exceptions as described under General Obligation Bonds in Note IV.E to the accompanying financial statements, general obligation bonded indebtedness must be approved by voter referendum prior to issuance. In addition, the County's Board of Supervisors and revenue bond covenants have established limits and coverage requirements with respect to long-term debt, and the County is in compliance with all debt policy limits and debt coverage requirements at June 30, 2019.

The following table illustrates the County's outstanding debt at June 30, 2019:

	($ in millions)		
	Governmental Activities	Business-type Activities	Total
General obligation bonds	$ 93.7	-	93.7
Revenue bonds	-	13.7	13.7
Infrastructure and state moral obligation bonds	53.8	-	53.8
Support agreement	2.0	0.3	2.3
Capital lease obligations	5.0	-	5.0
Total	$ 154.5	14.0	168.5

Additional information on the County's long-term debt can be found under *Financial Highlights* on the first page of this Management's Discussion and Analysis and in Note IV.E to the financial statements.

Economic Factors and Next Year's Budgets and Rates

During fiscal year 2019, Hanover County experienced positive trends in its economic indicators. The County's revenues continue to slowly grow primarily due to higher real property assessed valuations. Total value of taxable property increased 3.1% in calendar year 2019 and 4.5% in calendar year 2018. Throughout fiscal year 2019, the County's unemployment rate continued to show steady improvement over the prior year. In June 2019, the County's unemployment rate was 2.6%, which continues to compare favorably to the Commonwealth's average unemployment rate of 2.9% and the national average rate of 3.8%. Fiscal year 2019 showed positive and consistent revenue returns. Fiscal year 2020 is anticipated to continue those trends, particularly in the areas of real estate taxes and personal property taxes. Real estate taxes and personal property taxes are budgeted to increase 6.5% and 3.8%, respectively, from the 2019 to the 2020 budget. With these factors in mind, net of the use of $9.9 million of prior year fund balance, the County's adopted fiscal year 2020 General Fund budget was set at $267.1 million, an increase of $14.8 million or 5.8% in comparison to the fiscal year 2019 figure of $252.3 million. The County closely monitors and forecasts its revenues on a continual basis, and incorporates any significant changes in its current and subsequent fiscal year's budget plans in order to mitigate their impact and maintain the County's sound financial condition.

The County recognizes the value of properly illustrating year-end assignments of fund balance. Accordingly, at June 30, 2019 the County has assigned $9.9 million of fund balance in its General Fund to fund a portion of the fiscal year 2020 adopted General Fund budget. In this manner, the County is able to utilize and reinvest all or portions of positive budget-to-actual variances at the end of the current fiscal year as a source of funding for the succeeding fiscal year's budget, while also meeting the County's fund balance policy and assigning amounts as deemed necessary to meet future needs. Accordingly, the County has assigned \$3.4 million to fund future school budgets, \$3.5 million to fund capital projects, and \$3.0 million to fund other specific purposes. All commitments and assignments of fund balance are illustrated in Note V.B to the accompanying financial statements.

County general property tax rates remained unchanged for calendar year 2019. In fiscal year 2019, Public Utilities' water and sewer user fees increased by 2.5% each.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's financial condition and operations. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Director of Finance and Management Services, County of Hanover, P.O. Box 470, Hanover, VA 23069.

BASIC FINANCIAL STATEMENTS

COUNTY OF HANOVER, VIRGINIA **Exhibit 1**

Statement of Net Position

June 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Current Assets:					
Pooled cash, cash equivalents and investments	$ 95,031,595	28,463,508	123,495,103	15,976,115	88,783
Receivables (net of allowance for uncollectibles)	78,422,425	5,595,338	84,017,763	3,731,730	-
Prepaid expenses	158,215	-	158,215	5,000	-
Support agreement receivable	-	-	-	-	335,000
Inventories	265,730	-	265,730	110,520	-
Total current assets	173,877,965	34,058,846	207,936,811	19,823,365	423,783
Noncurrent Assets:					
Pooled cash, cash equivalents and investments - restricted	13,148,191	3,850,177	16,998,368	-	-
Support agreement receivable	-	-	-	-	1,835,000
Net pension asset - restricted	-	-	-	3,248,084	-
Net other postemployment benefits asset - restricted	488,364	37,017	525,381	1,124,416	-
Capital assets (net of accumulated depreciation):					
Land	9,850,563	11,222,940	21,073,503	7,400,682	-
Intangible assets	2,321,437	34,532,519	36,853,956	-	-
Buildings	134,471,731	42,609,635	177,081,366	80,211,430	-
Improvements other than buildings	14,885,553	123,866,401	138,751,954	21,094,745	-
Machinery and equipment	43,504,765	11,443,730	54,948,495	8,896,535	-
Infrastructure	14,134,434	-	14,134,434	-	-
Construction in progress	3,406,455	9,774,024	13,180,479	215,669	-
Total capital assets, net	222,574,938	233,449,249	456,024,187	117,819,061	-
Total noncurrent assets	236,211,493	237,336,443	473,547,936	122,191,561	1,835,000
Total assets	410,089,458	271,395,289	681,484,747	142,014,926	2,258,783
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	1,460,230	679,107	2,139,337	-	-
Deferred outflows relating to pension	5,379,366	407,743	5,787,109	18,055,406	-
Deferred outflows relating to other postemployment benefits	754,382	57,181	811,563	2,281,362	-
Total deferred outflows of resources	7,593,978	1,144,031	8,738,009	20,336,768	-

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

(Continued)

COUNTY OF HANOVER, VIRGINIA **Exhibit 1**

Statement of Net Position

June 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
LIABILITIES					
Current Liabilities:					
Accounts payable	4,762,691	1,837,293	6,599,984	1,587,106	-
Incurred but not reported self-insurance claims	2,861,881	-	2,861,881	-	-
Accrued liabilities	3,405,398	646,156	4,051,554	16,718,626	-
Accrued bond interest	2,524,338	156,337	2,680,675	-	-
Unearned revenues	1,497,420	-	1,497,420	55,923	-
Current portion of bonds payable	13,677,784	1,408,558	15,086,342	-	335,000
Current portion of capital lease obligations	931,490	-	931,490	-	-
Current portion of compensated absences	7,596,435	649,113	8,245,548	6,306,585	-
Current portion of liaibility for landfill closure and postclosure costs	69,018	-	69,018	-	-
Current portion of support agreement	287,852	60,000	347,852	-	-
Total current liabilities	37,614,307	4,757,457	42,371,764	24,668,240	335,000
Noncurrent Liabilities:					
Bonds payable	133,769,758	12,269,428	146,039,186	-	1,835,000
Airport revolving fund loan	-	32,314	32,314	-	-
Capital lease obligations	4,024,104	-	4,024,104	-	-
Compensated absences	2,491,728	158,637	2,650,365	-	-
Deposits	-	488,553	488,553	-	-
Capacity fee credits	-	1,412,105	1,412,105	-	-
Liability for landfill closure and postclosure costs	1,636,103	-	1,636,103	-	-
Support agreement	1,713,518	250,000	1,963,518	-	-
Net pension liability	10,305,904	781,165	11,087,069	147,770,000	-
Net other postemployment benefits liability	5,328,246	403,869	5,732,115	24,445,000	-
Total noncurrent liabilities	159,269,361	15,796,071	175,065,432	172,215,000	1,835,000
Total liabilities	196,883,668	20,553,528	217,437,196	196,883,240	2,170,000
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	60,897,098	18,021	60,915,119	-	-
Deferred inflows relating to pension	5,174,517	392,217	5,566,734	18,945,232	-
Deferred inflows relating to other postemployement benefits	527,717	39,999	567,716	1,498,604	-
Total deferred inflows of resources	66,599,332	450,237	67,049,569	20,443,836	-
NET POSITION					
Net investment in capital assets	82,130,809	218,728,265	300,859,074	117,819,061	-
Restricted for:					
Grant programs	924,397	-	924,397	3,600	-
Capital projects	6,471,216	-	6,471,216	-	-
Debt covenants	-	3,850,177	3,850,177	-	-
Pension	-	-	-	3,248,084	-
Other postemployment benefits	488,364	37,017	525,381	1,124,416	-
Unrestricted (deficit)	64,185,650	28,920,096	93,105,746	(177,170,543)	88,783
Total net position	$ 154,200,436	251,535,555	405,735,991	(54,975,382)	88,783

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 2

Statement of Activities

For the Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
					Primary Government			Component Units	
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
Primary Government:									
Governmental activities:									
General governmental administration	$ 18,288,850	2,414,877	1,007,636	24,568	(14,841,769)	-	(14,841,769)	-	-
Judicial administration	7,493,514	1,042,023	1,703,261	-	(4,748,230)	-	(4,748,230)	-	-
Public safety	63,126,625	5,703,634	5,518,912	441,585	(51,462,494)	-	(51,462,494)	-	-
Public works	20,567,158	2,579,622	19,006	7,576,837	(10,391,693)	-	(10,391,693)	-	-
Human services	24,900,685	3,455,355	10,699,908	-	(10,745,422)	-	(10,745,422)	-	-
Parks, recreation and cultural	6,760,866	657,269	31,441.00	858,645	(5,213,511)	-	(5,213,511)	-	-
Community development	5,650,983	1,212,482	-	-	(4,438,501)	-	(4,438,501)	-	-
Education	98,123,845	-	-	-	(98,123,845)	-	(98,123,845)	-	-
Interest on long-term debt	5,787,665	-	-	-	(5,787,665)	-	(5,787,665)	-	-
Total governmental activities	250,700,191	17,065,262	18,980,164	8,901,635	(205,753,130)	-	(205,753,130)	-	-
Business-type activities:									
Public Utilities	28,217,686	31,484,081	-	4,084,534	-	7,350,929	7,350,929	-	-
Airport	733,997	227,988	-	148,408	-	(357,601)	(357,601)	-	-
Total business-type activities	28,951,683	31,712,069	-	4,232,942	-	6,993,328	6,993,328	-	-
Total Primary Government	$ 279,651,874	48,777,331	18,980,164	13,134,577	(205,753,130)	6,993,328	(198,759,802)	-	-
Component Units:									
School Board	$ 179,372,674	6,538,966	100,318,709	-	-	-	-	(72,514,999)	-
Economic Development Authority	64,752	106,454	-	-	-	-	-	-	41,702
Total component units	$ 179,437,426	6,645,420	100,318,709	-	-	-	-	(72,514,999)	41,702
General revenues:									
Taxes:									
General property taxes					161,303,287	-	161,303,287	-	-
Sales taxes					22,863,888	-	22,863,888	-	-
Utility taxes					6,156,966	-	6,156,966	-	-
Recordation taxes					2,561,531	-	2,561,531	-	-
Other					3,576,388	-	3,576,388	-	-
Noncategorical State aid					15,550,167	-	15,550,167	-	-
Grants and contributions not restricted to specific programs					244,755	-	244,755	309,500	-
Payment from Hanover County					-	-	-	82,871,239	-
Unrestricted investment earnings					1,948,024	1,004,559	2,952,583	3,306	-
Transfers					(52,029)	52,029	-	-	-
Total general revenues and transfers					214,152,977	1,056,588	215,209,565	83,184,045	-
Change in net position					8,399,847	8,049,916	16,449,763	10,669,046	41,702
Total net position - beginning					145,800,589	243,485,639	389,286,228	(65,644,428)	47,081
Total net position - ending					$ 154,200,436	251,535,555	405,735,991	(54,975,382)	88,783

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

COUNTY OF HANOVER, VIRGINIA **Exhibit 3**

Governmental Funds
Balance Sheet
June 30, 2019

	General	Capital Funds: County Improvements	Capital Funds: School Improvements	Debt Service	Total Governmental Funds
ASSETS					
Pooled cash, cash equivalents and investments	$ 55,047,193	22,369,213	3,814,489	393,251	81,624,146
Receivables (net of allowances for uncollectibles)	74,001,008	734,315	-	127,783	74,863,106
Prepaid expenditures	-	155,515	-	-	155,515
Inventories	265,730	-	-	-	265,730
Pooled cash, cash equivalents and investments - restricted	-	12,735,252	412,939	-	13,148,191
Total assets	$ 129,313,931	35,994,295	4,227,428	521,034	170,056,688
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 3,319,041	1,138,997	184,463	-	4,642,501
Accrued liabilities	3,289,922	38,145	10,100	-	3,338,167
Unearned revenues	380,172	-	-	-	380,172
Total liabilities	6,989,135	1,177,142	194,563	-	8,360,840
Deferred Inflows of Resources:					
Deferred revenues	65,585,098	-	-	-	65,585,098
Fund Balances:					
Nonspendable	265,730	155,515	-	-	421,245
Restricted	924,397	18,839,292	780,115	-	20,543,804
Committed	500,000	-	-	-	500,000
Assigned	21,808,028	15,822,346	3,252,750	521,034	41,404,158
Unassigned	33,241,543	-	-	-	33,241,543
Total fund balances	56,739,698	34,817,153	4,032,865	521,034	96,110,750
Total liabilities, deferred inflows of resources and fund balances	$ 129,313,931	35,994,295	4,227,428	521,034	170,056,688

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		$ 222,574,938
Receivables on the Statement of Net Position that do not provide current financial resources are not reported in the funds.		5,340,263
The Self-Insurance Fund is an Internal Service Fund used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Self-Insurance Fund are included in governmental activities in the Statement of Net Position.		12,150,657
Long-term liabilities, including bonds payable and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.		(168,722,128)
Deferred loss on refunding does not provide current finanial resources and, therefore, is not reported in the funds.		1,460,230
GAAP requires the recognition of net pension liability and deferred flows of resources related to pensions. These amounts do not use current financial resources and are not reported in the funds.		
Net pension liability	(10,305,904)	
Pension investment experience	(2,441,534)	
Difference between expected and actual experience	(2,067,396)	
Pension contributions after measurement date	5,252,515	
Change in assumptions	(538,736)	
		(10,101,055)
GAAP requires the recongnition of net other postemployment benefits asset, net other postemployment benefits liabilities, and deferred flows of resources related to other postemployment benefits. These amounts do not use current financial resources and are not reported in the funds.		
Net other postemployment benefits asset	488,364	
Net other postemployment benefits liability	(5,328,246)	
OPEB investment experience	(171,668)	
Difference between expected and actual experience	106,171	
GLI and HIC contributions after measurement date	395,187	
Change in assumptions	(227,023)	
Change in proportion	123,996	
		(4,613,219)
Total net position of governmental activities		$ 154,200,436

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

COUNTY OF HANOVER, VIRGINIA **Exhibit 4**

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2019

	General	County Improvements	School Improvements	Debt Service	Total Governmental Funds
REVENUES					
Revenue from local sources:					
General property taxes	$ 160,914,283	-	-	-	160,914,283
Other local taxes	35,158,773	-	-	-	35,158,773
Permits, privilege fees and regulatory licenses	2,440,338	-	-	-	2,440,338
Fines and forfeitures	986,439	-	-	-	986,439
Revenues from use of money and property	2,490,222	296,425	-	138,569	2,925,216
Charges for services	8,861,068	792,277	-	-	9,653,345
Miscellaneous	1,083,593	483,010	-	10,344	1,576,947
Recovered costs	3,916,470	750,662	-	-	4,667,132
Revenue from the Commonwealth	29,636,237	3,663,612	-	-	33,299,849
Revenue from the Federal government	4,448,992	2,915,649	-	257,046	7,621,687
Total revenues	249,936,415	8,901,635	-	405,959	259,244,009
EXPENDITURES					
General governmental administration	15,797,732	3,412,908	-	-	19,210,640
Judicial administration	6,463,712	-	-	-	6,463,712
Public safety	60,175,267	2,666,322	-	-	62,841,589
Public works	11,554,341	10,223,957	-	-	21,778,298
Human services	25,496,769	-	-	-	25,496,769
Parks, recreation and cultural	6,233,768	1,444,374	-	-	7,678,142
Community development	5,571,168	475,766	-	-	6,046,934
Education	82,871,239	-	11,413,274	-	94,284,513
Debt service:					
Principal retirement	-	-	-	13,407,335	13,407,335
Interest and fiscal charges	-	-	-	6,365,400	6,365,400
Debt issuance costs	-	-	-	195,341	195,341
Total expenditures	214,163,996	18,223,327	11,413,274	19,968,076	263,768,673
Excess (deficiency) of revenues over (under) expenditures	35,772,419	(9,321,692)	(11,413,274)	(19,562,117)	(4,524,664)
OTHER FINANCING SOURCES (USES)					
Transfers in	126,105	7,596,421	5,000,000	19,382,616	32,105,142
Transfers out	(32,031,066)	(126,105)	-	-	(32,157,171)
Issuance of general obligation bonds	-	10,793,888	4,628,634	202,478	15,625,000
Premium on general obligation bonds issued	-	1,206,112	371,366	-	1,577,478
Total other financing sources (uses), net	(31,904,961)	19,470,316	10,000,000	19,585,094	17,150,449
Net change in fund balances	3,867,458	10,148,624	(1,413,274)	22,977	12,625,785
Total fund balances - beginning	52,872,240	24,668,529	5,446,139	498,057	83,484,965
Total fund balances - ending	$ 56,739,698	34,817,153	4,032,865	521,034	96,110,750

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

COUNTY OF HANOVER, VIRGINIA **Exhibit 5**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2019

Net change in fund balance - total governmental funds	$	12,625,785
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlays		11,042,197
Depreciation Expense		(11,690,204)
Tenancy in Common (see note IV. C.) - Under Virginia law, the County has a tenancy in common for School Board Component Unit capital assets for which the County is obligated to repay outstanding "on-behalf" bonds. Under the tenancy in common, the County reports the net book value of School Component Unit capital assets in the amount of the outstanding principal balance of "on-behalf" bonds at year end, net of unspent bond proceeds. This amount is the decrease in the net book value of School Board Component Unit capital assets reported by the County for the fiscal year, which resulted primarily from a decrease in school construction activity during the fiscal year, and results in a decrease in net position reported by the County (Primary Government) on the Statement of Activities.		(3,144,205)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds (e.g., tax receivable accrual).		53,963
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Debt Issued		(17,202,478)
Repayment of Debt Principal		13,407,335
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		613,206
Pension contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the Statement of Net Position. Pension expenses reported on the Statement of Activities do not use current financial resources and are not reported in the funds. This adjustment accounts for the net changes in net pension liability and deferred inflows and outflows relating to pension.		4,678,986
Other postemployment benefits (OPEB) contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the Statement of Net Position. OPEB expenses reported on the Statement of Activities do not use current financial resources and are not reported in the funds. This adjustment accounts for the net changes in net OPEB asset, net OPEB liability, and deferred inflows and outflows related to OPEB.		(187,282)
An internal service fund is used by management to charge the costs of self-insurance to individual funds. The change in internal service fund net position is reported with governmental activities.		(1,797,456)
Change in net position of governmental activities	$	8,399,847

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

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis

For the Year Ended June 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
General property taxes	$ 159,307,200	159,307,200	160,914,283	1,607,083
Other local taxes	34,328,800	34,478,800	35,158,773	679,973
Permits, privilege fees and regulatory licenses	2,145,000	2,145,000	2,440,338	295,338
Fines and forfeitures	1,042,400	1,042,400	986,439	(55,961)
Revenues from use of money and property	830,800	830,800	2,490,222	1,659,422
Charges for services	7,538,740	8,211,385	8,861,068	649,683
Miscellaneous	1,222,783	1,005,743	1,083,593	77,850
Recovered costs	3,662,629	3,789,066	3,916,470	127,404
Revenue from the Commonwealth	29,400,234	29,917,051	29,636,237	(280,814)
Revenue from the Federal government	4,287,037	4,808,122	4,448,992	(359,130)
Total revenues	243,765,623	245,535,567	249,936,415	4,400,848
EXPENDITURES				
General governmental administration	16,059,406	16,439,520	15,889,358	550,162
Judicial administration	6,606,004	6,669,378	6,491,567	177,811
Public safety	60,074,518	61,615,813	60,609,093	1,006,720
Public works	11,143,245	12,051,852	11,681,143	370,709
Human services	25,809,598	26,825,706	25,528,786	1,296,920
Parks, recreation and cultural	6,473,639	6,541,302	6,234,476	306,826
Community development	5,526,771	5,730,502	5,583,508	146,994
Education	86,616,000	86,616,000	82,871,239	3,744,761
Nondepartmental	1,918,706	664,851	-	664,851
Total expenditures - budgetary basis	220,227,887	223,154,924	214,889,170	8,265,754
Less encumbrances at June 30, 2019	-	-	(725,174)	725,174
Total expenditures	220,227,887	223,154,924	214,163,996	8,990,928
Excess of revenues over expenditures	23,537,736	22,380,643	35,772,419	13,391,776
OTHER FINANCING SOURCES (USES)				
Transfers in	-	126,105	126,105	-
Transfers out	(32,158,645)	(32,340,804)	(32,031,066)	309,738
Total other financing uses, net	(32,158,645)	(32,214,699)	(31,904,961)	309,738
Net change in fund balance	(8,620,909)	(9,834,056)	3,867,458	13,701,514
Fund balances - beginning	8,620,909	52,872,240	52,872,240	-
Fund balances - ending	$ -	43,038,184	56,739,698	13,701,514

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

Proprietary Funds
Statement of Net Position
June 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Public Utilities	Non-major Airport	Total	Internal Service Fund
ASSETS				
Current Assets:				
Pooled cash, cash equivalents and investments	$ 28,311,168	152,340	28,463,508	13,407,450
Receivables (net of allowances for uncollectibles)	5,296,268	299,070	5,595,338	2,939,696
Prepaid expenses	-	-	-	2,700
Total current assets	33,607,436	451,410	34,058,846	16,349,846
Noncurrent Assets:				
Pooled cash, cash equivalents and investments - restricted	3,850,177	-	3,850,177	-
Net other postemployment benefits asset - restricted	36,322	695	37,017	-
Capital assets:				
Land	6,452,771	4,770,169	11,222,940	-
Intangible assets	52,287,741	-	52,287,741	-
Buildings and system	79,341,849	3,669,137	83,010,986	-
Improvements other than buildings	226,582,902	14,330,966	240,913,868	-
Machinery and equipment	21,837,919	112,469	21,950,388	-
Construction in progress	6,654,713	3,119,311	9,774,024	-
Less accumulated depreciation	(178,408,266)	(7,302,432)	(185,710,698)	-
Total capital assets (net of accumulated depreciation)	214,749,629	18,699,620	233,449,249	-
Total noncurrent assets	218,636,128	18,700,315	237,336,443	-
Total assets	252,243,564	19,151,725	271,395,289	16,349,846
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	679,107	-	679,107	-
Deferred outflows relating to pension	400,084	7,659	407,743	-
Deferred outflows relating to other postemployment benefits	56,108	1,073	57,181	-
Total deferred outflows of resources	1,135,299	8,732	1,144,031	-
LIABILITIES				
Current Liabilities:				
Accounts payable	1,716,547	120,746	1,837,293	120,190
Incurred but not reported self-insurance claims	-	-	-	2,861,881
Accrued liabilities	557,111	89,045	646,156	67,229
Accrued bond interest	131,346	24,991	156,337	-
Advance premiums	-	-	-	1,149,889
Current portion of bonds payable	1,313,369	95,189	1,408,558	-
Current portion of compensated absences	642,034	7,079	649,113	-
Current portion of support agreement	60,000	-	60,000	-
Total current liabilities	4,420,407	337,050	4,757,457	4,199,189
Noncurrent Liabilities:				
Bonds payable	11,380,727	888,701	12,269,428	-
Airport revolving fund loan	-	32,314	32,314	-
Compensated absences	147,700	10,937	158,637	-
Deposits	488,553	-	488,553	-
Capacity fee credits	1,412,105	-	1,412,105	-
Support agreement	250,000	-	250,000	-
Net pension liability	766,492	14,673	781,165	-
Net other postemployment benefits liability	396,283	7,586	403,869	-
Total noncurrent liabilities	14,841,860	954,211	15,796,071	-
Total liabilities	19,262,267	1,291,261	20,553,528	4,199,189
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues	18,021	-	18,021	-
Deferred inflows relating to pension	384,850	7,367	392,217	-
Deferred inflows relating to other postemployment benefits	39,248	751	39,999	-
Total deferred inflows of resources	442,119	8,118	450,237	-
NET POSITION				
Net investment in capital assets	201,012,535	17,715,730	218,728,265	-
Restricted for debt covenants	3,850,177	-	3,850,177	-
Restricted for other postemployment benefits	36,322	695	37,017	-
Unrestricted	28,775,443	144,653	28,920,096	12,150,657
Total net position	$ 233,674,477	17,861,078	251,535,555	12,150,657

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

COUNTY OF HANOVER, VIRGINIA **Exhibit 8**

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Position

For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Public Utilities	Non-major Airport	Total	Internal Service Fund
OPERATING REVENUES				
Revenue from use of money and property	$ -	227,188	227,188	-
Charges for services	26,328,906	-	26,328,906	39,810,853
Capacity fees	233,356	-	233,356	-
Recovered costs	-	-	-	424,242
Miscellaneous	229,622	800	230,422	-
Total operating revenues	26,791,884	227,988	27,019,872	40,235,095
OPERATING EXPENSES				
Personnel services	4,938,374	87,396	5,025,770	59,958
Fringe benefits	1,159,772	16,239	1,176,011	18,975
Health care claims and benefits	-	-	-	41,552,052
Contractual services	7,177,946	27,710	7,205,656	140,821
Internal services	1,395,000	-	1,395,000	-
Other charges	3,374,026	55,791	3,429,817	588,232
Depreciation	9,729,350	495,715	10,225,065	-
Total operating expenses	27,774,468	682,851	28,457,319	42,360,038
Operating loss	(982,584)	(454,863)	(1,437,447)	(2,124,943)
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues:				
Capacity fees - nonoperating	4,692,197	-	4,692,197	-
Interest income	1,004,559	-	1,004,559	327,487
Total nonoperating revenues	5,696,756	-	5,696,756	327,487
Nonoperating expenses:				
Interest expense and fiscal charges	443,218	51,146	494,364	-
Total nonoperating expenses	443,218	51,146	494,364	-
Net nonoperating revenues (expenses)	5,253,538	(51,146)	5,202,392	327,487
Income (loss) before capital contributions and transfers	4,270,954	(506,009)	3,764,945	(1,797,456)
Capital contributions	4,084,534	148,408	4,232,942	-
Transfers in	-	52,029	52,029	-
Change in fund net position	8,355,488	(305,572)	8,049,916	(1,797,456)
Total fund net position - beginning	225,318,989	18,166,650	243,485,639	13,948,113
Total fund net position - ending	$ 233,674,477	17,861,078	251,535,555	12,150,657

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

Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Public Utilities	Non-major Airport	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 26,278,194	227,188	26,505,382	-
Receipts from interfund services provided	-	-	-	40,926,613
Miscellaneous receipts	-	800	800	-
Payments to suppliers and service providers	(14,025,699)	(109,946)	(14,135,645)	(140,821)
Payments to employees	(4,889,784)	(111,445)	(5,001,229)	(78,933)
Claims and benefits paid	-	-	-	(41,349,819)
Net cash provided by (used in) operating activities	7,362,711	6,597	7,369,308	(642,960)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	52,029	52,029	-
Net cash provided by noncapital financing activities	-	52,029	52,029	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Intergovernmental revenue received - capital grants	-	163,096	163,096	-
Capacity fees received	4,214,176	-	4,214,176	-
Construction proceeds received	-	32,314	32,314	-
Acquisition and construction of capital assets	(8,713,154)	(313,517)	(9,026,671)	-
Principal payments on revenue bonds and support agreement debt	(1,776,831)	(90,532)	(1,867,363)	-
Interest payments on revenue bonds	(580,726)	(53,446)	(634,172)	-
Net cash used in capital and related financing activities	(6,856,535)	(262,085)	(7,118,620)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,004,559	-	1,004,559	327,487
Net cash provided by investing activities	1,004,559	-	1,004,559	327,487
Net increase (decrease) in cash and cash equivalents	1,510,735	(203,459)	1,307,276	(315,473)
Pooled cash, cash equivalents and investments at beginning of year	30,650,610	355,799	31,006,409	13,722,923
Pooled cash, cash equivalents and investments at end of year	$ 32,161,345	152,340	32,313,685	13,407,450
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	$ (982,584)	(454,863)	(1,437,447)	(2,124,943)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation expense	9,729,350	495,715	10,225,065	-
Pension expense	(430,789)	(8,237)	(439,026)	-
Other postemployment benefits expense	(3,508)	83	(3,425)	-
(Increase) decrease in:				
Receivables	(431,502)	-	(431,502)	564,447
Prepaids	-	-	-	426,420
Increase (decrease) in:				
Customer deposits	(100,209)	-	(100,209)	-
Accounts payable	(484,653)	(26,444)	(511,097)	(5,712)
Incurred but not reported self-insurance claims	-	-	-	791,816
Accrued liabilities	(26,776)	54	(26,722)	(422,059)
Advance premiums	-	-	-	127,071
Compensated absences	75,361	289	75,650	-
Deferred revenue	18,021	-	18,021	-
Total adjustments	8,345,295	461,460	8,806,755	1,481,983
Net cash provided by (used in) operating activities	$ 7,362,711	6,597	7,369,308	(642,960)
Noncash investing, capital, and financing activities:				
Capital contributions	$ 4,084,534	148,408	4,232,942	-

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

COUNTY OF HANOVER, VIRGINIA **Exhibit 10**

Statement of Fiduciary Net Position

June 30, 2019

	Retiree Medical Benefits Trust	Agency Funds
ASSETS		
Pooled cash, cash equivalents and investments	$ -	5,283,391
Receivables	2,500	750,963
Investments, at fair value (mutual funds):		
Money market	15,009	-
Domestic equity	2,107,045	-
International equity	1,625,640	-
Fixed income	1,952,832	-
Total assets	5,703,026	6,034,354
LIABILITIES		
Accounts payable	-	370,829
Accrued liabilities	-	1,678,695
Deposits	-	3,984,830
Total liabilities	-	6,034,354
FIDUCIARY NET POSITION		
Net position restricted for other postemployment benefits	$ 5,703,026	

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

COUNTY OF HANOVER, VIRGINIA **Exhibit 11**

Retiree Medical Benefits Trust Fund

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2019

	Retiree Medical Benefits Trust
ADDITIONS	
Contributions:	
Employer	$ 20,000
Plan members	1,149,995
Total contributions	1,169,995
Investment earnings	314,839
Total additions	1,484,834
DEDUCTIONS	
Benefits	1,169,995
Total deductions	1,169,995
Net increase in fiduciary net position	314,839
Net position restricted for other postemployment benefits	
Beginning	5,388,187
Ending	$ 5,703,026

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

I. Summary of significant accounting policies

A. Reporting entity

The County of Hanover, Virginia (the County) was established by an act of the Virginia General Assembly in 1720. It is a political subdivision of the Commonwealth of Virginia (the Commonwealth or State) operating under the board-administrator form of government. The Board of Supervisors (the Board) consists of a Chairman and six other Board members, each elected from the County's seven magisterial districts. The Board has responsibility for appointing the County Administrator. The County has taxing powers subject to statewide restrictions and tax limits. The accompanying financial statements present the County (the *Primary Government*) and its *component units*, entities for which the County is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the County. The County and its component units are together referred to herein as the *reporting entity*.

Discretely Presented Component Units

- **School Board:** The County provides education through its own public school system administered by the Hanover County School Board (the School Board or the Schools). The School Board has been classified as a discretely presented component unit in the financial reporting entity because it is legally separate, but financially dependent through appropriations. The Board of Supervisors administers the School Board's appropriation of funds at the category level, approves transfers between categories, authorizes school debt issuances and appoints School Board members. Financial statements of the School Board are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The School Board does not issue separate financial statements.

- **Economic Development Authority:** The Economic Development Authority of Hanover County, Virginia (the EDA) was established by ordinance of the Board pursuant to the Industrial Development and Revenue Bond Act (Chapter 33, Title 15.1, *Code of Virginia* (the Code) of 1950, as amended) so that such authorities may acquire, own, lease and dispose of properties to the end that such authorities may be able to promote industry and develop trade by inducing manufacturing, industrial, governmental and commercial enterprises to locate in or remain in the Commonwealth. Included in the discretely presented component unit EDA are the activities of economic development services. The County appoints the seven board members of the EDA representing each of the seven magisterial districts of the County. By statute, the EDA has the power to cause the issuance of tax-exempt industrial revenue bonds to qualifying enterprises wishing to utilize that form of financing. The County is involved in the day-to-day operations of the EDA, the determination of its operating budget and annual service fee rates and the approval of prospective private activity bond issues. Financial statements of the EDA are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The EDA does not issue separate financial statements.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the Primary Government and its component units, exclusive of fiduciary activities. For the most part, the effect of interfund activity has been removed from these financial statements. *Governmental activities,* which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not properly classified as program revenues, including all taxes, are reported as *general revenues.*

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide, proprietary, and fiduciary fund 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 incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated uncollectible amounts, in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider, including time requirements, if any, have been met. Employer contributions to the Retiree Medical Benefits Trust fiduciary fund (including cash contributions and actuarially estimated employer premium subsidies) and plan member contributions are recognized in the period in which the contributions and subsidies are due. Benefits are recognized when due and payable in accordance with the terms of the plan. Agency funds are custodial in nature and do not involve the measurement of results of operations. In agency fund financial statements, assets equal liabilities using the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized when susceptible to accrual, (i.e., as soon as they are both measurable and available). Revenues from intergovernmental reimbursement grants are recorded when earned. Other revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers general property tax and other intergovernmental revenues to be available if they are collected within 31 days of the end of the current fiscal period, and are due on or before the last day of the current fiscal period. Sales taxes, which are collected by the State, are not intergovernmental revenues. They are subsequently remitted to the County and are recognized consistent with the State's recognition policy. Accordingly, County revenues and receivables include May and June sales tax received from the Commonwealth in July and August. School revenue and receivables include the May sales tax received from the Commonwealth in July and the non-accelerated June sales tax received in August. The June accelerated sales tax is recognized in the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Other items associated with the current fiscal period, including other local taxes, licenses, certain charges for services, interest associated with the current fiscal period and direct Federal interest subsidies on bonded indebtedness for which applications have been timely submitted are all considered to be susceptible to accrual and so are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available and are recorded as revenues when cash is received.

The County reports four major governmental funds. The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund. The *County Improvements Fund* accounts for the resources to be used for the acquisition or construction of major governmental capital facilities and equipment. The *School Improvements Fund* accounts for the resources to be used for the acquisition or construction of major capital facilities and equipment used for school operations. Capital assets are transferred to the School Component Unit, except those financed by County obligations, which are reported by the Primary Government up to the amount of outstanding obligation. The *Debt Service Fund* accounts for the resources to be used for County and School Board obligations for the payment of interest and principal on long-term debt.

The County has two proprietary funds. The *Public Utilities Fund*, a major fund, accounts for the activities and operations of the County's wastewater treatment and water distribution. The *Airport Fund,* a non-major fund, accounts for the activities and operations of the County's airport.

Additionally, the County reports the following fund categories:

> *Internal service fund* accounts for self-insurance activities of the County related to employee health insurance, including clinic operations and wellness initiatives.
>
> *Fiduciary funds* consist of the *Retiree Medical Benefits Trust Fund* and *Agency Funds*. The agency funds include the *Bell Creek Community Development Authority Fund*, *the Lewistown Community Development Authority Fund,* and the *Escrow* and *Special Welfare* funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's public utilities function and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the County's internal service funds are charges to customers for sales and services and internal charges, respectively. The Public Utilities Fund also recognizes as operating revenue the portion of capacity fees intended to recover the cost of connecting new customers to the utilities system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

The County and its component units follow the practice of pooling cash and investments of all funds with the County Treasurer, except for certain restricted cash and investments held by outside custodians in order to comply with the provisions of bond indentures and the investments of the Retiree Medical Benefits Trust (Trust) held by the Trust's Finance Board. Investments are reported at fair value, based on quoted market prices at year end. As of June 30, 2019, the pooled cash and investments have been allocated between the County and the respective component units and Trust based upon their respective ownership percentages.

Investment earnings are allocated to the participating funds and component units based upon their respective average monthly equity balances in the pooled account. Cash, cash equivalents and investments – restricted represent unspent bond proceeds for capital projects and, when applicable, accumulated interest thereon, as well as amounts set aside for bond debt service or to comply with other debt covenants. For purposes of the Statement of Cash Flows, the amounts reported as cash and cash equivalents for the proprietary fund types represent amounts maintained in the reporting entity's investment pool, as they are considered to be demand deposits for the purpose of complying with accounting principles generally accepted in the United States of America (GAAP).

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the County's governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

Accounts receivable and property tax receivables are shown net of an allowance for uncollectibles. Accounts receivable utilize percentage of receivable methods based upon aged receivable balances in determining allowances for uncollectibles. The property tax receivable allowance is calculated consistent with criteria established by the Auditor of Public Accounts of the Commonwealth of Virginia (APA), which uses historical collection data, specific account analysis and management's judgment.

The County levies real estate taxes on all real estate within its boundaries, except that exempted by statute. The real estate in the County is assessed each year as of January 1 on the estimated market value of the property. On January 1, the real estate taxes become an enforceable lien on the property. For real estate assessed on January 1, payment is due in two equal installments on June 5 and October 5. The real estate taxes reported as revenue are the second installment (October 5) of the levy on assessed value at January 1, 2018, and the first installment (June 5) of the levy on assessed value at January 1, 2019.

The County levies personal property taxes on motor vehicles, boats, mobile homes, aircraft and tangible business property. Personal property tax levies are based on the estimated fair market value as of January 1, with payment due on February 5 of the following year. On January 1, personal property taxes become an enforceable lien on the property. The tax on a vehicle may be prorated for the length of time the vehicle has situs (the place where the vehicle is usually kept) in the County.

Past due general property taxes in excess of the established allowance for uncollectibles are reported as deferred inflows in the governmental funds' financial statements if not collected within 31 days of the end of the current fiscal year.

The 1998 Virginia General Assembly enacted legislation providing property tax relief to citizens. The Personal Property Tax Relief Act (PPTRA) was intended to be phased in over five years on the first $20,000 of value for motor vehicles not used for business purposes. In 2005 the General Assembly capped PPTRA relief at $950 million statewide beginning with the 2006 tax year. Hanover receives a total of $15,002,000 in four payments annually. County 2018 tax bills, payable in fiscal year 2019, included a fifty-two percent reduction on the first $20,000 in value for qualifying vehicles. PPTRA payments received from the Commonwealth of Virginia are classified as noncategorical State aid in the General Fund.

3. Inventories

All County inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of the County's discretely presented School Board Component Unit are valued at cost using the FIFO method.

4. Restricted assets

In accordance with applicable bond covenants, governmental and business-type activities report restricted cash, cash equivalents and investments at June 30, 2019 of $16,998,368, which consists of unspent bond proceeds and accumulated interest of $13,148,191 restricted for capital projects in the School and County Improvements Funds. Business-type activities report restricted cash, cash equivalents and investments of $3,850,177 maintained as reserves required by water and sewer revenue bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure, and intangible capital assets, which consist of drainage, storm water and access easements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The County defines tangible capital assets as items with an initial, individual cost of more than $5,000 and an estimated useful life of at least five years, and intangible capital assets such as easements with an initial cost or estimated fair market value of more than $25,000. Intangible assets are considered to have indefinite useful lives if there are no factors which limit their useful lives. Tangible capital assets are recorded at actual or estimated historical cost if purchased or constructed. Donated capital assets, whether tangible or intangible, are recorded at acquisition value at the date of donation. Purchased intangible capital assets are recorded at the purchase price or at estimated fair market value at the date acquired. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed or purchased.

Capital assets of the Primary Government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives. Land and intangible assets with indefinite useful lives are not depreciated or amortized.

The estimated useful lives of capital assets are as follows:

Assets	Years
Buildings	40
Building improvements	20
Infrastructure	30
Durable Equipment	20
Vehicles, trucks, fire trucks	5-15
School Buses	12
Heavy Equipment	10
Office equipment	5
Computer equipment	5

6. Compensated absences

It is the County's policy to permit eligible employees to accumulate earned but unused vacation, compensatory time and sick pay benefits, subject to certain limitations. A liability for unused vacation pay and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of the liability is estimated based on historical leave usage. A liability for those amounts is reported in governmental funds only to the extent the liability has matured: for example, as a result of employee resignations or retirements. Sick leave is accrued under the vesting method, which estimates the expected eligibility of all employees to receive termination payments.

7. Long-term obligations

In the government-wide and proprietary fund statements of net position, long-term debt, net pension and other postemployment benefits (OPEB) liability and other long-term obligations are reported as liabilities.

In the governmental funds' financial statements, proceeds from long-term debt including bond premiums and discounts are reported in the Statement of Revenues, Expenditures and Changes in Fund Balances during the current period. The face amount of general long-term and other debt issued is reported as other financing sources, while premiums received on debt issuances are reported as separate other financing sources, and discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement plan for the County and the School Board Component Unit, and the additions to and deductions from the net fiduciary position of the County and the School Board Component Unit have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Net position / Fund balances

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through State statute. In the fiduciary fund financial statements, net position of the Retiree Medical Benefits Trust Fund is held by the trust for payment of retiree health benefits, and is reported as net position held in trust for other postemployment benefits.

Fund balances in governmental funds are classified as follows:

Nonspendable fund balance – Consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. This classification includes inventories, prepaid amounts, assets held for resale, and long-term receivables.

Restricted fund balance – Consists of amounts for which constraints are imposed on their use; either externally by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or by law through constitutional provisions or enabling legislation.

Committed fund balance – Consists of amounts that can only be used for specific purposes pursuant to constraints imposed by the Board, the County's highest level of decision-making authority, and adopted by a formal ordinance or resolution, the highest levels of formal action approved by the Board. The committing action must be taken prior to year-end although the exact dollar amount may be determined in a subsequent period. Committed amounts cannot be used for any other purpose unless the commitment is changed by similar action of the Board. The highest levels of formal action approved by the Board are ordinances and resolutions, which are equally binding.

Assigned fund balance – Consists of amounts which the County intends to use for specific purposes, but which are neither restricted nor committed as previously defined. The County's Fund Balance Policy adopted by the Board delegates the authority to assign fund balances for specific purposes to the County Administrator. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County. For all other governmental funds, any positive residual fund balances that are neither nonspendable, restricted or committed are considered to be assigned for the purposes of the respective funds. Therefore, with the exception of the General Fund, assigned fund balance is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance – Unassigned fund balance is the residual classification 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 within the General Fund. Under GAAP, positive unassigned fund balances are only reported in the General Fund. However, in governmental funds other than the General Fund, expenditures incurred for a specific purpose might exceed the amount restricted, committed, or assigned to that purpose, and a negative residual amount for that purpose may result (for example, if capital project fund expenditures are made prior to receipt of bond proceeds). If that occurs, any negative residual is offset to the extent of any other assigned amounts in that fund, and any remaining negative residual amount is classified as a negative unassigned fund balance in the applicable governmental fund.

Resources, whether restricted or unrestricted, are available for use only when appropriated by the Board in accordance with the adopted budget. In determining the classification of ending fund balances, when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available and have been appropriated for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. When amounts in any of the three unrestricted fund balance classifications are available and have been appropriated for use, expenditures are made from committed amounts first, followed by assigned amounts, and then by unassigned amounts.

The Board has adopted a minimum fund balance policy that states that the General Fund's unassigned fund balance shall be at least equal to ten percent of its total actual revenues.

9. Deferred Outflows/Inflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources in addition to assets. The County reports deferred outflows of resources for deferred charges on refunding and amounts related to pensions and OPEB in the government-wide Statement of Net Position in this category. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. Deferred outflows for pensions and OPEB result from changes in actuarial assumptions, change in the proportionate share of the total liability, actual economic experience that is different than estimated, and pension contributions made subsequent to the measurement date. Changes are deferred and amortized over the remaining service life of all participants.

The Statement of Net Position reports a separate section for deferred inflows of resources in addition to liabilities. Deferred inflows of resources in the governmental funds' Balance Sheet represent unavailable revenue for amounts billed and not collected. Deferred inflows of resources in the government-wide Statement of Net Position represent unearned revenues for amounts received in advance of meeting timing requirements or amounts collected in advance of the fiscal year to which they apply. In the government-wide statement of net position, deferred inflows of resources are also reported for amounts related to pensions and OPEB plans. Actuarial losses resulting from a difference in expected and actual experience, plan investment returns that differed from projected earnings, changes in actuarial assumptions and changes in proportionate share are deferred and amortized over the remaining service life of all participants. Deferred inflows resulting from pension and OPEB investment returns lower than projected earnings are also deferred and amortized over a closed five-year period.

10. Pension Plans

The County is consistent with VRS guidance in respect to its pension reporting, including their measurement of retirement plan net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the VRS agent multiple-employer (VRS Local Plans) and teachers' cost-sharing plan (VRS Teachers' Pool).

GAAP requires the liability of employers for defined benefit pensions to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past period of service, less the amount of the pension plan's fiduciary net position. Accordingly, the County and School Board Component Unit recorded the impact of the related net pension asset, net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. For further information regarding the reporting entity's defined benefit pension plans, refer to Note V.F. of the accompanying notes to the financial statements.

11. Retiree Medical Benefits Plan and Trust

The County has established the Hanover County Retiree Medical Benefits Plan a multiple-employer defined benefit plan and related Trust to provide health insurance benefits to the employees and retired employees of the County and other participating employers including the Hanover County School Board, the Pamunkey Regional Library, and the Pamunkey Regional Jail Authority. The Hanover County Finance Board was established pursuant to the Code §15.2-1547 is responsible for the oversight of the Hanover Retiree Medical Benefits Trust, established pursuant to the Code §15.2-1544, which provides the authority under which benefit terms are established or may be amended. The related Medical Trust OPEB asset, deferred outflows or resources and deferred inflows of resources related to the Medical Trust OPEB Plan, and Medical Trust OPEB expense have been measured and reported in accordance with GAAP as prepared by the County's external actuary. Additionally, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Health Insurance Credit Program

The County participates in the Political Subdivision Health Insurance Credit (HIC) Program and the School Board participates in the Teacher Employee HIC Program for its professional employees.

The Political Subdivision HIC Program is an agent multiple-employer defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision HIC Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program OPEB, and the Political Subdivision HIC Program OPEB expense, information about the fiduciary net position of the VRS Political Subdivision HIC Program; and the additions to/deductions from the VRS Political Subdivision HIC's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The VRS Teacher Employee HIC Program is a multiple-employer, cost-sharing plan. The Teacher Employee HIC Program was established pursuant to §51.1-1400 et seq. of the Code, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee HIC Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee

HIC Program OPEB, and the Teacher Employee HIC Program OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Group Life Insurance

The County and School Board participate in the VRS Group Life Insurance (GLI) Program.

The VRS GLI Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI program OPEB and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. New Accounting Pronouncements

In November 2016, GASB issues statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. The County's adoption of this statement in fiscal year 2019 did not have a significant impact on the County's financial statements or disclosures.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The County adopted this statement in fiscal year 2019 in accompanying notes to the financial statements related to debt.

15. Future Accounting Pronouncements

In January 2017, GASB issues statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The County will analyze the impact on the reporting entity's financial statements and disclosures and will adopt this Statement for the fiscal year ending June 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The County will analyze the impact on the reporting entity's financial statements and disclosures and will adopt this Statement for the fiscal year ending June 30, 2021.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61.* The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The County will analyze the impact on the reporting entity's financial statements and disclosures and will adopt this Statement for the fiscal year ending June 30, 2020.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The County will analyze the impact on the reporting entity's financial statements and disclosures and will adopt this Statement for the fiscal year ending June 30, 2022.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental funds' Balance Sheet and the government-wide Statement of Net Position.

The governmental funds' Balance Sheet includes a reconciliation between *total fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide Statement of Net Position. One element of the governmental funds' Balance Sheet includes a reconciliation between *total fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds."

The details of the net adjustment to reduce total fund balances – total governmental funds to arrive at net position – governmental activities are as follows:

Bonds payable, net	$ 147,447,542
Accrued bond interest	2,524,338
Capital lease obligations	4,955,594
Support agreement payable	2,001,370
Compensated absences	10,088,163
Liability for landfill closure and postclosure costs	1,705,121
Net adjustment to reduce total fund balances - total governmental funds to arrive at net position - governmental activities	$ 168,722,128

B. Explanation of certain differences between the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances, and the government-wide Statement of Activities.
The governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between the *net change in fund balance - total governmental funds* and *the change in net position of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	$	11,042,197
Depreciation expense		(11,690,204)
Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net positon of governmental activities	$	(648,007)

Another element of that reconciliation states that "Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	$	(228,889)
Liability for landfill closure and postclosure costs		69,018
Accrued interest		(16,374)
Amortization of bond premiums		1,081,313
Amortization of deferred loss on refunding		(291,862)
Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net position of governmental activities	$	613,206

III. Stewardship, compliance, and accountability

A. Budgetary information
Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before November 1 of each year, all agencies of the County submit requests for appropriations to the County Administrator so that a budget may be prepared. No later than the fourth Wednesday in February, the proposed budget is presented to the Board for review. The Board holds informational budget sessions, and a public hearing to obtain detailed information on budgetary issues and citizen input, and a final budget is legally adopted through passage of a Budget Appropriation Resolution no later than June 30. The Budget Appropriation Resolution establishes budgetary appropriation amounts at the fund level.

To address changes to the fiscal plan, the Board has adopted a budget policy which establishes thresholds for making adjustments to the adopted budget. The budget policy effectively establishes a *legal level of budgetary control*, the lowest level at which County administration may not reallocate resources without Board approval. The budget policy generally authorizes the County Administrator (County Funds) and School Superintendent (School Funds) to transfer amounts as needed within the personnel and capital categories, and to transfer within a $75,000 limit per topic or issue in the operating category. The Board of Supervisors must approve all other transfers and all requests for supplemental appropriations. The School Board is authorized to transfer budgeted amounts within the school component unit funds. However, any transfer or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board's approval.

IV. Detailed notes on all funds

A. Deposits and investments

As of June 30, 2019, the reporting entity's pooled cash and investments, including $5,283,391 held on behalf of agency funds, and amounts separately invested by the Retiree Medical Benefits Trust's Finance Board, were as follows:

		Credit Quality Rating				
Investment Type	Fair Value	AAA/AAAm	AA	A	N/R	N/A
Pooled Investments:						
Cash on hand	$ 4,625	-	-	-	-	4,625
Cash deposits	38,346,940	-	-	-	-	38,346,940
Demand and time deposits	7,129,176	-	3,937,371	2,687,282	-	504,523
Money market mutual funds (AAAm ratings)	18,741,875	18,741,875	-	-	-	-
U.S. government and agency bonds	47,611,561	2,856,182	44,755,379	-	-	-
Corporate notes and bonds	10,512,337	304,271	10,208,066	-	-	-
Commercial paper	-	-	-	-	-	-
LGIP Funds	39,495,246	39,495,246	-	-	-	-
Total pooled deposits and investments	$ 161,841,760	61,397,574	58,900,816	2,687,282	-	38,856,088

		Fund Credit Quality Rating		
Retiree Medical Benefits Trust:	Fair Value	AAAm	N/R	N/A
Mutual funds:				
Money market	$ 15,009	15,009	-	-
Domestic equity	2,107,045	-	-	2,107,045
International equity	1,625,640	-	-	1,625,640
Fixed income	1,952,832	-	-	1,952,832
Other	-	-	-	-
Total trust investments	$ 5,700,526	15,009	-	5,685,517

Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 *et seq.* of the Code. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon the choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Pooled Investments: In accordance with Section 2.2-4500 of the Code and other applicable laws and regulations, the County's pooled investment policy (County Policy) permits investments in obligations of the United States or agencies thereof; held directly, by collateralized repurchase agreements, or in mutual funds registered under the Investment Company Act of 1940, whose portfolios are restricted to U.S. Government and U.S. agency obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, certain corporate notes, bankers' acceptances and repurchase agreements, savings accounts or time deposits in approved banks or savings institutions within the Commonwealth, and the Commonwealth of Virginia Treasurer's Local Government Investment Pool (the LGIP, a 2a-7 like pool).

The County Policy establishes limitations on the holding of non-U.S. Government obligations by type of instrument. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each type of security is as follows:

	Maximum
Money market mutual funds	75%
Repurchase agreements	50%
Negotiable certificates of deposits/bank notes	25%
Corporate notes	25%
Bankers' acceptances	25%
Commercial paper	25%
State bonds, notes and other evidences of indebtedness	20%
County, town, city, district, authority or other public body bonds, notes and other evidences of indebtedness	20%

The County Policy expressly prohibits the following securities, unless specifically approved in writing by the Treasurer: derivative products; reverse repurchase agreements; and any other security not specifically authorized in the policy.

Retiree Medical Benefits Trust (Trust) Investments: The primary goal of the Trust is to meet the reporting entity's current and long-term retiree health care benefit obligations while minimizing required employer contributions. The Trust's investment policy (Trust Policy) objectives include maintenance of a moderate risk profile and a prudent degree of investment diversification, while optimizing long-term investment returns commensurate with minimizing volatility and the risk of loss over established time horizons. In addition to the investments permitted under Section 2.2-4000 of the Code as applicable to the County's pooled investments, the Code also authorizes the Trust to purchase other investments, including domestic and international stocks, REITS and corporate bonds that meet the prudent person standard set forth in the Code. To meet this standard, the Trust Policy restricts investment in stocks and REITs to readily-marketable securities that are actively traded on a major exchange; restricts fixed-income investments to high-quality U.S. Treasury and agency, municipal or corporate fixed-income investments; prohibits the investment of Trust assets in hedge funds, derivatives, options or futures for the purpose of portfolio leveraging; and prohibits other enumerated investment types and transactions. In addition to these constraints on the Trust investment portfolio, the Trust Policy also requires periodic comparison of investment performance to appropriate benchmarks, and periodic review of asset allocations, investment manager performance and investment guidelines.

The Code vests authority to administer the Trust investment policy in the Trust's Finance Board, which has established asset allocations in two broad classes called investment assets and liquidity assets. The liquidity assets will be invested in accordance with the provisions of Code Section 2.2-4500 *et seq*. applicable to liquid assets. These funds will be used to pay for benefits and expenses of the Trust. The investment assets will be invested in longer-term securities or mutual funds in accordance with targets for each asset class, with the objective to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate.

The target asset classes and asset weightings are as follows:

Trust Asset Class	Fair Value	Trust Asset Weightings: Range	Target	Actual
Liquidity assets:				
Cash equivalents	$ 15,009	0 - 100%	100%	100%
Investment assets:				
Domestic equity	2,107,045	26 - 46%	36%	37%
International equity	1,625,640	13 - 33%	23%	29%
REITs	-	0 - 12%	6%	-
Inflation hedged	-	0 - 10%	-	-
Fixed income	1,952,832	20 - 60%	35%	34%
Cash equivalents	-	0 - 20%	-	-
Total investment assets	5,685,517		100%	100%
Total trust investments	$ 5,700,526			

Interest Rate Risk: As a means of limiting exposure to fair value losses arising from rising interest rates, both the reporting entity's pooled investment portfolio and the Trust manage maturity of fixed-income accounts to precede or coincide with the expected need of funds, which has resulted in the creation of three pooled investment portfolios of differing maturities and the classification of Trust investments into liquidity and investment assets, as described above. The County Policy also limits the investment of operating funds to investments with a stated maturity of no more than five years from the date of purchase, except proceeds from the sale of bonds, which must be invested in compliance with the specific requirements of bond covenants, and may be invested in securities with longer maturities. The Trust Policy has established a fixed-income investment objective based on a five-year rolling market cycle investment horizon, to minimize principle fluctuations and limit the potential for and duration of fixed-income investment losses over that investment horizon due to interest rate fluctuations. The Trust Policy also encourages active fixed-income investment management and requires quarterly reporting of fixed-income investment performance to the Trust's Finance Board. The deposit and fixed income investment types in the pooled investment portfolio and the Trust portfolio are presented below using the segmented time distribution reporting method, by maturity in years.

As of June 30, 2019, deposits and fixed income investments managed by the Treasurer are summarized at fair value and maturity as follows:

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1 to 3	More than 3
Pooled Investments:				
Cash on hand	$ 4,625	4,625	-	-
Cash deposits	38,346,940	38,346,940	-	-
Demand and time deposits	7,129,176	4,451,740	2,677,436	-
Money market mutual funds	18,741,875	18,741,875	-	-
U.S. Government and agency bonds	47,611,561	961,939	46,649,622	-
Corporate notes and bonds	10,512,337	1,171,131	7,404,831	1,936,375
LGIP funds	39,495,246	39,495,246	-	-
Total pooled deposits and investments	$ 161,841,760	103,173,496	56,731,889	1,936,375

		Investment Maturities (in Years)		
Retiree Medical Benefits Trust:	Fair Value	Less than 1	1 to 5	More than 5
Money market mutual fund	$ 15,009	15,009	-	-
Fixed income	1,952,832	1,952,832	-	-
Domestic equity	2,107,045	2,107,045	-	-
International equity	1,625,640	1,625,640	-	-
Total trust deposits and investments	$ 5,700,526	5,700,526	-	-

Credit Risk: As required by State statute, the County Policy requires that commercial paper have a short-term debt rating of no less than A-1 (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's and Fitch Ratings, and that its maturity may not exceed 270 days and the issuing corporation, or its guarantor must have a net worth of at least $50 million and the issuer's net income must average $3 million for the five previous years.

Corporate notes must have a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. The final maturity shall not exceed a period of 5 years from the time of purchase. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. Negotiable Certificates of Deposit and Bank Deposit Notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service.

The County's rated pooled debt investments as of June 30, 2019 were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization. Deposits and investments not exposed to credit quality risk, as defined by GAAP, are designated as not applicable (N/A) in the credit rating column, and those that are not rated are designated as N/R.

The Trust Policy requires that the Trust's fixed income investments shall not exceed 5% of the total bond portfolio at the time of purchase. The 5% limitation does not apply to the issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization.

Concentration of Credit Risk: The County Policy establishes limitations on the pooled investment portfolio composition by issuer in order to control concentration of credit risk. No more than five percent of the pooled investment portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100%	maximum
LGIP	100%	maximum
Money market mutual funds	50%	maximum
Each Federal agency	35%	maximum
Each repurchase agreement counterparty	25%	maximum

As of June 30, 2019, the only issuer exceeding five percent of the pooled investments was the U.S. Treasury, which represented fourteen percent of pooled investments.

The Trust Policy also establishes guidelines for Trust portfolio holdings. Fixed income securities of any one issuer with the exception of the U.S. government and its agencies may not exceed five percent of the total bond portfolio at the time of purchase. The Trust Policy also limits equity holdings of any one issuer to five percent of the total market value of the stock portfolio, requires that no more than twenty-five percent of the total market value of the stock portfolio may be invested in any one industry category, and establishes standards and limits on any non-U.S. equity allocation. The Trust may also invest in mutual funds that are compliant with the Investment Company Act of 1940, with investment objectives and policies consistent, to the extent practical, with the standards and limitations for equity and fixed- income investments contained in the Trust Policy.

Custodial Credit Risk – Deposits: For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. The County's deposits at June 30, 2019 were fully insured under the Virginia Security for Public Deposits Act and are therefore not considered to be subject to custodial credit risk.

Custodial Credit Risk – Investments: For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the reporting entity 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 Policy requires that all investment securities purchased for the County be held by the County or by the County's designated custodian. If held by a custodian, the securities must be in the County's or in the custodian's nominee name and identifiable on the custodian's books as belonging to the County and the custodian must be a third-party, not a counterparty to the investment transaction. As of June 30, 2019, all of the County's pooled investments were held by the trust department of the County's custodial bank in the County's name. Additionally, all Trust investments were held by the trust department of the Trust's custodial bank in the Trust's name as of June 30, 2019.

Fair Value Hierarchy Disclosure: The following tables present investments at fair value on a recurring basis in accordance with GAAP at June 30, 2019:

		Fair Value Measurements Using		
Pooled Investments:	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasury bonds and notes	$ 39,938,746	-	39,938,746	-
U.S. agency securities	7,672,815	-	7,672,815	-
Corporate notes and bonds	10,512,337	-	10,512,337	-
Total investments by fair value	58,123,898	-	58,123,898	-
Investments measured at amortized cost				
Demand and time deposits	7,129,176			
Money market mutual funds	18,741,875			
Commercial paper	-			
LGIP funds	39,495,246			
Total investments by amortized cost	65,366,297			
Cash				
Cash on hand	4,625			
Cash deposits	38,346,940			
Total cash	38,351,565			
Total pooled deposits and investments	$ 161,841,760			

		Fair Value Measurements Using		
Retiree Medical Benefits Trust:	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Fixed income	$ 1,952,832	-	1,952,832	-
Domestic equity	2,107,045	-	2,107,045	-
International equity	1,625,640	-	1,625,640	-
Total investments by fair value	5,685,517	-	5,685,517	-
Investments measured at amortized cost				
Money market mutual fund	15,009			
Total pooled deposits and investments	$ 5,700,526			

B. Receivables

Receivables and allowances for uncollectible receivables of the Primary Government and School Component Unit, excluding fiduciary funds, at June 30, 2019, are as follows:

	Primary Government							
	General Fund	Debt Service Fund	County Improvements Fund	Public Utilities	Airport Fund	Internal Services Funds	Total Primary Government	School Component Unit
Receivables:								
Interest	$ 459,827	-	7,695	-	-	-	467,522	-
Taxes	66,341,858	-	-	-	-	-	66,341,858	-
Accounts	2,389,362	-	45,756	5,557,778	-	2,939,696	10,932,592	116,248
Commonwealth of Virginia	6,530,448	-	298,157	-	87,000	-	6,915,605	2,341,137
Federal government	580,662	127,783	382,707	-	212,070	-	1,303,222	1,274,345
Gross receivables	76,302,157	127,783	734,315	5,557,778	299,070	2,939,696	85,960,799	3,731,730
Allowance for uncollectibles	(1,681,526)	-	-	(261,510)	-	-	(1,943,036)	-
Net total receivables	$ 74,620,631	127,783	734,315	5,296,268	299,070	2,939,696	84,017,763	3,731,730

The governmental funds' financial statements report *unearned revenues* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The government-wide financial statements report *unearned revenues* in connection with assets which have not yet been earned, including advance health insurance premiums received in the Self-Insurance Fund. Prepaid taxes, taxes receivable that were levied to finance expenditures of the next fiscal year, and the second installment of the 2019 real property tax levy, due on October 5, 2019, are reported as *deferred inflows of resources* at June 30, 2019 in the government-wide financial statements and in the governmental fund financial statements. At June 30, 2019, the various components of the Primary Government's *deferred inflows of resources* and *unearned revenues* were as follows:

	Deferred Inflows of Resources	Unearned Revenues	Deferred Inflows of Resources	Unearned Revenues
	Governmental Funds' Financial Statements	Governmental Funds' Financial Statements	Government - wide Financial Statements	Government - wide Financial Statements
Property tax levies not yet due	$ 59,110,115	-	59,110,115	-
Prepaid taxes	1,786,983	-	1,786,983	-
Past due taxes (net of allowance for uncollectibles)	4,688,000	-	-	-
EMS transport fees	-	32,641	-	-
Parks and Recreation programs	-	347,531	-	347,531
Advance health insurance premiums - Self Insurance Fund	-	-	-	1,149,889
Total deferred/unearned revenues - Primary Government	$ 65,585,098	380,172	60,897,098	1,497,420

C. Capital assets

Capital asset activity for the Primary Government for the year ended June 30, 2019 was as follows:

Primary Government

Governmental activities:		Balance July 1	Increases	Decreases	Balance June 30
Capital assets, not being depreciated:					
Land	$	9,850,563	-	-	9,850,563
Intangible assets		1,355,795	965,642	-	2,321,437
Construction in progress		11,469,051	6,536,469	(14,599,065)	3,406,455
Total capital assets, not being depreciated		22,675,409	7,502,111	(14,599,065)	15,578,455
Capital assets, being depreciated:					
Buildings		237,646,229	2,092,143	-	239,738,372
Improvements other than buildings		18,957,287	5,527,280	(47,902)	24,436,665
Machinery and equipment		89,928,485	10,816,688	(2,486,679)	98,258,494
Infrastructure		35,582,533	1,722,671	-	37,305,204
Total capital assets, being depreciated		382,114,534	20,158,782	(2,534,581)	399,738,735
Less accumulated depreciation for:					
Buildings		(98,030,340)	(7,236,301)	-	(105,266,641)
Improvements other than buildings		(8,580,263)	(1,018,751)	47,902	(9,551,112)
Machinery and equipment		(49,380,333)	(7,984,475)	2,611,079	(54,753,729)
Infrastructure		(22,109,355)	(1,061,415)	-	(23,170,770)
Total accumulated depreciation		(178,100,291)	(17,300,942)	2,658,981	(192,742,252)
Total capital assets, being depreciated, net		204,014,243	2,857,840	124,400	206,996,483
Governmental activities' capital assets, net	$	226,689,652	10,359,951	(14,474,665)	222,574,938
Business-type activities:					
Public Utilities:					
Capital assets, not being depreciated:					
Land	$	6,417,136	35,635	-	6,452,771
Construction in progress		9,255,488	7,953,260	(10,554,035)	6,654,713
Total capital assets, not being depreciated		15,672,624	7,988,895	(10,554,035)	13,107,484
Capital assets, being depreciated:					
Buildings*		76,857,813	2,484,036	-	79,341,849
Improvements other than buildings*		218,515,910	8,066,992	-	226,582,902
Intangible assets*		50,832,219	1,455,522	-	52,287,741
Machinery and equipment		17,186,169	4,756,499	(104,749)	21,837,919
Total capital assets, being depreciated		363,392,111	16,763,049	(104,749)	380,050,411
Less accumulated depreciation for:					
Buildings*		(37,050,895)	(1,953,842)	-	(39,004,737)
Improvements other than buildings*		(105,651,783)	(5,527,106)	-	(111,178,889)
Intangible assets*		(16,408,534)	(1,346,688)	-	(17,755,222)
Machinery and equipment		(9,647,997)	(901,714)	80,293	(10,469,418)
Total accumulated depreciation		(168,759,209)	(9,729,350)	80,293	(178,408,266)
Total capital assets, being depreciated, net		194,632,902	7,033,699	(24,456)	201,642,145
Public Utilities' capital assets, net	$	210,305,526	15,022,594	(10,578,491)	214,749,629

*In fiscal year 2019, Public Utilities reclassified $9,063,000 of assets from the buildings asset class and $41,769,219 from the improvements other than buildings asset class to the intangible asset class. Additionally, $5,433,574 of accumulated depreciation for buildings, and $10,974,960 of accumulated depreciation for improvements other than buildings, were reclassified to accumulated amortization for intangible assets.

		Balance July 1	Increases	Decreases	Balance June 30
Airport Fund:					
Capital assets, not being depreciated:					
Land	$	4,770,169	-	-	4,770,169
Construction in progress		8,254,361	241,797	(5,376,847)	3,119,311
Total capital assets, not being depreciated		13,024,530	241,797	(5,376,847)	7,889,480
Capital assets, being depreciated:					
Buildings		3,669,137	-	-	3,669,137
Improvements other than buildings		8,954,119	5,376,847	-	14,330,966
Machinery and equipment		33,857	78,612	-	112,469
Total capital assets, being depreciated		12,657,113	5,455,459	-	18,112,572
Less accumulated depreciation for:					
Buildings		(1,278,531)	(118,083)	-	(1,396,614)
Improvements other than buildings		(5,502,499)	(366,080)	-	(5,868,579)
Machinery and equipment		(25,687)	(11,552)	-	(37,239)
Total accumulated depreciation		(6,806,717)	(495,715)	-	(7,302,432)
Total capital assets, being depreciated, net		5,850,396	4,959,744	-	10,810,140
Airport capital assets, net	$	18,874,926	5,201,541	(5,376,847)	18,699,620
Total Business-type activities:					
Capital assets, not being depreciated:					
Land	$	11,187,305	35,635	-	11,222,940
Construction in progress		17,509,849	8,195,057	(15,930,882)	9,774,024
Total capital assets, not being depreciated		28,697,154	8,230,692	(15,930,882)	20,996,964
Capital assets, being depreciated:					
Buildings*		80,526,950	2,484,036	-	83,010,986
Improvements other than buildings*		227,470,029	13,443,839	-	240,913,868
Intangible assets*		50,832,219	1,455,522	-	52,287,741
Machinery and equipment		17,220,026	4,835,111	(104,749)	21,950,388
Total capital assets, being depreciated		376,049,224	22,218,508	(104,749)	398,162,983
Less accumulated depreciation for:					
Buildings*		(38,329,426)	(2,071,925)	-	(40,401,351)
Improvements other than buildings*		(111,154,282)	(5,893,186)	-	(117,047,468)
Intangible assets*		(16,408,534)	(1,346,688)	-	(17,755,222)
Machinery and equipment		(9,673,684)	(913,266)	80,293	(10,506,657)
Total accumulated depreciation		(175,565,926)	(10,225,065)	80,293	(185,710,698)
Total capital assets, being depreciated, net		200,483,298	11,993,443	(24,456)	212,452,285
Business-type activities' capital assets, net		229,180,452	20,224,135	(15,955,338)	233,449,249
Total capital assets, net - Primary Government	$	455,870,104	30,729,994	(30,575,911)	456,024,187

Capital assets activity for the School Board Component Unit for the year ended June 30, 2019 was as follows:

School Board Component Unit activities:		Balance July 1	Increases	Decreases	Balance June 30
Capital assets, not being depreciated:					
Land	$	7,400,682	-	-	7,400,682
Construction in progress		913,205	9,601,461	(10,298,997)	215,669
Total capital assets, not being depreciated		8,313,887	9,601,461	(10,298,997)	7,616,351
Capital assets, being depreciated:					
Buildings		164,724,618	-	(2,186,630)	162,537,988
Improvements other than buildings		19,733,817	7,060,497	-	26,794,314
Machinery and equipment		29,629,679	4,243,605	(1,678,843)	32,194,441
Total capital assets, being depreciated		214,088,114	11,304,102	(3,865,473)	221,526,743
Less accumulated depreciation for:					
Buildings		(78,903,684)	(3,567,714)	144,840	(82,326,558)
Improvements other than buildings		(4,586,830)	(1,112,739)	-	(5,699,569)
Machinery and equipment		(22,594,270)	(1,623,909)	920,273	(23,297,906)
Total accumulated depreciation		(106,084,784)	(6,304,362)	1,065,113	(111,324,033)
Total capital assets, being depreciated, net		108,003,330	4,999,740	(2,800,360)	110,202,710
School Board Component Unit capital assets, net	$	116,317,217	14,601,201	(13,099,357)	117,819,061

Depreciation expense was charged to functions of the Primary Government and the School Component Unit as follows:

Primary Government:		
Governmental activities:		
General governmental administration	$	1,381,020
Judicial administration		1,444,949
Public safety		5,805,795
Public works		2,167,807
Human services		208,312
Parks, recreation and cultural		586,232
Community development		96,089
Education		4,511,497
Total - governmental activities		16,201,701
Tenancy in common transfer		1,099,241
Total depreciation expense - governmental activities		17,300,942
Business-type activities:		
Public Utilities		9,729,350
Airport		495,715
Total depreciation expense - business-type activities		10,225,065
Total depreciation expense - Primary Government	$	26,426,766
School Board Component Unit:		
Education	$	7,403,603
Less tenancy in common transfer		(1,099,241)
Total depreciation expense - School Board Component Unit	$	6,304,362

Tenancy in Common – State legislation passed in 2002 granted the County a tenancy in common with the School Board when the County incurs a financial obligation for school property which is payable over more than one fiscal year. For financial reporting purposes, School property for which the County is financially obligated is reported by the County in the amount of outstanding obligations. At June 30, 2019, the County had outstanding financial obligations related to the acquisition and construction of school property totaling $72,038,372. Accordingly, school buildings and equipment with a net book value of that amount are reported in the governmental activities of the Primary Government at June 30, 2019. During fiscal year 2019, the County's financial obligations related to school buildings and equipment decreased by a net amount of $3,591,109, and, accordingly, the net book value of school buildings and equipment reported by the Primary Government decreased, and the net book value of buildings and equipment reported by the School Board Component Unit increased by the same amount. Depreciation expense on school buildings and equipment is allocated to the Primary Government and the School Board Component Unit in proportion to the relative cost of the buildings reported by each entity. Accordingly, depreciation of School Board Component Unit capital assets totaled $11,915,100 in fiscal year 2019, of which $4,511,497 is reported by the Primary Government and $7,403,603 is reported by the School Component Unit.

D. Interfund transfers

The primary purpose of interfund transfers is to provide funding for operations and capital projects. Interfund transfers for the year ended June 30, 2019 are as follows:

Primary Government	Transfers In	Transfers Out
General Fund	$ 126,105	32,031,066
County Improvements Fund	7,596,421	126,105
School Improvements Fund	5,000,000	-
Debt Service Fund	19,382,616	-
Airport Fund	52,029	-
Total Primary Government	$ 32,157,171	32,157,171

E. Noncurrent liabilities

The following is a summary of changes in the government-wide noncurrent liabilities of the Primary Government and the School Board Component Unit for the year ended June 30, 2019:

Primary Government	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Governmental activities:					
General obligation bonds payable:					
Principal amount of bonds payable	$ 94,548,104	4,680,000	11,253,475	87,974,629	11,251,952
Premium	6,219,786	371,367	895,026	5,696,127	895,026
Infrastructure and state moral obligation bonds payable:					
Principal amount of bonds payable	40,325,000	10,945,000	800,000	50,470,000	1,385,000
Premium	2,246,482	1,206,111	145,807	3,306,786	145,806
Total bonds payable	143,339,372	17,202,478	13,094,308	147,447,542	13,677,784
Capital lease obligations	5,887,085	-	931,491	4,955,594	931,490
Compensated absences	9,859,274	7,649,851	7,420,962	10,088,163	7,596,435
Liability for landfill closure	1,774,139	-	69,018	1,705,121	69,018
Support agreement	2,464,221	-	462,851	2,001,370	287,852
Net pension liability	11,837,535	495,103	2,026,734	10,305,904	-
Net other postemployment benefits liability	5,210,253	120,272	2,279	5,328,246	-
Total governmental activities	180,371,879	25,467,704	24,007,643	181,831,940	22,562,579
Business-type activities:					
Public Utilities:					
Water and sewer revenue bonds payable:					
Principal amount of bonds payable	12,388,204	-	1,096,831	11,291,373	1,151,831
Premium	1,564,261	-	161,538	1,402,723	161,538
Total bonds payable	13,952,465	-	1,258,369	12,694,096	1,313,369
Compensated absences	714,373	656,128	580,767	789,734	642,034
Deposits	588,761	271,752	371,960	488,553	-
Capacity fee credits	514,362	1,375,763	478,020	1,412,105	-
Support agreement	1,015,979	-	705,979	310,000	60,000
Net pension liability	946,716	36,823	217,047	766,492	-
Net other postemployment benefits liability	408,035	8,945	20,697	396,283	-
Total Public Utilities	18,140,691	2,349,411	3,632,839	16,857,263	2,015,403
Airport Fund:					
VRA airport revenue bond payable	1,074,422	-	90,532	983,890	95,189
Virginia airport revolving fund loan	-	32,314	-	32,314	-
Compensated absences	17,727	7,254	6,965	18,016	7,079
Net pension liability	18,116	705	4,148	14,673	-
Net other postemployment benefits liability	7,635	171	220	7,586	-
Total Airport Fund	1,117,900	40,444	101,865	1,056,479	102,268
Total business-type activities	19,258,591	2,389,855	3,734,704	17,913,742	2,117,671
Total Business-type activities:					
Revenue bonds payable:					
Principal amount of bonds payable	13,462,626	-	1,187,363	12,275,263	1,247,020
Premium	1,564,261	-	161,538	1,402,723	161,538
Total bonds payable	15,026,887	-	1,348,901	13,677,986	1,408,558
Virginia airport revolving fund loan	-	32,314	-	32,314	-
Compensated absences	732,100	663,382	587,732	807,750	649,113
Deposits	588,761	271,752	371,960	488,553	-
Capacity fee credits	514,362	1,375,763	478,020	1,412,105	-
Support agreement	1,015,979	-	705,979	310,000	60,000
Net pension liability	964,832	37,528	221,195	781,165	-
Net other postemployment benefits liability	415,670	9,116	20,917	403,869	-
Total business-type activities	19,258,591	2,389,855	3,734,704	17,913,742	2,117,671
Total noncurrent liabilities - Primary Government	$ 199,630,470	27,857,559	27,742,347	199,745,682	24,680,250
School Board Component Unit					
Compensated absences	$ 6,120,932	7,059,705	6,874,052	6,306,585	6,306,585
Net pension liability	155,936,000	7,618,667	15,784,667	147,770,000	-
Net other postemployment benefits liability	24,638,000	1,315,000	1,508,000	24,445,000	-
Total noncurrent liabilities - School Board Component Unit	$ 186,694,932	15,993,372	24,166,719	178,521,585	6,306,585

Capital lease obligations, support agreements, compensated absences, net pension liabilities, net other postemployment benefit obligations and the liability for landfill closure reported as governmental activities liabilities of the Primary Government are liquidated by the General Fund.

Liability for landfill closure

State and Federal laws and regulations required the County to place a final cover on its landfill site when it stopped accepting waste, and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill closed December 31, 2002 and a permanent cap was completed in 2003 over the 35-acre site. The $1,705,121 reported as landfill closure and post closure care liability at June 30, 2019 represents the remaining estimated cost of post closure care. These amounts are based on what it would cost to perform all closure and post closure care in 2019. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Capacity fee credits

Public Utilities provides water and sewer capacity fee credits where a property owner extending the public system is required to oversize lines or other facilities for the convenience of the County. Capacity fee credits are limited to the difference in pipe material cost only based on current material costs or other public bids for similar work. Capacity fee credits are deducted from respective water and sewer capacity fees which would otherwise be due for the connection of units in the area of the property owner's property served by the extension as identified by the utility service agreement for the extension.

General obligation bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds (including Virginia Public School Authority (VPSA) bonds) have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the County and generally are issued as 20- to 30-year serial bonds with equal amounts of principal maturing each year.

On July 26, 2017, the Virginia Public School Authority issued School Financing Refunding Bonds in which the Primary Government was a participant. The County debt service payments will remain unchanged and the VPSA will issue an annual credit for the return of debt services savings each year from fiscal year 2019 through fiscal year 2032. The credit received in fiscal year 2019 was $10,344 and the total credit savings from this refunding transaction total $220,594.

Revenue bonds

The County also issues bonds for which it pledges the income derived from the acquired or constructed assets to pay the debt service. Outstanding revenue bonds have been issued on behalf of the public utilities and airport functions.

The County has pledged the sum of its future Public Utilities Fund Operating Income or Loss, prior to depreciation expense, and its Public Utilities Fund Nonoperating Revenues (together “Net Available Revenues”) in the approximate amount of $11.8 million as of June 30, 2019, to secure the total remaining debt service requirements of the then-outstanding Public Utilities Water and Sewer Revenue Bonds (Bonds), which have financed various Public Utilities improvements. Based on an estimate of the average Net Available Revenues over the ten year period ended June 30, 2019 of approximately $11.8 million annually, it is estimated that approximately 9.0 percent of future Utility Net Available Revenues are pledged through fiscal 2032, and will expire in that fiscal year with the final maturity of the current Bonds. However, future water and sewer revenue bonds, which may be issued to finance future utility improvements, will likely contain similar pledges, and future annual Net Available Revenues may differ significantly from the average used in this estimate. In the event of default, the lender may provide prompt, written notice declaring the entire unpaid balance as due and payable. The lender also has the option of applying to the State Aid Intercept Program and request that the Commonwealth withholds its payments to the County to be applied to the defaulted amount as a cure for nonpayment. During fiscal year 2019, pledged Net Available Revenues totaled $14,443,524 and the water and sewer revenue bond debt service requirement was $2,220,049.

The County has also pledged future lease rental income from the airport's fixed base operator (FBO), or successor FBOs, in the approximate amount of $1,223,806 as of June 30, 2019, to secure the then-remaining debt service requirements on the Airport VRA Series 2007 revenue bond (Bond), which financed airport improvements completed in fiscal 2008. This pledge obligates substantially all future FBO rental income through July 1, 2027 and will expire on that date with the final maturity of the Bond. However, Hanover has procured a loan from the Virginia Airports Revolving Fund to finance future airport improvements, which will contain similar pledges, and future annual Net Available Revenues may differ significantly from the average used in this estimate. In the event of default, the lender may provide prompt, written notice declaring the entire unpaid balance as due and payable. The lender also has the option of applying to the State Aid Intercept Program and request that the Commonwealth withholds its payments to the County to be applied to the defaulted amount as a cure for nonpayment. During fiscal year 2019, pledged rental receipts totaled $199,288 and the debt service requirement was $141,678.

The following is a schedule, by year, of total minimum lease payments under direct financing leases as of June 30, 2019:

Fiscal Year	Future Minimum Lease Payments
2020	$ 143,977
2021	143,977
2022	143,977
2023	143,977
2024	143,977
2025-2029	503,918
Total minimum lease payments	1,223,803

Airport Revolving Loan

In June 2019, the County procured a loan from the Virginia Airports Revolving Fund in an amount up to $2,400,000 to design and construct a new hangar at the Hanover County Municipal Airport. Obligations for this loan will be liquidated by rental revenues generated by a lease of the new hangar facility. The rental revenues are structured to generate revenues sufficient to maintain rate covenant requirements. The County covenants that, in each fiscal year, the Airport's rental revenues relating to the new hangar will be at least 125% of the amount required to pay annual debt service on the loan. Default of the rate covenant requires a qualified independent consultant report including recommendations as to proper maintenance and operation of the system and estimation of costs thereof and the rates, fees and other charges which should be established by the County to satisfy the rate covenant.

As of June 30, 2019, $32,314 was drawn on the loan with $2,367,686 available to be drawn down for future design and construction costs.

County General Obligation Bonds and Revenue Bonds

Outstanding general obligation bonds and revenue bonds as of June 30, 2019 are comprised of the following issues:

(See schedule on following page)

Purpose	Interest Rates (%)	Date Issued	Original Issue	Principal Outstanding
Governmental activities:				
General obligation bonds:				
County:				
Series 2009 Public Improvement	2.50 - 5.00	02-18-09	$ 10,765,000	$ 1,105,000
Series 2010A Public Improvement	2.00 - 5.00	01-14-10	5,655,000	525,000
Series 2010B Public Improvement	4.73 - 6.02	01-14-10	7,850,000	7,850,000
Series 2011A Public Improvement	2.00 - 5.25	01-20-11	11,452,000	3,627,993
Series 2015 Refunding	2.00 - 5.00	03-19-15	11,199,110	9,963,850
Total general obligation bonds - County				23,071,843
Schools:				
Series 2006B Refunding	3.50 - 4.00	10-12-06	10,395,000	960,000
Series 2009 Public Improvement	2.00 - 5.00	02-18-09	9,450,000	740,000
Series 2009 Refunding	2.00 - 5.00	02-18-09	22,375,000	4,470,000
Series 2010A Public Improvement	2.00 - 5.00	01-14-10	6,585,000	615,000
Series 2010B Public Improvement	4.73 - 6.02	01-14-10	6,275,000	6,275,000
Series 2011A Public Improvement	2.00 - 5.25	01-20-11	1,048,000	332,007
Series 2011A Refunding	2.00 - 5.25	01-20-11	5,340,000	3,200,000
Series 2015 Refunding	2.00 - 5.00	03-19-15	9,335,890	8,306,150
VPSA Series 1999A	5.10 - 6.10	11-18-99	5,630,000	280,000
VPSA Series 1999B	5.10 - 6.10	11-18-99	4,384,934	248,443
VPSA Series 2005A	3.10 - 5.10	05-12-05	16,105,000	5,635,000
VPSA Series 2005B	4.60 - 5.10	11-10-05	6,995,000	2,445,000
VPSA Series 2005C	4.60 - 5.10	11-10-05	6,967,658	2,557,240
VPSA Series 2007	4.35 - 5.10	11-08-07	13,838,206	6,478,946
VPSA Series 2011B	2.05 - 5.05	11-09-11	5,855,000	3,790,000
VPSA Series 2014A	2.68 - 5.05	05-15-14	1,895,000	1,635,000
VPSA Series 2015B	2.05 - 5.05	05-14-15	4,470,000	4,035,000
VPSA Series 2016B	2.80 - 5.05	11-01-16	9,140,000	8,220,000
VPSA Series 2018B	3.675 - 5.05	11-06-18	4,680,000	4,680,000
Total general obligation bonds - Schools				64,902,786
Total governmental activities - general obligation bonds				87,974,629
Infrastructure and state moral obligation revenue bonds:				
VRA Series 2014A	2.74 - 4.83	5-21-14	19,950,000	19,150,000
VRA Series 2015B	3.125 - 5.125	8-19-15	21,505,000	20,375,000
VRA Series 2018C	4.125 - 5.125	11-14-18	10,945,000	10,945,000
Total infrastructure and state moral obligation bonds				50,470,000
Business-type activities:				
Public Utilities:				
Water and sewer revenue bonds:				
Series 2002A	0.00	06-14-02	920,400	184,080
Series 2007	0.00	07-19-07	616,206	277,293
Series 2014B Refunding	2.031 - 5.025	08-13-14	6,420,000	5,735,000
Series 2015D Refunding	3.094 - 5.125	11-18-15	7,130,000	5,095,000
Total Public Utilities				11,291,373
Airport Fund:				
Taxable airport revenue bond:				
VRA Series 2007	5.08	03-21-07	1,795,000	983,890
Total Airport Fund				983,890
Total Business-type activities				12,275,263
Total bond indebtedness - Primary Government				$ 150,719,892

Principal and interest to maturity for the County's governmental activities general obligation bonds and business-type activities revenue bonds outstanding at June 30, 2019, are as follows:

		Governmental Activities		Business-type Activities					
		General Obligation Bonds		Water and Sewer Revenue Bonds		Taxable Airport Revenue Bond		Total	
Fiscal Year		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	$	11,251,952	3,922,156	1,151,831	486,416	95,189	48,788	12,498,972	4,457,360
2021		9,782,465	3,407,108	1,201,831	436,466	100,086	43,891	11,084,382	3,887,465
2022		9,511,892	2,972,508	1,256,831	383,300	105,235	38,742	10,873,958	3,394,550
2023		8,294,069	2,533,843	1,316,831	321,288	110,649	33,328	9,721,549	2,888,459
2024		7,245,672	2,161,861	1,330,810	256,201	116,341	27,635	8,692,823	2,445,697
2025-2029		29,588,579	5,900,081	3,393,239	621,026	456,390	47,530	33,438,208	6,568,637
2030-2034		9,010,000	1,263,820	1,640,000	93,512	-	-	10,650,000	1,357,332
2035-2039		3,290,000	199,901	-	-	-	-	3,290,000	199,901
Totals	$	87,974,629	22,361,278	11,291,373	2,598,209	983,890	239,914	100,249,892	25,199,401

The County has no legal debt margin requirement. Any issuance of general obligation bonded debt, except State Literary Fund loans and VPSA bonds, must be approved by a voting majority of the qualified County voters. Revenue bonds, State Literary Fund loans, VPSA bonds and VRA Infrastructure and State Moral Obligation Revenue Bonds may be issued by the adoption of a resolution by the Board of Supervisors.

Infrastructure and State Moral Obligation Revenue Bonds

On May 21, 2014, the Primary Government issued a $19,950,000 Series 2014A subfund revenue bond through the Virginia Resources Authority (VRA). In return for issuing the 2014 VRA Bond, VRA provided the County with a portion of the proceeds realized from it's May 2014 pooled financing bond transaction. Amounts required for debt service are deposited into a special fund within the Debt Service Fund and are pledged to secure the local bonds. The obligation for these bonds is to be liquidated by the Debt Service Fund and is subject to annual appropriation. The 2014 VRA Bond was issued to finance the construction of a new courthouse facility.

On August 19, 2015, the Primary Government issued a $21,505,000 Series 2015B subfund revenue bond through the VRA. In return for issuing the 2015 VRA Bond, VRA provided the County with a portion of the proceeds realized from its August 2015 pooled financing bond transaction. Amounts required for debt service are deposited into a special fund within the Debt Service Fund and are pledged to secure the local bonds. The obligation for these bonds is to be liquidated by the Debt Service Fund and is subject to annual appropriation. The 2015 VRA Bond was issued to finance the completion of a new courthouse facility and renovations of existing buildings.

On November 14, 2018, the Primary Government issued a $10,945,000 Series 2018C subfund revenue bond through the VRA with interest rates between 4.125% and 5.125%. In return for issuing the 2018 VRA Bond, VRA provided the County with a portion of the proceeds realized from its August 2018 pooled financing bond transaction. Amounts required for debt service are deposited into a special fund within the Debt Service Fund and are pledged to secure the local bonds. The obligation for these bonds is to be liquidated by the Debt Service Fund and is subject to annual appropriation. The 2018 VRA Bond was issued to finance parks, recreation and cultural capital projects.

The County has a moral obligation to appropriate and pay the amounts due for subfund revenue bonds issued by the VRA from the Debt Service Fund. In the event of default, the lender may provide prompt, written notice declaring the entire unpaid balance as due and payable. The lender also has the option of applying to the State Aid Intercept Program and request that the Commonwealth withholds its payments to the County to be applied to the defaulted amount as a cure for nonpayment.

Principal and interest to maturity for the Infrastructure and State Moral Obligation Revenue Bonds outstanding at June 30, 2019 are as follows:

	Governmental Activities		
Fiscal Year		Principal	Interest
2020	$	1,385,000	2,140,891
2021		1,415,000	2,082,766
2022		1,455,000	2,019,772
2023		1,490,000	1,950,556
2024		1,540,000	1,877,737
2025-2029		8,445,000	8,205,573
2030-2034		9,665,000	6,274,018
2035-2039		11,135,000	4,176,991
2040-2044		10,345,000	1,956,373
2045-2049		3,595,000	139,929
Totals	$	50,470,000	30,824,606

Conduit Debt Obligations

The EDA is empowered by the Commonwealth of Virginia to issue Industrial Revenue Bonds (IRBs) on behalf of businesses relocating to or expanding their operations within the County. Principal and interest on the IRBs are paid entirely by the businesses. Neither the EDA nor the County guarantees the repayment of principal or interest to the bondholders, and the debt is not a pledge of the faith and credit of the EDA or the County. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2019, the principal amounts outstanding on these IRBs totaled approximately $89.6 million.

Support Agreement

On March 23, 2011, the EDA issued Revenue and Refunding Bonds, Series 2011 (EDA Bonds) in the amount of $17,260,000, of which $2,205,000 consisted of new debt for the acquisition and build-out of a building to be used by the Community Services Board, the Social Services Department, and the Registrar's Office and $15,055,000 was used to refund existing County general obligation school bonds and water and sewer revenue bonds. The original issue premium of $681,656 is amortized over the life of the bonds. On March 1, 2011, the County and the EDA entered into a Support Agreement, which obligates the County to make support payments on behalf of the EDA on a periodic basis in an amount equal to the debt service on the bonds. The EDA Bonds are limited obligations of the EDA, payable solely from payments made by the County, pursuant to the Support Agreement. Neither the EDA Bonds nor the Support Agreement are general obligation debt of the County and payments made pursuant to the Support Agreement are subject to annual appropriation by the Board. Support principal and interest payments of $1,254,663 were paid by the County during the fiscal year ended June 30, 2019.

The Support Agreement annual debt service requirements to maturity as of June 30, 2019, excluding amortization of premium, are as follows:

	Governmental Activities		Business-type Activities		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 275,000	78,813	60,000	11,950	335,000	90,763
2021	210,000	69,875	60,000	10,000	270,000	79,875
2022	215,000	61,475	60,000	7,600	275,000	69,075
2023	125,000	52,875	65,000	5,200	190,000	58,075
2024	130,000	47,875	65,000	2,600	195,000	50,475
2025-2029	735,000	152,200	-	-	735,000	152,200
2030-2034	170,000	8,500	-	-	170,000	8,500
Totals	$ 1,860,000	471,613	310,000	37,350	2,170,000	508,963

Capital Leases

The County has financed the acquisition of office facilities and a communications system by entering into capital lease agreements.

On November 15, 2017, the County issued Series 2017C VRA refunding bonds in the amount of $1,285,000, and entered into a Local Lease Acquisition Agreement and Amended and Restated Financing Lease with the VRA. The Series 2017C bonds were issued with interest rates between 4.443 and 5.125 percent, to refund $1,370,000 of Series 2010A VRA bonds. The refunding net proceeds of $1,489,323 were remitted to the VRA to provide the resources to pay principal and interest on the refunded maturities. The aggregate difference in debt service between the refunding debt and the refunded debt resulted in a savings of $129,784. The reacquisition price exceeded the net carrying amount of the refunded bonds by $18,263 and is reflected as a deferred outflow of resources on the Statement of Net Position and is being amortized over the remaining life of the bonds.

The balance of capital assets, net of accumulated depreciation, the future minimum lease payments, and the present value of the minimum lease payments as of June 30, 2019, are as follows:

(See schedule on following page)

Asset Class	Primary Government - Governmental Activities
Land	$ 384,847
Buildings	13,804,580
Machinery and equipment	1,783,693
Total assets, at cost	15,973,120
Accumulated depreciation	(9,329,611)
Total assets, net	$ 6,643,509

Fiscal Year	Future Minimum Lease Payments
2020	$ 170,228
2021	170,792
2022	166,116
2023	165,982
2024	165,591
2025-2029	804,622
2030-2031	325,194
Total minimum lease payments	1,968,525
Less: Portion representing interest	(478,525)
Present value of minimum lease payments	$ 1,490,000

On July 6, 2017, the Primary Government entered into a Master Equipment Lease Purchase Agreement with Banc of America Public Capital Corp in the amount of $4,044,300 with an interest rate of 1.8498 percent with a five-year amortization period. The proceeds were used to finance School Board technology capital projects.

The balance of capital assets, net of accumulated depreciation, the future minimum lease payments, and the present value of the minimum lease payments as of June 30, 2019, are as follows:

Asset Class	Primary Government - Governmental Activities
Machinery and equipment	$ 4,033,446
Total assets, at cost	4,033,446
Accumulated depreciation	(1,242,738)
Total assets, net	$ 2,790,708

Fiscal Year	Future Minimum Lease Payments
2020	$ 861,228
2021	846,266
2022	831,303
2023	816,341
Total minimum lease payments	3,355,138
Less: Portion representing interest	(119,698)
Present value of minimum lease payments	$ 3,235,440

Defeasance of debt

In prior years, the County defeased certain outstanding bonds by placing the proceeds of newly issued bonds in irrevocable escrow funds to provide for all future debt service payments on the old bonds. Accordingly, the escrow fund assets and the liabilities for the defeased bonds are not included in the accompanying financial statements. At June 30, 2019, the County had general obligation bonds that were outstanding but considered defeased totaling $12,715,000 and Public Utilities had revenue bonds that were outstanding, but considered defeased totaling $12,565,000.

V. Other information

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries insurance through commercial carriers or through the Virginia Municipal Liability Pool. The County carries commercial insurance for all risks of loss including property, theft, auto liability, general liability, line of duty, cyber and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the past three years. There was no reduction in insurance coverage during fiscal year 2019. All claims are paid in accordance with policy coverage in effect at the time. In addition, the County provides various surety bond coverage as required under regulations, generally at industry-recommended levels.

The County and School Board are participating members in the Virginia Risk Sharing Association (formerly VML). Both of these not-for-profit entities provide workers' compensation coverage in compliance with the Virginia Workers' Compensation code.

The County and School Board have chosen to retain the risk associated with the employee's health insurance plan. Risk is retained at 100% up to an individual stop loss amount of $200,000 for individual claims paid during the contract year and an aggregate plan stop loss of 125% of expected claims. All County and School Board full-time and benefited part-time employees are eligible to participate. Premiums are paid for participating employees to the Self Insurance Fund, which is reported in the County's financial statements as an internal service fund. An administrator selected by the County processes all claims, and is reimbursed based on actual claims processed. Net position balances in the Self Insurance Fund are used as a reserve to offset rate increases and to fund losses in future years. The County's benefits consultant has actuarially determined an estimated liability for combined County and School Board healthcare claims that have been incurred but not reported (IBNR) at fiscal year-end, substantially all of which is expected to be liquidated within the following fiscal year, and which is reported in the Self Insurance Fund. Changes in balances of health insurance claim liabilities and IBNR during the past two years are as follows:

Fiscal Year	Payable (Prepaid) Beginning of Year	Claims and Other Charges Processed	Claims and Benefit Payments	Payable (Prepaid) End of Year	Incurred But Not Reported
2018	$ (232,470)	36,640,425	35,978,835	(429,120)	2,070,065
2019	$ (429,120)	40,537,867	40,106,047	(2,700)	2,861,881

	Balance July 1	Increases	Decreases	Balance June 30
Incurred But Not Reported	$ 2,070,065	40,537,867	(39,746,051)	2,861,881

B. Fund Balance Classifications

The accompanying financial statements display nonspendable, restricted, committed and assigned fund balance classifications in the aggregate per GAAP. Specific purpose information for these fund balance classifications follows:

	Primary Government						
	General Fund	County Improvements Fund	School Improvements Fund	Debt Service Fund	Total Governmental Funds	School Board Component Unit	Economic Development Authority
Nonspendable:							
Inventory	$ 265,730	-	-	-	265,730	110,520	-
Prepaid expenditures	-	155,515	-	-	155,515	5,000	-
Total nonspendable	265,730	155,515	-	-	421,245	115,520	-
Restricted for:							
Public safety - asset forfeitures	612,494	-	-	-	612,494	-	-
Judicial administration - asset forfeitures	227,618	-	-	-	227,618	-	-
Judicial administration - grants and donations	9,920	-	-	-	9,920	-	-
Public safety - grants and donations	7,946	-	-	-	7,946	-	-
Public works - recycling service districts	42,160	-	-	-	42,160	-	-
Parks, recreation and cultural donations	24,259	-	-	-	24,259	-	-
Education - grants	-	-	-	-	-	3,600	-
Capital improvements	-	18,839,292	780,115	-	19,619,407	-	-
Total restricted	924,397	18,839,292	780,115	-	20,543,804	3,600	-
Committed to:							
Economic development	500,000	-	-	-	500,000	-	-
Total committed	500,000	-	-	-	500,000	-	-
Assigned to:							
Education	1,200,000	-	-	-	1,200,000	1,342,590	-
Economic development	4,000,000	-	-	-	4,000,000	-	-
Public works - stormwater	1,000,000	-	-	-	1,000,000	-	-
Public works - transportation	1,000,000	-	-	-	1,000,000	-	-
Debt service	-	-	-	521,034	521,034	-	-
Encumbrances and reappropriations	1,488,307	-	-	-	1,488,307	-	-
Funding of subsequent fiscal years' adopted budget	9,916,975	-	-	-	9,916,975	-	-
Insurance reserves	500,000	-	-	-	500,000	-	-
Economic stability reserves	500,000	-	-	-	500,000	-	-
Capital improvements	2,202,746	15,822,346	3,252,750	-	21,277,842	-	-
Total assigned	21,808,028	15,822,346	3,252,750	521,034	41,404,158	1,342,590	-
Unassigned fund balance	33,241,543	-	-	-	33,241,543	-	88,783
Total fund balances	$ 56,739,698	34,817,153	4,032,865	521,034	96,110,750	1,461,710	88,783

C. Commitments and contingent liabilities

Other commitments

At June 30, 2019, the Primary Government had commitments for capital projects totaling $24,131,158 as follows:

	Primary Government				
	County Improvements Fund	School Improvements Fund	Public Utilities Fund	Airport Fund	Total Primary Government
Total capital commitments	$ 14,054,767	1,348,952	6,353,154	2,374,285	24,131,158

These commitments will be funded by existing resources within the respective funds and by appropriations.

Encumbrances

Encumbrance accounting, under which purchase orders for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in the governmental funds. In accordance with the County's adopted Budget Policy, encumbered funds are reappropriated annually by the Board in the succeeding year's budget resolution. Encumbrances represent the estimated amount of expenditures that will ultimately result if open purchase orders are paid. Encumbrances outstanding at the end of the fiscal year are disclosed below, in accordance with GAAP. However, encumbered amounts are already included within the restricted, committed or assigned fund balances, as appropriate, and are not in addition thereto.

	Primary Government - Governmental Funds				
	General Fund	County Improvements Fund	School Improvements Fund	Total Primary Government	Schools Component Unit
Encumbrances outstanding at fiscal year-end	$ 725,174	14,054,767	1,348,952	16,128,893	1,119,102

Lease Commitments

The County leases various types of equipment under operating lease agreements. The lease agreements are contingent on the Board of Supervisors appropriating funds for each year's payments. Rent expense for operating leases for the fiscal year ended June 30, 2019 was $138,413 for the County and $414,418 for the School Board. As of June 30, 2019, future operating lease payments for the County and School Board were as follows:

	Future Operating Lease Payments	
Fiscal Year	County	School Board
2020	$ 147,580	362,908
2021	97,885	175,796
2022	43,788	84,371
2023	19,214	63,833
2024	5,455	39,440
Total minimum lease payments	$ 313,922	726,348

Contingent liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantors cannot be determined at this time, although the County expects such amounts, if any, would not have a material effect on the financial position of the County.

The reporting entity is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial position of the government.

D. Joint ventures

Capital Region Airport Commission: The Capital Region Airport Commission (Airport Commission) was established in 1975 by an Act of the Virginia General Assembly. The Airport Commission owns and operates Richmond International Airport (Airport). The Airport Commission is governed by 14 Commissioners, with four members each being appointed by the City of Richmond, County of Henrico and

County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The Airport Commission generates its revenues from service charges to users of the Airport facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Airport Commission submit an annual budget showing estimated revenues and estimated expenditures to the governing bodies of the localities for their approval. After approval of the proposed budget by the governing bodies, if the Airport Commission's budget contains estimated expenditures that exceed estimated revenues, the governing bodies are required to fund the deficit in proportion to their pro rata financial basis in the Airport Commission. The pro rata basis is to be determined by the percentage of the population of each locality to the combined total population of all participating localities according to the most recent census, with Hanover County's pro rata share approximating 10.6%. If actual revenues are less than estimated revenues identified in the budget (resulting in a deficit), the localities may, at their discretion, appropriate funds necessary to fund the deficit. To date, the County has not been required to fund any deficit. Complete financial statements for the Airport Commission can be obtained from the Chief Financial Officer, 1 Richard E. Byrd Terminal Drive, Suite A, Richmond International Airport, Richmond, VA 23250-2400.

Greater Richmond Convention Center Authority: The Greater Richmond Convention Center Authority (GRCCA), a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998 pursuant to the Public Recreational Facilities Authorities Act, Chapter 56, Title 15.2 of the Code. The political subdivisions participating in the incorporation of the GRCCA are the City of Richmond and the Counties of Chesterfield, Hanover and Henrico. The GRCCA 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 GRCCA was created for the purpose of acquiring, constructing, equipping, maintaining, and operating a regional convention center facility. In August 1996, each locality designated future revenue from the transient occupancy tax for expansion of the convention center. The GRCCA has issued $158,415,000 in Hotel Tax Revenue Bonds, which are secured by an eight percent transient occupancy tax imposed and collected by the localities. The County made an expenditure of $1,212,642 for transient occupancy tax to the GRCCA during fiscal year 2019. Complete financial statements for the GRCCA can be obtained from Chesterfield County, Accounting Department, 9901 Lori Road, Chesterfield, Virginia 23832.

Dominion Resources Innovation Center: The Dominion Resources GreenTech Incubator (DRGI), a Virginia non-profit, non-stock corporation, was created in 2009, under authority granted by the Virginia General Assembly to the Virginia Biotechnology Research Partnership Authority, pursuant to an Agreement between the County, the Town of Ashland (Town), their respective economic development authorities, the Virginia Biotechnology Research Partnership Authority (Authority) and the Virginia Biosciences Development Center, Inc. (Participants). The DRGI's governing structure consists of a Board of Directors of up to seven members, including the executive director of the Authority, a representative designated by each of Hanover County and the Town and up to four additional representatives as initially determined by the Authority, selected from a representative of the lead corporate sponsor, a representative of the other sponsors, and other outside directors.

The DRGI was created to encourage new business formation primarily in the areas of clean, "green" and energy conservation technologies within the County, by incubating member companies via the provision of affordable facilities, assistance with strategic business planning, access to business advisory boards, introduction to potential sources of investment capital, and other benefits. Under the Agreement and subject to annual appropriation, beginning in fiscal year 2010, the County and EDA have agreed to provide $80,000, prorated annually for each of the DRGI's first five years, to cover start-up costs and have also agreed to contribute amounts necessary to cover the costs of materials and labor for tenant improvements in the space leased by DRGI. In fiscal year 2015, the County renewed its commitment to this partnership for another three years. The Participants are committed to ensuring the long-term financial viability of DRGI, without the requirement for major cash subsidies after the first five years of operation. During fiscal year 2019, the EDA contributed $20,000. Neither the County nor EDA have any ongoing financial interest in DRGI. Annual audited financial statements are available from DRGI at 201 Duncan Street, Ashland, VA 23005.

CodeRVA Regional High School: CodeRVA Regional High School (CodeRVA) was established pursuant to Section 22.1-26 of the *Code of Virginia* and Regulation of the Virginia Board of Education. CodeRVA provides an innovative program of studies for students from thirteen participating school divisions to graduate with a high school diploma and opportunities for extended internships, industry credentialing, and completion of an associate's degree in computer science. The governing structure consists of one member elected or appointed from the Hanover County Public Schools Board and each of the other partnering school boards. The CodeRVA school board powers and duties include adopting bylaws and policies, establishing and managing business property, affairs and operations, and approving CodeRVA's annual budget. Each participating school board is required to commit to a minimum number of allocated student slots and are required to pay the tuition of the minimum number of slots. Tuition payments are payable July 15 of the new fiscal year. During the fiscal year 2019, the School Board paid tuition in the amount of $154,000. Additional information is available from CodeRVA Regional High School at 1405 Cummings Drive, Suite 10, Richmond, VA 23220.

E. Jointly governed organizations

Pamunkey Regional Library: The Pamunkey Regional Library (Library) is a political subdivision of the Commonwealth of Virginia and is governed by a separate Board of Trustees, appointed for specific terms of office by the Boards of Supervisors of the counties to which it provides library services, including the Counties of Hanover, Goochland, King William, and King and Queen. Management and accountability for fiscal matters rest with the Library's Board, of which the County appoints four of the ten members. The Library receives contributions from the participating counties, but invests its own funds and formulates and approves its own budget. The County does not bear any direct or indirect liabilities for the operation of the Library, and has no equity interest in it. In fiscal year 2019, the County contributed a total of $2,765,714 to the Library's operations. Complete financial statements for the Library can be obtained from the Director's office at 7527 Library Drive, Hanover, Virginia 23069.

Pamunkey Regional Jail Authority: The Pamunkey Regional Jail Authority (Jail Authority) is a political subdivision of the Commonwealth of Virginia. The participating jurisdictions of the Jail Authority are the Counties of Caroline and Hanover and the Town of Ashland. The Jail Authority is governed by a five-member board comprised of two members each from the Counties of Caroline and Hanover and one from the Town of Ashland. Management and accountability for fiscal matters rest with the Jail Authority. The County serves as fiscal agent for the Jail Authority; however, the Jail Authority Board of Directors formulates and approves its own budget. The County does not bear any direct or indirect liabilities for the operation of the Jail Authority and has no equity interest in it.

The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the County is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail Authority. The County, which typically provides a majority of the inmates to the facility, made per diem contributions totaling $5,324,085 in fiscal year 2019. Complete financial statements for the Jail Authority can be obtained from the Jail Superintendent's office at P.O. Box 510, Hanover, Virginia 23069.

Middle Peninsula Juvenile Detention Commission: The Middle Peninsula Juvenile Detention Commission (Detention Commission) is a political subdivision of the Commonwealth of Virginia and is governed by a separate board. The Detention Commission was created by resolutions adopted in 1993 by its member jurisdictions, which include the Counties of Caroline, Charles City, Essex, Gloucester, Hanover, James City, King and Queen, King William, Lancaster, Matthews, Middlesex, New Kent, Northumberland, Richmond, Westmoreland, and York, and the Cities of Poquoson and Williamsburg. Each member jurisdiction appoints one member to the Detention Commission. The County of Hanover does not bear any direct or indirect liabilities for the operation of this organization, and has no equity interest in it.

The Detention Commission was created to enhance the protection of the region's citizens by the maintenance and operation of a juvenile detention facility (the Merrimac Center) to serve the member jurisdictions. The member jurisdictions have entered into a Service Agreement which is a long-term contract governing the parties' respective obligations. Under the Service Agreement, the County is obligated to pay a per diem rate to be determined annually by the Detention Commission for each day a juvenile from the County is held at the Center or in another detention facility secured by the Detention Commission. If the sum of all per diem rates paid during the fiscal year is below $2,500, the County shall pay the Detention Commission the amount equal to the difference. During fiscal year 2019, the County's per diem payments to the Detention Commission totaled $273,828. Complete financial statements for the Detention Commission can be obtained from the fiscal agent's office at James City County, Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

Central Virginia Waste Management Authority: The Central Virginia Waste Management Authority (Waste Authority) was established under the provisions of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George; the Cities of Colonial Heights, Hopewell, Petersburg and Richmond; and the Town of Ashland. The 19 member board is comprised of no less than one and no more than three members from each of the participating jurisdictions, determined on a population basis. The County has two representatives serving on the Waste Authority's Board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Twenty-one subdivisions in the County participate in the Waste Authority's curbside recycling program. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest in the Waste Authority. The County's fiscal year 2019 payments to the Waste Authority totaled $336,217. Complete financial statements can be obtained from the Waste Authority at 2100 West Laburnum Avenue, Suite 105, Richmond, Virginia 23227.

Greater Richmond Partnership: The Greater Richmond Partnership, Inc. (GRP) serves the Counties of Chesterfield, Hanover and Henrico, and the City of Richmond by seeking to enhance economic development in the participating localities. The County has one representative serving on GRP's Board of Directors. During fiscal year 2019, the County made payments to the GRP totaling $385,000. Complete financial statements can be obtained from GRP's office at Riverfront Plaza, 901 East Byrd Street, Suite 801, Richmond, Virginia 23219.

Richmond Region Tourism: The Richmond Metropolitan Convention and Visitors Bureau (RMCVB) serves the Counties of Chesterfield, Hanover, Henrico, Powhatan, Town of Ashland, and the City of Richmond by promoting conventions and tourism in the participating localities. The County has two representatives serving on RMCVB's Board of Directors, and made fiscal year 2019 contributions to RMCVB totaling $221,195. Complete financial statements can be obtained from the RMCVB's office at 401 North 3rd Street, Richmond, Virginia 23219.

Richmond Regional Planning District Commission: The Richmond Regional Planning District Commission (RRPDC) is a regional planning agency serving the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The primary 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 paid member dues to the RRPDC totaling $63,608 in fiscal year 2019. Complete financial statements can be obtained from the RRPDC at 9211 Forest Hill Avenue, Suite 200, Richmond, Virginia 23235.

F. Defined benefit pension plans – Virginia Retirement System

Pension Plans

Agent Multiple-Employer Plan - The County and School Board non-professional employees participate in agent multiple-employer defined benefit pension plans administered by the VRS. The VRS requires periodic employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. The required employer contributions for County employees and for School Board non-professional employees are established annually by the VRS, by separate actuarial valuations specific to each group.

Cost-Sharing Multiple-Employer Plan - The School Board professional employees participate in a cost-sharing multiple-employer defined benefit pension plan administered by VRS. The VRS establishes a separate annual contribution requirement for the School Board's professional employees who participate in the VRS statewide teacher cost-sharing pool.
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS agent multiple-employer and cost-sharing multiple-employer plans and the additions to/deductions from the VRS agent multiple-employer and cost-sharing multiple-employer plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Detailed information about the VRS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR) and GASB 68 Report. A copy of the 2018 VRS CAFR and GAAP Pension Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

VRS Plan Description

All full-time, salaried permanent employees of the County and School Board (professional and non-professional) are automatically covered by VRS upon employment. This plan is administered by the VRS along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and the County or School Board pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia* (the Code), as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The VRS administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out as described below:

VRS Plan 1 and Plan 2

Overview: Plan 1 and Plan 2 are defined benefit plans. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for and in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund. Employees are eligible for and in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. VRS Plan 1 and Plan 2 non-hazardous duty covered members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

Contributions: Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service: Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. The Board elected to provide the health insurance credit program as provided in Section 51.1-140-2 of the Code to all eligible current and future County retirees.

Vesting: Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan.

Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

Benefit Calculations: The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

For Plan 1, a member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. The Plan 1 retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%, and the multiplier for hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. The Board elected to provide the higher retirement multiplier (1.85%) to all eligible employees in hazardous duty positions as described in the Code Section 51.1-138.

Under Plan 1, the normal retirement age is 65, with a provision of age 60 for hazardous duty members. The earliest unreduced retirement can occur at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. For hazardous duty employees, the earliest unreduced eligibility is at age 60 with at least five years of credible service or age 50 with at least 25 years of credible service. The earliest reduced retirement can occur at age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees can receive a reduced retirement benefit as early as age 50 with at least five years of credible service.

For Plan 2, a member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. The service retirement multiplier factor is the same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier for non-hazardous duty employees is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. The retirement multiplier for Sheriffs and regional jail superintendents is 1.85%, the same as Plan 1. The retirement multiplier for hazardous duty employees is 1.70% or 1.85% as elected by the employer, the same as under Plan 1.

Under Plan 2, the normal retirement age is consistent with the normal Social Security retirement age. The earliest unreduced retirement can occur at normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. The earliest reduced retirement can occur at Age 60 with at least five years (60 months) of creditable service.

<u>Cost-of-Living Adjustment (COLA) in Retirement:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Under Plan 1, the COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Under Plan 2, the COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% under Plan 1 and 1.65% under Plan 2 on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service: Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

Hybrid Plan

Overview: The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan as noted:

- The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window held January 1-April 30, 2014. The plan's effective date for opt-in members was July 1, 2014.

Contributions: A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit, as well as determining vesting for the employer contribution portion of the plan. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. The Board elected to provide the health insurance credit program as provided in Section 51.1-140-2 of the Code to all eligible current and future County retirees.

Under the defined contribution component, credible service is used to determine vesting for the employer contribution portion of the plan.

Vesting: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service, as follows:

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Benefit Calculations: The benefit calculations for the Hybrid Plan are as outlined in Plan 1 and 2, except the defined contribution component is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

The average final compensation is a member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. It is used in the retirement formula for the defined benefit component of the plan.

The service retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

The normal retirement age is consistent with the normal Social Security retirement age, with a provision that members are eligible to receive distributions upon leaving employment, subject to restrictions. The earliest member unreduced retirement can occur at normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Members may retire as early as age 60 with at least five years (60 months) of creditable service. The COLA in retirement terms are consistent with the provisions noted for Plan 2.

Disability Coverage: Employees of political subdivisions and school divisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (the VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under the VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service: Considerations are the same as noted under Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Agent Multiple-Employer Plan

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	County	School Board Non-Professional
Inactive members or their beneficiaries currently receiving benefits	506	170
Inactive members:		
Vested inactive members	194	29
Non-vested inactive members	185	71
Inactive members active elsewhere in VRS	372	83
Total inactive members	751	183
Active members:	1,072	220
Total covered employees	2,329	573

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The contractually required employer contribution rates for the County and for the School Board's non-professional employee group for the fiscal year ended June 30, 2019 were 8.86% and 1.99%, respectively, of their annual covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $5,650,643 and contributions from the School Board's non-professional group were $82,764 for the year ended June 30, 2019.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GAAP, less that employer's fiduciary net position. At June 30, 2019, the County reported a net pension liability of $11,087,069 and the School Board's non-professional group reported a net pension asset of $3,248,084. The total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions – General and Public Safety Employees

The total pension liability was measured as of June 30, 2017 for general employees of the County, School Board non-professional group, and the County public safety employees, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

	General Employees and Public Safety Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35% for County general employees and School Board non-professional group and 3.50% - 4.75% for County public safety employees
Investment rate of return* (net of pension plan investment expense, including inflation)	7.00%
Mortality Rates	15 % of deaths are assumed to be service related for County general employees and School Board non-professional group and 45% of deaths are assumed to be service related for County public safety employees
Pre-Retirement	RP-2014 Employee Rates to age 80, Health Annuitant Rates to 81 and older projected with Scale BB to 2020; for County general employees males 95% of rates and females 105% of rates; for County public safety employees males 90% of rates and females set forward 1 year
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; for County general employees males set forward 3 years and females 1.0% increase compounded from ages 70 to 90; for County public safety employees males set forward 1 year with 1.0% increase compounded from ages 70 to 90 and females set forward 3 years
Post-Disablement	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; for County general employees males set forward 2 years, 110% of rates and females 125% of rates; for County public safety males set forward 2 years and unisex using 100% male

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

The actuarial assumptions used in the June 30, 2017 valuation was based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

County General Employees	County Public Safety Employees
Update mortality table - RP-2014 projected to 2020	Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75	Increased retirement age 50 rates and lowered retirement rates at older ages
Adjusted termination rates to better fit experience at each age and service year through 9 years of service	Adjusted termination rates to better fit experience at each age and service year through 9 years of service
Lowered disability rates	Adjusted disability rates to better match experience
No change in salary scale	No change in salary scale
Increased line of duty disability from 14 to 20%	Decreased line of duty disability rate from 60 to 45%

Long-Term Expected Rate of Return

The long-term expected rate of return on the pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic normal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in 2012 or 90% of the actuarially determined employer rate from the June 30, 2015 actuarial valuations, whichever is greater. From July 1, 2018 on, participating employers and employees are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (County)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	$ 241,910,834	$ 229,108,467	$ 12,802,367
Changes for the year:			
Service cost	7,331,577	-	7,331,577
Interest	16,663,276	-	16,663,276
Differences between expected and actual experience	182,107	-	182,107
Contributions - employer	-	5,918,509	(5,918,509)
Contributions - employee	-	3,111,501	(3,111,501)
Net investment income	-	17,020,572	(17,020,572)
Benefit payments, including refunds of employee contributions	(7,728,076)	(7,728,076)	-
Administrative expenses	-	(142,977)	142,977
Other changes	-	(15,347)	15,347
Net changes	16,448,884	18,164,182	(1,715,298)
Balances at June 30, 2018	$ 258,359,718	$ 247,272,649	$ 11,087,069

Changes in Net Pension Liability (School Board non-professional group)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
Balances at June 30, 2017	$ 23,839,026	$ 26,405,570	$ (2,566,544)
Changes for the year:			
Service cost	526,335	-	526,335
Interest	1,627,896	-	1,627,896
Difference between expected and actual experience	(477,022)	-	(477,022)
Contributions - employer	-	195,964	(195,964)
Contributions - employee	-	245,280	(245,280)
Net investment income	-	1,936,203	(1,936,203)
Benefit payments, including refunds of employee contributions	(1,166,740)	(1,166,740)	-
Administrative expenses	-	(16,985)	16,985
Other changes	-	(1,713)	1,713
Net changes	510,469	1,192,009	(681,540)
Balances at June 30, 2018	$ 24,349,495	$ 27,597,579	$ (3,248,084)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County and School non-professional group using the discount rate of 7.00%, as well as what their net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.0%)	1 % Increase (8.0%)
County Employees			
Net Pension Liability	$ 47,812,914	$ 11,087,069	$ (19,222,527)
School Non-Professional			
Net Pension Liability (Asset)	$ (456,463)	$ (3,248,084)	$ (5,607,621)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (County)

For the year ended June 30, 2019, the County recognized pension expense of $532,631. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$136,466	$2,763,063
Changes of assumptions	-	579,571
Net difference between projected and actual earnings on pension plan investments	-	2,224,100
Employer contributions subsequent to the measurement date	5,650,643	-
Total	$5,787,109	$5,566,734

$5,650,643 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in future reporting periods as follows:

(See schedule on following page)

Year ended June 30	
2020	$ (1,257,492)
2021	(1,637,964)
2022	(2,346,223)
2023	(188,589)
2024	-
Thereafter	-
Total	$ (5,430,268)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (School Board non-professional group)

For the year ended June 30, 2019, the School Board non-professional group recognized a credit to pension expense of $1,071,616. At June 30, 2019, the School Board non-professional group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$571,965
Changes of assumptions	-	30,706
Net difference between projected and actual earnings on pension plan investments	-	228,561
Employer contributions subsequent to the measurement date	82,764	-
Total	$82,764	$831,232

$82,764 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in future reporting periods as follows:

Year ending June 30	
2020	$ (434,566)
2021	(101,681)
2022	(272,213)
2023	(22,772)
2024	-
Thereafter	-
Total	$ (831,232)

Cost-Sharing Multiple-Employer Plan

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each school division's contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were $15,833,642 and $16,263,667 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

At June 30, 2019, the School Board professional group reported a liability of $147,770,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion was 1.25655% as compared to 1.26798% at June 30, 2017.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the School Board's professional group recognized pension expense of $7,618,667. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. At June 30, 2019, the School Board's professional group reported deferred outflows of resources and deferred inflows of resources related to pensions form the following sources:

(See schedule on following page)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$12,636,000
Net difference between projected and actual earnings on pension plan investments	-	3,134,000
Change in assumptions	1,764,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	375,000	2,344,000
Employer contributions subsequent to the measurement date	15,833,642	-
Total	$17,972,642	$18,114,000

$15,833,642 reported as deferred outflows of resources related to pensions resulting from the School Board's professional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ending June 30

2020	$ (2,722,000)
2021	(3,629,000)
2022	(6,815,000)
2023	(2,118,000)
2024	(691,000)
Thereafter	-
Total	$ (15,975,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

	School Board Professional Employee Group
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return (net of pension plan investment expense, including inflation)	7%*
Mortality Rates:	
Pre-Retirement	RP-2014 White Collar Employee rates to age 80, White Collar Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020.
Post-Retirement	RP-2014 White Collar Employee rates to age 49, White Collar Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-Disablement	RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; 115% of rates for males and females.

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

School Board's Professional Employee Group
Update to a more current mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and changed final retirement from 70 to 75
Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
Adjusted disability rates to better match experience
No change in salary scale

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GAAP, less the System's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	$ 46,679,555
Plan Fiduciary Net Position	34,919,563
Employers' Net Pension Liability	$ 11,759,992
Plan Fiduciary Net Position as a Percentage of the Total Plan Liability	74.81%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic normal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, schochastic projections are employed to model future returns under various economic

conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the cost-sharing plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability for the School Board's professional group using the discount rate of 7.00%, as well as what their net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	6.0% 1% Decrease	**7.0% Discount Rate**	**8.0% 1 % Increase**
School Board Professional proportionate share of the VRS Teacher Employment Retirement Plan Net Pension Liability	$ 225,722,000	$ 147,770,000	$ 83,247,000

G. Postemployment healthcare plan and Other Postemployment Benefits (OPEB) Trust

In addition to the pension benefits described in note V-F, the County provides for optional participation by eligible retirees and their eligible spouses and dependents, in the medical and prescription drug healthcare benefit program available to employees. Pursuant to Code Section 15.2-1544 *et seq*. the County has established the Hanover County, Virginia Retiree Medical Benefits Plan (Plan), an agent multiple-employer defined benefit healthcare plan, and the Hanover County, Virginia Retiree Medical Benefits Trust Agreement (Trust), which are administered as one plan. The Plan covers only eligible retirees of the reporting entity, the Pamunkey Regional Library and the Pamunkey Regional Jail Authority, hereinafter referred to as Affiliates. The Trust provides the funding mechanism for the postemployment healthcare benefits established by the Plan. The Code assigns the authority to administer the Plan, and to establish and amend the benefit provisions of the Plan by the Board. The Plan provides for biennial reviews of benefit provisions based on actuarial analysis, but does not require any automatic or ad hoc benefit increases, although the Board may amend or terminate the Plan at any time. The Trust's accumulated assets may legally be used to pay all plan benefits provided to any of the plan's members or beneficiaries. The Trust is considered part of the County of Hanover's financial reporting entity and is included in the County's financial statements as an Other Postemployment Benefits Trust Fund. Accordingly, audited financial statements are not separately available.

a. *Summary of significant accounting policies*

Basis of accounting – The Trust's financial statements are prepared using the accrual basis of accounting. Employer contributions to the Trust (including cash contributions and actuarially estimated employer premium subsidies) are recognized when due and the employer has made a formal commitment to provide the contributions. Plan member contributions are recognized in the period in which the contributions and subsidies are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of investments – All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2019. Securities without an established market are reported at estimated fair value.

b. *Plan description, contribution and funding information*

Membership - The Plan covers all employees of the reporting entity and its Affiliates (Employers) who retire and meet certain eligibility requirements. For the most recent biennial actuarial valuation dated June 30, 2018, the Plan membership at January 1, 2019 consisted of the following:

	Primary Government	School Board Component Unit	Affiliates	Total
Retirees and beneficiaries receiving benefits	8	40	1	49
Active employees	1,025	2,118	127	3,270
Total number of plan members	1,033	2,158	128	3,319
Number of participating employers	1	1	2	4

Plan description - The Plan provides that the Employers will provide certain subsidies toward the cost of the health benefit coverage of eligible retirees, spouses and dependents. In order to participate in the Plan, retirees must be enrolled in the health insurance program available to County employees at date of separation. In addition, participants must meet the VRS retirement age and service retirement requirements, and, if hired after September 30, 2007, must have five years of service with an Employer or retire pursuant to the disability requirements of Social Security or the VRS. The amount of monthly subsidy provided by the Plan is based on years of service and, as of June 30, 2013, ranged from $100 per month for employees with 10 but less than 15 years of service to $200 per month for 20 or more years of service. The subsidy for a retiree's spouse and dependents are equal to that of the retiree, with a limit of three subsidies per retiree. Effective for those who retire July 1, 2015 or later, there shall not be a subsidy for their spouse or dependents. Retirees hired prior to October 1, 2007 have no years of service requirement, but must meet all other requirements for participation. In addition, retirees hired prior to October 1, 2007, who have at least ten years of service with an Employer and whose age and years of service equal at least 60 (grandfathered employees), will receive an initial subsidy of $251 per month. For employees retiring after September 30, 2008, subsidies will end with Medicare eligibility. Any Plan participants currently in the Plan over age 65 must be enrolled in Medicare as primary insurer effective July 1, 2015. Additionally, any grandfathered retirees who are not yet age 65 must enroll in Medicare as primary insurer once they have met the Medicare eligibility requirements.

Retirees under the Plan may select from the health care plans offered to active employees and pay the health insurance premium rate established annually based on biennial actuarial analysis of the claims cost of the retiree group, net of the applicable subsidy established by the Plan. Depending upon the health care plan selected, the net retiree premium amounts range from $393 to $1,111 per month and, for those electing retiree and family coverage, from $1,077 to $3,229 per month. Costs of administering the Plan will be borne by the Trust or by the Employers.

Benefits provided - The Plan funds subsidy amounts for participating eligible retirees and their dependents. The amounts vary based on retirement date and years of service as outlined above.

Contributions - The Code permits the Board to make appropriations to fund the Trust and to enter into agreement with its School Component Unit and its Affiliates to participate in and contribute to the Trust. Contributions to the Trust are irrevocable; however, continued participation in the Plan is voluntary, and any Employer may individually terminate future participation in the Plan. Retiree medical activity is processed through the self-insurance fund on a pay-go basis. The Trust Board determines whether there should be any withdrawals or contributions made to the Trust. There were no cash contributions or withdrawals during the year ended June 30, 2019, and therefore no subsequent activity to disclose.

Funding policy - The Board has adopted a resolution under which the Employers will contribute funds to the Trust periodically, as determined appropriate, based on periodic actuarial analysis of the future obligations of the Employers.

Investments – The OPEB Trust Board has determined that to achieve the greatest likelihood of meeting the applicable investment objectives, the Trust should allocate assets into two broad classes:

- Investment Assets to be invested to achieve the annual rate of return equal to the Trust's actuarial discount rate with a target allocations comprised of 42% in Domestic Equity, 23% in International Equity, and 35% in Fixed Income investments,
- Liquidity Assets to be held solely in cash equivalent investments and used to pay for benefits and expenses of the Trust.

Rate of Return – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.41%. This return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability – In accordance with GAAP, the Net OPEB Asset amounts for the Plan is as follows:

	Hanover OPEB Plan for Retiree Medical
Total OPEB Liability	$ 3,692,120
Plan Fiduciary Net Position	5,371,386
Employers' Net OPEB Asset	$ 1,679,266
Plan Fiduciary Net Position as a Percentage of the Total Plan Liability	145.48%

The total OPEB liability is calculated by the Plan's actuary. The most recent actuarial valuation was dated June 30, 2018, for fiscal reporting in the years ended June 30, 2019 and June 30, 2020.

Actuarial Methods and Assumptions - 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 benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include 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 calculations.

In the July 1, 2017 actuarial valuation, the Entry-Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7.0% annual investment rate of return (net of administrative expenses) and a payroll increase assumption of 2.50%. The liability is being amortized as a level percentage of projected payroll on a closed basis over eighteen years. Mortality rates were based on the RP-2000 Fully Generational Combined Table.

The assumed inflation rate is 2.5%. The long-term expected rate of return of OPEB plan investments net of inflation is 5.20% on Equities (including US and International), 3.00% on Core Bonds, 3.75% on Intermediate Investment Grade Investments, 4.75% on Emerging Market Debt, and 4.25% on High Yield Investments.

Discount Rate – The discount rate used to measure the total OPEB liability was 7.00%, unchanged from Plan inception. This is the expected rate of return on trust assets. The OPEB Trust Board established 7.0% (not adjusted for inflation) as the long-term target rate for the Plan over a rolling five year period. This is included in the most recent Investment Policy adopted on May 31, 2016. The OPEB Trust Board reviews annual feasibility studies performed by the Plan's investment consultant to consider the ongoing appropriateness of the target rate and whether a change should be considered.

Long-Term Medical Trend – As Plan funding is used subsidize premium rates, the OPEB Plan liability is not affected by changes in the Long-Term Medical Trend.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net pension liability for the OPEB plan for the June 30, 2018 valuation using the discount rate of 7.00%, as well as what their net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	6.0% **1% Decrease**	**7.0%** **Discount Rate**	**8.0%** **1 % Increase**
Total OPEB Liability	3,940,763	3,692,120	3,459,817
Net OPEB Asset	(1,430,623)	(1,679,266)	(1,911,569)

c. County's and School Board's portion of the Postemployment healthcare plan and Other Postemployment Benefits (OPEB) Trust

Net Postemployment Healthcare Plan and OPEB Asset (County and School Board) - At June 30, 2019, the County reported $525,381 and the School Board reported $1,124,416 for their portions of the net pension OPEB asset. The net OPEB asset was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation performed as of January 1, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled back to the measurement date of June 30, 2018.

Changes in Net OPEB Asset - The related change in the Net OPEB Asset for the County and School Board for the measurement date of June 30, 2018 are outlined as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB (Asset) (a) - (b)**
Balances at June 30, 2017	$ 1,188,559	$ 1,721,117	$ (532,558)
Changes for the year:			
Service cost	53,979	-	53,979
Interest	75,460	-	75,460
Experience (Gains)	(9,910)		(9,910)
Employer Trust contributions	-	13,140	(13,140)
Change in proportionate share	(68,170)	(98,714)	30,544
Net investment income	-	129,756	(129,756)
Benefit payments	(84,786)	(84,786)	-
Net changes	(33,427)	(40,604)	7,177
Balances at June 30, 2018	$ 1,155,132	$ 1,680,513	$ (525,381)

Changes in Net OPEB Liability (School Board)

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB (Asset) (a) - (b)**
Balances at June 30, 2017	$ 2,242,112	$ 3,246,735	$ (1,004,623)
Changes for the year:			
Service cost	115,524	-	115,524
Interest	161,498	-	161,498
Experience (Gains)	(21,212)	-	(21,212)
Employer Trust contributions	-	28,123	(28,123)
Change in proportionate share	155,731	225,509	(69,778)
Net investment income	-	277,702	(277,702)
Benefit payments	(181,458)	(181,458)	-
Net changes	230,083	349,876	(119,793)
Balances at June 30, 2018	$ 2,472,195	$ 3,596,611	$ (1,124,416)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate - The following presents the net OPEB asset of the County and School Board at June 30, 2018, using the discount rate of 7%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1% point lower (6%) or 1% point higher (8%) than the current rate:

	6.0% 1% Decrease	7.0% Discount Rate	8.0% 1 % Increase
County			
Net OPEB Asset	$ 447,590	$ 525,381	$ 598,060
School Board			
Net OPEB Asset	$ 957,927	$ 1,124,416	$ 1,279,963

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (County) – For the year ended June 30, 2019, the County recognized OPEB expense of $5,933. At June 30, 2019, the County reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$8,672
Net difference between projected and actual earnings on OPEB plan investments	-	47,806
Change in proportion	24,395	-
Total	$24,395	$56,478

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the County portion of the OPEB plan will be recognized in the County OPEB expense in the future reporting periods as follows:

Year ending June 30	
2020	$ (12,443)
2021	(12,443)
2022	(12,443)
2023	(1,493)
2024	2,246
Thereafter	4,493
Total	$ (32,083)

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (School Board) – For the year ended June 30, 2019, the School Board recognized OPEB expense of ($2,717). At June 30, 2019, the School Board reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$18,560
Net difference between projected and actual earnings on OPEB plan investments	-	102,316
Change in proportion	-	55,728
Total	$ -	$176,604

Amounts reported as deferred inflows of resources related to the School Board portion of the OPEB plan will be recognized in the School Board OPEB expense in the future reporting periods as follows:

Year ending June 30	
2020	$ (42,050)
2021	(42,050)
2022	(42,055)
2023	(18,613)
2024	(10,613)
Thereafter	(21,223)
Total	$ (176,604)

H. Health Insurance Credit program - Virginia Retirement System

The County participates in the Political Subdivision HIC Program as an agent multiple-employer plan. The School Board participates in the Teacher Employee HIC Program, a cost sharing multiple-employer plan.

Political Subdivision HIC Program

Plan Description

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This plan is administered by VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Eligible Employees: The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.
Eligible employees of participating localities are enrolled automatically upon employment. They include Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts: The County's Retiree HIC Program provides the following benefits for eligible employees:

- At Retirement – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month.
- Disability Retirement – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

Program Notes: The monthly HIC benefit cannot exceed the individual premium amount. No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for premiums paid for other qualified health plans. And employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.
Employees Covered by Benefit Terms: As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	County
Inactive members or their beneficiaries currently receiving benefits	112
Inactive members:	
Vested inactive members	16
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	128
Active members:	695
Total covered employees	823

Contributions
The contribution requirement for active employees is governed by §51.1-1402(E) of the Code, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County's contractually required employer contribution rate for the year ended June 30, 2019 was 0.19% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Political Subdivision HIC Program were $80,463 and $86,037 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net HIC OPEB liability
The County's net HIC OPEB liability was measured as of June 30, 2018. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using

updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

	General Employees and Public Safety Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35% for County general employees 3.50% - 4.75% for County public safety employees
Discount rate	7%, net of investment expenses, including inflation*
Cost-of-living adjustment	2.25% - 2.50%
Investment rate of return (net of pension plan investment expense, including inflation)	7.00%
Mortality Rates	
Pre-Retirement	RP-2014 Employee Rates to age 80, Health Annuitant Rates to 81 and older projected with Scale BB to 2020; for County general employees males 95% of rates and females 105% of rates; for County public safety employees males 90% of rates and females set forward 1 year
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; for County general employees males set forward 3 years and females 1.0% increase compounded from ages 70 to 90; for County public safety employees males set forward 1 year with 1.0% increase compounded from ages 70 to 90 and females set forward 3 years
Post-Disablement	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; for County general employees males set forward 2 years, 110% of rates and females 125% of rates; for County public safety males set forward 2 years and unisex using 100% male

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

County General Employees	County Public Safety Employees
Update mortality table - RP-2014 projected to 2020	Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75	Increased retirement age 50 rates and lowered retirement rates at older ages
Adjusted termination rates to better fit experience at each age and service year	Adjusted termination rates to better fit experience at each age and service year
Lowered disability rates	Adjusted disability rates to better match experience
No change in salary scale	No change in salary scale
Increased line of duty disability from 14 to 15%	Decreased line of duty disability rate from 60 to 45%

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic normal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rates. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

Changes in Net OPEB - HIC Liability (County Employees)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	$ 1,179,305	$ 503,382	$ 675,923
Changes for the year:			
Service cost	33,937	-	33,937
Interest	80,423	-	80,423
Difference between expected and actual experience	6,981	-	6,981
Contributions - employer	-	86,037	(86,037)
Net investment income	-	36,347	(36,347)
Benefit payments, including refunds of employee contributions	(60,799)	(60,799)	-
Administrative expenses	-	(886)	886
Other changes	-	(2,349)	2,349
Net changes	60,542	58,350	2,192
Balances at June 30, 2018	$ 1,239,847	$ 561,732	$ 678,115

Sensitivity of the County HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Political Subdivision HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Political subdivision's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.0%)	1 % Increase (8.0%)
County Employees			
Net HIC OPEB Liability	$ 821,071	$ 678,115	$ 557,087

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

For the year ended June 30, 2019, the County recognized HIC Program OPEB expense $72,388. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program from the following sources:

(See schedule on following page)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$6,026	$ -
Changes of assumptions	-	33,230
Net difference between projected and actual earnings on HIC plan investments	-	12,008
Employer contributions subsequent to the measurement date	80,463	-
Total	$86,489	$45,238

$80,463 reported as deferred outflows of resources related to the HIC OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year ended June 30	
2020	$ (9,200)
2021	(9,200)
2022	(9,202)
2023	(5,290)
2024	(5,221)
Thereafter	(1,099)
Total	$ (39,212)

Teacher Employee Health Insurance Credit Program

Plan Description:
All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This plan is administered by VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Eligibility: The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts: The Teacher Employee Retiree HIC Program provides the following benefits for eligible employees:

- At Retirement – For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
- Disability Retirement – For Teacher and other professional school employees who retire on disability or go on long-term disability under the VLDP, the monthly benefit is either:
  - $4.00 per month, multiplied by twice the amount of service credit, or
  - $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

<u>HIC Program Notes:</u> The monthly health insurance credit benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

<u>Contributions:</u> The contribution requirement for active employees is governed by §51.1-1401(E) of the Code, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the VRS Teacher Employee HIC Program were $1,240,096 and $1,248,193 for the years ended June 30, 2019 and June 30, 2018, respectively.

<u>Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee HIC Program OPEB</u>

At June 30, 2019, the school division reported a liability of $15,919,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the School Board's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was 1.25384% as compared to 1.26516% at June 30, 2017.

For the year ended June 30, 2019, the School Board recognized VRS Teacher Employee HIC Program OPEB expense of $1,278,000. Since there was a change in proportionate share between June 30, 2017 and June 30, 2018, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

(See schedule on following page)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$78,000
Net difference between projected and actual earnings on Teacher HIC plan investments		12,000
Change in assumptions	-	139,000
Changes in proportionate share		130,000
Employer contributions subsequent to the measurement date	1,240,096	-
Total	$1,240,096	$359,000

$1,240,096 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year ending June 30

2020	$ (62,000)
2021	(62,000)
2022	(61,000)
2023	(53,000)
2024	(56,000)
Thereafter	(65,000)
Total	$ (359,000)

Actuarial Assumptions: The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

	School Board Professional Employee Group
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return (net of pension plan investment expense, including inflation)*	7.00%
Mortality Rates:	
Pre-Retirement	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020.
Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at age 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-Disablement	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

School Board's Professional Employee Group
Updated to a more current mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and changed final retirement from 70 to 75
Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
Adjusted disability rates to better match experience
No change in salary scale

Net Teacher Employee HIC OPEB Liability: The Net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	$ 1,381,313
Plan Fiduciary Net Position	111,639
Teacher Employee net HIC OPEB Liability	$ 1,269,674
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.08%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GAAP in VRS's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return: The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic normal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate: The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate: The following presents the School Board's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the School Board's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.0%)	1 % Increase (8.0%)
School Board's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net Pension Liability	$ 17,781,000	$ 15,919,000	$ 14,336,000

Teacher Employee HIC OPEB Fiduciary Net Position: Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2018 CAFR, which may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

I. Group Life Insurance Program - Virginia Retirement System

The County and School Board participates in the VRS Group Life Insurance (GLI) Program, cost-sharing multiple employer plans, for both its professional and non-professional employees.

Group Life Insurance Program

Plan Description: All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by VRS, along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

Eligibility: The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts: The benefits payable under GLI Program have several components.

- Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

Reduction in benefit Amounts: The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment: For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,279 effective July 1, 2018.

Contributions: The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. The County and School Board have elected to pay the entire 1.31% rate. The employer component of contributions (.52% rate) to the GLI Program from the County were $344,679 and $331,609 for the years ended June 30, 2019 and June 30, 2018, respectively. The employer component of contributions to the GLI Program from the Schools for the professional group were $542,821 and $532,831 for the years ended June

30, 2019 and June 30, 2018, respectively. The employer component of contributions to the GLI Program from the Schools for the non-professional group were $27,445 and $27,039 for the years ended June 30, 2019 and June 30, 2018, respectively.

GLI OPEB Liabilities: At June 30, 2019, the County reported a liability of $5,054,000 for its proportionate share of the Net GLI OPEB Liability. The School Board reported a liability of $8,115,000 for its professional group and $411,000 for its non-professional group for their proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the County's proportion was 0.33281% as compared to 0.32895% at June 30, 2017. At June 30, 2018, the School Board professional's proportion was 0.53434% as compared to 0.54244% at June 30, 2017. At June 30, 2018, the School Board non-professional's proportion was 0.02712% as compared to 0.02825% at June 30, 2017.

GLI OPEB Expense: For the year ended June 30, 2019, the County recognized GLI OPEB expense of $57,000. The School Board recognized a GLI OPEB expense of $48,000 for its professional group and ($11,000) for its non-professional group. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (County): At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$247,000	$91,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	164,000
Change in assumptions	-	211,000
Changes in proportion	109,000	-
Employer contributions subsequent to the measurement date	344,679	-
Total	$700,679	$466,000

$344,679 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's employer portion of contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ending June 30	
2020	$ (53,000)
2021	(53,000)
2022	(53,000)
2023	(6,000)
2024	32,000
Thereafter	23,000
Total	$ (110,000)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board professional group): At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB for its professional group from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$397,000	$146,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	264,000
Change in assumptions	-	338,000
Changes in proportion	54,000	115,000
Employer contributions subsequent to the measurement date	542,821	-
Total	$993,821	$863,000

$542,281 reported as deferred outflows of resources related to the GLI OPEB resulting from the School Board professional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ending June 30	
2020	$ (129,000)
2021	(129,000)
2022	(129,000)
2023	(53,000)
2024	10,000
Thereafter	18,000
Total	$ (412,000)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board non-professional group): At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB for its non-professional group from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$20,000	$8,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	13,000
Change in assumptions	-	17,000
Changes in proportion	-	62,000
Employer contributions subsequent to the measurement date	27,445	-
Total	$47,445	$100,000

$27,445 reported as deferred outflows of resources related to the GLI OPEB resulting from the School Board non-professional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ending June 30	
2019	$ (20,000)
2020	(20,000)
2021	(20,000)
2022	(16,000)
2023	(4,000)
Thereafter	-
Total	$ (80,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

	Group Life Insurance Plan Assumptions
Inflation	2.50%
Salary increases, including inflation	
Teachers	3.50% - 5.95%
County General Employees	3.50% - 5.35%
County Public Safety Employees	3.50% - 4.75%
Investment rate of return (net of pension plan investment expense, including inflation)*	7.00%

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

	School Board Employees
Mortality Rates:	
Pre-Retirement	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020.
Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at age 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-Disablement	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

	County General Employees
Mortality Rates:	
Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at age 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-Disablement	RP-2014 Disability Life Mortality Rates projected with Scale BB to 2020; males set forward 2 years, 110% of rates; femailes 125% of rates.

	County Public Safety Employees
Mortality Rates:	
Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to age 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at age 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement	RP-2014 Disability Life Mortality Rates projected with Scale BB to 2020; males set forward 2 years, unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

School Board Employees
Updated to a more current mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and changed final retirement from 70 to 75
Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
Adjusted disability rates to better match experience
No change in salary scale

County General Employees
Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Adjusted termination rates to better fit experience at each age and service year
Lowered disability rates
No change in salary scale
Increased line of duty disability from 14 to 15%

County Public Safety Employees
Update mortality table - RP-2014 projected to 2020
Increased retirement age 50 rates and lowered retirement rates at older ages
Adjusted termination rates to better fit experience at each age and service year
Adjusted disability rates to better match experience
No change in salary scale
Decreased line of duty disability rate from 60 to 45%

Net GLI OPEB Liability

The Net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability	$1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GAAP in VRS's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

(See schedule on following page)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic normal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the County and School Board's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

(See schedule on following page)

	1% Decrease (6.00%)	Discount Rate (7.0%)	1 % Increase (8.0%)
County's proportionate share of the GLI Program Net OPEB Liability	$ 6,605,000	$ 5,054,000	$ 3,795,000
School Board professional group's proportionate share of the GLI Program Net OPEB Liability	$ 10,605,000	$ 8,115,000	$ 6,093,000
School Board non-professional group's proportionate share of the GLI Program Net OPEB Liability	$ 538,000	$ 411,000	$ 309,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 CAFR, which may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to VRS's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

J. Tax abatements

Speculative Building Strategy

Hanover County and the Hanover County Economic Development Authority have adopted a strategy granting a partial real property tax incentive for certain new commercial or industrial structures to encourage development within the County. This strategy is established under the authority of the Board of Supervisors, which approves agreements individually based on the County's speculative building guidelines. Upon approval, the applicant must obtain a land disturbance permit and building permit. At the beginning of each calendar year after issuance of a building permit, the applicant shall notify the County of the amount of real property tax paid for the previous calendar year. The County agrees to disburse funds to the applicant in an amount equal to the real property incremental tax increase. The obligation of the County to disburse funds shall be reduced proportionately by the percentage of floor area leased by the applicant. The agreement may terminate upon the earliest of several conditions, including the sale of the property to another party, the date upon which the entire building is leased by the applicant, or a set time period from the date of the issuance of an early land disturbance permit. Because real property taxes are not abated until after improvements have been made, there are no provisions for recapturing abated taxes. In fiscal year 2019, there were no tax abatement payments relating to the Speculative Building Program. No other commitments are made by the County as part of these agreements.

K. Special assessments and tax increment commitment

- **Bell Creek Community Development Authority**:
  The Bell Creek Community Development Authority (Bell Creek CDA) was created by an ordinance adopted by the Board of Supervisors on July 24, 2002. This was a result of a petition filed with the Board of Supervisors by the owners of a majority of the land area within the Bell Creek District

(District). The District consists of approximately 325 acres of land within the County. The District encompasses a mixed-use development and is expected to provide commercial development with retail space including a shopping center known as *The Shoppes at Bell Creek*, a light industrial park, and a residential development on 167 acres known as *The Bluffs at Bell Creek*.

On September 25, 2002, the Board of Supervisors adopted an ordinance authorizing the levy of Special Assessments on abutting property within the boundaries of the District. On February 5, 2003, the Bell Creek CDA issued its $12,135,000 Special Assessment Bonds, Series 2003A (the "2003A Bonds") and its $3,845,000 Special Assessment Bonds, Series 2003B (the "2003B Bonds" and together with the 2003A Bonds, the "2003 Bonds"), in accordance with the provision of Article 6 of Chapter 51 of Title 15.2 of the Code, as amended. The 2003 Bonds were issued to finance the acquisition and construction of certain infrastructure improvements to benefit the District. Neither the faith and credit of the Bell Creek CDA, nor the faith and credit of the County, are pledged to the payment of the principal of or interest on the 2003 Bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2019, the total 2003 Bonds outstanding were $1,099,000. The Bell Creek CDA is obligated to make all debt service payments on the 2003 Bonds.

Pursuant to the terms of the Rate and Method of Apportionment of Special Assessments approved by the Board of Supervisors on September 25, 2002 between the County and the Bell Creek CDA, the 2003 Bonds are payable by the Bell Creek CDA based on prepaid and annual Special Assessments imposed and collected by the County as agent for the Bell Creek CDA on taxable real property within the District. After collection, such Special Assessments are appropriated and paid annually to the Bell Creek CDA for debt service payments. However, such payments to the Bell Creek CDA are not deemed general obligations of the County, but are appropriated and paid only to the extent the Special Assessments have been received by the County. The County has also agreed to pursue collection of delinquent special assessments, including, at its discretion, initiation of foreclosure procedures.

During fiscal year 2019, special assessments on property within the District totaled $157,001 and payments to the Bell Creek CDA of special assessments collected totaled $151,240.

- **<u>Lewistown Commerce Center Community Development Authority</u>**:
  The Lewistown Commerce Center Community Development Authority (Lewistown CDA) was created by an ordinance adopted by the Board on October 25, 2006. This was a result of a petition filed with the Board by the owners of 100% of the land area within the Lewistown Commerce Center District (District). The District consists of approximately 186.5 acres of land within the County. The District is part of a planned business complex that is expected to provide commercial and retail spaces, recreation and tourism facilities and other amenities that are expected to be developed in phases by different entities. The overall development has been named *The Shops at Winding Brook* (hereinafter referred to as the Development).

  By ordinances adopted by the Board on May 9, 2007 and March 23, 2011, the Board authorized the levy of Special Assessments on abutting property within the bounds of the District. On October 23, 2007 the Lewistown CDA issued the Lewistown CDA $37,675,000 Revenue Bonds, Series 2007 (2007 Bonds) in accordance with the provisions of Article 6 of Chapter 51 of Title 15.2 of the Code. The 2007 Bonds were issued to finance the acquisition of certain land and the construction of certain infrastructure improvements to benefit the District, in accordance with a Development/Acquisition Agreement dated September 1, 2007 and amended March 23, 2011. Also in March 2011, pursuant to a revised Indenture of Trust, the 2007 Bonds were exchanged for

Amended 2007 Bonds to extend their maturity, revise the schedule for sinking fund redemptions, and allow interest on the bonds to be paid by the bond's debt service reserve fund through March 1, 2014, dependent upon the developer meeting agreed-upon construction milestones. At June 30, 2019, the Lewistown CDA's Amended 2007 Bonds outstanding totaled $39,733,309. The Lewistown CDA is obligated to make all debt service payments on the Amended 2007 Bonds, in accordance with the revised Indenture of Trust. The principal of and the interest on the Amended 2007 Bonds are not deemed to constitute a pledge of the faith and credit of the County, and neither the faith nor credit of the Lewistown CDA, nor the faith and credit of the County are pledged to the payment of the principal of or interest on the Amended 2007 bonds.

Pursuant to the terms of an Amended Special Assessment Agreement (Agreement) dated August 26, 2014 between the County, the Lewistown CDA, and the developers, the Amended 2007 Bonds are payable from (1) a Special Real Property Tax, (2) Incremental Tax Revenues, and, if necessary, (3) Special Assessments imposed and collected by the County pursuant to an Amended Rate and Method Agreement on taxable real property within the District.

The County functions as an agent for the Lewistown CDA by collecting and making the payments to the Lewistown CDA annually, and has agreed to pursue collection of delinquent special assessments, including, at its discretion, initiation of foreclosure procedures. However, the payments described above to the Lewistown CDA are not deemed general obligations of the County, but are dependent upon appropriation and paid only to the extent the Special Real Property Tax, Incremental Tax Revenues, or Special Assessments have been received by the County.

During fiscal year 2019, Special Assessment Tax levy on property within the district totaled $956,461. The 2019 Special Real Estate Property Tax (Valorem) levy was $45,083. Incremental tax collections owed to the Lewistown CDA totaled $592,143 and are payable semiannually by February 1 and August 1 of each year.

L. Subsequent events

On October 17, 2019, the Primary Government issued $14,980,000 of Series 2019 General Obligation Refunding Bonds (Series 2019 Bonds) with an interest rate of 5.0%. The Series 2019 bonds were issued to refund outstanding maturities of the Series 2009 and Series 2010B bonds. Of the total issued, $2,855,000 was issued to refund Series 2009 bonds with an interest rate of 5.0%, and $14,125,000 was issued to refund 2010B bonds with interest rates from 4.73% to 6.015%. The refunding net proceeds of $17,347,583 were used to purchase full faith and credit U.S. Government securities with were deposited in an irrevocable escrow account to provide the resources to redeem the Series 2009 bonds on November 18, 2019 and the Series 2010B bonds on January 15, 2020.

The County participated in the Virginia Resources Authority (VRA) Series 2019C Virginia Pooled Financing Program. The VRA bonds were sold on October 30, 2019. The County's local bond principal is $1,375,000 with interest rates between 2.966 and 5.125 percent, and will be used to finance building renovations and parks, recreation and cultural capital projects. The closing is scheduled for November 20, 2019.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2019

Virginia Retirement System-Pension Plan - Primary Government

Schedule of Changes in the Net Pension Liability and Related Ratios

	2019*	2018*	2017*	2016*	2015*
Total pension liability					
Service cost	$ 7,331,577	$ 7,359,194	$ 7,195,250	$ 7,003,117	$ 6,872,262
Interest on total pension liability	16,663,276	15,932,633	14,918,283	14,159,064	13,186,216
Changes of assumptions	-	(1,150,577)	-	-	-
Differences between expected and actual experience	182,107	(4,220,153)	(566,270)	(3,717,438)	-
Benefit payments	(7,728,076)	(7,238,603)	(6,874,514)	(6,323,001)	(5,604,586)
Other	-	-	-	(196,852)	-
Net change in total pension liability	16,448,884	10,682,494	14,672,749	10,924,890	14,453,892
Total pension liability - beginning	241,910,834	231,228,340	216,555,591	205,630,701	191,176,809
Total pension liability - ending (a)	$ 258,359,718	$ 241,910,834	$ 231,228,340	$ 216,555,591	$ 205,630,701
Total fiduciary net position					
Contributions - employer	$ 5,918,509	$ 5,698,852	$ 6,383,455	$ 6,227,470	$ 6,347,611
Contributions - employee	3,111,501	3,033,422	2,911,440	2,841,053	2,728,734
Net investment income	17,020,572	25,051,577	3,550,392	8,626,111	25,182,288
Benefit Payments, including refunds of employee contributions	(7,728,076)	(7,238,603)	(6,874,514)	(6,323,001)	(5,604,586)
Administrative expense	(142,977)	(140,541)	(122,126)	(113,582)	(131,515)
Other	(15,347)	(22,390)	(1,496)	(485,907)	1,327
Net change in plan fiduciary net position	18,164,182	26,382,317	5,847,151	10,772,144	28,523,859
Plan fiduciary net position - beginning	229,108,467	202,726,150	196,878,999	186,106,855	157,582,996
Plan fiduciary net position - ending (b)	$ 247,272,649	$ 229,108,467	$ 202,726,150	$ 196,878,999	$ 186,106,855
Net pension liability ending (a) - (b)	$ 11,087,069	$ 12,802,367	$ 28,502,190	$ 19,676,592	$ 19,523,846
Plan fiduciary net position as a percentage of the total pension liability	95.71%	94.71%	87.67%	90.91%	90.51%
Covered payroll	$ 63,272,936	$ 60,564,521	$ 58,128,921	$ 56,469,989	$ 55,711,055
Political subdivision's net pension liability as a percentage of covered payroll	17.52%	21.14%	49.03%	34.84%	35.04%

Schedule is intended to show information for 10 years. Since 2015 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

(continued)

Virginia Retirement System-Pension Plan - School Board Non-Professional

Schedule of Changes in the Net Pension Asset and Related Ratios

	2019*	2018*	2017*	2016*	2015*
Total pension liability					
Service cost	$ 526,335	$ 563,888	$ 704,264	$ 717,494	$ 761,268
Interest on total pension liability	1,627,896	1,619,611	1,604,103	1,563,895	1,470,488
Changes of assumptions	-	(126,666)	-	-	-
Differences between expected and actual experience	(477,022)	(822,111)	(1,070,969)	(750,409)	-
Benefit payments	(1,166,740)	(1,066,000)	(965,702)	(947,448)	(847,310)
Net change in total pension liability	510,469	168,722	271,696	583,532	1,384,446
Total pension liability - beginning	23,839,026	23,670,304	23,398,608	22,815,076	21,430,630
Total pension liability - ending (a)	$ 24,349,495	$ 23,839,026	$ 23,670,304	$ 23,398,608	$ 22,815,076
Total fiduciary net position					
Contributions - employer	$ 195,964	$ 202,659	$ 437,250	$ 507,170	$ 595,088
Contributions - employee	245,280	250,592	280,632	325,545	325,403
Net investment income	1,936,203	2,913,758	418,439	1,054,611	3,133,692
Benefit Payments, including refunds of employee contributions	(1,166,740)	(1,066,000)	(965,702)	(947,448)	(847,310)
Administrative expense	(16,985)	(17,086)	(14,837)	(14,331)	(16,675)
Other	(1,713)	(2,581)	(177)	(223)	165
Net change in plan fiduciary net position	1,192,009	2,281,342	155,605	925,324	3,190,363
Plan fiduciary net position - beginning	26,405,570	24,124,228	23,968,623	23,043,299	19,852,936
Plan fiduciary net position - ending (b)	$ 27,597,579	$ 26,405,570	$ 24,124,228	$ 23,968,623	$ 23,043,299
Net pension asset ending (a) - (b)	$ (3,248,084)	$ (2,566,544)	$ (453,924)	$ (570,015)	$ (228,223)
Plan fiduciary net position as a percentage of the total pension asset	113.34%	110.77%	101.92%	102.44%	101.00%
Covered payroll	$ 5,150,695	$ 5,201,892	$ 5,775,545	$ 6,613,413	$ 6,145,564
Net pension asset as a percentage of covered payroll	63.06%	49.34%	7.86%	8.62%	3.71%

Schedule is intended to show information for 10 years. Since 2015 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

(continued)

Schedule of School Board Professional's Share of Net Pension Liability
VRS Teacher Retirement Plan

	2019*	2018*	2017*	2016*	2015*
Employer's Proportion of the Net Pension Liability	1.25655%	1.26798%	1.26562%	1.27192%	1.26737%
Employer's Proportionate Share of the Net Pension Liability	$ 147,770,000	$ 155,936,000	$ 177,365,000	$ 160,089,000	$ 153,157,000
Employer's Covered Payroll	$ 101,392,249	$ 99,817,919	$ 96,591,415	$ 94,472,208	$ 90,933,148
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	145.74%	156.22%	183.62%	169.46%	168.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions

Date*	Contractually Required Contribution of Employer (1)	Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2019	$ 5,650,643	$ 5,650,643	$ -	$ 65,738,841	8.60%
2018	5,919,004	5,919,004	-	63,272,936	9.35%
2017	5,698,852	5,698,852	-	60,564,521	9.41%
2016	6,383,455	6,383,455	-	58,128,921	10.98%
2015	6,227,470	6,227,470	-	56,469,989	11.03%
Component Unit - School Non-Professional:					
2019	$ 82,764	$ 82,764	$ -	$ 5,256,371	1.57%
2018	195,963	195,963	-	5,150,695	3.80%
2017	202,659	202,659	-	5,201,892	3.90%
2016	437,250	437,250	-	5,775,545	7.57%
2015	507,170	507,170	-	6,613,413	7.67%
Component Unit - School Professional:					
2019	$ 15,833,642	$ 15,833,642	$ -	$103,292,430	15.33%
2018	16,263,667	16,263,667	-	101,392,249	16.04%
2017	14,445,391	14,445,391	-	99,817,919	14.47%
2016	13,472,067	13,472,067	-	96,591,415	13.95%
2015	13,679,435	13,679,435	-	94,472,208	14.48%

**Schedule is intended to show information for 10 years. Since 2015 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.*

(continued)

Hanover County, Virginia Retiree Medical Benefits Plan

Schedule of Changes in the Net OPEB Asset and Related Ratios

As of June 30 of the Fiscal Year	2019*	2018*
Total OPEB liability		
Service cost	$ 172,531	$ 161,244
Interest cost	241,190	230,876
Experience losses/(gains)	(31,678)	
Benefit payments	(271,000)	(218,532)
Net change in total OPEB liability	111,043	173,588
Total OPEB liability - beginning	3,581,077	3,407,489
Total OPEB liability - ending (a)	$ 3,692,120	$ 3,581,077
Total fiduciary net position		
Contributions - employer	$ 42,000	$ 218,532
Net investment income	414,736	502,797
Benefit payments	(271,000)	(218,532)
Net change in plan fiduciary net position	185,736	502,797
Plan fiduciary net position - beginning	5,185,650	4,682,853
Plan fiduciary net position - ending (b)	$ 5,371,386	$ 5,185,650
Net pension asset ending (b) - (a)	$ 1,679,266	$ 1,604,573
Plan fiduciary net position as a percentage of the total pension liability	145.48%	144.81%
Covered payroll	$ 190,489,157	$ 187,285,093
Net OPEB asset as a percentage of covered payroll	0.88%	0.86%
Contributions as a percentage of covered payroll	0.02%	0.12%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

(continued)

Hanover County, Virginia Retiree Medical Benefits Plan - County Portion

Schedule of Changes in the Net OPEB Asset and Related Ratios

As of June 30 of the Fiscal Year	**2019***	**2018***
County		
Total OPEB liability		
Service cost	$ 53,979	$ 53,516
Interest cost	75,460	76,628
Experience losses/(gains)	(9,910)	-
Change in proportionate share	(68,170)	-
Benefit payments	(84,786)	(72,531)
Net change in total OPEB liability	(33,427)	57,613
Total OPEB liability - beginning	1,188,559	1,130,946
Total OPEB liability - ending (a)	$ 1,155,132	$ 1,188,559
Total fiduciary net position		
Contributions - employer	$ 13,140	$ 72,531
Change in proportionate share	(98,714)	-
Net investment income	129,756	166,878
Benefit payments	(84,786)	(72,531)
Net change in plan fiduciary net position	(40,604)	166,878
Plan fiduciary net position - beginning	1,721,117	1,554,239
Plan fiduciary net position - ending (b)	$ 1,680,513	$ 1,721,117
Net pension asset ending (b) - (a)	$ 525,381	$ 532,558
Plan fiduciary net position as a percentage of the total pension liability	145.48%	144.81%
Covered payroll	$ 66,734,243	$ 65,107,962
Net OPEB asset as a percentage of covered payroll	0.79%	0.82%
Contributions as a percentage of covered payroll	0.02%	0.11%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2019

Hanover County, Virginia Retiree Medical Benefits Plan - School Board Portion

Schedule of Changes in the Net OPEB Asset and Related Ratios

As of June 30 of the Fiscal Year *School Board*	2019*	2018*
Total OPEB liability		
Service cost	$ 115,524	$ 100,955
Interest cost	161,498	144,551
Experience losses/(gains)	(21,212)	-
Change in proportionate share	155,731	-
Benefit payments	(181,458)	(136,823)
Net change in total OPEB liability	230,083	108,683
Total OPEB liability - beginning	2,242,112	2,133,429
Total OPEB liability - ending (a)	$ 2,472,195	$ 2,242,112
Total fiduciary net position		
Contributions - employer	$ 28,123	$ 136,823
Change in proportionate share	225,509	-
Net investment income	277,702	314,801
Benefit payments	(181,458)	(136,823)
Net change in plan fiduciary net position	349,876	314,801
Plan fiduciary net position - beginning	3,246,735	2,931,934
Plan fiduciary net position - ending (b)	$ 3,596,611	$ 3,246,735
Net pension asset ending (b) - (a)	$ 1,124,416	$ 1,004,623
Plan fiduciary net position as a percentage of the total pension liability	145.48%	144.81%
Covered payroll	$ 116,538,102	$ 114,872,079
Net OPEB asset as a percentage of covered payroll	0.96%	0.87%
Contributions as a percentage of covered payroll	0.02%	0.12%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2019

Hanover County Retiree Medical Benefits Trust

Schedule of Investment Returns

	Fiscal Year	Rate
Annual money-weighted rate of return, net of investment expense	6/30/2019	6.41%
	6/30/2018	8.91%
	6/30/2017	11.35%
	6/30/2016	1.68%
	6/30/2015	2.71%
	6/30/2014	17.48%
	6/30/2013	12.53%
	6/30/2012	0.58%
	6/30/2011	21.48%
	6/30/2010	14.86%

Note: The schedule is presented to illustrate the one year trailing returns for 10 fiscal years. Additional years will be added as they become available. Returns are net of fees. Returns are expressed as percentages.

Schedule of Employer Contributions

County

Date	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
6/30/2019	$ -	$ -	-	$ 71,153,221	0.00%
6/30/2018	-	13,140	(13,140)	66,734,243	0.02%

School Board

Date	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
6/30/2019	$ -	$ -	-	$ 118,335,411	0.00%
6/30/2018	-	28,123	(28,123)	116,538,102	0.02%

Note: Schedule is intended to show information for 10 years. 2018 is the first fiscal year for this presentation, additional years will be added as they become available.

(continued)

Virginia Retirement System-Net OPEB HIC Plan - Primary Government

Schedule of Changes in the Net OPEB Liability Health Insurance Credit Program

	2019*	2018*
Total pension liability		
Service cost	$ 33,937	$ 36,106
Interest on total pension liability	80,423	79,070
Changes of assumptions	-	(45,582)
Difference between expected and actual experience	6,981	
Benefit payments	(60,799)	(39,706)
Net change in total pension liability	60,542	29,888
Total pension liability - beginning	1,179,305	1,149,417
Total pension liability - ending (a)	$ 1,239,847	$ 1,179,305
Total fiduciary net position		
Contributions - employer	$ 86,037	$ 81,864
Net investment income	36,347	49,782
Benefit Payments, including refunds of employee contributions	(60,799)	(39,706)
Administrative expense	(886)	(858)
Other	(2,349)	2,349
Net change in plan fiduciary net position	58,350	93,431
Plan fiduciary net position - beginning	503,382	409,951
Plan fiduciary net position - ending (b)	$ 561,732	$ 503,382
Net pension liability ending (a) - (b)	$ 678,115	$ 675,923
Plan fiduciary net position as a percentage of the total pension liability	45.31%	42.68%
Covered payroll	$ 40,978,883	$ 38,987,994
Political subdivision's net pension liability as a percentage of covered payroll	1.65%	1.73%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

(continued)

Schedule of School Board Professional's Share of Net OPEB Liability
Health Insurance Credit Program (HIC)

	2019*	2018*
Employer's Proportion of the Net Pension Liability	1.25384%	1.26516%
Employer's Proportionate Share of the Net Pension Liability	$ 15,919,000	$ 16,050,000
Employer's Covered Payroll	$ 101,392,249	$ 99,817,919
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	15.70%	16.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	8.08%	7.04%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2019

Virginia Retirement System-Health Insurance Credit Program

County

Schedule of Employer Contributions

Date	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
6/30/2019	$ 80,463	$ 80,463	-	$ 42,350,786	0.19%
6/30/2018	86,037	86,037	-	40,978,883	0.21%
6/30/2017	81,864	81,864	-	38,987,994	0.21%
6/30/2016	78,845	78,845	-	37,911,409	0.21%
6/30/2015	77,293	77,293	-	36,028,121	0.21%

See accompanying independent auditors' report.

School Board Professional

Date	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
6/30/2019	$ 1,240,096	$ 1,240,096	-	$ 103,288,960	1.20%
6/30/2018	1,248,193	1,248,193	-	101,392,249	1.23%
6/30/2017	1,109,570	1,109,570	-	99,817,919	1.11%
6/30/2016	1,022,883	1,022,883	-	96,591,415	1.06%
6/30/2015	1,003,397	1,003,397	-	94,472,208	1.06%

** Schedule is intended to show information for 10 years. Data will be added in subsequent years.*

(continued)

Virginia Retirement System-Net GLI OPEB Plan

Schedule of Employer's Share of the Net OPEB Liability Group Life Insurance Program
For the Year ended

County's share	**2019***	**2018***
County's Proportion of the Net GLI OPEB Liability	0.33281%	0.32895%
County's Proportionate Share of the Net GLI OPEB Liability	$ 5,054,000	$ 4,950,000
Covered Payroll	$ 63,272,936	$ 60,564,521
County's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	7.99%	8.17%

School Board professional group's share	**2019***	**2018***
School Board's Proportion of the Net GLI OPEB Liability	0.53434%	0.54244%
School Board's Proportionate Share of the Net GLI OPEB Liability	$ 8,115,000	$ 8,163,000
Covered Payroll	$ 101,392,249	$ 99,817,919
School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.00%	8.18%

School Board professional group's share	**2019***	**2018***
School Board's Proportion of the Net GLI OPEB Liability	0.02712%	0.02825%
School Board's Proportionate Share of the Net GLI OPEB Liability	$ 411,000	$ 425,000
Covered Payroll	$ 5,150,695	$ 5,201,892
School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	7.98%	8.17%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2018 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2019*

Virginia Retirement System - Group Life Insurance Program

County

Schedule of Employer Contributions

Date	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
6/30/2019	$ 334,679	$ 334,679	-	$ 65,738,841	0.51%
6/30/2018*	331,609	331,609	-	63,272,936	0.52%
6/30/2017*	317,970	317,970	-	60,564,521	0.53%
6/30/2016*	278,174	278,174	-	58,128,921	0.48%
6/30/2015*	271,056	271,056	-	56,469,989	0.48%

Schools Professional

Date	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
6/30/2019	$ 542,821	$ 542,821	-	$ 103,292,430	0.53%
6/30/2018*	532,831	532,831	-	101,392,249	0.53%
6/30/2017*	524,832	524,832	-	99,817,919	0.53%
6/30/2016*	460,192	460,192	-	96,591,415	0.48%
6/30/2015*	451,796	451,796	-	94,472,208	0.48%

Schools Non-Professional

Date	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
6/30/2019	$ 27,445	$ 27,445	-	$ 5,256,371	0.52%
6/30/2018*	27,039	27,039	-	5,150,695	0.52%
6/30/2017*	27,271	27,271	-	5,201,892	0.52%
6/30/2016*	27,510	27,510	-	5,775,545	0.48%
6/30/2015*	31,524	31,524	-	6,613,413	0.48%

See accompanying independent auditors' report.

** Schedule is intended to show information for 10 years. Data will be added in subsquent years. Additionally, note that prior year presentation has been revised to reflect only the employer portion of the contribution instead of the entire contribution.*

(continued)

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

VRS Pension, Health Insurance Credit, and Group Life Insurance Program

Changes of benefit terms**:** For the Pension valuation and disclosures, there have been no material changes to the System benefit provisions since the prior actuarial valuation. Additionally, for the Health Insurance Credit and Group Life Insurance Program, there have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions**:** The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

County General Employees	County Public Safety Employees
Update mortality table - RP-2014 projected to 2020	Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75	Increased retirement age 50 rates and lowered retirement rates at older ages
Adjusted termination rates to better fit experience at each age and service year	Adjusted termination rates to better fit experience at each age and service year
Lowered disability rates	Adjusted disability rates to better match experience
No change in salary scale	No change in salary scale
Increased line of duty disability from 14 to 15%	Decreased line of duty disability rate from 60 to 45%

School Board Employees
Updated to a more current mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and changed final retirement from 70 to 75
Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
Adjusted disability rates to better match experience
No change in salary scale

SUPPLEMENTARY INFORMATION

GENERAL FUND

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

Presents budget to actual comparison schedule by department for the General Fund.

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
For the Year Ended June 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenues from local sources:				
General property taxes:				
Real property taxes	$ 111,900,000	111,900,000	112,632,253	732,253
Public service corporation property taxes	5,200,000	5,200,000	6,207,080	1,007,080
Personal property taxes	36,425,000	36,425,000	34,750,445	(1,674,555)
Machinery and tools taxes	1,800,000	1,800,000	1,911,864	111,864
Merchants' capital taxes	1,500,000	1,500,000	1,741,132	241,132
Delinquent taxes	1,432,200	1,432,200	2,381,543	949,343
Penalties and interest	1,050,000	1,050,000	1,289,966	239,966
Total general property taxes	159,307,200	159,307,200	160,914,283	1,607,083
Other local taxes:				
Local sales and use taxes	22,465,000	22,465,000	22,863,888	398,888
Consumer utility taxes	1,974,000	1,974,000	1,933,885	(40,115)
Contractor license taxes	675,000	675,000	750,249	75,249
Franchise license taxes	603,000	603,000	591,707	(11,293)
Lodging taxes	1,120,000	1,270,000	1,212,370	(57,630)
Bank stock tax	650,000	650,000	1,022,062	372,062
Taxes on recordation and wills	2,431,800	2,431,800	2,561,531	129,731
Communication sales tax	4,410,000	4,410,000	4,223,081	(186,919)
Total other local taxes	34,328,800	34,478,800	35,158,773	679,973
Permits, privilege fees and regulatory licenses:				
General Government Administration:				
Elections filing fees	-	-	4,775	4,775
Public Safety:				
Animal licenses	80,000	80,000	36,237	(43,763)
Building permits	730,000	730,000	976,797	246,797
Heating and air conditioning	320,000	320,000	323,096	3,096
Electrical permits	200,000	200,000	220,735	20,735
Plumbing permits	130,000	130,000	129,415	(585)
Septic tank permits	6,500	6,500	5,288	(1,212)
Inspection fees	150,000	150,000	179,000	29,000
Public Works:				
Erosion and sediment inspections	270,000	270,000	325,706	55,706
Stormwater management	5,000	5,000	2,700	(2,300)
Human Services:				
Well and septic inspection	3,500	3,500	3,775	275
Community Development:				
Planning fees	250,000	250,000	232,814	(17,186)
Total permits, privilege fees and regulatory licenses	2,145,000	2,145,000	2,440,338	295,338
Fines and Forfeitures:				
Public Works:				
Erosion and sediment fines	5,000	5,000	10,000	5,000
Judicial Administration:				
Court fines and forfeitures	770,000	770,000	713,057	(56,943)
Courthouse maintenance fees	107,000	107,000	104,595	(2,405)
Court appointed attorney fees	35,000	35,000	37,629	2,629
Public Safety:				
Criminal Justice Academy training fees	85,000	85,000	77,673	(7,327)
Security alarm fines	40,000	40,000	42,600	2,600
Animal control	400	400	885	485
Total fines and forfeitures	1,042,400	1,042,400	986,439	(55,961)
Revenues from use of money and property:				
Revenue from use of money	250,000	250,000	1,948,024	1,698,024
Revenue from use of property	580,800	580,800	542,198	(38,602)
Total revenues from use of money and property	830,800	830,800	2,490,222	1,659,422
Charges for services:				
EMS cost recovery	2,500,000	2,500,000	2,538,598	38,598
Landfill fees	476,500	476,500	696,015	219,515
Recreation fees	601,740	631,740	654,513	22,773
Community Services	3,025,000	3,025,000	3,250,356	225,356
Other	935,500	1,578,145	1,721,586	143,441
Total charges for services	7,538,740	8,211,385	8,861,068	649,683

(Continued)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
Miscellaneous:				
Refunds	$ 308,525	163,241	147,276	(15,965)
Insurance recoveries	33,100	277,522	262,445	(15,077)
Gifts and donations	50,500	79,770	77,118	(2,652)
Other miscellaneous revenue	255,658	423,011	596,754	173,743
Reserve for revenue transfers	575,000	62,199	-	(62,199)
Total miscellaneous	1,222,783	1,005,743	1,083,593	77,850
Recovered costs:				
General Government Administration:				
Pamunkey Regional Jail Authority	420,000	420,000	420,000	-
Public Utilities Fund:				
Cost allocation	1,143,300	1,143,300	1,058,000	(85,300)
Service assessment	337,000	337,000	337,000	-
Treasurer	35,000	35,000	60,667	25,667
Commissioner of the Revenue	116,000	198,208	198,208	-
Judicial Administration:				
Clerk of Circuit Court	19,000	19,000	19,074	74
Commonwealth's Attorney	-	-	3,481	3,481
Public Safety:				
Community Corrections	59,500	59,500	68,464	8,964
Sheriff	70,500	70,500	30,180	(40,320)
Building Inspector	5,000	5,000	1,732	(3,268)
Animal Control	7,000	7,000	7,123	123
Fire	106,600	106,600	99,054	(7,546)
Human Services:				
Social Services	28,500	28,500	18,226	(10,274)
Community Resources	5,000	5,000	5,000	-
Comprehensive Services	120,800	120,800	55,303	(65,497)
Community Services	100,000	100,000	121,652	21,652
Health Department	-	-	4,818	4,818
Public Works:				
Public Works Operations	-	38,280	39,230	950
Solid Waste Management	250,000	250,000	275,046	25,046
Recycling Service Districts	92,024	97,096	96,509	(587)
General Servcies	3,500	3,500	2,853	(647)
Community Development:				
Contributions: Greater Richmond Convention Center Authority	672,000	672,000	924,664	252,664
Lewistown CDA	31,310	31,310	31,315	5
Economic Development	40,595	40,595	37,995	(2,600)
Virginia Cooperative Extension	-	877	876	(1)
Total recovered costs	3,662,629	3,789,066	3,916,470	127,404
Total revenues from local sources	210,078,352	210,810,394	215,851,186	5,040,792
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Vehicle rental tax	230,000	230,000	474,932	244,932
Personal property taxes (State remittance)	15,002,000	15,002,000	15,002,745	745
Rolling Stock Tax	70,000	70,000	72,490	2,490
Total non-categorical aid	15,302,000	15,302,000	15,550,167	248,167
Categorical aid:				
Shared expenses:				
Commissioner of the Revenue	255,000	255,000	257,718	2,718
Treasurer	225,000	225,000	225,061	61
Registrar	53,000	53,000	53,899	899
Clerk of Circuit Court	565,000	565,000	552,470	(12,530)
Commonwealth's Attorney	910,000	910,000	916,473	6,473
Sheriff	3,470,000	3,470,000	3,474,955	4,955
Total shared expenses	5,478,000	5,478,000	5,480,576	2,576
Other categorical aid:				
Social Services	1,358,200	1,548,817	1,238,878	(309,939)
Comprehensive Services	3,131,874	3,231,874	3,137,240	(94,634)
Community Services	2,790,500	2,898,954	2,768,239	(130,715)
Other	1,339,660	1,457,406	1,461,137	3,731
Total other categorical aid	8,620,234	9,137,051	8,605,494	(531,557)
Total categorical aid	14,098,234	14,615,051	14,086,070	(528,981)
Total revenue from the Commonwealth	29,400,234	29,917,051	29,636,237	(280,814)

(Continued)

COUNTY OF HANOVER, VIRGINIA **Exhibit 13**
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final	Budget Basis	(Negative)
Revenue from the Federal government:				
Categorical aid:				
General Government - Federal grants	$ 2,000	2,000	21,398	19,398
Fire - Federal grants	571,011	719,283	597,472	(121,811)
Sheriff - Federal grants	85,000	238,882	192,741	(46,141)
Social Services - Federal grants	2,938,800	2,938,800	2,825,138	(113,662)
Community Resources - Federal grants	30,000	30,000	30,000	-
Commonwealth Attorney - Federal grants	126,000	126,000	121,830	(4,170)
Comprehensive Services - Federal grants	57,626	57,626	37,532	(20,094)
Community Services - Federal grants	476,600	695,531	622,881	(72,650)
Total revenue from the Federal government	4,287,037	4,808,122	4,448,992	(359,130)
Total intergovernmental	33,687,271	34,725,173	34,085,229	(639,944)
Total revenues	243,765,623	245,535,567	249,936,415	4,400,848
EXPENDITURES				
General government administration:				
Legislative - Board of Supervisors	584,085	609,270	591,043	18,227
General and financial administration:				
County Administrator	1,314,807	1,318,792	1,300,211	18,581
Human Resources	1,197,344	1,169,868	1,072,490	97,378
County Attorney	1,193,005	1,177,841	1,135,758	42,083
Commissioner of the Revenue	1,568,211	1,801,573	1,693,330	108,243
Assessor	1,147,392	1,105,709	1,066,550	39,159
Treasurer	1,611,060	1,623,823	1,623,445	378
Finance	2,004,887	1,901,349	1,818,745	82,604
Management Services	314,111	323,371	306,584	16,787
Information Technology	4,630,317	4,816,106	4,773,391	42,715
Total general and financial administration	14,981,134	15,238,432	14,790,504	447,928
Board of elections - Registrar and Electoral Board	494,187	591,818	507,811	84,007
Total general government administration	16,059,406	16,439,520	15,889,358	550,162
Judicial administration:				
Courts:				
Circuit Court	315,586	345,487	321,123	24,364
General District Court	93,806	98,881	92,432	6,449
Magistrates	3,275	3,275	3,330	(55)
Juvenile and Domestic Relations District Court	23,400	23,400	18,396	5,004
Clerk of the Circuit Court	1,449,150	1,496,346	1,460,436	35,910
Court Services	2,746,080	2,710,376	2,623,534	86,842
Total courts	4,631,297	4,677,765	4,519,251	158,514
Commonwealth's Attorney	1,974,707	1,991,613	1,972,316	19,297
Total judicial administration	6,606,004	6,669,378	6,491,567	177,811
Public safety:				
Sheriff	25,185,094	25,832,449	25,426,809	405,640
Fire and Rescue Services:				
Fire and Emergency Management Services	20,054,120	20,810,826	20,640,151	170,675
Total fire and rescue services	20,054,120	20,810,826	20,640,151	170,675
Correction and Detention:				
Pamunkey Regional Jail Authority	5,343,000	5,343,000	5,324,085	18,915
Juvenile Court Services	548,380	573,207	529,207	44,000
Community Corrections	528,638	533,835	508,543	25,292
Total correction and detention	6,420,018	6,450,042	6,361,835	88,207
Inspections - Building Inspections	1,562,750	1,581,565	1,544,415	37,150
Other protection:				
Emergency Communications	5,745,931	5,836,760	5,603,999	232,761
Animal Control	1,106,605	1,104,171	1,031,884	72,287
Total other protection	6,852,536	6,940,931	6,635,883	305,048
Total public safety	60,074,518	61,615,813	60,609,093	1,006,720

(Continued)

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
For the Year Ended June 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
Public works:				
Sanitation and waste removal:				
Public Works	$ 1,928,479	1,958,151	1,871,528	86,623
Solid Waste Services	4,568,890	5,328,628	5,237,802	90,826
Total sanitation and waste removal	6,497,369	7,286,779	7,109,330	177,449
Maintenance of buildings, grounds and equipment:				
Facilities and Vehicle Management	4,645,876	4,765,073	4,571,813	193,260
Total maintenance of buildings, grounds and equip.	4,645,876	4,765,073	4,571,813	193,260
Total public works	11,143,245	12,051,852	11,681,143	370,709
Health and human services:				
Health	619,177	619,177	619,177	-
Human Services:				
Social Services	5,854,232	6,087,255	5,512,370	574,885
Community Resources	415,881	422,490	390,420	32,070
Comprehensive Services	5,829,000	6,297,100	6,087,299	209,801
Community Services	11,276,308	11,584,684	11,050,864	533,820
Tax Relief	1,815,000	1,815,000	1,868,656	(53,656)
Total human services	25,190,421	26,206,529	24,909,609	1,296,920
Total health and human services	25,809,598	26,825,706	25,528,786	1,296,920
Parks, recreation and cultural:				
Parks and Recreation	3,707,925	3,775,588	3,468,762	306,826
Pamunkey Regional Library	2,765,714	2,765,714	2,765,714	-
Total parks, recreation and cultural	6,473,639	6,541,302	6,234,476	306,826
Community development:				
Planning and Community Development:				
Planning	2,044,366	2,061,907	2,001,071	60,836
Economic Development	1,644,976	1,666,235	1,653,479	12,756
Community Support	1,641,965	1,806,019	1,740,090	65,929
Total planning and community development	5,331,307	5,534,161	5,394,640	139,521
Environmental mgmt. - Soil and Water Conservation District	102,907	102,907	102,907	-
Cooperative Extension Program - VPI Extension	92,557	93,434	85,961	7,473
Total community development	5,526,771	5,730,502	5,583,508	146,994
Education:				
School Fund	86,616,000	86,616,000	82,871,239	3,744,761
Total education	86,616,000	86,616,000	82,871,239	3,744,761
Total education	86,616,000	86,616,000	82,871,239	3,744,761
Nondepartmental:				
Reserves	1,918,706	664,851	-	664,851
Total nondepartmental	1,918,706	664,851	-	664,851
Total expenditures - budgetary basis	220,227,887	223,154,924	214,889,170	8,265,754
Less encumbrances at June 30, 2019	-	-	(725,174)	725,174
Total expenditures	220,227,887	223,154,924	214,163,996	8,990,928
Excess of revenues over expenditures	23,537,736	22,380,643	35,772,419	13,391,776
OTHER FINANCING SOURCES (USES)				
Other financing sources:				
Transfers from governmental funds:				
County Improvements Fund	-	126,105	126,105	-
Total other financing sources	-	126,105	126,105	-
Other financing uses:				
Transfers to governmental funds:				
County Improvements Fund	(7,589,000)	(7,771,159)	(7,596,421)	(174,738)
School Improvements Fund	(5,000,000)	(5,000,000)	(5,000,000)	-
Debt Service Fund	(19,517,616)	(19,517,616)	(19,382,616)	(135,000)
Total transfers to governmental funds	(32,106,616)	(32,288,775)	(31,979,037)	(309,738)
Transfers to Proprietary Fund:				
Airport Fund	(52,029)	(52,029)	(52,029)	-
Total other financing uses, net	(32,158,645)	(32,214,699)	(31,904,961)	(309,738)
Net change in fund balance	(8,620,909)	(9,834,056)	3,867,458	13,701,514
Fund balance - beginning	8,620,909	52,872,240	52,872,240	-
Fund balance - ending	$ -	43,038,184	56,739,698	13,701,514

See accompanying independent auditors' report.

COUNTY IMPROVEMENTS FUND

***County Improvements* –** Accounts for the acquisition or construction of the County's capital assets

COUNTY OF HANOVER, VIRGINIA **Exhibit 14**

County Improvements Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis

For the Year Ended June 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenues from use of money and property	$ -	-	296,425	296,425
Charges for services	1,000,000	2,500,000	792,277	(1,707,723)
Recovered costs	-	942,802	750,662	(192,140)
Miscellaneous	200,000	807,735	483,010	(324,725)
Total revenue from local sources	1,200,000	4,250,537	2,322,374	(1,928,163)
Intergovernmental:				
Revenue from the Commonwealth	1,090,000	13,511,091	3,663,612	(9,847,479)
Revenue from the Federal government	-	16,334,680	2,915,649	(13,419,031)
Total intergovernmental	1,090,000	29,845,771	6,579,261	(23,266,510)
Total revenues	2,290,000	34,096,308	8,901,635	(25,194,673)
EXPENDITURES				
General government administration	8,200,000	13,692,684	3,782,410	9,910,274
Judicial administration	-	586	-	586
Public safety	4,014,000	8,873,623	6,328,622	2,545,001
Public works	3,970,000	42,973,048	12,510,578	30,462,470
Parks, recreation and cultural	12,685,000	14,048,245	9,031,956	5,016,289
Community development	-	858,474	624,528	233,946
Reserve for future projects	200,000	171,400	-	171,400
Total expenditures - budgetary basis	29,069,000	80,618,060	32,278,094	48,339,966
Less encumbrances at June 30, 2019	-	-	(14,054,767)	14,054,767
Total expenditures	29,069,000	80,618,060	18,223,327	62,394,733
Excess (deficiency) of revenues over (under) expenditures	(26,779,000)	(46,521,752)	(9,321,692)	37,200,060
OTHER FINANCING SOURCES (USES)				
Other financing sources:				
Transfers in	7,589,000	7,771,159	7,596,421	(174,738)
Issuance of general obligation bonds	18,500,000	18,198,472	10,793,888	(7,404,584)
Premium on general obligation bonds issued	-	301,528	1,206,112	904,584
Total other financing sources	26,089,000	26,271,159	19,596,421	(6,674,738)
Other financing uses:				
Transfers out	-	(126,105)	(126,105)	-
Total other financing uses	-	(126,105)	(126,105)	-
Total other financing sources, net	26,089,000	26,145,054	19,470,316	(6,674,738)
Net change in fund balance	(690,000)	(20,376,698)	10,148,624	30,525,322
Fund balance - beginning	690,000	24,668,529	24,668,529	-
Fund balance - ending	$ -	4,291,831	34,817,153	30,525,322

See accompanying independent auditors' report.

SCHOOL IMPROVEMENTS FUND

School Improvements – Accounts for the acquisition or construction of capital assets used by the County's School Board Component Unit.

COUNTY OF HANOVER, VIRGINIA

Exhibit 15

School Improvements Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenues	$ -	-	-	-
Total revenues	-	-	-	-
EXPENDITURES				
Capital outlay:				
Education	10,000,000	15,047,211	12,762,226	2,284,985
Total expenditures - budgetary basis	10,000,000	15,047,211	12,762,226	2,284,985
Less encumbrances at June 30, 2019	-	-	(1,348,952)	1,348,952
Total expenditures	10,000,000	15,047,211	11,413,274	3,633,937
Excess (deficiency) of revenues over (under) expenditures	(10,000,000)	(15,047,211)	(11,413,274)	3,633,937
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in	5,000,000	5,000,000	5,000,000	-
Issuance of general obligation bonds	5,000,000	5,000,000	5,000,000	-
Total other financing sources	10,000,000	10,000,000	10,000,000	-
Net change in fund balance	-	(5,047,211)	(1,413,274)	3,633,937
Fund balance - beginning	-	5,446,139	5,446,139	-
Fund balance - ending	$ -	398,928	4,032,865	3,633,937

See accompanying independent auditors' report.

DEBT SERVICE FUND

Debt Service Fund – accounts for the resources to be used for County and School Board obligations for the payment of interest and principal on long-term debt.

COUNTY OF HANOVER, VIRGINIA **Exhibit 16**

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenues from use of money and property	$ -	-	138,569	138,569
Miscellaneous	-	-	10,344	10,344
Total revenue from local sources	-	-	148,913	148,913
Intergovernmental:				
Revenue from the Federal government	252,850	252,850	257,046	4,196
Total intergovernmental	252,850	252,850	257,046	4,196
Total revenues	252,850	252,850	405,959	153,109
EXPENDITURES				
Debt service:				
Principal retirement	13,407,335	13,407,335	13,407,335	-
Interest	6,335,433	6,335,433	6,324,788	10,645
Other fiscal charges	27,698	45,698	40,612	5,086
Debt issuance costs	327,500	327,500	195,341	132,159
Total expenditures	20,097,966	20,115,966	19,968,076	147,890
Excess (deficiency) of revenues over (under) expenditures	(19,845,116)	(19,863,116)	(19,562,117)	300,999
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in	19,517,616	19,517,616	19,382,616	(135,000)
Issuance of general obligation bonds	327,500	327,500	202,478	(125,022)
Total other financing sources	19,845,116	19,845,116	19,585,094	(260,022)
Net change in fund balance	-	(18,000)	22,977	40,977
Fund balance - beginning	-	498,057	498,057	-
Fund balance - ending	$ -	480,057	521,034	40,977

See accompanying independent auditors' report.

AGENCY FUNDS

Agency Funds are a type of Fiduciary Fund. Agency funds are custodial in nature, and are maintained to account for funds received and disbursed by the County on behalf of individuals, private organizations or other governments, as follows:

Bell Creek Community Development Authority (Bell Creek CDA) – Accounts for monies collected on behalf of, and subsequently remitted to the Bell Creek CDA.

***Lewistown Community Development Authority (Lewistown CDA)* –** Accounts for monies collected on behalf of, and subsequently remitted to the Lewistown CDA.

***Escrow* -** Accounts for monies held as security deposits for services provided by the County or for performance by contractors.

***Special Welfare* -** Accounts for monies received for and expenditures made on behalf of social service clients.

COUNTY OF HANOVER, VIRGINIA **Exhibit 17**

Agency Funds

Combining Balance Sheet

June 30, 2019

		Bell Creek Community Development Authority	Lewistown Community Development Authority	Escrow	Special Welfare	Total
ASSETS						
Pooled cash, cash equivalents and investments	$	76,977	305,013	4,844,457	56,944	5,283,391
Accounts receivable		81,590	668,224	1,149	-	750,963
Total assets	$	158,567	973,237	4,845,606	56,944	6,034,354
LIABILITIES						
Accounts payable	$	77,283	232,432	61,114	-	370,829
Accrued liabilities		81,284	740,805	856,606	-	1,678,695
Deposits		-	-	3,927,886	56,944	3,984,830
Total liabilities	$	158,567	973,237	4,845,606	56,944	6,034,354

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA

Exhibit 18

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2019

		Balance Beginning of Year	Additions	Deductions	Balance End of Year
Bell Creek Community Development Authority					
Assets:					
Pooled cash, cash equivalents and investments	$	898	149,324	73,245	76,977
Accounts receivable		73,855	157,001	149,266	81,590
Total assets	$	74,753	306,325	222,511	158,567
Liabilities:					
Accounts payable	$	-	145,155	67,872	77,283
Accrued liabilities		74,753	158,233	151,702	81,284
Total liabilities	$	74,753	303,388	219,574	158,567
Lewistown Community Development Authority					
Assets:					
Pooled cash, cash equivalents and investments	$	321,300	1,454,349	1,470,636	305,013
Accounts receivable		495,529	1,006,351	833,656	668,224
Total assets	$	816,829	2,460,700	2,304,292	973,237
Liabilities:					
Accounts payable	$	245,947	1,425,493	1,439,008	232,432
Accrued liabilities		570,882	1,003,579	833,656	740,805
Total liabilities	$	816,829	2,429,072	2,272,664	973,237
Escrow					
Assets:					
Pooled cash, cash equivalents and investments	$	2,595,488	42,101,088	39,852,119	4,844,457
Accounts receivable		1,221	108,815	108,887	1,149
Total assets	$	2,596,709	42,209,903	39,961,006	4,845,606
Liabilities:					
Accounts payable	$	47,634	13,441,477	13,427,997	61,114
Accrued liabilities		859,866	40,657,365	40,660,625	856,606
Deposits		1,689,209	3,589,508	1,350,831	3,927,886
Total liabilities	$	2,596,709	57,688,350	55,439,453	4,845,606
Special Welfare					
Assets:					
Pooled cash, cash equivalents and investments	$	37,108	97,021	77,185	56,944
Total assets	$	37,108	97,021	77,185	56,944
Liabilities:					
Deposits	$	37,108	97,021	77,185	56,944
Total liabilities	$	37,108	97,021	77,185	56,944
Total Agency Funds					
Assets:					
Pooled cash, cash equivalents and investments	$	2,954,794	43,801,782	41,473,185	5,283,391
Accounts receivable		570,605	1,272,167	1,091,809	750,963
Total assets	$	3,525,399	45,073,949	42,564,994	6,034,354
Liabilities:					
Accounts payable	$	293,581	15,012,125	14,934,877	370,829
Accrued liabilities		1,505,501	41,819,177	41,645,983	1,678,695
Deposits		1,726,317	3,686,529	1,428,016	3,984,830
Total liabilities	$	3,525,399	60,517,831	58,008,876	6,034,354

See accompanying independent auditors' report.

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Governmental Funds:

School – Accounts for the activities of primary and secondary education.

Cafeteria – Accounts for the operations of school food services.

COUNTY OF HANOVER, VIRGINIA **Exhibit 19**

Discretely Presented Component Unit - School Board
Combining Balance Sheet
June 30, 2019

	Governmental Funds		
	School	Cafeteria	Totals
ASSETS			
Pooled cash, cash equivalents and investments	$ 15,445,642	530,473	15,976,115
Accounts receivable	116,248	-	116,248
Due from other governmental units	3,615,482	-	3,615,482
Inventory	-	110,520	110,520
Prepaid expenses	5,000	-	5,000
Total assets	$ 19,182,372	640,993	19,823,365
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 1,543,346	43,760	1,587,106
Accrued liabilities	16,324,767	393,859	16,718,626
Unearned revenues	55,923	-	55,923
Total liabilities	17,924,036	437,619	18,361,655
Fund balances:			
Nonspendable	5,000	110,520	115,520
Restricted	3,600	-	3,600
Assigned	1,249,736	92,854	1,342,590
Total fund balances	1,258,336	203,374	1,461,710
Total liabilities and fund balances	$ 19,182,372	640,993	19,823,365

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		$ 117,819,061
Long-term liabilities and some accrued liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:		(6,306,585)
GAAP requires the recognition of net pension asset, net pension liability and deferred inflows and outflows of resources related to pensions. These amounts do not use current financial resources and are not reported in the funds.		
Net pension asset	3,248,084	
Net pension liability	(147,770,000)	
Pension investment experience	(3,362,561)	
Pension contributions after measurement date	15,916,406	
Change in actual and proportionate share of pension contributions, net	(1,969,000)	
Difference between expected and actual experience	(13,207,965)	
Change in assumptions, net	1,733,294	
		(145,411,742)
GAAP requires the recognition of net other postemployment benefits asset, net other posemployment benefits liability and deferred inflows and outflows of resources related to other postemployment benefits. These amounts do not use current financial resources and are not reported in the funds.		
Net other postemployment benefits asset	1,124,416	
Net other postemployment benefits liability	(24,445,000)	
OPEB investment experience	(307,560)	
OPEB contributions after measurement date	1,810,362	
Change in actual and proportionate share of OPEB contributions	(308,728)	
Difference between expected and actual experience	82,684	
Change in assumptions	(494,000)	
		(22,537,826)
Net position of School Board Component Unit activities		$ (54,975,382)

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA

Exhibit 20

Discretely Presented Component Unit - School Board

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2019

	Governmental Funds		
	School	Cafeteria	Totals
REVENUES			
Revenue from local sources:			
Revenue from use of money and property	$ 203,527	3,306	206,833
Charges for services - operating	855,524	4,182,960	5,038,484
Miscellaneous	1,005,286	80,517	1,085,803
Recovered costs	520,651	-	520,651
Payments from Primary Government	82,871,239	-	82,871,239
Revenue from the Commonwealth	90,399,738	80,452	90,480,190
Revenue from the Federal government	7,376,967	2,461,550	9,838,517
Total revenues	183,232,932	6,808,785	190,041,717
EXPENDITURES			
Education	182,965,599	6,801,644	189,767,243
Total expenditures	182,965,599	6,801,644	189,767,243
Excess of revenues over expenditures	267,333	7,141	274,474
Net change in fund balance	267,333	7,141	274,474
Fund balances - beginning	991,003	196,233	1,187,236
Fund balances - ending	$ 1,258,336	203,374	1,461,710

See accompanying independent auditors' report.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Discretely Presented School Component Unit to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	$ 274,474
The County's School Improvements Fund accounts for the construction and acquisition of School Board capital assets. As the School Improvements Fund makes capital outlay expenditures, the capital assets, and a corresponding increase in the "Payment from Hanover County," are recorded by the School Board Component Unit in the government-wide financial statements. After their completion, the cost of the capital assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	10,272,736
Depreciation expense	(11,915,100)
Under Virginia law, the County has a tenancy in common for School Board Component Unit capital assets for which the County is obligated to repay outstanding "on-behalf" bonds. Under the tenancy in common, the County reports the net book value of School Board Component Unit capital assets up to the outstanding principal balance of "on-behalf" bonds at year end. This amount is the decrease in the net book value of School Board Component Unit capital assets reported by the County for the fiscal year, which resulted primarily from a decrease in school construction activity during the fiscal period.	3,144,205
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(185,651)
Pension contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the Statement of Net Position. Pension expenses reported on the Statement of Activities do not use current financial resources and are not reported in the funds. This adjustment accounts for the net changes in net pension asset, net pension liability, and deferred inflows and outflows realting to pension.	9,369,356
Other postemployment benefits contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the Statement of Net Position. OPEB expenses reported on the Statement of Activities do not use current financial resources and are not reported in the funds. This adjustment accounts for the net changes in net OPEB asset, net OPEB liability, and deferred inflows and outflows related to OPEB.	(290,974)
Changes in net position of School Board Component Unit activities	$ 10,669,046

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA **Exhibit 22**

School Fund - School Board

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budget Basis

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	$ -	-	203,527	203,527
Total revenue from use of money and property	-	-	203,527	203,527
Charges for services:				
Tuition and other charges for services	867,000	867,000	855,524	(11,476)
Total charges for services	867,000	867,000	855,524	(11,476)
Miscellaneous:				
Sale of assets	2,500	2,500	2,362	(138)
Miscellaneous	996,500	534,160	1,002,924	468,764
Total miscellaneous revenues	999,000	536,660	1,005,286	468,626
Recovered costs:				
Recovered costs	343,000	365,293	520,651	155,358
Total recovered costs	343,000	365,293	520,651	155,358
Payments from Primary Government:				
General Fund	86,616,000	86,616,000	82,871,239	(3,744,761)
Total payments from Primary Government	86,616,000	86,616,000	82,871,239	(3,744,761)
Total revenue from local sources	88,825,000	88,384,953	85,456,227	(2,928,726)
Revenue from the Commonwealth:				
Non-categorical aid:				
Non-categorical aid programs	68,831,525	69,126,776	69,103,299	(23,477)
Total non-categorical aid	68,831,525	69,126,776	69,103,299	(23,477)
Categorical aid:				
Categorical aid programs	20,827,238	20,831,335	21,296,439	465,104
Total categorical aid	20,827,238	20,831,335	21,296,439	465,104
Total revenue from the Commonwealth	89,658,763	89,958,111	90,399,738	441,627
Revenue from the Federal government:				
Categorical aid:				
Department of Education	6,819,715	7,995,400	7,376,967	(618,433)
Total revenue from the Federal government	6,819,715	7,995,400	7,376,967	(618,433)
Total revenues	185,303,478	186,338,464	183,232,932	(3,105,532)
EXPENDITURES				
Education:				
General support	10,068,179	9,716,506	9,309,083	407,423
Pupil transportation	9,159,451	9,599,776	9,515,053	84,723
Operations and maintenance	12,975,070	13,330,569	13,325,783	4,786
Instruction	152,447,153	153,895,128	151,177,376	2,717,752
Facilities	653,625	787,488	757,406	30,082
Total education	185,303,478	187,329,467	184,084,701	3,244,766
Total expenditures - budgetary basis	185,303,478	187,329,467	184,084,701	3,244,766
Less encumbrances at June 30, 2019	-	-	(1,119,102)	1,119,102
Total expenditures	185,303,478	187,329,467	182,965,599	4,363,868
Excess (deficiency) of revenues over (under) expenditures	-	(991,003)	267,333	1,258,336
Net change in fund balance	-	(991,003)	267,333	1,258,336
Fund balance - beginning	-	991,003	991,003	-
Fund balance - ending	$ -	-	1,258,336	1,258,336

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA **Exhibit 23**

Cafeteria Fund - School Board

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	$ -	-	3,306	3,306
Charges for services	5,094,068	5,094,068	4,182,960	(911,108)
Miscellaneous revenues	225,000	225,000	80,517	(144,483)
Total revenues from local sources	5,319,068	5,319,068	4,266,783	(1,052,285)
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Categorical aid:				
School food programs	44,715	44,715	80,452	35,737
Total revenues from the Commonwealth	44,715	44,715	80,452	35,737
Revenue from the Federal government:				
Categorical aid:				
USDA donated commodities	-	-	301,718	301,718
School food programs	1,913,879	1,913,879	1,736,442	(177,437)
Breakfast reimbursement	365,953	365,953	423,390	57,437
Total revenues from the Federal government	2,279,832	2,279,832	2,461,550	181,718
Total revenues	7,643,615	7,643,615	6,808,785	(834,830)
EXPENDITURES				
Education:				
Cafeteria	7,643,615	7,643,615	6,801,644	841,971
Total expenditures	7,643,615	7,643,615	6,801,644	841,971
Net change in fund balance	-	-	7,141	7,141
Fund balance - beginning	-	196,233	196,233	-
Fund balance - ending	$ -	196,233	203,374	7,141

See accompanying independent auditors' report.

DISCRETELY PRESENTED COMPONENT UNIT –
ECONOMIC DEVELOPMENT AUTHORITY

Governmental Fund:

Economic Development Authority – Accounts for the operations of the Economic Development Authority of Hanover County.

COUNTY OF HANOVER, VIRGINIA **Exhibit 24**

Discretely Presented Component Unit - Economic Development Authority

Balance Sheet

June 30, 2019

ASSETS	
Pooled cash, cash equivalents and investments	$ 88,783
Total assets	$ 88,783
LIABILITIES AND FUND BALANCES	
Liabilities	$ -
Total liabilities	-
Fund balances:	
Unassigned	88,783
Total fund balances	88,783
Total liabilities and fund balances	$ 88,783
Amounts reported for the Economic Development Authority in the Statement of Net Position are different because:	
Receivables on the Statement of Net Position that do not provide current financial resources are not reported in the funds.	$ 2,170,000
Long-term liabilities, including bonds payable and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	(2,170,000)
Total net position of the Economic Development Authority	$ 88,783

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA **Exhibit 25**

Discretely Presented Component Unit - Economic Development Authority

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Charges for services:				
Economic development fees	$ 65,395	65,395	106,454	41,059
Total revenues	65,395	65,395	106,454	41,059
EXPENDITURES				
Community Development:				
Economic development	65,395	65,395	64,752	643
Total expenditures	65,395	65,395	64,752	643
Excess of revenues over expenditures	-	-	41,702	41,702
Net change in fund balance	-	-	41,702	41,702
Fund balance - beginning	-	47,081	47,081	-
Fund balance - ending	$ -	47,081	88,783	41,702

See accompanying independent auditors' report.

STATISTICAL SECTION

The Statistical Section of the County of Hanover's Comprehensive Annual Financial Report provides readers with additional detailed information as a context to assist in understanding what the information in the financial statements, accompanying notes, and required supplementary information indicates about the County's economic condition over an extended period of time. Information is presented in the following five categories:

COUNTY OF HANOVER, VIRGINIA **Table 1**
Net Position by Component (Unaudited)
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015 (1)	2016	2017	2018 (2)	2019
Governmental activities:										
Net investment in capital assets	$ 76,120,457	81,246,238	74,105,915	71,850,313	74,495,930	73,603,011	77,813,118	78,760,193	81,867,826	82,130,809
Restricted	6,606,606	5,594,093	5,054,300	5,034,427	7,621,816	8,444,892	8,991,060	9,405,975	8,211,782	7,883,977
Unrestricted	49,631,805	51,276,177	56,041,435	57,584,445	66,759,717	50,299,917	57,293,783	58,254,707	55,720,981	64,185,650
Total net position, governmental activities	$ 132,358,868	138,116,508	135,201,650	134,469,185	148,877,463	132,347,820	144,097,961	146,420,875	145,800,589	154,200,436
Business-type activities:										
Net investment in capital assets	$ 171,366,224	188,046,917	180,255,835	183,511,196	187,148,593	192,592,248	196,617,097	202,891,621	213,370,261	218,728,265
Restricted	3,488,079	3,454,766	3,400,179	3,431,374	3,474,707	3,524,693	3,486,303	3,587,279	3,755,185	3,887,194
Unrestricted	23,610,692	9,143,399	17,105,102	18,279,356	20,297,896	18,734,211	22,080,371	25,425,525	26,360,193	28,920,096
Total net position, business-type activities	$ 198,464,995	200,645,082	200,761,116	205,221,926	210,921,196	214,851,152	222,183,771	231,904,425	243,485,639	251,535,555
Primary government:										
Net investment in capital assets	$ 247,486,681	269,293,155	254,361,750	255,361,509	261,644,523	266,195,259	274,430,215	281,651,814	295,238,087	300,859,074
Restricted	10,094,685	9,048,859	8,454,479	8,465,801	11,096,523	11,969,585	12,477,363	12,993,254	11,966,967	11,771,171
Unrestricted	73,242,497	60,419,576	73,146,537	75,863,801	87,057,613	69,034,128	79,374,154	83,680,232	82,081,174	93,105,746
Total net position, Primary Government	$ 330,823,863	338,761,590	335,962,766	339,691,111	359,798,659	347,198,972	366,281,732	378,325,300	389,286,228	405,735,991

Notes: (1) The County adopted GASB Statement Nos. 68 and 71 in fiscal year 2015. Prior years have not been adjusted for the effect of this statement on net position.
(2) The County adopted GASB Statement No. 75 in fiscal year 2018. Prior years have not been adjusted for the effect of this statement on the change in net position.

COUNTY OF HANOVER, VIRGINIA **Table 2**

Changes in Net Position (Unaudited)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2010	**2011**	**2012**	**2013**	**2014**	**2015 (1)**	**2016**	**2017**	**2018 (2)**	**2019**
Expenses										
Governmental activities:										
General government administration	$ 13,554,927	13,686,641	14,324,220	13,251,586	13,327,904	14,078,698	14,579,237	16,697,133	15,979,421	18,288,850
Judicial administration	4,420,920	4,447,352	4,338,334	4,737,986	4,671,068	4,699,748	4,968,826	6,931,360	7,981,981	7,493,514
Public safety	45,610,131	47,946,531	49,003,762	51,534,448	50,081,795	51,586,916	53,695,056	59,422,217	60,731,436	63,126,625
Public works	11,102,331	9,891,396	11,407,634	12,115,168	8,156,659	15,054,599	14,580,033	17,693,369	27,958,841	20,567,158
Human services	23,880,094	24,165,944	22,925,913	21,502,295	20,053,613	20,364,814	21,222,733	22,498,625	23,401,758	24,900,685
Parks, recreation and cultural	6,523,401	6,444,651	6,531,096	6,141,549	5,914,812	6,118,595	6,189,937	6,615,395	6,475,656	6,760,866
Community development	5,797,455	5,318,097	4,625,376	4,809,867	4,556,186	4,723,408	5,094,822	5,139,068	5,297,842	5,650,983
Education	86,294,322	86,779,122	88,976,562	88,113,912	80,080,452	82,732,244	85,215,836	89,409,847	93,998,917	98,123,845
Interest on long-term debt	836,290	1,536,631	1,494,308	1,966,102	8,266,750	6,005,268	6,611,846	6,132,233	5,883,953	5,787,665
Total governmental activities expenses	198,019,871	200,216,365	203,627,205	204,172,913	195,109,239	205,364,290	212,158,326	230,539,247	247,709,805	250,700,191
Business-type activities:										
Public utilities	26,625,112	24,915,456	26,264,524	26,370,084	26,704,949	26,303,713	26,302,409	26,477,038	25,936,698	28,217,686
Airport	616,225	696,323	759,169	641,915	649,430	736,601	627,311	625,962	658,321	733,997
Total business-type activities expenses	27,241,337	25,611,779	27,023,693	27,011,999	27,354,379	27,040,314	26,929,720	27,103,000	26,595,019	28,951,683
Total expenses, Primary Government	$ 225,261,208	225,828,144	230,650,898	231,184,912	222,463,618	232,404,604	239,088,046	257,642,247	274,304,824	279,651,874
Program Revenues										
Governmental activities:										
Charges for services:										
General governmental administration	$ 1,798,980	1,919,228	2,015,327	1,989,140	1,919,543	1,945,854	1,687,666	1,847,076	2,362,301	2,414,877
Judicial administration	1,321,041	1,295,959	1,121,848	1,181,522	1,131,565	1,114,869	1,049,789	1,077,473	1,068,257	1,042,023
Public safety	3,354,180	4,170,594	3,077,467	4,261,351	4,520,561	4,828,466	4,664,786	5,181,569	4,924,849	5,703,634
Public works	1,132,817	1,347,446	1,260,824	1,172,975	1,270,579	1,021,198	1,106,528	1,715,083	2,428,584	2,579,622
Human services	3,748,484	3,876,950	3,332,257	3,400,041	3,563,282	3,462,587	3,338,548	3,346,538	3,230,466	3,455,355
Parks, recreation and cultural	543,768	571,427	498,989	477,202	523,055	456,682	480,162	554,834	255,579	657,269
Community development	789,276	725,907	1,005,930	926,660	973,409	1,077,596	1,204,089	1,166,607	1,280,476	1,212,482
Operating grants and contributions	16,020,098	17,075,125	16,696,451	15,906,997	17,090,061	16,135,262	16,575,846	19,167,150	18,643,069	18,980,164
Capital grants and contributions	4,474,879	2,521,940	1,993,464	3,477,420	4,400,177	6,157,602	5,331,207	5,697,464	14,202,534	8,901,635
Total governmental activities program revenues	33,183,523	33,504,576	31,002,557	32,793,308	35,392,232	36,200,116	35,438,621	39,753,794	48,396,115	44,947,061
Business-type activities:										
Charges for services:										
Public utilities	21,462,492	21,981,551	21,715,203	22,523,614	22,727,173	23,922,093	30,524,162	30,374,748	30,091,001	31,484,081
Airport (1)	170,730	178,080	184,550	189,662	194,468	207,379	207,288	215,748	221,383	227,988
Capital grants and contributions	5,961,957	5,289,134	4,936,335	8,634,930	10,021,676	8,745,545	3,282,212	6,131,327	8,094,840	4,232,942
Total business-type activities program revenues	27,595,179	27,448,765	26,836,088	31,348,206	32,943,317	32,875,017	34,013,662	36,721,823	38,407,224	35,945,011
Total program revenues, Primary Gment	$ 60,778,702	60,953,341	57,838,645	64,141,514	68,335,549	69,075,133	69,452,283	76,475,617	86,803,339	80,892,072
Net (Expense) Revenue										
Governmental activities	$ (164,836,348)	(166,711,789)	(172,624,648)	(171,379,605)	(159,717,007)	(169,164,174)	(176,719,705)	(191,055,453)	(199,313,690)	(205,753,130)
Business-type activities	353,842	1,836,986	(187,605)	4,336,207	5,588,938	5,834,703	7,083,942	9,618,823	11,812,205	6,993,328
Total net expense, Primary Government	$ (164,482,506)	(164,874,803)	(172,812,253)	(167,043,398)	(154,128,069)	(163,329,471)	(169,635,763)	(181,436,630)	(187,501,485)	(198,759,802)

(continued)

COUNTY OF HANOVER, VIRGINIA **Table 2**
Changes in Net Position (Unaudited)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015 (1)	2016	2017	2018 (2)	2019
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	$ 133,924,474	129,565,022	126,263,780	125,689,871	127,974,854	130,303,062	139,280,061	143,800,396	152,312,919	161,303,287
Sales taxes	15,118,688	15,981,340	16,607,323	17,357,257	18,158,255	19,201,921	19,886,580	20,752,689	22,037,982	22,863,888
Utility taxes	7,100,382	6,939,774	6,869,415	6,871,623	6,769,285	6,770,101	6,726,388	6,639,025	6,557,712	6,156,966
Recordation taxes	1,730,678	1,556,422	1,695,512	2,428,067	1,955,691	2,165,891	2,431,061	2,403,524	2,460,540	2,561,531
Other	2,127,589	2,378,684	2,190,557	2,184,430	2,387,749	2,552,378	2,835,584	3,024,186	3,266,880	3,576,388
Noncategorical State aid	14,948,811	14,716,447	14,746,150	14,850,432	15,273,372	15,107,698	15,322,281	15,390,161	15,433,308	15,550,167
Grants and contributions not restricted to specific programs	1,029,730	1,165,499	1,215,096	1,168,838	1,283,768	1,468,137	1,416,225	1,338,897	911,867	244,755
Unrestricted investment earnings	472,107	356,297	314,846	164,364	322,311	302,518	582,027	81,738	239,848	1,948,024
Transfers	(200,703)	(190,056)	(192,889)	(67,742)	-	(90,074)	(10,361)	(52,249)	(71,018)	(52,029)
Total general revenues and other changes in net position, governmental activities	176,251,756	172,469,429	169,709,790	170,647,140	174,125,285	177,781,632	188,469,846	193,378,367	203,150,038	214,152,977
Business-type activities:										
Public utilities - unrestricted investment earnings	349,481	153,045	110,750	56,861	110,332	104,280	188,316	49,582	112,532	1,004,559
Transfers - Airport fund	200,703	190,056	192,889	67,742	-	90,074	10,361	52,249	71,018	52,029
Total general revenues and other changes in net position, business-type activities	550,184	343,101	303,639	124,603	110,332	194,354	198,677	101,831	183,550	1,056,588
Total general revenues and other changes in net position, Primary Government	$ 176,801,940	172,812,530	170,013,429	170,771,743	174,235,617	177,975,986	188,668,523	193,480,198	203,333,588	215,209,565
Change in Net Position										
Governmental activities	$ 11,415,408	5,757,640	(2,914,858)	(732,465)	14,408,278	8,617,458	11,750,141	2,322,914	3,836,348	8,399,847
Business-type activities	904,026	2,180,087	116,034	4,460,810	5,699,270	6,029,057	7,282,619	9,720,654	11,995,755	8,049,916
Total change in net position, Primary Government	$ 12,319,434	7,937,727	(2,798,824)	3,728,345	20,107,548	14,646,515	19,032,760	12,043,568	15,832,103	16,449,763

Notes: (1) The County adopted GASB Statement Nos. 68 and 71 in fiscal year 2015. Prior years have not been adjusted for the effect of this statement on the change in net
(2) The County adopted GASB Statement No. 75 in fiscal year 2018. Prior years have not been adjusted for the effect of this statement on the change in net position.

COUNTY OF HANOVER, VIRGINIA **Table 3**

Fund Balances, Governmental Funds (Unaudited)

Last Ten Fiscal Years [(1)]

(modified accrual basis of accounting)

		Fiscal Year Ended June 30, 2010
General Fund:		
Reserved	$	1,466,750
Unreserved		
Designated		11,587,951
Undesignated		24,494,204
Total General Fund	$	37,548,905
All other governmental funds:		
Reserved	$	5,534,957
Unreserved, reported in:		
Capital projects funds:		
County Improvements Fund		10,305,801
School Improvements Fund		4,477,556
Special revenue funds		603,391
Total All Other Governmental Funds	$	20,921,705

Notes: (1) Source: County of Hanover, Virginia Comprehensive Annual Financial Reports for fiscal years indicated.

	Fiscal Year Ended June 30, (see note 1 below)								
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
General Fund:									
Nonspendable	$ 147,333	170,004	197,871	263,620	201,790	221,923	248,444	247,392	265,730
Restricted	532,845	467,104	581,242	975,241	892,123	894,106	693,755	868,647	924,397
Committed	2,500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Assigned	19,552,419	20,567,906	17,754,733	23,260,372	24,467,668	26,794,234	21,741,736	20,386,174	21,808,028
Unassigned	24,565,863	23,927,842	25,200,284	25,644,215	26,418,188	28,169,774	29,351,651	30,870,027	33,241,543
Total General Fund	$ 47,298,460	45,632,856	44,234,130	50,643,448	52,479,769	56,580,037	52,535,586	52,872,240	56,739,698
All other governmental funds: [(2)]									
Nonspendable	$ -	-	-	178,126.00	158,852	290,107	264,560	214,911	155,515
Restricted	6,103,928	4,113,255	4,878,185	26,801,595	24,100,147	23,664,172	22,321,649	11,813,267	19,619,407
Assigned	12,563,314	9,522,307	10,071,820	11,298,077	13,646,110	12,898,509	19,819,146	18,584,547	19,596,130
Total All Other Governmental Funds	$ 18,667,242	13,635,562	14,950,005	38,277,798	37,905,109	36,852,788	42,405,355	30,612,725	39,371,052

Notes: (1) GASB 54 classification of fund balances was implemented in fiscal year 2011.

(2) Includes the County Improvements Fund, the School Improvements Fund and the Debt Service Fund of the Primary Government.

COUNTY OF HANOVER, VIRGINIA **Table 4**

Changes in Fund Balances, Governmental Funds, (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

		Fiscal Year			
Primary Government:	2010	2011	2012	2013	2014
REVENUES					
General property taxes	$ 132,160,474	130,806,022	126,110,780	125,716,871	127,474,854
Other local taxes	26,077,337	26,856,220	27,362,807	28,841,377	29,270,980
Permits, privilege fees and regulatory licenses	1,493,234	1,771,735	1,555,734	2,117,648	2,172,162
Fines and forfeitures	1,145,092	1,234,619	1,123,148	1,122,896	1,142,444
Revenues from use of money and property	747,670	663,868	730,397	519,442	710,460
Charges for services	7,758,435	7,734,023	7,383,203	7,738,869	9,170,473
Miscellaneous	621,088	728,750	720,888	765,157	960,005
Recovered costs	3,366,236	3,939,877	3,899,087	4,085,951	3,743,137
Intergovernmental (state and federal)	32,739,887	32,981,600	32,212,010	32,350,451	34,174,720
Total revenues	206,109,453	206,716,714	201,098,054	203,258,662	208,819,235
EXPENDITURES					
General governmental administration	13,065,175	13,264,877	14,078,620	13,388,389	13,610,993
Judicial administration	4,452,332	4,238,674	4,365,516	4,625,522	5,602,584
Public safety	56,977,215	52,271,337	50,485,129	49,214,788	48,819,005
Public works	10,387,021	9,048,288	10,938,918	10,512,574	10,928,408
Human services	25,624,808	26,117,943	23,259,647	21,110,782	20,337,280
Parks, recreation and cultural	7,231,464	7,567,583	6,886,334	5,611,331	5,472,274
Community development	6,360,382	5,474,907	4,659,812	4,719,372	4,565,432
Education expenditures, for:					
Instruction, operations and administration	70,527,127	67,587,462	72,974,302	72,349,963	70,939,017
Capital outlay	7,868,873	7,700,153	6,591,609	1,863,441	1,632,012
Debt service:					
Principal retirement	11,932,672	11,111,792	10,502,253	10,723,304	-
Interest and fiscal charges	5,495,314	5,546,302	5,092,904	4,992,396	-
Total education, Primary Government	95,823,986	91,945,709	95,161,068	89,929,104	72,571,029
Debt service:					
Principal retirement	2,155,086	2,065,489	2,201,996	2,541,464	13,312,349
Interest and fiscal charges	862,522	1,518,217	2,001,749	1,957,177	6,451,957
Bond issuance costs	287,099	326,444	35,649	-	307,254
Total expenditures	223,227,090	213,839,468	214,074,438	203,610,503	201,978,565
Excess (deficiency) of revenues over (under) expenditures	(17,117,637)	(7,122,754)	(12,976,384)	(351,841)	6,840,670
OTHER FINANCING SOURCES (USES)					
Transfers in	9,930,074	9,196,315	10,061,563	4,123,000	23,595,558
Transfers out	(10,130,777)	(9,530,584)	(10,254,452)	(4,190,742)	(23,595,558)
Sale of capital assets	-	-	-	335,300	-
Bonds issued	27,228,580	12,809,071	6,471,989	-	22,896,441
Refunding bonds issued	-	5,660,579	-	-	-
Payments to escrow agent	-	(10,844,571)	-	-	-
Support agreement	-	7,327,036	-	-	-
Total other financing sources, net	27,027,877	14,617,846	6,279,100	267,558	22,896,441
Net change in fund balances	$ 9,910,240	7,495,092	(6,697,284)	(84,283)	29,737,111
County capital outlay (other than for education) contained in functional expenditure categories, above	$ 18,214,702	13,066,182	7,641,249	3,126,556	8,426,621
GASB 44 debt service disclosure (Primary Government): (2)					
Noncapital expenditures	$ 197,143,515	193,073,133	199,841,580	198,620,506	191,919,932
Debt service as a percentage of noncapital expenditures, Primary Government, governmental funds	10.4%	10.5%	9.9%	10.2%	10.3%
Self-imposed debt margin compliance (Total Reporting Entity): (1)					
Noncapital expenditures - total reporting entity	$ 296,946,733	289,156,980	295,486,002	294,560,877	290,620,815
Debt service as a percent of noncapital expenditures - total reporting entity	6.9%	7.0%	6.7%	6.9%	6.8%

Notes: **(1) Self-imposed debt limit information**

The Commonwealth of Virginia does not impose a legal debt limit on the amount of long-term indebtedness the County can incur or have outstanding. The Board of Supervisors, however, has imposed limits in the County's Debt Policy. For example, the County's debt policy provides that the annual debt service will not exceed ten percent of noncapital expenditures for the governmental funds of the reporting entity as a whole. For this purpose, capital outlay consists of total expenditures of the County and School Improvements Funds (Capital Projects Funds), and noncapital expenditures consist of total expenditures of the reporting entity, exclusive of the Capital Projects Funds. This table shows how the County has met this self-imposed debt limit for each of the past ten fiscal years. Information about additional self-imposed debt limits is presented on Table 9.

(2) GASB 44 debt service disclosure

This table also shows debt service as a percent of noncapital expenditures for the governmental funds of the primary government only (excluding component units), as required by GASB Statement No. 44. For this purpose, capital outlay is defined in accordance with GASB 44 as the amount of capital assets constructed or acquired during the fiscal year in accordance with the County's asset capitalization policy.

COUNTY OF HANOVER, VIRGINIA **Table 4**

Changes in Fund Balances, Governmental Funds (3), (Unaudited)

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year 2015	2016	2017	2018	2019	
					REVENUES
132,279,062	137,857,061	144,598,402	152,391,918	160,914,283	General property taxes
30,690,291	31,879,613	32,819,424	34,323,112	35,158,773	Other local taxes
2,126,778	2,143,668	2,192,797	2,198,363	2,440,338	Permits, privilege fees and regulatory licenses
1,086,243	1,002,872	1,033,165	1,010,284	986,439	Fines and forfeitures
796,077	1,260,668	706,628	1,054,226	2,925,216	Revenues from use of money and property
8,015,343	7,764,617	8,982,222	8,931,873	9,653,345	Charges for services
1,050,022	875,690	1,065,300	978,881	1,576,947	Miscellaneous
3,746,404	3,539,942	3,445,940	4,900,822	4,667,132	Recovered costs
36,088,750	35,946,025	39,241,368	46,264,286	40,921,536	Intergovernmental (state and federal)
215,878,970	222,270,156	234,085,246	252,053,765	259,244,009	Total revenues
					EXPENDITURES
15,080,859	16,799,922	17,695,118	22,657,863	19,210,640	General governmental administration
9,260,522	27,667,680	13,139,599	6,346,665	6,463,712	Judicial administration
52,259,053	54,722,857	56,060,444	64,089,189	62,841,589	Public safety
14,300,650	14,374,485	18,779,795	27,725,516	21,778,298	Public works
20,978,177	21,640,679	22,172,932	23,769,039	25,496,769	Human services
5,748,956	6,116,007	6,161,919	6,856,335	7,678,142	Parks, recreation and cultural
4,824,351	5,120,515	5,077,614	5,550,600	6,046,934	Community development
					Education expenditures, for:
71,361,872	72,803,686	76,666,934	80,582,583	82,871,239	Instruction, operations and administration
6,188,679	3,527,024	7,224,396	10,199,131	11,413,274	Capital outlay
					Debt service:
-	-	-	-	-	Principal retirement
-	-	-	-	-	Interest and fiscal charges
77,550,551	76,330,710	83,891,330	90,781,714	94,284,513	Total education, Primary Government
					Debt service:
12,581,509	12,477,200	12,788,637	12,945,718	13,407,335	Principal retirement
6,728,512	6,811,762	6,763,982	6,720,089	6,365,400	Interest and fiscal charges
246,024	289,742	40,116	99,255	195,341	Bond issuance costs
219,559,164	242,351,559	242,571,486	267,541,983	263,768,673	Total expenditures
(3,680,194)	(20,081,403)	(8,486,240)	(15,488,218)	(4,524,664)	Excess (deficiency) of revenues over (under) expenditures
					OTHER FINANCING SOURCES (USES)
27,503,653	26,712,119	33,891,124	29,830,816	32,105,142	Transfers in
(27,593,727)	(26,722,480)	(33,943,373)	(29,901,834)	(32,157,171)	Transfers out
-	-	-	-	-	Sale of capital assets
5,014,371	23,139,711	10,046,605	4,044,300	17,202,478	Bonds issued
23,903,469	-	-	1,548,284	-	Refunding bonds issued
(23,683,940)	-	-	(1,489,324)	-	Payments to escrow agent
-	-	-	-	-	Support agreement
5,143,826	23,129,350	9,994,356	4,032,242	17,150,449	Total other financing sources, net
1,463,632	3,047,947	1,508,116	(11,455,976)	12,625,785	**Net change in fund balances**
9,174,311	30,947,021	14,701,082	16,124,188	11,042,197	County capital outlay (other than for education) contained in functional expenditure categories, above
					GASB 44 Debt Service Disclosure (primary government): (2)
204,196,174	207,877,514	220,646,008	241,218,664	241,313,202	Noncapital expenditures
9.5%	9.3%	8.9%	8.2%	8.2%	Debt service as a percentage of noncapital expenditures, Primary Government, governmental funds
					Self-imposed debt margin compliance (total reporting entity): (1)
303,333,119	307,134,844	318,829,642	331,834,249	341,092,828	Noncapital expenditures - total reporting entity
6.4%	6.3%	6.1%	5.9%	5.8%	Debt service as a percent of noncapital expenditures - total reporting entity

To assist the reader, the fiscal year 2019 percentages, calculated in accordance with the County's self-imposed debt margin, and with GASB 44, respectively, are as follows:

Debt Margin Information (1), (2)

Fiscal Year 2019	**Self-imposed**	**GASB 44**
	Total Reporting Entity (Note 1)	Primary Government (Note 2)
Total expenditures	$ 370,729,429	263,768,673
Less:		
Capital Outlay	(29,636,601)	(22,455,471)
Noncapital expenditures	$ 341,092,828	241,313,202
Debt service expenditures	$ 19,968,076	19,772,735
As a % of noncapital expenditures	5.9%	8.2%

COUNTY OF HANOVER, VIRGINIA **Table 5**

Assessed Value and Estimated Actual Value of Taxable Property [1,2] (Unaudited)

Last Ten Fiscal Years

Fiscal Year		Real Estate	Personal Property	Machinery and Tools (3)	Merchant's Capital	Public Service Corporations (4)	Total Taxable Assessed Value	Total Direct Tax Rate (5)	Estimated Actual Taxable Value (6)	Taxable Assessed Value as a % of Actual Taxable Value
2010	$	13,200,604,700	1,289,239,482	49,736,420	53,188,390	710,146,172	15,302,915,164	1.05	16,555,688,273	92.4%
2011		12,976,492,850	1,317,726,666	46,767,920	56,331,127	636,154,791	15,033,473,354	1.06	16,251,114,190	92.5%
2012		12,473,065,850	1,305,637,852	48,382,950	50,402,585	640,206,513	14,517,695,750	1.06	15,721,793,938	92.3%
2013		12,085,083,900	1,362,897,839	52,410,151	54,335,585	641,273,699	14,196,001,174	1.09	15,420,048,309	92.1%
2014		12,811,773,150	1,393,705,252	47,093,690	57,047,845	623,384,698	14,933,004,635	1.08	16,153,767,752	92.4%
2015		13,826,817,650	1,452,694,995	49,984,140	63,368,410	599,981,428	15,992,846,623	1.07	17,293,606,269	92.5%
2016		14,289,819,850	1,565,166,980	58,997,854	67,922,205	624,325,439	16,606,232,328	1.08	18,017,370,030	92.2%
2017		14,858,279,800	1,643,589,209	53,077,040	76,493,600	634,456,928	17,265,896,577	1.08	18,668,289,972	92.5%
2018		15,542,711,200	1,701,821,785	65,753,420	83,535,805	645,117,718	18,038,939,928	1.08	19,584,696,258	92.1%
2019		15,965,286,280	1,752,501,610	56,346,000	97,545,290	719,110,278	18,590,789,458	1.08	20,092,378,612	92.5%
% Change		2.7%	3.0%	-14.3%	16.8%	11.5%	3.1%		2.6%	
% Ch. Since 2010		20.9%	35.9%	13.3%	83.4%	1.3%	21.5%		21.4%	
% of Total		85.9%	9.4%	0.3%	0.5%	3.9%	100.0%			

Notes: (1) Assessed values of all classes of property approximate market value as of assessment date, unless otherwise noted, and is shown for each period for which taxes are levied.

(2) Real property is assessed as of January 1 each year, with the resulting taxes being payable in two equal installments, on June 5 and October 5. Personal property is assessed as of January 1 each year, with payment due on February 5 of the following year.

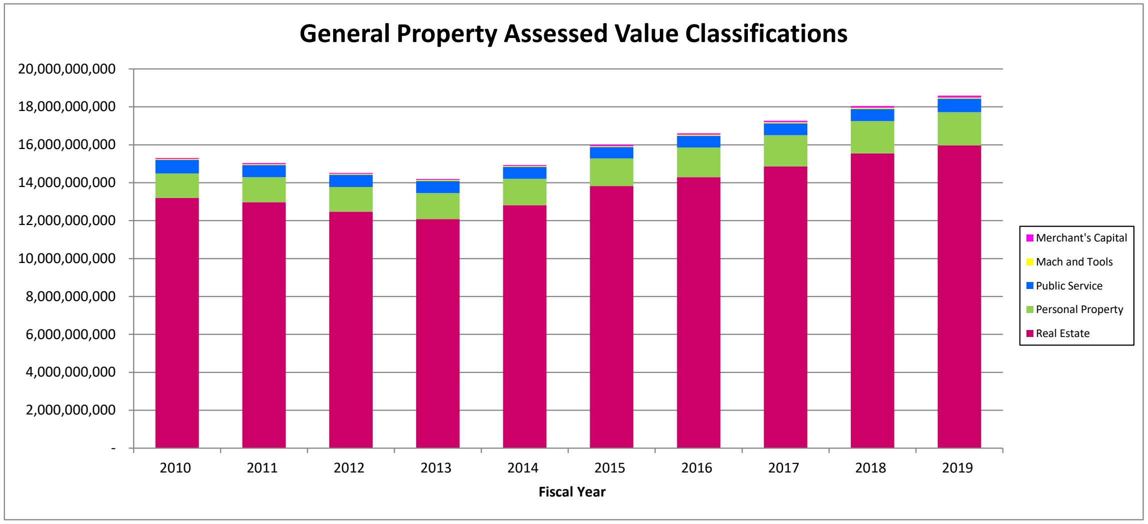
(3) Machinery and tools are assessed at 10% of cost. Litigation with Bear Island resulted in additional supplemental billing in 2015, based on prior years (2012-2014) tax basis. This resulted in 2015 showing an assessed value of $127,046,115. Adjustments to determine the actual tax basis in prior years was calcuated, in applying the retro-adjustments to 2015 for purposes of evaluating a more realistic tax basis in 2015.

(4) The assessed values of Public Service Corporation real and personal property are determined by the State Corporation Commission.

(5) The total direct tax rate for each fiscal year is per $100 of assessed valuation, calculated on the weighted average basis.

(6) Market valuation estimates include: machinery and tools estimated at 90% of cost, real estate (including Public Service Corporation real estate) based on traditional 105% sales/assessment ratio, personal property based on 112% trade to book ratio.

Source: County of Hanover, Virginia Treasurer's Office and Commissioner of Revenue's Office



COUNTY OF HANOVER, VIRGINIA **Table 6**

Direct and Overlapping Property Tax Rates (Unaudited)

Last Ten Calendar (Tax) Years

Calendar (Tax) Year (1)	County of Hanover, Virginia Direct Rates (1,2): Real Property	Power Generating Equipment	Personal Property	Fire and Rescue Volunteers	Aircraft	Machinery and Tools	Merchant's Capital	County Total Direct Tax Rate For each *Fiscal* Year Shown (3)	Town of Ashland (Overlapping Rates) (4): Real Property	Personal Property	Machinery and Tools
2010	$ 0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.05	0.09	0.77	0.77
2011	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.06	0.09	0.77	0.77
2012	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.06	0.09	0.77	0.77
2013	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.09	0.09	0.77	0.77
2014	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2015	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.07	0.09	0.77	0.77
2016	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2017	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2018	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2019	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.10	0.77	0.77
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	11.1%	0.0%	0.0%
% Ch. Since 2010	0.0%	47.3%	0.0%	0.0%	0.0%	0.0%	0.0%	2.9%	11.1%	0.0%	0.0%

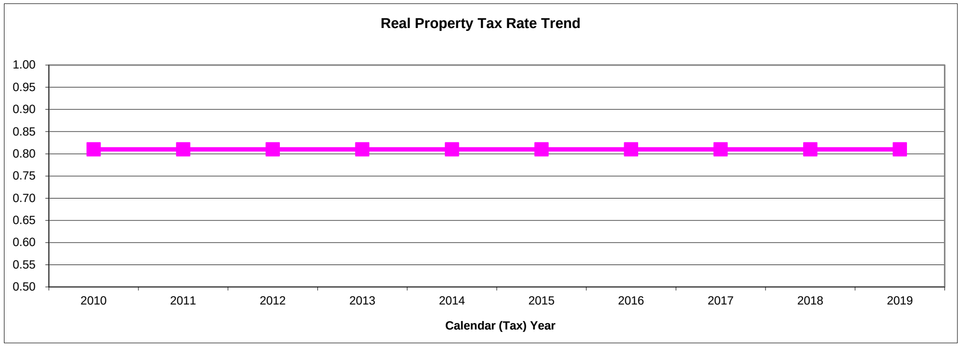
Notes: (1) The individual tax rates are per $100 of assessed value, which is generally determined as of January 1 of each year, and are used to determine tax payments due within the same calendar (tax) year.

(2) Real property taxes are payable in two equal installments, on June 5 and October 5. Personal property taxes are due on February 5 of the following calendar year.

(3) The County prepares its budgets and its Comprehensive Annual Financial Report on a fiscal year basis (July 1 through June 30), as required by Section 15.2-2500 of the Code of Virginia, and levies taxes to support County activities for the fiscal year in which the tax payments are due. Accordingly, the Total Direct Tax Rates are applicable to the fiscal year for which the taxes are levied and due. The total direct tax rates are calculated per $100 of assessed valuation and calculated on the weighted average basis.

(4) These overlapping rates are in addition to the County rates, but only apply to taxpayers owning property within the borders of the Town of Ashland, Virginia, which lies within the County.

Source: Hanover County Commissioner of the Revenue's Office and Treasurer's Office and Town of Ashland



COUNTY OF HANOVER, VIRGINIA **Table 7**

Principal Property Tax Payers (1) (Unaudited)
Current Year and Nine Years Ago

		2019			2010		
Taxpayer	Type of Business	General Property Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	General Property Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Virginia Electric and Power Company	Electric company	$ 274,641,317	1	1.5%	$ 132,289,548	2	0.9%
Doswell Limited Partnership	Power Generation Facility	236,060,888	2	1.3%	327,710,641	1	2.1%
Memorial Regional Medical Center	Hospital/medical center	127,210,700	3	0.7%	119,736,190	3	0.8%
Cedar Fair Southwest(2018)/Paramount Parks(2010)	Entertainment	102,696,239	4	0.6%	81,373,970	4	0.5%
Covenant Woods	Nursing home	91,196,124	5	0.5%	39,077,850	9	0.3%
Virginia Natural Gas	Natural gas distributor	61,530,685	6	0.3%		n/a	-
Verizon Virginia	Telecommunications	48,754,256	7	0.3%	58,647,773	5	0.4%
Rappahannock Electric Coop	Electric company	39,757,291	8	0.2%	36,930,808	10	0.2%
Richfood, Inc.	Grocery Wholesale	38,744,947	9	0.2%	46,460,790	6	0.3%
Wal-mart Real Estate Business Trust/Wal-mart Stores	Retail Business	31,686,549	10	0.2%		n/a	0.0%
Richmond Newspaper, Inc./Media General, Inc.	Newspaper publisher		n/a	0.0%	46,010,680	7	0.3%
Bear Island Paper Company	Paper Mill		n/a	0.0%	45,697,755	8	0.3%
		$ 1,052,278,996		5.7%	$ 933,936,005		6.1%
Total taxable assessed values		$ 18,590,789,458			$ 15,302,915,164		

Notes: (1) Source: Hanover County Commissioner of the Revenue's Office
(2) n/a = not applicable (taxpayer not in top 10 taxpayers of applicable year)

COUNTY OF HANOVER, VIRGINIA **Table 8**

Property Tax Levies and Collections (Unaudited)

Last Ten Fiscal Years

Fiscal Year	General Property Taxes Levied for the Fiscal Year (1,2)	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date as of June 30, 2019: Amount	Total Collections to Date as of June 30, 2019: Percentage of Levy
2010	$ 142,757,714	137,896,486	96.6%	4,858,380	142,754,866	100.0%
2011	141,464,681	136,643,777	96.6%	4,818,862	141,462,639	100.0%
2012	138,147,691	136,569,536	98.9%	1,569,881	138,139,417	100.0%
2013	136,956,978	135,351,034	98.8%	1,588,244	136,939,278	99.8%
2014	138,899,948	137,555,596	99.0%	1,309,046	138,864,642	99.8%
2015	144,003,614	143,368,974	99.6%	401,195	143,770,169	99.6%
2016	147,705,971	144,943,605	98.1%	2,371,405	147,315,010	99.1%
2017	157,129,677	154,661,526	98.4%	1,707,853	156,369,379	98.4%
2018	164,152,649	161,148,623	99.5%	1,788,964	162,937,587	99.3%
2019	172,172,776	169,675,177	98.5%	-	169,675,177	98.5%

Notes: (1) Source: County of Hanover, Virginia Treasurer's Office

(2) Total tax levies include the Commonwealth of Virginia's personal property tax relief reimbursements, and are net of supplemental levies for prior fiscal years, abatements, land use deferrals and tax relief in each fiscal year. The levies exclude special assessments on behalf of the Bell Creek and Lewistown Community Development Authorities and curbside recycling districts.

COUNTY OF HANOVER, VIRGINIA **Table 9**

Ratios of Outstanding Debt by Type, and
Self-Imposed Debt Limit Information (3) (Unaudited)
Last Ten Fiscal Years

	Governmental Activities										
	General Bonded Debt Outstanding (1)										
Fiscal Year	General Obligation Bonds	Virginia Public School Authority Bonds	State Literary Fund Loans	Total General Bonded Debt	Estimated Actual Value of Taxable Property	Percent of General Bonded Debt to Estimated Actual Value of Taxable Property	Population (2)	General Bonded Debt per Capita	Infrastructure and State Moral Obligation Revenue Bonds	Capital Leases	Support Agreement
2010	$ 110,157,033	52,027,571	5,552,750	167,737,354	16,555,688,273	1.0%	100,408	1,671	-	3,330,677	-
2011	115,745,603	46,756,541	-	162,502,144	16,251,114,190	1.0%	100,822	1,612	-	2,712,424	7,314,184
2012	107,857,328	48,885,099	-	156,742,427	15,721,793,938	1.0%	101,586	1,543	-	2,355,572	6,681,332
2013	99,349,768	44,497,391	-	143,847,159	15,420,048,309	0.9%	102,623	1,402	-	2,256,096	5,963,481
2014	90,596,851	42,302,195	-	132,899,046	16,153,767,752	0.8%	104,124	1,276	20,849,280	2,166,620	5,250,629
2015	82,248,421	43,338,840	-	125,587,261	17,293,606,269	0.7%	105,456	1,191	20,818,270	2,077,143	4,547,777
2016	73,803,009	39,555,423	-	113,358,432	18,017,370,030	0.6%	107,152	1,058	43,782,481	1,982,667	3,844,925
2017	67,513,286	45,691,844	-	113,205,130	18,668,289,972	0.6%	108,706	1,041	43,421,982	1,883,191	3,152,074
2018	59,173,311	41,594,579	-	100,767,890	19,584,696,258	0.5%	110,250	914	42,571,482	5,887,085	2,464,221
2019	51,003,400	42,667,356	-	93,670,756	19,584,696,258	0.5%	110,250	850	53,776,786	4,955,594	2,001,370
% Change	-13.8%	2.6%	0.0%	-7.0%	0.0%	-7.0%	0.0%	-7.0%	26.3%	-15.8%	-18.8%
% Ch. Since 2010	-53.7%	-18.0%	-100.0%	-44.2%	18.3%	-52.8%	9.8%	-49.1%	100.0%	48.8%	100.0%

	Business-type Activities		Total Primary Government					Self-Imposed Debt Limit Information (3)			
				Demographic Information							
Fiscal Year	Revenue Bonds	Support Agreement	Total Primary Government	Total Personal Income (2) (000's)	Per Capita Personal Income (2)	Total Primary Government Debt as a Percentage of Personal Income	Total Primary Government Debt Per Capita	Outstanding Debt Funded by General Governmental Expenditures (4)	Ratio of Outstanding Debt Funded by General Governmental Expenditures to Assessed Value (4)	Outstanding Debt Funded by General Governmental Expenditures per Capita (5)	Ratio of Total General Bonded Debt per Per Capita Income (6)
2010	$ 34,612,657	-	205,680,688	4,426,942	44,090	4.6%	2,048	171,068,031	1.1%	1,704	3,804
2011	21,887,907	10,562,075	204,978,734	4,678,071	46,399	4.4%	2,033	172,528,752	1.1%	1,711	3,502
2012	20,943,819	9,172,282	195,895,432	4,873,271	47,972	4.0%	1,928	165,779,331	1.1%	1,632	3,267
2013	19,951,453	7,792,489	179,810,678	4,944,675	48,183	3.6%	1,752	152,066,736	1.1%	1,482	2,985
2014	19,525,241	6,432,696	187,123,512	5,279,770	50,707	3.5%	1,797	161,165,575	1.1%	1,548	2,621
2015	18,970,376	5,077,903	177,078,730	5,698,817	54,040	3.1%	1,679	153,030,451	1.0%	1,451	2,324
2016	17,581,614	3,723,110	184,273,229	5,894,200	55,008	3.1%	1,752	162,968,505	0.9%	1,521	2,061
2017	16,321,357	2,375,964	173,101,827	6,166,168	56,723	2.8%	1,570	154,404,506	0.9%	1,400	1,651
2018	15,026,887	1,015,979	167,733,544	6,253,749	56,723	2.7%	1,521	151,690,678	0.8%	1,376	1,776
2019	13,677,986	310,000	168,392,492	6,314,726	56,723	2.7%	1,527	154,404,506	0.9%	1,400	1,651
% Change	-9.0%	-69.5%	0.4%	1.0%	0.0%	-0.6%	0.4%	1.8%	7.0%	1.8%	-7.0%
% Ch. Since 2010	-60.5%	100%	-18.1%	42.6%	28.7%	-42.6%	-25.4%	-9.7%	-23.4%	-17.8%	-56.6%

Notes:

(1) See Financial Statement Note IV-E for additional information on outstanding debt. The County's general bonded debt is direct debt.

(2) Population estimates at June 30th for each year from Hanover County Planning Department. Per Capita Personal Income is calculated by dividing Personal Income by the population estimate for each fiscal year. Personal income data for 2010 through 2017 (the last year available) is obtained from the Bureau of Economic Analysis, U.S.Department of Commerce. Per Capita Personal Income for 2018 and 2019 is assumed to be equal to 2017, the last year for which Personal Income data is available from the U.S. Department of Commerce. Personal Income amounts for 2018 and 2019 are calculated by multiplying the population estimates by the Per Capita Personal Income estimates for each year.

(3) **Self-imposed debt limit information:**
The Commonwealth of Virginia does not impose a legal limit on the amount of long-term indebtedness the County can incur or have outstanding. The Board of Supervisors, however, has imposed limits in the County's Debt Policy. These limits, and relevant information pertaining to them are described in this table, and on Table 4 of this Statistical Section.

(4) The County's debt policy provides that outstanding debt funded by general government expenditures as a percentage of Assessed Value will not exceed 2.5 percent. Outstanding debt funded by general governmental expenditures includes general bonded debt, infrastructure and state moral obligation debt, governmental activity capital lease obligations, and governmental activies support agreements presented above.

(5) The County's debt policy provides that outstanding debt funded by general government expenditures per Capita will not exceed $1,900 at June 30, 2007, growing at two percent annually ($2,409 for fiscal year 2019).

(6) The County's debt policy provides that general bonded debt per Per Capita Income will not exceed $5,000.

COUNTY OF HANOVER, VIRGINIA **Table 10**

Pledged Revenue Coverage (1) (Unaudited)
Last Ten Fiscal Years

Utility - Water and Sewer Revenue Bonds

Fiscal Year	Utility Revenues (2,7)	Less: Operating Expenses (3)	Net Available Revenues	Debt Service Requirements: Principal	Debt Service Requirements: Interest	Net Available Revenues Coverage (4)	Utility - Debt Covenant Coverage Ratio (1,5): Debt Service: Senior Debt Service	Debt Service: Subordinate Debt Service	Debt Covenant Coverage Test
2010	$ 24,194,254	17,331,485	6,862,769	1,947,116	1,803,348	1.8	3,583,203	167,261	1.6
2011	25,293,064	15,245,233	10,047,831	1,968,672	1,772,376	2.7	3,570,322	170,726	2.3
2012	25,048,715	16,458,146	8,590,569	1,986,020	1,559,074	2.4	3,378,974	166,120	2.1
2013	27,320,235	16,487,597	10,832,638	2,006,019	1,508,668	3.1	3,349,252	165,435	2.7
2014	28,940,235	16,732,863	12,207,372	2,296,831	1,001,088	3.7	3,297,919	-	3.2
2015	29,549,906	16,531,486	13,018,420	2,406,830	884,863	4.0	3,291,693	-	3.4
2016	30,835,377	16,545,081	14,290,296	2,418,471	593,230	4.7	3,011,701	-	4.1
2017	30,424,331	16,679,572	13,744,759	2,321,830	656,573	4.6	2,978,403	-	4.0
2018	30,203,533	16,038,366	14,165,167	2,351,830	501,997	5.0	2,853,827	-	4.3
2019	32,488,640	18,045,117	14,443,523	1,776,831	443,218	6.5	2,220,049	-	5.7
% Change			2.0%	-24.4%	-11.7%	31.1%	-22.2%	0.0%	31.1%
% Ch. Since 2010			110.5%	-8.7%	-75.4%	255.5%	-38.0%	-100.0%	253.5%

Airport Revenue Bond

Fiscal Year	Rent received from Airport Fixed Base Operator	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements: Principal	Debt Service Requirements: Interest	Available Revenues Coverage (5)	Airport - Debt Covenant Coverage Ratio (1,6): Rent Received	Restricted cash - (used during current FY or available at FYE for debt service)	Lessee irrevocable letter of credit pledged for satisfaction of debt covenant ratio	Debt Covenant Coverage Test
2010	$ 152,748	-	152,748	57,640	86,337	1.1	152,748	12,361	36,000	1.4
2011	157,330	-	157,330	60,605	83,372	1.1	157,330	-	36,000	1.3
2012	162,050	-	162,050	63,723	80,254	1.1	162,050	-	36,000	1.4
2013	166,912	-	166,912	67,001	75,274	1.2	166,912	-	36,000	1.4
2014	171,919	-	171,919	70,448	71,740	1.2	171,919	-	36,000	1.5
2015	177,077	-	177,077	74,072	68,024	1.2	177,077	-	36,000	1.5
2016	182,388	-	182,388	77,883	64,116	1.3	182,388	-	36,000	1.5
2017	187,848	-	187,848	81,889	60,008	1.3	187,848	-	36,000	1.6
2018	193,483	-	193,483	86,102	55,688	1.4	193,483	-	36,000	1.6
2019	199,288		199,288	90,532	51,146	1.4	199,288	-	36,000	1.7
% Change			3.0%	5.1%	-8.2%	3.1%	3.0%	0.0%	0.0%	2.6%
% Ch. Since 2010			30.5%	57.1%	-40.8%	32.6%	30.5%	-100.0%	0.0%	18.9%

Notes: (1) Further information on the County's revenue bonds can be found in Note IV-E to the accompanying basic financial statements.

(2) Utility revenues exclude donated capital assets.

(3) Utility operating expenses exclude depreciation.

(4) The net available revenues coverage equals net available revenues divided by total debt service requirements.

(5) The utility debt covenant coverage ratios assist users to assess the County's legal compliance with its utility debt service covenant requirements. The County's water and sewer revenue bonds debt covenant requires the ratio of utilities net available revenues divided by the sum of 115% of senior debt service and 100% of subordinate debt service to exceed 1.0.

(6) During fiscal 2007, the County issued an airport revenue bond, secured by rent from the airport's fixed base operator. The airport bond had no debt service requirement or debt covenant requirement for fiscal 2007. Beginning in fiscal year 2008, the County's airport debt covenant required the ratio of the sum of rent received from the airport's fixed base operator, restricted cash used during the fiscal year (FY) or available at fiscal year-end (FYE) for airport bond debt service, and the amount of any lessee irrevocable letter of credit, divided by the airport bond principal and interest paid during the fiscal year to equal or exceed 1.25. The lease agreement with the airport's fixed base operator contains scheduled rent increases consistent with the availability of the property to the lessee, designed to meet the debt covenant coverage requirement during the lease term.

(7) Utility revenues do not include exercise of oversize credits, which are reported as capital contributions on Exhibit 8 of the financial statements.

COUNTY OF HANOVER, VIRGINIA **Table 11**

Demographic Statistics (Unaudited)

Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (1) *(000's)*	Per Capita Personal Income (1)	Median Age (2)	Unemployment Rate (3)	School Enrollment (4)	School Instructional Positions (5)	School Enrollment to Instructional Positions Ratio
2010	100,408	$ 4,426,942	44,090	40.4	6.6%	18,420	1,569	11.7
2011	100,822	4,678,071	46,399	40.8	6.0%	18,191	1,489	12.2
2012	101,586	4,873,271	47,972	41.2	5.5%	18,125	1,487	12.2
2013	102,623	4,944,675	48,183	41.5	5.1%	17,942	1,426	12.6
2014	104,124	5,279,770	50,707	41.8	4.6%	17,952	1,410	12.7
2015	105,456	5,698,817	54,040	41.9	3.9%	17,734	1,445	12.3
2016	107,152	5,894,200	55,008	42.4	3.5%	17,776	1,442	12.3
2017	108,706	6,166,168	56,723	42.6	3.3%	17,751	1,463	12.1
2018	110,250	6,253,749	56,723	42.6	2.6%	17,671	1,472	12.0
2019	111,325	6,314,726	56,723	42.6	2.6%	17,462	1,481	11.8
% Change	1.0%	1.0%	0.0%	0.0%	0.0%	-1.2%	0.6%	-1.8%
% Ch. Since 2010	10.9%	42.6%	28.7%	5.4%	-60.6%	-5.2%	-5.6%	0.4%

Notes:

(1) Population estimates at June 30th for each year from Hanover County Planning Department. Per Capita Personal Income is calculated by dividing Personal Income by the population estimate for each fiscal year. Personal income data for 2010 through 2017 (the last year available) is obtained from the U. S. Department of Commerce, Bureau of Economic Analysis. Per Capita Personal Income for 2018 and 2019 is assumed to be equal to 2017, the last year for which Personal Income data is available from the U.S. Department of Commerce, Bureau of Economic Analysis. Personal Income amounts for 2018 and 2019 are calculated by multiplying the population estimates by the Per Capita Personal Income estimates for each year.

(2) U. S. Department of Commerce, Census Bureau

(3) Virginia Employment Commission

(4) Hanover County School Board (30th day enrollment for school fiscal year).

(5) Hanover County School Board (instructional positions include teachers, guidance counselors, librarians and other instructional-related positions).

COUNTY OF HANOVER, VIRGINIA **Table 12**

Principal Employers (1) (Unaudited)

Current Year and Nine Years Ago

Employer	Type of Business	2018 Employees	2018 Rank	2018 Percentage of Total County Employment (2)	2009 Employees	2009 Rank	2009 Percentage of Total County Employment (2)
Hanover County Schools	Education	2,491	1	4.3%	2,973	1	5.4%
Bon Secours Memorial Regional Medical	Hospital/Medical Center	1,000 and over	2	3.4%	1,000 and over	2	3.7%
Kings Dominion	Entertainment	1,000 and over	3	3.4%	500-999	7	1.4%
County of Hanover	Government	1,165	4	2.0%	1,183	3	2.2%
RMC Events	Administrative and Support Services	500-999	5	1.3%		n/a	
Wal-Mart Stores	Retail	500-999	6	1.3%	500-999	8	1.4%
Owens & Minor Medical Inc	Physicians Equip & Supls-Mfrs	500-999	7	1.3%		n/a	
Tyson Farms	Food Manufacturing	500-999	8	1.3%	500-999	4	1.4%
Supervalu Distribution Center (2018)/Richfood(2009)	Food Distributor	500-999	9	1.3%	500-999	5	1.4%
Sales Mark	Professional, Scientific, and Technical Services	500-999	10	1.3%		n/a	
Randolph-Macon College	Education		n/a		500-999	6	1.4%
Food Lion	Retail		n/a		250-499	9	0.7%
Bass Pro Shops Outdoor World	Retail		n/a		250-499	10	0.7%
Totals				**20.8%**			**18.1%**
Total County Employment (3)		**58,367**			**54,576**		

Notes:

(1) Sources: County and Schools employment levels provided by the Hanover County Department of Finance and Management Services, Budget Division. Other data provided by the Virginia Employment Commission (VEC). Employment levels represent full-time equivalents. The most recent year for which this data is available is 2018.

(2) Employment ranges for the private sector are as published by the VEC to ensure confidentiality. Percentages are based on the midpoint of the employment range.

(3) VEC Annual not Seasonally Adjusted Labor Force

(4) Due to the conversion over to a new human resource system and additional corrections by the schools, FTEs restated for FY17 for Schools Operating Fund and Food Services Fund will not match the totals listed in prior years.

(5) Due to the Amended FTE being used instead of the Adopted FTE, the FY18 Primary Government amount has been revised from the 6/30/18 CAFR reporting. In mid-FY18, the Board added 9 Public Safety (SAFER) and 4 Human Services.

COUNTY OF HANOVER, VIRGINIA **Table 13**

Full-time Equivalent Government Employees by Function (1) (Unaudited)

Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Function/Program										
Primary government:										
General governmental administration	141	137	132	123	130	132	133	135	137	139
Judicial administration	59	57	57	55	57	59	64	68	70	72
Public safety (5)	474	464	462	449	449	464	489	501	525	539
Public works (2)	73	60	88	83	83	83	86	86	88	88
Human services (5)	226	198	189	183	181	182	185	188	194	199
Parks, recreation and cultural	50	37	37	33	32	32	31	31	31	31
Community development	35	29	29	25	24	24	24	24	25	25
Public utilities	96	95	95	93	91	91	93	94	94	94
Fleet management (3)	29	29	-	-	-	-	-	-	-	-
Self insurance fund	1	1	1	1	1	1	1	1	1	1
Totals - Primary government	1,184	1,107	1,090	1,045	1,048	1,068	1,106	1,128	1,165	1,188
Component Unit:										
School Board (4)	2,678	2,544	2,532	2,462	2,438	2,456	2,466	2,482	2,491	2,503
Total:	3,862	3,651	3,622	3,507	3,486	3,524	3,572	3,610	3,656	3,691

Notes:
(1) Source: Hanover County Department of Finance and Management Services, Budget Division.

(2) Includes Airport Fund.

(3) In FY12, Facilities Management, General Services, and Fleet Management were merged together as General Services. Fleet Management is now part of the General Fund and no longer an Internal Service Fund.

(4) Due to a human resource system conversion and additional corrections identified by the schools, the FY17 School FTE amount has been revised from the 6/30/17 CAFR reporting.

(5) Due to the Amended FTE being used instead of the Adopted FTE, the FY18 Primary Government amount has been revised from the 6/30/18 CAFR reporting. In mid-FY18, the Board added 9 Public Safety (SAFER) and 4 Human Services.

COUNTY OF HANOVER, VIRGINIA
Operating Indicators by Function (1,2) (Unaudited)
Last Ten Fiscal Years

Table 14

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Fiscal Year									
Primary government:										
General governmental administration										
Number of registered voters	68,294	68,968	71,832	71,010	71,828	72,268	75,126	76,303	78,089	79,426
Number of real estate transfers	2,874	2,800	3,027	3,065	3,256	3,606	4,003	4,079	3,881	4,016
State income tax returns processed	7,757	7,545	8,696	7,514	7,854	7,600	6,268	6,717	6,157	7,140
Judicial administration										
Judgments docketed	3,740	4,321	4,041	3,543	3,114	2,975	2,958	2,863	3,588	3,627
Public safety										
Sheriff incidents	40,189	46,077	38,819	37,125	37,891	34,474	38,046	36,726	37,779	39,137
Number of sworn officers	201	201	201	201	207	211	207	215	221	226
Fire/EMS incidents	11,705	13,381	14,216	13,620	15,740	15,854	13,256	13,882	14,667	14,624
Animal control incidents	7,029	6,720	6,485	6,009	6,233	5,877	5,815	4,944	4,774	5,171
Commercial building plan reviews	439	377	414	412	412	506	490	494	556	462
Residential building plan reviews	1,025	1,092	1,098	1,278	1,381	1,462	1,549	1,536	1,437	1,468
Public works										
Tons of solid waste received	37,700	37,600	36,599	32,571	32,198	44,651	48,336	60,483	66,456	72,624
Tons of solid waste recycled	18,000	18,500	20,000	21,418	15,141	11,970	14,217	10,563	6,646	1,522
Human services										
Communicable disease visits/investigations	429	262	405	370	268	555	679	929	891	331
Immunization visits (3)	9,454	1,210	312	636	471	311	391	265	284	484
Restaurant inspection visits (5)	560	894	710	911	815	939	974	1,262	1,049	900
Social services lobby visits	15,377	17,632	20,027	19,018	17,681	15,541	14,700	16,934	16,731	16,112
Social services New Benefit Program Customers (4)	701	850	792	681	786	520	687	523	560	714
Number of Hanover Youth Service Council (HYSC) projects	39	48	48	44	43	37	36	34	41	37
HYSC Volunteer hours reported	1,406	1,793	1,847	1,353	1,576	1,080	1,183	1,116	961	692
Parks, recreation and cultural										
Active Library borrowers	65,558	74,382	79,700	80,553	80,642	82,096	83,785	84,865	65,405	66,418
Internet sessions	114,945	150,295	103,700	134,980	142,545	141,492	130,315	121,065	106,354	92,385
Library reference questions answered	295,810	356,454	365,265	330,062	375,526	384,223	388,748	381,262	397,956	388,567
Community development										
Economic development services to existing/prospective businesses	311	311	286	253	212	479	405	444	476	461
Public utilities										
Water customers	20,125	20,381	20,592	19,198	19,647	19,995	20,488	20,905	21,328	21,585
Wastewater customers	18,367	18,604	18,816	18,640	19,098	19,428	19,929	20,343	20,761	21,019
Daily average water distributed (million gallons/day)	8.70	9.04	8.70	8.60	8.56	8.90	8.90	9.15	8.21	8.80
Maximum daily water capacity (million gallons/day)	19.95	19.95	19.95	19.95	19.95	19.95	19.95	25.00	25.00	25.00
Daily average wastewater treatment (million gallons/day)	6.93	6.94	6.07	5.99	6.79	5.80	7.07	6.66	6.30	7.70
Maximum daily capacity of wastewater treatment plant (mg/d)	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50
General services										
School buses serviced	311	303	310	303	297	301	313	313	313	314
Public safety vehicles serviced	442	438	421	470	476	470	519	519	519	511
Fleet availability	97.0%	96.2%	95.4%	95.2%	96.9%	96.6%	96.6%	96.1%	96.1%	95.7%

Notes: (1) Source: County Departments as identified above.
(2) Information not available prior to first year reported. Operating indicators for the School Component Unit are presented on the Demographic Information schedule.
(3) Variability in number of immunization visits from year to year due to various factors. H1N1 immunizations primary factor for volume of visits in 2010.
(4) In FY17, Social Services began reporting New Benefit Program Customers count instead of telephone calls received. Infomration not available prior to first year reported.
(5) Information estimated as a new data system was impletemented in June 2019.

COUNTY OF HANOVER, VIRGINIA
Capital Asset Statistics by Function (1) (Unaudited)
Last Ten Fiscal Years

Table 15

	Fiscal Year									
Function/Program	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Primary government:										
General governmental administration										
Estimated square feet- all general administrative office space (3) (4)	43,436	47,436	47,436	47,571	47,762	47,762	47,762	106,222	106,222	107,767
Judicial administration										
Estimated square feet - all judicial buildings	58,460	58,460	58,460	58,460	58,460	58,460	58,460	69,933	69,933	68,951
Public safety										
Estimated square feet - all public safety buildings	208,804	213,447	213,447	214,604	214,604	214,604	214,604	214,604	214,604	214,604
Number of sheriff's stations	1	1	1	1	1	1	1	1	1	1
Correctional facility inmate capacity	437	437	437	437	469	469	495	519	519	519
Number of fire/EMS stations	16	16	16	16	16	16	16	16	16	16
Public works										
Estimated square feet - all public works	17,565	17,565	17,565	17,665	17,665	17,665	17,665	17,665	17,665	17,665
Number of solid waste convenience centers	6	6	6	6	6	6	6	6	6	6
County Airport - acres in facility	232	257	260	260	260	260	257	260	257	257
Aircraft hanger spaces - County Airport	54	54	54	54	54	54	54	54	54	54
Aircraft tie-down spaces	56	56	56	56	56	56	56	56	56	526
Length of runway (ft)	5,400	5,400	5,400	5,402	5,402	5,402	5,402	5,402	5,402	5,402
Human services										
Estimated square feet of facilities	52,939	62,939	62,939	62,939	62,939	62,939	62,939	62,939	62,939	62,939
Parks, recreation and cultural										
Number of County parks/boat launch	14	14	14	14	14	14	14	14	14	14
Park acreage (2)	1,116	1,190	1,282	1,282	1,282	1,250	1,250	1,250	1,250	1,250
Public utilities										
Miles of water mains	389	398	412	419	425	429	434	431	436	441
Number of fire hydrants	2,309	2,367	2,422	2,475	2,523	2,564	2,599	2,670	2,718	2,766
Miles of sanitary sewers	362	369	379	383	389	394	399	396	398	403
Number of wastewater treatment plants	4	4	4	4	4	4	4	4	4	4
General services										
Number of vehicles maintained	1,220	1,204	1,193	1,198	1,206	1,210	1,189	1,189	1,189	1,189
School Board Component Unit:										
Number of elementary schools	15	15	15	15	15	15	15	15	15	15
Number of secondary schools	8	8	8	8	8	8	8	8	8	8
Alternative Education Facility	1	1	1	1	1	1	1	1	1	1
Number of Technology Centers	1	1	1	1	1	1	1	1	1	1

Notes:
(1) Source: County Departments as identified above.
(2) 2011 - North Anna Battlefield Park increased in acreage due to donation by Martin Marietta. Ashland Trolley Line donated to Town of Ashland.
2012 - North Anna Battlefield Park increased in acreage due to donation by Martin Marietta.
(3) 2017 - New Courthouse Building
(4) 2019 - Remodeled former Circuit Court for General Government Administration

COMPLIANCE SECTION

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalog Number	Program Clusters	YTD Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Passed Through the Commonwealth of Virginia:			
Department of Agriculture and Consumer Services:			
National School Lunch Program - Cafeteria (commodities)	10.555	$ 301,718	
Department of Education:			
School Breakfast Program	10.553	423,390	
National School Lunch Program	10.555	1,736,442	
Total Child Nutrition Cluster			$ 2,461,551
Department of Health:			
Child & Adult Care Food Program	10.558		38,991
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	662,150	
Total SNAP Cluster			662,150
DEPARTMENT OF DEFENSE:			
Direct Payments:			
JROTC	12.000		246,457
DEPARTMENT OF THE INTERIOR:			
Direct Payments:			
Payments in Lieu of Taxes (PILT)	15.226		21,398
DEPARTMENT OF JUSTICE:			
Direct Payments:			
Equitable Sharing Program	16.922		144,597
Passed Through the Commonwealth of Virginia:			
Department of Criminal Justice Services:			
Crime Victim Assistance (19-V9600VW17, 19X8854CA19)	16.575		151,830
Edward Byrne Memorial Justice Assistance Grant Program (18-A4281AD12, 18-A4371AD14)	16.738		57,763
DEPARTMENT OF TRANSPORTATION:			
Direct Payments:			
Department of Aviation:			
Airport Improvement Program	20.106		40,461
Passed Through the Commonwealth of Virginia:			
Department of Transportation:			
Highway Planning & Construction	20.205	2,915,649	
Total Highway Planning and Construction Cluster			2,915,649
Department of Motor Vehicles:			
Alcohol Open Container Requirements (154AL-2019-59281-9281)	20.607		69,641
DEPARTMENT OF EDUCATION:			
Passed Through the Commonwealth of Virginia:			
Department of Education:			
Adult Education - Basic Grants to States (V002A180047)	84.002		84,488
Title I Grants to Local Educational Agencies (S010A170046, S010A180046)	84.010		1,119,342
Career and Technical Education - Basic Grants to States (V048A180046)	84.048		160,104
Special Education - Grants to States (H027A170107, H027A180107)	84.027	3,329,854	
Special Education - Preschool Grants (H173A180112)	84.173	92,180	
Total Special Education Cluster (IDEA)			3,422,034
English Language Acquisition State Grants (S365A160046, S365A170046, S365A180046)	84.365		25,930
Supporting Effective Instruction State Grants (S367A170044, S367A180044)	84.367		249,782
Title IV-A Student Support and Academic Enrichment (S424A170048, S424A180048)	84.424		10,228
Department of Behavioral Health & Developmental Services:			
Special Education-Grants for Infants & Families (720C-04363-13D-19)	84.181		99,625
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Payments:			
Head Start (03CH3458)	93.600		1,237,711
Passed Through the Commonwealth of Virginia:			
Department of Social Services:			
Promoting Safe & Stable Families	93.556		29,981
Temporary Assistance for Needy Families	93.558	324,481	
Total TANF Cluster			324,481
Refugee & Entrant Assistance State Administered Programs	93.566		109
Low-Income Home Energy Assistance	93.568		44,979
Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	50,533	
Total CCDF Cluster			50,533
Chafee Education and Training Vouchers Program (ETV)	93.599		2,045
Stephanie Tubbs Jones Child Welfare Services Program	93.645		303
Foster Care Title IV-E	93.658		434,123
Adoption Assistance	93.659		281,922
Social Services Block Grant	93.667		260,001
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		5,733

(continued)

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalog Number	Program Clusters	YTD Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed Through the Commonwealth of Virginia:			
Department of Medical Assistance Services:			
Children's Health Insurance Program	93.767		15,833
Department of Medical Assistance Services:			
Medical Assistance Program	93.778	752,911	
Total Medicaid Cluster			752,911
Department of Behavioral Health and Developmental Services:			
Opioid STR (5H79TI080220)	93.788		154,400
Block Grants for Community Mental Health Services (2B09SM010053)	93.958		72,888
Block Grants for Prevention & Treatment of Substance Abuse (2B08TI010053)	93.959		360,175
Department of Behavioral Health and Developmental Services:			
Passed Through the Hanover Cares Coalition:			
Hanover Cares Coalition			
Drug-Free Communities Support Program Grants	93.276		5,512
OFFICE OF NATIONAL DRUG CONTROL POLICY			
Passed Through the Supreme Court of Virginia:			
Supreme Court of Virginia			
High Intensity Drug Trafficking Areas Program (HIDTA) (G19WB0004A)	95.001		12,798
DEPARTMENT OF HOMELAND SECURITY:			
Direct Payments:			
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083		574,475
Passed Through the Commonwealth of Virginia:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042		22,997
			16,625,931

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule or SEFA) includes all federal grant activity of the County and its component units. The County's reporting entity is defined in Note 1 of the County's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies or not-for-profit organizations, is included on the Schedule.

2. BASIS OF ACCOUNTING

The Schedule is presented using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds, as described in Note I. C. to the County's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. For the year ended June 30, 2019, the County participated in the following federal programs in which non-cash benefits were provided through the State to eligible participants:

National School Lunch Program – Cafeteria (Commodities) (CFDA Number 10.555) – The value of food commodities was calculated using the U.S. Department of Agriculture's Food and Nutrition Service commodity price lists.

Supplemental Nutrition Assistance Program (CFDA Number 10.551) – The Virginia Department of Social Services uses an Electronic Benefits Transfer (EBT) process for Supplemental Nutrition Assistance benefit distribution. Due to the State administration of the EBT process, those benefits are not included in the Schedule.

3. RELATIONSHIP TO THE FINANCIAL STATEMENTS

Federal expenditures are reported in the reporting entity financial statements as follows:

Fund	Federal Expenditures
Primary Government:	
Governmental Activities:	
General	$ 4,536,196
County Improvements	2,915,649
Total Governmental Activities	7,451,845
Business-type Activities:	
Non-major - Airport	40,461
Total Business-type Activities	40,461
Total Primary Government	7,492,307
Component Unit:	
School Board	9,133,625
Total Component Unit	9,133,625
Total Federal expenditures	$ 16,625,931

4. SUB-RECIPIENT PAYMENTS

The County did not expend any funds to a subrecipient during the fiscal year ended June 30, 2019.

5. INDIRECT COST RATE

The County has not elected to use the 10% de minimus indirect cost rate discussed in UG Section 200.414.

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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*

To the Honorable Members of the Board of Supervisors
County of Hanover, Virginia

We have audited, in accordance with the 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* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, 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 Hanover, Virginia (the "County"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* 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 a combination of deficiencies, in internal control, 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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* and two instances of noncompliance with the *Specifications for Audits of Counties, Cities, and Towns,* which are described in the accompanying schedule of findings and questioned costs as items 2019-002 and 2019-003.

County's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Richmond, Virginia
November 12, 2019

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Members of the Board of Supervisors
County of Hanover, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Hanover, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB 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, 2019. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of 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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Richmond, Virginia
November 12, 2019

County of Hanover, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements**: None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **No**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under the Uniform Guidance: **Yes**
9. The programs tested as major programs were:

CFDA Number	Name of Federal Program and Cluster
20.205	Highway Planning and Construction Cluster
93.600	Head Start
97.083	Staffing for Adequate Fire and Emergency Reponses (SAFER)

10. Dollar threshold used to distinguish between type A and type B programs: **$750,000**
11. County of Hanover, Virginia qualified as a low-risk auditee under Section 530 of Uniform Guidance

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None reported

C. Findings and Questioned Costs Relating to Federal Awards

2019-001 – Non-material Non-compliance - Staffing for Adequate Fire and Emergency Response (SAFER)

Criteria: Per 2 CFR Section 215.51 Performance Reporting, recipients are required to submit performance reports quarterly within thirty (30) days of the end of each quarter to the Department of Homeland Security.

Condition: Of the two (2) quarterly performance reports selected for testing, one (1) of the performance reports was submitted after the thirty (30) day deadline.

Cause: The County submitted the quarter three (3) report after the thirty (30) day deadline. During the time frame covered under the quarter three (3) report, there were several extenuating circumstances that led to missing the filing deadline.

Effect: Failure to submit reports within a timely manner could jeopardize the ability to receive awarded grant funds.

Questioned Cost: Non-financial.

Recommendation: The County should implement a review process to ensure timely submission of quarterly performance reports.

Views of Responsible Officials and Planned Corrective Actions: The County is committed to maintaining compliance with all its Federal awards. Although extenuating circumstances led to the delayed filing, the County is developing processes to ensure redundancy and additional oversight on the report filing process.

D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2019-002 – Conflict of Interest (Repeat Area of Non-compliance – See Finding 2018-001)

Criteria: Section 2.2-3115 of the Code of Virginia (the Code) requires members of local boards, commissions and councils and employees meeting defined criteria to annually file financial disclosure documents. In accordance with the requirements set forth in Section 2.2-3118.2 of the Code, such disclosure shall be filed as a condition to assuming office or employment, and thereafter shall be filed annually with the clerk of the governing body of such county on or before February 1.

Condition: Of the sixty-seven (67) officials and employees who filed a completed Disclosure Report, we noted one (1) official took office during fiscal year 2019 and did not complete the Disclosure Report before taking office.

Cause: Completed Disclosure Report was not filed before taking office.

Effect: Non-compliance may result in action by the Commonwealth.

Questioned Cost: Non-financial.

Recommendation: Local government officials and employees should file the Disclosure Report in accordance with Section 2.2-3118.2 of the Code.

Views of Responsible Officials and Planned Corrective Actions: The County is committed to obtaining and filing timely and accurate disclosure forms. Officials receive multiple notifications of filing deadlines and the County will continue to reiterate and monitor the deadlines and requirements stipulated in the Code of Virginia.

2019-003 – Virginia Initiative for Employment not Welfare Program (Repeat Area of Non-compliance – See Finding 2018-002)

Criteria: Section 63.2-611 of the Code of Virginia (the Code) established that local departments shall offer families in Virginia Initiative for Employment Not Welfare program (VIEW) case management services throughout the family's participation. Case management services shall include initial assessment of the full range of services that will be needed by each family including testing and evaluation, development of the individualized agreement of personal responsibility, and periodic reassessment of service needs and the agreement of personal responsibility. Chapter 1000.11 of the Temporary Assistance for Needy Families (TANF) Manual requires the participant to have an Activity and Service Plan that details the supportive services needed by the individual to comply with program requirements. Service transactions for the participants must be appropriate based on the individuals VIEW Participant Activity and Service Plan. Chapter 1000.05 of the TANF Manual limits those who are eligible to participate in VIEW to twenty-four (24) months of TANF assistance payments. Once 24 months of payments have been received, the client is ineligible to receive TANF payments again until 24 months from the date of the TANF case closure.

Condition: Of the twenty-five (25) VIEW transactions selected for testing, we noted seven (7) participants who received fuel card benefits that they were not eligible for at that point in time. These expenses were initially permissible for these participants per section 1000.11 of the TANF Manual, but the fuel cards were not terminated in a timely manner, which resulted in services being provided outside of individual's VIEW Participants Activity and Service Plan.

Cause: Supportive services were paid for during a time frame that was not approved on the individual VIEW Participants Activity and Service Plan.

Effect: Non-compliance may result in action by the Commonwealth.

Questioned Cost: $2,726.61

Recommendation: County Department of Social Services personnel should strengthen program oversight and create controls to detect errors and segregate duties over fuel cards. The Family Services Specialist who works directly with the participants and approves the types of service they receive should not maintain fuel card inventory, issue fuel cards to the participant, and/or approve the vendor invoices.

Views of Responsible Officials and Planned Corrective Actions: Additional controls regarding management of the fuel card program were implemented including segregating the duties of activation/deactivation fuel cards, vendor invoice review and VIEW program compliance.

E. Status of Prior Year Findings

2018-001 – Conflict of Interest – Non-compliant filing – repeated, see 2019-002

2018-002 – Virginia Initiative for Employment not Welfare Program – Non-compliant transaction – repeated, see 2019-003

HANOVER COUNTY DEPARTMENT OF FINANCE AND MANAGEMENT SERVICES

Jacob A. Sumner, CMA, CGFM
Director of Finance and Management Services

ACCOUNTING DIVISION

Lauren K. Null, CPA, Finance Division Director
Jacqueline A. Manzer, CPA, Senior Accountant
Christine H. Chen, CPP, Payroll Manager
Kelli M. Hoffner, Financial Technician
Lynnsey A. Johnson, Payroll Analyst
Nancy M. Mancuso, Financial Technician
Connie L. Mills, Financial Technician
Sarah J. Moss, Accountant
Donna B. Neely, Systems Administrator
Khusboo Patel, Payroll Analyst
Amy L. Sylvia, Accountant

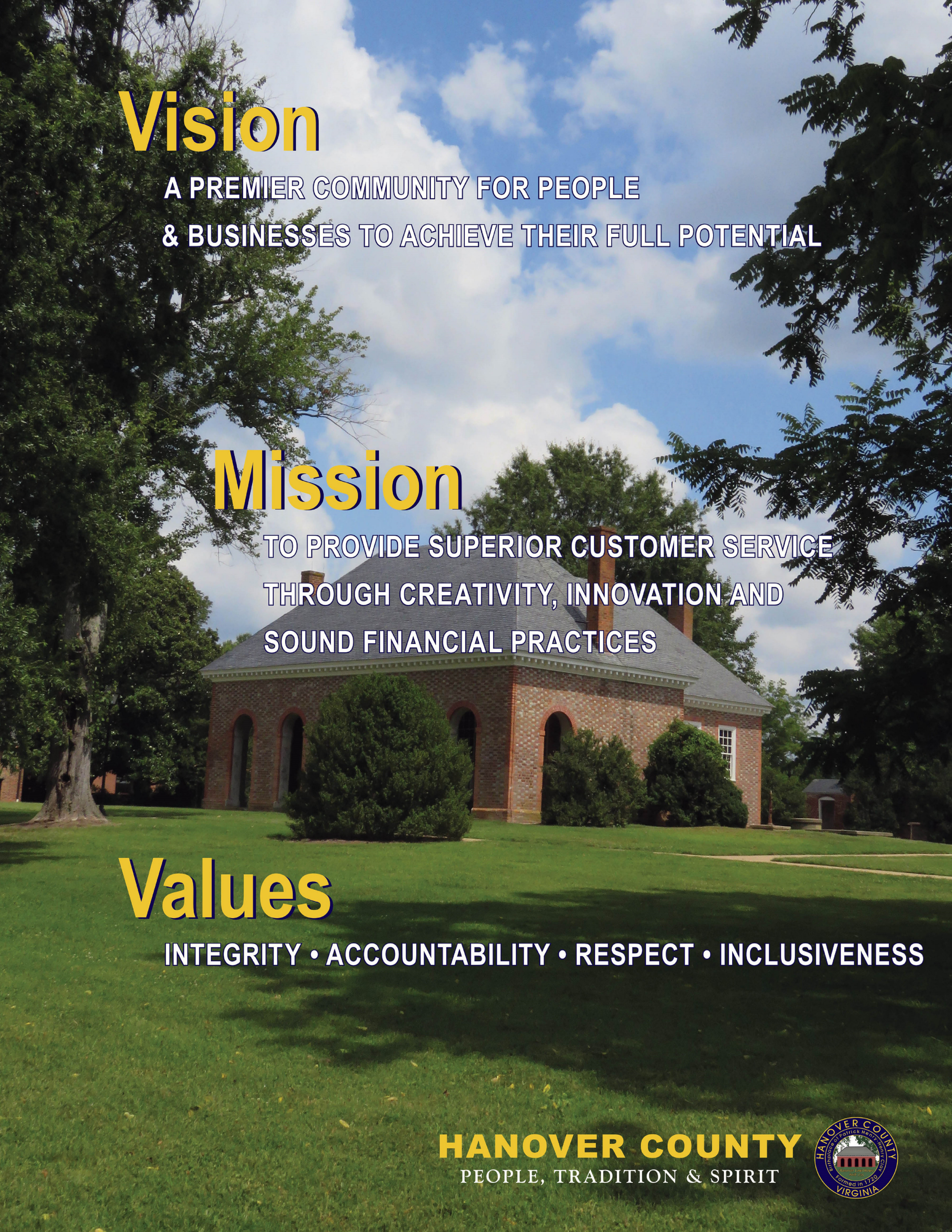
BUDGET DIVISION

Shelly H. Wright, Budget Division Director
Mark A. Highfield, Budget Manager

PURCHASING DIVISION

Steven K. Rusch, Purchasing Division Director
Patricia M. Beasley, Purchasing Officer
Sandra Hummerickhouse, Purchasing Officer
Trena A. Ponton, Purchasing Officer
Kristin St. Germain, Financial Technician

Hanover: People, Tradition and Spirit


Vision
A PREMIER COMMUNITY FOR PEOPLE
& BUSINESSES TO ACHIEVE THEIR FULL POTENTIAL
Mission
TO PROVIDE SUPERIOR CUSTOMER SERVICE
THROUGH CREATIVITY, INNOVATION AND
SOUND FINANCIAL PRACTICES
Values
INTEGRITY • ACCOUNTABILITY • RESPECT • INCLUSIVENESS
HANOVER COUNTY
PEOPLE, TRADITION & SPIRIT