# The Comprehensive Annual Financial Report

Hanover County, Virginia

For the year ended June 30, 2018

People, Tradition & Spirit

# COUNTY OF HANOVER, VIRGINIA

# Comprehensive Annual Financial Report

# For the Fiscal Year Ended

# June 30, 2018

*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, 2018

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# INTRODUCTORY SECTION

**BOARD OF SUPERVISORS**

**SEAN M. DAVIS, CHAIRMAN**
HENRY DISTRICT

**W. CANOVA PETERSON, VICE-CHAIRMAN**
MECHANICSVILLE DISTRICT

**WAYNE T. HAZZARD**
SOUTH ANNA DISTRICT

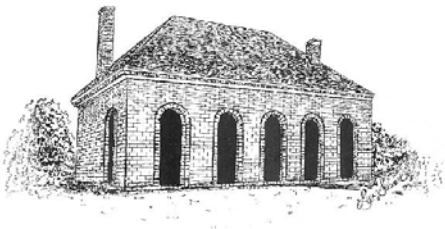
**ANGELA KELLY-WIECEK**
CHICKAHOMINY DISTRICT

**FAYE O. PRICHARD**
ASHLAND DISTRICT

**AUBREY STANLEY**
BEAVERDAM DISTRICT

**SCOTT A. WYATT**
COLD HARBOR DISTRICT

**CECIL R. HARRIS, JR.**
COUNTY ADMINISTRATOR



*HANOVER COURTHOUSE*

# HANOVER COUNTY

ESTABLISHED IN 1720

**FINANCE AND MANAGEMENT SERVICES DEPARTMENT**

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November 12, 2018

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, 2018. 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.

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, 2018 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 21,328 water and 20,761 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.

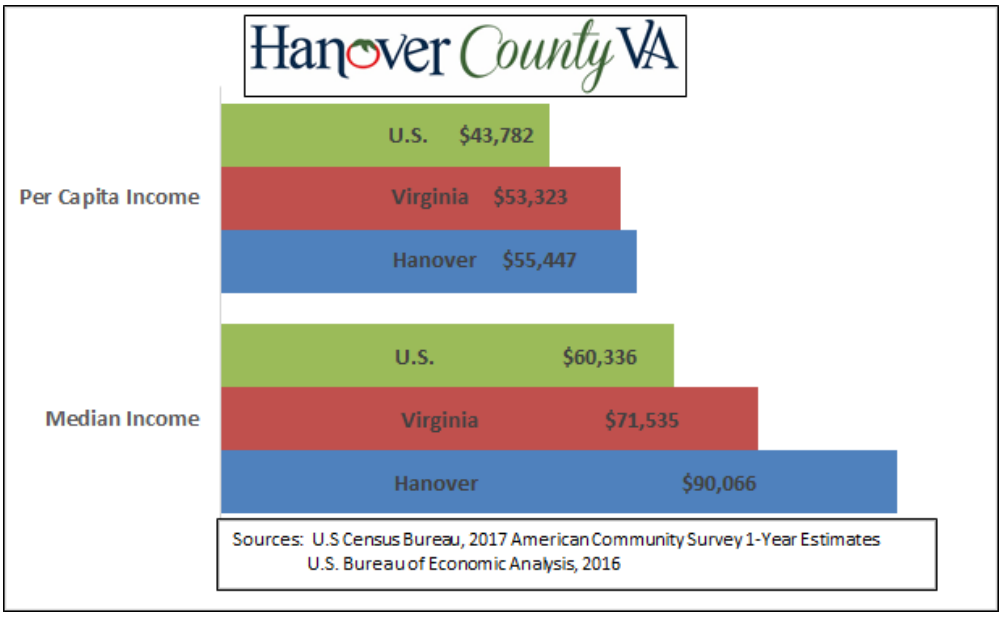
## Factors Affecting Financial Condition

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:**

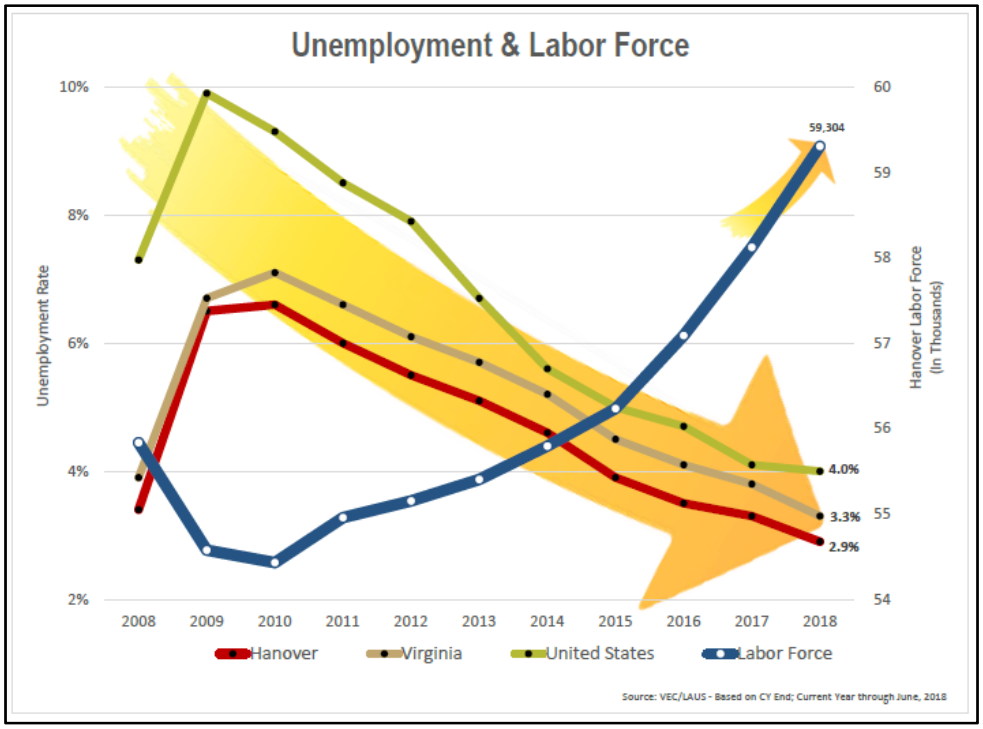
Based on its strategic location in the northern Greater Richmond region of the mid-Atlantic and its suburban/rural character, the County is an attractive location for businesses relocating or expanding and for developers interested in the opportunities in the area's residential and commercial markets. 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 $55,447 is consistent with the Commonwealth's $53,323, while its median (mid-point) household income is 25.9% above the Commonwealth's and 49.3% above the national average. In addition, the U.S. Census Bureau's estimate of Hanover's mean (average) household income of $106,808 in 2017 is 9.4% above the Commonwealth's $97,639 and 26.4% higher than the United States' of $84,525.

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 five years.




Approximately 945 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.

Some of the County's major expansion projects this year included a 15,000 square foot expansion by Remedi Senior Care, 12,000 square foot expansion by Delta Pure, and an 11,000 square foot expansion by Analytics Corporation. With forty expansion projects in Hanover County in FY18, more than 250 jobs were added to the local economy.

Amazon expanded their operations into Hanover County in 2018 by occupying a 30,000 square foot, $18 million sortation and distribution facility.

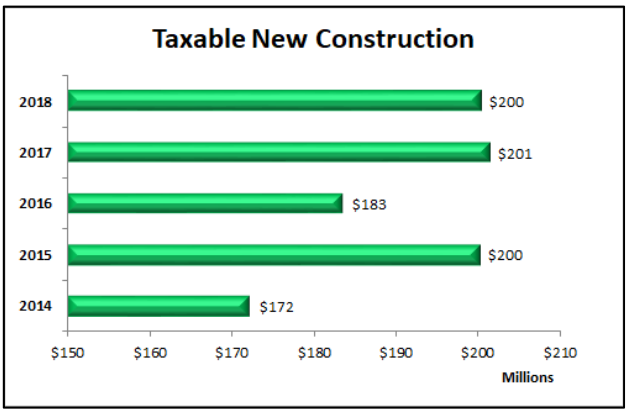
General RV is building a new state of the art $20 million showroom and service center along Interstate-95 and will be home to thousands of recreational campers.

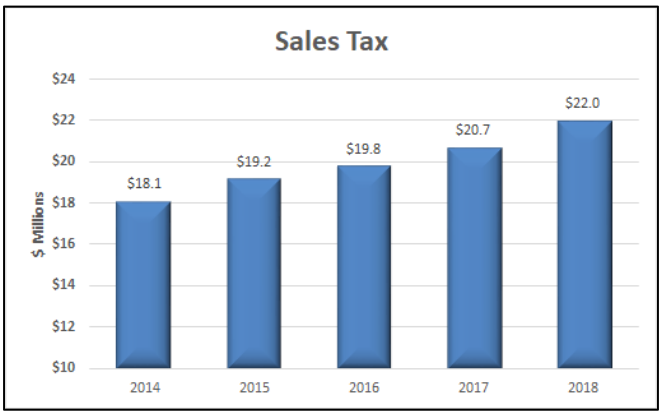
Blue Bell Ice Cream is currently building a $3 million, 30,000 sq. ft. cold storage and distribution facility that will service the Mid-Atlantic region.

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 $246 million which is up almost 10% from the prior year. Agri-Business continues to be a major driver of our local economy and based on Weldon Cooper's 2017 Agricultural Economic Impact Study Hanover generated more than $351 million from agricultural business with over 6,000 direct jobs and 600 working farms.

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 taxable new construction 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 2019 capital budget for County, School and Public Utilities projects is $51.8 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 2019 CIP includes 39.9% of "pay-as-you-go" funding (from non-debt sources).
- 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.

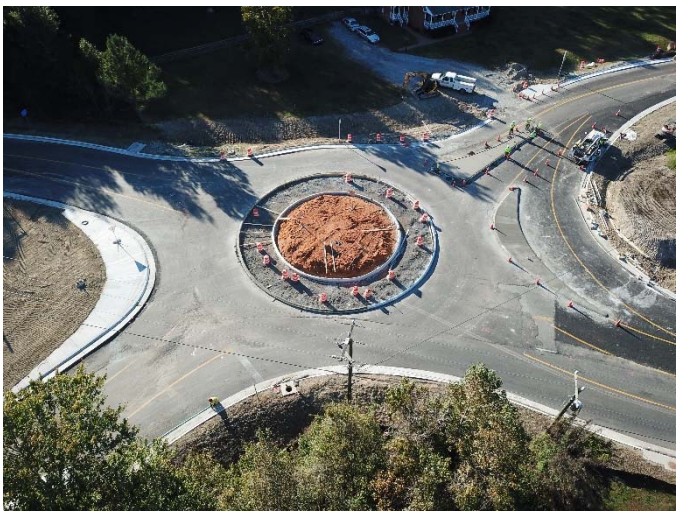
**Relevant Financial Policies:**

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, Deferred Compensation 457(b) and 403(b) Plan Investment. 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 2018, the County continued renovating its former Circuit Court Building. The adaptive reuse project will transform 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.



Work continued on a major roadway expansion project, Atlee Road Extended. 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.

The County also completed is first roundabout at Studley and Rural Point Road, which will keep traffic flowing through an often-congested intersection.

Hanover County Public Schools (HCPS) introduced their five-year technology-funding plan in 2018. 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, initiated its multi-year plan to provide laptops to all instructional staff.

The Board also took multiple opportunities to engage the public and provide governmental transparency. The County revisited its Comprehensive Plan, a long-term guide for growth and development within the County. It outlines goals, objectives and projections for the County's needs for the next twenty-year horizon. Nine community and public information meetings, coupled with six Planning Commission work sessions, were held throughout the County to engage public opinion. Further, the County developed an online vendor payment report which provides citizens with access to governmental payments made throughout the month. The County, also, conducted is fifth citizens' survey through the National Citizen Survey. Focusing on areas such as public safety, mobility, natural environment, infrastructure, economy, recreation and wellness, education and enrichment and community engagement, the survey reached nearly 2,200 citizens, which provided positive results in the vast majority categories.

## Awards and Acknowledgements

Hanover County continued to be recognized for excellence in operational and fiscal management during fiscal year 2018. The County's adopted mission (seen in the graphic below) is exemplified by the awards and acknowledgements noted in this section.

**Fire/EMS**

Hanover Fire/EMS received a 3/3Y Public Protection Classification ranking from the Insurance Services Office. This ranking puts Hanover in the top 11 percent in the nation for fire protection. The elevated ranking provides Hanover County homeowners with potentially lower insurance costs.

**General Services**

The Fleet Division of the Hanover County Department of General Services earned the Blue Seal of Excellence Recognition from the National Institute for Automotive Service Excellence (ASE), a non-profit organization dedicated to improving the quality of vehicle repair and service by means of voluntary testing and certification for automotive repair and service professionals.

**Public Utilities**

Several wastewater plants operated by the Hanover County Department of Public Utilities have been recognized as being among the top performers in the nation. Two of Hanover County's wastewater treatment plants recently received Peak Performance Awards from the National Association of Clean Water Agencies (NACWA). These prestigious awards recognize outstanding compliance with National Pollutant Discharge Elimination System (NPDES) permit requirements. The Ashland WWTP received the NACWA's Platinum Peak Performance Award, given to those which achieve 100% permit compliance, for the 19th consecutive year. The Totopotomoy WWTP received the NACWA's Platinum Peak Performance Award for the 13th consecutive year while the Doswell WWTP received an Excellence in Waterworks Operation Performance from the Virginia Department of Health's Office of Drinking Water.

**Sheriff's Office**

The Sheriff's Office was presented its fifth consecutive state reaccreditation through the Virginia Law Enforcement Professional Standards Commission (VLEPSC). The Sheriff's Office first achieved state accreditation in 1998 and is the only Sheriff's Office in Virginia to be dually accredited through VLEPSC and Commission on Accreditation for Law Enforcement Agencies (CALEA).

**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, 2017. The County has received this prestigious award each fiscal year since 1985 (now 32 consecutive years). 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 (now 27 consecutive years). 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 2018 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

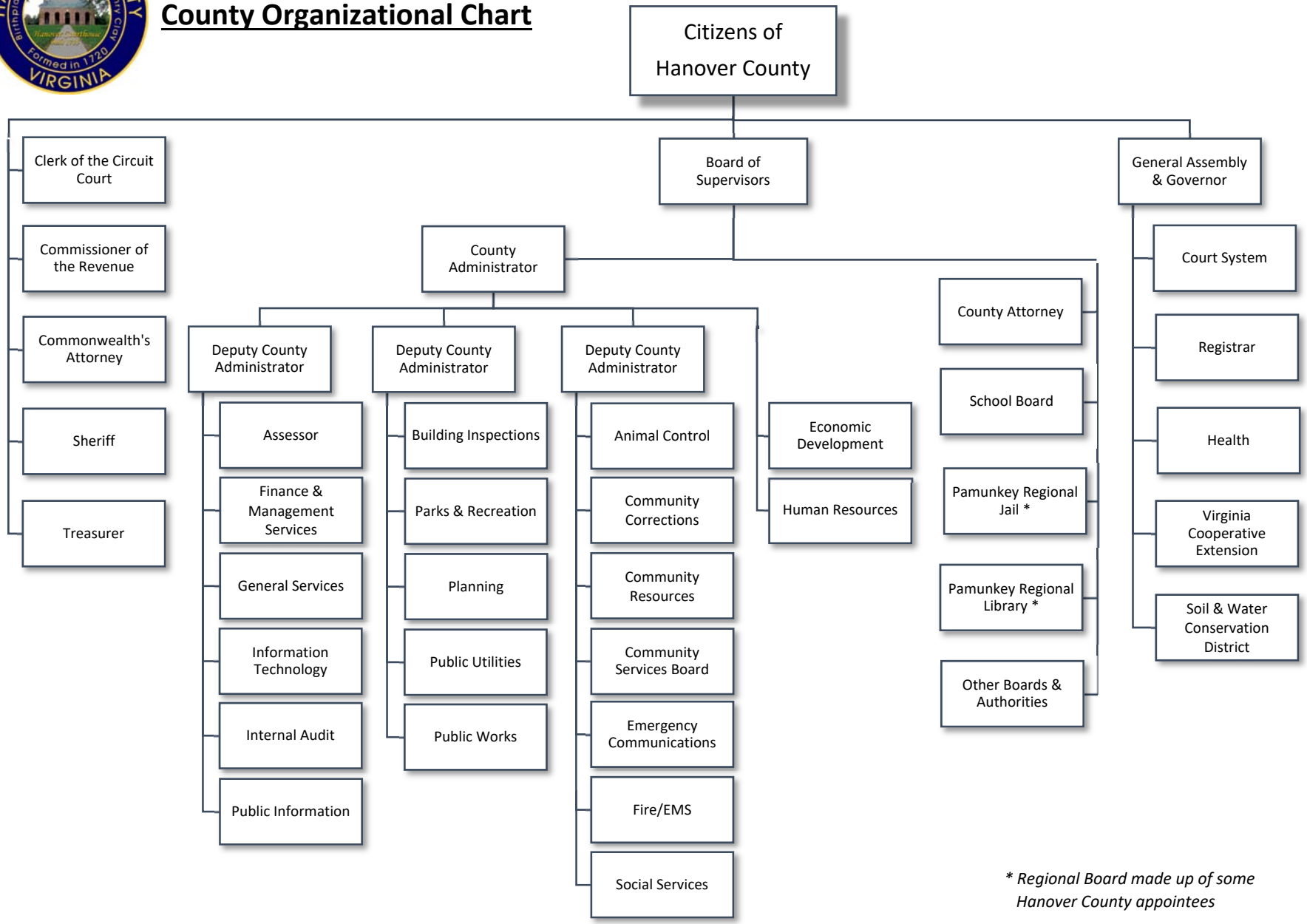
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

**June 30, 2017**

Christopher P. Morrill

Executive Director/CEO

# County Organizational Chart




** Regional Board made up of some Hanover County appointees*

**DIRECTORY OF PRINCIPAL OFFICIALS**
**June 30, 2018**

Board of Supervisors

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

| | |
|---|---|
| Robert L. Hundley, Jr., Chair | Chickahominy District |
| Roger S. Bourassa, Vice-Chair | Mechanicsville District |
| John F. Axselle, III | Beaverdam District |
| Marla G. Coleman | Henry District |
| Susan (Sue) P. Dibble | South Anna District |
| Ola Hawkins | Ashland District |
| Norman K. Sulser | Cold Harbor 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 Instructional Leadership |
| Mandy Baker | Asst. Superintendent of Human Resources |
| Amanda L. Six | Director of Budget & Financial Reporting |

# 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, 2018, 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, 2018, 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.

## *Emphasis-of-Matter*

As discussed in Note I-D-14 to the basic financial statements, the County implemented the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

## *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 GASB, 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, 2018, 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, 2018

# 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, 2018. 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 2018 by $389.3 million (*net position*). Of this amount, $82.0 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 $15.8 million, of which the governmental activities increased by $3.8 million and business-type activities increased by $12.0 million.
- As of the close of fiscal year 2018, the County's governmental funds reported combined ending fund balances of $83.5 million, a decrease of $11.5 million from prior year. Of the $83.5 million total, 84.3% ($70.3 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 15.7% or $13.1 million of the total.
- The General Fund's unassigned fund balance remained at 13.0% of total General Fund revenues, which reflects an increase of $1.0 million to $30.9 million at June 30, 2018. 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 decreased $1.3 million to $20.4 million at June 30, 2018. The $1.3 million decrease 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 decreased by $12.7 million (7.0%) to $167.7 million during fiscal year 2018 due to 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.

In fiscal year 2018, the County implemented GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, herein referred to as "GASB 75." The objective of this statement is to improve accounting and financial reporting for postemployment benefits (OPEB) other than pensions by establishing standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense. The Statement requires the liability of employers for OPEB to be measured as the portion of the present value of projected benefit payments to be provided through the OPEB plan that are attributed to periods of employee service, less the OPEB plan's fiduciary net position. Accordingly, the County recorded the impact of the related net OPEB liability on net position, deferred outflows of resources, deferred inflows of resources, and OPEB expense. The accounting treatment to restate the beginning net position for the adoption of GASB 75 resulted in a reduction of $4.5 million for governmental activities, $0.4 million for business-type activities and $23.4 million for the School Board component unit. At June 30, 2018, governmental activities report a net OPEB asset of $0.5 million, net OPEB liability of $5.2 million, deferred outflows of resources relating to OPEB of $0.9 million and deferred inflows of resources relating to OPEB of $0.6 million. Business-type activities report a net OPEB asset of $39,348, a net OPEB liability of $0.4 million, deferred outflows of resources relating to OPEB of $0.1 million and deferred inflows of resources relating to OPEB of $49,334. The School Board component unit reports a net OPEB asset of $1.0 million, net OPEB liability of $24.6 million, deferred outflows of resources relating to OPEB of $2.7 million and deferred inflows of resources relating to OPEB of $1.3 million. For further information regarding the County's adoption of the new OPEB standard, refer to Notes I.D.14, V.G., V.H., and V.I. of the accompanying notes to the financial statements.

**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 2018, 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, 2018. 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, 2018 and 2017:

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

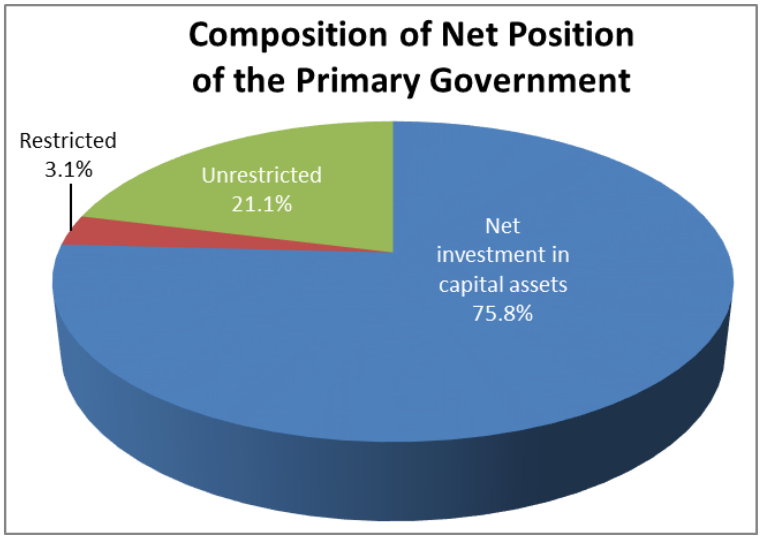
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2018 (1) | 2017 | 2018 (1) | 2017 | 2018 (1) | 2017 |
| Current and other assets | $ 175.5 | 183.3 | 36.2 | 35.2 | 211.7 | 218.5 |
| Capital assets | 226.7 | 224.6 | 229.2 | 221.7 | 455.9 | 446.3 |
| Total assets | 402.2 | 407.9 | 265.4 | 256.9 | 667.6 | 664.8 |
| Deferred outflows of resources | 8.1 | 12.2 | 1.3 | 1.6 | 9.4 | 13.8 |
| Long-term liabilities outstanding | 180.4 | 179.1 | 19.3 | 19.7 | 199.7 | 198.8 |
| Other liabilities | 18.2 | 38.1 | 3.2 | 6.7 | 21.4 | 44.8 |
| Total liabilities | 198.6 | 217.2 | 22.5 | 26.4 | 221.1 | 243.6 |
| Deferred inflows of resources | 66.0 | 56.5 | 0.7 | 0.2 | 66.7 | 56.7 |
| Net position: | | | | | | |
| Net investment in capital assets | 81.9 | 78.7 | 213.4 | 202.9 | 295.3 | 281.6 |
| Restricted | 8.2 | 9.4 | 3.8 | 3.6 | 12.0 | 13.0 |
| Unrestricted | 55.7 | 58.3 | 26.3 | 25.4 | 82.0 | 83.7 |
| Total net position | $ 145.8 | 146.4 | 243.5 | 231.9 | 389.3 | 378.3 |

(1) The County implemented GASB Statement No.75 in fiscal year 2018. See notes I.D.12 and V.G. of the notes to the financial statements for more information. Fiscal year 2017 was not restated herein.

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 $389.3 million at the close of fiscal year 2018, representing an increase of $15.8 million from the net position at June 30, 2017, as restated.

As the following graph shows, by far the largest portion of the County's total net position ($295.3 million, 75.8% 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 ($12.0 million, 3.1% 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 ($82.0 million, 21.1% 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, 2018 and 2017:

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

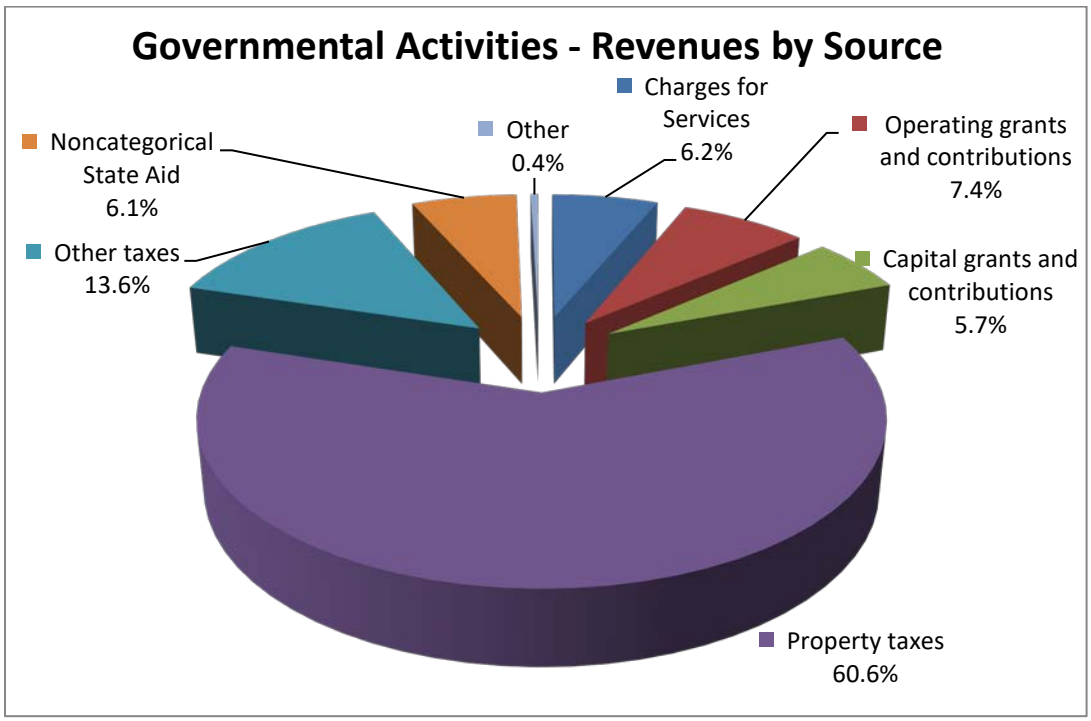
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2018 (1) | 2017 | 2018 (1) | 2017 | 2018 (1) | 2017 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 15.6 | 14.9 | 30.3 | 30.6 | 45.9 | 45.5 |
| Operating grants and contributions | 18.6 | 19.2 | - | - | 18.6 | 19.2 |
| Capital grants and contributions | 14.2 | 5.7 | 8.1 | 6.1 | 22.3 | 11.8 |
| General revenues: | | | | | | |
| Property taxes | 152.3 | 143.8 | - | - | 152.3 | 143.8 |
| Other taxes | 34.4 | 32.8 | - | - | 34.4 | 32.8 |
| Noncategorical State aid | 15.4 | 15.4 | - | - | 15.4 | 15.4 |
| Grants and contributions | 0.9 | 1.3 | - | - | 0.9 | 1.3 |
| Other | 0.2 | 0.1 | 0.1 | - | 0.3 | 0.1 |
| Total revenues | 251.6 | 233.2 | 38.5 | 36.7 | 290.1 | 269.9 |
| Expenses: | | | | | | |
| General government | 16.0 | 17.0 | - | - | 16.0 | 17.0 |
| Judicial administration | 8.0 | 6.9 | - | - | 8.0 | 6.9 |
| Public safety | 60.7 | 59.4 | - | - | 60.7 | 59.4 |
| Public works | 27.9 | 17.7 | - | - | 27.9 | 17.7 |
| Human services | 23.4 | 22.5 | - | - | 23.4 | 22.5 |
| Parks, recreation and cultural | 6.5 | 6.6 | - | - | 6.5 | 6.6 |
| Community development | 5.3 | 5.2 | - | - | 5.3 | 5.2 |
| Education | 94.0 | 89.4 | - | - | 94.0 | 89.4 |
| Interest on long-term debt * | 5.9 | 6.1 | - | - | 5.9 | 6.1 |
| Public utilities | - | - | 25.9 | 26.5 | 25.9 | 26.5 |
| Airport | - | - | 0.7 | 0.6 | 0.7 | 0.6 |
| Total expenses | 247.7 | 230.8 | 26.6 | 27.1 | 274.3 | 257.9 |
| Increase in net position before transfers | 3.9 | 2.4 | 11.9 | 9.6 | 15.8 | 12.0 |
| Transfers | (0.1) | (0.1) | 0.1 | 0.1 | - | - |
| Increase in net position | 3.8 | 2.3 | 12.0 | 9.7 | 15.8 | 12.0 |
| Total net position - beginning of year - as restated (1) | 142.0 | 144.1 | 231.5 | 222.2 | 373.5 | 366.3 |
| Total net position - end of year | $ 145.8 | 146.4 | 243.5 | 231.9 | 389.3 | 378.3 |

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

(1) The County implemented GASB Statement No.75 in fiscal year 2018. See notes I.D.12 and V.G. of the notes to the financial statements for more information. Fiscal year 2017 was not restated herein.

**Governmental Activities:** The increase in net position attributable to the County's governmental activities totaled $3.8 million for fiscal year 2018. Generally, net position changes are the result of the difference between revenues and expenses. Fiscal year 2018 revenues of $251.6 million represent an increase of $18.4 million, or 7.9% in comparison to the prior year, while expenses and transfers of $247.8 million represent an increase of $16.9 million, or 7.3% compared to the prior year.

The following chart illustrates the County's fiscal year 2018 governmental revenues by source as a percentage of total governmental revenues:




Taxes are the largest source of County revenues, totaling $186.7 million for fiscal year 2018, an increase of $10.1 million, or 5.7%, in comparison to fiscal year 2017. An increase in general property taxes of $8.5 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 $1.3 million, or 6.1%. General property taxes totaled $152.3 million for fiscal year 2018, and represent 81.6% of total taxes and 60.6% of all revenues.

Also in fiscal year 2018, $48.4 million, or 19.2% of total revenues, consisted of program revenues, including $15.6 million in charges for services, $18.6 million of operating grants and contributions, and $14.2 million of capital grants and contributions. General revenues, including $15.4 million of noncategorical state aid and $1.1 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 2018 were $247.8 million, which represents an increase of $16.9 million, or 7.3% higher than fiscal year 2017. Increases in expenses for judicial administration, public safety, public works, human services, community development, and education expenses of $1.1 million, $1.3 million, $10.2 million, $0.9 million, $0.1 million, and $4.6 million, respectively, were offset by decreases in general government of $1.0 million, parks, recreation and cultural of $0.1 million, and interest on long term debt of $0.2 million. As the following chart indicates, education continues to be one of the County's largest programs and highest priority, with education expenses totaling $94.0 million in fiscal year 2018. Public safety and human services are also strategic focus areas with expenses totaling $60.7 million and $23.4 million, respectively

in fiscal year 2018. Public Works had $27.9 million in expenses in fiscal year 2018 due to an increase in road construction projects.

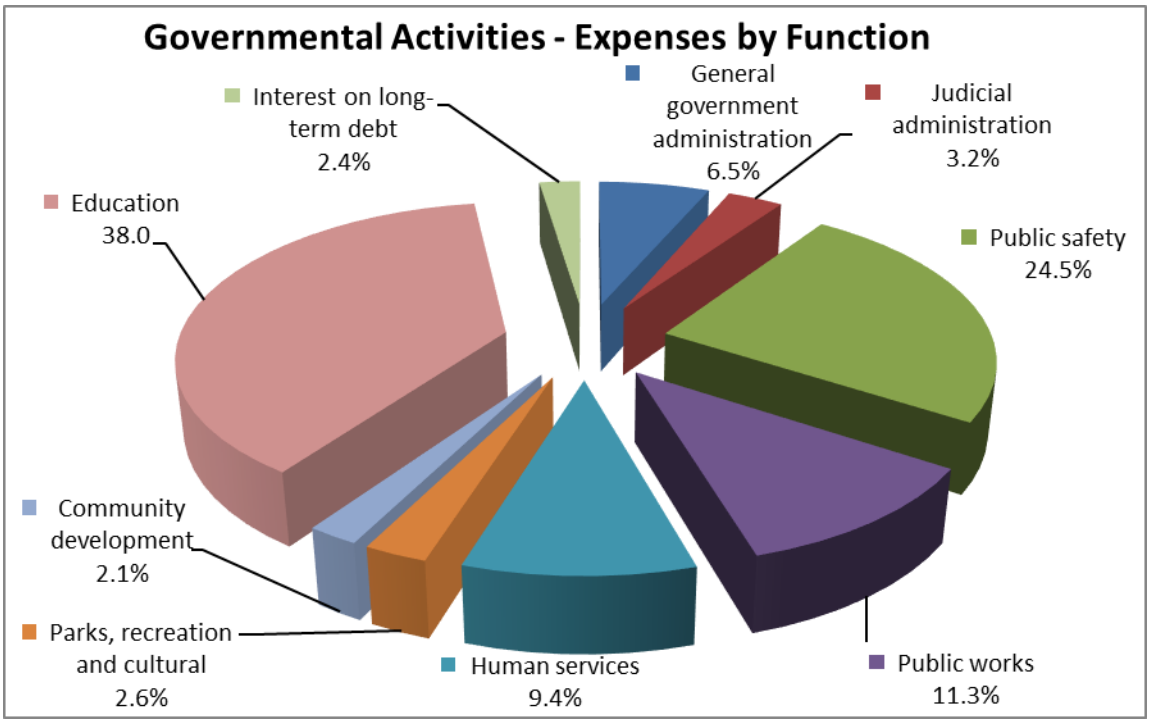



Table 3 presents the total cost of the County's governmental activities by function, as well as the net cost of each function (total cost less fees generated by each function and program-specific intergovernmental aid) for the fiscal year ended June 30, 2018 and 2017:

**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** | **2018 (1)** | **2017** | **2018 (1)** | **2017** |
| General government | $ 16.0 | 17.0 | $ 12.6 | 14.3 |
| Judicial administration | 8.0 | 6.9 | 5.2 | 4.2 |
| Public safety | 60.7 | 59.4 | 49.7 | 49.1 |
| Public works | 27.9 | 17.7 | 13.0 | 8.0 |
| Human services | 23.4 | 22.5 | 10.2 | 9.9 |
| Parks, recreation and cultural | 6.5 | 6.6 | 5.3 | 6.1 |
| Community development | 5.3 | 5.2 | 4.0 | 4.0 |
| Education | 94.0 | 89.4 | 93.4 | 89.4 |
| Interest on long-term debt | 5.9 | 6.1 | 5.9 | 6.1 |
| Total | $ 247.7 | 230.8 | $ 199.3 | 191.1 |

(1) The County implemented GASB Statement No.75 in fiscal year 2018. See notes I.D.12 and V.G. of the notes to the financial statements for more information. Fiscal year 2017 was not restated herein.

A portion of the $247.7 million cost of the County's governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of $15.6 million) and other governments and organizations that subsidized certain programs (i.e., operating and capital grants and contributions of $32.8 million). These combined program revenues of $48.4 million increased the total fiscal year 2018 cost of

services from $191.1 million to the net cost of services of $199.3 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 $12.0 million for fiscal year 2018.

Public Utilities revenues totaled $32.9 million, of which $30.1 million, or 91.6%, was generated from charges for services and user fees. Nonoperating capacity fee revenue decreased to $4.4 million from $5.1 million last year, based on revenue and the allocation of operating costs. Capital contributions decreased $1.4 million to $2.7 million in 2018. Public Utilities expenses totaled $25.9 million for fiscal year 2018 compared to $26.5 million in fiscal year 2017.

Airport operating revenues totaled $221,383 in fiscal year 2018, compared to $215,748 last year. The Airport had no nonoperating revenues in fiscal year 2018 and fiscal year 2017, while capital contributions increased by $3.3 million to $5.3 million due to federal and state grants. Airport nonoperating expenses were $55,688 and $60,008 in fiscal years 2018 and 2017, 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 2018, the County's governmental funds reported combined ending fund balances of $83.5 million (Exhibit 3), as compared to $94.9 million at June 30, 2017, a decrease of $11.4 million. Of the $83.5 million fiscal year 2018 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, $12.7 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, $38.9 million is *assigned* to indicate that County administration has identified specific purposes for the use of those funds, and the remaining $30.9 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 $0.3 million (0.6%) during fiscal year 2018, to $52.9 million, of which $0.2 million is nonspendable, $0.9 million is restricted, $0.5 million is committed, $20.4 million is assigned and $30.9 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 2018, the General Fund's committed, assigned and unassigned fund balances of $51.8 million represents 21.8% of total General Fund revenues of $237.5 million. In addition, General Fund's unassigned fund balance totaled $30.9 million, up from $29.4 million at the end of fiscal year 2017, which represents 13.0% of total General Fund revenues in 2018 and 13.0% in 2017, continuing to exceed the 10% minimum set by the County's fund balance policy. The $0.1 million fiscal year 2018 increase in the General Fund's

fund balance resulted from General Fund revenues of $237.5 million less expenditures of $207.3 million and other financing uses of $29.7 million, as shown on Exhibit 4 to the financial statements.

The fund balance in the County Improvements Fund (Exhibit 4) decreased by $8.5 million to $24.7 million during fiscal year 2018. The fund balance in the School Improvements Fund (Exhibit 4) decreased by $3.2 million to $5.4 million during fiscal year 2018. The fund balance in the Debt Service Fund (Exhibit 4) decreased by $0.1 million to $.5 million fiscal year 2018.

***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 1.3% between the originally-adopted fiscal year 2018 budget appropriation for expenditures and transfers out and the final budget, with $1.2 million of the increase resulting from reappropriation of fiscal year 2017 budget commitments for completion of ongoing projects in fiscal year 2018. Encumbered balances account for 52.9% of the total reappropriation.

## Capital Assets and Debt Administration

**Capital assets:** The County's investment in capital assets as of June 30, 2018, totals $455.9 million, net of accumulated depreciation. This represents an increase of $9.7 million, or 2.2% more than fiscal year 2017. Capital assets, net of accumulated depreciation, are illustrated in the following table:

| | ($ in millions) | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Totals at June 30 | |
| | | | 2018 | 2017 |
| Land | $ 9.8 | 11.2 | 21.0 | 20.9 |
| Intangible assets | 1.4 | - | 1.4 | 1.1 |
| Buildings | 139.6 | 45.8 | 185.4 | 196.9 |
| Improvements other than buildings | 10.4 | 147.1 | 157.5 | 157.4 |
| Machinery and equipment | 40.5 | 7.6 | 48.1 | 45.7 |
| Infrastructure | 13.5 | - | 13.5 | 13.1 |
| Construction in progress | 11.5 | 17.5 | 29.0 | 11.1 |
| Total | $ 226.7 | 229.2 | 455.9 | 446.2 |

Major capital asset activity during fiscal year 2018 included the following:

- The costs of completed water and wastewater infrastructure projects reported in the Public Utilities Fund totaling $4.4 million, funded by water and sewer user fees and capacity fees.
- Developers' contributions of water and wastewater lines totaled $4.0 million.
- The costs of construction of the Atlee Road extension totaling $10.2 million
- The costs of public safety portable and mobile radio system replacement totaling $3.0 million.
- The costs of public safety improvements including ambulances and equipment upgrades, totaling $1.5 million, funded by general revenues.

- The renovation of the Chenault-Weems building totaling $5.2 million.
- The costs of school facility improvements and equipment acquisition by the School Component Unit totaled $10.2 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, 2018.

The following table illustrates the County's outstanding debt at June 30, 2018:

| | ($ in millions) | | |
|---|---|---|---|
| | **Governmental Activities** | **Business-type Activities** | **Total** |
| General obligation bonds | $ 100.7 | - | 100.7 |
| Revenue bonds | - | 15.0 | 15.0 |
| Infrastructure and state moral obligation bonds | 42.6 | - | 42.6 |
| Support agreement | 2.5 | 1.0 | 3.5 |
| Capital lease obligations | 5.9 | - | 5.9 |
| Total | $ 151.7 | 16.0 | 167.7 |

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 2018, 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 4.0% in calendar year 2017 and 4.5% in calendar year 2018. Throughout fiscal year 2018, the County's unemployment rate continued to show steady improvement over the prior year. In June 2018, the County's unemployment rate was 2.9%, which continues to compare favorably to the Commonwealth's average unemployment rate of 3.3% and the national average rate of 4.4%. Fiscal year 2018 showed positive and consistent revenue returns. Fiscal year 2019 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 3.9% and 7.7%, respectively, from the 2018 to the 2019 budget. With these factors in mind, net of the use of $8.6 million of prior year fund balance, the County's adopted fiscal year 2019 General Fund budget was set at $252.4 million, an increase of $11.2 million or 4.6% in comparison to the fiscal year 2018 figure of $241.2 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, 2018 the County has assigned $8.6 million of fund balance in its General Fund to fund a portion of the fiscal year 2019 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 $5.0 million to fund future school budgets, $0.6 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 2018. In fiscal year 2018, 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, 2018

| | Primary Government | | | Component Units | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | School Board | Economic Development Authority |
| **ASSETS** | | | | | |
| Current Assets: | | | | | |
| Pooled cash, cash equivalents and investments | $ 88,381,866 | 27,290,572 | 115,672,438 | 15,087,554 | 47,281 |
| Receivables (net of allowance for uncollectibles) | 80,132,231 | 5,178,526 | 85,310,757 | 5,158,617 | - |
| Prepaid expenses | 644,031 | - | 644,031 | 5,000 | - |
| Support agreement receivable | - | - | - | - | 1,130,000 |
| Inventories | 247,392 | - | 247,392 | 128,027 | - |
| Total current assets | 169,405,520 | 32,469,098 | 201,874,618 | 20,379,198 | 1,177,281 |
| Noncurrent Assets: | | | | | |
| Pooled cash, cash equivalents and investments - restricted | 5,650,432 | 3,715,837 | 9,366,269 | - | - |
| Support agreement receivable | - | - | - | - | 2,170,000 |
| Net pension asset - restricted | - | - | - | 2,566,544 | - |
| Net other postemployment benefits asset - restricted | 493,210 | 39,348 | 532,558 | 1,004,623 | - |
| Capital assets (net of accumulated depreciation): | | | | | |
| Land | 9,850,563 | 11,187,305 | 21,037,868 | 7,400,682 | - |
| Intangible assets | 1,355,795 | - | 1,355,795 | - | - |
| Buildings | 139,615,889 | 45,826,951 | 185,442,840 | 82,223,537 | - |
| Improvements other than buildings | 10,377,024 | 147,110,005 | 157,487,029 | 15,146,987 | - |
| Machinery and equipment | 40,548,152 | 7,546,341 | 48,094,493 | 10,632,806 | - |
| Infrastructure | 13,473,178 | - | 13,473,178 | - | - |
| Construction in progress | 11,469,051 | 17,509,850 | 28,978,901 | 913,205 | - |
| Total capital assets, net | 226,689,652 | 229,180,452 | 455,870,104 | 116,317,217 | - |
| Total noncurrent assets | 232,833,294 | 232,935,637 | 465,768,931 | 119,888,384 | 2,170,000 |
| Total assets | 402,238,814 | 265,404,735 | 667,643,549 | 140,267,582 | 3,347,281 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Deferred loss on refunding | 1,752,092 | 747,036 | 2,499,128 | - | - |
| Deferred outflows relating to pension | 5,472,926 | 446,078 | 5,919,004 | 19,284,630 | - |
| Deferred outflows relating to other postemployment benefits | 909,500 | 72,559 | 982,059 | 2,713,869 | - |
| Total deferred outflows of resources | 8,134,518 | 1,265,673 | 9,400,191 | 21,998,499 | - |
| **LIABILITIES** | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | 7,895,940 | 2,362,342 | 10,258,282 | 1,938,279 | 200 |
| Incurred but not reported self-insurance claims | 2,070,065 | - | 2,070,065 | - | - |
| Accrued liabilities | 4,403,764 | 652,037 | 5,055,801 | 17,107,889 | - |
| Accrued bond interest | 2,507,964 | 176,556 | 2,684,520 | - | - |
| Unearned revenues | 1,369,538 | - | 1,369,538 | 145,794 | - |
| Current portion of bonds payable | 13,015,433 | 1,348,901 | 14,364,334 | - | 1,130,000 |
| Current portion of capital lease obligations | 931,490 | - | 931,490 | - | - |
| Current portion of compensated absences | 7,501,411 | 533,848 | 8,035,259 | 6,120,932 | - |
| Current portion of liaibility for landfill closure and postclosure costs | 73,190 | - | 73,190 | - | - |
| Current portion of support agreement | 462,852 | 705,979 | 1,168,831 | - | - |
| Total current liabilities | 40,231,647 | 5,779,663 | 46,011,310 | 25,312,894 | 1,130,200 |
| Noncurrent Liabilities: | | | | | |
| Bonds payable | 130,323,939 | 13,677,986 | 144,001,925 | - | 2,170,000 |
| Capital lease obligations | 4,955,595 | - | 4,955,595 | - | - |
| Compensated absences | 2,357,863 | 198,252 | 2,556,115 | - | - |
| Deposits | - | 588,761 | 588,761 | - | - |
| Capacity fee credits | - | 514,362 | 514,362 | - | - |
| Liability for landfill closure and postclosure costs | 1,700,949 | - | 1,700,949 | - | - |
| Support agreement | 2,001,369 | 310,000 | 2,311,369 | - | - |
| Net pension liability | 11,837,535 | 964,832 | 12,802,367 | 155,936,000 | - |
| Net other postemployment benefits liability | 5,210,253 | 415,670 | 5,625,923 | 24,638,000 | - |
| Total noncurrent liabilities | 158,387,503 | 16,669,863 | 175,057,366 | 180,574,000 | 2,170,000 |
| Total liabilities | 198,619,150 | 22,449,526 | 221,068,676 | 205,886,894 | 3,300,200 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Deferred revenues | 56,919,771 | - | 56,919,771 | - | - |
| Deferred inflows relating to pension | 8,415,432 | 685,909 | 9,101,341 | 20,696,272 | - |
| Deferred inflows relating to other postemployement benefits | 618,390 | 49,334 | 667,724 | 1,327,343 | |
| Total deferred inflows of resources | 65,953,593 | 735,243 | 66,688,836 | 22,023,615 | - |
| **NET POSITION** | | | | | |
| Net investment in capital assets | 81,867,826 | 213,370,261 | 295,238,087 | 116,317,217 | - |
| Restricted for: | | | | | |
| Grant programs | 868,648 | - | 868,648 | 68,573 | - |
| Capital projects | 6,849,924 | - | 6,849,924 | - | - |
| Debt covenants | - | 3,715,837 | 3,715,837 | - | - |
| Pension | - | - | - | 2,566,544 | - |
| Other postemployment benefits | 493,210 | 39,348 | 532,558 | 1,004,623 | |
| Unrestricted (deficit) | 55,720,981 | 26,360,193 | 82,081,174 | (185,601,385) | 47,081 |
| Total net position | $ 145,800,589 | 243,485,639 | 389,286,228 | (65,644,428) | 47,081 |

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

**COUNTY OF HANOVER, VIRGINIA**

Statement of Activities

For the Year Ended June 30, 2018

**Exhibit 2**

| | | 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 | $ 15,979,421 | 2,362,301 | 921,824 | 121,100 | (12,574,196) | - | (12,574,196) | - | - |
| Judicial administration | 7,981,981 | 1,068,257 | 1,684,691 | - | (5,229,033) | - | (5,229,033) | - | - |
| Public safety | 60,731,436 | 4,924,849 | 6,073,114 | - | (49,733,473) | - | (49,733,473) | - | - |
| Public works | 27,958,841 | 2,428,584 | 17,888 | 12,533,434 | (12,978,935) | - | (12,978,935) | - | - |
| Human services | 23,401,758 | 3,230,466 | 9,940,052 | - | (10,231,240) | - | (10,231,240) | - | - |
| Parks, recreation and cultural | 6,475,656 | 255,579 | - | 900,000 | (5,320,077) | - | (5,320,077) | - | - |
| Community development | 5,297,842 | 1,280,476 | 5,500.00 | - | (4,011,866) | - | (4,011,866) | - | - |
| Education | 93,998,917 | - | - | 648,000 | (93,350,917) | - | (93,350,917) | - | - |
| Interest on long-term debt | 5,883,953 | - | - | - | (5,883,953) | - | (5,883,953) | - | - |
| Total governmental activities | 247,709,805 | 15,550,512 | 18,643,069 | 14,202,534 | (199,313,690) | - | (199,313,690) | - | - |
| Business-type activities: | | | | | | | | | |
| Public Utilities | 25,936,698 | 30,091,001 | - | 2,747,751 | - | 6,902,054 | 6,902,054 | - | - |
| Airport | 658,321 | 221,383 | - | 5,347,089 | - | 4,910,151 | 4,910,151 | - | - |
| Total business-type activities | 26,595,019 | 30,312,384 | - | 8,094,840 | - | 11,812,205 | 11,812,205 | - | - |
| Total Primary Government | $ 274,304,824 | 45,862,896 | 18,643,069 | 22,297,374 | (199,313,690) | 11,812,205 | (187,501,485) | - | - |
| **Component Units:** | | | | | | | | | |
| School Board | $ 176,374,085 | 5,910,446 | 97,953,395 | - | - | - | - | (72,510,244) | - |
| Economic Development Authority | 158,985 | 165,387 | - | - | - | - | - | - | 6,402 |
| Total component units | $ 176,533,070 | 6,075,833 | 97,953,395 | - | - | - | - | (72,510,244) | 6,402 |
| General revenues: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| General property taxes | | | | | 152,312,919 | - | 152,312,919 | - | - |
| Sales taxes | | | | | 22,037,982 | - | 22,037,982 | - | - |
| Utility taxes | | | | | 6,557,712 | - | 6,557,712 | - | - |
| Recordation taxes | | | | | 2,460,540 | - | 2,460,540 | - | - |
| Other | | | | | 3,266,880 | - | 3,266,880 | - | - |
| Noncategorical State aid | | | | | 15,433,308 | - | 15,433,308 | - | - |
| Grants and contributions not restricted to specific programs | | | | | 911,867 | - | 911,867 | 557,423 | - |
| Payment from Hanover County | | | | | - | - | - | 80,582,583 | - |
| Unrestricted investment earnings | | | | | 239,848 | 112,532 | 352,380 | 1,079 | - |
| Transfers | | | | | (71,018) | 71,018 | - | - | - |
| Total general revenues and transfers | | | | | 203,150,038 | 183,550 | 203,333,588 | 81,141,085 | - |
| Change in net position | | | | | 3,836,348 | 11,995,755 | 15,832,103 | 8,630,841 | 6,402 |
| Total net position - beginning as restated (see note I.D.14) | | | | | 141,964,241 | 231,489,884 | 373,454,125 | (74,275,269) | 40,679 |
| Total net position - ending | | | | | $ 145,800,589 | 243,485,639 | 389,286,228 | (65,644,428) | 47,081 |

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, 2018

| | General | Capital Funds: County Improvements | Capital Funds: School Improvements | Debt Service | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Pooled cash, cash equivalents and investments | $ 50,981,107 | 20,409,105 | 2,943,734 | 370,820 | 74,704,766 |
| Receivables (net of allowances for uncollectibles) | 69,196,711 | 6,024,292 | 648,000 | 127,237 | 75,996,240 |
| Prepaid expenditures | - | 214,911 | - | - | 214,911 |
| Inventories | 247,392 | - | - | - | 247,392 |
| Pooled cash, cash equivalents and investments - restricted | - | 3,167,104 | 2,437,505 | - | 5,604,609 |
| Total assets | $ 120,425,210 | 29,815,412 | 6,029,239 | 498,057 | 156,767,918 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 2,846,350 | 4,371,307 | 552,380 | - | 7,770,037 |
| Accrued liabilities | 3,108,180 | 775,576 | 30,720 | - | 3,914,476 |
| Unearned revenues | 379,669 | - | - | - | 379,669 |
| Total liabilities | 6,334,199 | 5,146,883 | 583,100 | - | 12,064,182 |
| Deferred Inflows of Resources: | | | | | |
| Deferred revenues | 61,218,771 | - | - | - | 61,218,771 |
| Fund Balances: | | | | | |
| Nonspendable | 247,392 | 214,911 | - | - | 462,303 |
| Restricted | 868,647 | 8,360,586 | 3,452,681 | - | 12,681,914 |
| Committed | 500,000 | - | - | - | 500,000 |
| Assigned | 20,386,174 | 16,093,032 | 1,993,458 | 498,057 | 38,970,721 |
| Unassigned | 30,870,027 | - | - | - | 30,870,027 |
| Total fund balances | 52,872,240 | 24,668,529 | 5,446,139 | 498,057 | 83,484,965 |
| Total liabilities, deferred inflows of resources and fund balances | $ 120,425,210 | 29,815,412 | 6,029,239 | 498,057 | 156,767,918 |

| | | |
|---|---|---|
| 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. | | $ 226,689,653 |
| Receivables on the Statement of Net Position that do not provide current financial resources are not reported in the funds. | | 4,963,795 |
| 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. | | 13,948,113 |
| 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. | | (165,832,055) |
| Deferred loss on refunding does not provide current finanial resources and, therefore, is not reported in the funds. | | 1,752,092 |
| GAAP requires the recognition of net pension liability and deferred inflows and outflows related to pensions. These amounts do not use current financial resources and are not reported in the funds. | | |
| Net pension liability | (11,837,535) | |
| Pension investment experience | (3,220,401) | |
| Difference between expected and actual experience | (4,395,152) | |
| Pension contributions after measurement date | 5,472,926 | |
| Change in assumptions | (799,879) | |
| | | (14,780,041) |
| GAAP requires the recongnition of net other postemployment benefits asset, net other postemployment benefits liabilities, and deferred inflows and outflows 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 | 493,210 | |
| Net other postemployment benefits liability | (5,210,253) | |
| OPEB investment experience | (229,779) | |
| Difference between expected and actual experience | (101,873) | |
| OPEB contributions after measurement date | (14,085) | |
| GLI and HIC contributions after measurement date | 847,450 | |
| Change in assumptions | (272,653) | |
| Change in proportion | 62,050 | |
| | | (4,425,933) |
| Total net position of governmental activities | | $ 145,800,589 |

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, 2018

| | General | County Improvements | School Improvements | Debt Service | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Revenue from local sources: | | | | | |
| General property taxes | $ 152,391,918 | - | - | - | 152,391,918 |
| Other local taxes | 34,323,112 | - | - | - | 34,323,112 |
| Permits, privilege fees and regulatory licenses | 2,198,363 | - | - | - | 2,198,363 |
| Fines and forfeitures | 1,010,284 | - | - | - | 1,010,284 |
| Revenues from use of money and property | 798,120 | 121,100 | - | 135,006 | 1,054,226 |
| Charges for services | 8,065,045 | 866,828 | - | - | 8,931,873 |
| Miscellaneous | 978,881 | - | - | - | 978,881 |
| Recovered costs | 3,985,560 | 915,262 | - | - | 4,900,822 |
| Revenue from the Commonwealth | 29,106,099 | 8,396,817 | 648,000 | - | 38,150,916 |
| Revenue from the Federal government | 4,604,366 | 3,254,527 | - | 254,477 | 8,113,370 |
| Total revenues | 237,461,748 | 13,554,534 | 648,000 | 389,483 | 252,053,765 |
| **EXPENDITURES** | | | | | |
| General governmental administration | 15,411,284 | 7,246,579 | - | - | 22,657,863 |
| Judicial administration | 6,232,121 | 114,544 | - | - | 6,346,665 |
| Public safety | 58,721,732 | 5,367,457 | - | - | 64,089,189 |
| Public works | 11,144,008 | 16,581,508 | - | - | 27,725,516 |
| Human services | 23,769,039 | - | - | - | 23,769,039 |
| Parks, recreation and cultural | 6,171,343 | 684,992 | - | - | 6,856,335 |
| Community development | 5,360,996 | 189,604 | - | - | 5,550,600 |
| Education | 80,582,583 | - | 10,199,131 | - | 90,781,714 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 12,945,718 | 12,945,718 |
| Interest and fiscal charges | - | - | - | 6,720,089 | 6,720,089 |
| Debt issuance costs | - | - | - | 99,255 | 99,255 |
| Total expenditures | 207,393,106 | 30,184,684 | 10,199,131 | 19,765,062 | 267,541,983 |
| Excess (deficiency) of revenues over (under) expenditures | 30,068,642 | (16,630,150) | (9,551,131) | (19,375,579) | (15,488,218) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Transfers in | 84,923 | 8,166,373 | 2,400,000 | 19,179,520 | 29,830,816 |
| Transfers out | (29,816,911) | (84,923) | - | - | (29,901,834) |
| Issuance of capital lease | - | - | 4,000,000 | 44,300 | 4,044,300 |
| Issuance of capital lease refunding bonds | - | - | - | 1,285,000 | 1,285,000 |
| Premium on capital lease refunding bonds | | | | 263,284 | 263,284 |
| Payments to refunded bonds escrow agents | - | - | - | (1,489,324) | (1,489,324) |
| Total other financing sources (uses), net | (29,731,988) | 8,081,450 | 6,400,000 | 19,282,780 | 4,032,242 |
| Net change in fund balances | 336,654 | (8,548,700) | (3,151,131) | (92,799) | (11,455,976) |
| Total fund balances - beginning | 52,535,586 | 33,217,229 | 8,597,270 | 590,856 | 94,940,941 |
| Total fund balances - ending | $ 52,872,240 | 24,668,529 | 5,446,139 | 498,057 | 83,484,965 |

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, 2018

| | | |
|---|---|---|
| Net change in fund balance - total governmental funds | $ | (11,455,976) |
| 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 | | 16,124,188 |
| Depreciation Expense | | (10,571,023) |
| 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. | | (3,109,017) |
| 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). | | (436,594) |
| 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 | | (5,592,584) |
| Repayment of Debt Principal | | 12,945,718 |
| Payment to Refunded Bond Escrow Agent is an expenditure in the governmnetal funds, but the refunding reduces long-term debt in the Statement of Net Position. | | 1,489,323 |
| 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. | | 292,670 |
| 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. | | 3,674,755 |
| 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. | | 770,168 |
| 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. | | (295,280) |
| Change in net position of governmental activities | $ | 3,836,348 |

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

**COUNTY OF HANOVER, VIRGINIA** **Exhibit 6**

General Fund

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

For the Year Ended June 30, 2018

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Budget Basis | (Negative) |
| **REVENUES** | | | | |
| Revenue from local sources: | | | | |
| General property taxes | $ 152,338,600 | 152,338,600 | 152,391,918 | 53,318 |
| Other local taxes | 32,470,800 | 32,670,800 | 34,323,112 | 1,652,312 |
| Permits, privilege fees and regulatory licenses | 2,172,900 | 2,172,900 | 2,198,363 | 25,463 |
| Fines and forfeitures | 995,125 | 995,125 | 1,010,284 | 15,159 |
| Revenues from use of money and property | 864,000 | 864,000 | 798,120 | (65,880) |
| Charges for services | 7,361,020 | 7,629,857 | 8,065,045 | 435,188 |
| Miscellaneous | 1,174,500 | 960,431 | 978,881 | 18,450 |
| Recovered costs | 3,601,386 | 3,699,171 | 3,985,560 | 286,389 |
| Revenue from the Commonwealth | 28,568,503 | 29,301,670 | 29,106,099 | (195,571) |
| Revenue from the Federal government | 4,042,090 | 4,526,990 | 4,604,366 | 77,376 |
| Total revenues | 233,588,924 | 235,159,544 | 237,461,748 | 2,302,204 |
| **EXPENDITURES** | | | | |
| General governmental administration | 15,621,253 | 16,045,592 | 15,581,031 | 464,561 |
| Judicial administration | 6,168,733 | 6,363,260 | 6,268,421 | 94,839 |
| Public safety | 58,551,677 | 59,844,891 | 59,155,966 | 688,925 |
| Public works | 11,067,409 | 11,566,380 | 11,260,521 | 305,859 |
| Human services | 23,926,097 | 24,955,365 | 23,832,390 | 1,122,975 |
| Parks, recreation and cultural | 6,217,700 | 6,299,937 | 6,174,099 | 125,838 |
| Community development | 5,416,401 | 5,593,753 | 5,393,447 | 200,306 |
| Education | 82,723,000 | 82,723,000 | 80,582,583 | 2,140,417 |
| Nondepartmental | 2,367,716 | 1,040,894 | - | 1,040,894 |
| Total expenditures - budgetary basis | 212,059,986 | 214,433,072 | 208,248,458 | 6,184,614 |
| Less encumbrances at June 30, 2018 | - | - | (855,352) | 855,352 |
| Total expenditures | 212,059,986 | 214,433,072 | 207,393,106 | 7,039,966 |
| Excess of revenues over expenditures | 21,528,938 | 20,726,472 | 30,068,642 | 9,342,170 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | - | 84,923 | 84,923 | - |
| Transfers out | (29,128,938) | (29,816,911) | (29,816,911) | - |
| Total other financing uses, net | (29,128,938) | (29,731,988) | (29,731,988) | - |
| Net change in fund balance | (7,600,000) | (9,005,516) | 336,654 | 9,342,170 |
| Fund balances - beginning | 7,600,000 | 52,535,586 | 52,535,586 | - |
| Fund balances - ending | $ - | 43,530,070 | 52,872,240 | 9,342,170 |

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

**COUNTY OF HANOVER, VIRGINIA** **Exhibit 7**

Proprietary Funds
Statement of Net Position
June 30, 2018

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|---|---|---|---|---|
| | Public Utilities | Non-major Airport | Total | |
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Pooled cash, cash equivalents and investments | $ 26,934,773 | 355,799 | 27,290,572 | 13,677,100 |
| Receivables (net of allowances for uncollectibles) | 4,864,767 | 313,759 | 5,178,526 | 3,504,144 |
| Prepaid expenses | - | - | - | 429,120 |
| Total current assets | 31,799,540 | 669,558 | 32,469,098 | 17,610,364 |
| Noncurrent Assets: | | | | |
| Pooled cash, cash equivalents and investments - restricted | 3,715,837 | - | 3,715,837 | 45,823 |
| Net other postemployment benefits asset - restricted | 38,625 | 723 | 39,348 | - |
| Capital assets: | | | | |
| Land | 6,417,136 | 4,770,169 | 11,187,305 | - |
| Buildings and system | 85,920,813 | 3,669,137 | 89,589,950 | - |
| Improvements other than buildings | 260,285,129 | 8,954,119 | 269,239,248 | - |
| Machinery and equipment | 17,186,169 | 33,857 | 17,220,026 | - |
| Construction in progress | 9,255,488 | 8,254,361 | 17,509,849 | - |
| Less accumulated depreciation | (168,759,209) | (6,806,717) | (175,565,926) | - |
| Total capital assets (net of accumulated depreciation) | 210,305,526 | 18,874,926 | 229,180,452 | - |
| Total noncurrent assets | 214,059,988 | 18,875,649 | 232,935,637 | 45,823 |
| Total assets | 245,859,528 | 19,545,207 | 265,404,735 | 17,656,187 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred loss on refunding | 747,036 | - | 747,036 | - |
| Deferred outflows relating to pension | 437,702 | 8,376 | 446,078 | - |
| Deferred outflows relating to other postemployment benefits | 71,226 | 1,333 | 72,559 | - |
| Total deferred outflows of resources | 1,255,964 | 9,709 | 1,265,673 | - |
| **LIABILITIES** | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 2,278,867 | 83,475 | 2,362,342 | 125,903 |
| Incurred but not reported self-insurance claims | - | - | - | 2,070,065 |
| Accrued liabilities | 506,220 | 145,817 | 652,037 | 489,288 |
| Accrued bond interest | 149,266 | 27,290 | 176,556 | - |
| Advance premiums | - | - | - | 1,022,818 |
| Current portion of bonds payable | 1,258,369 | 90,532 | 1,348,901 | - |
| Current portion of compensated absences | 526,347 | 7,501 | 533,848 | - |
| Current portion of support agreement | 705,979 | - | 705,979 | - |
| Total current liabilities | 5,425,048 | 354,615 | 5,779,663 | 3,708,074 |
| Noncurrent Liabilities: | | | | |
| Bonds payable | 12,694,096 | 983,890 | 13,677,986 | - |
| Compensated absences | 188,026 | 10,226 | 198,252 | - |
| Deposits | 588,761 | - | 588,761 | - |
| Capacity fee credits | 514,362 | - | 514,362 | - |
| Support agreement | 310,000 | - | 310,000 | - |
| Net pension liability | 946,716 | 18,116 | 964,832 | - |
| Net other postemployment benefits liability | 408,035 | 7,635 | 415,670 | |
| Total noncurrent liabilities | 15,649,996 | 1,019,867 | 16,669,863 | - |
| Total liabilities | 21,075,044 | 1,374,482 | 22,449,526 | 3,708,074 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred inflows relating to pension | 673,030 | 12,879 | 685,909 | - |
| Deferred inflows relating to other postemployment benefits | 48,429 | 905 | 49,334 | - |
| Total deferred inflows of resources | 721,459 | 13,784 | 735,243 | - |
| **NET POSITION** | | | | |
| Net investment in capital assets | 195,569,757 | 17,800,504 | 213,370,261 | - |
| Restricted for debt covenants | 3,715,837 | - | 3,715,837 | - |
| Restricted for other postemployment benefits | 38,625 | 723 | 39,348 | - |
| Unrestricted | 25,994,770 | 365,423 | 26,360,193 | 13,948,113 |
| Total net position | $ 225,318,989 | 18,166,650 | 243,485,639 | 13,948,113 |

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, 2018

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|---|---|---|---|---|
| | Public Utilities | Non-major Airport | Total | |
| **OPERATING REVENUES** | | | | |
| Revenue from use of money and property | $ - | 221,383 | 221,383 | - |
| Charges for services | 24,875,331 | - | 24,875,331 | 37,158,791 |
| Capacity fees | 408,952 | - | 408,952 | - |
| Recovered cost | - | - | - | 44,292 |
| Miscellaneous | 447,459 | - | 447,459 | - |
| Total operating revenues | 25,731,742 | 221,383 | 25,953,125 | 37,203,083 |
| **OPERATING EXPENSES** | | | | |
| Personnel services | 4,861,775 | 85,577 | 4,947,352 | 58,783 |
| Fringe benefits | 1,217,650 | 16,557 | 1,234,207 | 18,851 |
| Health care claims and benefits | - | - | - | 36,758,681 |
| Contractual services | 5,387,631 | 59,179 | 5,446,810 | 136,880 |
| Internal services | 1,453,000 | - | 1,453,000 | - |
| Other charges | 3,105,830 | 21,367 | 3,127,197 | 576,471 |
| Depreciation | 9,408,815 | 419,953 | 9,828,768 | - |
| Total operating expenses | 25,434,701 | 602,633 | 26,037,334 | 37,549,666 |
| Operating income (loss) | 297,041 | (381,250) | (84,209) | (346,583) |
| **NONOPERATING REVENUES (EXPENSES)** | | | | |
| Nonoperating revenues: | | | | |
| Capacity fees - nonoperating | 4,359,259 | - | 4,359,259 | - |
| Interest income | 112,532 | - | 112,532 | 51,303 |
| Total nonoperating revenues | 4,471,791 | - | 4,471,791 | 51,303 |
| Nonoperating expenses: | | | | |
| Interest expense and fiscal charges | 501,997 | 55,688 | 557,685 | - |
| Total nonoperating expenses | 501,997 | 55,688 | 557,685 | - |
| Net nonoperating revenues (expenses) | 3,969,794 | (55,688) | 3,914,106 | 51,303 |
| Income (loss) before capital contributions and transfers | 4,266,835 | (436,938) | 3,829,897 | (295,280) |
| Capital contributions | 2,747,751 | 5,347,089 | 8,094,840 | - |
| Transfers in | - | 71,018 | 71,018 | - |
| Change in fund net position | 7,014,586 | 4,981,169 | 11,995,755 | (295,280) |
| Total fund net position - beginning as restated (see note I.D.14) | 218,304,403 | 13,185,481 | 231,489,884 | 14,243,393 |
| Total fund net position - ending | $ 225,318,989 | 18,166,650 | 243,485,639 | 13,948,113 |

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

**COUNTY OF HANOVER, VIRGINIA** **Exhibit 9**

Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2018

| | 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 | $ 25,611,950 | 221,383 | 25,833,333 | - |
| Receipts from interfund services provided | - | - | - | 33,305,843 |
| Payments to suppliers and service providers | (11,450,827) | (59,369) | (11,510,196) | (136,880) |
| Payments to employees | (4,875,694) | (109,118) | (4,984,812) | (77,636) |
| Claims and benefits paid | - | - | - | (37,707,811) |
| Net cash provided by (used in) operating activities | 9,285,429 | 52,896 | 9,338,325 | (4,616,484) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | |
| Transfers from other funds | - | 71,018 | 71,018 | - |
| Net cash provided by noncapital financing activities | - | 71,018 | 71,018 | - |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | |
| Intergovernmental revenue received - capital grants | 70,532 | 6,057,190 | 6,127,722 | - |
| Capacity fees received | 3,976,546 | - | 3,976,546 | - |
| Acquisition and construction of capital assets | (9,240,120) | (5,681,328) | (14,921,448) | - |
| Principal payments on revenue bonds and support agreement debt | (2,351,830) | (86,102) | (2,437,932) | - |
| Interest payments on revenue bonds | (673,092) | (57,875) | (730,967) | - |
| Net cash provided by (used in) capital and related financing activities | (8,217,964) | 231,885 | (7,986,079) | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Interest received | 112,532 | - | 112,532 | 51,302 |
| Net cash provided by investing activities | 112,532 | - | 112,532 | 51,302 |
| Net increase (decrease) in cash and cash equivalents | 1,179,997 | 355,799 | 1,535,796 | (4,565,182) |
| Pooled cash, cash equivalents and investments at beginning of year | 29,470,613 | - | 29,470,613 | 18,288,105 |
| Pooled cash, cash equivalents and investments at end of year | $ 30,650,610 | 355,799 | 31,006,409 | 13,722,923 |
| **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:** | | | | |
| Operating income (loss) | $ 297,041 | (381,250) | (84,209) | (346,583) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation expense | 9,408,815 | 419,953 | 9,828,768 | - |
| Pension expense | (343,205) | (6,085) | (349,290) | - |
| Other postemployment benefits expense | (60,314) | (1,131) | (61,445) | |
| (Increase) decrease in: | | | | |
| Receivables | (146,013) | - | (146,013) | (3,259,922) |
| Prepaids | - | - | - | (196,650) |
| Increase (decrease) in: | | | | |
| Customer deposits | 26,220 | - | 26,220 | - |
| Accounts payable | 116,804 | 21,179 | 137,983 | 81,035 |
| Incurred but not reported self-insurance claims | - | - | - | (453,716) |
| Accrued liabilities | 9,364 | 52 | 9,416 | 196,672 |
| Advance premiums | - | - | - | (683,143) |
| Compensated absences | (23,283) | 178 | (23,105) | - |
| Total adjustments | 8,988,388 | 434,146 | 9,422,534 | (4,315,724) |
| Net cash provided by (used in) operating activities | $ 9,285,429 | 52,896 | 9,338,325 | (4,662,307) |
| **Noncash investing, capital, and financing activities:** | | | | |
| Capital contributions | $ 2,677,218 | 5,347,089 | 8,024,307 | - |

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, 2018

| | Retiree Medical Benefits Trust | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Pooled cash, cash equivalents and investments | $ - | $ 2,954,794 |
| Receivables | 3,680 | 570,605 |
| Investments, at fair value (mutual funds): | | |
| Money market | 16,712 | - |
| Domestic equity | 2,251,949 | - |
| International equity | 1,402,596 | - |
| Fixed income | 1,713,250 | - |
| Total assets | $ 5,388,187 | $ 3,525,399 |
| **LIABILITIES** | | |
| Accounts payable | $ - | $ 293,581 |
| Accrued liabilities | - | 1,505,501 |
| Deposits | - | 1,726,317 |
| Total liabilities | $ - | $ 3,525,399 |
| **FIDUCIARY NET POSITION** | | |
| Held in trust for other postemployment benefits | $ 5,388,187 | |

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, 2018

| | Retiree Medical Benefits Trust |
|---|---|
| **ADDITIONS** | |
| Contributions: | |
| Employer | $ 42,000 |
| Plan members | 946,367 |
| Total contributions | 988,367 |
| Investment earnings | 432,190 |
| Total additions | 1,420,557 |
| **DEDUCTIONS** | |
| Trust withdrawal | 271,000 |
| Benefits | 946,367 |
| Total deductions | 1,217,367 |
| Net increase in fiduciary net position | 203,190 |
| Fiduciary net position held in trust for other postemployment benefits | |
| Beginning | 5,184,997 |
| Ending | $ 5,388,187 |

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 nonmajor 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, 2018, 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, 2017, and the first installment (June 5) of the levy on assessed value at January 1, 2018.

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 2017 tax bills, payable in fiscal year 2018, 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 first in-first out (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, 2018 of $9,320,446, which consists of unspent bond proceeds and accumulated interest of $5,604,609 restricted for capital projects in the School and County Improvements Funds. Business-type activities report restricted cash, cash equivalents and investments of $3,715,837 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 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 other post-employment benefits 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 result from changes in actuarial assumptions, pension investment returns that exceed projected earnings, change in the proportionate share of total VRS Teachers’ Pool liability, actual economic experience that is different than estimated and pension contributions made subsequent to the measurement date. Changes in actuarial assumptions are deferred and amortized over the remaining service life of all participants and investment experience amounts are deferred and amortized over a closed five-year period.

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 other post-employment benefit plans. Actuarial losses resulting from a difference in expected and actual experience, 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 other post-employment benefit 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 Virginia Retirement System (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 Virginia Code §15.2-1547 is responsible for the oversight of the Hanover Retiree Medical Benefits Trust, established pursuant to Virginia 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 GASB 75 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 June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting for postemployment benefits other than pensions and to improve information provided by state and local governmental employers about financial support for other postemployment benefits (OPEB) that is provided by other entities. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The County adopted this statement in fiscal year 2018, presenting related disclosure amounts on the face of the financial statements and describing the related activity in Note V.G., V.H., and V.I. of the accompanying notes to the financial statements. Additionally, the Required Supplementary Information (RSI) Schedules (Exhibit 12) have been amended for the new presentation requirements. As a result of the change in accounting requirements, the fiscal year 2017 net position balances presented in this report differ from the items presented in the previously issued fiscal year 2017 financial statements. To facilitate the implementation of this change in accounting requirements, 2017 ending balances are adjusted as follows:

| | Governmental Activities | Business-type Activities | | School Board Component Unit |
|---|---|---|---|---|
| | | Public Utilties Fund | Airport Fund | |
| Net position - as previously reported at June 30, 2017 | $ 146,420,875 | 218,711,330 | 13,193,095 | (50,829,597) |
| Net other postemployment benefits asset at June 30, 2017 | 513,826 | 35,961 | 673 | 935,328 |
| Net other postemployment benefits liability at June 30, 2017 | (4,970,460) | (442,888) | (8,287) | (24,381,000) |
| Net position - as restated | $ 141,964,241 | 218,304,403 | 13,185,481 | (74,275,269) |

In March, 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to provide recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement, and recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. It also requires that a government recognize revenue when the resources become applicable to the reporting period. This statement is not applicable to the County as there are no agreements of this type.

In March 2017, GASB issued statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The County's adoption of this statement in fiscal year 2018 did not have a significant impact on the County's financial statements or disclosures.

In May 2017, GASB issued statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The County's adoption of this statement in fiscal year 2018 did not have a significant impact on the County's financial statements or disclosures.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The County adopted this statement in fiscal year 2018 and interest costs incurred after July 1, 2017 have not been capitalized.

***15. Future 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 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, 2019.

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, 2019.

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, 2019.

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. It 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 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, 2019.

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.

## 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 | $ 143,339,372 |
| Accrued bond interest | 2,507,964 |
| Capital lease obligations | 5,887,085 |
| Support agreement payable | 2,464,221 |
| Compensated absences | 9,859,274 |
| Liability for landfill closure and postclosure costs | 1,774,139 |
| Net adjustment to reduce total fund balances - total governmental funds to arrive at net position - governmental activities | $ 165,832,055 |

**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 | $ | 16,124,188 |
| Depreciation expense | | (10,571,023) |
| Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net positon of governmental activities | $ | 5,553,165 |

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 | $ | (715,912) |
| Liability for landfill closure and postclosure costs | | 73,190 |
| Accrued interest | | 79,750 |
| Amortization of bond premiums | | 1,147,504 |
| 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 | $ | 292,670 |

## 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 December 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, workshops, 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 $50,000 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, 2018, the reporting entity's pooled cash and investments, including $2,954,794 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 | $ 4,375 | - | - | - | - | 4,375 |
| Cash deposits | 37,342,391 | - | - | - | - | 37,342,391 |
| Demand and time deposits | 16,554,172 | - | 2,786,384 | 13,273,516 | - | 494,272 |
| Money market mutual funds (AAAm ratings) | 13,448,855 | 13,448,855 | - | - | - | - |
| U.S. government and agency bonds | 42,537,746 | 5,078,616 | 37,459,130 | - | - | - |
| Corporate notes and bonds | 13,884,428 | 652,042 | 11,409,699 | 1,822,687 | - | - |
| Commercial paper | 8,564,912 | - | - | 8,564,912 | - | - |
| LGIP Funds | 10,150,190 | 10,150,190 | - | - | - | - |
| Total pooled deposits and investments | $ 142,487,069 | 29,329,703 | 51,655,213 | 23,661,115 | - | 37,841,038 |

| | | Fund Credit Quality Rating | | |
|---|---|---|---|---|
| Retiree Medical Benefits Trust: | Fair Value | AAAm | N/R | N/A |
| Mutual funds: | | | | |
| Money market | $ 16,712 | 16,712 | - | - |
| Domestic equity | 2,251,949 | - | - | 2,251,949 |
| International equity | 1,402,596 | - | - | 1,402,596 |
| Fixed income | 1,713,250 | - | 574,324 | 1,138,926 |
| Other | - | - | - | - |
| Total trust investments | $ 5,384,507 | 16,712 | 574,324 | 4,793,471 |

The deposits and investments schedule solely represents amounts under the Treasurer's responsibility. As of June 30, 2018, $641,267 of deposits were held in escrow at a separate financial institution and excluded from the schedule above.

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 Weightings | | |
|---|---|---|---|---|
| Trust Asset Class | Fair Value | Range | Target | Actual |
| Liquidity assets: | | | | |
| Cash equivalent | $ 16,712 | 0 - 100% | 100% | 100% |
| Investment assets: | | | | |
| Domestic equity | 2,251,949 | 26 - 46% | 36% | 42% |
| International equity | 1,402,596 | 13 - 33% | 23% | 26% |
| REITs | - | 0 - 12% | 6% | - |
| Inflation hedged | - | 0 - 10% | - | - |
| Fixed income | 1,713,250 | 20 - 60% | 35% | 32% |
| Cash equivalent | - | 0 - 20% | 0% | 0% |
| Total investment assets | 5,367,795 | | 100% | 100% |
| Total trust investments | $ 5,384,507 | | | |

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, 2018, 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 | $ 4,375 | 4,375 | - | - |
| Cash deposits | 37,342,391 | 37,342,391 | - | - |
| Demand and time deposits | 16,554,172 | 13,767,788 | 2,786,384 | - |
| Money market mutual funds | 13,448,855 | 13,448,855 | - | - |
| U.S. Government and agency bonds | 42,537,746 | 718,427 | 41,819,319 | - |
| Corporate notes and bonds | 13,884,428 | 3,699,366 | 10,185,062 | - |
| Commercial paper | 8,564,912 | 8,564,912 | - | - |
| LGIP funds | 10,150,190 | 10,150,190 | - | - |
| Total pooled deposits and investments | $ 142,487,069 | 87,696,304 | 54,790,765 | - |

| | | Investment Maturities (in Years) | | |
|---|---|---|---|---|
| Retiree Medical Benefits Trust: | Fair Value | Less than 1 | 1 to 5 | More than 5 |
| Money market mutual fund | $ 16,712 | 16,712 | - | - |
| Fixed income | 1,713,250 | 1,713,250 | - | - |
| Domestic equity | 2,251,949 | 2,251,949 | - | - |
| International equity | 1,402,596 | 1,402,596 | - | - |
| Total trust deposits and investments | $ 5,384,507 | 5,384,507 | - | - |

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, 2018 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, 2018, the only issuer exceeding five percent of the pooled investments was the U.S. Treasury, which represented thirteen 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, 2018 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, 2018, 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, 2018.

Fair Value Hierarchy Disclosure: The following tables present investments at fair value on a recurring basis in accordance with GAAP at June 30, 2018:

| | | 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 | $ 22,787,662 | - | 22,787,662 | - |
| U.S. agency securities | 19,750,084 | - | 19,750,084 | - |
| Corporate notes and bonds | 13,884,428 | - | 13,884,428 | - |
| Total investments by fair value | $ 56,422,174 | - | 56,422,174 | - |
| Investments measured at amortized cost | | | | |
| Demand and time deposits | $ 16,554,172 | | | |
| Money market mutual funds | 13,448,855 | | | |
| Commercial paper | 8,564,912 | | | |
| LGIP funds | 10,150,190 | | | |
| Total investments by amortized cost | $ 48,718,129 | | | |
| Cash | | | | |
| Cash on hand | $ 4,375 | | | |
| Cash deposits | 37,342,391 | | | |
| Total cash | $ 37,346,766 | | | |
| Total pooled deposits and investments | $ 142,487,069 | | | |

| | | 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 | $ 1,713,250 | - | 1,713,250 | - |
| Domestic equity | 2,251,949 | - | 2,251,949 | - |
| International equity | 1,402,596 | - | 1,402,596 | - |
| Total investments by fair value | $ 5,367,795 | - | 5,367,795 | - |
| Investments measured at amortized cost | | | | |
| Money market mutual fund | $ 16,712 | | | |
| Total pooled deposits and investments | $ 5,384,507 | | | |

## B. Receivables

Receivables and allowances for uncollectible receivables of the Primary Government and School Component Unit, excluding fiduciary funds, at June 30, 2018, are as follows:

| | Primary Government | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | General Fund | Debt Service Fund | County Improvements Fund | School Improvements Fund | Public Utilities | Airport Fund | Internal Services Funds | Total Primary Government | School Component Unit |
| Receivables: | | | | | | | | | |
| Interest | $ 352,348 | - | 7,656 | - | - | - | - | 360,004 | - |
| Taxes | 62,013,469 | - | - | - | - | - | - | 62,013,469 | - |
| Accounts | 2,599,481 | - | - | - | 5,068,164 | - | 3,504,144 | 11,171,789 | 149,281 |
| Commonwealth of Virginia | 6,193,619 | - | 4,285,498 | 648,000 | - | 100,432 | - | 11,227,549 | 2,960,176 |
| Federal government | 592,766 | 127,237 | 1,731,138 | - | - | 213,327 | - | 2,664,468 | 2,049,160 |
| Gross receivables | 71,751,683 | 127,237 | 6,024,292 | 648,000 | 5,068,164 | 313,759 | 3,504,144 | 87,437,279 | 5,158,617 |
| Allowance for uncollectibles | (1,923,125) | - | - | - | (203,397) | - | - | (2,126,522) | - |
| Net total receivables | $ 69,828,558 | 127,237 | 6,024,292 | 648,000 | 4,864,767 | 313,759 | 3,504,144 | 85,310,757 | 5,158,617 |

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 2018 real property tax levy, due on October 5, 2018, are reported as *deferred inflows of resources* at June 30, 2018 in the government-wide financial statements and in the governmental fund financial statements. At June 30, 2018, 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 | $ 55,126,893 | - | 55,126,893 | - |
| Prepaid taxes | 1,792,878 | - | 1,792,878 | - |
| Past due taxes (net of allowance for uncollectibles) | 4,299,000 | - | - | - |
| Sheriff National Night Out donations | - | 1,000 | - | 1,000 |
| EMS transport fees | - | 32,949 | - | - |
| Parks and Recreation summer program fees | - | 345,720 | - | 345,720 |
| Advance health insurance premiums - Self Insurance Fund | - | - | - | 1,022,818 |
| Total deferred/unearned revenues - Primary Government | $ 61,218,771 | 379,669 | 56,919,771 | 1,369,538 |

## C. Capital assets

Capital asset activity for the Primary Government for the year ended June 30, 2018 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 | 1,073,366 | 282,429 | - | 1,355,795 |
| Construction in progress | 2,545,955 | 13,103,810 | (4,180,714) | 11,469,051 |
| Total capital assets, not being depreciated | 13,469,884 | 13,386,239 | (4,180,714) | 22,675,409 |
| Capital assets, being depreciated: | | | | |
| Buildings | 242,896,447 | 57,686 | (5,307,904) | 237,646,229 |
| Improvements other than buildings | 18,220,553 | 736,734 | - | 18,957,287 |
| Machinery and equipment | 83,824,388 | 8,761,169 | (2,657,072) | 89,928,485 |
| Infrastructure | 34,186,012 | 1,396,521 | - | 35,582,533 |
| Total capital assets, being depreciated | 379,127,400 | 10,952,110 | (7,964,976) | 382,114,534 |
| Less accumulated depreciation for: | | | | |
| Buildings | (94,198,371) | (3,831,969) | - | (98,030,340) |
| Improvements other than buildings | (7,834,182) | (746,081) | - | (8,580,263) |
| Machinery and equipment | (44,844,196) | (6,794,779) | 2,258,642 | (49,380,333) |
| Infrastructure | (21,076,600) | (1,032,755) | - | (22,109,355) |
| Total accumulated depreciation | (167,953,349) | (12,405,584) | 2,258,642 | (178,100,291) |
| Total capital assets, being depreciated, net | 211,174,051 | (1,453,474) | (5,706,334) | 204,014,243 |
| **Governmental activities' capital assets, net** | $ 224,643,935 | 11,932,765 | (9,887,048) | 226,689,652 |

| **Business-type activities:** **Public Utilities:** | Balance July 1 | Increases | Decreases | Balance June 30 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 6,417,136 | - | - | 6,417,136 |
| Construction in progress | 5,014,827 | 8,643,808 | (4,403,147) | 9,255,488 |
| Total capital assets, not being depreciated | 11,431,963 | 8,643,808 | (4,403,147) | 15,672,624 |
| Capital assets, being depreciated: | | | | |
| Buildings | 85,920,813 | - | - | 85,920,813 |
| Improvements other than buildings | 254,158,899 | 6,126,230 | - | 260,285,129 |
| Machinery and equipment | 15,703,628 | 1,577,273 | (94,732) | 17,186,169 |
| Total capital assets, being depreciated | 355,783,340 | 7,703,503 | (94,732) | 363,392,111 |
| Less accumulated depreciation for: | | | | |
| Buildings | (40,271,992) | (2,212,476) | - | (42,484,468) |
| Improvements other than buildings | (110,161,835) | (6,464,909) | - | (116,626,744) |
| Machinery and equipment | (9,011,299) | (731,430) | 94,732 | (9,647,997) |
| Total accumulated depreciation | (159,445,126) | (9,408,815) | 94,732 | (168,759,209) |
| Total capital assets, being depreciated, net | 196,338,214 | (1,705,312) | - | 194,632,902 |
| **Public Utilities' capital assets, net** | $ 207,770,177 | 6,938,496 | (4,403,147) | 210,305,526 |

| **Airport Fund:** | Balance July 1 | Increases | Decreases | Balance June 30 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 4,770,169 | - | - | 4,770,169 |
| Construction in progress | 3,633,080 | 5,420,831 | (799,550) | 8,254,361 |
| Total capital assets, not being depreciated | 8,403,249 | 5,420,831 | (799,550) | 13,024,530 |
| Capital assets, being depreciated: | | | | |
| Buildings | 3,669,137 | - | - | 3,669,137 |
| Improvements other than buildings | 8,154,569 | 799,550 | - | 8,954,119 |
| Machinery and equipment | 33,857 | - | - | 33,857 |
| Total capital assets, being depreciated | 11,857,563 | 799,550 | - | 12,657,113 |
| Less accumulated depreciation for: | | | | |
| Buildings | (1,160,448) | (118,083) | - | (1,278,531) |
| Improvements other than buildings | (5,201,699) | (300,800) | - | (5,502,499) |
| Machinery and equipment | (24,617) | (1,070) | - | (25,687) |
| Total accumulated depreciation | (6,386,764) | (419,953) | - | (6,806,717) |
| Total capital assets, being depreciated, net | 5,470,799 | 379,597 | - | 5,850,396 |
| **Airport capital assets, net** | $ 13,874,048 | 5,800,428 | (799,550) | 18,874,926 |

| **Total Business-type activities:** | Balance July 1 | Increases | Decreases | Balance June 30 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 11,187,305 | - | - | 11,187,305 |
| Construction in progress | 8,647,907 | 14,064,639 | (5,202,697) | 17,509,849 |
| Total capital assets, not being depreciated | 19,835,212 | 14,064,639 | (5,202,697) | 28,697,154 |
| Capital assets, being depreciated: | | | | |
| Buildings | 89,589,950 | - | - | 89,589,950 |
| Improvements other than buildings | 262,313,468 | 6,925,780 | - | 269,239,248 |
| Machinery and equipment | 15,737,485 | 1,577,273 | (94,732) | 17,220,026 |
| Total capital assets, being depreciated | 367,640,903 | 8,503,053 | (94,732) | 376,049,224 |
| Less accumulated depreciation for: | | | | |
| Buildings | (41,432,440) | (2,330,559) | - | (43,762,999) |
| Improvements other than buildings | (115,363,534) | (6,765,709) | - | (122,129,243) |
| Machinery and equipment | (9,035,916) | (732,500) | 94,732 | (9,673,684) |
| Total accumulated depreciation | (165,831,890) | (9,828,768) | 94,732 | (175,565,926) |
| Total capital assets, being depreciated, net | 201,809,013 | (1,325,715) | - | 200,483,298 |
| **Business-type activities' capital assets, net** | $ 221,644,225 | 12,738,924 | (5,202,697) | 229,180,452 |
| **Total capital assets, net - Primary Government** | $ 446,288,160 | 24,671,689 | (15,089,745) | 455,870,104 |

Capital assets activity for the School Board Component Unit for the year ended June 30, 2018 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 | 3,254,030 | 8,395,285 | (10,736,110) | 913,205 |
| Total capital assets, not being depreciated | 10,654,712 | 8,395,285 | (10,736,110) | 8,313,887 |
| Capital assets, being depreciated: | | | | |
| Buildings | 159,500,714 | 5,307,904 | (84,000) | 164,724,618 |
| Improvements other than buildings | 14,124,693 | 5,609,124 | - | 19,733,817 |
| Machinery and equipment | 28,784,366 | 1,569,299 | (723,986) | 29,629,679 |
| Total capital assets, being depreciated | 202,409,773 | 12,486,327 | (807,986) | 214,088,114 |
| Less accumulated depreciation for: | | | | |
| Buildings | (71,996,668) | (6,977,015) | 69,999 | (78,903,684) |
| Improvements other than buildings | (3,681,845) | (904,985) | - | (4,586,830) |
| Machinery and equipment | (21,571,708) | (1,744,138) | 721,576 | (22,594,270) |
| Total accumulated depreciation | (97,250,221) | (9,626,138) | 791,575 | (106,084,784) |
| Total capital assets, being depreciated, net | 105,159,552 | 2,860,189 | (16,411) | 108,003,330 |
| **School Board Component Unit capital assets, net** | $ 115,814,264 | 11,255,474 | (10,752,521) | 116,317,217 |

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

| | |
|---|---|
| **Primary Government:** | |
| Governmental activities: | |
| General governmental administration | $ 855,533 |
| Judicial administration | 1,429,036 |
| Public safety | 5,339,455 |
| Public works | 2,094,040 |
| Human services | 213,607 |
| Parks, recreation and cultural | 566,064 |
| Community development | 73,290 |
| Education | 4,245,072 |
| Total - governmental activities | 14,816,097 |
| Less tenancy in common transfer | (2,410,513) |
| Total depreciation expense - governmental activities | 12,405,584 |
| Business-type activities: | |
| Public Utilities | 9,408,815 |
| Airport | 419,953 |
| Total depreciation expense - business-type activities | 9,828,768 |
| **Total depreciation expense - Primary Government** | $ 24,644,865 |
| **School Board Component Unit:** | |
| Education | $ 7,215,625 |
| Tenancy in common transfer | 2,410,513 |
| Total depreciation expense - School Board Component Unit | $ 9,626,138 |

*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, 2018, the County had outstanding financial obligations related to the acquisition and construction of school property totaling $75,182,577. 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, 2018. During fiscal year 2018, the County's financial obligations related to school buildings and equipment decreased by a net amount of $2,662,113, 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 $11,460,697 in fiscal year 2018, of which $4,245,072 is reported by the Primary Government and $7,215,625 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, 2018 are as follows:

| Primary Government | Transfers In | Transfers Out |
|---|---|---|
| General Fund | $ 84,923 | 29,816,911 |
| County Improvements Fund | 8,166,373 | 84,923 |
| School Improvements Fund | 2,400,000 | - |
| Debt Service Fund | 19,179,520 | - |
| Airport Fund | 71,018 | - |
| Total Primary Government | $ 29,901,834 | 29,901,834 |

## 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, 2018:

| Primary Government | Balance July 1 as restated | Additions | Reductions | Balance June 30 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| General obligation bonds payable: | | | | | |
| Principal amount of bonds payable | $ 105,963,822 | - | 11,415,718 | 94,548,104 | 11,253,475 |
| Premium | 7,241,307 | - | 1,021,521 | 6,219,786 | 876,458 |
| Infrastructure and state moral obligation bonds payable: | | | | | |
| Principal amount of bonds payable | 41,090,000 | - | 765,000 | 40,325,000 | 800,000 |
| Premium | 2,331,982 | - | 85,500 | 2,246,482 | 85,500 |
| Total bonds payable | 156,627,111 | - | 13,287,739 | 143,339,372 | 13,015,433 |
| Capital lease obligations | 1,883,191 | 5,592,584 | 1,588,690 | 5,887,085 | 931,490 |
| Compensated absences | 9,143,362 | 7,682,146 | 6,966,234 | 9,859,274 | 7,501,411 |
| Liability for landfill closure | 1,847,329 | - | 73,190 | 1,774,139 | 73,190 |
| Support agreement | 3,152,074 | - | 687,853 | 2,464,221 | 462,852 |
| Net pension liability | 26,321,139 | 1,798,171 | 16,281,775 | 11,837,535 | - |
| Net other postemployment benefits liability * | 5,655,292 | 133,866 | 578,905 | 5,210,253 | - |
| Total governmental activities | 204,629,498 | 15,206,767 | 39,464,386 | 180,371,879 | 21,984,376 |
| **Business-type activities:** | | | | | |
| Public Utilities: | | | | | |
| Water and sewer revenue bonds payable: | | | | | |
| Principal amount of bonds payable | 13,435,034 | - | 1,046,830 | 12,388,204 | 1,096,831 |
| Premium | 1,725,799 | - | 161,538 | 1,564,261 | 161,538 |
| Total bonds payable | 15,160,833 | - | 1,208,368 | 13,952,465 | 1,258,369 |
| Compensated absences | 737,655 | 520,219 | 543,501 | 714,373 | 526,347 |
| Deposits | 562,542 | 298,648 | 272,429 | 588,761 | - |
| Capacity fee credits | 870,248 | 26,826 | 382,712 | 514,362 | - |
| Support agreement | 2,375,964 | - | 1,359,985 | 1,015,979 | 705,979 |
| Net pension liability | 2,140,440 | 94,496 | 1,288,220 | 946,716 | - |
| Net other postemployment benefits liability * | 442,888 | 10,181 | 45,034 | 408,035 | - |
| Total Public Utilities | 22,290,570 | 950,370 | 5,100,249 | 18,140,691 | 2,490,695 |
| Airport Fund: | | | | | |
| VRA airport revenue bond payable | 1,160,524 | - | 86,102 | 1,074,422 | 90,532 |
| Compensated absences | 17,550 | 7,603 | 7,426 | 17,727 | 7,501 |
| Net pension liability | 40,611 | 2,290 | 24,785 | 18,116 | - |
| Net other postemployment benefits liability * | 8,288 | 191 | 844 | 7,635 | - |
| Total Airport Fund | 1,226,973 | 10,084 | 119,157 | 1,117,900 | 98,033 |
| Total business-type activities | 23,517,543 | 960,454 | 5,219,406 | 19,258,591 | 2,588,728 |
| **Total Business-type activities:** | | | | | |
| Revenue bonds payable: | | | | | |
| Principal amount of bonds payable | 14,595,558 | - | 1,132,932 | 13,462,626 | 1,187,363 |
| Premium | 1,725,799 | - | 161,538 | 1,564,261 | 161,538 |
| Total bonds payable | 16,321,357 | - | 1,294,470 | 15,026,887 | 1,348,901 |
| Compensated absences | 755,205 | 527,822 | 550,927 | 732,100 | 533,848 |
| Deposits | 562,542 | 298,648 | 272,429 | 588,761 | - |
| Capacity fee credits | 870,248 | 26,826 | 382,712 | 514,362 | - |
| Support agreement | 2,375,964 | - | 1,359,985 | 1,015,979 | 705,979 |
| Net pension liability | 2,181,051 | 96,786 | 1,313,005 | 964,832 | - |
| Net other postemployment benefits liability * | 451,176 | 10,372 | 45,878 | 415,670 | - |
| Total business-type activities | 23,517,543 | 960,454 | 5,219,406 | 19,258,591 | 2,588,728 |
| **Total noncurrent liabilities - Primary Government** | $ 228,147,041 | 16,167,221 | 44,683,792 | 199,630,470 | 24,573,104 |
| **School Board Component Unit** | | | | | |
| Compensated absences | $ 5,991,195 | 5,933,463 | 5,803,726 | 6,120,932 | 6,120,932 |
| Net pension liability | 177,365,000 | 10,197,391 | 31,626,391 | 155,936,000 | - |
| Net other postemployment benefits liability * | 24,381,000 | 1,408,000 | 1,151,000 | 24,638,000 | |
| **Total noncurrent liabilities - School Board Component Unit** | $ 207,737,195 | 17,538,854 | 38,581,117 | 186,694,932 | 6,120,932 |

*Net OPEB liabilities have been restated as of July 1, 2017

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 $1,774,139 reported as landfill closure and post closure care liability at June 30, 2018 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 2018. 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 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 $15.5 million as of June 30, 2018, 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, 2018 of approximately $11.4 million annually, it is estimated that approximately 9.7 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. During fiscal year 2018, pledged Net Available Revenues totaled $14,165,167 and the water and sewer revenue bond debt service requirement was $2,853,827.

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 $1,367,783 as of June 30, 2018, 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. During fiscal year 2018, pledged rental receipts totaled $193,484 and the debt service requirement was $141,790.

The following is a schedule, by year, of total minimum lease payments under direct financing leases as of June 30, 2018:

| Fiscal Year | Future Minimum Lease Payments |
|---|---|
| 2019 | $ 143,977 |
| 2020 | 143,977 |
| 2021 | 143,977 |
| 2022 | 143,977 |
| 2023 | 143,977 |
| 2024-2028 | 647,895 |
| Total minimum lease payments | 1,367,780 |

County General Obligation Bonds and Revenue Bonds

Outstanding general obligation bonds and revenue bonds as of June 30, 2018 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 | $ 1,655,000 |
| Series 2010A Public Improvement | 2.00 - 5.00 | 01-14-10 | 5,655,000 | 1,170,000 |
| 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 | 10,550,120 |
| Series 2015 Refunding | 2.00 - 5.00 | 03-19-15 | 11,199,110 | 4,232,658 |
| Total general obligation bonds - County | | | | 25,457,778 |
| Schools: | | | | |
| Series 2006B Refunding | 3.50 - 4.00 | 10-12-06 | 10,395,000 | 1,940,000 |
| Series 2009 Public Improvement | 2.00 - 5.00 | 02-18-09 | 9,450,000 | 1,110,000 |
| Series 2009 Refunding | 2.00 - 5.00 | 02-18-09 | 22,375,000 | 7,000,000 |
| Series 2010A Public Improvement | 2.00 - 5.00 | 01-14-10 | 6,585,000 | 1,360,000 |
| 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 | 387,342 |
| 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 | 8,794,880 |
| VPSA Series 1999A | 5.10 - 6.10 | 11-18-99 | 5,630,000 | 560,000 |
| VPSA Series 1999B | 5.10 - 6.10 | 11-18-99 | 4,384,934 | 491,922 |
| VPSA Series 2005A | 3.10 - 5.10 | 05-12-05 | 16,105,000 | 6,440,000 |
| VPSA Series 2005B | 4.60 - 5.10 | 11-10-05 | 6,995,000 | 2,909,968 |
| VPSA Series 2005C | 4.60 - 5.10 | 11-10-05 | 6,967,658 | 7,171,214 |
| VPSA Series 2007 | 4.10 - 5.10 | 11-08-07 | 13,838,206 | 2,795,000 |
| VPSA Series 2011B | 2.05 - 5.05 | 11-09-11 | 5,855,000 | 4,085,000 |
| VPSA Series 2014A | 2.68 - 5.05 | 05-15-14 | 1,895,000 | 1,705,000 |
| VPSA Series 2015B | 2.05 - 5.02 | 05-14-15 | 4,470,000 | 4,185,000 |
| VPSA Series 2016B | 2.80 - 5.05 | 11-01-16 | 9,140,000 | 8,680,000 |
| Total general obligation bonds - Schools | | | | 69,090,326 |
| Total governmental activities - general obligation bonds | | | | 94,548,104 |
| Infrastructure and state moral obligation revenue bonds: | | | | |
| VRA Series 2014A | 2.74 - 4.83 | 5-21-14 | 19,950,000 | 19,560,000 |
| VRA Series 2015B | 3.125 - 5.125 | 8-19-15 | 21,505,000 | 20,765,000 |
| Total infrastructure and state moral obligation bonds | | | | 40,325,000 |
| **Business-type activities:** | | | | |
| Public Utilities: | | | | |
| Water and sewer revenue bonds: | | | | |
| Series 2002A | 0.00 | 06-14-02 | 920,400 | 230,100 |
| Series 2007 | 0.00 | 07-19-07 | 616,206 | 308,104 |
| Series 2014B Refunding | 2.031 - 5.025 | 08-13-14 | 6,420,000 | 6,045,000 |
| Series 2015D Refunding | 3.094 - 5.125 | 11-18-15 | 7,130,000 | 5,805,000 |
| Total Public Utilities | | | | 12,388,204 |
| Airport Fund: | | | | |
| Taxable airport revenue bond: | | | | |
| VRA Series 2007 | 5.08 | 03-21-07 | 1,795,000 | 1,074,422 |
| Total Airport Fund | | | | 1,074,422 |
| Total Business-type activities | | | | 13,462,626 |
| **Total bond indebtedness - Primary Government** | | | | $ 148,335,730 |

Principal and interest to maturity for the County's governmental activities general obligation bonds and business-type activities revenue bonds outstanding at June 30, 2018, 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 |
| 2019 | $ 11,253,475 | 4,186,195 | 1,096,831 | 539,075 | 90,532 | 53,445 | 12,440,838 | 4,778,715 |
| 2020 | 11,016,952 | 3,663,913 | 1,151,831 | 486,416 | 95,189 | 48,788 | 12,263,972 | 4,199,117 |
| 2021 | 9,547,465 | 3,211,192 | 1,201,831 | 436,466 | 100,086 | 43,891 | 10,849,382 | 3,691,549 |
| 2022 | 9,276,892 | 2,788,462 | 1,256,831 | 383,300 | 105,235 | 38,742 | 10,638,958 | 3,210,504 |
| 2023 | 8,059,069 | 2,361,664 | 1,316,830 | 321,288 | 110,649 | 33,328 | 9,486,548 | 2,716,280 |
| 2024-2028 | 31,384,251 | 6,744,661 | 4,219,050 | 801,434 | 572,731 | 75,165 | 36,176,032 | 7,621,260 |
| 2029-2033 | 10,995,000 | 1,370,222 | 2,145,000 | 169,303 | - | - | 13,140,000 | 1,539,525 |
| 2034-2038 | 3,015,000 | 184,460 | - | - | - | - | 3,015,000 | 184,460 |
| Totals | $ 94,548,104 | 24,510,769 | 12,388,204 | 3,137,282 | 1,074,422 | 293,359 | 108,010,730 | 27,941,410 |

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.

Principal and interest to maturity for the Infrastructure and State Moral Obligation Revenue Bonds outstanding at June 30, 2018 are as follows:

| | Governmental Activities | |
|---|---|---|
| Fiscal Year | Principal | Interest |
| 2019 | $ 800,000 | 1,658,938 |
| 2020 | 835,000 | 1,624,666 |
| 2021 | 865,000 | 1,592,803 |
| 2022 | 905,000 | 1,557,997 |
| 2023 | 940,000 | 1,516,968 |
| 2024-2028 | 5,450,000 | 6,856,317 |
| 2029-2033 | 6,685,000 | 5,613,340 |
| 2034-2038 | 8,085,000 | 4,224,776 |
| 2039-2043 | 9,915,000 | 2,383,161 |
| 2044-2048 | 5,845,000 | 350,373 |
| Totals | $ 40,325,000 | 27,379,339 |

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, 2018, the principal amounts outstanding on these IRBs totaled approximately $64.8 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 $2,172,913 were paid by the County during the fiscal year ended June 30, 2018.

The Support Agreement annual debt service requirements to maturity as of June 30, 2018, excluding amortization of premium, are as follows:

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| Fiscal Year | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 | $ 450,000 | 92,313 | 680,000 | 32,350 | 1,130,000 | 124,663 |
| 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 |
| 2024-2028 | 705,000 | 183,574 | 65,000 | 2,600 | 770,000 | 186,174 |
| 2029-2033 | 330,000 | 25,000 | - | - | 330,000 | 25,000 |
| Totals | $ 2,310,000 | 563,925 | 990,000 | 69,700 | 3,300,000 | 633,625 |

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 VRS. 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 VRS 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, 2018, 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 | (8,984,497) |
| Total assets, net | $ 6,988,623 |

| Fiscal Year | Future Minimum Lease Payments |
|---|---|
| 2019 | $ 169,899 |
| 2020 | 170,229 |
| 2021 | 170,793 |
| 2022 | 166,116 |
| 2023 | 165,981 |
| 2024-2028 | 806,709 |
| 2029-2031 | 488,697 |
| Total minimum lease payments | 2,138,424 |
| Less: Portion representing interest | (811,207) |
| Present value of minimum lease payments | $ 1,327,217 |

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, 2018, are as follows:

| Asset Class | Primary Government - Governmental Activities |
|---|---|
| Machinery and equipment | $ 4,033,446 |
| Total assets, at cost | 4,033,446 |
| Accumulated depreciation | (436,049) |
| Total assets, net | $ 3,597,397 |

| Fiscal Year | Future Minimum Lease Payments |
|---|---|
| 2019 | $ 876,191 |
| 2020 | 861,228 |
| 2021 | 846,265 |
| 2022 | 831,303 |
| 2023 | 816,341 |
| Total minimum lease payments | 4,231,328 |
| Less: Portion representing interest | (187,028) |
| Present value of minimum lease payments | $ 4,044,300 |

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, 2018, 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 $13,660,000.

## 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 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 2018. 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 Municipal League Insurance Program and the School Board is a participating member in the School Systems of Virginia Self Insurance Program. 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 |
|---|---|---|---|---|---|
| 2017 | $ (383,239) | 34,197,306 | 33,581,597 | (232,470) | 2,523,781 |
| 2018 | $ (232,470) | 36,640,425 | 35,978,835 | (429,120) | 2,070,065 |

| | Balance July 1 | Increases | Decreases | Balance June 30 |
|---|---|---|---|---|
| Incurred But Not Reported | $ 2,523,781 | 36,640,425 | (37,094,141) | 2,070,065 |

## B. Fund Balance Classifications

The accompanying financial statements display nonspendable, restricted, committed and assigned fund balance classifications in the aggregate using GASB Statement No. 54 criteria. 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 | $ 247,392 | - | - | - | 247,392 | 128,027 | - |
| Prepaid expenditures | - | 214,911 | - | - | 214,911 | 5,000 | - |
| Total nonspendable | 247,392 | 214,911 | - | - | 462,303 | 133,027 | - |
| Restricted for: | | | | | | | |
| Public safety - asset forfeitures | 542,520 | - | - | - | 542,520 | - | - |
| Judicial administration - asset forfeitures | 243,739 | - | - | - | 243,739 | - | - |
| Public safety - grants and donations | 29,772 | - | - | - | 29,772 | - | - |
| Public works - recycling service districts | 52,616 | - | - | - | 52,616 | - | - |
| Education - grants | - | - | - | - | - | 68,573 | - |
| Capital improvements | - | 8,360,586 | 3,452,681 | - | 11,813,267 | - | - |
| Total restricted | 868,647 | 8,360,586 | 3,452,681 | - | 12,681,914 | 68,573 | - |
| Committed to: | | | | | | | |
| Economic development | 500,000 | - | - | - | 500,000 | - | - |
| Total committed | 500,000 | - | - | - | 500,000 | - | - |
| Assigned to: | | | | | | | |
| Education | 1,000,000 | - | - | - | 1,000,000 | 985,636 | - |
| 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 | - | - | - | 498,057 | 498,057 | - | - |
| Encumbrances and reappropriations | 1,151,896 | - | - | - | 1,151,896 | - | - |
| Funding of subsequent fiscal years' adopted budg | 8,600,909 | - | - | - | 8,600,909 | - | - |
| Insurance reserves | 250,000 | - | - | - | 250,000 | - | - |
| Capital improvements | 3,383,369 | 16,093,032 | 1,993,458 | - | 21,469,859 | - | - |
| Total assigned | 20,386,174 | 16,093,032 | 1,993,458 | 498,057 | 38,970,721 | 985,636 | - |
| Unassigned fund balance | 30,870,027 | - | - | - | 30,870,027 | - | 47,081 |
| Total fund balances | $ 52,872,240 | 24,668,529 | 5,446,139 | 498,057 | 83,484,965 | 1,187,236 | 47,081 |

## C. Commitments and contingent liabilities

Other commitments

At June 30, 2018, the Primary Government had commitments for capital projects totaling $26,220,775 as follows:

| | Primary Government | | | | |
|---|---|---|---|---|---|
| | County Improvements Fund | School Improvements Fund | Public Utilities Fund | Airport Fund | Total Primary Government |
| Total capital commitments | $ 14,535,576 | 2,572,783 | 8,394,975 | 717,441 | 26,220,775 |

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 | $ 855,352 | 14,535,576 | 2,572,783 | 17,963,711 | 786,337 |

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 10.5%. 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 $1,168,624 for transient occupancy tax to the GRCCA during fiscal year 2018. 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 2018, the EDA contributed $50,000. 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 2018, the School Board paid tuition in the amount of $78,000. 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 2018, the County contributed a total of $2,717,556 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 $6,047,099 in fiscal year 2018. 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 2018, the County's per diem payments to the Detention Commission totaled $273,352. 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 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 2018 payments to the Waste Authority totaled $294,356. 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 2018, 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, 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 2018 contributions to RMCVB totaling $219,156. 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 $60,698 in fiscal year 2018. 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 (VRS)**

***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 2017 Comprehensive Annual Financial Report (CAFR) and GASB 68 Report. A copy of the 2017 VRS CAFR and GAAP Pension Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-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.

Cost-of-Living Adjustment (COLA) in Retirement: 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.

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, 2016 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 | 481 | 160 |
| Inactive members: | | |
| Vested inactive members | 192 | 29 |
| Non-vested inactive members | 171 | 76 |
| Inactive members active elsewhere in VRS | 363 | 74 |
| Total inactive members | 726 | 179 |
| Active members: | 1,036 | 238 |
| Total covered employees | 2,243 | 577 |

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 Board elected to continue contributing the 5% employee contribution amount for all eligible Plan 1 and Plan 2 employees through June 30, 2012. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The Board elected to require that employees pay the 5% member contribution effective July 1, 2012 and provided a salary increase equal to the 5% employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code and approved by the VRS Board of Trustees.

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, 2018 were 9.56% and 4.18%, respectively, of their annual covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 $5,919,004 and contributions from the School Board's non-professional group were $195,964 for the year ended June 30, 2018.

Net Pension Liability

At June 30, 2018, the County reported a net pension liability of $12,802,367 and the School Board's non-professional group reported a net pension asset of $2,566,544. The total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation performed as of June 30, 2016, using

updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions – General and Public Safety Employees

The total pension liability was measured as of June 30, 2016 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, 2017:

| | 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 |
| Cost-of-living adjustment | 2.25% - 2.50% |
| 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 60% 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, 2016 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 | 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 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. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the agent multiple-employer plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 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, 2016 | $ 231,228,340 | $ 202,726,150 | $ 28,502,190 |
| Changes for the year: | | | |
| Service cost | 7,359,194 | - | 7,359,194 |
| Interest | 15,932,633 | - | 15,932,633 |
| Changes of assumptions | (1,150,577) | - | (1,150,577) |
| Differences between expected and actual experience | (4,220,153) | - | (4,220,153) |
| Contributions - employer | - | 5,698,852 | (5,698,852) |
| Contributions - employee | - | 3,033,422 | (3,033,422) |
| Net investment income | - | 25,051,577 | (25,051,577) |
| Benefit payments, including refunds of employee contributions | (7,238,603) | (7,238,603) | - |
| Administrative expenses | - | (140,541) | 140,541 |
| Other changes | - | (22,390) | 22,390 |
| Net changes | 10,682,494 | 26,382,317 | (15,699,823) |
| Balances at June 30, 2017 | $ 241,910,834 | $ 229,108,467 | $ 12,802,367 |

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, 2016 | $ 23,670,304 | $ 24,124,228 | $ (453,924) |
| Changes for the year: | | | |
| Service cost | 563,888 | - | 563,888 |
| Interest | 1,619,611 | - | 1,619,611 |
| Changes of assumptions | (126,666) | - | (126,666) |
| Difference between expected and actual experience | (822,111) | - | (822,111) |
| Contributions - employer | - | 202,659 | (202,659) |
| Contributions - employee | - | 250,592 | (250,592) |
| Net investment income | - | 2,913,758 | (2,913,758) |
| Benefit payments, including refunds of employee contributions | (1,066,000) | (1,066,000) | - |
| Administrative expenses | - | (17,086) | 17,086 |
| Other changes | - | (2,581) | 2,581 |
| Net changes | 168,722 | 2,281,342 | (2,112,620) |
| Balances at June 30, 2017 | $ 23,839,026 | $ 26,405,570 | $ (2,566,544) |

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 | $ 47,655,163 | $ 12,802,367 | $ (15,925,482) |
| School Non-Professional | | | |
| Net Pension Liability (Asset) | $ 210,028 | $ (2,566,544) | $ (4,909,481) |

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

For the year ended June 30, 2018, the County recognized pension expense of $1,894,959. At June 30, 2018, 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 | $ - | $4,753,384 |
| Changes of assumptions | - | 865,074 |
| Net difference between projected and actual earnings on pension plan investments | - | 3,482,883 |
| Employer contributions subsequent to the measurement date | 5,919,004 | - |
| Total | $5,919,004 | $9,101,341 |

$5,919,004 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, 2019. The difference between expected and actual experience, the net difference between projected and the actual earning on pension plan investments will be recognized in pension expense as follows:

(See schedule on following page)

| Year ended June 30 | |
|---|---|
| 2019 | $ (4,288,970) |
| 2020 | (1,114,542) |
| 2021 | (1,495,014) |
| 2022 | (2,202,815) |
| 2023 | - |
| Thereafter | - |
| Total | $ (9,101,341) |

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, 2018, the School Board non-professional group recognized a credit to pension expense of $874,907. At June 30, 2018, 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 | $ - | $964,087 |
| Changes of assumptions | - | 78,686 |
| Net difference between projected and actual earnings on pension plan investments | - | 374,499 |
| Employer contributions subsequent to the measurement date | 195,963 | - |
| Total | $195,963 | $1,417,272 |

$195,963 reported as deferred outflows of resources as of June 30, 2018 related to pensions resulting from the School Board non-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, 2019. The difference between expected and actual experience and the net difference between projected and actual earning on pension plan investments will be recognized in pension expense as follows:

| Year ending June 30 | |
|---|---|
| 2019 | $ (955,391) |
| 2020 | (213,035) |
| 2021 | 595 |
| 2022 | (249,441) |
| 2023 | - |
| Thereafter | - |
| Total | $ (1,417,272) |

***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, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. 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 $16,263,667 and $14,445,391 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

At June 30, 2018, the School Board professional group reported a liability of $155,936,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was 1.26798% as compared to 1.26562% at June 30, 2016.

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

For the year ended June 30, 2018, the School Board's professional group recognized pension expense of $10,197,391. 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, 2018, 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 | $ - | $11,043,000 |
| Net difference between projected and actual earnings on pension plan investments | - | 5,665,000 |
| Change in assumptions | 2,276,000 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 549,000 | 2,571,000 |
| Employer contributions subsequent to the measurement date | 16,263,667 | - |
| Total | $19,088,667 | $19,279,000 |

$16,263,667 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, 2019. 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** | |
|---|---|
| 2019 | $ (7,449,000) |
| 2020 | (1,138,000) |
| 2021 | (2,059,000) |
| 2022 | (5,274,000) |
| 2023 | (534,000) |
| Thereafter | - |
| Total | $(16,454,000) |

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017:

| | 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 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, 2016 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, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | Teacher Employee Retirement Plan |
|---|---|
| Total Pension Liability | $ 45,417,520 |
| Plan Fiduciary Net Position | 33,119,545 |
| Employers' Net Pension Liability | $ 12,297,975 |
| Plan Fiduciary Net Position as a Percentage of the Total Plan Liability | 72.92% |

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, 2019 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 | $ 232,865,000 | $ 155,936,000 | $ 92,301,000 |

**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, 2018. 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. At June 30, 2017, the date of the most recent biennial actuarial valuation, membership in the Plan consisted of the following:

| | Primary Government | School Board Component Unit | Affiliates | Total |
|---|---|---|---|---|
| Retirees and beneficiaries receiving benefits | 7 | 48 | 1 | 56 |
| Active employees | 992 | 2,088 | 131 | 3,211 |
| Total number of plan members | 999 | 2,136 | 132 | 3,267 |
| 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 $374 to $1,046 per month and, for those electing retiree and family coverage, from $1,057 to $3,135 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.

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, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 8.91%. 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 Liability amounts for the Plan is as follows:

| | Hanover OPEB Plan for Retiree Medical |
|---|---|
| Total OPEB Liability | $ 3,581,077 |
| Plan Fiduciary Net Position | 5,185,650 |
| Employers' Net OPEB Asset | $ (1,604,573) |
| Plan Fiduciary Net Position as a Percentage of the Total Plan Liability | 144.81% |

The total OPEB liability is calculated by the Plan's actuary. The most recent actuarial valuation was dated July 1, 2017, for fiscal reporting in the years ended June 30, 2018 and June 30, 2019.

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 initial unfunded actuarial liability is being amortized

as a level percentage of projected payroll on a closed basis over thirty 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 July 1, 2017 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:

| | 1% Decrease 6% | Discount Rate 7% | 1 % Increase 8% |
|---|---|---|---|
| Total OPEB Liability | $ 3,803,704 | $ 3,581,077 | $ 3,373,301 |
| Net OPEB Asset | $ (1,381,946) | $ (1,604,573) | $(1,812,349) |

***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, 2018, the County reported $532,558 and the School Board reported $1,004,623 for their portions of the net pension OPEB asset. The net OPEB asset was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation performed as of April 1, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2017 are outlined as follows:

*Changes in Net OPEB Liability (County)*

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total OPEB Liability (a)** | **Plan Fiduciary Net Position (b)** | **Net OPEB (Asset) (a) - (b)** |
| Balances at June 30, 2016 | $ 1,130,946 | $ 1,554,239 | $ (423,293) |
| Changes for the year: | | | |
| Service cost | 53,516 | - | 53,516 |
| Interest | 76,628 | - | 76,628 |
| Employer Trust contributions | - | 72,531 | (72,531) |
| Net investment income | - | 166,878 | (166,878) |
| Benefit payments | (72,531) | (72,531) | - |
| Net changes | 57,613 | 166,878 | (109,265) |
| Balances at June 30, 2017 | $ 1,188,559 | $ 1,721,117 | $ (532,558) |

*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, 2016 | $ 2,133,429 | $ 2,931,934 | $ (798,505) |
| Changes for the year: | | | |
| Service cost | 100,955 | - | 100,955 |
| Interest | 144,551 | - | 144,551 |
| Employer Trust contributions | - | 136,823 | (136,823) |
| Net investment income | - | 314,801 | (314,801) |
| Benefit payments | (136,823) | (136,823) | - |
| Net changes | 108,683 | 314,801 | (206,118) |
| Balances at June 30, 2017 | $ 2,242,112 | $ 3,246,735 | $ (1,004,623) |

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, 2017, 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 | $ 458,669 | $ 532,558 | $ 601,519 |
| School Board | | | |
| Net OPEB Asset | $ 865,236 | $ 1,004,623 | $ 1,134,712 |

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (County) – For the year ended June 30, 2018, the Jail Authority recognized OPEB expense of $9,731. At June 30, 2018, 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 |
|---|---|---|
| Net difference between projected and actual earnings on OPEB plan investments | $ - | $46,465 |
| Employer activity subsequent to the measurement date | - | 15,209 |
| Total | $ - | $61,674 |

The $15,209 reported as deferred inflows of resources represents the amount of funds withdrawn from the Trust in excess of related retiree subsidy payments for the year ended June 30, 2018. The funds are being held in the Self-Insurance fund and have been restricted as noted in Exhibit 7. This amount will be used to reduce retiree subsidies during fiscal year ending June 30, 2019. Other 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 | |
|---|---|
| 2019 | $ (11,616) |
| 2020 | (11,616) |
| 2021 | (11,616) |
| 2022 | (11,617) |
| 2023 | - |
| Thereafter | - |
| Total | $ (46,465) |

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (School Board) – For the year ended June 30, 2018, the Jail Authority recognized OPEB expense of $18,358. At June 30, 2018, 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 |
|---|---|---|
| Net difference between projected and actual earnings on OPEB plan investments | $ - | $87,653 |
| Employer activity subsequent to the measurement date | - | 28,690 |
| Total | $ - | $116,343 |

The $28,690 reported as deferred inflows of resources represents the amount of funds withdrawn from the Trust in excess of related retiree subsidy payments for the year ended June 30,2018. The funds are being held in the Self-Insurance fund and have been restricted as noted in Exhibit 7. This amount will be used to reduce retiree subsidies during fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and 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** | |
|---|---|
| 2019 | $ (21,913) |
| 2020 | (21,913) |
| 2021 | (21,913) |
| 2022 | (21,914) |
| 2023 | - |
| Thereafter | - |
| Total | $ (87,653) |

## H. Health Insurance Credit program - Virginia Retirement System

The County participates in the Political Subdivision Health Insurance Credit (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 Health Insurance Credit Program*

Plan Description

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the Virginia Retirement System (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, 2016 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 | 108 |
| Inactive members: | |
| Vested inactive members | 14 |
| Non-vested inactive members | - |
| Inactive members active elsewhere in VRS | - |
| Total inactive members | 122 |
| Active members: | 679 |
| Total covered employees | 801 |

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, 2018 was 0.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 $86,037 and $81,864 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net HIC OPEB liability

The County's net HIC OPEB liability was measured as of June 30, 2017. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

| | General Employees and Public Safety Employees |
|---|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% - 5.35% for County general employees<br>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, 2016 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, 2019,

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. From July 1, 2019 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

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total Pension Liability (a)** | **Plan Fiduciary Net Position (b)** | **Net Pension Liability (a) - (b)** |
| Balances at June 30, 2016 | $ 1,149,417 | $ 409,951 | $ 739,466 |
| Changes for the year: | | | |
| Service cost | 36,106 | - | 36,106 |
| Interest | 79,070 | - | 79,070 |
| Changes of assumptions | (45,582) | - | (45,582) |
| Contributions - employer | - | 81,864 | (81,864) |
| Contributions - employee | - | - | - |
| Net investment income | - | 49,782 | (49,782) |
| Benefit payments, including refunds of employee contributions | (39,706) | (39,706) | - |
| Administrative expenses | - | (858) | 858 |
| Other changes | - | 2,349 | (2,349) |
| Net changes | 29,888 | 93,431 | (63,543) |
| Balances at June 30, 2017 | $ 1,179,305 | $ 503,382 | $ 675,923 |

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 | $ 809,331 | $ 675,923 | $ 563,004 |

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, 2018, the County recognized HIC Program OPEB expense $73,374. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes of assumptions | $ - | $39,404 |
| Net difference between projected and actual earnings on HIC plan investments | - | 15,646 |
| Employer contributions subsequent to the measurement date | 86,037 | - |
| Total | $86,037 | $55,050 |

$86,037 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, 2019. 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** | |
|---|---|
| 2019 | $ (10,087) |
| 2020 | (10,087) |
| 2021 | (10,087) |
| 2022 | (10,089) |
| 2023 | (6,176) |
| Thereafter | (8,524) |
| Total | $ (55,050) |

***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, 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.

HIC Program Notes: 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.

Contributions: 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, 2018 was 1.23% 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, 2015. 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 $1,248,193 and $1,109,570 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of $16,050,000 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, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee HIC Program was 1.26516% as compared to 1.26554% at June 30, 2016.

For the year ended June 30, 2018, the School Board recognized VRS Teacher Employee HIC Program OPEB expense of $1,305,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, 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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings on Teacher HIC plan investments | $ - | $29,000 |
| Change in assumptions | - | 165,000 |
| Changes in proportionate share | | 4,000 |
| Employer contributions subsequent to the measurement date | 1,248,193 | - |
| Total | $1,248,193 | $198,000 |

$1,248,193 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, 2019. 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** | |
|---|---|
| 2019 | $ (33,000) |
| 2020 | (33,000) |
| 2021 | (33,000) |
| 2022 | (33,000) |
| 2023 | (25,000) |
| Thereafter | (41,000) |
| Total | $ (198,000) |

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, 2016, 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, 2017.

(See schedule on following page)

| | 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; femailes 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 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 OPEB liabilities.

The actuarial assumptions used in the June 30, 2016 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, 2017, 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 | $ 1,364,702 |
| Plan Fiduciary Net Position | 96,091 |
| Teacher Employee net HIC OPEB Liability | $ 1,268,611 |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | 7.04% |

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, 2019, 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. From July 1, 2019 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 | $ 17,913,000 | $ 16,050,000 | $ 14,466,000 |

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 2017 Comprehensive Annual Financial Report. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-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 Virginia Retirement System (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 is currently $8,111.

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, 2018 was 0.52% of covered employee compensation. This

rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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. Contributions to the GLI Program from the County were $829,022 and $794,924 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the GLI Program from the Schools for the professional group were $1,332,078 and $1,312,081 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the GLI Program from the Schools for the non-professional group were $67,598 and $68,178 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities: At June 30, 2018, the County reported a liability of $4,950,000 for its proportionate share of the Net GLI OPEB Liability. The School Board reported a liability of $8,163,000 for its professional group and $425,000 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, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the County's proportion was 0.32895% as compared to 0.32441% at June 30, 2016. At June 30, 2017, the School Board professional's proportion was 0.54244% as compared to 0.53800% at June 30, 2016. At June 30, 2017 the School Board non-professional's proportion was 0.02825% as compared to 0.03215% at June 30, 2016.

GLI OPEB Expense: For the year ended June 30, 2018, the County recognized GLI OPEB expense of $67,000. The School Board recognized a GLI OPEB expense of $103,000 for its professional group and ($6,000) 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, 2018, 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 | $ - | $110,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 186,000 |
| Change in assumptions | - | 255,000 |
| Changes in proportion | 67,000 | - |
| Employer contributions subsequent to the measurement date | 829,022 | - |
| Total | $896,022 | $551,000 |

$829,022 reported as deferred outflows of resources related to the GLI OPEB resulting from the County'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, 2019. 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 | $ (101,000) |
| 2020 | (101,000) |
| 2021 | (101,000) |
| 2022 | (101,000) |
| 2023 | (55,000) |
| Thereafter | (25,000) |
| Total | $ (484,000) |

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board professional group): At June 30, 2018, 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 | $ - | $182,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 307,000 |
| Change in assumptions | - | 420,000 |
| Changes in proportion | 66,000 | - |
| Employer contributions subsequent to the measurement date | 1,332,078 | - |
| Total | $1,398,078 | $909,000 |

$1,398,078 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, 2019. 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:

(See schedule on following page)

| Year ending June 30 | |
|---|---|
| 2019 | $ (175,000) |
| 2020 | (175,000) |
| 2021 | (175,000) |
| 2022 | (175,000) |
| 2023 | (98,000) |
| Thereafter | (45,000) |
| Total | $ (843,000) |

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board non-professional group): At June 30, 2018, 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 | $ - | $9,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 16,000 |
| Change in assumptions | - | 22,000 |
| Changes in proportion | - | 57,000 |
| Employer contributions subsequent to the measurement date | 67,598 | - |
| Total | $67,598 | $104,000 |

$67,598 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, 2019. 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 | $ (21,000) |
| 2020 | (21,000) |
| 2021 | (21,000) |
| 2022 | (21,000) |
| 2023 | (17,000) |
| Thereafter | (3,000) |
| Total | $ (104,000) |

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

| | 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 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.

| | 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; femailes 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. |

The actuarial assumptions used in the June 30, 2016 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 |
|---|---|
| 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. |

The actuarial assumptions used in the June 30, 2016 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 |
|---|
| 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 |
|---|---|
| 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, 2016 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 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, 2017, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

| | **Group Life Insurance OPEB Program** |
|---|---|
| Total GLI OPEB Liability | $2,942,426 |
| Plan Fiduciary Net Position | 1,437,586 |
| Employers' Net GLI OPEB Liability | $1,504,840 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 48.86% |

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:

| 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, 2019, 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, 2019 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:

| | 1% Decrease (6.00%) | Discount Rate (7.0%) | 1 % Increase (8.0%) |
|---|---|---|---|
| County's proportionate share of the GLI Program Net OPEB Liability | $ 6,402,000 | $ 4,950,000 | $ 3,773,000 |
| School Board professional group's proportionate share of the GLI Program Net OPEB Liability | $ 10,558,000 | $ 8,163,000 | $ 6,221,000 |
| School Board non-professional group's proportionate share of the GLI Program Net OPEB Liability | $ 550,000 | $ 425,000 | $ 324,000 |

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to VRS's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## J. 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, 2018, the total 2003 Bonds outstanding were $1,164,000. 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 2018, special assessments on property within the District totaled $149,000 and payments to the Bell Creek CDA of special assessments collected totaled $149,350.

- **Lewistown Commerce Center Community Development Authority**:
  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, 2018, the Lewistown CDA's Amended 2007 Bonds outstanding totaled $35,983,000. 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 2018, Special Assessment Tax levy on property within the district totaled $957,557. The 2018 Special Real Estate Property Tax (Valorem) levy was $44,926. Incremental tax collections owed to the Lewistown CDA totaled $546,511 and are payable semiannually by February 1 and August 1 of each year.

**K. Subsequent event**

The County participated in the Virginia Resources Authority (VRA) Series 2018C Virginia Pooled Financing Program. The VRA bonds were sold on October 30, 2018. The County's local bond principal is $10,945,000 with interest rates between 4.125 and 5.125 percent, and will be used to finance parks, recreation and cultural capital projects. The closing is scheduled for November 14, 2018.

The County participated in the Virginia Public School Authority (VPSA) School Financing Bonds Series 2018 Fall Pool. The VPSA bonds were sold on October 16, 2018. The County's local bond principal is $4,680,000 with interest rates between 3.675 and 5.05 percent, and will be used for various capital projects for the schools. The closing for the local bond was on November 6, 2018.

# SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

# (Unaudited)

## Virginia Retirement System-Pension Plan - Primary Government

**Schedule of Changes in the Net Pension Liability and Related Ratios**

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

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

| | 2018* | 2017* | 2016* | 2015* |
|---|---|---|---|---|
| Employer's Proportion of the Net Pension Liability | 1.2680% | 1.2656% | 1.27192% | 1.26737% |
| Employer's Proportionate Share of the Net Pension Liability | $ 155,936,000 | $ 177,365,000 | 160,089,000 | 153,157,000 |
| Employer's Covered Payroll | $ 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 | 156.22% | 183.62% | 169.46% | 168.43% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 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) | Contributions Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| **Primary Government:** | | | | | |
| 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:** | | | | | |
| 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:** | | | | | |
| 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 Measurement Year* | | **2018*** |
|---|---|---|
| **Total OPEB liability** | | |
| Service cost | $ | 161,244 |
| Interest cost | | 230,876 |
| Benefit payments | | (218,532) |
| **Net change in total OPEB liability** | | 173,588 |
| **Total OPEB liability - beginning** | | 3,407,489 |
| **Total OPEB liability - ending (a)** | $ | 3,581,077 |
| | | |
| **Total fiduciary net position** | | |
| Contributions - employer | $ | 218,532 |
| Net investment income | | 502,797 |
| Benefit payments | | (218,532) |
| **Net change in plan fiduciary net position** | | 502,797 |
| **Plan fiduciary net position - beginning** | | 4,682,853 |
| **Plan fiduciary net position - ending (b)** | $ | 5,185,650 |
| | | |
| **Net pension asset ending (b) - (a)** | $ | 1,604,573 |
| | | |
| **Plan fiduciary net position as a percentage of the total pension asset** | | 144.81% |
| | | |
| **Covered payroll** | $ | 187,285,093 |
| | | |
| **Net OPEB asset as a percentage of covered payroll** | | -0.86% |
| | | |
| **Contributions as a percentage of covered payroll** | | 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.

* The actuarial determined contribution was $59,000 for FY17. As the Plan operates on a pay-go basis, a cash contribution was not made to the Trust. Rather, the employer contribution amount noted above was paid for retiree subsidies during the year and no funds were drawn from the Trust.

(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 Measurement Year*<br>*County* | | **2018*** |
|---|---|---|
| **Total OPEB liability** | | |
| Service cost | $ | 53,516 |
| Interest cost | | 76,628 |
| Benefit payments | | (72,531) |
| **Net change in total OPEB liability** | | 57,613 |
| **Total OPEB liability - beginning** | | 1,130,946 |
| **Total OPEB liability - ending (a)** | $ | 1,188,559 |
| **Total fiduciary net position** | | |
| Contributions - employer | $ | 72,531 |
| Net investment income | | 166,878 |
| Benefit payments | | (72,531) |
| **Net change in plan fiduciary net position** | | 166,878 |
| **Plan fiduciary net position - beginning** | | 1,554,239 |
| **Plan fiduciary net position - ending (b)** | $ | 1,721,117 |
| **Net pension asset ending (b) - (a)** | $ | 532,558 |
| **Plan fiduciary net position as a percentage of the total pension asset** | | 144.81% |
| **Covered payroll** | $ | 65,107,962 |
| **Net OPEB asset as a percentage of covered payroll** | | -0.82% |
| **Contributions as a percentage of covered payroll** | | 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.

* The actuarial determined contribution was $59,000 for FY17. As the Plan operates on a pay-go basis, a cash contribution was not made to the Trust. Rather, the employer contribution amount noted above was paid for retiree subsidies during the year and no funds were drawn from the Trust.

(continued)

## 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 Measurement Year*<br>*School Board* | | **2018*** |
|---|---|---|
| **Total OPEB liability** | | |
| Service cost | $ | 100,955 |
| Interest cost | | 144,551 |
| Benefit payments | | (136,823) |
| **Net change in total OPEB liability** | | 108,683 |
| **Total OPEB liability - beginning** | | 2,133,429 |
| **Total OPEB liability - ending (a)** | $ | 2,242,112 |
| **Total fiduciary net position** | | |
| Contributions - employer | $ | 136,823 |
| Net investment income | | 314,801 |
| Benefit payments | | (136,823) |
| **Net change in plan fiduciary net position** | | 314,801 |
| **Plan fiduciary net position - beginning** | | 2,931,934 |
| **Plan fiduciary net position - ending (b)** | $ | 3,246,735 |
| **Net pension asset ending (b) - (a)** | $ | 1,004,623 |
| **Plan fiduciary net position as a percentage of the total pension asset** | | 144.81% |
| **Covered payroll** | $ | 114,872,079 |
| **Net OPEB asset as a percentage of covered payroll** | | -0.87% |
| **Contributions as a percentage of covered payroll** | | 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.

* The actuarial determined contribution was $59,000 for FY17. As the Plan operates on a pay-go basis, a cash contribution was not made to the Trust. Rather, the employer contribution amount noted above was paid for retiree subsidies during the year and no funds were drawn from the Trust.

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2018

*Hanover County Retiree Medical Benefits Trust*

## Schedule of Investment Returns

| | Fiscal Year | Rate |
|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 6/30/2018 | 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) |
|---|---|---|---|---|---|
| 6/30/2018 | $ 60,796 | $ 60,796 | - | $ 66,734,243 | 0.09% |

*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) |
|---|---|---|---|---|---|
| 6/30/2018 | $ 114,687 | $ 114,687 | - | $ 116,538,102 | 0.10% |

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

| | 2018* |
|---|---|
| **Total pension liability** | |
| Service cost | 36,106 |
| Interest on total pension liability | 79,070 |
| Changes of assumptions | (45,582) |
| Benefit payments | (39,706) |
| **Net change in total pension liability** | 29,888 |
| **Total pension liability - beginning** | 1,149,417 |
| **Total pension liability - ending (a)** | 1,179,305 |
| | |
| **Total fiduciary net position** | |
| Contributions - employer | 81,864 |
| Net investment income | 49,782 |
| Benefit Payments, including refunds of employee contributions | (39,706) |
| Administrative expense | (858) |
| Other | 2,349 |
| **Net change in plan fiduciary net position** | 93,431 |
| **Plan fiduciary net position - beginning** | 409,951 |
| **Plan fiduciary net position - ending (b)** | 503,382 |
| | |
| **Net pension liability ending (a) - (b)** | 675,923 |
| | |
| **Plan fiduciary net position as a percentage of the total pension liability** | 42.68% |
| | |
| **Covered payroll** | 60,564,521 |
| | |
| **Political subdivision's net pension liability as a percentage of covered payroll** | 1.12% |

*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)

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

| | 2018* |
|---|---|
| Employer's Proportion of the Net Pension Liability | 1.26516% |
| Employer's Proportionate Share of the Net Pension Liability | 16,050,000 |
| Employer's Covered Payroll | 99,817,919 |
| Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 16.08% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 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, 2018

*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) |
|---|---|---|---|---|---|
| 6/30/2018 | $ 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) |
|---|---|---|---|---|---|
| 6/30/2018 | $ 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 June 30, 2018**

| **County's share** | **2018*** |
|---|---|
| County's Proportion of the Net GLI OPEB Liability | 0.32895% |
| County's Proportionate Share of the Net GLI OPEB Liability | 4,950,000 |
| Covered Payroll | 63,272,936 |
| County's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 7.823% |

| **School Board professional group's share** | **2018*** |
|---|---|
| School Board's Proportion of the Net GLI OPEB Liability | 0.54244% |
| School Board's Proportionate Share of the Net GLI OPEB Liability | 8,163,000 |
| Covered Payroll | 101,392,249 |
| School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 8.05% |

| **School Board professional group's share** | **2018*** |
|---|---|
| School Board's Proportion of the Net GLI OPEB Liability | 0.02825% |
| School Board's Proportionate Share of the Net GLI OPEB Liability | 425,000 |
| Covered Payroll | 5,150,695 |
| School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 8.25% |

| | |
|---|---|
| **Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability** | 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, 2018

*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) |
|---|---|---|---|---|---|
| 6/30/2018 | $ 829,022 | $ 829,022 | - | $ 63,272,936 | 1.31% |
| 6/30/2017 | 794,924 | 794,924 | - | 60,564,521 | 1.31% |
| 6/30/2016 | 695,436 | 695,436 | - | 58,128,921 | 1.20% |
| 6/30/2015 | 677,640 | 677,640 | - | 56,469,989 | 1.20% |

*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) |
|---|---|---|---|---|---|
| 6/30/2018 | $ 1,332,078 | $ 1,332,078 | - | $ 101,392,249 | 1.31% |
| 6/30/2017 | 1,312,081 | 1,312,081 | - | 99,817,919 | 1.31% |
| 6/30/2016 | 1,150,480 | 1,150,480 | - | 96,591,415 | 1.19% |
| 6/30/2015 | 1,129,490 | 1,129,490 | - | 94,472,208 | 1.20% |

*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) |
|---|---|---|---|---|---|
| 6/30/2018 | $ 67,598 | $ 67,598 | - | $ 5,150,695 | 1.31% |
| 6/30/2017 | 68,178 | 68,178 | - | 5,201,892 | 1.31% |
| 6/30/2016 | 68,775 | 68,775 | - | 5,775,545 | 1.19% |
| 6/30/2015 | 78,811 | 78,811 | - | 6,613,413 | 1.19% |

See accompanying independent auditors' report.

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

(continued)

**Notes to Required Supplementary Information**
**For the Year Ended June 30, 2018**

## 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. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants were relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

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.

**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, 2018

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Budget Basis | (Negative) |
| **REVENUES** | | | | |
| Revenues from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | $ 107,700,000 | 107,700,000 | 107,715,108 | 15,108 |
| Public service corporation property taxes | 5,100,000 | 5,100,000 | 5,074,127 | (25,873) |
| Personal property taxes | 33,825,000 | 33,825,000 | 33,051,574 | (773,426) |
| Machinery and tools taxes | 1,830,000 | 1,830,000 | 1,799,602 | (30,398) |
| Merchants' capital taxes | 1,420,000 | 1,420,000 | 1,347,529 | (72,471) |
| Delinquent taxes | 1,426,400 | 1,426,400 | 2,239,264 | 812,864 |
| Penalties and interest | 1,037,200 | 1,037,200 | 1,164,714 | 127,514 |
| Total general property taxes | 152,338,600 | 152,338,600 | 152,391,918 | 53,318 |
| Other local taxes: | | | | |
| Local sales and use taxes | 21,129,000 | 21,129,000 | 22,037,980 | 908,980 |
| Consumer utility taxes | 1,880,000 | 1,880,000 | 2,005,529 | 125,529 |
| Contractor license taxes | 500,000 | 500,000 | 646,858 | 146,858 |
| Franchise license taxes | 670,000 | 670,000 | 532,445 | (137,555) |
| Lodging taxes | 1,030,000 | 1,230,000 | 1,168,624 | (61,376) |
| Bank stock tax | 500,000 | 500,000 | 918,953 | 418,953 |
| Taxes on recordation and wills | 2,181,800 | 2,181,800 | 2,460,540 | 278,740 |
| Communication sales tax | 4,580,000 | 4,580,000 | 4,552,183 | (27,817) |
| Total other local taxes | 32,470,800 | 32,670,800 | 34,323,112 | 1,652,312 |
| Permits, privilege fees and regulatory licenses: | | | | |
| Public Safety: | | | | |
| Animal licenses | 100,000 | 100,000 | 81,479 | (18,521) |
| Building permits | 715,000 | 715,000 | 689,570 | (25,430) |
| Heating and air conditioning | 310,000 | 310,000 | 284,586 | (25,414) |
| Electrical permits | 210,000 | 210,000 | 200,497 | (9,503) |
| Plumbing permits | 130,000 | 130,000 | 115,598 | (14,402) |
| Septic tank permits | 6,400 | 6,400 | 7,269 | 869 |
| Inspection fees | 148,000 | 148,000 | 170,500 | 22,500 |
| Public Works: | | | | |
| Erosion and sediment inspections | 270,000 | 270,000 | 408,366 | 138,366 |
| Stormwater management | 5,000 | 5,000 | 6,300 | 1,300 |
| Human Services: | | | | |
| Well and septic inspection | 3,500 | 3,500 | 5,225 | 1,725 |
| Community Development: | | | | |
| Planning fees | 275,000 | 275,000 | 228,973 | (46,027) |
| Total permits, privilege fees and regulatory licenses | 2,172,900 | 2,172,900 | 2,198,363 | 25,463 |
| Fines and Forfeitures: | | | | |
| Public Works: | | | | |
| Erosion and sediment fines | 5,000 | 5,000 | 6,465 | 1,465 |
| Judicial Administration: | | | | |
| Court fines and forfeitures | 771,000 | 771,000 | 751,100 | (19,900) |
| Courthouse maintenance fees | 48,000 | 48,000 | 101,169 | 53,169 |
| Court appointed attorney fees | 34,700 | 34,700 | 38,861 | 4,161 |
| Public Safety: | | | | |
| Criminal Justice Academy training fees | 85,000 | 85,000 | 77,284 | (7,716) |
| Security alarm fines | 51,000 | 51,000 | 35,000 | (16,000) |
| Animal control | 425 | 425 | 405 | (20) |
| Total fines and forfeitures | 995,125 | 995,125 | 1,010,284 | 15,159 |
| Revenues from use of money and property: | | | | |
| Revenue from use of money | 300,000 | 300,000 | 239,848 | (60,152) |
| Revenue from use of property | 564,000 | 564,000 | 558,272 | (5,728) |
| Total revenues from use of money and property | 864,000 | 864,000 | 798,120 | (65,880) |
| Charges for services: | | | | |
| EMS cost recovery | 2,200,000 | 2,200,000 | 2,687,697 | 487,697 |
| Landfill fees | 476,500 | 526,500 | 550,409 | 23,909 |
| Recreation fees | 494,000 | 462,000 | 252,704 | (209,296) |
| Community Services | 2,951,500 | 2,951,500 | 3,027,291 | 75,791 |
| Other | 1,239,020 | 1,489,857 | 1,546,944 | 57,087 |
| Total charges for services | 7,361,020 | 7,629,857 | 8,065,045 | 435,188 |

(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, 2018

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Budget Basis | (Negative) |
| Miscellaneous: | | | | |
| Refunds | $ 303,900 | 312,177 | 113,065 | (199,112) |
| Insurance recoveries | 33,100 | 257,591 | 298,831 | 41,240 |
| Gifts and donations | 53,000 | 67,043 | 52,878 | (14,165) |
| Other miscellaneous revenue | 209,500 | 278,789 | 514,107 | 235,318 |
| Reserve for revenue transfers | 575,000 | 44,831 | - | (44,831) |
| Total miscellaneous | 1,174,500 | 960,431 | 978,881 | 18,450 |
| Recovered costs: | | | | |
| General Government Administration: | | | | |
| Pamunkey Regional Jail Authority | 410,000 | 410,000 | 410,000 | - |
| Public Utilities Fund: | | | | |
| Cost allocation | 1,110,000 | 1,110,000 | 1,110,000 | - |
| Service assessment | 342,900 | 342,900 | 343,000 | 100 |
| Treasurer | 35,000 | 44,663 | 62,705 | 18,042 |
| Commissioner of the Revenue | 103,000 | 169,911 | 169,911 | - |
| Judicial Administration: | | | | |
| Clerk of Circuit Court | 25,800 | 25,800 | 19,548 | (6,252) |
| Commonwealth's Attorney | - | - | 9,571 | 9,571 |
| Public Safety: | | | | |
| Community Corrections | 58,500 | 58,500 | 64,016 | 5,516 |
| Sheriff | 66,000 | 79,174 | 63,440 | (15,734) |
| Building Inspector | 15,000 | 15,000 | 962 | (14,038) |
| Animal Control | 7,000 | 7,000 | 3,916 | (3,084) |
| Fire | 106,600 | 114,207 | 63,341 | (50,866) |
| Human Services: | | | | |
| Social Services | 28,472 | 28,472 | 29,326 | 854 |
| Community Resources | 5,000 | 5,000 | 5,000 | - |
| Comprehensive Services | 90,000 | 90,000 | 62,679 | (27,321) |
| Community Services | 105,000 | 105,000 | 106,172 | 1,172 |
| Health Department | - | - | 5,914 | 5,914 |
| Public Works: | | | | |
| Solid Waste Management | 257,500 | 257,500 | 396,162 | 138,662 |
| Recycling Service Districts | 77,200 | 77,200 | 82,309 | 5,109 |
| General Servcies | 3,000 | 3,000 | 3,761 | 761 |
| Parks, recreation and cultural: | | | | |
| Veterans' memorial | - | - | 2,875 | 2,875 |
| Community Development: | | | | |
| Contributions: Greater Richmond Convention Center Authority | 618,000 | 618,000 | 833,110 | 215,110 |
| Lewistown CDA | 30,404 | 30,404 | 30,402 | (2) |
| Economic Development | 107,010 | 107,010 | 107,010 | - |
| Virginia Cooperative Extension | - | 430 | 430 | - |
| Total recovered costs | 3,601,386 | 3,699,171 | 3,985,560 | 286,389 |
| Total revenues from local sources | 200,978,331 | 201,330,884 | 203,751,283 | 2,420,399 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Non-categorical aid: | | | | |
| Vehicle rental tax | 230,000 | 230,000 | 358,835 | 128,835 |
| Personal property taxes (State remittance) | 15,002,000 | 15,002,000 | 15,002,745 | 745 |
| Rolling Stock Tax | 70,000 | 70,000 | 71,728 | 1,728 |
| Total non-categorical aid | 15,302,000 | 15,302,000 | 15,433,308 | 131,308 |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commissioner of the Revenue | 252,000 | 252,000 | 255,883 | 3,883 |
| Treasurer | 223,000 | 223,000 | 222,706 | (294) |
| Registrar | 53,000 | 53,000 | 53,752 | 752 |
| Clerk of Circuit Court | 553,000 | 553,000 | 550,951 | (2,049) |
| Commonwealth's Attorney | 904,000 | 904,000 | 899,652 | (4,348) |
| Sheriff | 3,486,000 | 3,486,000 | 3,449,626 | (36,374) |
| Total shared expenses | 5,471,000 | 5,471,000 | 5,432,570 | (38,430) |
| Other categorical aid: | | | | |
| Social Services | 1,402,765 | 1,406,146 | 1,088,047 | (318,099) |
| Comprehensive Services | 2,450,400 | 2,821,400 | 2,817,207 | (4,193) |
| Community Services | 2,580,406 | 2,820,663 | 2,824,259 | 3,596 |
| Other | 1,361,932 | 1,480,461 | 1,510,708 | 30,247 |
| Total other categorical aid | 7,795,503 | 8,528,670 | 8,240,221 | (288,449) |
| Total categorical aid | 13,266,503 | 13,999,670 | 13,672,791 | (326,879) |
| Total revenue from the Commonwealth | 28,568,503 | 29,301,670 | 29,106,099 | (195,571) |

(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, 2018

| | 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 | 23,570 | 21,570 |
| Fire - Federal grants | 515,987 | 880,156 | 863,242 | (16,914) |
| Sheriff - Federal grants | 78,300 | 129,336 | 424,725 | 295,389 |
| Social Services - Federal grants | 2,762,292 | 2,762,292 | 2,638,643 | (123,649) |
| Community Resources - Federal grants | 40,000 | 30,000 | 30,000 | - |
| Commonwealth Attorney - Federal grants | 126,000 | 126,000 | 122,289 | (3,711) |
| Comprehensive Services - Federal grants | 43,900 | 43,900 | 24,304 | (19,596) |
| Community Services - Federal grants | 473,611 | 553,306 | 477,593 | (75,713) |
| Total revenue from the Federal government | 4,042,090 | 4,526,990 | 4,604,366 | 77,376 |
| Total intergovernmental | 32,610,593 | 33,828,660 | 33,710,465 | (118,195) |
| Total revenues | 233,588,924 | 235,159,544 | 237,461,748 | 2,302,204 |
| **EXPENDITURES** | | | | |
| General government administration: | | | | |
| Legislative - Board of Supervisors | 573,887 | 597,907 | 570,679 | 27,228 |
| General and financial administration: | | | | |
| County Administrator | 1,287,236 | 1,295,198 | 1,281,916 | 13,282 |
| Human Resources | 1,133,906 | 1,117,280 | 1,028,108 | 89,172 |
| County Attorney | 1,195,867 | 1,190,966 | 1,176,855 | 14,111 |
| Commissioner of the Revenue | 1,501,720 | 1,611,721 | 1,519,292 | 92,429 |
| Assessor | 1,107,070 | 1,117,139 | 1,063,251 | 53,888 |
| Treasurer | 1,545,021 | 1,569,870 | 1,527,372 | 42,498 |
| Finance | 1,951,314 | 1,988,757 | 1,972,298 | 16,459 |
| Management Services | 307,343 | 318,040 | 281,150 | 36,890 |
| Information Technology | 4,583,383 | 4,733,233 | 4,709,761 | 23,472 |
| Total general and financial administration | 14,612,860 | 14,942,204 | 14,560,003 | 382,201 |
| Board of elections - Registrar and Electoral Board | 434,506 | 505,481 | 450,349 | 55,132 |
| Total general government administration | 15,621,253 | 16,045,592 | 15,581,031 | 464,561 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit Court | 288,862 | 318,284 | 309,415 | 8,869 |
| General District Court | 93,483 | 106,983 | 103,632 | 3,351 |
| Magistrates | 2,973 | 2,973 | 1,962 | 1,011 |
| Juvenile and Domestic Relations District Court | 27,050 | 27,050 | 16,507 | 10,543 |
| Clerk of the Circuit Court | 1,405,700 | 1,453,681 | 1,431,552 | 22,129 |
| Court Services | 2,548,641 | 2,584,161 | 2,540,605 | 43,556 |
| Total courts | 4,366,709 | 4,493,132 | 4,403,673 | 89,459 |
| Commonwealth's Attorney | 1,802,024 | 1,870,128 | 1,864,748 | 5,380 |
| Total judicial administration | 6,168,733 | 6,363,260 | 6,268,421 | 94,839 |
| Public safety: | | | | |
| Sheriff | 24,342,448 | 24,673,308 | 24,586,305 | 87,003 |
| Fire and rescue services: | | | | |
| Fire and Emergency Management Services | 18,777,532 | 19,783,540 | 19,601,324 | 182,216 |
| Total fire and rescue services | 18,777,532 | 19,783,540 | 19,601,324 | 182,216 |
| Correction and Detention: | | | | |
| Pamunkey Regional Jail Authority | 6,160,000 | 6,160,000 | 6,047,099 | 112,901 |
| Juvenile Court Services | 570,582 | 562,968 | 532,962 | 30,006 |
| Community Corrections | 509,015 | 524,789 | 498,278 | 26,511 |
| Total correction and detention | 7,239,597 | 7,247,757 | 7,078,339 | 169,418 |
| Inspections - Building Inspections | 1,578,807 | 1,594,538 | 1,536,208 | 58,330 |
| Other protection: | | | | |
| Emergency Communications | 5,607,531 | 5,520,570 | 5,356,904 | 163,666 |
| Animal Control | 1,005,762 | 1,025,178 | 996,886 | 28,292 |
| Total other protection | 6,613,293 | 6,545,748 | 6,353,790 | 191,958 |
| Total public safety | 58,551,677 | 59,844,891 | 59,155,966 | 688,925 |

(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, 2018

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Budget Basis | (Negative) |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Public Works | $ 1,897,746 | 1,948,194 | 1,877,448 | 70,746 |
| Solid Waste Services | 4,550,885 | 4,954,361 | 4,893,905 | 60,456 |
| Total sanitation and waste removal | 6,448,631 | 6,902,555 | 6,771,353 | 131,202 |
| Maintenance of buildings, grounds and equipment: | | | | |
| Facilities and Vehicle Management | 4,618,778 | 4,663,825 | 4,489,168 | 174,657 |
| Total maintenance of buildings, grounds and equip. | 4,618,778 | 4,663,825 | 4,489,168 | 174,657 |
| Total public works | 11,067,409 | 11,566,380 | 11,260,521 | 305,859 |
| Health and human services: | | | | |
| Health | 584,000 | 584,000 | 584,000 | - |
| Human Services: | | | | |
| Social Services | 5,791,491 | 5,868,955 | 5,295,001 | 573,954 |
| Community Resources | 389,196 | 395,576 | 373,978 | 21,598 |
| Comprehensive Services | 4,585,000 | 5,256,000 | 5,084,952 | 171,048 |
| Community Services | 10,918,110 | 11,192,534 | 10,749,834 | 442,700 |
| Tax Relief | 1,658,300 | 1,658,300 | 1,744,625 | (86,325) |
| Total human services | 23,342,097 | 24,371,365 | 23,248,390 | 1,122,975 |
| Total health and human services | 23,926,097 | 24,955,365 | 23,832,390 | 1,122,975 |
| Parks, recreation and cultural: | | | | |
| Parks and Recreation | 3,509,404 | 3,582,381 | 3,456,543 | 125,838 |
| Pamunkey Regional Library | 2,708,296 | 2,717,556 | 2,717,556 | - |
| Total parks, recreation and cultural | 6,217,700 | 6,299,937 | 6,174,099 | 125,838 |
| Community development: | | | | |
| Planning and Community Development: | | | | |
| Planning | 1,971,756 | 1,953,402 | 1,899,276 | 54,126 |
| Economic Development | 1,716,947 | 1,707,723 | 1,641,296 | 66,427 |
| Community Support | 1,538,311 | 1,742,811 | 1,669,770 | 73,041 |
| Total planning and community development | 5,227,014 | 5,403,936 | 5,210,342 | 193,594 |
| Environmental mgmt. - Soil and Water Conservation District | 99,910 | 99,910 | 99,910 | - |
| Cooperative Extension Program - VPI Extension | 89,477 | 89,907 | 83,195 | 6,712 |
| Total community development | 5,416,401 | 5,593,753 | 5,393,447 | 200,306 |
| Education: | | | | |
| School Fund | 82,723,000 | 82,723,000 | 80,582,583 | 2,140,417 |
| Total education | 82,723,000 | 82,723,000 | 80,582,583 | 2,140,417 |
| Total education | 82,723,000 | 82,723,000 | 80,582,583 | 2,140,417 |
| Nondepartmental: | | | | |
| Reserves | 2,367,716 | 1,040,894 | - | 1,040,894 |
| Total nondepartmental | 2,367,716 | 1,040,894 | - | 1,040,894 |
| Total expenditures - budgetary basis | 212,059,986 | 214,433,072 | 208,248,458 | 6,184,614 |
| Less encumbrances at June 30, 2018 | - | - | (855,352) | 855,352 |
| Total expenditures | 212,059,986 | 214,433,072 | 207,393,106 | 7,039,966 |
| Excess of revenues over expenditures | 21,528,938 | 20,726,472 | 30,068,642 | 9,342,170 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Other financing sources: | | | | |
| Transfers from governmental funds: | | | | |
| County Improvements Fund | - | 84,923 | 84,923 | - |
| Total other financing sources | - | 84,923 | 84,923 | - |
| Other financing uses: | | | | |
| Transfers to governmental funds: | | | | |
| County Improvements Fund | (7,488,400) | (8,166,373) | (8,166,373) | - |
| School Improvements Fund | (2,400,000) | (2,400,000) | (2,400,000) | - |
| Debt Service Fund | (19,179,520) | (19,179,520) | (19,179,520) | - |
| Total transfers to governmental funds | (29,067,920) | (29,745,893) | (29,745,893) | - |
| Transfers to Proprietary Fund: | | | | |
| Airport Fund | (61,018) | (71,018) | (71,018) | - |
| Total other financing uses | (29,128,938) | (29,816,911) | (29,816,911) | - |
| Total other financing uses, net | (29,128,938) | (29,731,988) | (29,731,988) | - |
| Net change in fund balance | (7,600,000) | (9,005,516) | 336,654 | 9,342,170 |
| Fund balance - beginning | 7,600,000 | 52,535,586 | | - |
| Fund balance - beginning | 7,600,000 | 52,535,586 | 52,535,586 | - |
| Fund balance - ending | $ - | 43,530,070 | 52,872,240 | 9,342,170 |

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, 2018

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Budget Basis | (Negative) |
| **REVENUES** | | | | |
| Revenue from local sources: | | | | |
| Revenues from use of money and property | $ - | - | 121,100 | 121,100 |
| Charges for services | 2,000,000 | 2,000,000 | 866,828 | (1,133,172) |
| Recovered costs | 900,000 | 1,170,159 | 915,262 | (254,897) |
| Miscellaneous | 200,000 | 366,150 | - | (366,150) |
| Total revenue from local sources | 3,100,000 | 3,536,309 | 1,903,190 | (1,633,119) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth | 3,728,035 | 21,285,660 | 8,396,817 | (12,888,843) |
| Revenue from the Federal government | 824,965 | 21,262,886 | 3,254,527 | (18,008,359) |
| Total intergovernmental | 4,553,000 | 42,548,546 | 11,651,344 | (30,897,202) |
| Total revenues | 7,653,000 | 46,084,855 | 13,554,534 | (32,530,321) |
| **EXPENDITURES** | | | | |
| General government administration | 1,711,200 | 12,775,044 | 9,144,798 | 3,630,246 |
| Judicial administration | - | 142,023 | 115,130 | 26,893 |
| Public safety | 2,915,000 | 9,776,024 | 8,588,260 | 1,187,764 |
| Public works | 8,640,200 | 57,415,919 | 24,955,670 | 32,460,249 |
| Parks, recreation and cultural | 1,100,000 | 1,397,007 | 1,196,763 | 200,244 |
| Community development | 1,200,000 | 1,036,078 | 719,639 | 316,439 |
| Reserve for future projects | 200,000 | 200,000 | - | 200,000 |
| Total expenditures - budgetary basis | 15,766,400 | 82,742,095 | 44,720,260 | 38,021,835 |
| Less encumbrances at June 30, 2018 | - | - | (14,535,576) | 14,535,576 |
| Total expenditures | 15,766,400 | 82,742,095 | 30,184,684 | 52,557,411 |
| Excess (deficiency) of revenues over (under) expenditures | (8,113,400) | (36,657,240) | (16,630,150) | 20,027,090 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 7,488,400 | 8,166,373 | 8,166,373 | - |
| Transfers out | - | (84,923) | (84,923) | - |
| Total other financing sources, net | 7,488,400 | 8,081,450 | 8,081,450 | - |
| Net change in fund balance | (625,000) | (28,575,790) | (8,548,700) | 20,027,090 |
| Fund balance - beginning | 625,000 | 33,217,229 | 33,217,229 | - |
| Fund balance - ending | $ - | 4,641,439 | 24,668,529 | 20,027,090 |

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, 2018

| | Original Budget | Final Budget | Actual Amounts Budget Basis | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Non-categorical aid: | | | | |
| Education | $ 648,000 | 648,000 | 648,000 | - |
| Total revenues | 648,000 | 648,000 | 648,000 | - |
| **EXPENDITURES** | | | | |
| Capital outlay: | | | | |
| Education | 7,048,000 | 15,234,504 | 12,771,914 | 2,462,590 |
| Total expenditures - budgetary basis | 7,048,000 | 15,234,504 | 12,771,914 | 2,462,590 |
| Less encumbrances at June 30, 2018 | - | - | (2,572,783) | 2,572,783 |
| Total expenditures | 7,048,000 | 15,234,504 | 10,199,131 | 5,035,373 |
| Excess (deficiency) of revenues over (under) expenditures | (6,400,000) | (14,586,504) | (9,551,131) | 5,035,373 |
| **OTHER FINANCING SOURCES** | | | | |
| Other financing sources: | | | | |
| Transfers in | 2,400,000 | 2,400,000 | 2,400,000 | - |
| Issuance of capital lease | 4,000,000 | 4,000,000 | 4,000,000 | - |
| Total other financing sources | 6,400,000 | 6,400,000 | 6,400,000 | - |
| Net change in fund balance | - | (8,186,504) | (3,151,131) | 5,035,373 |
| Fund balance - beginning | - | 8,597,270 | 8,597,270 | - |
| Fund balance - ending | $ - | 410,766 | 5,446,139 | 5,035,373 |

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, 2018

| | Budgeted Amounts | | | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | (Negative) |
| **REVENUES** | | | | |
| Revenue from local sources: | | | | |
| Revenues from use of money and property | $ - | - | 135,006 | 135,006 |
| Total revenue from local sources | - | - | 135,006 | 135,006 |
| Intergovernmental: | | | | |
| Revenue from the Federal government | 252,850 | 252,850 | 254,477 | 1,627 |
| Total intergovernmental | 252,850 | 252,850 | 254,477 | 1,627 |
| Total revenues | 252,850 | 252,850 | 389,483 | 136,633 |
| **EXPENDITURES** | | | | |
| Debt service: | | | | |
| Principal retirement | 12,945,720 | 12,945,720 | 12,945,718 | 2 |
| Interest | 6,462,250 | 6,703,750 | 6,703,674 | 76 |
| Other fiscal charges | 24,400 | 35,900 | 16,415 | 19,485 |
| Debt issuance costs | 40,000 | 103,960 | 99,255 | 4,705 |
| Total expenditures | 19,472,370 | 19,789,330 | 19,765,062 | 24,268 |
| Excess (deficiency) of revenues over (under) expenditures | (19,219,520) | (19,536,480) | (19,375,579) | 160,901 |
| **OTHER FINANCING SOURCES** | | | | |
| Other financing sources: | | | | |
| Transfers in | 19,179,520 | 19,179,520 | 19,179,520 | - |
| Issuance of capital lease | 40,000 | 45,000 | 44,300 | (700) |
| Issuance of capital lease refunding bonds | - | 1,285,000 | 1,285,000 | - |
| Premium on capital lease refunding bonds | - | 263,284 | 263,284 | - |
| Total proceeds | 40,000 | 1,593,284 | 1,592,584 | (700) |
| Total other financing sources | 19,219,520 | 20,772,804 | 20,772,104 | (700) |
| Other financing uses: | | | | |
| Payments to refunded bonds escrow agent | - | 1,489,324 | 1,489,324 | - |
| Total other financing uses | - | 1,489,324 | 1,489,324 | - |
| Total other financing sources, net | 19,219,520 | 19,283,480 | 19,282,780 | (700) |
| Net change in fund balance | - | (253,000) | (92,799) | 160,201 |
| Fund balance - beginning | - | 590,856 | 590,856 | - |
| Fund balance - ending | $ - | 337,856 | 498,057 | 160,201 |

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, 2018

| | Bell Creek Community Development Authority | Lewistown Community Development Authority | Escrow | Special Welfare | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Pooled cash, cash equivalents and investments | $ 898 | 321,300 | 2,595,488 | 37,108 | 2,954,794 |
| Accounts receivable | 73,855 | 495,529 | 1,221 | - | 570,605 |
| Total assets | $ 74,753 | 816,829 | 2,596,709 | 37,108 | 3,525,399 |
| **LIABILITIES** | | | | | |
| Accounts payable | $ - | 245,947 | 47,634 | - | 293,581 |
| Accrued liabilities | 74,753 | 570,882 | 859,866 | - | 1,505,501 |
| Deposits | - | - | 1,689,209 | 37,108 | 1,726,317 |
| Total liabilities | $ 74,753 | 816,829 | 2,596,709 | 37,108 | 3,525,399 |

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, 2018

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|---|---|---|---|---|
| **Bell Creek Community Development Authority** | | | | |
| Assets: | | | | |
| Pooled cash, cash equivalents and investments | $ 2,128 | 150,314 | 151,544 | 898 |
| Accounts receivable | 74,923 | 149,000 | 150,068 | 73,855 |
| Total assets | $ 77,051 | 299,314 | 301,612 | 74,753 |
| Liabilities: | | | | |
| Accounts payable | $ - | 75,556 | 75,556 | - |
| Accrued liabilities | 77,051 | 147,770 | 150,068 | 74,753 |
| Total liabilities | $ 77,051 | 223,326 | 225,624 | 74,753 |
| **Lewistown Community Development Authority** | | | | |
| Assets: | | | | |
| Pooled cash, cash equivalents and investments | $ 283,150 | 1,716,253 | 1,678,103 | 321,300 |
| Accounts receivable | 615,271 | 1,002,414 | 1,122,156 | 495,529 |
| Total assets | $ 898,421 | 2,718,667 | 2,800,259 | 816,829 |
| Liabilities: | | | | |
| Accounts payable | $ 224,949 | 1,392,407 | 1,371,409 | 245,947 |
| Accrued liabilities | 673,472 | 1,019,565 | 1,122,155 | 570,882 |
| Total liabilities | $ 898,421 | 2,411,972 | 2,493,564 | 816,829 |
| **Escrow** | | | | |
| Assets: | | | | |
| Pooled cash, cash equivalents and investments | $ 2,142,884 | 39,708,815 | 39,256,211 | 2,595,488 |
| Accounts receivable | 1,046 | 112,796 | 112,621 | 1,221 |
| Total assets | $ 2,143,930 | 39,821,611 | 39,368,832 | 2,596,709 |
| Liabilities: | | | | |
| Accounts payable | $ 220,054 | 2,060,560 | 2,232,980 | 47,634 |
| Accrued liabilities | 888,297 | 38,939,213 | 38,967,644 | 859,866 |
| Deposits | 1,035,579 | 2,186,943 | 1,533,313 | 1,689,209 |
| Total liabilities | $ 2,143,930 | 43,186,716 | 42,733,937 | 2,596,709 |
| **Special Welfare** | | | | |
| Assets: | | | | |
| Pooled cash, cash equivalents and investments | $ 38,735 | 46,158 | 47,785 | 37,108 |
| Total assets | $ 38,735 | 46,158 | 47,785 | 37,108 |
| Liabilities: | | | | |
| Deposits | $ 38,735 | 46,136 | 47,763 | 37,108 |
| Total liabilities | $ 38,735 | 46,136 | 47,763 | 37,108 |
| **Total Agency Funds** | | | | |
| Assets: | | | | |
| Pooled cash, cash equivalents and investments | $ 2,466,897 | 41,621,540 | 41,133,643 | 2,954,794 |
| Accounts receivable | 691,240 | 1,264,210 | 1,384,845 | 570,605 |
| Total assets | $ 3,158,137 | 42,885,750 | 42,518,488 | 3,525,399 |
| Liabilities: | | | | |
| Accounts payable | $ 445,003 | 3,528,523 | 3,679,945 | 293,581 |
| Accrued liabilities | 1,638,820 | 40,106,548 | 40,239,867 | 1,505,501 |
| Deposits | 1,074,314 | 2,233,079 | 1,581,076 | 1,726,317 |
| Total liabilities | $ 3,158,137 | 45,868,150 | 45,500,888 | 3,525,399 |

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, 2018

| | Governmental Funds | | |
|---|---|---|---|
| | School | Cafeteria | Totals |
| **ASSETS** | | | |
| Pooled cash, cash equivalents and investments | $ 14,561,597 | 525,956 | 15,087,553 |
| Accounts receivable | 149,281 | - | 149,281 |
| Due from other governmental units | 5,009,336 | - | 5,009,336 |
| Inventory | - | 128,027 | 128,027 |
| Prepaid expenses | 5,000 | - | 5,000 |
| Total assets | $ 19,725,214 | 653,983 | 20,379,197 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Accounts payable | $ 1,900,083 | 38,201 | 1,938,284 |
| Accrued liabilities | 16,688,334 | 419,549 | 17,107,883 |
| Unearned revenues | 145,794 | - | 145,794 |
| Total liabilities | 18,734,211 | 457,750 | 19,191,961 |
| Fund balances: | | | |
| Nonspendable | 5,000 | 128,027 | 133,027 |
| Restricted | 68,573 | - | 68,573 |
| Assigned | 917,430 | 68,206 | 985,636 |
| Total fund balances | 991,003 | 196,233 | 1,187,236 |
| Total liabilities and fund balances | $ 19,725,214 | 653,983 | 20,379,197 |

| | | |
|---|---|---|
| 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. | | $ 116,317,217 |
| 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: | | (6,120,932) |
| 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 | 2,566,544 | |
| Net pension liability | (155,936,000) | |
| Pension investment experience | (6,039,499) | |
| Pension contributions after measurement date | 16,459,630 | |
| Change in actual and proportionate share of pension contributions, net | (2,022,000) | |
| Difference between expected and actual experience | (12,007,087) | |
| Change in assumptions, net | 2,197,314 | |
| | | (154,781,098) |
| 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 | 1,004,623 | |
| Net other posemployment benefits liability | (24,638,000) | |
| OPEB investment experience | (439,653) | |
| GLI and HIC contributions after measurement date | 2,647,869 | |
| OPEB contributions after measurement date | (28,690) | |
| Change in actual and proportionate share of GLI contributions | 9,000 | |
| Change in actual and proportionate share of HIC contributions | (4,000) | |
| Difference between expected and actual experience | (191,000) | |
| Change in assumptions | (607,000) | |
| | | (22,246,851) |
| Net position of School Board Component Unit activities | | $ (65,644,428) |

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, 2018

| | Governmental Funds | | |
|---|---|---|---|
| | School | Cafeteria | Totals |
| **REVENUES** | | | |
| Revenue from local sources: | | | |
| Revenue from use of money and property | $ 185,256 | 1,079 | 186,335 |
| Charges for services - operating | 874,482 | 4,303,539 | 5,178,021 |
| Miscellaneous | 671,845 | 56,512 | 728,357 |
| Recovered costs | 397,645 | - | 397,645 |
| Payments from Primary Government | 80,582,583 | - | 80,582,583 |
| Revenue from the Commonwealth | 89,062,499 | 55,658 | 89,118,157 |
| Revenue from the Federal government | 6,653,770 | 2,176,469 | 8,830,239 |
| Total revenues | 178,428,080 | 6,593,257 | 185,021,337 |
| **EXPENDITURES** | | | |
| Education | 178,534,694 | 6,564,985 | 185,099,679 |
| Total expenditures | 178,534,694 | 6,564,985 | 185,099,679 |
| Excess (deficiency) of revenues over (under) expenditures | (106,614) | 28,272 | (78,342) |
| Net change in fund balance | (106,614) | 28,272 | (78,342) |
| Fund balances - beginning | 1,097,617 | 167,961 | 1,265,578 |
| Fund balances - ending | $ 991,003 | 196,233 | 1,187,236 |

See accompanying independent auditors' report.

**COUNTY OF HANOVER, VIRGINIA** **Exhibit 21**

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, 2018

| | |
|---|---|
| Net change in fund balances - total governmental funds | $ (78,342) |
| 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 | 8,854,629 |
| Depreciation expense | (11,460,696) |
| 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. | 3,109,017 |
| 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. | (129,735) |
| 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. | 8,366,225 |
| 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. | (30,257) |
| Changes in net position of School Board Component Unit activities | $ 8,630,841 |

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, 2018

| | 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 | $ - | - | 185,256 | 185,256 |
| Total revenue from use of money and property | - | - | 185,256 | 185,256 |
| Charges for services: | | | | |
| Tuition and other charges for services | 820,000 | 820,000 | 874,482 | 54,482 |
| Total charges for services | 820,000 | 820,000 | 874,482 | 54,482 |
| Miscellaneous: | | | | |
| Sale of assets | 2,500 | 2,500 | - | (2,500) |
| Miscellaneous | 1,000,000 | 786,203 | 671,845 | (114,358) |
| Total miscellaneous revenues | 1,002,500 | 788,703 | 671,845 | (116,858) |
| Recovered costs: | | | | |
| Recovered costs | 353,000 | 388,597 | 397,645 | 9,048 |
| Total recovered costs | 353,000 | 388,597 | 397,645 | 9,048 |
| Payments from Primary Government: | | | | |
| General Fund | 82,723,000 | 82,723,000 | 80,582,583 | (2,140,417) |
| Total payments from Primary Government | 82,723,000 | 82,723,000 | 80,582,583 | (2,140,417) |
| Total revenue from local sources | 84,898,500 | 84,720,300 | 82,711,811 | (2,008,489) |
| Revenue from the Commonwealth: | | | | |
| Non-categorical aid: | | | | |
| Non-categorical aid programs | 68,599,560 | 68,683,560 | 68,940,026 | 256,466 |
| Total non-categorical aid | 68,599,560 | 68,683,560 | 68,940,026 | 256,466 |
| Categorical aid: | | | | |
| Categorical aid programs | 20,534,899 | 20,654,224 | 20,122,473 | (531,751) |
| Total categorical aid | 20,534,899 | 20,654,224 | 20,122,473 | (531,751) |
| Total revenue from the Commonwealth | 89,134,459 | 89,337,784 | 89,062,499 | (275,285) |
| Revenue from the Federal government: | | | | |
| Categorical aid: | | | | |
| Department of Education | 6,959,715 | 8,076,520 | 6,653,770 | (1,422,750) |
| Total revenue from the Federal government | 6,959,715 | 8,076,520 | 6,653,770 | (1,422,750) |
| Total revenues | 180,992,674 | 182,134,604 | 178,428,080 | (3,706,524) |
| **EXPENDITURES** | | | | |
| Education: | | | | |
| General support | 11,158,170 | 9,995,449 | 9,579,706 | 415,743 |
| Pupil transportation | 8,952,525 | 9,401,702 | 9,388,432 | 13,270 |
| Operations and maintenance | 12,907,519 | 13,221,920 | 13,160,861 | 61,059 |
| Instruction | 147,401,130 | 149,941,033 | 146,551,609 | 3,389,424 |
| Facilities | 573,330 | 672,117 | 640,423 | 31,694 |
| Total education | 180,992,674 | 183,232,221 | 179,321,031 | 3,911,190 |
| Total expenditures - budgetary basis | 180,992,674 | 183,232,221 | 179,321,031 | 3,911,190 |
| Less encumbrances at June 30, 2018 | - | - | (786,337) | 786,337 |
| Total expenditures | 180,992,674 | 183,232,221 | 178,534,694 | 4,697,527 |
| Excess (deficiency) of revenues over (under) expenditures | - | (1,097,617) | (106,614) | 991,003 |
| Net change in fund balance | - | (1,097,617) | (106,614) | 991,003 |
| Fund balance - beginning | - | 1,097,617 | 1,097,617 | - |
| Fund balance - ending | $ - | - | 991,003 | 991,003 |

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, 2018

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property | $ - | - | 1,079 | 1,079 |
| Charges for services | 4,994,428 | 4,994,428 | 4,303,539 | (690,889) |
| Miscellaneous revenues | 225,002 | 225,002 | 56,512 | (168,490) |
| Total revenues from local sources | 5,219,430 | 5,219,430 | 4,361,130 | (858,300) |
| Intergovernmental revenue: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| School food programs | 44,715 | 44,715 | 55,658 | 10,943 |
| Total revenues from the Commonwealth | 44,715 | 44,715 | 55,658 | 10,943 |
| Revenue from the Federal government: | | | | |
| Categorical aid: | | | | |
| USDA donated commodities | - | - | 304,411 | 304,411 |
| School food programs | 1,876,355 | 1,876,355 | 1,517,135 | (359,220) |
| Breakfast reimbursement | 348,525 | 348,525 | 354,923 | 6,398 |
| Total revenues from the Federal government | 2,224,880 | 2,224,880 | 2,176,469 | (48,411) |
| Total revenues | 7,489,025 | 7,489,025 | 6,593,257 | (895,768) |
| **EXPENDITURES** | | | | |
| Education: | | | | |
| Cafeteria | 7,489,025 | 7,489,025 | 6,564,985 | 924,040 |
| Total expenditures | 7,489,025 | 7,489,025 | 6,564,985 | 924,040 |
| Net change in fund balance | - | - | 28,272 | 28,272 |
| Fund balance - beginning | - | 167,961 | 167,961 | - |
| Fund balance - ending | $ - | 167,961 | 196,233 | 28,272 |

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, 2018

| | | |
|---|---|---|
| **ASSETS** | | |
| Pooled cash, cash equivalents and investments | $ | 47,281 |
| Total assets | $ | 47,281 |
| | | |
| **LIABILITIES AND FUND BALANCES** | | |
| Accounts payable | $ | 200 |
| Total liabilities | $ | 200 |
| | | |
| Fund balances: | | |
| Unassigned | $ | 47,081 |
| Total fund balances | | 47,081 |
| Total liabilities and fund balances | $ | 47,281 |
| | | |
| 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. | $ | 3,300,000 |
| 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. | | (3,300,000) |
| Total net position of the Economic Development Authority | $ | 47,081 |

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, 2018

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Charges for services: | | | | |
| Economic development fees | $ 161,930 | 161,930 | 165,387 | 3,457 |
| Total revenues | 161,930 | 161,930 | 165,387 | 6,914 |
| **EXPENDITURES** | | | | |
| Community Development: | | | | |
| Economic development | 161,930 | 161,930 | 158,985 | 2,945 |
| Total expenditures | 161,930 | 161,930 | 158,985 | 2,945 |
| Excess of revenues over expenditures | - | - | 6,402 | 9,859 |
| Net change in fund balance | - | - | 6,402 | 6,402 |
| Fund balance - beginning | - | 40,679 | 40,679 | - |
| Fund balance - ending | $ - | 40,679 | 47,081 | 6,402 |

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:


**Pages**

**Financial Trends Information** ..... 163 - 168
Financial trends information is intended to help the reader understand and assess how the County's financial position has changed over time.

**Revenue Capacity Information** ..... 170 - 173
Revenue capacity information is intended to help the reader understand and assess the County's ability to generate its most significant local revenue source, the property tax.

**Debt Capacity Information** ..... 174 - 175
Debt capacity information is intended to help the reader understand and assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

**Demographic and Economic Information** ..... 176 - 177
Demographic and economic information is intended to help the reader understand the socioeconomic environment within which the County's financial activities take place.

**Operating Information** ..... 178 - 180
Operating information is intended to provide information about the County's services and capital asset resources to help the reader understand how the information in the financial report relates to the services the County provides and the activities it performs.

**COUNTY OF HANOVER, VIRGINIA** **Table 1**

Net Position by Component (Unaudited)
Last Ten Fiscal Years
*(accrual basis of accounting)*

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 (1) | 2016 | 2017 | 2018 (2) |
|---|---|---|---|---|---|---|---|---|---|---|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | $ 75,900,088 | 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 |
| Restricted | 6,765,782 | 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 |
| Unrestricted | 38,277,590 | 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 |
| **Total net position, governmental activities** | $ 120,943,460 | 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 |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | $ 163,313,856 | 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 |
| Restricted | 3,445,007 | 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 |
| Unrestricted | 30,802,106 | 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 |
| **Total net position, business-type activities** | $ 197,560,969 | 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 |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | $ 239,213,944 | 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 |
| Restricted | 10,210,789 | 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 |
| Unrestricted | 69,079,696 | 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 |
| **Total net position, Primary Government** | $ 318,504,429 | 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 |

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 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 (1) | 2016 | 2017 | 2018 (2) |
| **Expenses** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government administration | $ 14,093,119 | 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 |
| Judicial administration | 4,785,034 | 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 |
| Public safety | 46,110,980 | 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 |
| Public works | 16,093,111 | 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 |
| Human services | 24,258,087 | 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 |
| Parks, recreation and cultural | 8,453,137 | 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 |
| Community development | 5,969,406 | 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 |
| Education | 92,993,766 | 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 |
| Interest on long-term debt | 772,402 | 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 |
| Total governmental activities expenses | 213,529,042 | 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 |
| Business-type activities: | | | | | | | | | | |
| Public utilities | 25,318,192 | 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 |
| Airport | 1,434,208 | 616,225 | 696,323 | 759,169 | 641,915 | 649,430 | 736,601 | 627,311 | 625,962 | 658,321 |
| Total business-type activities expenses | 26,752,400 | 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 |
| **Total expenses, Primary Government** | $ 240,281,442 | 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 |
| **Program Revenues** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General governmental administration | $ 1,664,898 | 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 |
| Judicial administration | 1,380,219 | 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 |
| Public safety | 3,274,434 | 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 |
| Public works | 1,226,498 | 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 |
| Human services | 3,778,613 | 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 |
| Parks, recreation and cultural | 531,639 | 543,768 | 571,427 | 498,989 | 477,202 | 523,055 | 456,682 | 480,162 | 554,834 | 255,579 |
| Community development | 888,838 | 789,276 | 725,907 | 1,005,930 | 926,660 | 973,409 | 1,077,596 | 1,204,089 | 1,166,607 | 1,280,476 |
| Operating grants and contributions | 16,736,272 | 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 |
| Capital grants and contributions | 7,814,843 | 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 |
| Total governmental activities program revenues | 37,296,254 | 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 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Public utilities | 21,237,074 | 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 |
| Airport (1) | 109,168 | 170,730 | 178,080 | 184,550 | 189,662 | 194,468 | 207,379 | 207,288 | 215,748 | 221,383 |
| Capital grants and contributions | 9,781,068 | 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 |
| Total business-type activities program revenues | 31,127,310 | 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 |
| **Total program revenues, Primary Gment** | $ 68,423,564 | 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 |
| **Net (Expense) Revenue** | | | | | | | | | | |
| Governmental activities | $ (176,232,788) | (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) |
| Business-type activities | 4,374,910 | 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 |
| **Total net expense, Primary Government** | $ (171,857,878) | (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) |

(continued)

**COUNTY OF HANOVER, VIRGINIA**

Table 2

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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015 (1)** | **2016** | **2017** | **2018 (2)** |
| **General Revenues and Other Changes in Net Position** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | $ 135,784,877 | 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 |
| Sales taxes | 15,831,268 | 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 |
| Utility taxes | 7,207,864 | 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 |
| Recordation taxes | 1,877,835 | 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 |
| Other | 2,133,154 | 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 |
| Noncategorical State aid | 14,985,990 | 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 |
| Grants and contributions not restricted to specific programs | 1,224,305 | 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 |
| Unrestricted investment earnings | 1,164,116 | 472,107 | 356,297 | 314,846 | 164,364 | 322,311 | 302,518 | 582,027 | 81,738 | 239,848 |
| Transfers | (333,081) | (200,703) | (190,056) | (192,889) | (67,742) | - | (90,074) | (10,361) | (52,249) | (71,018) |
| Total general revenues and other changes in net position, governmental activities | 179,876,328 | 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 |
| Business-type activities: | | | | | | | | | | |
| Public utilities - unrestricted investment earnings | 1,096,699 | 349,481 | 153,045 | 110,750 | 56,861 | 110,332 | 104,280 | 188,316 | 49,582 | 112,532 |
| Transfers - Airport fund | 333,081 | 200,703 | 190,056 | 192,889 | 67,742 | - | 90,074 | 10,361.00 | 52,249.00 | 71,018 |
| Total general revenues and other changes in net position, business-type activities | 1,429,780 | 550,184 | 343,101 | 303,639 | 124,603 | 110,332 | 194,354 | 198,677 | 101,831 | 183,550 |
| **Total general revenues and other changes in net position, Primary Government** | $ 181,306,108 | 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 |
| **Change in Net Position** | | | | | | | | | | |
| Governmental activities | $ 3,643,540 | 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 |
| Business-type activities | 5,804,690 | 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 |
| **Total change in net position, Primary Government** | $ 9,448,230 | 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 |

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 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 3**

Fund Balances, Governmental Funds (Unaudited)

Last Ten Fiscal Years [1]

*(modified accrual basis of accounting)*

| | Fiscal Year Ended June 30, | |
|---|---|---|
| | **2009 (2)** | **2010** |
| General Fund: | | |
| Reserved | $ 695,386 | 1,466,750 |
| Unreserved | | |
| Designated | 7,727,214 | 11,587,951 |
| Undesignated | 24,494,204 | 24,494,204 |
| **Total General Fund** | $ 32,916,804 | 37,548,905 |
| All other governmental funds: | | |
| Reserved | $ 9,260,250 | 5,534,957 |
| Unreserved, reported in: | | |
| Capital projects funds: | | |
| County Improvements Fund | 3,584,494 | 10,305,801 |
| School Improvements Fund | (252,310) | 4,477,556 |
| Special revenue funds | 602,131 | 603,391 |
| **Total All Other Governmental Funds** | $ 13,194,565 | 20,921,705 |

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

(2) At fiscal year ended June 30, 2009, reserved fund balances exceeded total fund balance in the School Improvements Fund, reflecting commitments of current financial resources for capital projects in excess of amounts available at the fiscal year end. Such commitments were funded primarily by subsequent bond proceeds, grant commitments, proffers and General Fund transfers, as more fully described in the County's Comprehensive Annual Financial Report for each applicable year.

| | Fiscal Year Ended June 30, (see note 1 below) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** |
| General Fund: | | | | | | | | |
| Nonspendable | $ 147,333 | 170,004 | 197,871 | 263,620 | 201,790 | 221,923 | 248,444 | 247,392 |
| Restricted | 532,845 | 467,104 | 581,242 | 975,241 | 892,123 | 894,106 | 693,755 | 868,647 |
| Committed | 2,500,000 | 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 |
| 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 |
| **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 |
| All other governmental funds: [2] | | | | | | | | |
| Nonspendable | $ - | - | - | 178,126.00 | 158,852 | 290,107 | 264,560 | 214,911 |
| 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 |
| 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 |
| **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 |

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: | 2009 | 2010 | 2011 | 2012 | 2013 |
| **REVENUES** | | | | | |
| General property taxes | $ 134,631,877 | 132,160,474 | 130,806,022 | 126,110,780 | 125,716,871 |
| Other local taxes | 27,050,122 | 26,077,337 | 26,856,220 | 27,362,807 | 28,841,377 |
| Permits, privilege fees and regulatory licenses | 1,756,291 | 1,493,234 | 1,771,735 | 1,555,734 | 2,117,648 |
| Fines and forfeitures | 1,111,383 | 1,145,092 | 1,234,619 | 1,123,148 | 1,122,896 |
| Revenues from use of money and property | 1,386,151 | 747,670 | 663,868 | 730,397 | 519,442 |
| Charges for services | 7,982,604 | 7,758,435 | 7,734,023 | 7,383,203 | 7,738,869 |
| Miscellaneous | 839,426 | 621,088 | 728,750 | 720,888 | 765,157 |
| Recovered costs | 6,677,511 | 3,366,236 | 3,939,877 | 3,899,087 | 4,085,951 |
| Intergovernmental (state and federal) | 33,571,769 | 32,739,887 | 32,981,600 | 32,212,010 | 32,350,451 |
| Total revenues | 215,007,134 | 206,109,453 | 206,716,714 | 201,098,054 | 203,258,662 |
| **EXPENDITURES** | | | | | |
| General governmental administration | 13,221,357 | 13,065,175 | 13,264,877 | 14,078,620 | 13,388,389 |
| Judicial administration | 5,603,761 | 4,452,332 | 4,238,674 | 4,365,516 | 4,625,522 |
| Public safety | 61,749,637 | 56,977,215 | 52,271,337 | 50,485,129 | 49,214,788 |
| Public works | 15,502,385 | 10,387,021 | 9,048,288 | 10,938,918 | 10,512,574 |
| Human services | 24,195,148 | 25,624,808 | 26,117,943 | 23,259,647 | 21,110,782 |
| Parks, recreation and cultural | 10,083,714 | 7,231,464 | 7,567,583 | 6,886,334 | 5,611,331 |
| Community development | 5,940,549 | 6,360,382 | 5,474,907 | 4,659,812 | 4,719,372 |
| Education expenditures, for: | | | | | |
| Instruction, operations and administration | 79,411,219 | 70,527,127 | 67,587,462 | 72,974,302 | 72,349,963 |
| Capital outlay | 9,706,041 | 7,868,873 | 7,700,153 | 6,591,609 | 1,863,441 |
| Debt service: | | | | | |
| Principal retirement | 11,336,693 | 11,932,672 | 11,111,792 | 10,502,253 | 10,723,304 |
| Interest and fiscal charges | 6,061,070 | 5,495,314 | 5,546,302 | 5,092,904 | 4,992,396 |
| Total education, Primary Government | 106,515,023 | 95,823,986 | 91,945,709 | 95,161,068 | 89,929,104 |
| Debt service: | | | | | |
| Principal retirement | 1,697,930 | 2,155,086 | 2,065,489 | 2,201,996 | 2,541,464 |
| Interest and fiscal charges | 514,194 | 862,522 | 1,518,217 | 2,001,749 | 1,957,177 |
| Bond issuance costs | 360,492 | 287,099 | 326,444 | 35,649 | - |
| Total expenditures | 245,384,190 | 223,227,090 | 213,839,468 | 214,074,438 | 203,610,503 |
| Excess (deficiency) of revenues over (under) expenditures | (30,377,056) | (17,117,637) | (7,122,754) | (12,976,384) | (351,841) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Transfers in | 16,039,580 | 9,930,074 | 9,196,315 | 10,061,563 | 4,123,000 |
| Transfers out | (16,372,661) | (10,130,777) | (9,530,584) | (10,254,452) | (4,190,742) |
| Sale of capital assets | - | - | - | - | 335,300 |
| Bonds issued | 21,679,548 | 27,228,580 | 12,809,071 | 6,471,989 | - |
| Refunding bonds issued | 24,962,676 | - | 5,660,579 | - | - |
| Payments to escrow agent | (24,758,539) | - | (10,844,571) | - | - |
| Support agreement | - | - | 7,327,036 | - | - |
| Total other financing sources (uses) | 21,550,604 | 27,027,877 | 14,617,846 | 6,279,100 | 267,558 |
| **Net change in fund balances** | $ (8,826,452) | 9,910,240 | 7,495,092 | (6,697,284) | (84,283) |
| County capital outlay (other than for education) contained in functional expenditure categories, above | $ 22,252,664 | 18,214,702 | 13,066,182 | 7,641,249 | 3,126,556 |
| **GASB 44 debt service disclosure (Primary Government): (2)** | | | | | |
| Debt service as a percentage of noncapital expenditures, primary government, governmental funds | 9.2% | 10.4% | 10.5% | 9.9% | 10.2% |
| **Self-imposed debt margin compliance (Total Reporting Entity): (1)** | | | | | |
| Noncapital expenditures - total reporting entity | $ 307,559,903 | 296,946,733 | 289,156,980 | 295,486,002 | 294,560,877 |
| Debt service as a percent of noncapital expenditures - total reporting entity | 6.4% | 6.9% | 7.0% | 6.7% | 6.9% |

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 2014 | 2015 | 2016 | 2017 | 2018 | |
|---|---|---|---|---|---|
| | | | | | **REVENUES** |
| 127,474,854 | 132,279,062 | 137,857,061 | 144,598,402 | 152,391,918 | General property taxes |
| 29,270,980 | 30,690,291 | 31,879,613 | 32,819,424 | 34,323,112 | Other local taxes |
| 2,172,162 | 2,126,778 | 2,143,668 | 2,192,797 | 2,198,363 | Permits, privilege fees and regulatory licenses |
| 1,142,444 | 1,086,243 | 1,002,872 | 1,033,165 | 1,010,284 | Fines and forfeitures |
| 710,460 | 796,077 | 1,260,668 | 706,628 | 1,054,226 | Revenues from use of money and property |
| 9,170,473 | 8,015,343 | 7,764,617 | 8,982,222 | 8,931,873 | Charges for services |
| 960,005 | 1,050,022 | 875,690 | 1,065,300 | 978,881 | Miscellaneous |
| 3,743,137 | 3,746,404 | 3,539,942 | 3,445,940 | 4,900,822 | Recovered costs |
| 34,174,720 | 36,088,750 | 35,946,025 | 39,241,368 | 46,264,286 | Intergovernmental (state and federal) |
| 208,819,235 | 215,878,970 | 222,270,156 | 234,085,246 | 252,053,765 | Total revenues |
| | | | | | **EXPENDITURES** |
| 13,610,993 | 15,080,859 | 16,799,922 | 17,695,118 | 22,657,863 | General governmental administration |
| 5,602,584 | 9,260,522 | 27,667,680 | 13,139,599 | 6,346,665 | Judicial administration |
| 48,819,005 | 52,259,053 | 54,722,857 | 56,060,444 | 64,089,189 | Public safety |
| 10,928,408 | 14,300,650 | 14,374,485 | 18,779,795 | 27,725,516 | Public works |
| 20,337,280 | 20,978,177 | 21,640,679 | 22,172,932 | 23,769,039 | Human services |
| 5,472,274 | 5,748,956 | 6,116,007 | 6,161,919 | 6,856,335 | Parks, recreation and cultural |
| 4,565,432 | 4,824,351 | 5,120,515 | 5,077,614 | 5,550,600 | Community development |
| | | | | | Education expenditures, for: |
| 70,939,017 | 71,361,872 | 72,803,686 | 76,666,934 | 80,582,583 | Instruction, operations and administration |
| 1,632,012 | 6,188,679 | 3,527,024 | 7,224,396 | 10,199,131 | Capital outlay |
| | | | | | Debt service: |
| - | - | - | - | - | Principal retirement |
| - | - | - | - | - | Interest and fiscal charges |
| 72,571,029 | 77,550,551 | 76,330,710 | 83,891,330 | 90,781,714 | Total education, Primary Government |
| | | | | | Debt service: |
| 13,312,349 | 12,581,509 | 12,477,200 | 12,788,637 | 12,945,718 | Principal retirement |
| 6,451,957 | 6,728,512 | 6,811,762 | 6,763,982 | 6,720,089 | Interest and fiscal charges |
| 307,254 | 246,024 | 289,742 | 40,116 | 99,255 | Bond issuance costs |
| 201,978,565 | 219,559,164 | 242,351,559 | 242,571,486 | 267,541,983 | Total expenditures |
| 6,840,670 | (3,680,194) | (20,081,403) | (8,486,240) | (15,488,218) | Excess (deficiency) of revenues over (under) expenditures |
| | | | | | **OTHER FINANCING SOURCES (USES)** |
| 23,595,558 | 27,503,653 | 26,712,119 | 33,891,124 | 29,830,816 | Transfers in |
| (23,595,558) | (27,593,727) | (26,722,480) | (33,943,373) | (29,901,834) | Transfers out |
| - | - | - | - | - | Sale of capital assets |
| 22,896,441 | 5,014,371 | 23,139,711 | 10,046,605 | 4,044,300 | Bonds issued |
| - | 23,903,469 | - | - | 1,548,284 | Refunding bonds issued |
| - | (23,683,940) | - | - | (1,489,324) | Payments to escrow agent |
| - | - | - | - | - | Support agreement |
| 22,896,441 | 5,143,826 | 23,129,350 | 9,994,356 | 4,032,242 | Total other financing sources (uses) |
| 29,737,111 | 1,463,632 | 3,047,947 | 1,508,116 | (11,455,976) | **Net change in fund balances** |
| 8,426,621 | 9,174,311 | 30,947,021 | 14,701,082 | 16,124,188 | County capital outlay (other than for education) contained in functional expenditure categories, above |
| | | | | | **GASB 44 Debt Service Disclosure (primary government): (2)** |
| 10.3% | 9.5% | 9.3% | 8.9% | 8.2% | Debt service as a percentage of noncapital expenditures, primary government, governmental funds |
| | | | | | **Self-imposed debt margin compliance (total reporting entity): (1)** |
| 290,620,815 | 303,333,119 | 307,134,844 | 318,829,642 | 331,834,249 | Noncapital expenditures - total reporting entity |
| 6.8% | 6.4% | 6.3% | 6.1% | 5.9% | Debt service as a percent of noncapital expenditures - total reporting entity |

To assist the reader, the fiscal year 2017 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 2018 | Self-imposed | GASB 44 |
|---|---|---|
| | Total Reporting Entity (Note 1) | Primary Government (Note 2) |
| Total expenditures | $ 372,218,064 | 267,541,983 |
| Less: | | |
| Capital Outlay | (40,383,815) | (26,323,319) |
| Noncapital expenditures | $ 331,834,249 | 241,218,664 |
| Debt service expenditures | $ 19,765,062 | 19,665,807 |
| As a % of noncapital expenditures | 6.0% | 8.2% |

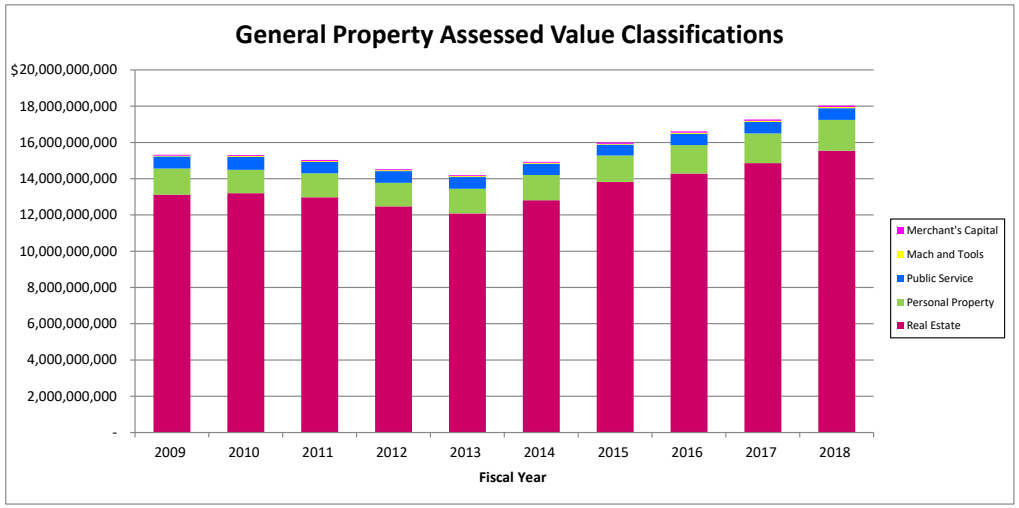
**COUNTY OF HANOVER, VIRGINIA** **Table 5**

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 |
|---|---|---|---|---|---|---|---|---|---|
| 2009 | $ 13,125,005,050 | 1,437,119,361 | 43,260,613 | 50,228,645 | 664,757,197 | 15,320,370,866 | 1.07 | 16,533,565,376 | 92.7% |
| 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% |
| % Change | 4.6% | 3.5% | 23.9% | 9.2% | 1.7% | 4.5% | | 4.9% | |
| % Ch. Since 2009 | 18.4% | 18.4% | 52.0% | 66.3% | -3.0% | 17.7% | | 18.5% | |
| % of Total | 86.2% | 9.4% | 0.4% | 0.5% | 3.6% | 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) | | | | | | | County Total Direct Tax Rate For each *Fiscal* Year Shown (3) | Town of Ashland (Overlapping Rates) (4) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Real Property | Power Generating Equipment | Personal Property | Fire and Rescue Volunteers | Aircraft | Machinery and Tools | Merchant's Capital | | Real Property | Personal Property | Machinery and Tools |
| 2009 | $ 0.81 | 0.55 | 3.57 | 1.78 | 0.50 | 3.57 | 1.90 | 1.07 | 0.09 | 0.77 | 0.77 |
| 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 |
| % Change | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| % Ch. Since 2009 | 0.0% | 47.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.9% | 0.0% | 0.0% | 0.0% |

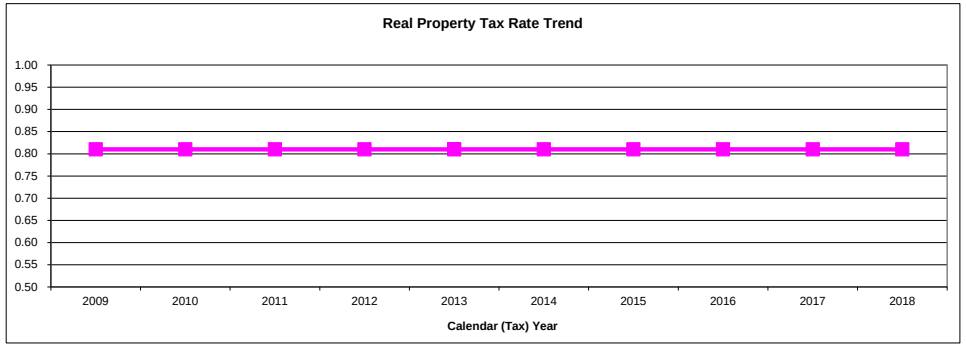
Notes: (1) The individual tax rates are per $100 of assessed value, which is generally determined as of January 1 of each year, and are used to determine tax payments due within the same calendar (tax) year.

(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

| Taxpayer | Type of Business | 2018 General Property Taxable Assessed Value | 2018 Rank | 2018 Percentage of Total Taxable Assessed Value | 2009 General Property Taxable Assessed Value | 2009 Rank | 2009 Percentage of Total Taxable Assessed Value |
|---|---|---|---|---|---|---|---|
| Virginia Electric and Power Company | Electric company | $ 258,364,665 | 1 | 1.4% | $ 119,846,509 | 3 | 0.8% |
| Doswell Limited Partnership | Power Generation Facility | 164,656,908 | 2 | 0.9% | 303,114,793 | 1 | 2.0% |
| Memorial Regional Medical Center | Hospital/medical center | 120,510,400 | 3 | 0.7% | 120,929,150 | 2 | 0.8% |
| Cedar Fair Southwest(2018)/Paramount Parks(2009) | Entertainment | 91,464,045 | 4 | 0.5% | 81,790,680 | 4 | 0.5% |
| Covenant Woods | Nursing home | 90,384,035 | 5 | 0.5% | 38,668,340 | 9 | 0.3% |
| Virginia Natural Gas | Natural gas distributor | 52,545,180 | 6 | 0.3% | | n/a | - |
| Verizon Virginia | Telecommunications | 39,188,991 | 7 | 0.2% | 52,838,446 | 5 | 0.3% |
| Rappahannock Electric Coop | Electric company | 37,299,096 | 8 | 0.2% | 31,284,207 | 10 | 0.2% |
| Richfood, Inc. | Grocery Wholesale | 35,592,500 | 9 | 0.2% | 51,408,705 | 6 | 0.3% |
| Wal-mart Real Estate Business Trust/Wal-mart Stores | Retail Business | 30,565,650 | 10 | 0.2% | | n/a | 0.0% |
| Richmond Newspaper, Inc./Media General, Inc. | Newspaper publisher | | n/a | 0.0% | 46,461,925 | 7 | 0.3% |
| Bear Island Paper Company | Paper Mill | | n/a | 0.0% | 45,475,095 | 8 | 0.3% |
| | | $ 920,571,470 | | 5.1% | $ 891,817,850 | | 5.8% |
| Total taxable assessed values | | $ 18,038,939,928 | | | $ 15,320,370,866 | | |

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 | | Collections in Subsequent Years | Total Collections to Date as of June 30, 2018 | |
|---|---|---|---|---|---|---|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2009 | $ 146,731,880 | 140,814,064 | 96.0% | 5,895,850 | 146,709,914 | 100.0% |
| 2010 | 142,757,714 | 137,896,486 | 96.6% | 4,854,593 | 142,751,079 | 100.0% |
| 2011 | 141,464,681 | 136,643,777 | 96.6% | 4,813,463 | 141,457,240 | 100.0% |
| 2012 | 138,147,691 | 136,569,536 | 98.9% | 1,549,000 | 138,118,536 | 100.0% |
| 2013 | 136,956,978 | 135,351,034 | 98.8% | 1,557,952 | 136,908,986 | 100.0% |
| 2014 | 138,899,948 | 137,555,596 | 99.0% | 1,132,083 | 138,687,679 | 99.8% |
| 2015 | 144,003,614 | 143,368,974 | 99.6% | 268,841 | 143,637,815 | 99.7% |
| 2016 | 147,705,971 | 144,943,605 | 98.1% | 2,058,474 | 147,002,079 | 99.5% |
| 2017 | 157,129,677 | 154,661,526 | 98.4% | 1,048,610 | 155,710,136 | 99.1% |
| 2018 | 164,152,649 | 163,343,503 | 99.5% | - | 163,343,503 | 99.5% |

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.

(3) The lower and negative net collections figure in subsequent years for 2014 and 2015 are due to abatements of Bear Island bills. Due to system limitations, the movement of funds from the abatements to the revised bills are handled as negative adjustments. FY15 adjustments equaled $827,225.05 for Bear Island. Litigation is still in process.

**COUNTY OF HANOVER, VIRGINIA**

Ratios of Outstanding Debt by Type, and

Self-Imposed Debt Limit Information (3) (Unaudited)

Last Ten Fiscal Years

**Table 9**

| | 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 |
| 2009 | $ 89,665,816 | 58,168,234 | 6,156,000 | 153,990,050 | 16,533,565,376 | 0.9% | 100,051 | 1,539 | - | 1,836,239 | - |
| 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 |
| % Change | -12.4% | -9.0% | 0.0% | -11.0% | 4.9% | -15.2% | 1.4% | -12.2% | -2.0% | 212.6% | -21.8% |
| % Ch. Since 2009 | -34.0% | -28.5% | -100.0% | -34.6% | 18.5% | -44.8% | 10.2% | -40.6% | 100.0% | 220.6% | 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) |
| 2009 | $ 36,836,758 | - | 192,663,047 | 4,365,589 | 43,634 | 4.4% | 1,926 | 155,826,289 | 1.0% | 1,557 | 3,529 |
| 2010 | 34,612,657 | - | 205,680,688 | 4,458,362 | 44,402 | 4.6% | 2,048 | 171,068,031 | 1.1% | 1,704 | 3,778 |
| 2011 | 21,887,907 | 10,562,075 | 204,978,734 | 4,718,576 | 46,801 | 4.3% | 2,033 | 172,528,752 | 1.1% | 1,711 | 3,472 |
| 2012 | 20,943,819 | 9,172,282 | 195,895,432 | 4,907,381 | 48,308 | 4.0% | 1,928 | 165,779,331 | 1.1% | 1,632 | 3,245 |
| 2013 | 19,951,453 | 7,792,489 | 179,810,678 | 4,974,785 | 48,476 | 3.6% | 1,752 | 152,066,736 | 1.1% | 1,482 | 2,967 |
| 2014 | 19,525,241 | 6,432,696 | 187,123,512 | 5,243,690 | 50,360 | 3.6% | 1,797 | 161,165,575 | 1.1% | 1,548 | 2,639 |
| 2015 | 18,970,376 | 5,077,903 | 177,078,730 | 5,635,388 | 53,438 | 3.1% | 1,679 | 153,030,451 | 1.0% | 1,451 | 2,350 |
| 2016 | 17,581,614 | 3,723,110 | 184,273,229 | 5,788,242 | 54,019 | 3.2% | 1,752 | 162,968,505 | 0.9% | 1,521 | 2,098 |
| 2017 | 16,321,357 | 2,375,964 | 170,387,999 | 5,872,187 | 54,019 | 2.9% | 1,545 | 151,690,678 | 0.9% | 1,376 | 1,865 |
| 2018 | 15,026,887 | 1,015,979 | 167,733,544 | 5,955,593 | 54,019 | 2.8% | 1,521 | 151,690,678 | 0.8% | 1,376 | 1,865 |
| % Change | -7.9% | -57.2% | -1.6% | 1.4% | 0.0% | -2.9% | -1.6% | 0.0% | -4.3% | 0.0% | 0.0% |
| % Ch. Since 2009 | -55.7% | 100% | -11.6% | 34.5% | 23.8% | -34.3% | -19.7% | -2.7% | -13.6% | -11.7% | -47.1% |

Notes:

(1) See Financial Statement Note IV-E for additional information on outstanding 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 2009 through 2016 (the last year available) is obtained from the Bureau of Economic Analysis, U.S.Department of Commerce. Per Capita Personal Income for 2017 and 2018 is assumed to be equal to 2016, the last year for which Personal Income data is available from the U.S. Department of Commerce. Personal Income amounts for 2017 and 2018 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 ($2,362 for fiscal year 2018).

(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 |
|---|---|---|---|---|---|---|---|---|---|
| 2009 | $ 25,584,480 | 16,429,026 | 9,155,454 | 1,915,617 | 1,883,137 | 2.4 | 3,627,119 | 171,635 | 2.1 |
| 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 | 32,751,145 | 17,192,885 | 15,558,260 | 2,418,471 | 593,230 | 5.2 | 3,011,701 | - | 4.5 |
| 2017 | 30,424,330 | 16,679,572 | 13,744,758 | 2,321,831 | 656,573 | 4.6 | 2,860,828 | - | 4.2 |
| 2018 | 30,203,533 | 16,038,366 | 14,165,167 | 2,351,830 | 501,997 | 5.0 | 2,853,827 | - | 4.3 |
| % Change | | | 3.1% | 1.3% | -23.5% | 7.6% | -0.2% | 0.0% | 3.3% |
| % Ch. Since 2009 | | | 54.7% | 22.8% | -73.3% | 105.9% | -21.3% | -100.0% | 104.7% |

**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 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | $ 88,093 | - | 88,093 | 54,820 | 89,158 | 0.6 | 88,093 | 156,081 | 36,000 | 1.9 |
| 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 |
| % Change | | | 3.0% | 5.1% | -7.2% | 3.1% | 3.0% | 0.0% | 0.0% | 2.6% |
| % Ch. Since 2009 | | | 119.6% | 57.1% | -37.5% | 123.0% | 119.6% | -100.0% | 0.0% | -16.8% |

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 |
|---|---|---|---|---|---|---|---|---|
| 2009 | 100,051 | $ 4,365,589 | $ 43,634 | 39.8 | 6.5% | 18,566 | 1,614 | 11.5 |
| 2010 | 100,408 | 4,458,362 | 44,402 | 40.4 | 6.6% | 18,420 | 1,569 | 11.7 |
| 2011 | 100,822 | 4,718,576 | 46,801 | 40.8 | 6.0% | 18,191 | 1,489 | 12.2 |
| 2012 | 101,586 | 4,907,381 | 48,308 | 41.2 | 5.5% | 18,125 | 1,487 | 12.2 |
| 2013 | 102,623 | 4,974,785 | 48,476 | 41.5 | 5.1% | 17,942 | 1,426 | 12.6 |
| 2014 | 104,124 | 5,243,690 | 50,360 | 41.8 | 4.6% | 17,952 | 1,410 | 12.7 |
| 2015 | 105,456 | 5,635,388 | 53,438 | 41.9 | 3.9% | 17,734 | 1,445 | 12.3 |
| 2016 | 107,152 | 5,788,242 | 54,019 | 42.4 | 3.5% | 17,776 | 1,442 | 12.3 |
| 2017 | 108,706 | 5,872,187 | 54,019 | 42.4 | 3.3% | 17,751 | 1,463 | 12.1 |
| 2018 | 110,250 | 5,955,593 | 54,019 | 42.4 | 2.9% | 17,671 | 1,472 | 12.0 |
| % Change | 1.4% | 1.4% | 0.0% | 0.0% | -12.1% | -0.5% | 0.6% | -1.1% |
| % Ch. Since 2009 | 10.2% | 36.4% | 23.8% | 6.5% | -55.4% | -4.8% | -8.8% | 4.4% |

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 2009 through 2016 (the last year available) is obtained from the U. S. Department of Commerce, Bureau of Economic Analysis. Per Capita Personal Income for 2017 and 2018 is assumed to be equal to 2016, 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 2017 and 2018 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

| | | 2017 | | | 2008 | | |
|---|---|---|---|---|---|---|---|
| Employer | Type of Business | Employees | Rank | Percentage of Total County Employment (2) | Employees | Rank | Percentage of Total County Employment (2) |
| Hanover County Schools | Education | 2,482 | 1 | 4.3% | 2,903 | 1 | 5.2% |
| Bon Secours Memorial Regional Medical | Hospital/Medical Center | 1,000 and over | 2 | 3.4% | 1,000 and over | 2 | 3.6% |
| County of Hanover | Government | 1,128 | 3 | 1.9% | 1,154 | 3 | 2.1% |
| Tyson Farms | Food Manufacturing | 500-999 | 4 | 1.3% | 500-999 | 8 | 1.3% |
| Wal-Mart Stores | Retail | 500-999 | 5 | 1.3% | 500-999 | 6 | 1.3% |
| Supervalu Distribution Center (2017)/Richfood(2008) | Food Distributor | 500-999 | 6 | 1.3% | 500-999 | 4 | 1.3% |
| Kings Dominion | Entertainment | 500-999 | 7 | 1.3% | 500-999 | 7 | 1.3% |
| Acosta Sales & Marketing Co | Sales & Marketing | 500-999 | 8 | 1.3% | | n/a | |
| Kroger | Retail | 250-499 | 9 | 0.6% | | n/a | |
| Owens & Minor Medical Inc | Physicians Equip & Supls-Mfrs | 250-499 | 10 | 0.6% | 500-999 | 7 | 1.3% |
| Randolph-Macon College | Education | | n/a | | 500-999 | 5 | 1.3% |
| Bass Pro Shops Outdoor World | Retail | | n/a | | 250-499 | 9 | 0.7% |
| Food Lion | Retail | | n/a | | 250-499 | 10 | 0.7% |
| **Totals** | | | | **17.4%** | | | **18.9%** |
| **Total County Employment (3)** | | **58,121** | | | **55,834** | | |

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 2017.

(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

(3) VEC Annual not Seasonally Adjusted Labor Force

**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 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** |
| **Function/Program** | | | | | | | | | | |
| **Primary government:** | | | | | | | | | | |
| General governmental administration | 145 | 141 | 137 | 132 | 123 | 130 | 132 | 133 | 135 | 137 |
| Judicial administration | 59 | 59 | 57 | 57 | 55 | 57 | 59 | 64 | 68 | 70 |
| Public safety | 472 | 474 | 464 | 462 | 449 | 449 | 464 | 489 | 501 | 516 |
| Public works (2) | 73 | 73 | 60 | 88 | 83 | 83 | 83 | 86 | 86 | 88 |
| Human services | 227 | 226 | 198 | 189 | 183 | 181 | 182 | 185 | 188 | 190 |
| Parks, recreation and cultural | 50 | 50 | 37 | 37 | 33 | 32 | 32 | 31 | 31 | 31 |
| Community development | 31 | 35 | 29 | 29 | 25 | 24 | 24 | 24 | 24 | 25 |
| Public utilities | 96 | 96 | 95 | 95 | 93 | 91 | 91 | 93 | 94 | 94 |
| Fleet management (3) | 29 | 29 | 29 | - | - | - | - | - | - | - |
| Self insurance fund | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Totals - Primary government | 1,183 | 1,184 | 1,107 | 1,090 | 1,045 | 1,048 | 1,068 | 1,106 | 1,128 | 1,152 |
| **Component Unit:** | | | | | | | | | | |
| School Board (4) | 2,973 | 2,678 | 2,544 | 2,532 | 2,462 | 2,438 | 2,456 | 2,466 | 2,482 | 2,491 |
| **Total:** | 4,156 | 3,862 | 3,651 | 3,622 | 3,507 | 3,486 | 3,524 | 3,572 | 3,610 | 3,643 |

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.

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

Table 14

| Function/Program | Fiscal Year 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Primary government:** | | | | | | | | | | |
| **General governmental administration** | | | | | | | | | | |
| Number of registered voters | 67,322 | 68,294 | 68,968 | 71,832 | 71,010 | 71,828 | 72,268 | 75,126 | 76,303 | 78,089 |
| Number of real estate transfers | 2,173 | 2,874 | 2,800 | 3,027 | 3,065 | 3,256 | 3,606 | 4,003 | 4,079 | 3,881 |
| State income tax returns processed | 8,038 | 7,757 | 7,545 | 8,696 | 7,514 | 7,854 | 7,600 | 6,268 | 6,717 | 6,157 |
| **Judicial administration** | | | | | | | | | | |
| Judgments docketed | 3,388 | 3,740 | 4,321 | 4,041 | 3,543 | 3,114 | 2,975 | 2,958 | 2,863 | 3,588 |
| **Public safety** | | | | | | | | | | |
| Sheriff incidents | 41,863 | 40,189 | 46,077 | 38,819 | 37,125 | 37,891 | 34,474 | 38,046 | 36,726 | 37,779 |
| Number of sworn officers | 201 | 201 | 201 | 201 | 201 | 207 | 211 | 207 | 215 | 221 |
| Fire/EMS incidents | 10,735 | 11,705 | 13,381 | 14,216 | 13,620 | 15,740 | 15,854 | 13,256 | 13,882 | 14,667 |
| Animal control incidents | 8,508 | 7,029 | 6,720 | 6,485 | 6,009 | 6,233 | 5,877 | 5,815 | 4,944 | 4,774 |
| Commercial building plan reviews | 414 | 439 | 377 | 414 | 412 | 412 | 506 | 490 | 494 | 556 |
| Residential building plan reviews | 1,051 | 1,025 | 1,092 | 1,098 | 1,278 | 1,381 | 1,462 | 1,549 | 1,536 | 1,437 |
| **Public works** | | | | | | | | | | |
| Tons of solid waste received | 38,243 | 37,700 | 37,600 | 36,599 | 32,571 | 32,198 | 44,651 | 48,336 | 60,483 | 66,456 |
| Tons of solid waste recycled | 17,000 | 18,000 | 18,500 | 20,000 | 21,418 | 15,141 | 11,970 | 14,217 | 10,563 | 6,646 |
| **Human services** | | | | | | | | | | |
| Communicable disease visits/investigations | 969 | 429 | 262 | 405 | 370 | 268 | 555 | 679 | 929 | 891 |
| Immunization visits (3) | 358 | 9,454 | 1,210 | 312 | 636 | 471 | 311 | 391 | 265 | 284 |
| Restaurant inspection visits | 1,024 | 560 | 894 | 710 | 911 | 815 | 939 | 974 | 1,262 | 1,049 |
| Social services lobby visits | 16,271 | 15,377 | 17,632 | 20,027 | 19,018 | 17,681 | 15,541 | 14,700 | 16,934 | 16,731 |
| Social services New Benefit Program Customers | N/A | 701 | 850 | 792 | 681 | 786 | 520 | 687 | 523 | 560 |
| Number of Hanover Youth Service Council (HYSC) projects | 34 | 39 | 48 | 48 | 44 | 43 | 37 | 36 | 34 | 41 |
| HYSC Volunteer hours reported | 780 | 1,406 | 1,793 | 1,847 | 1,353 | 1,576 | 1,080 | 1,183 | 1,116 | 961 |
| **Parks, recreation and cultural** | | | | | | | | | | |
| Active Library borrowers | 56,968 | 65,558 | 74,382 | 79,700 | 80,553 | 80,642 | 82,096 | 83,785 | 84,865 | 65,405 |
| Internet sessions | 84,423 | 114,945 | 150,295 | 103,700 | 134,980 | 142,545 | 141,492 | 130,315 | 121,065 | 106,354 |
| Library reference questions answered | 240,776 | 295,810 | 356,454 | 365,265 | 330,062 | 375,526 | 384,223 | 388,748 | 381,262 | 397,956 |
| **Community development** | | | | | | | | | | |
| Economic development services to existing/prospective businesses | 311 | 311 | 311 | 286 | 253 | 212 | 479 | 405 | 444 | 476 |
| **Public utilities** | | | | | | | | | | |
| Water customers | 19,930 | 20,125 | 20,381 | 20,592 | 19,198 | 19,647 | 19,995 | 20,488 | 20,905 | 21,328 |
| Wastewater customers | 18,178 | 18,367 | 18,604 | 18,816 | 18,640 | 19,098 | 19,428 | 19,929 | 20,343 | 20,761 |
| Daily average water distributed (million gallons/day) | 8.20 | 8.70 | 9.04 | 8.70 | 8.60 | 8.56 | 8.90 | 8.90 | 9.15 | 8.21 |
| Maximum daily water capacity (million gallons/day) | 19.95 | 19.95 | 19.95 | 19.95 | 19.95 | 19.95 | 19.95 | 19.95 | 25.00 | 25.00 |
| Daily average wastewater treatment (million gallons/day) | 6.70 | 6.93 | 6.94 | 6.07 | 5.99 | 6.79 | 5.80 | 7.07 | 6.66 | 6.30 |
| Maximum daily capacity of wastewater treatment plant (mg/d) | 13.50 | 15.50 | 15.50 | 15.50 | 15.50 | 15.50 | 15.50 | 15.50 | 15.50 | 15.50 |
| **General services** | | | | | | | | | | |
| School buses serviced | 309 | 311 | 303 | 310 | 303 | 297 | 301 | 313 | 313 | 313 |
| Public safety vehicles serviced | 433 | 442 | 438 | 421 | 470 | 476 | 470 | 519 | 519 | 519 |
| Fleet availability | 97.0% | 97.0% | 96.2% | 95.4% | 95.2% | 96.9% | 96.6% | 96.6% | 96.1% | 96.1% |

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.

**COUNTY OF HANOVER, VIRGINIA**

Capital Asset Statistics by Function (1) (Unaudited)

Last Ten Fiscal Years

Table 15

| Function/Program | Fiscal Year 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Primary government:** | | | | | | | | | | |
| **General governmental administration** | | | | | | | | | | |
| Estimated square feet- all general administrative office space | 43,436 | 43,436 | 47,436 | 47,436 | 47,571 | 47,762 | 47,762 | 47,762 | 106,222 | 106,222 |
| **Judicial administration** | | | | | | | | | | |
| Estimated square feet - all judicial buildings | 58,460 | 58,460 | 58,460 | 58,460 | 58,460 | 58,460 | 58,460 | 58,460 | 69,933 | 69,933 |
| **Public safety** | | | | | | | | | | |
| Estimated square feet - all public safety buildings | 200,804 | 208,804 | 213,447 | 213,447 | 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 | 437 | 469 | 469 | 495 | 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 | 17,565 | 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 | 232 | 257 | 260 | 260 | 260 | 260 | 257 | 260 | 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 | 56 |
| Length of runway (ft) | 5,400 | 5,400 | 5,400 | 5,400 | 5,402 | 5,402 | 5,402 | 5,402 | 5,402 | 5,402 |
| **Human services** | | | | | | | | | | |
| Estimated square feet of facilities | 52,939 | 52,939 | 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 | 1,116 | 1,190 | 1,282 | 1,282 | 1,282 | 1,250 | 1,250 | 1,250 | 1,250 |
| **Public utilities** | | | | | | | | | | |
| Miles of water mains | 387 | 389 | 398 | 412 | 419 | 425 | 429 | 434 | 431 | 436 |
| Number of fire hydrants | 2,245 | 2,309 | 2,367 | 2,422 | 2,475 | 2,523 | 2,564 | 2,599 | 2,670 | 2,718 |
| Miles of sanitary sewers | 360 | 362 | 369 | 379 | 383 | 389 | 394 | 399 | 396 | 398 |
| Number of wastewater treatment plants | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| **General services** | | | | | | | | | | |
| Number of vehicles maintained | 1,200 | 1,220 | 1,204 | 1,193 | 1,198 | 1,206 | 1,210 | 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.

# COMPLIANCE SECTION

**COUNTY OF HANOVER, VIRGINIA**
Schedule of Expenditures of Federal Awards
Year to Date June 30, 2018

| 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 | $ 304,411 | |
| Department of Education: | | | |
| School Breakfast Program | 10.553 | 354,923 | |
| National School Lunch Program | 10.555 | 1,517,136 | |
| Total Child Nutrition Cluster | | | $ 2,176,470 |
| Department of Health: | | | |
| Child & Adult Care Food Program | 10.558 | | 31,097 |
| Department of Social Services: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 657,444 | |
| Total SNAP Cluster | | | 657,444 |
| **DEPARTMENT OF DEFENSE:** | | | |
| Direct Payments: | | | |
| JROTC | 12.000 | | 207,546 |
| **DEPARTMENT OF THE INTERIOR:** | | | |
| Direct Payments: | | | |
| Payments in Lieu of Taxes (PILT) | 15.226 | | 23,570 |
| **DEPARTMENT OF JUSTICE:** | | | |
| Passed Through the Commonwealth of Virginia: | | | |
| Department of Criminal Justice Services: | | | |
| Crime Victim Assistance (18-U9600VW16, 18-W8854CA18) | 16.575 | | 152,289 |
| Edward Byrne Memorial Justice Assistance Grant Program (18-A4281AD12) | 16.738 | | 2,047 |
| **DEPARTMENT OF TRANSPORTATION:** | | | |
| Direct Payments: | | | |
| Department of Aviation: | | | |
| Airport Improvement Program | 20.106 | | 4,808,814 |
| Passed Through the Commonwealth of Virginia: | | | |
| Department of Transportation: | | | |
| Highway Planning & Construction | 20.205 | 3,254,528 | |
| Total Highway Planning and Construction Cluster | | | 3,254,528 |
| Department of Motor Vehicles: | | | |
| Alcohol Open Container Requirements (154AL-2018-58215-8215) | 20.607 | | 80,891 |
| **DEPARTMENT OF EDUCATION:** | | | |
| Passed Through the Commonwealth of Virginia: | | | |
| Department of Education: | | | |
| Adult Education - Basic Grants to States (V002A120047, V002A130047) | 84.002 | | 76,644 |
| Title I Grants to Local Educational Agencies (S010A110046, S010A120046, S010A130046) | 84.010 | | 1,165,903 |
| Career and Technical Education - Basic Grants to States (V048A130046) | 84.048 | | 147,976 |
| Special Education Grants to States (042-88085D-H027A120107, 042-61110-H027A140107) | 84.027 | 3,209,162 | |
| Special Education Preschool Grants (H173A130112) | 84.173 | 63,966 | |
| Total Special Education Cluster (IDEA) | | | 3,273,128 |
| English Language Acquisition State Grants (S365A110046, S365A120046, S365A130046) | 84.365 | | 32,125 |
| Improving Teacher Quality State Grants (S367A120044, S367A130044) | 84.367 | | 251,384 |
| Department of Behavioral Health & Developmental Services: | | | |
| Special Education-Grants for Infants & Families (720C-04363-13D-17) | 84.181 | | 100,414 |

(continued)

**COUNTY OF HANOVER, VIRGINIA**
Schedule of Expenditures of Federal Awards
Year to Date June 30, 2018

| Federal Granting Agency/Recipient State Agency/Grant Program | Federal Catalog Number | Program Clusters | YTD Federal Expenditures |
|---|---|---|---|
| **DEPARTMENT OF HEALTH AND HUMAN SERVICES:** | | | |
| Direct Payments: | | | |
| Head Start (03CH0337) | 93.600 | | 957,801 |
| Passed Through the Commonwealth of Virginia: | | | |
| Department of Social Services: | | | |
| Promoting Safe & Stable Families | 93.556 | | 19,281 |
| Temporary Assistance for Needy Families | 93.558 | 339,237 | |
| Total TANF Cluster | | | 339,237 |
| Refugee & Entrant Assistance State Administered Programs | 93.566 | | 594 |
| Low-Income Home Energy Assistance | 93.568 | | 35,365 |
| Child Care Mandatory & Matching Funds of the Child Care & Development Fund | 93.596 | 43,142 | |
| Total CCDF Cluster | | | 43,142 |
| Chafee Education and Training Vouchers Program (ETV) | 93.599 | | 2,735 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | | 778 |
| Foster Care Title IV-E | 93.658 | | 384,409 |
| Adoption Assistance | 93.659 | | 234,922 |
| Social Services Block Grant | 93.667 | | 231,456 |
| Chafee Foster Care Independence Program | 93.674 | | 6,309 |
| Department of Medical Assistance Services: | | | |
| Children's Health Insurance Program | 93.767 | | 25,627 |
| Department of Medical Assistance Services: | | | |
| Medical Assistance Program | 93.778 | 681,649 | |
| Total Medicaid Cluster | | | 681,649 |
| Department of Behavioral Health and Developmental Services: | | | |
| Block Grants for Community Mental Health Services | 93.958 | | 67,824 |
| Block Grants for Prevention & Treatment of Substance Abuse | 93.959 | | 352,839 |
| State Targeted Response to the Opioid Crisis (STR) | 93.788 | | 7,500 |
| Passed Through the Hanover Cares Coalition: | | | |
| Hanover Cares Coalition | | | |
| Drug-Free Communities Support Program Grants | 93.276 | | 3,993 |
| **OFFICE OF NATIONAL DRUG CONTROL POLICY** | | | |
| Passed Through the Supreme Court of Virginia: | | | |
| Supreme Court of Virginia | | | |
| High Intensity Drug Trafficking Areas Program (HIDTA) | 95.001 | | 28,174 |
| **DEPARTMENT OF HOMELAND SECURITY:** | | | |
| Direct Payments: | | | |
| Staffing for Adequate Fire & Emergency Response (SAFER) | 97.083 | | 733,753 |
| Passed Through the Commonwealth of Virginia: | | | |
| Department of Emergency Management: | | | |
| Emergency Management Performance Grants | 97.042 | | 22,997 |
| Homeland Security Grant Program | 97.067 | | 43,520 |
| | | | $ 20,666,175 |

## 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, 2018, 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 | $ 4,203,600 |
| County Improvements | 3,254,528 |
| Total Governmental Activities | 7,458,128 |
| Business-type Activities: | |
| Non-major - Airport | 4,808,814 |
| Total Business-type Activities | 4,808,814 |
| Total Primary Government | 12,266,942 |
| Component Unit: | |
| School Board | 8,399,233 |
| Total Component Unit | 8,399,233 |
| Total Federal expenditures | $ 20,666,175 |

## 4. SUB-RECIPIENT PAYMENTS

The County did not expend any funds to a subrecipient during the fiscal year ended June 30, 2018.

## 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, 2018, 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, 2018. Our report recognizes that the County implemented one new accounting standard effective July 1, 2017.

## 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 2018-001 and 2018-002.

## 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, 2018

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, 2018. 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, 2018.

### 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 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, 2018

## County of Hanover, Virginia

## Schedule of Findings and Questioned Costs

## Year Ended June 30, 2018

### 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: **No**
9. The programs tested as major programs were:

| CFDA Number | Name of Federal Program and Cluster |
|---|---|
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program |
| 84.027 and 84.173 | Special Education Cluster |
| 93.558 | Temporary Assistance for Needy Families |

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

None reported

## D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

### 2018-001 – Conflict of Interest (Repeat Finding 2017-001)

**Criteria:** Section 2.2-3115 of the *Code of Virginia* (the "Code") requires non-salaried citizen members of local boards, commissions, and councils, with the power to issue bonds or expend funds in excess of $10,000 per year, to annually file a Statement of Economic Interest between January 1st and February 1st.

**Condition:** Sixty-five (65) officials and employees filed a signed completed annual Statement of Economic Interest; however, one (1) of the sixty-five (65) filed the form before the January 1st to February 1st deadline window required by the Code.

**Cause:** Completed Statement of Economic Interest forms were filed before the January 1st to February 1st deadline window.

**Effect:** Non-compliance may result in action by the Commonwealth.

**Questioned Cost:** Non-financial

**Recommendation:** Local government officials and employees should file the Statement of Economic Interest forms in accordance with Section 2.2-3115 of the Code.

**Views of Responsible Officials:** 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.*

**2018-002: Virginia Initiative for Employment not Welfare Program**

**Criteria:** Section 63.2-611 of 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 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 individual's VIEW Participant Activity and Service Plan.

**Condition:** Of the twenty-five (25) VIEW transactions selected for testing, we noted one (1) transaction was not in accordance with the individual's VIEW Participant's Activity and Service Plan.

**Cause:** Supportive services were paid for that were not approved on the individual VIEW Participant's Activity and Service Plan.

**Effect:** Non-compliance may result in action by the Commonwealth.

**Repeat Finding:** No

**Questioned Cost:** $1,231.49

**Recommendation:** Local Department of Social Services should ensure that VIEW transactions are supported by the Participant's Activity and Service Plan.

**Views of Responsible Officials:** Although the selected individual's VIEW Activity and Service Plan was not updated in a timely manner according to the Code, the referenced activity is appropriate for the client and as such, the client's case documentation has been updated. A review of guidance and expectations of the Employment Services Program was held with the staff. Additionally, all VIEW client Activity and Service Plans will be reviewed by a supervisor prior to approval of funding requests.

## E. Status of Prior Year Findings

**2017-001 – Conflict of Interest -** Repeated, see 2018-001

# HANOVER COUNTY DEPARTMENT OF FINANCE AND MANAGEMENT SERVICES

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

## ACCOUNTING DIVISION

Lauren N. Brown, CPA, Finance Division Director
Jacqueline A. Manzer, CPA, Accountant
Christine H. Chen, CPP, Payroll Manager
Debbie C. Clark, Payroll Analyst
Kelli M. Hoffner, Financial Technician
Lynnsey A. Johnson, Payroll Analyst
Nancy M. Mancuso, Financial Technician
Connie L. Mills, Financial Technician
Donna B. Neely, Systems Administrator
Khusboo Patel, Payroll Analyst
Amy L. Sylvia, Financial Technician

## BUDGET DIVISION

Shelly H. Wright, Budget Division Director
Mark A. Highfield, Budget Manager
Caitlin A. Farrell, Analyst

## PURCHASING DIVISION

Steven K. Rusch, Purchasing Division Director
Patricia M. Beasley, Purchasing Officer
Dawn M. Parent, 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