

ANNUAL COMPREHENSIVE FINANCIAL REPORT



People, Tradition, & Spirit

HANOVER COUNTY, VIRGINIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

HANOVERCOUNTY.GOV

COUNTY OF HANOVER, VIRGINIA
Annual Comprehensive Financial Report
For the Fiscal Year Ended
June 30, 2025



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 Lauren K. Null, 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
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

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BOARD OF SUPERVISORS

F. MICHAEL HERZBERG IV - CHAIRMAN
COLD HARBOR DISTRICT

SEAN DAVIS - VICE-CHAIRMAN
HENRY DISTRICT

SUSAN P. DIBBLE
SOUTH ANNA DISTRICT

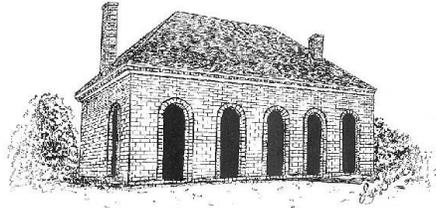
DANIELLE GRIESHABER FLOYD
CHICKAHOMINY DISTRICT

RYAN M. HUDSON
MECHANICSVILLE DISTRICT

FAYE O. PRICHARD
ASHLAND DISTRICT

JEFF S. STONEMAN
BEAVERDAM DISTRICT

JOHN A. BUDESKY
COUNTY ADMINISTRATOR



HANOVER COURTHOUSE

HANOVER COUNTY

ESTABLISHED IN 1720

FINANCE AND MANAGEMENT SERVICES DEPARTMENT

LAUREN K. NULL
DIRECTOR

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November 10, 2025

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 Annual Comprehensive Financial Report (ACFR) for the County of Hanover (the County) for the fiscal year ended June 30, 2025. 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 accounting principles generally accepted in the United States of America (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 ACFR 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 ACFR 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 ACFR 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 PBMares, LLP, a firm of licensed certified public accountants. The independent auditor’s 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 auditor’s 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, 2025, are fairly presented, in all material respects, in conformity with GAAP. The independent auditor’s 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 auditor’s report on the Single Audit for the County will be available in a separate report for fiscal year 2025.

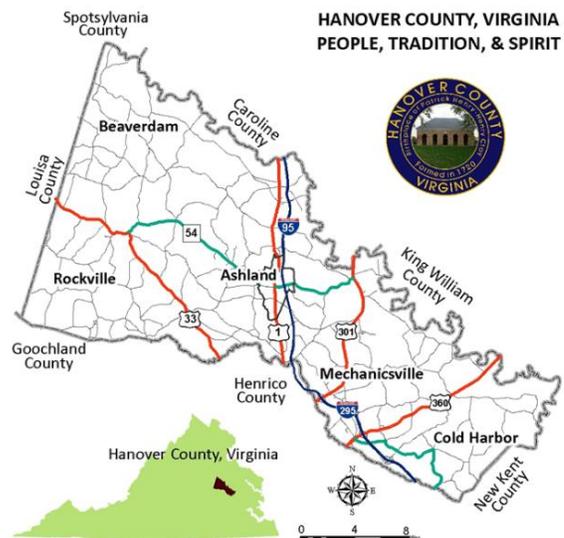
GAAP require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County’s MD&A can be found immediately following the independent auditor’s 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, 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 Protection 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, as well as, preventative maintenance and repair services for County and School vehicles and motorized equipment.

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. Parks and Recreation oversees and operates the Hanover Museum of History and Culture. 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 22,500 water and 22,000 wastewater customers.

The County provides education through its public school system administered by the Hanover County School Board (School Board) and promotes industry and commerce through the Economic Development Authority of Hanover County, Virginia (the EDA). In accordance with GASB pronouncements, these agencies have been classified as discretely presented component units in the accompanying financial statements because they are legally separate entities for which the County is financially accountable. The School Board administers the County's schools and administers its own appropriations within the categories defined by the Code of Virginia, but is fiscally dependent upon the County because the Board of Supervisors appropriates the annual 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., Fire - EMS) 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.

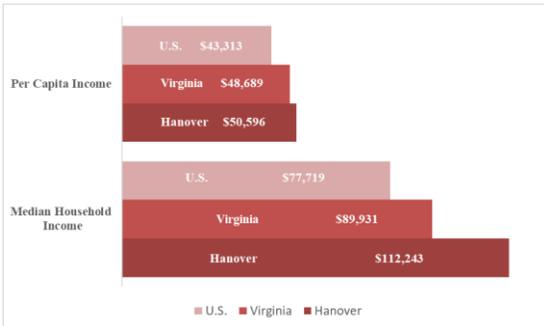
Factors Affecting Financial Condition

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.

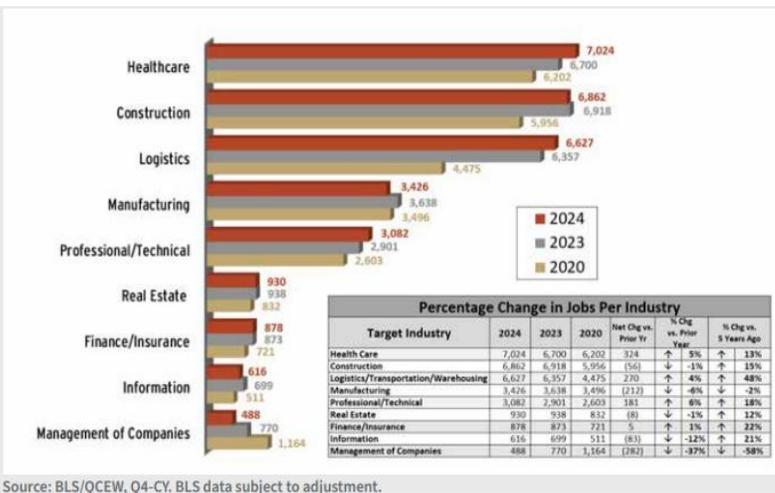
Local Economy:

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.

The County continued to show strong economic conditions in 2025 with steady job growth and continuity of businesses in our community. Real estate and personal property tax revenues remained strong in addition to growth in sales tax revenues over the prior year and increases in investment income. These higher than budgeted revenues coupled with expenditure savings resulted in the County adding funds to its reserves at year-end. Hanover 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, even when adjusted down for the impacts on inflations, displays a higher per capita income and median household income than the national and State averages. Comparatively, Hanover’s per capita income of \$77,769 is consistent with the Commonwealth’s \$77,093, while its median (mid-point) household income is 24.8% above the Commonwealth’s and 44.4% above the national average. In addition, the U.S. Census Bureau’s estimate of Hanover’s mean (average) household income of \$150,941 in 2023 is 22.6% above the Commonwealth’s \$123,132 and 16.9% higher than the United States’ of \$129,171.



Source: BLS/QCEW, Q4-CY. BLS data subject to adjustment.

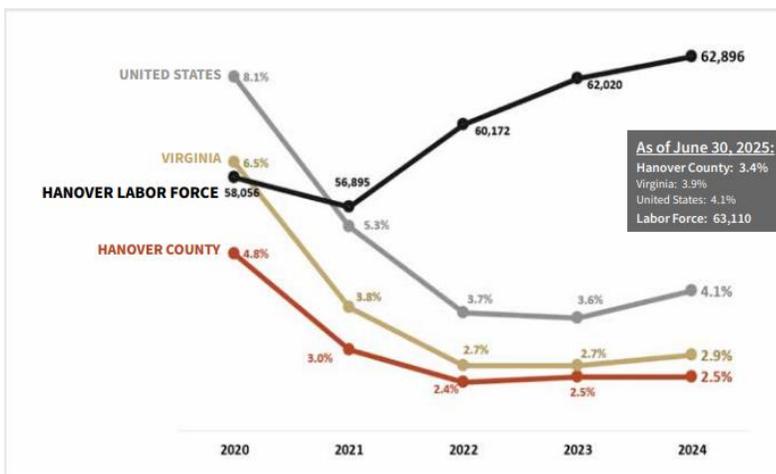
The County also continues to attract and maintain diverse sectors of employment. The County’s major employment sectors have been in healthcare, construction, logistics, manufacturing, and professional and technical services. The County continues to add to its labor force while maintaining unemployment well below the state and federal rates.

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:

Hanover County continued to experience strong economic performance in fiscal year 2025. Leasing activity surged in both industrial and retail sectors, welcoming a wide range of businesses into the community. Hanover County’s GDP has grown to \$8.7 billion in 2023, which represents an increase of 7.8% since 2022 and ranks 19th in Virginia localities. The County’s labor force has increased 13% over the past five years and added over 6,500 net new jobs for a new record high of 63,110 in fiscal year 2025. Hanover County’s unemployment rate remains well below State and national averages.

Average annual wages also hit a record high, increasing 13.28% to \$60,900, reflecting both inflation-driven wage growth and strong capital investment. Vacancy rates remain well below state and national averages across retail, office, industrial, and flex sectors. Although industrial and flex space vacancies have ticked up slightly from historic lows, they still remain tight as the Richmond market now ranks among the lowest in the U. S. for vacancy rates, according to CoStar.



In Hanover County, local tax receipts for the 2025 fiscal year generated \$1.7 million in lodging taxes, which represents an 8.7% increase from last fiscal year. The County, along with the Richmond Region as a whole, set another year-over-year record for annual occupancy tax revenue in FY 2025. Beginning July 2023, the Richmond area’s Tourism Improvement District (TID) initiative began collecting an additional 2% fee on nightly hotel rates to help Richmond Region Tourism attract and entice events, sports, meetings, and conferences to the region.

Hanover County Economic Development had another successful year engaging with existing businesses, visiting and interacting with hundreds of businesses and hosted several events and workshops focused on business operations, entrepreneurship, support and engagement. In June 2025, we launched the Heart of Hanover Business Awards, a new program that recognized a wide variety of businesses across multiple categories.

As the Comprehensive Plan helps guide where development will take place, the Economic Development Strategic Plan will refine its vision, mission, and goals. As part of this future strategic planning, Economic Development will be provided with an updated set of performance measures to maintain and analyze to determine if the plan is meeting its goals and objectives. These measures will continue to be reported to the Board of Supervisors and to the community through the Department’s Annual Report and State of the County address. Given the dynamic and competitive nature of the larger economy, and desire to encourage and retain intentional, targeted projects into key areas identified in the Comprehensive Plan, Hanover County must proactively nurture and develop its business sector to address global economic conditions as well as needs of the local community.

Additional information can be found at <https://www.hanovervirginia.com/news-events/>.

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 equal to or greater than \$75,000. The fiscal year 2025 capital budget for County, School and Public Utilities projects is \$194.5 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 2025 CIP includes 46% of “pay-as-you-go” funding (from non-debt sources) for County and School capital projects.
- **Five-Year Financial Plan:** The County’s Five-Year Financial Plan represents the County’s effort to quantify the fiscal impacts of future needs, matched with a projection of General Fund resources available to meet those needs. Each year this plan is adopted by the Board of Supervisors, thereby indicating to the public the County’s expected tax rates, operating costs, capital improvements, debt service requirements, school allocations and service level plans. The plan is illustrated with detailed assumptions in the overview section of the budget document. Generally, the plan seeks to maintain or enhance all current budgetary objectives and Board-adopted initiatives.

Relevant Financial Policies:

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

Major Initiatives and Accomplishments:

The Hanover County Board of Supervisors spearheaded an effort in FY2025 to focus on capital improvement projects that will serve our residents for years to come.



Fire-EMS Station 17 now serves the growing Laurel Meadow community and reflects the County’s commitment to modernizing and replacing the County’s firehouses. The 14,993-square-foot facility was strategically placed to reduce emergency response time and ease the call burden on neighboring stations, with room to grow as service demands increase. The construction of this station is an excellent example of the County’s pay-go cash strategies at work as this station was cash funded through strategic use of one-time surplus funds which saves the taxpayers interest payments and creates flexibility in years to come by not building an on-going debt service payment associated with this fourteen-million-dollar project into the County’s operating budget.

Hanover opened the first regional segment of the Fall Line Trail, connecting Ashland Trolley Line Trail to Woodman Road in Henrico County. Conceptualized in 2019, the Fall Line aims to create a connected system of destinations that promotes active living and accessible recreation. The Trail is a regional project funded by Central Virginia Transportation Authority revenues.



Two new elementary schools, Beaverdam Elementary and Battlefield Park Elementary, broke ground in the spring of 2025 as replacement schools serving the Beaverdam and Cold Harbor districts. The secure and modernly equipped schools will welcome students for the 2026-2027 school year. These projects are funded with bond proceeds from the County’s 2024 and 2025 debt issuances through the Virginia Public School Authority. County taxpayers achieve low cost financing due to the County’s strong financial policies and pay-go strategies, which are required to achieve and maintain a triple AAA bond rating.

Awards and Acknowledgements

Hanover County continued to be recognized for excellence in operational and fiscal management during fiscal year 2025. The County's mission to provide superior service through inclusion, creativity, innovation, and sound financial practices is exemplified by the awards and acknowledgements noted in this section.

Hanover County Public Schools

Hanover schools have the highest percentage of accredited schools in the metro Richmond region, with students outperforming state averages in reading, math, science and history. Hanover schools offer 98 career and technical education programs and nearly 40 industry certification opportunities, with plans to expand the Hanover Center for Trades and Technology. The teaching staff includes 94 National Board Certified teachers and administrators, which is the highest per capita in the metro Richmond region.

Engage Hanover

Hanover County received an achievement award from the Virginia Association of Counties for Engage Hanover: Empowering Community Voice in Local Government. Engage Hanover is a centralized online platform that makes it easier for residents to follow County projects, share input and track updates. It offers interactive tools such as surveys, timelines and maps to help residents engage with local government.



Celebrating a Century

Hanover County received a second achievement award from the Virginia Association of Counties for Celebrating a Century: Honoring Hanover County Centenarians. This is a program that recognizes Hanover residents who are 100 years old or older and highlights their stories, shares their wisdom and honors their lasting contributions to the community.

Sheriff's Office

Hanover County Sheriff's Office has been recertified as a Certified Crime Prevention Community and is both state and internationally accredited. Hanover's National Night Out was rated first in the state and fourth in the Country. National Night Out is an annual event designed to strengthen our communities, heighten crime-prevention awareness and build support and participation in local anti-crime programs.



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 ACFR for the fiscal year ended June 30, 2024. The County has received this prestigious award each fiscal year since 1985. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. Hanover County's ACFR 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 ACFR. 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 FY2025 budget. The County has received this prestigious award each fiscal year since 1990. This award reflects the commitment of the governing body and staff to meeting the highest principles of governmental budgeting. In order to receive the budget award, Hanover County had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well an entity's budget serves as a policy document; a financial plan; an operations guide; and a communications device.

The County utilizes its website www.hanovercounty.gov for presentation of the ACFR 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 2025 results of operations and on an analysis of the financial statements.

The preparation of this report would not have been possible without the efficiency, knowledge and dedication of the Department of Finance and Management Services staff. We would like to express our sincere appreciation to all members of the department who assisted and contributed to the preparation of this report. A special thank you to the Financial Division led by Ms. Jackie Manzer, CPA for her important contributions and expertise in the accurate implementation of accounting standards and unwavering regard for proper internal controls. 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,



Jay A. Brown
Deputy County Administrator



Lauren K. Null
Director of Finance and Management Services



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**County of Hanover
Virginia**

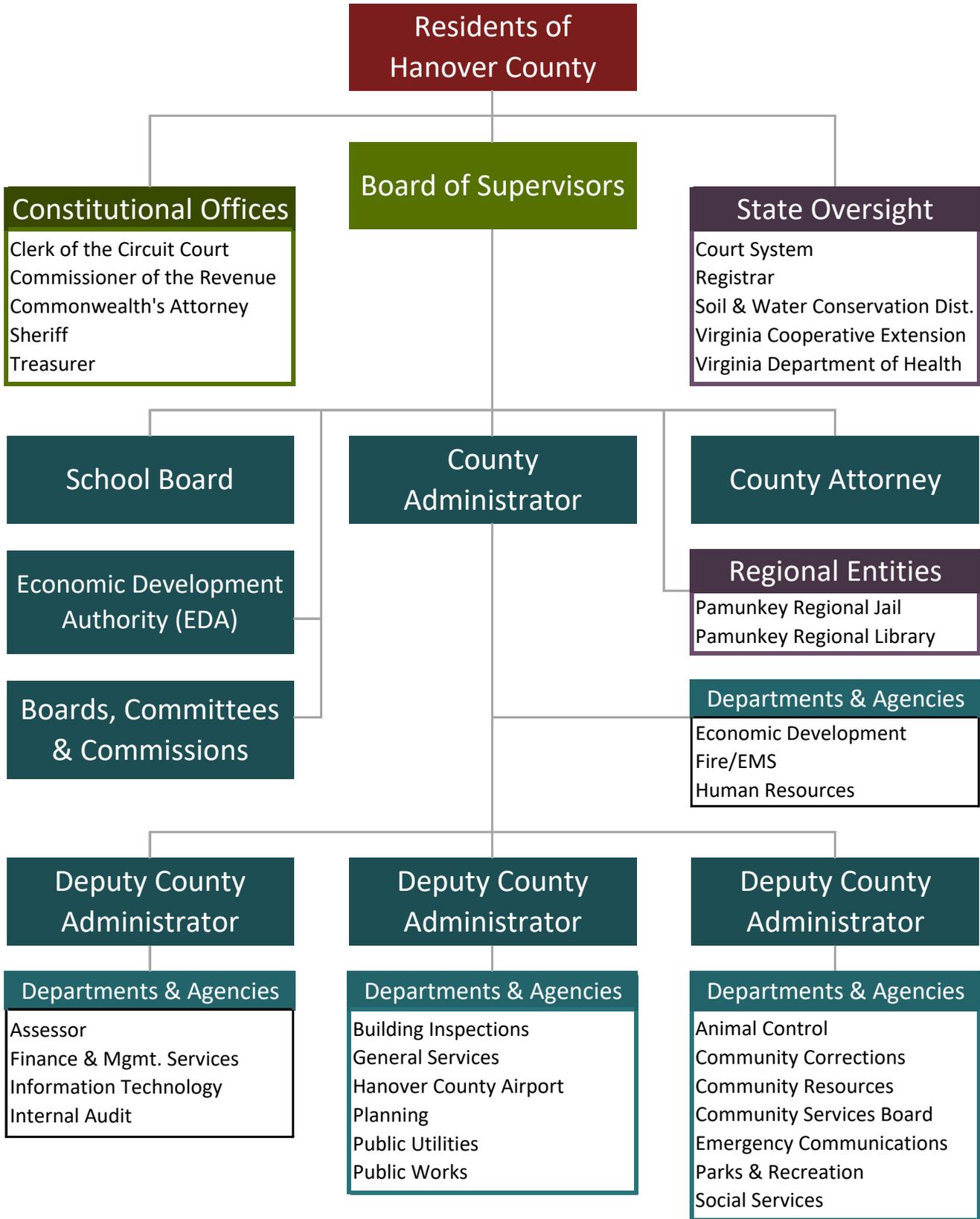
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

County Organizational Chart



Color Key

Elected Officials

County Entities

State & Regional Entities

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2025

Board of Supervisors

F. Michael Herzberg, Chair
Sean M. Davis, Vice Chair
Susan P. Dibble
Danielle G. Floyd
Ryan M. Hudson
Faye O. Prichard
Jeff S. Stoneman

Cold Harbor District
Henry District
South Anna District
Chickahominy District
Mechanicsville District
Ashland District
Beaverdam District

Constitutional Officers

Frank D. Hargrove, Jr.
T. Scott Harris
Mackenzie Babichenko
Colonel David R. Hines
Timothy R. Boschen

Clerk of the Circuit Court
Commissioner of Revenue
Commonwealth's Attorney
Sheriff
Treasurer

County Administrative Officials

John A. Budesky
Dennis A. Walter
Todd E. Kilduff
Bret Schardein
Jay A. Brown
Lauren K. Null

County Administrator
County Attorney
Deputy County Administrator
Deputy County Administrator
Deputy County Administrator
Director of Finance & Management Services

School Board

Whitney Welsh, Chair
Greg Coleman, Vice Chair
Karen Lynne
Ryan Martin
Bob Seifert
Frank E. Shelp
William D. Sroufe

Henry District
Beaverdam District
Ashland District
Mechanicsville District
Chickahominy District
South Anna District
Cold Harbor District

School Administrative Officials

Dr. Lisa Pennycuff
Terry S. Stone
Jennifer E. Greif
Dr. Meredith Parker
Leah Han
Chris R. Whitley

Superintendent of Schools
Asst. Superintendent of Business and Operations
Asst. Superintendent of Instructional Leadership
Asst. Superintendent of Human Resources
School Board Attorney
Asst. Supt. of Cmty. Engagement & Legislative Affairs

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 (County), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of June 30, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note I.E.1. to the financial statements, in fiscal year 2025, the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 17-27 and 135-147, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary 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 accompanying schedules listed in the table of contents as other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2025 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.

A red oval containing a handwritten signature in black ink, which appears to read "Mares, Y".

Harrisonburg, Virginia
November 10, 2025

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, 2025. 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 2025 by \$790.0 million (*net position*). Of this amount, \$284.2 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 \$78.7 million, of which the governmental activities increased by \$70.8 million and business-type activities increased by \$7.9 million.
- As of the close of fiscal year 2025, the County's governmental funds reported combined ending fund balances of \$371.7 million, an increase of \$118.2 million from prior year. Of the \$371.7 million total, 60.9% (\$226.3 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 39.1% (\$145.4 million).
- The General Fund's unassigned fund balance was 13.5% of total General Fund revenues, which reflects an increase of \$3.6 million to \$53.4 million at June 30, 2025. This balance continues to meet and exceed the County's unassigned fund balance policy minimum of 10% of total General Fund revenues. In addition, the General Fund's assigned fund balance increased \$14.7 million to \$91.0 million at June 30, 2025. The \$14.7 million increase is the net of increases and decreases to amounts assigned for various purposes, including education, public works, economic development, the subsequent fiscal year's adopted budget, the subsequent five-year financial plan, capital projects, and other County services.
- As of June 30, 2025, the County's total debt increased by \$67.9 million (41.5%) from the prior fiscal year to \$231.7 million. This increase is primarily attributable to a bond issuance in the principal amount of \$73.2 million less principal payments on existing debt of \$12.0 million.

Overview of the Financial Statements

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

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

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 2025, 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, 2025. 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 (major funds). *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 the Retiree Medical Benefits Trust Fund and Custodial 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 custodial funds are used to report resources held in a purely custodial capacity for individuals, private organizations or other governments. The fiduciary funds' financial statements can be found at Exhibits 10 and 11 of this report, while individual fund data for the custodial 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, which can be found at Exhibit 13 of this report. The combining financial statements referred to earlier comprising individual fund statements and schedules are presented at Exhibits 17 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: The County's Schedule of Expenditures of Federal Awards and related notes thereto, and the independent auditors' required reports on compliance and internal control will be issued as a separate report for fiscal year 2025.

Financial Analysis of the County as a Whole

Statement of Net Position

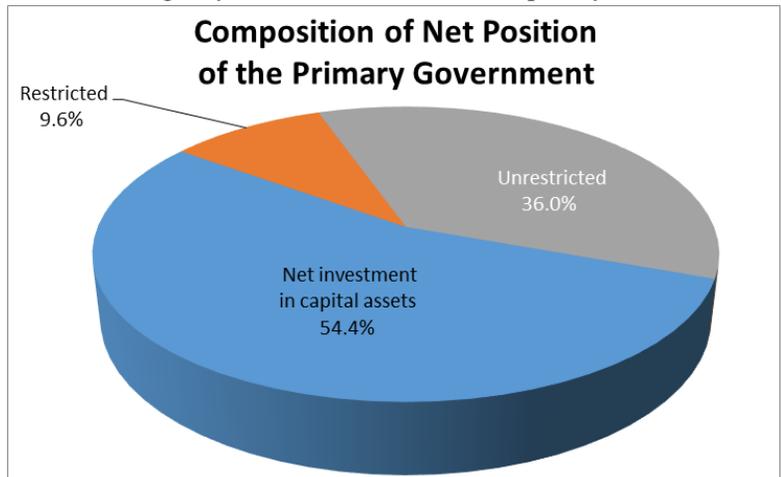
Table 1 summarizes the Statements of Net Position for the Primary Government as of June 30, 2025 and 2024.

Table 1	County of Hanover, Virginia Summary of Net Position (\$ in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 568.2	\$ 452.6	\$ 40.7	\$ 52.1	\$ 608.9	\$ 504.7
Capital assets	311.0	283.4	301.7	283.3	612.7	566.7
Total assets	<u>879.2</u>	<u>736.0</u>	<u>342.4</u>	<u>335.4</u>	<u>1,221.6</u>	<u>1,071.4</u>
Deferred outflows of resources	24.3	15.4	1.9	1.4	26.2	16.8
Long-term liabilities outstanding	267.3	190.7	9.9	11.5	277.2	202.2
Other liabilities	52.3	53.4	7.8	6.5	60.1	59.9
Total liabilities	<u>319.6</u>	<u>244.1</u>	<u>17.7</u>	<u>18.0</u>	<u>337.3</u>	<u>262.1</u>
Deferred inflows of resources	115.6	107.6	4.9	4.8	120.5	112.4
Net position:						
Net investment in capital assets	138.9	114.8	291.0	271.4	429.9	386.2
Restricted	70.2	55.5	5.7	5.4	75.9	60.9
Unrestricted	259.2	229.4	25.0	37.2	284.2	266.6
Total net position	<u>\$ 468.3</u>	<u>\$ 399.7</u>	<u>\$ 321.7</u>	<u>\$ 314.0</u>	<u>\$ 790.0</u>	<u>\$ 713.7</u>

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 \$790.0 million at the close of fiscal year 2025, representing an increase of \$78.7 million from the net position at June 30, 2024.

As the following graph shows, by far the largest portion of the County’s total net position (\$429.9 million, 54.4% of total) reflects its net 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 (\$75.9 million, 9.6% 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 other postemployment benefits. The remaining balance of unrestricted net position (\$284.2 million, 36.0% of total) may be used to meet the County’s ongoing obligations to citizens and creditors.



Statement of Activities

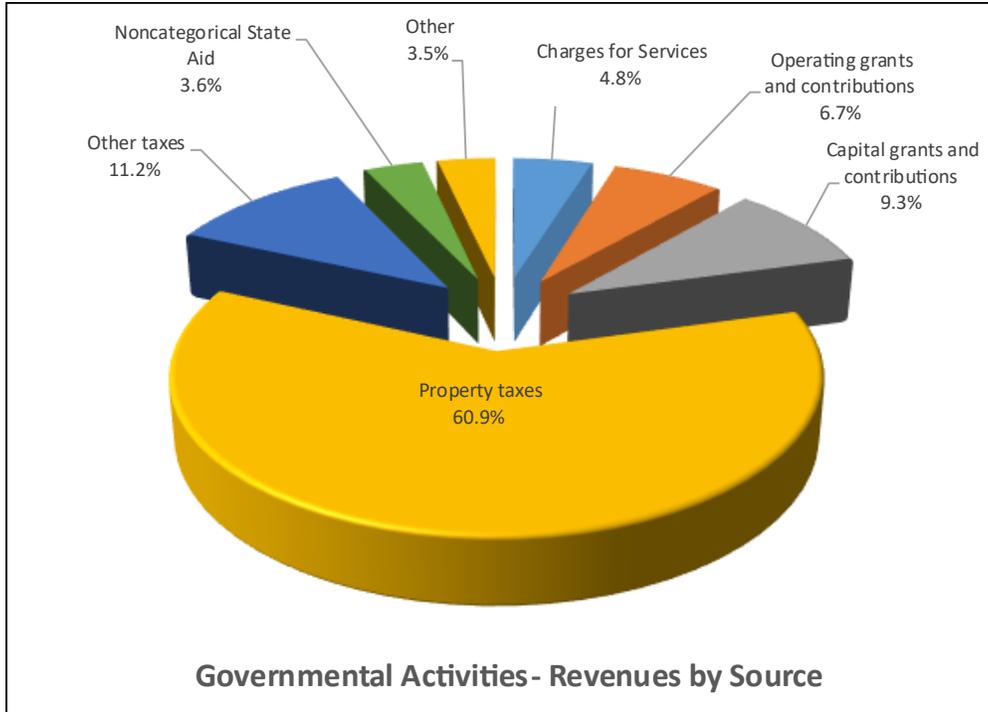
Table 2 summarizes the Statements of Activities of the Primary Government for the fiscal years ended June 30, 2025, and 2024:

County of Hanover, Virginia						
Summary of Changes in Net Position (\$ in millions)						
	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Revenues:						
Program revenues:						
Charges for services	\$ 21.3	\$ 19.7	\$ 37.6	\$ 38.2	\$ 58.9	\$ 57.9
Operating grants and contributions	29.2	28.9	0.3	0.2	29.5	29.1
Capital grants and contributions	40.6	27.1	7.0	8.7	47.6	35.8
General revenues:						
Property taxes	266.0	248.4	-	-	266.0	248.4
Other taxes	48.9	47.7	-	-	48.9	47.7
Noncategorical State aid	15.7	15.7	-	-	15.7	15.7
Grants and contributions	1.5	1.0	-	-	1.5	1.0
Other	13.9	12.2	1.6	2.1	15.5	14.3
Total revenues	<u>437.1</u>	<u>400.7</u>	<u>46.5</u>	<u>49.2</u>	<u>483.6</u>	<u>449.9</u>
Expenses:						
General government	24.4	23.0	-	-	24.4	23.0
Judicial administration	11.2	9.8	-	-	11.2	9.8
Public safety	98.1	87.6	-	-	98.1	87.6
Public works	30.2	34.5	-	-	30.2	34.5
Human services	40.1	35.3	-	-	40.1	35.3
Parks, recreation and cultural	10.4	8.2	-	-	10.4	8.2
Community development	8.9	9.4	-	-	8.9	9.4
Education	133.9	119.4	-	-	133.9	119.4
Interest on long-term debt *	9.0	5.7	-	-	9.0	5.7
Public utilities	-	-	37.3	35.7	37.3	35.7
Airport	-	-	1.4	1.3	1.4	1.3
Total expenses	<u>366.2</u>	<u>332.9</u>	<u>38.7</u>	<u>37.0</u>	<u>404.9</u>	<u>369.9</u>
Increase in net position before transfers	70.9	67.8	7.8	12.2	78.7	80.0
Transfers	<u>(0.1)</u>	<u>(0.1)</u>	<u>0.1</u>	<u>0.1</u>	<u>-</u>	<u>-</u>
Increase in net position	70.8	67.7	7.9	12.3	78.7	80.0
Total net position - beginning of year	<u>399.7</u>	<u>332.0</u>	<u>314.0</u>	<u>301.7</u>	<u>713.7</u>	<u>633.7</u>
Net effect of change in accounting principle	(2.2)	-	(0.2)	-	(2.4)	-
Total net position - beginning of year	<u>397.5</u>	<u>332.0</u>	<u>313.8</u>	<u>301.7</u>	<u>711.3</u>	<u>633.7</u>
Total net position - end of year	<u>\$ 468.3</u>	<u>\$ 399.7</u>	<u>\$ 321.7</u>	<u>\$ 314.0</u>	<u>\$ 790.0</u>	<u>\$ 713.7</u>

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

Governmental Activities: The increase in net position attributable to the County's governmental activities totaled \$70.8 million for fiscal year 2025. Generally, net position changes are the result of the difference between revenues and expenses. Fiscal year 2025 revenues of \$437.1 million represent an increase of \$36.4 million, or 9.1% in comparison to the prior year, while expenses and transfers of \$366.2 million represent an increase of \$33.3 million, or 10.0% compared to the prior year.

The following chart illustrates the County’s fiscal year 2025 governmental revenues by source as a percentage of total governmental revenues:



Taxes are the largest source of County revenues, totaling \$314.9 million for fiscal year 2025, an increase of \$18.8 million, or 6.3%, in comparison to fiscal year 2024. An increase in general property taxes of \$17.6 million, or 7.1% was largely attributable to higher than projected real property and personal property tax revenue resulting from increased assessed values. Sales tax revenue increased by \$0.8 million, or 2.3%. General property taxes totaled \$266.0 million for fiscal year 2025 and represent 84.5% of total taxes and 60.9% of all revenues.

Also in fiscal year 2025, \$91.1 million, or 20.8% of total revenues, consisted of program revenues, including \$21.3 million in charges for services, \$29.2 million of operating grants and contributions, and \$40.6 million of capital grants and contributions. General revenues, including \$15.7 million of noncategorical state aid and \$1.5 million of unrestricted grants and contributions and unrestricted investment earnings of \$13.9 million, 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 2025 were \$366.2 million, which represents an increase of \$33.3 million, or 10.0% higher than fiscal year 2024. Increases in expenses for general government administration, judicial administration, public safety, human services, parks, recreation and cultural, education and interest on long-term debt were \$1.4 million, \$1.4 million, \$10.5 million, \$4.8 million, \$2.2 million, \$14.5 million, and \$3.3 million respectively. Expenses for public works and community development decreased by \$4.3 million and \$0.5 million, respectively. As the following chart indicates, education continues to be one of the County’s largest programs and highest priority, with education expenses totaling \$133.9 million in fiscal year 2025. Public safety and human services are also strategic focus areas with expenses totaling \$98.1 million and \$40.1 million, respectively in fiscal year 2025.

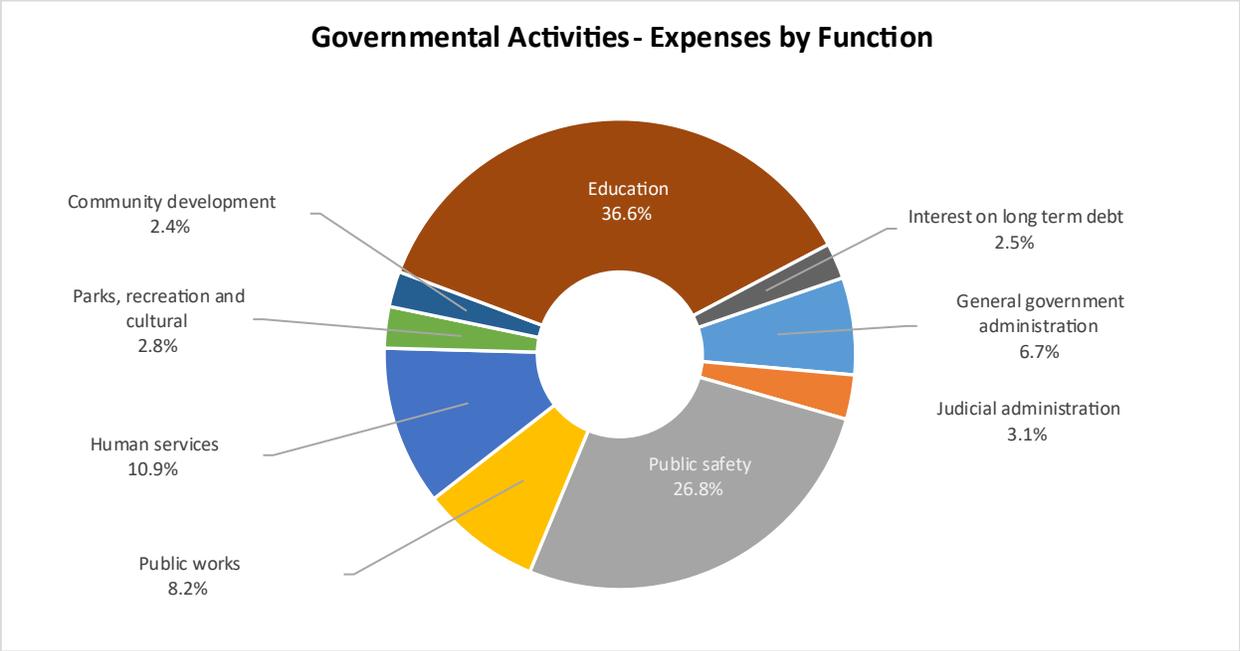


Table 3 presents the total cost of the County’s governmental activities by function, as well as the net cost of each function (total cost less fees generated by each function and program-specific intergovernmental aid) for the fiscal year ended June 30, 2025 and 2024:

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

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2025	2024	2025	2024
General government	\$ 24.4	\$ 23.0	\$ 7.8	\$ 15.7
Judicial administration	11.2	9.8	7.8	6.8
Public safety	98.1	87.6	82.1	73.8
Public works	30.2	34.5	1.0	7.4
Human services	40.1	35.3	19.6	15.9
Parks, recreation and cultural	10.4	8.2	8.6	7.1
Community development	8.9	9.4	6.8	7.0
Education	133.9	119.4	132.4	117.8
Interest on long-term debt	9.0	5.7	9.0	5.7
Total	\$ 366.2	\$ 332.9	\$ 275.1	\$ 257.2

A portion of the \$366.2 million cost of the County’s governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of \$21.3 million) and other governments and organizations that subsidized certain programs (i.e., operating and capital grants and contributions of \$69.8 million). These combined program revenues of \$91.1 million decreased the total fiscal year 2025 cost of services from \$366.2 million to the net cost of services of \$275.1 million. The net cost of services was covered by the County’s general revenues, consisting primarily of taxes and state aid.

Business-type Activities: Table 2 also summarizes the business-type activities. The County’s business-type activities consist of its Public Utilities water and wastewater treatment services and its airport

activities. The increase in the net position attributable to the County's business-type activities totaled \$7.9 million for fiscal year 2025.

Public Utilities operating revenues totaled \$33.4 million, of which \$32.5 million, or 97.5%, was generated from charges for services and user fees. Nonoperating capacity fee revenues decreased to \$3.7 million from \$5.4 million last year, based on revenue and the allocation of operating costs. Capital contributions decreased from \$8.7 million in 2024 to \$5.6 million in 2025. Public Utilities expenses totaled \$37.2 million for fiscal year 2025 compared to \$35.6 million in fiscal year 2024.

Airport operating revenues totaled \$794,623 in fiscal year 2025 compared to \$533,606 in fiscal year 2024. The Airport had no nonoperating revenues in fiscal year 2025 or fiscal year 2024. Capital contributions increased to \$1.5 million in fiscal year 2025 from \$276,907 in fiscal year 2024. Airport nonoperating expenses were \$68,249 and \$72,994 in fiscal years 2025 and 2024, respectively.

The County implemented GASB Statement No. 101, *Compensated Absences*, for fiscal year 2025, which required the restatement of beginning net position due to a change in accounting principle for governmental activities, business-type activities, and the School Board component unit, as discussed in Note I-D-6 to the basic financial statements. Tables 1 and 2 have not been restated for this change.

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 2025, the County's governmental funds reported combined ending fund balances of \$371.7 million (Exhibit 3), as compared to \$253.5 million at June 30, 2024, an increase of \$118.2 million. Of the \$371.7 million fiscal year 2025 fund balance, \$5.3 million is classified as *nonspendable* because it is invested in inventories and prepaid expenses and, therefore, is not in spendable form, \$140.1 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, \$172.4 million is *assigned* to indicate that County administration has identified specific purposes for the use of those funds, and the remaining \$53.4 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 \$18.0 million (13.9%) during fiscal year 2025, to \$147.7 million. Total year revenues are approximately \$20.9 million higher than the appropriated budget, primarily driven by increases in real property and personal property tax assessments and higher than budgeted revenues from use of money and property. Fiscal year 2025 expenditure savings for the General Fund totaled \$19.7 million, comprised of \$5.5 million in personnel savings, \$8.8 million in operating savings, and a return of School Board appropriations to the General Fund of \$5.4 million. Of the \$147.7 million fund balance, \$0.4 million is nonspendable, \$2.4 million is restricted, \$0.5 million is committed, \$91.0 million is assigned and \$53.4 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 2025, the General Fund's committed, assigned and unassigned fund balances of \$144.8

million represents 36.6% of total General Fund revenues of \$395.2 million. In addition, General Fund's unassigned fund balance totaled \$53.4 million, up from \$49.8 million at the end of fiscal year 2024, which represents 13.5% of total General Fund revenues in 2025 and 2024, continuing to exceed the 10% minimum set by the County's fund balance policy. The \$18.0 million fiscal year 2025 increase in the General Fund's fund balance resulted from General Fund revenues of \$395.2 million less expenditures of \$313.6 million and net other financing sources and uses of \$63.7 million, as shown on Exhibit 4 to the financial statements.

The fund balance in the County Improvements Fund (Exhibit 4) increased by \$21.2 million to \$125.1 million during fiscal year 2025. This increase is partially attributable to the County receiving \$16.0 million in tax revenues from the Central Virginia Transportation Authority, established by the Code of Virginia in 2020 as well as transfers from the General Fund of \$31.5 million.

The fund balance in the School Improvements Fund (Exhibit 4) increased by \$70.0 million to \$84.6 million during fiscal year 2025, primarily due to debt issuance through the Virginia Public School Authority the principal amount of \$73.2 million and a premium of \$10.4 million. The fund balance in the Debt Service Fund (Exhibit 4) increased by \$9.0 million to \$14.2 million fiscal year 2025. The Debt Service Fund recognized investment income from unspent bond proceeds, savings from interest on debt service, and savings from debt issuance costs, contributing to this increase in fund balance.

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 \$11.2 million, or 2.9% between the originally-adopted fiscal year 2025 budget appropriation for expenditures and transfers out and the final budget, with \$2.4 million of the increase resulting from reappropriation of fiscal year 2024 budget commitments for completion of ongoing projects in fiscal year 2025 and \$8.8 million of increases in transfers to the County Improvements Fund for Capital projects. Encumbered balances account for 73.4% of the total reappropriation.

Capital Assets and Debt Administration

Capital assets: The County's investment in capital assets as of June 30, 2025, totals \$612.7 million, net of accumulated depreciation and amortization. This represents an increase of \$46.1 million, or 8.1% more than fiscal year 2024. Capital assets, net of accumulated depreciation and amortization, are illustrated in the following table:

	(\$ in millions)			
	Governmental Activities	Business-type Activities	Totals at June 30	
			2025	2024
Land	\$ 15.1	11.9	27.0	27.0
Intangible assets	6.0	38.4	44.4	38.2
Buildings	166.1	46.9	213.0	150.5
Improvements other than buildings	30.6	151.1	181.7	179.4
Machinery and equipment	36.3	21.5	57.8	47.4
Infrastructure	23.3	-	23.3	23.1
Right to use assets	3.4	0.5	3.9	3.0
Construction in progress	30.2	31.4	61.6	98.1
Total	\$ 311.0	301.7	612.7	566.7

Major capital asset activity during fiscal year 2025 included the following:

- The costs of completed water and wastewater infrastructure projects reported in the Public Utilities Fund totaling \$25.2 million, funded by water and sewer user fees and capacity fees.
- Developers' contributions of water and wastewater lines totaled \$3.8 million.
- The costs of public safety improvements totaling \$17.6 million, including ambulances, equipment upgrades, the completion of a fire training facility, and the construction of fire station 17 funded by state grants and general revenues.
- The cost of construction for the Connect Hanover Broadband Initiative totaling \$9.4 million.
- The costs of school facility improvements and equipment acquisition by the School Board Component Unit totaled \$21.6 million. This included \$7.2 million for construction of the new Ashland Elementary School, and \$9.2 million for the design and construction of three new elementary schools.

Additional information on the County's capital assets and capital commitments can be found in notes IV.F 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.F 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 on June 30, 2025.

The following table illustrates the County's outstanding debt on June 30, 2025:

	(\$ in millions)		
	Governmental Activities	Business-type Activities	Total
	General obligation bonds	\$ 169.9	-
Revenue bonds	-	6.3	6.3
Infrastructure and state moral obligation bonds	53.8	-	53.8
Support agreement	0.8	-	0.8
Notes payable	0.9	-	0.9
Total	\$ 225.4	6.3	231.7

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.F to the financial statements.

Economic Factors and Next Year's Budgets and Rates

During fiscal year 2025, 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 12.4% in calendar year 2024 and 5.3% in calendar year 2025. Throughout fiscal year 2025, the County's unemployment rate remained relatively consistent. In June 2024, the County's unemployment rate was 3.4%, which remains favorable in comparison to the Commonwealth's average unemployment rate of 3.9% and the national average rate of 4.1%.

Fiscal year 2025 showed positive revenue returns compared to budget. Real estate taxes and personal property taxes are budgeted to increase 4.6% and 5.2%, respectively from the 2025 to the 2026 budget. Including the use of \$19.3 million of prior year fund balance, the County's adopted fiscal year 2026 General Fund budget was set at \$413.4 million, an increase of \$27.0 million or 7.0% in comparison to the fiscal year 2025 total of \$386.4 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, 2025 the County has assigned \$19.3 million of fund balance in its General Fund to fund a portion of the fiscal year 2026 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 \$10.7 million to fund future school budgets, \$47.6 million to fund capital projects, \$5.0 million for economic stability reserves, \$5.0 million for economic development, and \$3.6 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 2025. In fiscal year 2025 Public Utilities' water and sewer user fees increased by 5% for both water and sewer.

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, 2025

	Primary Government			Component Units	
	Governmental	Business-type	Total	School Board	Economic
	Activities	Activities			Development
				School Board	Authority
ASSETS					
Current Assets:					
Pooled cash, cash equivalents and investments	\$ 351,415,775	21,756,124	373,171,899	22,164,781	131,883
Receivables (net of allowance for uncollectibles)	129,143,434	9,140,912	138,284,346	6,760,477	-
Prepaid expenses	4,924,973	-	4,924,973	-	-
Support agreement receivable	-	-	-	-	140,000
Inventories	376,472	-	376,472	597,801	-
Total current assets	485,860,654	30,897,036	516,757,690	29,523,059	271,883
Noncurrent Assets:					
Pooled cash, cash equivalents and investments - restricted	71,673,689	5,446,480	77,120,169	-	-
Support agreement receivable	-	-	-	-	630,000
Leases receivable	9,059,571	4,245,291	13,304,862	-	-
Net pension asset - restricted	-	-	-	6,487,543	-
Net other postemployment benefits asset - restricted	1,592,386	105,313	1,697,699	2,689,214	-
Capital assets (net of accumulated depreciation and amortization):					
Land	15,088,139	11,905,122	26,993,261	7,400,682	-
Intangible assets	6,003,729	38,380,627	44,384,356	-	-
Buildings	166,079,015	46,879,660	212,958,675	71,922,144	-
Improvements other than buildings	30,617,878	151,122,330	181,740,208	27,432,923	-
Machinery and equipment	36,324,681	21,490,833	57,815,514	11,715,160	-
Infrastructure	23,316,496	-	23,316,496	-	-
Right to use assets	3,423,987	521,688	3,945,675	1,156,662	-
Construction in progress	30,147,494	31,433,718	61,581,212	4,005,631	-
Total capital assets, net	311,001,419	301,733,978	612,735,397	123,633,202	-
Total noncurrent assets	393,327,065	311,531,062	704,858,127	132,809,959	630,000
Total assets	879,187,719	342,428,098	1,221,615,817	162,333,018	901,883
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	578,874	271,537	850,411	-	-
Deferred outflows relating to pension	22,589,275	1,493,107	24,082,382	39,050,313	-
Deferred outflows relating to other postemployment benefits	1,141,208	75,434	1,216,642	3,842,165	-
Total deferred outflows of resources	24,309,357	1,840,078	26,149,435	42,892,478	-

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

(Continued)

COUNTY OF HANOVER, VIRGINIA

Exhibit 1

Statement of Net Position

June 30, 2025

	Primary Government			Component Units	
	Governmental	Business-type	Total	School Board	Economic
	Activities	Activities			Development
					Authority
LIABILITIES					
Current Liabilities:					
Accounts payable	20,647,972	4,976,508	25,624,480	2,358,982	4,110
Incurring but not reported self-insurance claims	3,510,446	-	3,510,446	-	-
Accrued liabilities	9,932,460	2,753,091	12,685,551	16,964,279	-
Accrued interest	3,902,204	84,627	3,986,831	811	-
Unearned revenues	12,842,148	-	12,842,148	1,250,827	-
Current portion of bonds payable	17,261,629	747,654	18,009,283	-	140,000
Current portion of notes payable	140,253	-	140,253	-	-
Current portion of lease obligations	211,279	1,595	212,874	296,301	-
Current portion of subscription obligations	879,760	96,855	976,615	318,923	-
Current portion of arbitrage liability	137,802	-	137,802	-	-
Current portion of compensated absences	8,459,302	560,405	9,019,707	9,771,451	-
Current portion of liability for landfill closure and postclosure costs	31,316	-	31,316	-	-
Current portion of support agreement	142,979	-	142,979	-	-
Total current liabilities	78,099,550	9,220,735	87,320,285	30,961,574	144,110
Noncurrent Liabilities:					
Bonds payable	206,459,301	5,529,678	211,988,979	-	630,000
Notes payable	801,010	-	801,010	-	-
Lease obligations	1,404,035	-	1,404,035	415,160	-
Subscription obligations	811,222	386,570	1,197,792	-	-
Arbitrage liability	1,293,885	-	1,293,885	-	-
Compensated absences	4,995,231	430,251	5,425,482	9,113,192	-
Deposits	-	562,762	562,762	-	-
Capacity fee credits	-	7,857	7,857	-	-
Liability for landfill closure and postclosure costs	1,423,416	-	1,423,416	-	-
Support agreement	641,916	-	641,916	-	-
Net pension liability	19,515,473	1,289,935	20,805,408	114,037,175	-
Net other postemployment benefits liability	4,116,421	272,088	4,388,509	20,187,464	-
Total noncurrent liabilities	241,461,910	8,479,141	249,941,051	143,752,991	630,000
Total liabilities	319,561,460	17,699,876	337,261,336	174,714,565	774,110
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	96,550,988	37,958	96,588,946	-	-
Deferred inflows related to leases	8,797,653	4,132,944	12,930,597	-	-
Deferred inflows relating to pension	9,278,457	613,288	9,891,745	16,968,230	-
Deferred inflows relating to other postemployment benefits	1,020,102	67,444	1,087,546	2,765,113	-
Total deferred inflows of resources	115,647,200	4,851,634	120,498,834	19,733,343	-
NET POSITION					
Net investment in capital assets	138,889,315	291,027,036	429,916,351	122,602,818	-
Restricted for:					
Grant programs	2,304,648	-	2,304,648	169,330	-
Capital projects	66,267,978	-	66,267,978	-	-
Debt covenants	-	5,593,988	5,593,988	-	-
Pension	-	-	-	6,487,543	-
Other postemployment benefits	1,592,386	105,313	1,697,699	2,689,214	-
Unrestricted (deficit)	259,234,089	24,990,329	284,224,418	(121,171,317)	127,773
Total net position	\$ 468,288,416	321,716,666	790,005,082	10,777,588	127,773

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 2

Statement of Activities

For the Year Ended June 30, 2025

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			School Board	Economic Development Authority
					Governmental Activities	Business-type Activities	Total		
Primary Government:									
Governmental activities:									
General governmental administration	\$ 24,461,953	2,962,446	3,827,737	9,909,085	(7,762,685)	-	(7,762,685)	-	-
Judicial administration	11,192,099	916,505	2,419,391	-	(7,856,203)	-	(7,856,203)	-	-
Public safety	98,073,274	7,699,563	6,466,446	1,790,354	(82,116,911)	-	(82,116,911)	-	-
Public works	30,163,997	3,168,196	34,120	25,963,014	(998,667)	-	(998,667)	-	-
Human services	40,083,099	4,170,631	16,271,289	-	(19,641,179)	-	(19,641,179)	-	-
Parks, recreation and cultural	10,430,631	456,170	64,852	1,344,477	(8,565,132)	-	(8,565,132)	-	-
Community development	8,928,593	1,965,352	78,717	120,127	(6,764,397)	-	(6,764,397)	-	-
Education	133,876,036	-	-	1,480,624	(132,395,412)	-	(132,395,412)	-	-
Interest on long-term debt	8,992,938	-	-	-	(8,992,938)	-	(8,992,938)	-	-
Total governmental activities	366,202,620	21,338,863	29,162,552	40,607,681	(275,093,524)	-	(275,093,524)	-	-
Business-type activities:									
Public Utilities	37,278,477	37,087,841	-	5,550,428	-	5,359,792	5,359,792	-	-
Airport	1,417,896	542,403	252,218	1,490,492	-	867,217	867,217	-	-
Total business-type activities	38,696,373	37,630,244	252,218	7,040,920	-	6,227,009	6,227,009	-	-
Total Primary Government	\$ 404,898,993	58,969,107	29,414,770	47,648,601	(275,093,524)	6,227,009	(268,866,515)	-	-
Component Units:									
School Board	\$ 248,251,255	10,640,635	133,003,727	-	-	-	-	(104,606,893)	-
Economic Development Authority	79,643	83,085	-	-	-	-	-	-	3,442
Total component units	\$ 248,330,898	10,723,720	133,003,727	-	-	-	-	(104,606,893)	3,442
General revenues:									
Taxes:									
General property taxes					266,016,649	-	266,016,649	-	-
Sales taxes					36,155,483	-	36,155,483	-	-
Utility taxes					5,291,206	-	5,291,206	-	-
Recordation taxes					2,504,102	-	2,504,102	-	-
Other					4,931,192	-	4,931,192	-	-
Noncategorical State aid					15,663,490	-	15,663,490	-	-
Grants and contributions not restricted to specific programs					1,471,514	-	1,471,514	425,947	-
Payment from Hanover County					-	-	-	117,135,010	-
Unrestricted investment earnings					13,960,603	1,550,411	15,511,014	116,980	-
Transfers					(112,292)	112,292	-	-	-
Total general revenues and transfers					345,881,947	1,662,703	347,544,650	117,677,937	-
Change in net position					70,788,423	7,889,712	78,678,135	13,071,044	3,442
Total net position - beginning					399,710,379	313,943,226	713,653,605	8,059,077	124,331
Net effect of change in accounting principle (note 1)					(2,210,386)	(116,272)	(2,326,658)	(10,352,533)	-
Total net position - beginning					397,499,993	313,826,954	711,326,947	(2,293,456)	124,331
Total net position - ending					\$ 468,288,416	321,716,666	790,005,082	10,777,588	127,773

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, 2025

	Capital Funds				Total Governmental Funds
	General	County Improvements	School Improvements	Debt Service	
ASSETS					
Pooled cash, cash equivalents and investments	\$ 147,057,469	135,473,634	16,856,835	14,243,670	313,631,608
Receivables (net of allowances for uncollectibles)	129,217,302	6,014,012	-	-	135,231,314
Prepaid expenditures	-	4,924,973	-	-	4,924,973
Inventories	376,472	-	-	-	376,472
Pooled cash, cash equivalents and investments - restricted	-	-	71,673,689	-	71,673,689
Total assets	<u>\$ 276,651,243</u>	<u>146,412,619</u>	<u>88,530,524</u>	<u>14,243,670</u>	<u>525,838,056</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,814,145	11,715,538	3,607,104	-	20,136,787
Accrued liabilities	9,264,992	-	288,643	-	9,553,635
Unearned revenues	2,617,504	9,549,540	-	-	12,167,044
Total liabilities	<u>16,696,641</u>	<u>21,265,078</u>	<u>3,895,747</u>	<u>-</u>	<u>41,857,466</u>
Deferred Inflows of Resources:					
Deferred revenues	103,487,973	-	-	-	103,487,973
Deferred inflows related to leases	8,797,653	-	-	-	8,797,653
Total deferred inflows	<u>112,285,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,285,626</u>
Fund Balances:					
Nonspendable	376,472	4,924,973	-	-	5,301,445
Restricted	2,448,897	65,900,802	71,778,908	-	140,128,607
Committed	500,000	-	-	-	500,000
Assigned	90,984,886	54,321,766	12,855,869	14,243,670	172,406,191
Unassigned	53,358,721	-	-	-	53,358,721
Total fund balances	<u>147,668,976</u>	<u>125,147,541</u>	<u>84,634,777</u>	<u>14,243,670</u>	<u>371,694,964</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 276,651,243</u>	<u>146,412,619</u>	<u>88,530,524</u>	<u>14,243,670</u>	<u>525,838,056</u>

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.	\$ 307,577,431
Right to use assets in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,423,987
Receivables on the Statement of Net Position that do not provide current financial resources are not reported in the funds.	1,145,340
Revenues in the Statement of Activities that are unavailable in the funds are reported as deferred revenues in the funds (e.g., past due taxes).	6,936,985
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.	34,534,959
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.	(248,996,540)
Deferred loss on refunding does not provide current financial resources and, therefore, is not reported in the funds.	578,874
GAAP require the recognition of net pension asset and deferred flows of resources related to pensions. These amounts do not use current financial resources and are not reported in the funds.	
Net pension liability	(19,515,473)
Deferred outflows relating to pension	22,589,275
Deferred inflows relating to pension	<u>(9,278,457)</u>
	(6,204,655)
GAAP require the recognition of net other postemployment benefits asset, net other postemployment benefits liabilities, and deferred flows of resources related to other postemployment benefits. These amounts do not use current financial resources and are not reported in the funds.	
Net other postemployment benefits asset	1,592,386
Net other postemployment benefits liability	(4,116,421)
Deferred outflows relating to other postemployment benefits	1,141,208
Deferred inflows relating to other postemployment benefits	<u>(1,020,102)</u>
	(2,402,929)
Total net position of governmental activities	<u>\$ 468,288,416</u>

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

COUNTY OF HANOVER, VIRGINIA
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended June 30, 2025

Exhibit 4

	General	County Improvements	School Improvements	Debt Service	Total Governmental Funds
REVENUES					
Revenue from local sources:					
General property taxes	\$ 266,726,651	-	-	-	266,726,651
Other local taxes	48,881,983	16,006,631	-	-	64,888,614
Permits, privilege fees and regulatory licenses	3,378,858	-	-	-	3,378,858
Fines and forfeitures	828,420	-	-	-	828,420
Revenues from use of money and property	14,618,591	-	-	2,950,937	17,569,528
Charges for services	11,545,165	3,899,801	-	-	15,444,966
Miscellaneous	1,675,294	1,411,109	-	87,550	3,173,953
Recovered costs	5,482,257	-	-	-	5,482,257
Revenue from the Commonwealth	36,176,423	7,842,925	1,480,624	-	45,499,972
Revenue from the Federal government	5,936,145	9,966,591	-	-	15,902,736
Total revenues	<u>395,249,787</u>	<u>39,127,057</u>	<u>1,480,624</u>	<u>3,038,487</u>	<u>438,895,955</u>
EXPENDITURES					
General governmental administration	22,165,624	14,733,814	-	-	36,899,438
Judicial administration	9,822,760	481,998	-	-	10,304,758
Public safety	89,813,085	17,626,916	-	-	107,440,001
Public works	15,860,663	13,145,955	-	-	29,006,618
Human services	40,177,741	-	-	-	40,177,741
Parks, recreation and cultural	8,971,904	4,404,221	-	-	13,376,125
Community development	8,904,758	-	-	-	8,904,758
Education	117,135,010	-	21,647,580	-	138,782,590
Debt service:					
Principal retirement	659,850	648,647	-	11,974,891	13,283,388
Interest and fiscal charges	101,661	-	-	7,651,984	7,753,645
Debt issuance costs	-	-	-	494,582	494,582
Total expenditures	<u>313,613,056</u>	<u>51,041,551</u>	<u>21,647,580</u>	<u>20,121,457</u>	<u>406,423,644</u>
Excess (deficiency) of revenues over (under) expenditures	<u>81,636,731</u>	<u>(11,914,494)</u>	<u>(20,166,956)</u>	<u>(17,082,970)</u>	<u>32,472,311</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	288,110	31,522,918	7,015,000	25,615,710	64,441,738
Transfers out	(64,265,920)	(288,110)	-	-	(64,554,030)
Issuance of general obligation bonds	-	-	72,725,664	499,336	73,225,000
Premium on general obligation bonds issued	-	-	10,361,336	-	10,361,336
Lease financing	116,090	-	-	-	116,090
Subscription financing	209,036	1,902,133	-	-	2,111,169
Total other financing sources (uses), net	<u>(63,652,684)</u>	<u>33,136,941</u>	<u>90,102,000</u>	<u>26,115,046</u>	<u>85,701,303</u>
Net change in fund balances	17,984,047	21,222,447	69,935,044	9,032,076	118,173,614
Total fund balances - beginning	129,684,929	103,925,094	14,699,733	5,211,594	253,521,350
Total fund balances - ending	<u>\$ 147,668,976</u>	<u>125,147,541</u>	<u>84,634,777</u>	<u>14,243,670</u>	<u>371,694,964</u>

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, 2025

Net change in fund balance - total governmental funds	\$ 118,173,614
<p>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 and amortization expense.</p>	
Capital outlays	37,206,842
Depreciation and amortization expense	(22,184,425)
<p>The net effect of various miscellaneous transactions involving capital assets, such as sales, trade-ins, transfers and donations that decreased net position.</p>	
	(122,781)
<p>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 Board 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 increase in the net book value of School Board Component Unit capital assets reported by the County for the fiscal year, which resulted primarily from an increase in school construction activity during the fiscal year, and results in an increase in net position reported by the County (Primary Government) on the Statement of Activities.</p>	
	10,483,050
<p>Lease obligations are reported on the government-wide statement of net position and are not reported in the funds. As the governmental funds make rental payments for these obligations, the related interest expense and amortization expense are reported in the government-wide statement of activities for the duration of the lease term.</p>	
Principal payments on leases	267,523
<p>Subscription based information technology agreement obligations are reported on the government-wide statement of net position and are not reported in the funds. As the governmental funds make payments for these obligations, the related interest expense and amortization expense are reported in the government-wide statement of activities for the duration of the subscription term.</p>	
Principal payments on subscriptions	1,040,974
<p>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).</p>	
	70,980
<p>Revenues in the Statement of Activities that are unavailable in the funds are reported as deferred revenues in the funds (e.g., past due taxes).</p>	
	(1,736,400)
<p>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.</p>	
Issuance of debt	(83,586,336)
Repayment of debt principal	11,974,891
<p>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.</p>	
	(973,687)
<p>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.</p>	
	1,754,116
<p>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.</p>	
	603,076
<p>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.</p>	
	(2,183,014)
Change in net position of governmental activities	<u>\$ 70,788,423</u>

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, 2025

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from local sources:				
General property taxes	\$ 260,742,000	260,742,000	266,726,651	5,984,651
Other local taxes	48,690,000	48,840,000	48,881,983	41,983
Permits, privilege fees and regulatory licenses	2,804,000	3,154,000	3,378,858	224,858
Fines and forfeitures	758,800	758,800	828,420	69,620
Revenues from use of money and property	1,740,000	1,741,300	14,618,591	12,877,291
Charges for services	9,797,200	9,893,820	11,545,165	1,651,345
Miscellaneous	1,446,830	1,205,513	1,675,294	469,781
Recovered costs	5,421,338	5,468,844	5,482,257	13,413
Revenue from the Commonwealth	35,140,748	35,613,647	36,176,423	562,776
Revenue from the Federal government	5,497,452	6,827,333	5,936,145	(891,188)
Total revenues	372,038,368	374,245,257	395,249,787	21,004,530
EXPENDITURES				
General governmental administration	24,073,068	24,559,742	22,289,946	2,269,796
Judicial administration	10,701,484	10,580,764	9,844,301	736,463
Public safety	94,294,738	94,800,886	90,763,169	4,037,717
Public works	16,635,263	17,869,629	16,800,682	1,068,947
Human services	40,136,178	41,146,174	40,287,380	858,794
Parks, recreation and cultural	9,387,124	9,526,752	9,079,377	447,375
Community development	8,304,593	9,242,109	9,062,476	179,633
Education	122,475,000	122,489,300	117,135,010	5,354,290
Nondepartmental	4,990,450	3,451,852	-	3,451,852
Debt service:				
Principal retirement	-	-	659,850	(659,850)
Interest and fiscal charges	-	-	101,661	(101,661)
Total expenditures - budgetary basis	330,997,898	333,667,208	316,023,852	17,643,356
Less encumbrances at June 30, 2025	-	-	(2,410,796)	2,410,796
Total expenditures	330,997,898	333,667,208	313,613,056	20,054,152
Excess of revenues over expenditures	41,040,470	40,578,049	81,636,731	41,058,682
OTHER FINANCING SOURCES (USES)				
Transfers in	-	288,110	288,110	-
Transfers out	(55,427,602)	(64,265,920)	(64,265,920)	-
Lease financing	-	-	116,090	116,090
Subscription financing	-	-	209,036	209,036
Total other financing uses, net	(55,427,602)	(63,977,810)	(63,652,684)	325,126
Net change in fund balance	(14,387,132)	(23,399,761)	17,984,047	41,383,808
Fund balances - beginning	14,387,132	129,684,929	129,684,929	-
Fund balances - ending	\$ -	106,285,168	147,668,976	41,383,808

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

COUNTY OF HANOVER, VIRGINIA
Proprietary Funds
Statement of Net Position
June 30, 2025

Exhibit 7

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Public Utilities	Airport	Total	
ASSETS				
Current Assets:				
Pooled cash, cash equivalents and investments	\$ 21,158,893	597,231	21,756,124	37,784,167
Receivables (net of allowances for uncollectibles)	8,723,022	417,890	9,140,912	1,826,351
Total current assets	29,881,915	1,015,121	30,897,036	39,610,518
Noncurrent Assets:				
Pooled cash, cash equivalents and investments - restricted	5,446,480	-	5,446,480	-
Leases receivable	-	4,245,291	4,245,291	-
Net other postemployment benefits asset - restricted	103,558	1,755	105,313	-
Capital assets:				
Land	6,452,771	5,452,351	11,905,122	-
Intangible assets	64,629,194	-	64,629,194	-
Buildings and system	91,810,293	8,801,729	100,612,022	-
Improvements other than buildings	284,590,635	21,522,009	306,112,644	-
Machinery and equipment	41,697,678	279,734	41,977,412	-
Right to use assets	801,809	-	801,809	-
Construction in progress	31,030,473	403,245	31,433,718	-
Less accumulated depreciation and amortization	(244,230,561)	(11,507,382)	(255,737,943)	-
Total capital assets (net of accumulated depreciation and amortization)	276,782,292	24,951,686	301,733,978	-
Total noncurrent assets	282,332,330	29,198,732	311,531,062	-
Total assets	312,214,245	30,213,853	342,428,098	39,610,518
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	271,537	-	271,537	-
Deferred outflows relating to pension	1,469,025	24,082	1,493,107	-
Deferred outflows relating to other postemployment benefits	74,215	1,219	75,434	-
Total deferred outflows of resources	1,814,777	25,301	1,840,078	-
LIABILITIES				
Current Liabilities:				
Accounts payable	4,865,560	110,948	4,976,508	511,184
Incurred but not reported self-insurance claims	-	-	-	3,510,446
Accrued liabilities	2,630,897	122,194	2,753,091	378,825
Accrued interest	56,462	28,165	84,627	-
Advance premiums	-	-	-	675,104
Current portion of bonds payable	523,975	223,679	747,654	-
Current portion of lease obligations	1,595	-	1,595	-
Current portion of subscription obligations	96,855	-	96,855	-
Current portion of compensated absences	555,524	4,881	560,405	-
Total current liabilities	8,730,868	489,867	9,220,735	5,075,559
Noncurrent Liabilities:				
Bonds payable	3,531,951	1,997,727	5,529,678	-
Subscription obligations	386,570	-	386,570	-
Compensated absences	418,557	11,694	430,251	-
Deposits	562,762	-	562,762	-
Capacity fee credits	7,857	-	7,857	-
Net pension liability	1,269,130	20,805	1,289,935	-
Net other postemployment benefits liability	267,699	4,389	272,088	-
Total noncurrent liabilities	6,444,526	2,034,615	8,479,141	-
Total liabilities	15,175,394	2,524,482	17,699,876	5,075,559
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues	18,330	19,628	37,958	-
Deferred inflows related to leases	-	4,132,944	4,132,944	-
Deferred inflows relating to pension	603,396	9,892	613,288	-
Deferred inflows relating to other postemployment benefits	66,340	1,104	67,444	-
Total deferred inflows of resources	688,066	4,163,568	4,851,634	-
NET POSITION				
Net investment in capital assets	268,491,678	22,535,358	291,027,036	-
Restricted for debt covenants	5,446,480	147,508	5,593,988	-
Restricted for other postemployment benefits	103,558	1,755	105,313	-
Unrestricted	24,123,846	866,483	24,990,329	34,534,959
Total net position	\$ 298,165,562	23,551,104	321,716,666	34,534,959

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, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Public Utilities	Airport	Total	
OPERATING REVENUES				
Revenue from use of money and property	\$ -	542,403	542,403	-
Charges for services	32,539,437	-	32,539,437	48,813,261
Capacity fees	335,439	-	335,439	-
Recovered costs	-	-	-	205,000
Miscellaneous	487,625	-	487,625	-
Categorical federal aid	-	211,201	211,201	-
Categorical state aid	-	41,017	41,017	-
Total operating revenues	33,362,501	794,621	34,157,122	49,018,261
OPERATING EXPENSES				
Personnel services	6,319,237	102,545	6,421,782	68,800
Fringe benefits	2,369,388	27,030	2,396,418	26,505
Health care claims and benefits	-	-	-	52,366,184
Contractual services	8,990,895	333,028	9,323,923	37,295
Internal services	1,692,000	-	1,692,000	-
Other charges	6,150,882	29,225	6,180,107	451,046
Depreciation and amortization	11,655,021	857,819	12,512,840	-
Total operating expenses	37,177,423	1,349,647	38,527,070	52,949,830
Operating loss	(3,814,922)	(555,026)	(4,369,948)	(3,931,569)
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues:				
Capacity fees - nonoperating	3,725,340	-	3,725,340	-
Interest income	1,550,411	-	1,550,411	1,748,555
Total nonoperating revenues	5,275,751	-	5,275,751	1,748,555
Nonoperating expenses:				
Interest expense and fiscal charges	101,054	68,249	169,303	-
Total nonoperating expenses	101,054	68,249	169,303	-
Net nonoperating revenues (expenses)	5,174,697	(68,249)	5,106,448	1,748,555
Income (loss) before capital contributions and transfers	1,359,775	(623,275)	736,500	(2,183,014)
Capital contributions	5,550,428	1,490,492	7,040,920	-
Transfers in	29,000	83,292	112,292	-
Change in fund net position	6,939,203	950,509	7,889,712	(2,183,014)
Total fund net position - beginning	291,342,414	22,600,812	313,943,226	36,717,973
Net effect of change in accounting principle (note 1)	(116,055)	(217)	(116,272)	-
Total fund net position - beginning, as restated	291,226,359	22,600,595	313,826,954	36,717,973
Total fund net position - ending	\$ 298,165,562	23,551,104	321,716,666	34,534,959

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, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Public Utilities	Airport	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 34,429,262	707,090	35,136,352	-
Receipts from interfund services provided	-	-	-	49,497,733
Receipts from Federal/state operating grants	-	252,218	252,218	-
Payments to suppliers and service providers	(18,601,951)	(364,325)	(18,966,276)	(37,295)
Payments to employees	(6,310,811)	(128,721)	(6,439,532)	(95,305)
Claims and benefits paid	-	-	-	(52,498,904)
Net cash provided by (used in) operating activities	9,516,500	466,262	9,982,762	(3,133,771)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	29,000	83,292	112,292	-
Net cash provided by noncapital financing activities	29,000	83,292	112,292	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Intergovernmental revenue received - capital grants	1,958,998	1,419,785	3,378,783	-
Capacity fees received	3,691,584	-	3,691,584	-
Acquisition and construction of capital assets	(25,556,311)	(1,344,886)	(26,901,197)	-
Principal payments on revenue bonds and support agreement debt	(1,410,810)	(218,863)	(1,629,673)	-
Interest payments on revenue bonds	(192,784)	(70,375)	(263,159)	-
Principal payments on leases	(1,858)	-	(1,858)	-
Interest payments on leases	(85)	-	(85)	-
Principal payments on subscriptions	(48,623)	-	(48,623)	-
Interest payments on subscriptions	(20,119)	-	(20,119)	-
Reduction in lease deferred revenue	-	(209,980)	(209,980)	-
Net cash used in capital and related financing activities	(21,580,008)	(424,319)	(22,004,327)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	1,550,411	-	1,550,411	1,748,555
Net cash provided by investing activities	1,550,411	-	1,550,411	1,748,555
Net increase (decrease) in cash and cash equivalents	(10,484,097)	125,235	(10,358,862)	(1,385,216)
Pooled cash, cash equivalents and investments at beginning of year	37,089,470	471,996	37,561,466	39,169,383
Pooled cash, cash equivalents and investments at end of year	\$ 26,605,373	597,231	27,202,604	37,784,167
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (3,814,922)	(555,026)	(4,369,948)	(3,931,569)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization expense	11,655,021	857,819	12,512,840	-
Pension expense	(150,433)	(2,759)	(153,192)	-
Other postemployment benefits expense	(52,954)	(1,022)	(53,976)	-
(Increase) decrease in:				
Receivables	738,277	145,057	883,334	466,564
Increase (decrease) in:				
Customer deposits	328,094	-	328,094	-
Accounts payable	804,599	(2,070)	802,529	(471,717)
Incurred but not reported self-insurance claims	-	-	-	528,507
Accrued liabilities	30,224	243	30,467	261,537
Advance premiums	-	-	-	12,907
Compensated absences	(21,796)	4,392	(17,404)	-
Deferred revenues	390	19,628	20,018	-
Total adjustments	13,331,422	1,021,288	14,352,710	797,798
Net cash provided by (used in) operating activities	\$ 9,516,500	466,262	9,982,762	(3,133,771)
Noncash investing, capital, and financing activities:				
Capital contributions	\$ 3,835,907	1,490,492	5,326,399	-

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, 2025

	Retiree Medical Benefits Trust	Custodial Funds
ASSETS		
Pooled cash, cash equivalents and investments	\$ -	2,786,456
Receivables	5,584	431,976
Investments, at fair value (mutual funds):		
Money market	59,237	-
Domestic equity	3,396,891	-
International equity	2,086,901	-
Fixed income	3,115,164	-
Total assets	<u>8,663,777</u>	<u>3,218,432</u>
LIABILITIES		
Accounts payable	-	301,130
Accrued liabilities	-	69,686
Deposits	-	16,509
Total liabilities	<u>-</u>	<u>387,325</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenues	-	400,782
Total deferred inflows of resources	<u>-</u>	<u>400,782</u>
FIDUCIARY NET POSITION		
Restricted for:		
Other postemployment benefits	8,663,777	-
Individuals, organizations and other governments	-	2,430,325
Total net position	<u>\$ 8,663,777</u>	<u>2,430,325</u>

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

COUNTY OF HANOVER, VIRGINIA
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025

Exhibit 11

	Retiree Medical Benefits Trust	Custodial Funds
ADDITIONS		
Contributions:		
Plan members	\$ 1,021,220	-
Total contributions	<u>1,021,220</u>	<u>-</u>
Investment earnings	916,474	-
Tax collections for other governments	-	3,071,178
Miscellaneous	-	75,967
Total additions	<u>1,937,694</u>	<u>3,147,145</u>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	1,021,220	66,969
Administrative expense	-	5,000
Payments of tax collections to other governments	-	3,066,178
Total deductions	<u>1,021,220</u>	<u>3,138,147</u>
Net increase in fiduciary net position	<u>916,474</u>	<u>8,998</u>
Net position		
Beginning	7,747,303	2,421,327
Ending	<u>\$ 8,663,777</u>	<u>2,430,325</u>

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2025

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,

COUNTY OF HANOVER
Notes to Financial Statements
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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. Custodial funds are funds held by the County for the benefit of individuals, organizations or other governments not part of the financial reporting entity. Custodial funds use the economic resources measurement focus. In custodial fund financial statements, assets equal liabilities and fiduciary net position 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, sales tax revenues and receivables include May and June sales tax received from the Commonwealth in July and August. 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.

COUNTY OF HANOVER
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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 major fund, accounts for the activities and operations of the County's airport.

Additionally, the County reports the following fund categories:

Internal service fund accounts for self-insurance activities of the County related to employee health insurance, including clinic operations and wellness initiatives.

Fiduciary funds consist of the *Retiree Medical Benefits Trust Fund* and *Custodial Funds*. The custodial funds include the *Bell Creek Community Development Authority Fund*, the *Lewistown Community Development Authority Fund*, and the *Escrow, Special Welfare, and Commonwealth 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, 2025, 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

COUNTY OF HANOVER
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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 uncollectable. The accounts receivable allowance for uncollectable is calculated utilizing a percentage of aged receivables method. 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, 2024, and the first installment (June 5) of the levy on assessed value at January 1, 2025.

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 uncollectable amounts 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 2024 tax bills, payable in fiscal year 2025, included a 37 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

COUNTY OF HANOVER
Notes to Financial Statements
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of the County’s discretely presented School Board Component Unit are valued at cost using the FIFO method.

4. Restricted assets

In accordance with applicable bond covenants, governmental and business-type activities report restricted cash, cash equivalents and investments at June 30, 2025 of \$77,120,169, which consists of unspent bond proceeds of \$71,673,689 restricted for capital projects in the School Capital Improvements Fund. Business-type activities report restricted cash, cash equivalents and investments of \$5,446,480 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, and right-to-use assets, 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 or amortized 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:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30
Durable equipment	20
Vehicles, trucks, fire trucks	5-15
Right-to-use leases	3-30
School buses	12
Heavy equipment	10
Office equipment	5
Computer equipment	5
Right-to-use subscriptions	2-20

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.

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The County implemented GASB Statement No. 101 in fiscal year 2025, which requires recognition of a liability when leave is attributable to services already rendered, accumulates and is more likely than not to be used or paid. The implementation of this standard required a restatement of beginning net position as follows:

	Reporting Units Affected by Restatements of Beginning Balances				
	Funds		Government-Wide		Component Units
	Public Utilities	Airport	Governmental Activities	Business-Type Activities	School Board
June 30, 2024, as previously reported	\$ 291,342,414	22,600,812	\$ 399,710,379	313,943,226	\$ 8,059,077
Change in accounting principle	(116,055)	(217)	(2,210,386)	(116,272)	(10,352,533)
June 30, 2024, as restated	<u>\$ 291,226,359</u>	<u>22,600,595</u>	<u>\$ 397,499,993</u>	<u>313,826,954</u>	<u>\$ (2,293,456)</u>

7. Long-term obligations

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

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

For purposes of measuring the net pension and OPEB liabilities, 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. Net position in custodial funds is reported as net position restricted for individuals, organizations and other governments.

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.

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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 postemployment benefits (OPEB) in the government-wide Statement of Net Position in this category. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and recognized over the shorter of the

COUNTY OF HANOVER
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life of the refunded or the refunding debt. Deferred outflows for pensions and OPEB may result from changes in actuarial assumptions, pension and OPEB Trust investment returns that exceed projected earnings, change in the proportionate share of the total liability, actual economic experience that is different than estimated, and pension contributions made subsequent to the measurement date. Changes in deferred outflows of resources, except contributions subsequent to the measurement date, are deferred and recognized over the remaining service life of all plan participants, with the exception of investment experience amounts, which 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 OPEB plans. Actuarial losses resulting from a difference in expected and actual experience, plan investment returns that differed from projected earnings, changes in actuarial assumptions and changes in proportionate share are deferred and amortized over the remaining service life of all participants. Deferred inflows resulting from pension and OPEB investment returns lower than projected earnings are also deferred and amortized over a closed five-year period.

10. Pension Plans

The County is consistent with VRS guidance in respect to its pension reporting, including their measurement of retirement plan net pension asset, 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 require the asset and 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 the School Board Component Unit recorded the impact of the related net pension asset, net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. For further information regarding the reporting entity's defined benefit pension plans, refer to Note V.F. of the accompanying notes to the financial statements.

11. Retiree Medical Benefits Plan and Trust

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

12. Health Insurance Credit Program

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

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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 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. 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.

E. Accounting Pronouncements

1. New Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This Statement's primary objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The County adopted this Statement in the fiscal year ended June 30, 2025.

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In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The County adopted this Statement in the fiscal year ended June 30, 2025.

2. Future Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units. This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. The County will analyze the Statement's impact on the entity's financial statements and disclosures for adoption in the fiscal year ending June 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets. The Statement requires certain types of capital assets to be disclosed separately by major class of underlying asset in the capital assets note disclosures and requires additional disclosures for capital assets held for sale. The County will analyze the Statement's impact on the entity's financial statements and disclosures for adoption in the fiscal year ending June 30, 2026.

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."

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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	\$ 223,720,930
Accrued interest payable	3,902,204
Notes payable	941,263
Lease obligations	1,615,314
Subscription obligations	1,690,982
Support agreement payable	784,895
Arbitrage payable	1,431,687
Compensated absences	13,454,533
Liability for landfill closure and postclosure costs	1,454,732
Net adjustment to reduce total fund balances - total governmental funds to arrive at net position - governmental activities	\$ 248,996,540

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 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	\$ (197,660)
Liability for landfill closure and postclosure costs	(31,316)
Arbitrage rebate	(975,770)
Accrued interest	(1,476,977)
Amortization of bond premiums	1,837,539
Amortization of deferred loss on refunding	(129,503)
Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net position of governmental activities	\$ (973,687)

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.

COUNTY OF HANOVER
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On or before November 1 of each year, all agencies of the County submit requests for appropriations to the County Administrator so that a budget may be prepared. Budget requests are compared to prior year plans and reviewed for feasibility. The County and the School Board meet to reach consensus on the allocation of County General Fund resources to the School Board. The Superintendent of Schools presents a preliminary budget to the School Board in January. The School Board approves a budget request and submits it to the County for consideration in February.

The County Administrator presents a proposed budget to the Board of Supervisors no later than the fourth Wednesday in February. The Board holds informational sessions to obtain detailed information on budgetary issues and invites citizen input, culminating in public hearings on the proposed budget and any changes in tax rates or County ordinances. The budget is legally appropriated through passage of a Budget Appropriation resolution. Statutory deadlines for budget adoption are May 15 for an annual budget for educational purposes and June 30 for other County budget items. The resolution establishes budgetary appropriation amounts at the fund level.

The budget amendment process is governed by statutory requirements and County financial policies. County financial policies establish a legal level of budgetary control, specifying criteria for which budget amendments require Board approval. All budget amendments that increase the County's total appropriated budget require approval of the Board of Supervisors. Any amendments which exceed one percent of the total adopted budget require a public hearing on the proposed amendment prior to Board authorization. For budget amendments that do not require Board approval, financial policies permit the County Administrator or School Superintendent to delegate approval authority via financial regulations. The financial regulations establish detailed requirements for administrative review of budget amendments prior to approval.

IV. Detailed notes on all funds

A. Deposits and investments

As of June 30, 2025, the County's pooled cash and investments includes \$22,164,781 reported by the School Board Component Unit, \$131,883 reported by the Economic Development Authority and \$2,786,456 held on behalf of custodial funds. The Student Activity Funds reported \$3,740,994 of deposits. Total pooled cash and investments for the County and amounts separately invested by the Retiree Medical Benefits Trust's Finance Board as of June 30, 2025, were as follows:

COUNTY OF HANOVER
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Investment Type	Fair Value	Credit Quality Rating				
		AAA/AAAm	AA	A	N/R	N/A
Pooled Investments:						
Cash on hand	\$ 4,125	-	-	-	-	4,125
Cash deposits	40,386,401	-	-	-	-	40,386,401
Demand and time deposits	17,694,281	-	-	17,694,281	-	-
Money market mutual funds (AAAm ratings)	83,521,287	83,521,287	-	-	-	-
U.S. government and agency bonds	186,351,705	-	186,351,705	-	-	-
Corporate notes and bonds	38,318,919	2,487,588	23,538,813	12,292,518	-	-
Commercial paper	18,168,600	-	-	18,168,600	-	-
LGIP funds	82,007,609	82,007,609	-	-	-	-
Municipal bonds	5,193,552	335,724	4,857,828	-	-	-
Total pooled deposits and investments	\$ 471,646,479	168,352,208	214,748,346	48,155,399	-	40,390,526
Student Activity Funds:						
	Fair Value	Fund Credit Quality Rating				
		AAAm	N/R	N/A		
Cash deposits	\$ 3,740,994	-	-	3,740,994		
Total Student Activity Funds deposits	\$ 3,740,994	-	-	3,740,994		
Retiree Medical Benefits Trust:						
	Fair Value	Fund Credit Quality Rating				
		AAAm	N/R	N/A		
Mutual funds:						
Money market	\$ 59,237	59,237	-	-		
Domestic equity	3,396,891	-	-	3,396,891		
International equity	2,086,901	-	-	2,086,901		
Fixed income	3,115,164	-	-	3,115,164		
Total trust investments	\$ 8,658,193	59,237	-	8,598,956		

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:

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	<u>Maximum</u>
Money market mutual funds	100%
Repurchase agreements	50%
Negotiable certificates of deposits/bank notes	35%
Corporate notes	35%
Bankers' acceptances	25%
Commercial paper	35%
State bonds, notes and other evidences of indebtedness	25%
County, town, city, district, authority or other public body bonds, notes and other evidences of indebtedness	25%

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 as of June 30, 2025 are as follows:

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Trust Asset Class	Fair Value	Trust Asset Weightings		
		Range	Target	Actual
Liquidity assets:				
Cash equivalent	\$ 59,237	0 - 100%	100%	100%
Investment assets:				
Domestic equity	3,396,891	26 - 46%	36%	40%
International equity	2,086,901	13 - 33%	20%	24%
REITs	-	0 - 12%	6%	0%
Inflation hedged	-	0 - 10%	0%	0%
Fixed income	3,115,164	20 - 60%	35%	37%
Cash equivalent	-	0 - 20%	3%	0%
Total investment assets	<u>8,598,956</u>		<u>100%</u>	<u>101%</u>
Total trust investments	<u>\$ 8,658,193</u>			

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 principal 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.

The County's portfolio categorizes its fair value measurements with the fair value hierarchy established by GAAP, based on valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are inputs (other than quoted market prices included within Level 1) that are observable for the asset either directly or indirectly. Level 2 observable inputs can be either prices for similar assets in active markets or prices for identical assets in non-active markets. As of June 30, 2024, deposits and fixed income investments managed by the Treasurer are summarized at fair value and maturity as follows:

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Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 3	More than 3
Pooled Investments				
Cash on hand	\$ 4,125	4,125	-	-
Cash deposits	40,386,414	40,386,414	-	-
Demand and time deposits	17,694,281	16,224,346	1,469,935	-
Money market mutual funds	83,521,287	83,521,287	-	-
U.S. Government and agency bonds	186,351,705	46,606,302	139,203,481	541,922
Corporate notes and bonds	38,318,919	582,351	37,736,568	-
Commercial paper	18,168,600	18,168,600	-	-
LGIP funds	82,007,609	82,007,609	-	-
Municipal bonds	5,193,552	2,431,536	2,762,016	-
Total pooled deposits and investments	\$ 471,646,492	289,932,570	181,172,000	541,922
Student Activity Funds:				
	Fair Value	Investment Maturities (in Years)		
		Less than 1	More than 1	
Cash deposits	\$ 3,740,994	3,740,994	-	
Total Student Activity Funds deposits	\$ 3,740,994	3,740,994	-	
Retiree Medical Benefits Trust:				
	Fair Value	Investment Maturities (in Years)		
		Less than 1	More than 1	
Money market mutual fund	\$ 59,237	59,237	-	
Fixed income	3,115,164	3,115,164	-	
Domestic equity	3,396,891	3,396,891	-	
International equity	2,086,901	2,086,901	-	
Total trust deposits and investments	\$ 8,658,193	8,658,193	-	

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, 2025 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.

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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	40% maximum
Each repurchase agreement counterparty	25% maximum
Supranational bonds	20% maximum

As of June 30, 2025, the issuers exceeding five percent of the pooled investments was the U.S. Treasury, which represented thirty-five 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, 2025 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, 2025, 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, 2025.

Fair Value Hierarchy Disclosure: The following tables present investments at fair value on a recurring basis in accordance with GAAP at June 30, 2025:

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	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled Investments:				
Investments by fair value level				
U.S. Treasury bonds and notes	\$ 164,882,683	164,882,683	-	-
U.S. agency securities	21,469,022	-	21,469,022	-
Corporate notes and bonds	38,318,919	-	38,318,919	-
Commercial paper	18,168,600	-	18,168,600	-
Municipal Bonds	5,193,552	-	5,193,552	-
Total investments by fair value	<u>248,032,776</u>	<u>164,882,683</u>	<u>83,150,093</u>	<u>-</u>
Investments measured at amortized cost				
Demand and time deposits	\$ 17,694,281			
Money market mutual funds	83,521,287			
LGIP funds	82,007,609			
Total investments by amortized cost	<u>\$ 183,223,177</u>			
Cash				
Cash on hand	\$ 4,125			
Cash deposits	40,386,414			
Total cash	<u>\$ 40,390,539</u>			
Total pooled deposits and investments	<u>\$ 471,646,492</u>			
Student Activity Funds:				
Total				
Cash				
Cash deposits	3,740,994			
Total cash	<u>\$ 3,740,994</u>			
Retiree Medical Benefits Trust:				
Investments by fair value level				
Fixed income	\$ 3,115,164	-	3,115,164	-
Domestic equity	3,396,891	-	3,396,891	-
International equity	2,086,901	-	2,086,901	-
Total investments by fair value	<u>\$ 8,598,956</u>	<u>-</u>	<u>8,598,956</u>	<u>-</u>
Investments measured at amortized cost				
Money market mutual fund	\$ 59,237			
Total pooled deposits and investments	<u>\$ 8,658,193</u>			

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B. Receivables

C. Receivables and allowances for uncollectible receivables of Governmental Funds, Proprietary Funds and the School Component Unit at June 30, 2025, are as follows:

	Governmental Funds			Proprietary Funds				School Component Unit
	General Fund	County Improvements Fund	Total Governmental Funds	Public Utilities	Airport Fund	Internal Service Funds	Total Proprietary Funds	
Receivables:								
Interest	\$ 2,469,923	-	2,469,923	-	20,075	-	20,075	-
Taxes	103,893,489	-	103,893,489	-	-	-	-	-
Leases	9,523,340	-	9,523,340	-	4,396,436	-	4,396,436	-
Accounts	5,929,152	685,464	6,614,616	7,462,428	-	1,826,351	9,288,779	185,935
Commonwealth of Virginia	9,754,724	4,593,964	14,348,688	1,714,520	86,828	-	1,801,348	4,186,914
Federal government	768,310	734,584	1,502,894	-	159,842	-	159,842	2,387,628
Gross receivables	132,338,938	6,014,012	138,352,950	9,176,948	4,663,181	1,826,351	15,666,480	6,760,477
Allowance for uncollectibles	(3,121,636)	-	(3,121,636)	(453,926)	-	-	(453,926)	-
Net total receivables	\$ 129,217,302	6,014,012	135,231,314	8,723,022	4,663,181	1,826,351	15,212,554	6,760,477

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 2025 real property tax levy, due on October 5, 2025, are reported as *deferred inflows of resources* at June 30, 2025 in the government-wide financial statements and in the governmental fund financial statements. At June 30, 2025, the various components of governmental activities' *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	\$ 94,320,504	-	94,320,504	-
Prepaid taxes	2,230,484	-	2,230,484	-
Past due taxes (net of allowance for uncollectibles)	4,936,000	-	-	-
ARPA Funding	-	9,831,724	-	9,831,724
EMS transport fees	351,186	-	-	-
Community Services Board programs	-	2,139,966	-	2,139,966
Parks and Recreation programs	-	195,354	-	195,354
Opioid settlement	1,649,799	-	-	-
Advance health insurance premiums - Self Insurance Fund	-	-	-	675,104
Total deferred/unearned revenues - Primary Government	\$ 103,487,973	12,167,044	96,550,988	12,842,148

Leases Receivable

The County leases communication space at various sites for cell tower usage. The primary lessees are telecommunication companies, who have entered into five-year leases with the County and have five-year renewal options to extend the total lease to twenty-five years with rental income increasing at the same

COUNTY OF HANOVER
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intervals. A neighboring locality also leases one tower site for their usage with similar five-year extension options. The discount rate used to determine the receivable amount was the average majority prime rate charged by banks on short-term loans, quoted on an investment basis. Lessees are permitted full access to the sites to operate and maintain their equipment as needed. There are no options to purchase the sites at the end of the lease. It is anticipated that the lessees will renew their leases each year, and as such, the County has determined the full amount to be paid over the life of the lease term and the amount to be paid each year.

Principal and interest for the County leases receivable outstanding at June 30, 2025 are as follows:

Fiscal Year	Governmental Activities		
	Leases Receivable		
	Principal	Interest	Total Payments
2026	\$ 463,767	331,924	795,691
2027	493,238	315,852	809,090
2028	527,074	298,790	825,864
2029	564,524	280,425	844,949
2030	637,717	260,640	898,357
2031-2035	3,261,573	947,425	4,208,998
2036-2040	2,100,078	474,751	2,574,829
2041-2045	1,065,861	197,606	1,263,467
2046-2050	409,508	27,744	437,252
Totals	\$ 9,523,340	3,135,157	12,658,497

In November 2019, the School Board entered into an educational broadband service long-term de facto transfer lease agreement with a broadband company whereby the School Board provides the lessee with access to its radio band. The initial term will last one year but will automatically renew each year for a maximum of thirty years with the current monthly fee of \$12,900. This agreement is regulated by the Federal Communications Commission and as such, is not subject to certain GAAP recognition provisions.

The Airport holds lease agreements for its building, tower, and an airport hangar. The Airport entered into its building agreement in August 1992, whereby the lessee rents space and oversees the Airport operations. The initial lease ended in August 2022, but has since been extended to August 2032 for a total of 40 years. The discount rate used to determine the receivable amount was the average majority prime rate charged by banks on short-term loans, quoted on an investment basis.

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Principal and interest for the Airport leases receivable outstanding at June 30, 2025 are as follows:

Fiscal Year	Airport Fund		
	Leases Receivable		
	Principal	Interest	Total Payments
2026	\$ 151,146	141,995	293,141
2027	127,817	135,680	263,497
2028	133,171	131,621	264,792
2029	138,734	127,389	266,123
2030	81,908	123,824	205,732
2031-2035	475,172	575,559	1,050,731
2036-2040	603,059	488,710	1,091,769
2041-2045	760,482	378,862	1,139,344
2046-2050	953,756	240,741	1,194,497
2051-2055	971,191	76,649	1,047,840
Totals	\$ 4,396,436	2,421,030	6,817,466

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C. Capital assets

Capital asset activity for the Primary Government for the year ended June 30, 2025 was as follows:

Primary Government	Adjustment				
	Balance			Assets Held In	Balance
	July 1	Increases	Decreases	Tenancy in Common	June 30
Governmental activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 15,088,139	-	-	-	15,088,139
Intangible assets	5,681,366	322,363	-	-	6,003,729
Construction in progress	67,185,161	35,578,290	(41,709,584)	(30,906,373)	30,147,494
Total capital assets, not being depreciated or amortized	<u>87,954,666</u>	<u>35,900,653</u>	<u>(41,709,584)</u>	<u>(30,906,373)</u>	<u>51,239,362</u>
Capital assets, being depreciated and amortized:					
Buildings	232,809,792	23,295,808	-	67,028,830	323,134,430
Improvements other than buildings	45,474,695	3,185,065	(233,206)	-	48,426,554
Machinery and equipment	115,605,108	15,449,486	(5,173,321)	-	125,881,273
Infrastructure	52,179,353	1,569,848	-	-	53,749,201
Right to use assets - buildings	427,822	30,876	-	-	458,698
Right to use assets - equipment	1,936,655	116,091	(83,204)	-	1,969,542
Right to use assets - subscriptions	2,451,731	2,115,569	(1,332,365)	-	3,234,935
Total capital assets, being depreciated and amortized	<u>450,885,156</u>	<u>45,762,743</u>	<u>(6,822,096)</u>	<u>67,028,830</u>	<u>556,854,633</u>
Less accumulated depreciation and amortization for:					
Buildings	(123,613,016)	(7,802,992)	-	(25,639,407)	(157,055,415)
Improvements other than buildings	(15,971,703)	(2,070,178)	233,205	-	(17,808,676)
Machinery and equipment	(84,449,853)	(9,678,956)	4,572,217	-	(89,556,592)
Infrastructure	(29,073,301)	(1,359,404)	-	-	(30,432,705)
Right to use assets - buildings	(266,714)	(86,315)	-	-	(353,029)
Right to use assets - equipment	(488,603)	(214,356)	83,204	-	(619,755)
Right to use assets - subscriptions	(1,626,544)	(972,224)	1,332,364	-	(1,266,404)
Total accumulated depreciation and amortization	<u>(255,489,734)</u>	<u>(22,184,425)</u>	<u>6,220,990</u>	<u>(25,639,407)</u>	<u>(297,092,576)</u>
Total capital assets, being depreciated and amortized, net	<u>195,395,422</u>	<u>23,578,318</u>	<u>(601,106)</u>	<u>41,389,423</u>	<u>259,762,057</u>
Governmental activities' capital assets, net	<u>\$ 283,350,088</u>	<u>59,478,971</u>	<u>(42,310,690)</u>	<u>10,483,050</u>	<u>311,001,419</u>
Business-type activities:					
Public Utilities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 6,452,771	-	-	-	6,452,771
Construction in progress	30,541,344	25,688,960	(25,199,831)	-	31,030,473
Total capital assets, not being depreciated or amortized	<u>36,994,115</u>	<u>25,688,960</u>	<u>(25,199,831)</u>	<u>-</u>	<u>37,483,244</u>
Capital assets, being depreciated and amortized:					
Buildings	83,825,073	7,985,220	-	-	91,810,293
Improvements other than buildings	278,304,699	6,285,936	-	-	284,590,635
Intangible assets	57,282,409	7,346,785	-	-	64,629,194
Machinery and equipment	34,465,780	7,317,713	(85,815)	-	41,697,678
Right to use assets - equipment	8,678	-	-	-	8,678
Right to use assets - subscriptions	793,131	-	-	-	793,131
Total capital assets, being depreciated and amortized	<u>454,679,770</u>	<u>28,935,654</u>	<u>(85,815)</u>	<u>-</u>	<u>483,529,609</u>
Less accumulated depreciation and amortization for:					
Buildings	(48,969,745)	(2,146,832)	-	-	(51,116,577)
Improvements other than buildings	(140,372,494)	(5,908,655)	-	-	(146,281,149)
Intangible assets	(24,763,056)	(1,485,511)	-	-	(26,248,567)
Machinery and equipment	(18,391,820)	(1,998,142)	85,815	-	(20,304,147)
Right to use assets - equipment	(5,386)	(1,795)	-	-	(7,181)
Right to use assets - subscriptions	(158,854)	(114,086)	-	-	(272,940)
Total accumulated depreciation and amortization	<u>(232,661,355)</u>	<u>(11,655,021)</u>	<u>85,815.00</u>	<u>-</u>	<u>(244,230,561)</u>
Total capital assets, being depreciated and amortized, net	<u>222,018,415</u>	<u>17,280,633</u>	<u>-</u>	<u>-</u>	<u>239,299,048</u>
Public Utilities' capital assets, net	<u>\$ 259,012,530</u>	<u>42,969,593</u>	<u>(25,199,831)</u>	<u>-</u>	<u>276,782,292</u>

COUNTY OF HANOVER
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June 30, 2025

	Balance July 1	Increases	Decreases	Adjustment Assets Held In Tenancy in Common	Balance June 30
Airport Fund:					
Capital assets, not being depreciated or amortized:					
Land	\$ 5,452,351	-	-	-	5,452,351
Construction in progress	370,617	1,531,581	(1,498,953)	-	403,245
Total capital assets, not being depreciated or amortized	<u>5,822,968</u>	<u>1,531,581</u>	<u>(1,498,953)</u>	<u>-</u>	<u>5,855,596</u>
Capital assets, being depreciated and amortized:					
Buildings	8,801,729	-	-	-	8,801,729
Improvements other than buildings	20,047,420	1,474,589	-	-	21,522,009
Machinery and equipment	255,370	24,364	-	-	279,734
Total capital assets, being depreciated and amortized	<u>29,104,519</u>	<u>1,498,953</u>	<u>-</u>	<u>-</u>	<u>30,603,472</u>
Less accumulated depreciation and amortization for:					
Buildings	(2,369,387)	(246,398)	-	-	(2,615,785)
Improvements other than buildings	(8,124,030)	(585,135)	-	-	(8,709,165)
Machinery and equipment	(156,146)	(26,286)	-	-	(182,432)
Total accumulated depreciation and amortization	<u>(10,649,563)</u>	<u>(857,819)</u>	<u>-</u>	<u>-</u>	<u>(11,507,382)</u>
Total capital assets, being depreciated and amortized, net	<u>18,454,956</u>	<u>641,134</u>	<u>-</u>	<u>-</u>	<u>19,096,090</u>
Airport capital assets, net	<u>\$ 24,277,924</u>	<u>2,172,715</u>	<u>(1,498,953)</u>	<u>-</u>	<u>24,951,686</u>
Total Business-type activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 11,905,122	-	-	-	11,905,122
Construction in progress	30,911,961	27,220,541	(26,698,784)	-	31,433,718
Total capital assets, not being depreciated or amortized	<u>42,817,083</u>	<u>27,220,541</u>	<u>(26,698,784)</u>	<u>-</u>	<u>43,338,840</u>
Capital assets, being depreciated and amortized:					
Buildings	92,626,802	7,985,220	-	-	100,612,022
Improvements other than buildings	298,352,119	7,760,525	-	-	306,112,644
Intangible assets	57,282,409	7,346,785	-	-	64,629,194
Machinery and equipment	34,721,150	7,342,077	(85,815)	-	41,977,412
Right to use assets - equipment	8,678	-	-	-	8,678
Right to use assets - subscriptions	793,131	-	-	-	793,131
Total capital assets, being depreciated and amortized	<u>483,784,289</u>	<u>30,434,607</u>	<u>(85,815)</u>	<u>-</u>	<u>514,133,081</u>
Less accumulated depreciation and amortization for:					
Buildings	(51,339,132)	(2,393,230)	-	-	(53,732,362)
Improvements other than buildings	(148,496,524)	(6,493,790)	-	-	(154,990,314)
Intangible assets	(24,763,056)	(1,485,511)	-	-	(26,248,567)
Machinery and equipment	(18,547,966)	(2,024,428)	85,815	-	(20,486,579)
Right to use assets - equipment	(5,386)	(1,795)	-	-	(7,181)
Right to use assets - subscriptions	(158,854)	(114,086)	-	-	(272,940)
Total accumulated depreciation and amortization	<u>(243,310,918)</u>	<u>(12,512,840)</u>	<u>85,815</u>	<u>-</u>	<u>(255,737,943)</u>
Total capital assets, being depreciated and amortized, net	<u>240,473,371</u>	<u>17,921,767</u>	<u>-</u>	<u>-</u>	<u>258,395,138</u>
Business-type activities' capital assets, net	<u>283,290,454</u>	<u>45,142,308</u>	<u>(26,698,784)</u>	<u>-</u>	<u>301,733,978</u>
Total capital assets, net - Primary Government	<u>\$ 566,640,542</u>	<u>104,621,279</u>	<u>(69,009,474)</u>	<u>10,483,050</u>	<u>612,735,397</u>

COUNTY OF HANOVER
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Capital assets activity for the School Board Component Unit for the year ended June 30, 2025 was as follows:

	Balance July 1	Increases	Decreases	Adjustment Assets Held In Tenancy in Common	Balance June 30
School Board Component Unit activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 7,400,682	-	-	-	7,400,682
Construction in progress	7,040,279	21,164,526	(55,105,547)	30,906,373	4,005,631
Total capital assets, not being depreciated or amortized	<u>14,440,961</u>	<u>21,164,526</u>	<u>(55,105,547)</u>	<u>30,906,373</u>	<u>11,406,313</u>
Capital assets, being depreciated and amortized:					
Buildings	184,222,995	52,012,187	-	(67,028,830)	169,206,352
Improvements other than buildings	42,644,797	476,498	-	-	43,121,295
Machinery and equipment	42,482,112	4,139,909	(1,662,004)	-	44,960,017
Right to use assets - buildings	197,575	-	(115,555)	-	82,020
Right to use assets - equipment	1,234,718	183,250	(135,842)	-	1,282,126
Right to use assets - subscriptions	1,233,320	188,700	(78,264)	-	1,343,756
Total capital assets, being depreciated and amortized	<u>272,015,517</u>	<u>57,000,544</u>	<u>(1,991,665)</u>	<u>(67,028,830)</u>	<u>259,995,566</u>
Less accumulated depreciation and amortization for:					
Buildings	(118,549,983)	(4,373,632)	-	25,639,407	(97,284,208)
Improvements other than buildings	(13,711,866)	(1,976,506)	-	-	(15,688,372)
Machinery and equipment	(32,213,617)	(2,186,080)	1,154,840	-	(33,244,857)
Right to use assets - buildings	(138,524)	(50,507)	115,555	-	(73,476)
Right to use assets - equipment	(406,536)	(318,355)	133,759	-	(591,132)
Right to use assets - subscriptions	(599,029)	(365,867)	78,264	-	(886,632)
Total accumulated depreciation and amortization	<u>(165,619,555)</u>	<u>(9,270,947)</u>	<u>1,482,418</u>	<u>25,639,407</u>	<u>(147,768,677)</u>
Total capital assets, being depreciated and amortized, net	<u>106,395,962</u>	<u>47,729,597</u>	<u>(509,247)</u>	<u>(41,389,423)</u>	<u>112,226,889</u>
School Board Component Unit capital assets, net	<u>\$ 120,836,923</u>	<u>68,894,123</u>	<u>(55,614,794)</u>	<u>(10,483,050)</u>	<u>123,633,202</u>

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

Primary Government:

Governmental activities:

General governmental administration	\$ 1,880,251
Judicial administration	1,222,010
Public safety	8,653,405
Public works	3,659,445
Human services	304,155
Parks, recreation and cultural	1,549,309
Community development	126,495
Education	4,789,355
Total - governmental activities	<u>22,184,425</u>

Business-type activities:

Public Utilities	11,655,021
Airport	857,819
Total - business-type activities	<u>12,512,840</u>
Total depreciation and amortization expense - Primary Government	<u><u>\$ 34,697,265</u></u>

School Board Component Unit:

Education	\$ 9,270,946
Total depreciation and amortization expense - School Board Component Unit	<u><u>\$ 9,270,946</u></u>

COUNTY OF HANOVER
Notes to Financial Statements
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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, 2025, the County had outstanding financial obligations related to the acquisition and construction of school property totaling \$89,465,436. Accordingly, school buildings with a net book value of that amount are reported in the governmental activities of the Primary Government at June 30, 2025. During fiscal year 2025, the County’s financial obligations related to school buildings and construction in progress increased by a net amount of \$5,693,694, and accordingly, the net book value of school buildings and construction in progress reported by the Primary Government increased, and the net book value of buildings and construction in progress reported by the School Board Component Unit decreased 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 \$14,060,301 in fiscal year 2025, of which \$4,789,355 is reported by the Primary Government and \$9,270,946 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. Transfers from the General Fund are to move funds that are collected in the General Fund to the County and School Improvements Funds to finance capital projects. General Fund transfers to the Debt Service Fund are to fund annual debt service payments on County and School obligations. General Fund transfers to the Airport Fund are to finance capital projects and support operations. Interfund transfers for the year ended June 30, 2025 are as follows:

Primary Government	Transfers In	Transfers Out
General Fund	\$ 288,110	64,265,920
County Improvements Fund	31,522,918	288,110
School Improvements Fund	7,015,000	-
Debt Service Fund	25,615,710	-
Public Utilities	29,000	-
Airport Fund	83,292	-
Total Primary Government	<u>64,554,030</u>	<u>64,554,030</u>

E. Unearned revenues

The County has reported unearned revenues of \$12.8 million on the Statement of Net Position as of June 30, 2025. Of this amount, \$3.0 million is related to revenues received in fiscal year 2025 to be recognized for activity occurring in fiscal year 2026. The remaining \$9.8 million is related to the American Rescue Plan Act of 2021 (ARPA), which were received in May 2021 and must be used for directed uses that include supporting the public health response to COVID-19, supporting small businesses, and improving water, sewer, and broadband infrastructure. Related costs were obligated by December 31, 2024 and must be spent by December 31, 2026.

COUNTY OF HANOVER
Notes to Financial Statements
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F. 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, 2025:

<u>Primary Government</u>	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Governmental activities:					
General obligation bonds payable:					
Principal amount of bonds payable	\$ 87,423,579	73,225,000	9,569,891	151,078,688	13,249,578
Premium	10,099,131	10,361,337	1,585,061	18,875,407	1,572,805
Infrastructure and state moral obligation bonds payable:					
Principal amount of bonds payable	52,280,000	-	2,155,000	50,125,000	2,210,000
Premium	3,871,081	-	229,245	3,641,836	229,246
Total bonds payable	<u>153,673,791</u>	<u>83,586,337</u>	<u>13,539,197</u>	<u>223,720,931</u>	<u>17,261,629</u>
Notes payable	955,000	-	115,000	840,000	120,000
Premium on notes payable	121,515	-	20,252	101,263	20,253
Lease obligations	1,735,883	146,954	267,523	1,615,314	211,279
Subscription obligations	620,786	2,111,169	1,040,973	1,690,982	879,760
Arbitrage liability**	455,917	1,266,126	290,356	1,431,687	137,802
Compensated absences*	13,256,873	197,660	-	13,454,533	8,459,302
Liability for landfill closure	1,423,416	31,316	-	1,454,732	31,316
Support agreement	905,000	-	135,000	770,000	140,000
Premium on support agreement	17,874	-	2,979	14,895	2,979
Net pension liability	15,701,984	12,825,875	9,012,386	19,515,473	-
Net other postemployment benefits liability	4,461,392	399,264	744,235	4,116,421	-
Total governmental activities	<u>193,329,431</u>	<u>100,564,701</u>	<u>25,167,901</u>	<u>268,726,231</u>	<u>27,264,320</u>
Business-type activities:					
Public Utilities:					
Water and sewer revenue bonds payable:					
Principal amount of bonds payable	5,033,242	-	1,410,811	3,622,431	475,810
Premium	595,033	-	161,539	433,494	48,165
Total bonds payable	<u>5,628,275</u>	<u>-</u>	<u>1,572,350</u>	<u>4,055,925</u>	<u>523,975</u>
Lease obligations	3,453	-	1,858	1,595	1,595
Subscription obligations	532,048	-	48,623	483,425	96,855
Compensated absences*	995,877	-	21,796	974,081	555,524
Deposits	532,033	241,030	210,301	562,762	-
Capacity fee credits	9,056	77,836	79,035	7,857	-
Net pension liability	1,092,867	725,997	549,734	1,269,130	-
Net other postemployment benefits liability	310,516	27,579	70,396	267,699	-
Total Public Utilities	<u>9,104,125</u>	<u>1,072,442</u>	<u>2,554,093</u>	<u>7,622,474</u>	<u>1,177,949</u>
Airport Fund:					
VRA airport revenue bond payable	2,440,269	-	218,863	2,221,406	223,679
Compensated absences*	12,183	4,392	-	16,575	4,881
Net pension liability	18,495	11,029	8,719	20,805	-
Net other postemployment benefits liability	5,255	172	1,038	4,389	-
Total Airport Fund	<u>2,476,202</u>	<u>15,593</u>	<u>228,620</u>	<u>2,263,175</u>	<u>228,560</u>
Total Business-type activities:					
Revenue bonds payable:					
Principal amount of bonds payable	7,473,511	-	1,629,674	5,843,837	699,489
Premium	595,033	-	161,539	433,494	48,165
Total bonds payable	<u>8,068,544</u>	<u>-</u>	<u>1,791,213</u>	<u>6,277,331</u>	<u>747,654</u>
Lease obligations	3,453	-	1,858	1,595	1,595
Subscription obligations	532,048	-	48,623	483,425	96,855
Compensated absences*	1,008,060	4,392	21,796	990,656	560,405
Deposits	532,033	241,030	210,301	562,762	-
Capacity fee credits	9,056	77,836	79,035	7,857	-
Net pension liability	1,111,362	737,026	558,453	1,289,935	-
Net other postemployment benefits liability	315,771	27,751	71,434	272,088	-
Total business-type activities	<u>11,580,327</u>	<u>1,088,035</u>	<u>2,782,713</u>	<u>9,885,649</u>	<u>1,406,509</u>
Total noncurrent liabilities - Primary Government	<u>\$ 204,909,758</u>	<u>101,652,736</u>	<u>27,950,614</u>	<u>278,611,880</u>	<u>28,670,829</u>

COUNTY OF HANOVER
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<u>School Board Component Unit</u>					
Lease obligations	\$ 890,280	180,982	359,801	711,461	296,301
Subscription obligations	675,084	-	356,161	318,923	318,923
Compensated absences *	17,667,452	1,217,191	-	18,884,643	9,771,451
Net pension liability	123,172,462	1,106,241	10,241,528	114,037,175	-
Net other postemployment benefits liability	21,430,310	-	1,242,846	20,187,464	-
Total noncurrent liabilities - School Board Component Unit	\$ 163,835,588	2,504,414	12,200,336	154,139,666	10,386,675
<u>Economic Development Authority Component Unit</u>					
Support agreement	\$ 905,000	-	135,000	770,000	140,000
Total noncurrent liabilities - EDA Component Unit	\$ 905,000	-	135,000	770,000	140,000

*Beginning balances for compensated absences were restated due to the implementation of GASB Statement No. 101, *Compensated Absences*. The change in the balance of compensated absences is shown net of additions and reductions.

** The beginning balance for arbitrage liability was reclassified from the prior year.

Lease obligations, support agreements, 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 \$1,454,732 reported as landfill closure and post closure care liability at June 30, 2025 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 2025. 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.

COUNTY OF HANOVER
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On July 26, 2017, the Virginia Public School Authority issued School Financing Refunding Bonds in which the Primary Government was a participant. The County debt service payments will remain unchanged and the VPSA will issue an annual credit for the return of debt services savings each year from fiscal year 2019 through fiscal year 2032. The credit received in fiscal year 2025 was \$14,800 and the total credit savings from this refunding transaction total \$220,594. As the County's local bond was not refunded, there is no defeased debt and no deferred gain or loss recognized in the transaction.

On November 10, 2020, 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 2022 through fiscal year 2026. The credit received in fiscal year 2025 was \$72,749 and the credit savings from this refunding transaction total \$237,286. As the County's local bond was not refunded, there is no defeased debt and no deferred gain or loss recognized in the transaction.

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 \$13.1 million as of June 30, 2025, 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 remaining seven-year period ended June 30, 2025 of approximately \$14.8 million annually, it is estimated that approximately 3.5 percent of future Utility net available revenues are pledged through fiscal 2032, and will expire in that fiscal year with the final maturity of the current Bonds. However, future water and sewer revenue bonds, which may be issued to finance future utility improvements, will likely contain similar pledges, and future annual net available revenues may differ significantly from the average used in this estimate. In the event of default, the lender may provide prompt, written notice declaring the entire unpaid balance as due and payable. The lender also has the option of applying to the State Aid Intercept Program and request that the Commonwealth withholds its payments to the County to be applied to the defaulted amount as a cure for nonpayment. During fiscal year 2025, pledged net available revenues totaled \$13,115,849 and the water and sewer revenue bond debt service requirement was \$1,453,619.

The County has also pledged future lease rental income from the airport's fixed base operator (FBO), or successor FBOs, of \$317,402 as of June 30, 2025, to secure the then-remaining debt service requirements on the Airport VRA Series 2007 revenue bond (Bond), which financed airport improvements completed in fiscal 2008. This pledge obligates substantially all future FBO rental income through July 1, 2027 and will expire on that date with the final maturity of the Bond. However, future annual net available revenues may differ significantly from the average used in this estimate. In the event of default, the lender may provide prompt, written notice declaring the entire unpaid balance as due and payable. The lender also has the option of applying to the State Aid Intercept Program and request that the Commonwealth withholds its payments to the County to be applied to the defaulted amount as a cure for nonpayment. During fiscal year 2025 pledged rental receipts totaled \$284,864 and the debt service requirement was \$126,174.

COUNTY OF HANOVER
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The following is a schedule, by year, of principal and interest payments of revenue bonds for the Airport as of June 30, 2025:

Fiscal Year		Principal	Interest	Total
2026	\$	123,286	3,675	126,961
2027		124,906	2,055	126,961
2028		63,067	413	63,480
Totals	\$	311,259	6,143	317,402

Airport Revolving Loan

In June 2020, the County finalized a loan from the Virginia Airports Revolving Fund in the amount of \$2,323,575 to design and construct a new hangar at the Hanover County Municipal Airport. Obligations for this loan will be liquidated by rental revenues generated by a lease of the hangar facility. The rental revenues are structured to generate revenues sufficient to maintain rate covenant requirements. The County covenants that, in each fiscal year, the Airport's rental revenues relating to the new hangar will be at least 125% of the amount required to pay annual debt service on the loan. Default of the rate covenant requires a qualified independent consultant report including recommendations as to proper maintenance and operation of the system and estimation of costs thereof and the rates, fees and other charges which should be established by the County to satisfy the rate covenant.

The County's pledged future lease rental income is \$2,434,170 as of June 30, 2025, to secure the then-remaining debt service requirements on the Airport VRA Series 2019 revenue bond. This pledge obligates substantially all future rental income through February 1, 2040 and expires on the final maturity of the bond. However, future annual Net Available Revenues may differ significantly from the average used in this estimate. During fiscal year 2025, pledged rental receipts totaled \$177,765 and the debt service requirement was \$160,949.

The following is a schedule, by year, of principal and interest payments of revenue bonds as of June 30, 2025:

Fiscal Year		Principal	Interest	Total
2026	\$	100,393	61,885	162,278
2027		103,716	58,563	162,279
2028		107,148	55,130	162,278
2029		110,694	51,584	162,278
2030		114,358	47,921	162,279
2031-2035		631,128	180,264	811,392
2036-2040		742,710	68,682	811,392
Totals	\$	1,910,147	524,029	2,434,176

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2025

County General Obligation Bonds and Revenue Bonds

Outstanding general obligation bonds and revenue bonds as of June 30, 2025 are comprised of the following issues:

(See schedule on following page)

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2025

Purpose	Interest Rates (%)	Date Issued	Original Issue	Principal Outstanding
Governmental activities:				
General obligation bonds:				
County:				
Series 2015 Refunding	2.00 - 5.00	03-19-15	11,199,110	\$ 4,976,470
Series 2019 Refunding	5.00	10-17-19	7,415,100	2,992,275
Total general obligation bonds - County				<u>7,968,745</u>
Schools:				
Series 2015 Refunding	2.00 - 5.00	03-19-15	9,335,890	4,148,530
Series 2019 Refunding	5.00	10-17-19	7,564,900	3,052,725
VPSA Series 2005A	3.10 - 5.10	05-12-05	16,105,000	805,000
VPSA Series 2005B	4.60 - 5.10	11-10-05	6,995,000	345,000
VPSA Series 2005C	4.60 - 5.10	11-10-05	6,967,658	373,900
VPSA Series 2007	4.35 - 5.10	11-08-07	13,838,206	2,214,788
VPSA Series 2011B	2.05 - 5.05	11-09-11	5,855,000	2,030,000
VPSA Series 2014A	2.68 - 5.05	05-15-14	1,895,000	1,130,000
VPSA Series 2015B	2.05 - 5.05	05-14-15	4,470,000	2,945,000
VPSA Series 2016B	2.80 - 5.05	11-01-16	9,140,000	5,460,000
VPSA Series 2018B	3.675 - 5.05	11-06-18	4,680,000	3,270,000
VPSA Series 2020B	2.05 - 5.05	11-10-20	8,695,000	6,955,000
VPSA Series 2022	4.00 - 5.00	09-28-22	41,285,000	37,155,000
VPSA Series 2024	5.05	09-23-24	73,225,000	73,225,000
Total general obligation bonds - Schools				<u>143,109,943</u>
Total governmental activities - general obligation bonds				<u>151,078,688</u>
Infrastructure and state moral obligation revenue bonds:				
VRA Series 2014A	2.74 - 4.83	5-21-14	19,950,000	16,330,000
VRA Series 2015B	3.125 - 5.125	8-19-15	21,505,000	17,625,000
VRA Series 2018C	4.125 - 5.125	11-14-18	10,945,000	7,645,000
VRA Series 2019C	2.966 - 5.125	11-20-19	11,375,000	8,525,000
Total infrastructure and state moral obligation bonds				<u>50,125,000</u>
Business-type activities:				
Public Utilities:				
Water and sewer revenue bonds:				
Series 2007	0.00	07-19-07	616,206	92,432
Series 2014B Refunding	2.031 - 5.025	08-13-14	6,420,000	3,530,000
Total Public Utilities				<u>3,622,432</u>
Airport Fund:				
Taxable airport revenue bond:				
VRA Series 2007	1.31	03-21-07	1,795,000	311,258
VRA Series 2019	3.283	06-27-19	2,323,575	1,910,147
Total Airport Fund				<u>2,221,405</u>
Total Business-type activities				<u>5,843,837</u>
Total bond indebtedness - Primary Government				<u>\$ 207,047,525</u>

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2025

Principal and interest to maturity for the County’s governmental activities general obligation bonds and business-type activities revenue bonds outstanding at June 30, 2025, are as follows:

Fiscal Year	Governmental Activities		Business-type Activities				Total	
	General Obligation Bonds		Water and Sewer Revenue Bonds		Taxable Airport Revenue Bond		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2026	\$ 13,249,578	6,923,014	475,810	140,759	223,679	65,560	13,949,067	7,129,333
2027	11,753,132	6,317,940	490,811	119,019	228,622	60,617	12,472,565	6,497,576
2028	10,995,978	5,757,814	510,810	97,932	170,215	55,543	11,677,003	5,911,289
2029	10,270,000	5,238,841	505,000	75,791	110,694	51,584	10,885,694	5,366,216
2030	9,400,000	4,762,566	525,000	52,547	114,358	47,921	10,039,358	4,863,034
2031-2035	37,545,000	17,977,721	1,115,000	40,965	631,128	180,264	39,291,128	18,198,950
2036-2040	32,955,000	9,634,011	-	-	742,710	68,682	33,697,710	9,702,693
2041-2045	24,910,000	2,039,215	-	-	-	-	24,910,000	2,039,215
Totals	\$ 151,078,688	58,651,122	3,622,431	527,013	2,221,406	530,171	156,922,525	59,708,306

The County has no legal debt margin requirement. Any issuance of general obligation bonded debt, except State Literary Fund loans, VPSA bonds, and VRA Infrastructure and State Moral Obligation Revenue 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) with interest rates between 2.74% and 4.83%. In return for issuing the 2014 VRA Bond, VRA provided the County with a portion of the proceeds realized from its 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 with interest rates between 31.25% and 5.125%. In return for issuing the 2015 VRA Bond, VRA provided the County with a portion of the proceeds realized from its August 2015 pooled financing bond transaction. Amounts required for debt service are deposited into a special fund within the Debt Service Fund and are pledged to secure the local bonds. The obligation for these bonds is to be liquidated by the Debt Service Fund and is subject to annual appropriation. The 2015 VRA Bond was issued to finance the completion of a new courthouse facility and renovations of existing buildings.

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

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On November 20, 2019, the Primary Government issued a \$11,375,000 Series 2019C subfund revenue bond through the VRA with interest rates between 2.966% and 5.125%. In return for issuing the 2019 VRA Bond, VRA provided the County with a portion of the proceeds realized from its fall 2019 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 2019 VRA Bond was issued to finance building renovations, parks, recreation and cultural capital projects.

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

Principal and interest to maturity for the Infrastructure and State Moral Obligation Revenue Bonds outstanding at June 30, 2025 are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2026	\$ 2,210,000	2,065,275	4,275,275
2027	2,260,000	1,953,231	4,213,231
2028	2,310,000	1,840,476	4,150,476
2029	2,360,000	1,735,931	4,095,931
2030	2,400,000	1,634,634	4,034,634
2031-2035	12,785,000	6,607,012	19,392,012
2036-2040	13,765,000	3,943,770	17,708,770
2041-2045	10,790,000	1,507,292	12,297,292
2046-2050	1,245,000	29,591	1,274,591
Totals	\$ 50,125,000	21,317,212	71,442,212

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, 2025, the principal amounts outstanding on these IRBs totaled approximately \$80.9 million.

Support Agreement

On March 23, 2011, the EDA issued Revenue and Refunding Bonds, Series 2011 (EDA Bonds) with interest rates between 2.0% and 5.0% 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

COUNTY OF HANOVER
Notes to Financial Statements
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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 \$137,979 were paid by the County during the fiscal year ended June 30, 2025.

The Support Agreement annual debt service requirements to maturity as of June 30, 2025, excluding amortization of premium, are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2026	\$ 140,000	37,275	177,275
2027	145,000	31,500	176,500
2028	155,000	24,250	179,250
2029	160,000	16,500	176,500
2030	170,000	8,500	178,500
Totals	\$ 770,000	118,025	888,025

Notes Payable

The County has financed the acquisition of office facilities and a communications system by issuing notes payable.

On November 15, 2017, the County issued Series 2017C VRA refunding bonds in the amount of \$1,285,000, and entered into a Local Lease Acquisition Agreement and Amended and Restated Financing Lease with the VRA. The Series 2017C bonds were issued with interest rates between 4.443 and 5.125 percent, to refund \$1,370,000 of Series 2010A VRA bonds.

The balance of capital assets, net of accumulated depreciation, and the principal and interest payments as of June 30, 2025, are as follows:

(See schedule on following page)

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<u>Asset Class</u>	<u>Primary Government - Governmental Activities</u>
Land	\$ 384,847
Buildings	13,804,580
Machinery and equipment	859,437
Total assets, at cost	15,048,864
Accumulated depreciation	(10,476,042)
Total assets, net	<u>\$ 4,572,822</u>

<u>Fiscal Year</u>	<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 120,000	38,675	158,675
2027	130,000	32,269	162,269
2028	135,000	25,478	160,478
2029	145,000	18,503	163,503
2030	150,000	11,344	161,344
2031-2036	160,000	3,850	163,850
Totals	<u>\$ 840,000</u>	<u>130,119</u>	<u>970,119</u>

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, 2025, the County had general obligation bonds that were outstanding but considered defeased totaling \$900,000 and Public Utilities had revenue bonds that were outstanding, but considered defeased totaling \$4,850,000.

Lease Obligations

The County, Public Utilities and School Board lease assets from a number of suppliers, including leases for office space, office equipment, vehicles, and land. The lease agreement durations for vehicles and office equipment range from three years with extensions to five years. The duration for office space ranges from two to ten years and the duration for land leases range from twenty to thirty years. Amounts are paid on a monthly basis with no variable components noted. Additionally, there are no residual terms or guarantees.

The lease assets are presented as right-to-use assets on the Statement of Net Position and in footnote IV.C. for Capital assets and the lease obligations are outlined in footnote IV.F. for Noncurrent liabilities. As stated rates were unavailable in the lease agreements, the discount rate used to determine the liability amount was the County's incremental borrowing rate at the beginning of the lease term. The value of the underlying assets and the annual requirements to maturity relating to leases at June 30, 2025 are as follows:

COUNTY OF HANOVER
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Lease Assets	Governmental		School Board	Total
	Activities	Public Utilities	Component Unit	
Buildings	\$ 458,698	-	82,020	540,718
Equipment	1,969,542	8,678	1,282,126	3,260,346
Total Leases	2,428,240	8,678	1,364,146	3,801,064
Less Accumulated Amortization	(972,784)	(7,181)	(664,608)	(1,644,573)
Totals	\$ 1,455,456	1,497	699,538	2,156,491

Fiscal Year	Governmental Activities		Public Utilities		School Board Component Unit		Total Payments	
	Lease Obligations		Lease Obligations		Lease Obligations		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2026	\$ 211,279	84,257	1,595	24	296,301	15,755	509,175	100,036
2027	133,337	78,729	-	-	225,232	8,481	358,569	87,210
2028	89,222	74,822	-	-	142,890	3,111	232,112	77,933
2029	60,550	71,843	-	-	41,738	596	102,288	72,439
2030	14,138	70,042	-	-	5,300	40	19,438	70,082
2031-2035	91,489	335,732	-	-	-	-	91,489	335,732
2036-2040	189,627	290,247	-	-	-	-	189,627	290,247
2041-2045	330,006	206,128	-	-	-	-	330,006	206,128
2046-2050	316,551	85,026	-	-	-	-	316,551	85,026
2051-2055	179,115	23,300	-	-	-	-	179,115	23,300
Totals	\$ 1,615,314	1,320,126	1,595	24	711,461	27,983	2,328,370	1,348,133

Subscription Obligations

The County, Public Utilities and the School Board have entered into subscription agreements for use of various software systems. Subscription assets are presented as right-to-use assets on the Statement of Net Position and in footnote IV.C. for Capital assets and the lease obligations are outlined in footnote IV.F. for Noncurrent liabilities. As stated rates were unavailable in the subscription agreements, the discount rate used to determine the liability amount was the County's incremental borrowing rate at the beginning of the subscription term. The value of the underlying assets and the annual requirements to maturity relating to subscriptions at June 30, 2025 are as follows:

Subscription Assets	Governmental		School Board	Total
	Activities	Public Utilities	Component Unit	
Software	\$ 3,234,935	793,131	1,343,755	5,371,821
Less Accumulated Amortization	(1,266,404)	(272,940)	(886,630)	(2,425,974)
Totals	\$ 1,968,531	520,191	457,125	2,945,847

Fiscal Year	Governmental Activities		Public Utilities		School Board Component Unit		Total Payments	
	Subscription Obligations		Subscription Obligations		Subscription Obligations		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2026	\$ 879,760	38,088	96,855	19,780	318,923	2,263	1,295,538	60,131
2027	753,010	18,788	87,709	17,703	-	-	840,719	36,491
2028	28,814	1,012	38,921	15,494	-	-	67,735	16,506
2029	6,977	348	11,339	14,297	-	-	18,316	14,645
2030	7,060	265	13,244	13,673	-	-	20,304	13,938
2031-2035	15,362	288	101,168	55,003	-	-	116,530	55,291
2036-2039	-	-	134,190	19,295	-	-	134,190	19,295
Totals	\$ 1,690,983	58,789	483,426	155,245	318,923	2,263	2,493,332	216,297

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2025

V. Other information

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries insurance through commercial carriers or through the Virginia Municipal Liability Pool. The County carries commercial insurance for all risks of loss including property, theft, auto liability, general liability, line of duty, cyber and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the past three years. There was no reduction in insurance coverage during fiscal year 2025. All claims are paid in accordance with policy coverage in effect at the time. In addition, the County provides various surety bond coverage as required under regulations, generally at industry-recommended levels.

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

The County and School Board have chosen to retain the risk associated with the employee's health insurance plan. Risk is retained at 100% up to an individual stop loss amount of \$225,000 for individual claims paid during the contract year. 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
2024	\$ -	44,322,896	44,322,896	-	2,981,939
2025	\$ -	50,559,787	50,559,787	-	3,510,446

	Balance July 1	Increases	Decreases	Balance June 30
Incurred But Not Reported	\$ 2,981,939	50,559,787	(50,031,280)	3,510,446

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2025

B. Fund Balance Classifications

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

	Primary Government				Total Governmental Funds	School Board Component Unit	Economic Development Authority
	General Fund	County Improvements Fund	School Improvements Fund	Debt Service Fund			
Nonspendable:							
Inventory	\$ 376,472	-	-	-	376,472	-	-
Prepaid expenditures	-	4,924,973	-	-	4,924,973	597,801	-
Total nonspendable	376,472	4,924,973	-	-	5,301,445	597,801	-
Restricted for:							
Public safety - asset forfeitures	591,753	-	-	-	591,753	-	-
Judicial administration - asset forfeitures	28,010	-	-	-	28,010	-	-
Judicial administration - grants and donations	156,795	-	-	-	156,795	-	-
Public safety - grants and donations	10,605	-	-	-	10,605	-	-
Public works - recycling service districts	134,466	-	-	-	134,466	-	-
Health and human services - Federal and state grants	720,803	-	-	-	720,803	-	-
Health and human services - donations	15,078	-	-	-	15,078	-	-
Community Support - Opioid settlement	761,312	-	-	-	761,312	-	-
Parks, recreation and cultural donations	30,075	-	-	-	30,075	-	-
Education - grants	-	-	-	-	-	169,330	-
Capital improvements	-	65,900,802	71,778,908	-	137,679,710	-	-
Total restricted	2,448,897	65,900,802	71,778,908	-	140,128,607	169,330	-
Committed to:							
Economic development	500,000	-	-	-	500,000	-	-
Total committed	500,000	-	-	-	500,000	-	-
Assigned to:							
Education	10,720,750	-	-	-	10,720,750	8,181,840	-
Economic development	5,000,000	-	-	-	5,000,000	-	-
Debt service	-	-	-	14,243,670	14,243,670	-	-
Encumbrances and reappropriations	3,127,217	-	-	-	3,127,217	-	-
Funding of subsequent fiscal years' adopted budget	19,061,250	-	-	-	19,061,250	-	95,000
Insurance reserves	500,000	-	-	-	500,000	-	-
Economic stability reserves	5,000,000	-	-	-	5,000,000	-	-
Capital improvements	47,575,669	54,321,766	12,855,869	-	114,753,304	-	-
Total assigned	90,984,886	54,321,766	12,855,869	14,243,670	172,406,191	8,181,840	95,000
Unassigned fund balance	53,358,721	-	-	-	53,358,721	-	32,773
Total fund balances	\$ 147,668,976	125,147,541	84,634,777	14,243,670	371,694,964	8,948,971	127,773

C. Commitments and contingent liabilities

Other commitments

At June 30, 2025, the Primary Government had commitments for capital projects totaling \$128.1 million as follows:

	Primary Government				Total Primary Government
	County Improvements Fund	School Improvements Fund	Public Utilities Fund	Airport Fund	
Total capital commitments	\$ 42,195,944	75,465,334	10,185,885	278,639	128,125,802

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

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Notes to Financial Statements
June 30, 2025

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				Schools Component Unit
	General	County	School	Total	
	Fund	Improvements Fund	Improvements Fund	Primary Government	
Encumbrances outstanding at fiscal year-end	\$ 2,410,796	42,195,944	75,465,334	120,072,074	2,007,245

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 County’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.

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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 of the InUnison (<https://inunison.org/>).

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 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 \$1,715,030 for transient occupancy tax to the GRCCA during fiscal year 2025. Complete financial statements for the GRCCA can be obtained from Chesterfield County, Accounting Department, 9901 Lori Road, Chesterfield, Virginia 23832.

Dominion Energy Innovation Center: The Dominion Energy Innovation Center (DEIC), formally known as Dominion Resources GreenTech Incubator, 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. The DEIC'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 DEIC 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 agreed to provide \$80,000, prorated annually for each of the 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 DEIC. The Participants are committed to ensuring the long-term financial viability of DEIC, without the requirement for major cash subsidies after the first five years of operation. During fiscal year 2025, the EDA contributed \$20,000. Neither the County nor EDA have any ongoing financial interest in DEIC. Annual audited financial statements are available from DEIC 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 fifteen 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 2025, the School Board paid tuition in the

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amount of \$418,000. 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 and Goochland. Management and accountability for fiscal matters rest with the Library's Board, of which the County appoints five of the seven 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. During fiscal year 2024, King and Queen County withdrew from the regional library system effective June 30, 2024, and King William County withdrew effective June 30, 2025. These withdrawals reduced the number of Pamunkey Regional Library branches from nine to seven and are expected to affect both revenues and expenditures in future fiscal years. In fiscal year 2025, the County contributed a total of \$3,860,396 to the Library's operations. Complete financial statements for the Library can be obtained from the Director's office at 7443 Lee Davis Road, Suite 300, Mechanicsville, Virginia 23111.

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 \$6,726,946 in fiscal year 2025. 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

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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 2025, the County's per diem payments to the Detention Commission totaled \$335,132. 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 20-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 to meet waste reduction mandates set by the Virginia General Assembly. Twenty-three 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 2025 payments to the Waste Authority totaled \$765,789. 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 two representatives serving on GRP's Board of Directors. During fiscal year 2025, the County made payments to the GRP totaling \$385,000. Complete financial statements can be obtained from GRP's office at 800 E. Canal Street, Ste. 925, Richmond, Virginia 23219.

Richmond Region Tourism: The Richmond Metropolitan Convention and Visitors Bureau (RMCVB) serves the Counties of Chesterfield, Hanover, Henrico, New Kent, Town of Ashland, and the Cities of Richmond and Colonial Heights 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 2025 contributions to RMCVB totaling \$366,054. Complete financial statements can be obtained from the RMCVB's office at 401 North 3rd Street, Richmond, Virginia 23219.

PlanRVA The Regional Commission: The PlanRVA the Regional Commission, formally known as the Richmond Regional Planning District Commission, 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 Commission 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 PlanRVA 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 PlanRVA totaling \$62,806 in fiscal year 2025. Complete financial statements can be obtained from PlanRVA at 424 Hull Street, Suite 300, Richmond, Virginia 23234.

F. Defined benefit pension plans – Virginia Retirement System

Pension Plans

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

Cost-Sharing Multiple-Employer Plan - The School Board professional employees participate in a cost-sharing multiple-employer defined benefit pension plan administered by VRS. The VRS establishes a separate annual contribution requirement for the School Board's professional employees who participate in the VRS statewide teacher cost-sharing pool.

For purposes of measuring the net pension liability/(asset), 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.

Pension Plan Data - Information about the VRS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Financial Report (Annual Report) and GASB 68 Report. A copy of the 2024 VRS Annual Report and GAAP Pension Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2024-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

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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. The Hybrid Retirement Plan's effective date for eligible Plan 1 and 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible to an optional retirement plan (ORP) and had prior service under Plan 1 or 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or 2 or ORP.

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.

Service Credit: Service credit includes active service. Members earn service credit 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 service credit 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 service credit. 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, service credit and plan multiplier. An early retirement reduction is applied to this Basic Benefit if the member retiring with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

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

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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.
- 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 1.70% under Plan 1 and 1.65% under Plan 2 on all service, regardless of when it was earned, purchased or granted.

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

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

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

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

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

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

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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, except as governed by law until age 73.

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 is consistent with the provisions noted for Plan 2.

Disability Coverage: Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 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, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

(See schedule on following page)

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	County	School Board Non-Professional
Inactive members or their beneficiaries currently receiving benefits	760	232
Inactive members:		
Vested inactive members	282	52
Non-vested inactive members	345	128
Inactive members active elsewhere in VRS	441	68
Total inactive members	1068	248
Active members:		
Total covered employees	1,176	358
	3,004	838

Contributions

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

The contractually required employer contribution rates for the County and for the School Board’s non-professional employee group for the fiscal year ended June 30, 2025 were 12.27% and 1.12%, respectively, of their annual covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 \$ 11,478,148 and \$9,848,994 for the years ended June 30, 2025 and June 30, 2024, respectively. Contributions from the School Board’s non-professional group were \$123,395 and \$0 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory 1% of their covered payroll. The employer must also contribute a mandatory 1% of this covered payroll, which totaled \$269,162 for the County and \$71,063 for the School Board’s non-professional group for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$366,981 for the County and \$45,182 for the School Board’s non-professional group for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$26,916,243 for the County and \$7,106,257 for the School Board’s non-professional group for the year ended June 30, 2025.

Net Pension Liability and Asset

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GAAP, less that employer’s fiduciary net position. At June 30, 2025, the County reported a net pension liability of \$20,805,408 and the School

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Board’s non-professional group reported a net pension asset of \$6,487,543; this net pension liability/asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions – General and Public Safety Employees

The total pension liability was measured as of June 30, 2023 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, 2024:

(See schedule on following page)

	General Employees and Public Safety Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35% for County general employees and School Board non-professional group and 3.50% - 4.75% for County public safety employees
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Mortality Rates	15% of deaths are assumed to be service related for County general employees and School Board non-professional group and 45% of deaths are assumed to be service related for County public safety employees
Pre-Retirement	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years; for County public safety employees, Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years
Post-Retirement	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years; for County public safety employees, Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and 105% for females set forward 3 years
Post-Disablement	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years; for County public safety employees, Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years; for County public safety employees, Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates; for County public safety employees, rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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County General Employees	County Public Safety Employees
Updated mortality rates to PUB2010 public sector mortality tables For future mortality improvements, replaced load with a modified Mortality Improvement Scale MP-2020	Updated mortality rates to PUB2010 public sector mortality tables Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid changed final retirement age	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service	Decreased withdrawal rates and changed rates from based on service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
No change in disability rates, salary scale, line of duty disability, or discount rate	No change in disability rates, salary scale, line of duty disability, or discount rate

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 VRS 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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
	<u>100.00%</u>		<u>7.07%</u>
		*Expected arithmetic normal return	<u>7.07%</u>

* The above allocation provides a one-year return of 7.07% (includes a 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund allocation at that time, providing a median return of 7.14%, including an expected inflation rate of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used

COUNTY OF HANOVER
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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. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer rate from the June 30, 2023 actuarial valuations. From July 1, 2024 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 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.

COUNTY OF HANOVER
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Changes in Net Pension Liability/(Asset) (County)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) - (b)
Balances at June 30, 2023	\$ 374,963,529	\$ 358,150,183	\$ 16,813,346
Changes for the year:			
Service cost	10,744,332	-	10,744,332
Interest	25,477,633	-	25,477,633
Differences between expected and actual experience	16,421,498	-	16,421,498
Contributions - employer	-	9,848,994	(9,848,994)
Contributions - employee	-	4,212,171	(4,212,171)
Net investment income	-	34,807,687	(34,807,687)
Benefit payments, including refunds of employee contributions	(16,522,880)	(16,522,880)	-
Administrative expenses	-	(224,777)	224,777
Other changes	-	7,326	(7,326)
Net changes	36,120,583	32,128,521	3,992,062
Balances at June 30, 2024	\$ 411,084,112	\$ 390,278,704	\$ 20,805,408

Changes in Net Pension (Asset) (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, 2023	\$ 28,603,204	\$ 33,877,455	\$ (5,274,251)
Changes for the year:			
Service cost	738,264	-	738,264
Interest	1,921,444	-	1,921,444
Difference between expected and actual experience	(230,759)	-	(230,759)
Contributions - employee	-	423,383	(423,383)
Net investment income	-	3,240,737	(3,240,737)
Benefit payments, including refunds of employee contributions	(1,751,273)	(1,751,273)	-
Administrative expenses	-	(22,482)	22,482
Other changes	-	603	(603)
Net changes	677,676	1,890,968	(1,213,292)
Balances at June 30, 2024	\$ 29,280,880	\$ 35,768,423	\$ (6,487,543)

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Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the County and School non-professional group using the discount rate of 6.75%, as well as what their net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
County Employees			
Net Pension Liability (Asset)	\$ 76,888,367	\$ 20,805,408	\$ (24,977,947)
School Non-Professional			
Net Pension Liability (Asset)	\$ (3,345,360)	\$ (6,487,543)	\$ (9,120,547)

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

For the year ended June 30, 2025, the County recognized pension expense of \$9,570,839. At June 30, 2025, 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	\$12,604,234	\$ -
Net difference between projected and actual earnings on pension plan investments	-	9,891,745
Employer contributions subsequent to the measurement date	11,478,148	-
Total	\$24,082,382	\$9,891,745

\$11,478,148 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in future reporting periods as follows:

For the County:

Year ended June 30

2026	\$ (3,306,104)
2027	7,604,715
2028	558,474
2029	(2,144,596)
Total	\$ 2,712,489

COUNTY OF HANOVER
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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, 2025, the School Board non-professional group recognized pension expense of (\$448,768). At June 30, 2025, 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	\$ -	\$136,955
Net difference between projected and actual earnings on pension plan investments	-	961,309
Employer contributions subsequent to the measurement date	123,395	-
Total	\$123,395	\$1,098,264

\$123,395 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in future reporting periods as follows:

For the School Non-Professionals

Year ending June 30

2026	\$ (954,395)
2027	237,314
2028	(181,271)
2029	(199,912)
Total	\$ (1,098,264)

COUNTY OF HANOVER
Notes to Financial Statements
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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, 2025 was 14.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$19,421,254 and \$20,538,178 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory 1% of their covered payroll. The employer must also contribute a mandatory 1% of this covered payroll, which totaled \$463,628 for the School Board's professional group for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$531,349 for the School Board's professional group for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$46,362,753 for the School Board's professional group for the year ended June 30, 2025.

Net Pension Liability

At June 30, 2025, the School Board professional group reported a liability of \$ 114,037,175 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the School Board's proportion was 1.21485% as compared to 1.21866% at June 30, 2023.

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

For the year ended June 30, 2025, the School Board's professional group recognized pension expense of \$10,690,296. 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. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation. At June 30, 2025, the School Board's professional group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(See schedule on following page)

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$15,697,287
Net difference between projected and actual earnings on pension plan investments	17,435,737	-
Change in assumptions	2,069,927	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	172,679
Employer contributions subsequent to the measurement date	19,421,254	-
Total	\$38,926,918	\$15,869,966

\$19,421,254 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, 2026. 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:

For the School Professionals

Year ending June 30

2026	\$ (7,329,893)
2027	10,243,722
2028	2,177,854
2029	(1,455,985)
Total	\$ 3,635,698

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024:

(See schedule on following page)

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	School Board Professional Employee Group
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Mortality Rates:	
Pre-Retirement	Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
Post-Retirement	Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; males set forward 1 year; 105% of rates for females
Post-Disablement	Pub-2010 Amount Weighted Teachers Disables Rates projected generationally; 110% of rates for males and females
Beneficiaries and Survivors	Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the standard rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

School Board's Professional Employee Group
Updated mortality rates to PUB2010 public sector mortality tables
For future mortality improvements, replaced load with a modified Mortality Improvement Scale MP-2020
Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
No change in disability rates, salary scale, or discount rate

COUNTY OF HANOVER
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Net Pension Liability

The 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, 2024, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 60,622,260
Plan Fiduciary Net Position	51,235,326
Employers' Net Pension Liability	\$ 9,386,934
Plan Fiduciary Net Position as a Percentage of the Total Plan Liability	
	84.52%

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 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 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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
	100.00%		7.07%
		*Expected arithmetic normal return	7.07%

* The above allocation provides a one-year return of 7.07 (includes 2.50% of inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In

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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 7.10%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2024, 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 which was 112% of the actuarially determined contribution rate. From July 1, 2024 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 6.75%, as well as what their net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
School Board Professional proportionate share of the VRS Teacher Employment Retirement Plan Net Pension Liability	\$ 211,858,720	\$ 114,037,175	\$ 33,924,443

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

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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, 2025. Securities without an established market are reported at estimated fair value.

b. Plan description, contribution and funding information

Membership - The Plan covers all employees of the reporting entity and its Affiliates (Employers) who retire and meet certain eligibility requirements. For the most recent biennial actuarial valuation dated as of June 30, 2024, the Plan membership at January 1, 2024 consisted of the following:

	Primary Government	School Board Component Unit	Affiliates	Total
Retirees and beneficiaries receiving benefits	23	54	2	79
Active employees	989	1,870	123	2,982
Total number of plan members	<u>1,012</u>	<u>1,924</u>	<u>125</u>	<u>3,061</u>
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 January 1 2024, ranged from \$110 per month for employees with 10 but less than 15 years of service to \$220 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 \$280 per month effective on January 1, 2024. For employees retiring after September 30, 2008, subsidies will end with Medicare eligibility. Any Plan

COUNTY OF HANOVER
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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 \$578 to \$1,512 per month for those electing retiree-only coverage, and from \$2,202 to \$4,537 per month for family coverage. Costs of administering the Plan will be borne by the Trust or by the Employers.

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

Contributions - The Code permits the Board to make appropriations to fund the Trust and to enter into agreement with its School Component Unit and its Affiliates to participate in and contribute to the Trust. Contributions to the Trust are irrevocable; however, continued participation in the Plan is voluntary, and any Employer may individually terminate future participation in the Plan. Retiree medical activity is processed through the self-insurance fund on a pay-go basis.

Each year the Trust Board determines whether there should be any withdrawals or contributions made to the Trust. During the year ended June 30, 2025, the Trust Board did not make any withdrawals or contributions to the Trust.

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 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, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 12.34%. This return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset – As of June 30, 2025, in accordance with GAAP, the Net OPEB Asset amount for the Plan is as follows:

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**Hanover OPEB Plan
for Retiree Medical**

Total OPEB Liability	\$	3,448,528
Plan Fiduciary Net Position		8,663,777
Employers' Net OPEB Asset	\$	5,215,249

Plan Fiduciary Net Position as a Percentage of the Total Plan Liability	251.23%
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The total OPEB liability is calculated by the Plan’s actuary. The most recent actuarial valuation was based on data as of January 1, 2024 with a measurement date of June 30, 2025 for its GASB 74 reporting for the year ended June 30, 2025.

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 most recent actuarial valuation with January 1, 2024 census data, the Entry-Age Normal Actuarial Cost Method was used calculated on an individual basis with level percentage of payroll. The actuarial assumptions included a 6.5% annual investment rate of return (net of administrative expenses) and a payroll increase assumption of 2.50%. The liability is being amortized as a level percentage of projected payroll on a closed basis over thirteen years for the fiscal year ended June 30, 2025.

Mortality rates were as follows: For all healthy retirees and covered spouses, the SOA Pub-2010 General Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis with mortality improvement scale MP-2021. For general disabled employees, the assumptions were based on the SOA Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Table. For disabled public safety retirees, the assumptions were based on the SOA Pub-2010 Public Safety Disabled Retirees Headcount-Weighted Mortality table. For disabled teacher retirees, the assumptions were based on the SOA Pub-2010 Teachers Disabled Retirees Headcount-Weighted Mortality Table. For all disabled retirees, the projections were on a fully generational basis with mortality improvement scale MP-2021.

The assumed inflation rate is 2.5%. The long-term expected rate of return of OPEB plan investments net of inflation is 4.72% on US Large Cap Equity, 5.42% of US Small Cap Equity, 4.42% on International Developed Equities, 4.95% on International Emerging Market Equities, and 2.48% on Core Fixed Investments.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.5%. This is the expected rate of return on trust assets. During its February 2020 meeting, the OPEB Trust Board established this 6.5% rate (not adjusted for inflation) as the long-term target rate for the Plan over a rolling five-year period. Previously the discount rate was 7.0%, unchanged since the Plan’s inception. 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. No changes were made to the 6.5% rate in the year ended June 30, 2025.

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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 Asset to Changes in the Discount Rate - The following presents the total OPEB liability and net pension asset for the OPEB plan for the June 30, 2025 valuation using the discount rate of 6.5%, as well as what their net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

(See schedule on following page)

Total OPEB

	5.5% 1% Decrease	6.5% Discount Rate	7.5% 1% Increase
Total OPEB Liability	3,652,844	3,448,528	3,255,692
Net OPEB Liability/(Asset)	(5,010,933)	(5,215,249)	(5,408,085)

c. County’s and School Board’s portion of the Postemployment Healthcare Plan and Other Postemployment Benefits Trust

Net Postemployment Healthcare Plan and OPEB Asset (County and School Board) - At June 30, 2024, the County reported \$1,697,699 and the School Board reported \$2,689,214 for their portions of the net pension OPEB asset. The net OPEB asset was measured as of June 30, 2025. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation performed as of January 1, 2024, using updated actuarial assumptions, applied to all periods included in the measurement and rolled to the measurement date of June 30, 2025.

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, 2025 are outlined as follows:

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2025

Changes in Net OPEB Asset (County)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) (a) - (b)
Balances at June 30, 2023 for FYE 2024	\$ 1,183,460	\$ 2,628,034	\$ (1,444,574)
Changes for the year:			
Service cost	42,530	-	42,530
Interest	71,079	-	71,079
Experience (Gains)	(18,951)	-	(18,951)
Employer Trust contributions	-	77,543	(77,543)
Change in proportionate share	(48,682)	(108,105)	59,423
Net investment income	-	329,663	(329,663)
Benefit payments	(77,543)	(77,543)	-
Net changes	(31,567)	221,558	(253,125)
Balances at June 30, 2024 for FYE 2025	<u>\$ 1,151,893</u>	<u>\$ 2,849,592</u>	<u>\$ (1,697,699)</u>

Changes in Net OPEB Asset (School Board)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) (a) - (b)
Balances at June 30, 2023 for FYE 2024	\$ 1,733,442	\$ 3,849,341	\$ (2,115,899)
Changes for the year:			
Service cost	67,370	-	67,370
Interest	112,590	-	112,590
Experience (Gains)	(30,018)	-	(30,018)
Employer Trust contributions	-	122,831	(122,831)
Change in proportionate share	64,086	142,314	(78,228)
Net investment income	-	522,198	(522,198)
Change in assumptions	-	-	-
Benefit payments	(122,831)	(122,831)	-
Net changes	91,197	664,512	(573,315)
Balances at June 30, 2024 for FYE 2025	<u>\$ 1,824,639</u>	<u>\$ 4,513,853</u>	<u>\$ (2,689,214)</u>

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, 2025 (with a measurement date of June 30, 2024, using the discount rate of 6.5%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1% point lower (5.5%) or 1% point higher (7.5%) than the current rate:

COUNTY OF HANOVER
Notes to Financial Statements
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OPEB

	<u>5.5%</u> <u>1% Decrease</u>	<u>6.5%</u> <u>Discount Rate</u>	<u>7.5%</u> <u>1% Increase</u>
County			
Net OPEB Asset	<u>\$ 1,628,855</u>	<u>\$ 1,697,699</u>	<u>\$ 1,762,671</u>
School Board			
Net OPEB Asset	<u>\$ 2,580,163</u>	<u>\$ 2,689,214</u>	<u>\$ 2,792,134</u>

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2025

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (County) – For the year ended June 30, 2025, the County recognized OPEB expense of (\$218,958), including (\$176,497) for the Primary Government, (\$10,154) for public utilities, and (\$174) for the airport. At June 30, 2025, the County reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$351,512
Changes of assumptions	-	80,516
Net difference between projected and actual earnings on OPEB plan investments	-	44,481
Change in proportion	-	34,294
Employer contributions subsequent to the measurement date	58,215	-
Total	\$58,215	\$510,803

\$58,215 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 OPEB Liability in the year ending June 30, 2026. 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

2026	\$ (162,504)
2027	(56,606)
2028	(175,591)
2029	(123,827)
2030	4,645
Thereafter	3,080
Total	\$ (510,803)

COUNTY OF HANOVER
Notes to Financial Statements
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OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (School Board) – For the year ended June 30, 2025, the School Board recognized OPEB expense of (\$282,274). At June 30, 2025, the School Board reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$556,807
Changes of assumptions	-	127,538
Net difference between projected and actual earnings on OPEB plan investments	-	70,461
Change in proportion	45,846	-
Employer contributions subsequent to the measurement date	134,240	-
Total	\$180,086	\$754,806

\$134,240 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2026. Amounts reported as deferred inflows of resources related to the School Board portion of the OPEB plan will be recognized in the School Board OPEB expense in the future reporting periods as follows:

Year ending June 30

2026	\$ (226,468)
2027	(45,246)
2028	(233,739)
2029	(182,173)
2030	(9,425)
Thereafter	(11,909)
Total	\$ (708,960)

H. Health Insurance Credit program - Virginia Retirement System

The County participates in the Political Subdivision HIC Program as an agent multiple-employer plan. The School Board participates in the Teacher Employee HIC Program, a cost sharing multiple-employer plan. Additionally, the School Board began participating in the Political Subdivision HIC Program as an agent multiple-employer plan for its non-professional employees with contributions beginning in July 2020.

COUNTY OF HANOVER
Notes to Financial Statements
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Political Subdivision HIC Program

Plan Description

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

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

Benefit Amounts: The Political Subdivision 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, 2024 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	County	School Board Non-Professional
Inactive members or their beneficiaries currently receiving benefits	290	45
Inactive members:		
Vested inactive members	34	12
Inactive members active elsewhere in VRS	180	57
Total inactive members	504	69
Active members:		
Total covered employees	1,275	358 472

COUNTY OF HANOVER
Notes to Financial Statements
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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, 2025 was 0.19% of covered employee compensation. The School Board's contractually required employer contribution rate for its non-professional employees for the year ended June 30, 2025 was 0.94% of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$116,937 and \$106,821 for the years ended June 30, 2025 and June 30, 2024, respectively. Contributions from the School Board to the Political Subdivision HIC Program were \$103,564 and \$88,388 for the years ended June 30, 2025 and June 30, 2024, respectively.

Net HIC OPEB liability

The net HIC OPEB liability for the County and School Board non-professional group was measured as of June 30, 2024. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024.

(See schedule on following page)

COUNTY OF HANOVER
Notes to Financial Statements
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	County & School Board Non-Professional Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35% for County general employees and School Board non-professional group and 3.50% - 4.75% for County public safety employees
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Mortality Rates	
Pre-Retirement	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years; for County public safety employees, Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years
Post-Retirement	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years; for County public safety employees, Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and 105% for females set forward 3 years
Post-Disablement	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years; for County public safety employees, Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years; for County public safety employees, Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates; for County public safety employees, rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

County General & School Board Non-Professional Employees	County Public Safety Employees
Updated mortality rates to PUB2010 public sector mortality tables For future mortality improvements, replaced load with a modified Mortality Improvement Scale MP-2020	Updated mortality rates to PUB2010 public sector mortality tables Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid changed final retirement age from 75 to 80 for all	Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70
Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service	Decreased withdrawal rates and changed from rates based on age to rates based on service only to better fit experience and to be and to be more consistent with Locals Top 10 Hazardous Duty
No change in disability rates, salary scale, line of duty disability, or discount rate	No change in disability rates, salary scale, line of duty disability, or discount rate

COUNTY OF HANOVER
Notes to Financial Statements
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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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
	100.00%		7.07%
		*Expected arithmetic normal return	7.07%

* The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation rate of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. 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, 2024, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2024 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.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2025

Changes in Net HIC OPEB Liability

Changes in Net OPEB - HIC Liability (County Employees)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2023	\$ 1,699,708	\$ 909,063	\$ 790,645
Changes for the year:			
Service cost	28,834	-	28,834
Interest	113,649	-	113,649
Difference between expected and actual experience	(79,327)	-	(79,327)
Contributions - employer	-	106,821	(106,821)
Net investment income	-	87,310	(87,310)
Benefit payments, including refunds of employee contributions	(89,715)	(89,715)	-
Administrative expenses	-	(1,213)	1,213
Other changes	-	-	-
Net changes	<u>(26,559)</u>	<u>103,203</u>	<u>(129,762)</u>
Balances at June 30, 2024	<u>\$ 1,673,149</u>	<u>\$ 1,012,266</u>	<u>\$ 660,883</u>

Changes in Net OPEB - HIC Liability (School Non-Professional Employees)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2023	\$ 393,704	\$ 111,415	\$ 282,289
Changes for the year:			
Service cost	7,137	-	7,137
Interest	26,349	-	26,349
Difference between expected and actual experience	(17,240)	-	(17,240)
Contributions - employer	-	88,388	(88,388)
Net investment income	-	14,536	(14,536)
Benefit payments, including refunds of employee contributions	(20,976)	(20,976)	-
Administrative expenses	-	(233)	233
Other changes	-	1	(1)
Net changes	<u>(4,730)</u>	<u>81,716</u>	<u>(86,446)</u>
Balances at June 30, 2024	<u>\$ 388,974</u>	<u>\$ 193,131</u>	<u>\$ 195,843</u>

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2025

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1 % Increase (7.75%)
County Employees			
Net HIC OPEB Liability	\$ 851,416	\$ 660,883	\$ 500,398
School Board Non-Professional Employees			
Net HIC OPEB Liability	\$ 236,077	\$ 195,843	\$ 161,488

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

For the year ended June 30, 2025, the County recognized HIC Program OPEB expense \$92,402, including \$88,910 for the general government, \$3,456 for public utilities, and \$36 for the airport. At June 30, 2024, 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
Differences between expected and actual experience	\$ -	\$60,790
Changes of assumptions	102,678	-
Net difference between projected and actual earnings on HIC plan investments	-	18,499
Employer contributions subsequent to the measurement date	116,937	-
Total	\$219,615	\$79,289

\$116,937 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, 2026. 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:

(See schedule on following page)

COUNTY OF HANOVER
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Year ended June 30

2026	\$	6,412
2027		28,424
2028		10,240
2029		(18,470)
2030		(3,217)
Total	\$	23,389

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB (School Board non-professional group)

For the year ended June 30, 2025, the School Board recognized HIC Program OPEB expense (\$44,402). At June 30, 2025, the School Board 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
Differences between expected and actual experience	\$ -	\$163,526
Change in assumptions	44,082	-
Net difference between projected and actual earnings on HIC plan investments	-	2,699
Employer contributions subsequent to the measurement date	103,564	-
Total	\$147,646	\$166,225

\$103,564 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board'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, 2026. 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

2026	\$	(70,399)
2027		(46,247)
2028		(4,549)
2029		(948)
Total	\$	(122,143)

COUNTY OF HANOVER
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Teacher Employee Health Insurance Credit Program

Plan Description:

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

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

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

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

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

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, 2025 was 1.21% 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, 2023. 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 \$1,654,172 and \$1,565,822 for the years ended June 30, 2025 and June 30, 2024, 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, 2025, the School Board reported a liability of \$13,948,903 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program

COUNTY OF HANOVER
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OPEB Liability was measured as of June 30, 2024 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 performed as of June 30, 2023 and rolled forward to the measurement date of June 30, 2024. 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, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the school division's proportion of the VRS Teacher Employee HIC Program was 1.20702% as compared to 1.21219% at June 30, 2023.

For the year ended June 30, 2025, the School Board recognized VRS Teacher Employee HIC Program OPEB expense of \$960,081. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2025, 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
Differences between expected and actual experience	\$ -	\$660,866
Net difference between projected and actual earnings on Teacher HIC plan investments	-	49,617
Change in assumptions	240,299	-
Changes in proportionate share	-	188,453
Employer contributions subsequent to the measurement date	1,654,172	-
Total	\$1,894,471	\$898,936

\$1,654,172 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, 2026. 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:

(See schedule on following page)

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2025

Year ending June 30

2026	\$ (200,993)
2027	(125,641)
2028	(142,898)
2029	(93,913)
2030	(63,377)
Thereafter	(31,815)
Total	\$ (658,637)

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, 2023, 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, 2024.

	School Board Professional Employee Group
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Mortality Rates:	
Pre-Retirement	Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
Post-Retirement	Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; males set forward 1 year; 105% of rates for females
Post-Disablement	Pub-2010 Amount Weighted Teachers Disables Rates projected generationally; 110% of rates for males and females
Beneficiaries and Survivors	Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

(See schedule on following page)

COUNTY OF HANOVER
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School Board's Professional Employee Group

Updated mortality rates to PUB2010 public sector mortality tables
For future mortality improvements, replaced load with a modified
Mortality Improvement Scale MP-2020
Adjusted retirement rates to better fit experience for Plan 1; set
separate rates based on experience for Plan 2/Hybrid; changed final
retirement age from 75 to 80 for all
Adjusted withdrawal rates to better fit experience at each year age
and service through 9 years of service
No change in disability rates, salary scale, or discount rate

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, 2024, 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	\$ 1,478,105
Plan Fiduciary Net Position	322,457
Teacher Employee net HIC OPEB Liability	<u>\$ 1,155,648</u>
 Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	 21.82%

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:

(See schedule on following page)

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Asset Class (Strategy)	Target Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
	<u>100.00%</u>		<u>7.07%</u>
		*Expected arithmetic normal return	<u>7.07%</u>

* The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate: The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. 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, 2024, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2024 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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

(See schedule on following page)

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	1% Decrease (5.75%)	Discount Rate (6.75%)	1 % Increase (7.75%)
School Board's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net Pension Liability	\$ 15,863,382	\$ 13,948,903	\$ 12,326,206

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 2024 *Annual Comprehensive Financial Report* (Annual Report), which may be downloaded from the VRS website at varetire.org/pdf/publications/2024-annual-report.pdf or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

I. Group Life Insurance Program - Virginia Retirement System

The County and School Board participates in the VRS 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 OPEB 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, and Roanoke City Schools Board.

Basic group life insurance coverage is automatic upon employment. Coverage ends 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

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- 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 service credit, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,532 as of June 30, 2025.

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 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% 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, 2025 was 0.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. The County and School Board have elected to pay the entire 1.18% rate. The employer component of contributions (.54% rate) to the GLI Program from the County were \$441,933 and \$459,811 for the years ended June 30, 2025 and June 30, 2024, respectively. The employer component of contributions to the GLI Program from the Schools for the professional group were \$647,115 and \$695,142 for the years ended June 30, 2025 and June 30, 2024, respectively. The employer component of contributions to the GLI Program from the Schools for the non-professional group were \$52,290 and \$50,555 for the years ended June 30, 2025 and June 30, 2024, respectively.

GLI OPEB Liabilities: At June 30, 2025, the County reported a liability of \$3,727,626 for its proportionate share of the Net GLI OPEB Liability. The School Board reported a liability of \$5,632,840 for its professional group and \$409,878 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, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023 and rolled forward to the measurement date of June 30, 2024. 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, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the County's proportion was 0.33404% as compared to 0.33240% at June 30, 2023. At June 30, 2024, the School Board professional's proportion was 0.50477% as compared to 0.51431% at June 30, 2023. At June 30, 2023, the School Board non-professional's proportion was 0.03673% as compared to 0.02461% at June 30, 2023.

GLI OPEB Expense: For the year ended June 30, 2025, the County recognized GLI OPEB expense of \$96,915, including \$90,906 for the general government, \$5,912 for public utilities, and \$97 for the airport. The School Board recognized a GLI OPEB expense of \$59,153 for its professional group and \$27,526 for

COUNTY OF HANOVER
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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, 2025, 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	\$496,879	\$ -
Net difference between projected and actual earnings on GLI OPEB program investments	-	314,200
Change in assumptions	-	163,485
Changes in proportion	-	19,769
Employer contributions subsequent to the measurement date	441,933	-
Total	\$938,812	\$497,454

\$441,933 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's employer portion of contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2026. 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

2026	\$ (163,291)
2027	62,879
2028	5,127
2029	33,842
2030	60,868
Total	\$ (575)

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Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board professional group): At June 30, 2025, 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	\$750,837	\$ -
Net difference between projected and actual earnings on GLI OPEB program investments	-	474,789
Change in assumptions	-	247,045
Changes in proportion	-	170,787
Employer contributions subsequent to the measurement date	647,115	-
Total	\$1,397,952	\$892,621

\$647,115 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, 2026. Other amounts reported as deferred outflows and 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

2026	\$ (303,470)
2027	65,859
2028	(279)
2029	25,891
2030	70,215
Total	\$ (141,784)

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Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board non-professional group): At June 30, 2025, 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	\$54,635	\$ -
Net difference between projected and actual earnings on GLI OPEB program investments	-	34,548
Change in assumptions	-	17,977
Changes in proportion	115,085	-
Employer contributions subsequent to the measurement date	52,290	-
Total	\$222,010	\$52,525

\$52,290 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, 2026. 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

2026	\$ 1,416
2027	28,885
2028	26,130
2029	32,455
2030	28,309
Total	\$ 117,195

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Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024.

	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	6.75%, net of pension plan investment expenses, including inflation

	School Board Employees
Mortality Rates:	
Pre-Retirement	Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
Post-Retirement	Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; males set forward 1 year; 105% of rates for females
Post-Disablement	Pub-2010 Amount Weighted Teachers Disables Rates projected generationally; 110% of rates for males and females
Beneficiaries and Survivors	Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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	County General Employees
Mortality Rates:	
Pre-Retirement	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
Post-Retirement	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
Post-Disablement	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

	County Public Safety Employees
Mortality Rates:	
Pre-Retirement	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
Post-Retirement	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
Post-Disablement	Pub-2010 Amount Weighted General Disabled projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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School Board Employees

Updated mortality rates to PUB2010 public sector mortality tables
For future mortality improvements, replaced load with a modified
Mortality Improvement Scale MP-2020
Adjusted retirement rates to better fit experience for Plan 1; set
separate rates based on experience for Plan 2/Hybrid changed
final retirement age from 75 to 80 for all
Adjusted withdrawal rates to better fit experience at each age and
service decrement through 9 years of service
No change in disability rates, salary scale, or discount rate

County General Employees

Updated mortality rates to PUB2010 public sector mortality tables
For future mortality improvements, replaced load with a modified
Mortality Improvement Scale MP-2020
Adjusted retirement rates to better fit experience for Plan 1; set
separate rates based on experience for Plan 2/Hybrid changed
final retirement age from 75 to 80 for all
Adjusted withdrawal rates to better fit experience at each age and
service decrement through 9 years of service
No change in disability rates, salary scale, line of duty disability,
or discount rate

County Public Safety Employees

Updated mortality rates to PUB2010 public sector mortality tables
Increased disability life expectancy. For future mortality
improvements, replace load with a modified Mortality
Improvement Scale MP-2020
Adjusted retirement rates to better fit experience and changed final
retirement age from 65 to 70
Decreased withdrawal rates and changed from rates based on age
to rates based on service only to better fit experience and to be
and to be more consistent with Locals Top 10 Hazardous Duty
No change in disability rates, salary scale, line of duty disability,
or discount rate

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, 2024, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	<u>Group Life Insurance OPEB Program</u>
Total GLI OPEB Liability	\$4,196,055
Plan Fiduciary Net Position	<u>3,080,133</u>
Employers' Net GLI OPEB Liability	<u>\$1,115,922</u>

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Plan Fiduciary Net Position as a Percentage
of the Total GLI OPEB Liability 73.41%

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

Long-Term Expected Rate of Return

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

(See schedule on following page)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
	<u>100.00%</u>		<u>7.07%</u>
		*Expected arithmetic normal return	<u>7.07%</u>

* The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th

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percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, 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 which was 113% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue 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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate as shown on the following page:

	<u>1% Decrease (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1 % Increase (7.75%)</u>
County's proportionate share of the GLI Program Net OPEB Liability	\$ 5,796,943	\$ 3,727,626	\$ 2,055,890
School Board professional group's proportionate share of the GLI Program Net OPEB Liability	\$ 8,759,798	\$ 5,632,840	\$ 3,106,669
School Board non-professional group's proportionate share of the GLI Program Net OPEB Liability	\$ 637,414	\$ 409,878	\$ 226,059

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2024 annual report, which may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2024-annual-report.pdf>, or by writing to VRS’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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J. Tax abatements

Speculative Building Strategy

Hanover County and the Hanover County Economic Development Authority have adopted a strategy granting a partial real property tax incentive for certain new commercial or industrial structures to encourage development within the County. This strategy is established under the authority of the Board of Supervisors, which approves agreements individually based on the County's speculative building guidelines. Upon approval, the applicant must obtain a land disturbance permit and building permit. At the beginning of each calendar year after issuance of a building permit, the applicant shall notify the County of the amount of real property tax paid for the previous calendar year. The County agrees to disburse funds to the applicant in an amount equal to the real property incremental tax increase. The obligation of the County to disburse funds shall be reduced proportionately by the percentage of floor area leased by the applicant. The agreement may terminate upon the earliest of several conditions, including the sale of the property to another party, the date upon which the entire building is leased by the applicant, or a set time period from the date of the issuance of an early land disturbance permit. Because real property taxes are not abated until after improvements have been made, there are no provisions for recapturing abated taxes. In fiscal year 2025, there were no tax abatement payments relating to the Speculative Building Program. No other commitments are made by the County as part of these agreements.

Commonwealth's Development Opportunity Fund

The County participates in grants through the Commonwealth's Development Opportunity Fund (COF) under the authority provided by the Code of Virginia §2.2-115, whereby the County enters into agreements with the Economic Development Authority, the Virginia Economic Development Partnership Authority and an individual business taxpayer, to encourage growth that provides significant economic benefits to the County in terms of capital investment and job creation. As part of the grant's local matching requirements, the County agrees to rebate a portion of the increase in real property and(or) personal property taxes, provided the taxpayer meets certain performance measures, which typically include a minimum capital investment and the creation of a minimum number of full-time jobs sustained over a certain period of time. Each performance agreement specifies the duration of the tax abatement period and other terms or conditions that may apply to the agreement.

The County received \$1,950,000 in COF grants in connection with the performance agreement with 819 Virginia, LLC dated July 25, 2018, with a performance date of March 31, 2023. The County verified that the performance measures were satisfied and remitted the COF award of \$1,950,000 to 819 Virginia, LLC in fiscal year 2024. The amount of local tax rebate disbursed based on capital investments in real property and tangible personal property were \$500,000 and \$950,000, respectively. The County expects to disburse the remaining local tax rebate in the amount of \$500,000 upon verification that performance measures continue to be satisfied.

The County received \$2,350,000 in COF grants in connection with the performance agreement with Wegmans Food Markets Inc. dated December 11, 2019, with a performance date of December 31, 2026. The County expects to remit this COF award of \$2,350,000 to Wegmans Food Markets Inc. in fiscal year 2027, upon verification that the performance measures have been satisfied. The County paid real property and personal property tax rebates in the amount of \$2,350,000 to Wegmans Food Markets Inc. in fiscal year 2025.

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The County was awarded \$340,000 in COF grants in connection with the performance agreement with Unilock New York, Inc. dated June 15, 2022, with a performance date of September 30, 2025. The Board of Supervisors approved extension of the performance date to December 31, 2026 at the August 27, 2025 Board meeting. Upon verification that the performance measures have been satisfied, the County will determine the amount of COF award based on capital investments and job creation, and the amount of local tax rebate based on the increase in property taxes. There were no tax rebates paid to Unilock New York, Inc. in fiscal year 2025.

The County was awarded \$250,000 in COF grants in connection with the performance agreement with Lutron Electronics Co., Inc. dated October 1, 2022, with a performance date of March 31, 2026. Upon verification that the performance measures have been satisfied, the County will determine the amount of COF award based on capital investments in real property and personal property and job creation, and the amount of local tax rebate based on the increase in real property and personal property taxes. There were no tax rebates paid to Lutron Electronics Co., Inc. in fiscal year 2025.

K. Special assessments and tax increment commitment

• **Bell Creek Community Development Authority:**

The Bell Creek Community Development Authority (Bell Creek CDA) was created by an ordinance adopted by the Board of Supervisors on July 24, 2002. This was a result of a petition filed with the Board of Supervisors by the owners of a majority of the land area within the Bell Creek District (District). The District consists of approximately 325 acres of land within the County. The District encompasses a mixed-use development and is expected to provide commercial development with retail space including a shopping center known as *The Shoppes at Bell Creek*, a light industrial park, and a residential development on 167 acres known as *The Bluffs at Bell Creek*.

On September 25, 2002, the Board of Supervisors adopted an ordinance authorizing the levy of Special Assessments on abutting property within the boundaries of the District. On February 5, 2003, the Bell Creek CDA issued its \$12,135,000 Special Assessment Bonds, Series 2003A (the “2003A Bonds”) and its \$3,845,000 Special Assessment Bonds, Series 2003B (the “2003B Bonds”) and together with the 2003A Bonds, the “2003 Bonds”), in accordance with the provision of Article 6 of Chapter 51 of Title 15.2 of the Code, as amended. The 2003 Bonds were issued to finance the acquisition and construction of certain infrastructure improvements to benefit the District. Neither the faith and credit of the Bell Creek CDA, nor the faith and credit of the County, are pledged to the payment of the principal of or interest on the 2003 Bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2025, the total 2003 Bonds outstanding were \$685,557. 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.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2025

During fiscal year 2025, special assessments on property within the District totaled \$166,000 and payments to the Bell Creek CDA of special assessments collected totaled \$159,930.

- **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*.

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 \$37,675,000 of 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. In August 2014, the 2007 Bonds were redeemed in full as the Lewistown CDA restructured and replaced the Series 2007 Bonds. The 2014 Bonds, issued in three series, replaced the original 2007 Bonds and modified the pledged revenue, collection of incremental taxes from the County, and modified the maturity dates, with Series A and B maturing March 1, 2044 and Series C maturing on March 1, 2054. The Lewistown CDA's most recently issued financial statements indicate that the Amended 2014 Bonds outstanding totaled \$39,139,520 as of June 30, 2025. The Lewistown CDA is obligated to make all debt service payments on the Amended 2014 Bonds, in accordance with the revised Indenture of Trust. The principal of and the interest on the Amended 2014 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 2014 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 2014 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 2025, Special Assessment Tax levy on property within the district totaled \$488,775. The 2025 Special Real Estate Property Tax (Valorem) levy was \$147,085. Incremental tax collections owed to the Lewistown CDA totaled \$2,045,534 and are payable semiannually by February 1 and August 1 of each year.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2025

L. Subsequent events

Debt issuance

The County plans to issue bonds to the Virginia Public School Authority in the principal amount not to exceed \$61,000,000 with a true interest cost not to exceed 5.0 percent. The proceeds will be used for the construction of two new elementary schools, design and construction of a third elementary school, and various capital projects for the schools. The Board of Supervisors adopted the Bond Resolution on October 8, 2025, and the County plans to sell the bonds on November 19, 2025.

**SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION**

(Unaudited)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2025

Virginia Retirement System-Pension Plan - Primary Government

Schedule of Changes in the Net Pension Liability/(Asset) and Related Ratios

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
Total pension liability										
Service cost	\$ 10,744,332	\$ 9,789,210	\$ 9,281,072	\$ 8,516,435	\$ 8,516,368	\$ 7,696,287	\$ 7,331,577	\$ 7,359,194	\$ 7,195,250	\$ 7,003,117
Interest on total pension liability	25,477,633	24,036,718	22,717,943	20,379,641	18,836,367	17,771,484	16,663,276	15,932,633	14,918,283	14,159,064
Changes of assumptions	-	-	-	13,119,584	-	8,940,696	-	(1,150,577)	-	-
Differences between expected and actual experience	16,421,498	1,662,818	233,460	(4,183,534)	6,595,585	232,863	182,107	(4,220,153)	(566,270)	(3,717,438)
Benefit payments	(16,522,880)	(13,671,056)	(12,735,373)	(12,208,002)	(9,962,002)	(8,962,753)	(7,728,076)	(7,238,603)	(6,874,514)	(6,323,001)
Other	-	-	-	-	-	-	-	-	-	(196,852)
Net change in total pension liability	<u>36,120,583</u>	<u>21,817,690</u>	<u>19,497,102</u>	<u>25,624,124</u>	<u>23,986,318</u>	<u>25,678,577</u>	<u>16,448,884</u>	<u>10,682,494</u>	<u>14,672,749</u>	<u>10,924,890</u>
Total pension liability - beginning	<u>374,963,529</u>	<u>353,145,839</u>	<u>333,648,737</u>	<u>308,024,613</u>	<u>284,038,295</u>	<u>258,359,718</u>	<u>241,910,834</u>	<u>231,228,340</u>	<u>216,555,591</u>	<u>205,630,701</u>
Total pension liability - ending (a)	<u>\$ 411,084,112</u>	<u>\$ 374,963,529</u>	<u>\$ 353,145,839</u>	<u>\$ 333,648,737</u>	<u>\$ 308,024,613</u>	<u>\$ 284,038,295</u>	<u>\$ 258,359,718</u>	<u>\$ 241,910,834</u>	<u>\$ 231,228,340</u>	<u>\$ 216,555,591</u>
Total fiduciary net position										
Contributions - employer	\$ 9,848,994	\$ 9,057,783	\$ 7,366,936	\$ 6,987,052	\$ 5,906,015	\$ 5,650,320	\$ 5,918,509	\$ 5,698,852	\$ 6,383,455	\$ 6,227,470
Contributions - employee	4,212,171	3,793,368	3,598,948	3,414,683	3,520,775	3,219,861	3,111,501	3,033,422	2,911,440	2,841,053
Net investment income	34,807,687	21,934,697	(462,434)	73,623,416	5,047,032	16,685,971	17,020,572	25,051,577	3,550,392	8,626,111
Benefit Payments, including refunds of employee contributions	(16,522,880)	(13,671,056)	(12,735,373)	(12,208,002)	(9,962,002)	(8,962,753)	(7,728,076)	(7,238,603)	(6,874,514)	(6,323,001)
Administrative expense	(224,777)	(214,676)	(210,079)	(179,904)	(169,144)	(160,692)	(142,977)	(140,541)	(122,126)	(113,582)
Other	7,326	9,056	7,925	6,967	(6,631)	(10,525)	(15,347)	(22,390)	(1,496)	(485,907)
Net change in plan fiduciary net position	<u>32,128,521</u>	<u>20,909,172</u>	<u>(2,434,077)</u>	<u>71,644,212</u>	<u>4,336,045</u>	<u>16,422,182</u>	<u>18,164,182</u>	<u>26,382,317</u>	<u>5,847,151</u>	<u>10,772,144</u>
Plan fiduciary net position - beginning	<u>358,150,183</u>	<u>337,241,011</u>	<u>339,675,088</u>	<u>268,030,876</u>	<u>263,694,831</u>	<u>247,272,649</u>	<u>229,108,467</u>	<u>202,726,150</u>	<u>196,878,999</u>	<u>186,106,855</u>
Plan fiduciary net position - ending (b)	<u>\$ 390,278,704</u>	<u>\$ 358,150,183</u>	<u>\$ 337,241,011</u>	<u>\$ 339,675,088</u>	<u>\$ 268,030,876</u>	<u>\$ 263,694,831</u>	<u>\$ 247,272,649</u>	<u>\$ 229,108,467</u>	<u>\$ 202,726,150</u>	<u>\$ 196,878,999</u>
Net pension liability/(asset) ending (a) - (b)	\$ 20,805,408	\$ 16,813,346	\$ 15,904,828	\$ (6,026,351)	\$ 39,993,737	\$ 20,343,464	\$ 11,087,069	\$ 12,802,367	\$ 28,502,190	\$ 19,676,592
Plan fiduciary net position as a percentage of the total pension liability	94.94%	95.52%	95.50%	101.81%	87.02%	92.84%	95.71%	94.71%	87.67%	90.91%
Covered payroll	\$ 85,697,190	\$ 78,136,354	\$ 73,191,300	\$ 69,319,445	\$ 69,250,382	\$ 65,738,841	\$ 63,272,936	\$ 60,564,521	\$ 58,128,921	\$ 56,469,989
Political subdivision's net pension liability/(asset) as a percentage of covered payroll	24.28%	21.52%	21.73%	-8.69%	57.75%	30.95%	17.52%	21.14%	49.03%	34.84%

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2025

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

Schedule of Changes in the Net Pension Asset and Related Ratios

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
Total pension liability										
Service cost	\$ 738,264	\$ 493,466	\$ 454,679	\$ 508,416	\$ 529,745	\$ 527,361	\$ 526,335	\$ 563,888	\$ 704,264	\$ 717,494
Interest on total pension liability	1,921,444	1,830,756	1,839,655	1,716,571	1,698,127	1,663,215	1,627,896	1,619,611	1,604,103	1,563,895
Changes of assumptions	-	-	-	754,172	-	657,553	-	(126,666)	-	-
Differences between expected and actual experience	(230,759)	529,417	(873,615)	(225,649)	(581,206)	(160,869)	(477,022)	(822,111)	(1,070,969)	(750,409)
Benefit payments	(1,751,273)	(1,758,562)	(1,424,123)	(1,345,317)	(1,401,532)	(1,178,551)	(1,166,740)	(1,066,000)	(965,702)	(947,448)
Net change in total pension liability	<u>677,676</u>	<u>1,095,077</u>	<u>(3,404)</u>	<u>1,408,193</u>	<u>245,134</u>	<u>1,508,709</u>	<u>510,469</u>	<u>168,722</u>	<u>271,696</u>	<u>583,532</u>
Total pension liability - beginning	<u>28,603,204</u>	<u>27,508,127</u>	<u>27,511,531</u>	<u>26,103,338</u>	<u>25,858,204</u>	<u>24,349,495</u>	<u>23,839,026</u>	<u>23,670,304</u>	<u>23,398,608</u>	<u>22,815,076</u>
Total pension liability - ending (a)	<u>\$ 29,280,880</u>	<u>\$ 28,603,204</u>	<u>\$ 27,508,127</u>	<u>\$ 27,511,531</u>	<u>\$ 26,103,338</u>	<u>\$ 25,858,204</u>	<u>\$ 24,349,495</u>	<u>\$ 23,839,026</u>	<u>\$ 23,670,304</u>	<u>\$ 23,398,608</u>
Total fiduciary net position										
Contributions - employer	\$ -	\$ 2,427	\$ 45,421	\$ 48,374	\$ 78,603	\$ 82,764	\$ 195,964	\$ 202,659	\$ 437,250	\$ 507,170
Contributions - employee	423,383	266,247	233,485	234,999	250,453	250,620	245,280	250,592	280,632	325,545
Net investment income	3,240,737	2,102,586	(21,104)	7,558,460	537,270	1,816,980	1,936,203	2,913,758	418,439	1,054,611
Benefit Payments, including refunds of employee contributions	(1,751,273)	(1,758,562)	(1,424,123)	(1,345,317)	(1,401,532)	(1,178,551)	(1,166,740)	(1,066,000)	(965,702)	(947,448)
Administrative expense	(22,482)	(21,808)	(21,693)	(19,326)	(18,924)	(18,429)	(16,985)	(17,086)	(14,837)	(14,331)
Other	603	838	782	707	(631)	(1,140)	(1,713)	(2,581)	(177)	(223)
Net change in plan fiduciary net position	<u>1,890,968</u>	<u>591,728</u>	<u>(1,187,232)</u>	<u>6,477,897</u>	<u>(554,761)</u>	<u>952,244</u>	<u>1,192,009</u>	<u>2,281,342</u>	<u>155,605</u>	<u>925,324</u>
Plan fiduciary net position - beginning	<u>33,877,455</u>	<u>33,285,727</u>	<u>34,472,959</u>	<u>27,995,062</u>	<u>28,549,823</u>	<u>27,597,579</u>	<u>26,405,570</u>	<u>24,124,228</u>	<u>23,968,623</u>	<u>23,043,299</u>
Plan fiduciary net position - ending (b)	<u>\$ 35,768,423</u>	<u>\$ 33,877,455</u>	<u>\$ 33,285,727</u>	<u>\$ 34,472,959</u>	<u>\$ 27,995,062</u>	<u>\$ 28,549,823</u>	<u>\$ 27,597,579</u>	<u>\$ 26,405,570</u>	<u>\$ 24,124,228</u>	<u>\$ 23,968,623</u>
Net pension asset ending (a) - (b)	\$ (6,487,543)	\$ (5,274,251)	\$ (5,777,600)	\$ (6,961,428)	\$ (1,891,724)	\$ (2,691,619)	\$ (3,248,084)	\$ (2,566,544)	\$ (453,924)	\$ (570,015)
Plan fiduciary net position as a percentage of the total pension asset	122.16%	118.44%	121.00%	125.30%	107.25%	110.41%	113.34%	110.77%	101.92%	102.44%
Covered payroll	\$ 9,402,933	\$ 5,728,644	\$ 5,030,853	\$ 5,076,697	\$ 5,337,485	\$ 5,256,371	\$ 5,150,695	\$ 5,201,892	\$ 5,775,545	\$ 6,613,413
Net pension asset as a percentage of covered payroll	68.99%	92.07%	114.84%	137.13%	35.44%	51.21%	63.06%	49.34%	7.86%	8.62%

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2025

Schedule of School Board Professional's Share of Net Pension Liability/(Asset)
VRS Teacher Retirement Plan

	2025*	2024*	2023*	2022*	2021*
Employer's Proportion of the Net Pension Liability	1.21485%	1.21866%	1.21948%	1.19449%	1.22369%
Employer's Proportionate Share of the Net Pension Liability					
Pension Liability	\$ 114,037,175	\$ 123,172,462	\$ 116,101,797	\$ 92,729,422	\$ 178,079,031
Employer's Covered Payroll	\$ 129,318,344	\$ 120,868,625	\$ 113,162,890	\$ 105,176,978	\$ 106,871,061
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	88.18%	101.91%	102.60%	88.17%	166.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.52%	82.45%	82.61%	85.46%	71.47%
	2020*	2019*	2018*	2017*	2016*
Employer's Proportion of the Net Pension Liability	1.23585%	1.25655%	1.26798%	1.26562%	1.27192%
Employer's Proportionate Share of the Net Pension Liability					
Pension Liability	\$ 162,644,883	\$ 147,770,000	\$ 155,936,000	\$ 177,365,000	\$ 160,089,000
Employer's Covered Payroll	\$ 103,292,430	\$ 101,392,249	\$ 99,817,919	\$ 96,591,415	\$ 94,472,208
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	157.46%	145.74%	156.22%	183.62%	169.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%	74.81%	72.92%	68.28%	70.68%

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

VRS Retirement Plan - Schedule of Employer Contributions

	Date*	Contractually Required Contribution of Employer (1)	Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:	2025	\$ 11,478,148	\$ 11,478,148	\$ -	\$ 93,546,439	12.27%
	2024	9,848,994	9,848,994	-	85,697,190	11.49%
	2023	9,058,225	9,058,225	-	78,136,354	11.59%
	2022	7,366,936	7,366,936	-	73,191,300	10.07%
	2021	6,987,056	6,987,056	-	69,319,445	10.08%
	2020	5,906,015	5,906,015	-	69,250,382	8.53%
	2019	5,650,643	5,650,643	-	65,738,841	8.60%
	2018	5,919,004	5,919,004	-	63,272,936	9.35%
	2017	5,698,852	5,698,852	-	60,564,521	9.41%
	2016	6,383,455	6,383,455	-	58,128,921	10.98%
School Non-Professional:	2025	\$ 123,395	\$ 123,395	\$ -	\$ 11,017,413	1.12%
	2024	-	-	-	9,402,933	0.00%
	2023	-	-	-	5,728,644	0.00%
	2022	45,421	45,421	-	5,030,853	0.90%
	2021	48,374	48,374	-	5,076,697	0.95%
	2020	78,603	78,603	-	5,337,485	1.47%
	2019	82,764	82,764	-	5,256,371	1.57%
	2018	195,963	195,963	-	5,150,695	3.80%
	2017	202,659	202,659	-	5,201,892	3.90%
	2016	437,250	437,250	-	5,775,545	7.57%
School Professional:	2025	\$ 19,421,254	\$ 19,421,254	\$ -	\$ 136,673,148	14.21%
	2024	20,538,178	20,538,178	-	129,318,344	15.88%
	2023	19,248,273	19,248,273	-	120,868,625	15.92%
	2022	18,107,471	18,107,471	-	113,162,890	16.00%
	2021	16,890,538	16,890,538	-	105,176,978	16.06%
	2020	16,259,030	16,259,030	-	106,871,061	15.21%
	2019	15,833,642	15,833,642	-	103,292,430	15.33%
	2018	16,263,667	16,263,667	-	101,392,249	16.04%
	2017	14,445,391	14,445,391	-	99,817,919	14.47%
	2016	13,472,067	13,472,067	-	96,591,415	13.95%

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2025

Hanover County, Virginia Retiree Medical Benefits Plan

Schedule of Changes in the Net OPEB Asset and Related Ratios

As of June 30 of the Fiscal Year

	2025*	2024*	2023*	2022*	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost	\$ 102,161	\$ 115,478	\$ 115,478	\$ 189,559	\$ 281,713	\$ 178,821	\$ 165,789	\$ 172,531	\$ 161,244
Interest cost	201,560	192,991	186,899	271,651	348,422	251,394	250,445	241,190	230,876
Experience losses/(gains)	(57,105)	(51,456)	29,760	(1,200,800)	(181,395)	(436,754)	342	(31,678)	-
Change in benefit terms	274,892	-	-	-	(1,413,809)	1,845,584	-	-	-
Changes in Assumptions	-	-	-	(437,437)	-	-	125,400	-	-
Benefit payments	(200,575)	(210,543)	(219,225)	(217,814)	(245,822)	(270,196)	(229,000)	(271,000)	(218,532)
Net change in total OPEB liability	320,933	46,470	112,912	(1,394,841)	(1,210,891)	1,568,849	312,976	111,043	173,588
Total OPEB liability - beginning	3,127,595	3,081,125	2,968,213	4,363,054	5,573,945	4,005,096	3,692,120	3,581,077	3,407,489
Total OPEB liability - ending (a)	<u>\$ 3,448,528</u>	<u>\$ 3,127,595</u>	<u>\$ 3,081,125</u>	<u>\$ 2,968,213</u>	<u>\$ 4,363,054</u>	<u>\$ 5,573,945</u>	<u>\$ 4,005,096</u>	<u>\$ 3,692,120</u>	<u>\$ 3,581,077</u>
Total fiduciary net position									
Contributions - employer	\$ 200,575	\$ 210,543	\$ 219,225	\$ 217,814	\$ -	\$ 8,000	\$ 20,000	\$ 42,000	\$ 218,532
Net investment income	926,627	895,094	546,216	(1,058,804)	1,832,142	340,861	527,273	414,736	502,797
Benefit payments	(200,575)	(210,543)	(219,225)	(217,814)	(245,822)	(270,196)	(229,000)	(271,000)	(218,532)
Net change in plan fiduciary net position	926,627	895,094	546,216	(1,058,804)	1,586,320	78,665	318,273	185,736	502,797
Plan fiduciary net position - beginning	7,737,150	6,842,056	6,295,840	7,354,644	5,768,324	5,689,659	5,371,386	5,185,650	4,682,853
Plan fiduciary net position - ending (b)	<u>\$ 8,663,777</u>	<u>\$ 7,737,150</u>	<u>\$ 6,842,056</u>	<u>\$ 6,295,840</u>	<u>\$ 7,354,644</u>	<u>\$ 5,768,324</u>	<u>\$ 5,689,659</u>	<u>\$ 5,371,386</u>	<u>\$ 5,185,650</u>
Net OPEB asset ending (b) - (a)	\$ 5,215,249	\$ 4,609,555	\$ 3,760,931	\$ 3,327,627	\$ 2,991,590	\$ 194,379	\$ 1,684,563	\$ 1,679,266	\$ 1,604,573
Plan fiduciary net position as a percentage of the total OPEB liability	251.23%	247.38%	222.06%	212.11%	168.57%	103.49%	142.06%	145.48%	144.81%
Covered payroll	\$ 250,644,568	\$ 239,322,912	\$ 225,296,732	\$ 210,768,335	\$ 203,300,396	\$ 200,751,445	\$ 196,805,332	\$ 190,489,157	\$ 187,285,093
Net OPEB asset as a percentage of covered payroll	2.08%	1.93%	1.67%	1.58%	1.47%	0.10%	0.86%	0.88%	0.86%
Contributions as a percentage of covered payroll	0.08%	0.09%	0.10%	0.10%	0.00%	0.00%	0.01%	0.02%	0.12%

Schedule is intended to show information for 10 years. Since 2017 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.

* For presentation for the year ended June 30, 2022 and onward, it was noted that there will be a change in presentation for employer contributions. While Hanover County is making a direct cash contribution to the OPEB Trust, the employer is making contributions to the self-insurance fund. As the Plan operates as such on a pay-go basis, the employer contribution amount noted above reflects the amount paid by the employer for retiree subsidies during the year and no funds were drawn from the Trust.

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2025

Hanover County, Virginia Retiree Medical Benefits Plan - County Portion

Schedule of Changes in the Net OPEB Asset and Related Ratios

<i>As of June 30 of the Fiscal Year</i> <i>County</i>	<u>2025*</u>	<u>2024*</u>	<u>2023*</u>	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>
Total OPEB liability								
Service cost	\$ 42,530	\$ 44,355	\$ 72,810	\$ 94,768	\$ 66,038	\$ 51,869	\$ 53,979	\$ 53,516
Interest cost	71,079	71,788	104,341	117,209	92,840	78,355	75,460	76,628
Experience losses/(gains)	(18,951)	11,430	(461,228)	(61,021)	(161,293)	107	(9,910)	-
Change in benefit terms	-	-	-	(475,605)	681,574	-	-	-
Change in proportionate share	(48,682)	-	208,118	(183,383)	226,032	-	(68,170)	-
Change in assumptions	-	-	(168,019)	-	-	39,233	-	-
Benefit payments	(77,543)	(84,204)	(83,662)	(82,695)	(99,783)	(71,646)	(84,786)	(72,531)
Net change in total OPEB liability	<u>(31,567)</u>	<u>43,369</u>	<u>(327,640)</u>	<u>(590,727)</u>	<u>805,408</u>	<u>97,918</u>	<u>(33,427)</u>	<u>57,613</u>
Total OPEB liability - beginning	<u>1,183,460</u>	<u>1,140,091</u>	<u>1,467,731</u>	<u>2,058,458</u>	<u>1,253,050</u>	<u>1,155,132</u>	<u>1,188,559</u>	<u>1,130,946</u>
Total OPEB liability - ending (a)	<u>\$ 1,151,893</u>	<u>\$ 1,183,460</u>	<u>\$ 1,140,091</u>	<u>\$ 1,467,731</u>	<u>\$ 2,058,458</u>	<u>\$ 1,253,050</u>	<u>\$ 1,155,132</u>	<u>\$ 1,188,559</u>
Total fiduciary net position								
Contributions - employer	\$ 77,543	\$ 84,204	\$ 83,662	\$ -	\$ 2,954	\$ 6,257	\$ 13,140	\$ 72,531
Change in proportionate share	(108,105)	-	350,817	(189,778)	321,102	-	(98,714)	-
Net investment income	329,663	209,802	(406,687)	616,333	125,880	164,965	129,756	166,878
Benefit payments	(77,543)	(84,204)	(83,662)	(82,695)	(99,783)	(71,646)	(84,786)	(72,531)
Net change in plan fiduciary net position	<u>221,558</u>	<u>209,802</u>	<u>(55,870)</u>	<u>343,860</u>	<u>350,153</u>	<u>99,576</u>	<u>(40,604)</u>	<u>166,878</u>
Plan fiduciary net position - beginning	<u>2,628,034</u>	<u>2,418,232</u>	<u>2,474,102</u>	<u>2,130,242</u>	<u>1,780,089</u>	<u>1,680,513</u>	<u>1,721,117</u>	<u>1,554,239</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,849,592</u>	<u>\$ 2,628,034</u>	<u>\$ 2,418,232</u>	<u>\$ 2,474,102</u>	<u>\$ 2,130,242</u>	<u>\$ 1,780,089</u>	<u>\$ 1,680,513</u>	<u>\$ 1,721,117</u>
Net OPEB asset ending (b) - (a)	\$ 1,697,699	\$ 1,444,574	\$ 1,278,141	\$ 1,006,371	\$ 71,784	\$ 527,039	\$ 525,381	\$ 532,558
Plan fiduciary net position as a percentage of the total OPEB liability	247.38%	222.06%	212.11%	168.57%	103.49%	142.06%	145.48%	144.81%
Covered payroll	\$ 87,074,504	\$ 82,979,423	\$ 78,175,198	\$ 75,822,649	\$ 73,542,941	\$ 71,153,221	\$ 66,734,243	\$ 65,107,962
Net OPEB asset as a percentage of covered payroll	1.95%	1.74%	1.63%	1.33%	0.10%	0.74%	0.79%	0.82%
Contributions as a percentage of covered payroll	0.09%	0.10%	0.11%	0.00%	0.00%	0.01%	0.02%	0.11%

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

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2025

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

Schedule of Changes in the Net OPEB Asset and Related Ratios

*As of June 30 of the Fiscal Year
School Board*

	<u>2025*</u>	<u>2024*</u>	<u>2023*</u>	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>
Total OPEB liability								
Service cost	\$ 67,370	\$ 64,968	\$ 106,646	\$ 182,606	\$ 110,207	\$ 111,010	\$ 115,524	\$ 100,955
Interest cost	112,590	105,149	152,831	225,847	154,934	167,696	161,498	144,551
Experience losses/(gains)	(30,018)	16,744	(675,570)	(117,580)	(269,171)	229	(21,212)	-
Change in benefit terms	-	-	-	(916,431)	1,137,433	-	-	-
Change in proportionate share	64,086	-	(373,477)	177,809	(213,420)	-	155,731	-
Change in assumptions	-	-	(246,102)	-	-	83,966	-	-
Benefit payments	(122,831)	(123,336)	(122,542)	(159,342)	(166,522)	(153,335)	(181,458)	(136,823)
Net change in total OPEB liability	91,197	63,525	(1,158,214)	(607,091)	753,461	209,566	230,083	108,683
Total OPEB liability - beginning	1,733,442	1,669,917	2,828,131	3,435,222	2,681,761	2,472,195	2,242,112	2,133,429
Total OPEB liability - ending (a)	<u>\$ 1,824,639</u>	<u>\$ 1,733,442</u>	<u>\$ 1,669,917</u>	<u>\$ 2,828,131</u>	<u>\$ 3,435,222</u>	<u>\$ 2,681,761</u>	<u>\$ 2,472,195</u>	<u>\$ 2,242,112</u>
Total fiduciary net position								
Contributions - employer	\$ 122,831	\$ 123,336	\$ 122,543	\$ -	\$ 4,930	\$ 13,392	\$ 28,123	\$ 136,823
Change in proportionate share	142,314	-	(629,558)	184,011	(303,186)	-	225,509	-
Net investment income	522,198	307,301	(595,683)	1,187,594	210,073	353,055	277,702	314,801
Benefit payments	(122,831)	(123,336)	(122,542)	(159,342)	(166,522)	(153,336)	(181,458)	(136,823)
Net change in plan fiduciary net position	664,512	307,301	(1,225,240)	1,212,263	(254,705)	213,111	349,876	314,801
Plan fiduciary net position - beginning	3,849,341	3,542,040	4,767,280	3,555,017	3,809,722	3,596,611	3,246,735	2,931,934
Plan fiduciary net position - ending (b)	<u>\$ 4,513,853</u>	<u>\$ 3,849,341</u>	<u>\$ 3,542,040</u>	<u>\$ 4,767,280</u>	<u>\$ 3,555,017</u>	<u>\$ 3,809,722</u>	<u>\$ 3,596,611</u>	<u>\$ 3,246,735</u>
Net OPEB asset ending (b) - (a)	\$ 2,689,214	\$ 2,115,899	\$ 1,872,123	\$ 1,939,149	\$ 119,795	\$ 1,127,961	\$ 1,124,416	\$ 1,004,623
Plan fiduciary net position as a percentage of the total OPEB liability	247.38%	222.06%	212.11%	168.57%	103.49%	142.06%	145.48%	144.81%
Covered payroll	\$ 142,936,208	\$ 133,273,321	\$ 124,363,364	\$ 120,318,942	\$ 119,790,791	\$ 118,335,411	\$ 116,538,102	\$ 114,872,079
Net OPEB asset as a percentage of covered payroll	1.88%	1.59%	1.51%	1.61%	0.10%	0.95%	0.96%	0.87%
Contributions as a percentage of covered payroll	0.09%	0.09%	0.10%	0.00%	0.00%	0.01%	0.02%	0.12%

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

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2025

Hanover County Retiree Medical Benefits Trust

Schedule of Investment Returns

	Fiscal Year	Rate
Annual money-weighted rate of return, net of investment expense	6/30/2025	12.34%
	6/30/2024	13.51%
	6/30/2023	9.21%
	6/30/2022	-13.98%
	6/30/2021	28.25%
	6/30/2020	5.89%
	6/30/2019	6.41%
	6/30/2018	8.91%
	6/30/2017	11.35%
	6/30/2016	1.68%

Note: Returns are net of fees. Returns are expressed as percentages.

Schedule of Employer Contributions

County

Date	Contractually Required Contribution (a)	Contribution 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)
6/30/2025	\$ -	\$ -	\$ -	\$ 99,648,335	0.00%
6/30/2024	-	-	-	87,074,504	0.00%
6/30/2023	-	-	-	82,979,423	0.00%
6/30/2022	-	-	-	78,175,198	0.00%
6/30/2021	-	-	-	75,822,649	0.00%
6/30/2020	-	2,503	(2,503)	73,542,941	0.00%
6/30/2019	-	6,257	(6,257)	71,153,221	0.00%
6/30/2018	-	13,140	(13,140)	66,734,243	0.02%

School Board

Date	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
6/30/2025	\$ -	\$ -	\$ -	\$ 140,703,848	0.00%
6/29/2024	-	-	-	142,936,208	0.00%
6/30/2023	-	-	-	133,273,321	0.00%
6/30/2022	-	-	-	124,363,364	0.00%
6/30/2021	-	-	-	120,318,942	0.00%
6/30/2020	-	5,357	(5,357)	119,790,791	0.00%
6/30/2019	-	13,392	(13,392)	118,335,411	0.00%
6/30/2018	-	28,123	(28,123)	116,538,102	0.02%

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2025

Virginia Retirement System-Net OPEB HIC Plan - Primary Government

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

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*
Total OPEB liability								
Service cost	\$ 28,834	\$ 28,887	\$ 56,420	\$ 38,929	\$ 38,144	\$ 36,034	\$ 33,937	\$ 36,106
Interest on total OPEB liability	113,649	100,402	97,308	89,461	86,806	84,678	80,423	79,070
Changes of assumptions	-	-	151,891	20,177	-	34,499	-	(45,582)
Difference between expected and actual experience	(79,327)	153,719	(143,926)	(124)	(4,765)	(10,045)	6,981	-
Benefit payments	(89,715)	(83,705)	(92,930)	(84,317)	(77,371)	(60,311)	(60,799)	(39,706)
Net change in total OPEB liability	(26,559)	199,303	68,763	64,126	42,814	84,855	60,542	29,888
Total OPEB liability - beginning	1,699,708	1,500,405	1,431,642	1,367,516	1,324,702	1,239,847	1,179,305	1,149,417
Total OPEB liability - ending (a)	\$ 1,673,149	\$ 1,699,708	\$ 1,500,405	\$ 1,431,642	\$ 1,367,516	\$ 1,324,702	\$ 1,239,847	\$ 1,179,305
Total fiduciary net position								
Contributions - employer	\$ 106,821	\$ 96,580	\$ 89,145	\$ 84,385	\$ 84,961	\$ 80,463	\$ 86,037	\$ 81,864
Net investment income	87,310	49,494	731	167,713	12,533	37,527	36,347	49,782
Benefit Payments, including								
refunds of employee contributions	(89,715)	(83,705)	(92,930)	(84,317)	(77,371)	(60,311)	(60,799)	(39,706)
Administrative expense	(1,213)	(1,168)	(1,468)	(1,995)	(1,220)	(828)	(886)	(858)
Other	-	2,498	46,665	-	(6)	(45)	(2,349)	2,349
Net change in plan fiduciary net position	103,203	63,699	42,143	165,786	18,897	56,806	58,350	93,431
Plan fiduciary net position - beginning	909,063	845,364	803,221	637,435	618,538	561,732	503,382	409,951
Plan fiduciary net position - ending (b)	\$ 1,012,266	\$ 909,063	\$ 845,364	\$ 803,221	\$ 637,435	\$ 618,538	\$ 561,732	\$ 503,382
Net OPEB liability ending (a) - (b)	\$ 660,883	\$ 790,645	\$ 655,041	\$ 628,421	\$ 730,081	\$ 706,164	\$ 678,115	\$ 675,923
Plan fiduciary net position as a percentage of the total OPEB liability	60.50%	53.48%	56.34%	56.10%	46.61%	46.69%	45.31%	42.68%
Covered payroll	\$ 56,208,337	\$ 50,827,881	\$ 46,918,647	\$ 44,410,120	\$ 44,834,721	\$ 42,350,786	\$ 40,978,883	\$ 38,987,994
Political subdivision's net OPEB liability as a percentage of covered payroll	1.18%	1.56%	1.40%	1.42%	1.63%	1.67%	1.65%	1.73%

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

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
 June 30, 2025

Virginia Retirement System-Net OPEB HIC Plan - Schools Non-Professional

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

	2025*	2024*	2023*	2022*	2021*
Total OPEB liability					
Service cost	\$ 7,137	\$ 5,252	\$ 8,181	\$ 7,993	\$ -
Interest	26,349	45,455	36,837	32,814	-
Changes in benefit terms	-	-	-	-	486,125
Changes of assumptions	-	-	138,437	16,065	-
Difference between expected and actual experience	(17,240)	(317,475)	(39,745)	-	-
Benefit payments	(20,976)	(15,357)	(10,878)	-	-
Net change in total OPEB liability	(4,730)	(282,125)	132,832	56,872	486,125
Total OPEB liability - beginning	393,704	675,829	542,997	486,125	-
Total OPEB liability - ending (a)	388,974	393,704	675,829	542,997	\$ 486,125
Total fiduciary net position					
Contributions - employer	\$ 88,388	\$ 53,847	\$ 36,717	\$ 36,882	\$ -
Net investment income	14,536	5,688	(668)	4,936	-
Benefit payments	(20,976)	(15,357)	(10,878)	-	-
Administrative expense	(233)	(167)	(128)	(164)	-
Other	1	37	670	-	-
Net change in plan fiduciary net position	81,716	44,048	25,713	41,654	-
Plan fiduciary net position - beginning	111,415	67,367	41,654	-	-
Plan fiduciary net position - ending (b)	\$ 193,131	\$ 111,415	\$ 67,367	\$ 41,654	\$ -
Net OPEB liability ending (a) - (b)	\$ 195,843	\$ 282,289	\$ 608,462	\$ 501,343	\$ 486,125
Plan fiduciary net position as a percentage of the total OPEB liability	49.65%	28.30%	9.97%	7.67%	0.00%
Covered payroll	\$ 9,402,933	\$ 5,728,644	\$ 5,029,826	\$ 5,052,181	\$ -
School division's net OPEB liability as a percentage of covered payroll	2.08%	4.93%	12.10%	9.92%	

Schedule is intended to show information for 10 years. Since 2021 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, 2025

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

	<u>2025*</u>	<u>2024*</u>	<u>2023*</u>	<u>2022*</u>
Employer's Proportion of the Net OPEB Liability	1.20702%	1.21219%	1.21458%	1.18956%
Employer's Proportionate Share of the Net OPEB Liability	\$ 13,948,903	\$ 14,684,681	\$ 15,170,669	\$ 15,268,825
Employer's Covered Payroll	\$ 129,318,344	\$ 120,868,625	\$ 113,200,538	\$ 105,204,144
Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	10.79%	12.15%	13.40%	14.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	21.82%	17.90%	15.08%	13.15%
	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>
Employer's Proportion of the Net OPEB Liability	1.21953%	1.23144%	1.25384%	1.26516%
Employer's Proportionate Share of the Net OPEB Liability	\$ 15,908,970	\$ 16,120,747	\$ 15,919,000	\$ 16,050,000
Employer's Covered Payroll	\$ 106,913,212	\$ 103,288,960	\$ 101,392,249	\$ 99,817,919
Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	14.88%	15.61%	15.70%	16.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.95%	8.97%	8.08%	7.04%

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

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2025

Virginia Retirement System-Health Insurance Credit Program

County

Schedule of Employer Contributions

Date	Contractually Required Contribution (a)	Contribution 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)
6/30/2025	\$ 116,937	\$ 116,937	\$ -	\$ 61,426,174	0.19%
6/30/2024	106,821	106,821	-	56,208,237	0.19%
6/30/2023	96,580	96,580	-	50,827,881	0.19%
6/30/2022	89,145	89,145	-	46,918,647	0.19%
6/30/2021	84,384	84,384	-	44,410,120	0.19%
6/30/2020	84,961	84,961	-	44,834,721	0.19%
6/30/2019	80,463	80,463	-	42,350,786	0.19%
6/30/2018	86,037	86,037	-	40,978,883	0.21%
6/30/2017	81,864	81,864	-	38,987,994	0.21%
6/30/2016	78,845	78,845	-	37,911,409	0.21%

School Board Professional

Date	Contractually Required Contribution (a)	Contribution 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)
6/30/2025	\$ 1,654,172	\$ 1,654,172	\$ -	\$ 136,673,148	1.21%
6/30/2024	1,565,822	1,565,822	-	129,318,344	1.21%
6/30/2023	1,462,471	1,462,471	-	120,868,625	1.21%
6/30/2022	1,274,871	1,274,871	-	113,200,538	1.13%
6/30/2021	1,272,917	1,272,917	-	105,204,144	1.21%
6/30/2020	1,283,480	1,283,480	-	106,913,212	1.20%
6/30/2019	1,240,096	1,240,096	-	103,288,960	1.20%
6/30/2018	1,248,193	1,248,193	-	101,392,249	1.23%
6/30/2017	1,109,570	1,109,570	-	99,817,919	1.11%
6/30/2016	1,022,883	1,022,883	-	96,591,415	1.06%

School Board Non-Professional

Date	Contractually Required Contribution (a)	Contribution 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)
6/30/2025	\$ 103,564	\$ 103,564	\$ -	\$ 11,017,413	0.94%
6/30/2024	88,388	88,388	-	9,402,933	0.94%
6/30/2023	53,847	53,847	-	5,728,644	0.94%
6/30/2022	36,717	36,717	-	5,029,826	0.73%
6/30/2021	36,881	36,881	-	5,052,181	0.73%

See accompanying independent auditors' report.

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2025

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

	2025*	2024*	2023*	2022*	2021*
County's share					
County's Proportion of the Net GLI OPEB Liability	0.33404%	0.33240%	0.33762%	0.33635%	0.33740%
County's Proportionate Share of the Net GLI OPEB Liability	\$ 3,727,626	\$ 3,986,518	\$ 4,065,270	\$ 3,916,027	\$ 5,630,654
Covered Payroll	\$ 85,770,232	\$ 78,297,971	\$ 73,440,688	\$ 69,319,445	\$ 69,250,382
County's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	4.35%	5.09%	5.54%	5.65%	8.13%
	2020*	2019*	2018*		
County's Proportion of the Net GLI OPEB Liability	0.33555%	0.33281%	0.32895%		
County's Proportionate Share of the Net GLI OPEB Liability	\$ 5,460,292	\$ 5,054,000	\$ 4,950,000		
Covered Payroll	\$ 65,738,841	\$ 63,272,936	\$ 60,564,521		
County's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.31%	7.99%	8.17%		
School Board professional group's share					
	2025*	2024*	2023*	2022*	2021*
School Board's Proportion of the Net GLI OPEB Liability	0.50477%	0.51431%	0.52231%	0.51295%	0.52100%
School Board's Proportionate Share of the Net GLI OPEB Liability	\$ 5,632,840	\$ 6,168,189	\$ 6,289,116	\$ 5,972,130	\$ 8,694,637
Covered Payroll	\$ 129,605,750	\$ 121,148,161	\$ 113,615,624	\$ 105,176,978	\$ 106,871,061
School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	4.35%	5.09%	5.54%	5.68%	8.14%
	2020*	2019*	2018*		
School Board's Proportion of the Net GLI OPEB Liability	0.52833%	0.53434%	0.54244%		
School Board's Proportionate Share of the Net GLI OPEB Liability	\$ 8,597,335	\$ 8,115,000	\$ 8,163,000		
Covered Payroll	\$ 103,292,430	\$ 101,392,249	\$ 99,817,919		
School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.32%	8.00%	8.18%		
School Board non-professional group's share					
	2025*	2024*	2023*	2022*	2021*
School Board's Proportion of the Net GLI OPEB Liability	0.03673%	0.02461%	0.02332%	0.02464%	0.02594%
School Board's Proportionate Share of the Net GLI OPEB Liability	\$ 409,878	\$ 295,151	\$ 280,795	\$ 286,877	\$ 432,897
Covered Payroll	\$ 9,431,981	\$ 5,797,479	\$ 5,073,636	\$ 5,076,697	\$ 5,337,485
School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	4.35%	5.09%	5.53%	5.65%	8.11%
	2020*	2019*	2018*		
School Board's Proportion of the Net GLI OPEB Liability	0.02686%	0.02712%	0.02825%		
School Board's Proportionate Share of the Net GLI OPEB Liability	\$ 437,084	\$ 411,000	\$ 425,000		
Covered Payroll	\$ 5,256,371	\$ 5,150,695	\$ 5,201,892		
School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.32%	7.98%	8.17%		
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability					
	2025*	2024*	2023*	2022*	2021*
	73.41%	69.30%	67.21%	67.45%	52.64%
	2020*	2019*	2018*		
	52.00%	51.22%	48.86%		

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

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
 June 30, 2025

Virginia Retirement System - Group Life Insurance Program

Schedule of Employer Contributions*

County

Date	Contractually Required Contribution (a)	Contribution 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)
6/30/2025	\$ 441,933	\$ 441,933	\$ -	\$ 93,628,610	0.47%
6/30/2024	459,811	459,811	-	85,770,232	0.54%
6/30/2023	419,701	419,701	-	78,297,971	0.54%
6/30/2022	393,383	393,383	-	73,440,688	0.54%
6/30/2021	372,221	372,221	-	69,319,445	0.54%
6/30/2020	363,795	363,795	-	69,250,382	0.53%
6/30/2019	334,679	344,679	-	65,738,841	0.51%
6/30/2018	331,609	331,609	-	63,272,936	0.52%
6/30/2017	317,970	317,970	-	60,564,521	0.53%
6/30/2016	278,174	278,174	-	58,128,921	0.48%

Schools Professional

Date	Contractually Required Contribution (a)	Contribution 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)
6/30/2025	\$ 647,115	\$ 647,115	\$ -	\$ 137,010,208	0.47%
6/30/2024	695,142	695,142	-	129,605,750	0.54%
6/30/2023	649,395	649,395	-	121,148,161	0.54%
6/30/2022	608,979	608,979	-	113,615,624	0.54%
6/30/2021	567,626	567,626	-	105,176,978	0.54%
6/30/2020	562,083	562,083	-	106,871,061	0.53%
6/30/2019	542,821	542,821	-	103,292,430	0.53%
6/30/2018	532,831	532,831	-	101,392,249	0.53%
6/30/2017	524,832	524,832	-	99,817,919	0.53%
6/30/2016	460,192	460,192	-	96,591,415	0.48%

Schools Non-Professional

Date	Contractually Required Contribution (a)	Contribution 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)
6/30/2025	\$ 52,290	\$ 52,290	\$ -	\$ 11,078,411	0.47%
6/30/2024	50,555	50,555	-	9,431,981	0.54%
6/30/2023	31,073	31,073	-	5,797,479	0.54%
6/30/2022	27,186	27,186	-	5,073,636	0.54%
6/30/2021	27,261	27,261	-	5,076,697	0.54%
6/30/2020	27,716	27,716	-	5,337,485	0.52%
6/30/2019	27,445	27,445	-	5,256,371	0.52%
6/30/2018	27,039	27,039	-	5,150,695	0.52%
6/30/2017	27,271	27,271	-	5,201,892	0.52%
6/30/2016	27,510	27,510	-	5,775,545	0.48%

See accompanying independent auditors' report.

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, 2025

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenues from local sources:				
General property taxes:				
Real property taxes	\$ 181,300,000	181,300,000	182,732,937	1,432,937
Public service corporation property taxes	6,300,000	6,300,000	7,300,161	1,000,161
Personal property taxes	64,030,000	64,030,000	64,765,412	735,412
Machinery and tools taxes	2,400,000	2,400,000	2,636,940	236,940
Merchants' capital taxes	2,012,000	2,012,000	2,268,551	256,551
Delinquent taxes	3,000,000	3,000,000	4,902,944	1,902,944
Penalties and interest	1,700,000	1,700,000	2,119,706	419,706
Total general property taxes	<u>260,742,000</u>	<u>260,742,000</u>	<u>266,726,651</u>	<u>5,984,651</u>
Other local taxes:				
Local sales and use taxes	36,745,000	36,745,000	36,155,483	(589,517)
Consumer utility taxes	2,000,000	2,000,000	2,060,641	60,641
Contractor license taxes	1,200,000	1,200,000	1,380,304	180,304
Franchise license taxes	450,000	450,000	496,698	46,698
Lodging taxes	1,600,000	1,750,000	1,803,381	53,381
Bank stock tax	1,200,000	1,200,000	1,250,809	50,809
Taxes on recordation and wills	2,045,000	2,045,000	2,504,102	459,102
Communication sales tax	3,450,000	3,450,000	3,230,565	(219,435)
Total other local taxes	<u>48,690,000</u>	<u>48,840,000</u>	<u>48,881,983</u>	<u>41,983</u>
Permits, privilege fees and regulatory licenses:				
General Government Administration:				
Land use application fee	-	-	1,190	1,190
Tourism Improvement District	-	350,000	306,327	(43,673)
Public Safety:				
Animal licenses	25,000	25,000	19,114	(5,886)
Building permits	1,100,000	1,100,000	1,483,547	383,547
Heating and air conditioning	450,000	450,000	329,878	(120,122)
Electrical permits	350,000	350,000	285,298	(64,702)
Plumbing permits	150,000	150,000	126,872	(23,128)
Inspection fees	150,000	150,000	153,577	3,577
Public Works:				
Erosion and sediment inspections	309,000	309,000	344,296	35,296
Stormwater management	10,000	10,000	1,800	(8,200)
Community Development:				
Planning fees	260,000	260,000	326,959	66,959
Total permits, privilege fees and regulatory licenses	<u>2,804,000</u>	<u>3,154,000</u>	<u>3,378,858</u>	<u>224,858</u>
Fines and Forfeitures:				
Public Works:				
Erosion and sediment fines	5,000	5,000	751	(4,249)
Judicial Administration:				
Court fines and forfeitures	553,000	553,000	606,787	53,787
Courthouse maintenance fees	75,000	75,000	86,664	11,664
Court appointed attorney fees	25,000	25,000	23,471	(1,529)
Public Safety:				
Criminal Justice Academy training fees	50,000	50,000	62,107	12,107
Security alarm fines	50,000	50,000	47,600	(2,400)
Animal Protection	800.00	800.00	1,040	240
Total fines and forfeitures	<u>758,800</u>	<u>758,800</u>	<u>828,420</u>	<u>69,620</u>
Revenues from use of money and property:				
Revenue from use of money	1,200,000	1,200,000	13,971,126	12,771,126
Revenue from use of property	540,000	541,300	647,465	106,165
Total revenues from use of money and property	<u>1,740,000</u>	<u>1,741,300</u>	<u>14,618,591</u>	<u>12,877,291</u>
Charges for services:				
EMS cost recovery	3,500,000	3,500,000	4,970,502	1,470,502
Landfill fees	1,506,000	1,506,000	2,191,934	685,934
Recreation fees	407,000	423,620	434,738	11,118
Community Services	3,948,000	3,948,000	3,554,074	(393,926)
Other	436,200	516,200	393,917	(122,283)
Total charges for services	<u>9,797,200</u>	<u>9,893,820</u>	<u>11,545,165</u>	<u>1,651,345</u>

(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, 2025

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Miscellaneous:				
Insurance recoveries	-	292,573	379,987	87,414
Gifts and donations	50,000	170,293	168,246	(2,047)
National Opioid Settlement	-	-	148,294	148,294
Other miscellaneous revenue	546,830	555,486	978,767	423,281
Reserve for revenue transfers	850,000	187,161	-	(187,161)
Total miscellaneous	1,446,830	1,205,513	1,675,294	469,781
Recovered costs:				
General Government Administration:				
Pamunkey Regional Jail Authority	573,000	573,000	573,000	-
Public Utilities Fund:				
Cost allocation	1,285,000	1,285,000	1,322,392	37,392
Service assessment	407,000	407,000	407,000	-
County Attorney	-	-	150	150
Treasurer	75,000	75,000	68,524	(6,476)
Commissioner of the Revenue	290,000	337,506	337,506	-
Judicial Administration:				
Clerk of Circuit Court	18,000	18,000	23,076	5,076
Court Services	30,000	30,000	23,284	(6,716)
Commonwealth's Attorney	-	-	679	679
Public Safety:				
Community Corrections	100,500	100,500	94,060	(6,440)
Sheriff	40,000	40,000	58,902	18,902
Building Inspector	1,000	1,000	1,716	716
Animal Protection	5,000	5,000	14,397	9,397
Fire	34,000	34,000	54,985	20,985
Human Services:				
Social Services	40,160	40,160	30,947	(9,213)
Community Resources	5,000	5,000	5,000	-
Comprehensive Services	90,000	90,000	67,830	(22,170)
Community Services	587,334	587,334	487,282	(100,052)
Health Department	-	-	25,422	25,422
Public Works:				
Solid Waste Management	300,000	300,000	428,198	128,198
Recycling Service Districts	186,350	186,350	186,816	466
General Services	20,000	20,000	14,401	(5,599)
Community Development:				
Contributions: Greater Richmond Convention Center Authority	1,280,000	1,280,000	1,210,896	(69,104)
Planning	10,000	10,000	1,800	(8,200)
Economic Development	43,994	43,994	43,994	-
Total recovered costs	5,421,338	5,468,844	5,482,257	13,413
Total revenues from local sources	331,400,168	331,804,277	353,137,219	21,332,942
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Vehicle rental tax	500,000	500,000	589,188	89,188
Personal property taxes (State remittance)	15,002,000	15,002,000	15,002,745	745
Rolling Stock Tax	70,000	70,000	71,557	1,557
Total non-categorical aid	15,572,000	15,572,000	15,663,490	91,490
Categorical aid:				
Shared expenses:				
Commissioner of the Revenue	346,394	346,394	347,582	1,188
Treasurer	316,331	316,331	318,581	2,250
Registrar	105,750	105,750	114,001	8,251
Clerk of Circuit Court	764,633	764,633	763,954	(679)
Commonwealth's Attorney	1,283,768	1,283,768	1,283,986	218
Sheriff	4,635,104	4,635,104	4,725,080	89,976
Total shared expenses	7,451,980	7,451,980	7,553,184	101,204
Other categorical aid:				
Social Services	1,606,411	1,542,437	1,375,192	(167,245)
Comprehensive Services	5,081,000	5,081,000	5,528,348	447,348
Community Services	3,974,525	4,175,742	4,158,199	(17,543)
Opioid Abatement Authority grants	-	84,717	78,717	(6,000)
Other	1,454,832	1,705,771	1,819,293	113,522
Total other categorical aid	12,116,768	12,589,667	12,959,749	370,082
Total categorical aid	19,568,748	20,041,647	20,512,933	471,286
Total revenue from the Commonwealth	35,140,748	35,613,647	36,176,423	562,776

(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, 2025

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenue from the Federal government:				
Categorical aid:				
American Rescue Plan Act - Federal grants	\$ -	775,000	492,816	(282,184)
General Government - Federal grants	-	-	5,325	5,325
Fire - Federal grants	23,000	23,000	22,512	(488)
Sheriff - Federal grants	165,427	257,037	276,763	19,726
Social Services - Federal grants	4,016,028	4,016,028	3,684,287	(331,741)
Community Resources - Federal grants	535,000	740,641	593,716	(146,925)
Commonwealth's Attorney - Federal grants	105,670	105,670	102,714	(2,956)
Comprehensive Services - Federal grants	55,000	55,000	132,024	77,024
Community Services - Federal grants	597,327	854,957	625,988	(228,969)
Total revenue from the Federal government	5,497,452	6,827,333	5,936,145	(891,188)
Total intergovernmental	40,638,200	42,440,980	42,112,568	(328,412)
Total revenues	372,038,368	374,245,257	395,249,787	21,004,530
EXPENDITURES				
General government administration:				
Legislative - Board of Supervisors	732,387	740,241	685,877	54,364
General and financial administration:				
County Administrator	1,967,834	1,990,897	1,876,667	114,230
Human Resources	2,531,331	2,557,510	2,041,178	516,332
County Attorney	1,371,225	1,400,542	1,340,167	60,375
Commissioner of the Revenue	2,664,724	3,308,997	2,570,652	738,345
Assessor	1,706,011	1,639,260	1,577,860	61,400
Treasurer	2,229,695	2,257,393	2,031,792	225,601
Finance	2,914,527	2,819,527	2,613,730	205,797
Management Services	493,494	496,869	492,563	4,306
Information Technology	6,267,922	6,204,319	6,109,604	94,715
Total general and financial administration	22,146,763	22,675,314	20,654,213	2,021,101
Board of elections - Registrar and Electoral Board	1,193,918	1,144,187	949,856	194,331
Total general government administration	24,073,068	24,559,742	22,289,946	2,269,796
Judicial administration:				
Courts:				
Circuit Court	464,608	478,700	470,140	8,560
General District Court	158,016	161,850	130,558	31,292
Magistrates	4,100	4,952	2,609	2,343
Juvenile and Domestic Relations District Court	31,260	33,603	17,632	15,971
Clerk of the Circuit Court	2,053,703	2,130,647	2,066,123	64,524
Court Services	4,850,769	4,641,346	4,141,197	500,149
Total courts	7,562,456	7,451,098	6,828,259	622,839
Commonwealth's Attorney	3,139,028	3,129,666	3,016,042	113,624
Total judicial administration	10,701,484	10,580,764	9,844,301	736,463
Public safety:				
Sheriff	36,606,086	35,667,402	34,292,533	1,374,869
Fire and Rescue Services:				
Fire and Emergency Management Services	36,521,105	38,259,294	36,843,441	1,415,853
Total fire and rescue services	36,521,105	38,259,294	36,843,441	1,415,853
Correction and Detention:				
Pamunkey Regional Jail Authority	7,090,000	7,090,000	6,726,946	363,054
Juvenile Court Services	675,963	606,740	567,644	39,096
Community Corrections	914,847	924,212	909,887	14,325
Total correction and detention	8,680,810	8,620,952	8,204,477	416,475
Inspections - Building Inspections	2,154,174	2,103,350	2,019,603	83,747
Other protection:				
Emergency Communications	8,448,532	8,258,807	7,600,307	658,500
Animal Protection	1,884,031	1,891,081	1,802,808	88,273
Total other protection	10,332,563	10,149,888	9,403,115	746,773
Total public safety	94,294,738	94,800,886	90,763,169	4,037,717
Public works:				
Sanitation and waste removal:				
Public Works	2,569,466	2,651,846	2,561,138	90,708
Solid Waste Services	7,336,492	7,497,382	7,205,466	291,916
Total sanitation and waste removal	9,905,958	10,149,228	9,766,604	382,624

(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, 2025

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Maintenance of buildings, grounds and equipment:				
Facilities and Vehicle Management	\$ 6,729,305	7,720,401	7,034,078	686,323
Total maintenance of buildings, grounds and equip.	6,729,305	7,720,401	7,034,078	686,323
Total public works	16,635,263	17,869,629	16,800,682	1,068,947
Health and human services:				
Health	917,700	917,700	917,700	-
Human Services:				
Social Services	8,032,055	8,042,781	7,417,324	625,457
Community Resources	1,279,559	1,828,695	1,423,403	405,292
Comprehensive Services	9,432,000	9,418,616	10,293,774	(875,158)
Community Services	16,574,864	17,038,382	15,803,483	1,234,899
Tax Relief	3,900,000	3,900,000	4,431,696	(531,696)
Total human services	39,218,478	40,228,474	39,369,680	858,794
Total health and human services	40,136,178	41,146,174	40,287,380	858,794
Parks, recreation and cultural:				
Parks and Recreation	5,497,865	5,666,356	5,218,981	447,375
Pamunkey Regional Library	3,889,259	3,860,396	3,860,396	-
Total parks, recreation and cultural	9,387,124	9,526,752	9,079,377	447,375
Community development:				
Planning and Community Development:				
Planning	3,247,755	3,337,170	2,894,814	442,356
Economic Development	2,397,220	2,469,273	2,906,979	(437,706)
Community Support	2,403,698	3,178,042	3,028,360	149,682
Total planning and community development	8,048,673	8,984,485	8,830,153	154,332
Environmental mgmt. - Soil and Water Conservation District	115,810	115,810	115,810	-
Cooperative Extension Program - VPI Extension	140,110	141,814	116,513	25,301
Total community development	8,304,593	9,242,109	9,062,476	179,633
Education:				
School Fund	122,475,000	122,489,300	117,135,010	5,354,290
Total education	122,475,000	122,489,300	117,135,010	5,354,290
Total education	122,475,000	122,489,300	117,135,010	5,354,290
Debt service:				
Principal retirement	-	-	659,850	(659,850)
Interest and fiscal charges	-	-	101,661	(101,661)
Total debt service	-	-	761,511	(761,511)
Nondepartmental:				
Reserves	4,990,450	3,451,852	-	3,451,852
Total nondepartmental	4,990,450	3,451,852	-	3,451,852
Total expenditures - budgetary basis	330,997,898	333,667,208	316,023,852	17,643,356
Less encumbrances at June 30, 2025	-	-	(2,410,796)	2,410,796
Total expenditures	330,997,898	333,667,208	313,613,056	20,054,152
Excess of revenues over expenditures	41,040,470	40,578,049	81,636,731	41,058,682
OTHER FINANCING SOURCES (USES)				
Other financing sources:				
Transfers from governmental funds:				
County Improvements Fund	-	288,110	288,110	-
Lease financing	-	-	116,090	(116,090)
Subscription financing	-	-	209,036	(209,036)
Total other financing sources	-	288,110	613,236	(325,126)
Other financing uses:				
Transfers to governmental funds:				
County Improvements Fund	(22,713,600)	(31,522,918)	(31,522,918)	-
School Improvements Fund	(7,015,000)	(7,015,000)	(7,015,000)	-
Debt Service Fund	(25,615,710)	(25,615,710)	(25,615,710)	-
Total transfers to governmental funds	(55,344,310)	(64,153,628)	(64,153,628)	-
Transfers to Proprietary Fund:				
Public Utilities	-	(29,000)	(29,000)	-
Airport Fund	(83,292)	(83,292)	(83,292)	-
Total other financing uses	(55,427,602)	(64,265,920)	(64,265,920)	-
Total other financing uses, net	(55,427,602)	(63,977,810)	(63,652,684)	(325,126)
Net change in fund balance	(14,387,132)	(23,399,761)	17,984,047	41,383,808
Fund balance - beginning	14,387,132	129,684,929	129,684,929	-
Fund balance - ending	\$ -	106,285,168	147,668,976	41,383,808

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

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, 2025

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from local sources:				
Other local taxes	\$ 14,679,000	14,685,000	16,006,631	1,321,631
Charges for services	1,489,980	1,489,980	3,899,801	2,409,821
Miscellaneous	2,405,830	2,241,966	1,411,109	(830,857)
Total revenue from local sources	18,574,810	18,416,946	21,317,541	2,900,595
Intergovernmental:				
Revenue from the Commonwealth	10,549,119	40,803,837	7,842,925	(32,960,912)
Revenue from the Federal government	11,401,378	48,165,231	9,966,591	(38,198,640)
Total intergovernmental	21,950,497	88,969,068	17,809,516	(71,159,552)
Total revenues	40,525,307	107,386,014	39,127,057	(68,258,957)
EXPENDITURES				
General government administration	3,100,000	36,348,993	34,223,273	2,125,720
Judicial administration	-	514,222	514,222	-
Public safety	24,592,000	68,557,755	27,701,136	40,856,619
Public works	51,045,895	132,434,421	23,409,255	109,025,166
Human services	-	1,000,000	-	1,000,000
Parks, recreation and cultural	5,200,000	10,798,962	6,740,962	4,058,000
Reserve for future projects	1,000,000	866,829	-	866,829
Total expenditures	84,937,895	250,521,182	92,588,848	157,932,334
Debt service:				
Principal retirement	-	-	648,647	(648,647)
Total debt service	-	-	648,647	(648,647)
Total expenditures - budgetary basis	84,937,895	250,521,182	93,237,495	157,283,687
Less encumbrances at June 30, 2025	-	-	(42,195,944)	42,195,944
Total expenditures	84,937,895	250,521,182	51,041,551	199,479,631
Deficiency of revenues under expenditures	(44,412,588)	(143,135,168)	(11,914,494)	131,220,674
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in	22,713,600	31,522,918	31,522,918	-
Issuance of general obligation bonds	13,810,000	13,810,000	-	(13,810,000)
Subscription financing	-	-	1,902,133	1,902,133
Total other financing sources	36,523,600	45,332,918	33,425,051	(11,907,867)
Other financing uses:				
Transfers out	-	(288,110)	(288,110)	-
Total other financing uses	-	(288,110)	(288,110)	-
Total other financing sources, net	36,523,600	45,044,808	33,136,941	(11,907,867)
Net change in fund balance	(7,888,988)	(98,090,360)	21,222,447	119,312,807
Fund balance - beginning	7,888,988	103,925,094	103,925,094	-
Fund balance - ending	\$ -	5,834,734	125,147,541	119,312,807

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

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, 2025

	Original Budget	Final Budget	Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Education	\$ -	1,468,045	1,480,624	12,579
Total non-categorical State aid	-	1,468,045	1,480,624	12,579
Total intergovernmental	-	1,468,045	1,480,624	12,579
Total revenues	-	1,468,045	1,480,624	12,579
EXPENDITURES				
Capital outlay:				
Education	86,974,000	163,588,831	97,112,914	66,475,917
Total expenditures - budgetary basis	86,974,000	163,588,831	97,112,914	66,475,917
Less encumbrances at June 30, 2025	-	-	(75,465,334)	75,465,334
Total expenditures	86,974,000	163,588,831	21,647,580	141,941,251
Deficiency of revenues under expenditures	(86,974,000)	(162,120,786)	(20,166,956)	141,953,830
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in	7,015,000	7,015,000	7,015,000	-
Issuance of general obligation bonds	79,959,000	130,597,664	72,725,664	(57,872,000)
Premium on general obligation bonds issued	-	10,361,336	10,361,336	-
Total other financing sources	86,974,000	147,974,000	90,102,000	(57,872,000)
Net change in fund balance	-	(14,146,786)	69,935,044	84,081,830
Fund balance - beginning	-	14,699,733	14,699,733	-
Fund balance - ending	\$ -	552,947	84,634,777	84,081,830

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

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, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from local sources:				
Revenues from use of money and property	\$ -	-	2,950,937	2,950,937
Miscellaneous	87,550	87,550	87,550	-
Total revenues	87,550	87,550	3,038,487	2,950,937
EXPENDITURES				
Debt service:				
Principal retirement	15,024,890	15,024,890	11,974,891	3,049,999
Interest	10,648,870	10,828,870	7,638,504	3,190,366
Other fiscal charges	29,500	29,500	13,480	16,020
Debt issuance costs	1,408,790	2,323,790	494,582	1,829,208
Total expenditures	27,112,050	28,207,050	20,121,457	8,085,593
Deficiency of revenues under expenditures	(27,024,500)	(28,119,500)	(17,082,970)	11,036,530
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in	25,615,710	25,615,710	25,615,710	-
Issuance of general obligation bonds	1,408,790	2,323,790	499,336	(1,824,454)
Total proceeds	1,408,790	2,323,790	499,336	(1,824,454)
Total other financing sources	27,024,500	27,939,500	26,115,046	(1,824,454)
Net change in fund balance	-	(180,000)	9,032,076	9,212,076
Fund balance - beginning	-	5,211,594	5,211,594	-
Fund balance - ending	\$ -	5,031,594	14,243,670	9,212,076

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

CUSTODIAL FUNDS

Custodial Funds are a type of Fiduciary Fund. Custodial funds are maintained to account for funds held 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 by the County for the benefit of individuals, organizations, or other governments that are not part of the financial reporting entity.

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

Commonwealth Fund – Accounts for monies received on behalf of, and subsequently remitted to the Commonwealth.

COUNTY OF HANOVER, VIRGINIA

Exhibit 17

Custodial Funds

Combining Statement of Net Position

June 30, 2025

	Bell Creek Community Development Authority	Lewistown Community Development Authority	Escrow	Special Welfare	Commonwealth	Total
ASSETS						
Pooled cash, cash equivalents and investments	\$ -	325,446	2,374,523	80,325	6,162	2,786,456
Accounts receivable	80,234	351,742	-	-	-	431,976
Total assets	<u>80,234</u>	<u>677,188</u>	<u>2,374,523</u>	<u>80,325</u>	<u>6,162</u>	<u>3,218,432</u>
LIABILITIES						
Accounts payable	-	286,954	14,176	-	-	301,130
Accrued liabilities	-	69,686	-	-	-	69,686
Deposits	-	-	10,347	-	6,162	16,509
Total liabilities	<u>-</u>	<u>356,640</u>	<u>24,523</u>	<u>-</u>	<u>6,162</u>	<u>387,325</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenues	80,234	320,548	-	-	-	400,782
Total deferred inflows of resources	<u>80,234</u>	<u>320,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,782</u>
NET POSITION						
Restricted for:						
Individuals, organizations and other governments	-	-	2,350,000	80,325	-	2,430,325
Total net position	<u>\$ -</u>	<u>-</u>	<u>2,350,000</u>	<u>80,325</u>	<u>-</u>	<u>2,430,325</u>

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

Custodial Funds

Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025

	Bell Creek Community Development Authority	Lewistown Community Development Authority	Escrow	Special Welfare	Commonwealth	Total
ADDITIONS						
Income tax collections for other governments	\$ -	-	-	-	1,233,031	1,233,031
Sales tax collections for other governments	-	-	993,767	-	-	993,767
Special assessment tax collections for other governments	159,929	643,602	-	-	-	803,531
Business license surcharge collections for other governments	-	-	40,849	-	-	40,849
Miscellaneous	-	-	-	75,967	-	75,967
Total additions	159,929	643,602	1,034,616	75,967	1,233,031	3,147,145
DEDUCTIONS						
Benefits paid to participants or beneficiaries	-	-	-	66,969	-	66,969
Administrative expense	5,000	-	-	-	-	5,000
Payments of income tax collections to other governments	-	-	-	-	1,233,031	1,233,031
Payments of sales tax to other governments	-	-	993,767	-	-	993,767
Payments of special assessment tax to other governments	154,929	643,602	-	-	-	798,531
Payments of business license surcharge to other governments	-	-	40,849	-	-	40,849
Total deductions	159,929	643,602	1,034,616	66,969	1,233,031	3,138,147
Net increase in fiduciary net position	-	-	-	8,998	-	8,998
Net position						
Beginning	-	-	2,350,000	71,327	-	2,421,327
Ending	\$ -	-	2,350,000	80,325	-	2,430,325

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

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.

Student Activity Funds – Accounts for funds maintained by schools for instructional and extracurricular activities.

COUNTY OF HANOVER, VIRGINIA
Discretely Presented Component Unit - School Board
Combining Balance Sheet
June 30, 2025

Exhibit 19

	Governmental Funds			Totals
	School	Cafeteria	Special Revenue Student Activity Fund	
ASSETS				
Pooled cash, cash equivalents and investments	\$ 15,704,849	2,718,938	3,740,994	22,164,781
Accounts receivable	185,935	-	-	185,935
Due from other governmental units	6,116,596	457,946	-	6,574,542
Inventory	-	597,801	-	597,801
Total assets	<u>\$ 22,007,380</u>	<u>3,774,685</u>	<u>3,740,994</u>	<u>29,523,059</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,080,113	201,560	77,309	2,358,982
Accrued liabilities	16,690,222	274,057	-	16,964,279
Unearned revenues	1,215,209	-	35,618	1,250,827
Total liabilities	<u>19,985,544</u>	<u>475,617</u>	<u>112,927</u>	<u>20,574,088</u>
Fund balances:				
Nonspendable	-	597,801	-	597,801
Restricted	-	-	169,330	169,330
Assigned	2,021,836	2,701,267	3,458,737	8,181,840
Total fund balances	<u>2,021,836</u>	<u>3,299,068</u>	<u>3,628,067</u>	<u>8,948,971</u>
Total liabilities and fund balances	<u>\$ 22,007,380</u>	<u>3,774,685</u>	<u>3,740,994</u>	<u>29,523,059</u>

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.	\$ 122,476,540
Right to use assets in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,156,662
Long-term liabilities and some accrued liabilities, such as compensated absences and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds:	(19,915,838)
GAAP require 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	6,487,543
Net pension liability	(114,037,175)
Deferred outflows relating to pension	39,050,313
Deferred inflows relating to pension	(16,968,230)
	(85,467,549)
GAAP require the recognition of net other postemployment benefits asset, net other postemployment 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	2,689,214
Net other postemployment benefits liability	(20,187,464)
Deferred outflows relating to other postemployment benefits	3,842,165
Deferred inflows relating to other postemployment benefits	(2,765,113)
	(16,421,198)
Net position of School Board Component Unit activities	<u>\$ 10,777,588</u>

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 20

Discretely Presented Component Unit - School Board

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2025

	School	Cafeteria	Special Revenue Student Activity Fund	Totals
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	\$ 154,800	110,712	6,268	271,780
Charges for services - operating	374,780	3,882,377	3,323,907	7,581,064
Miscellaneous	999,359	157,622	1,322,134	2,479,115
Recovered costs	140,811	-	714,700	855,511
Payments from Primary Government	117,135,010	-	-	117,135,010
Revenue from the Commonwealth	119,569,834	183,575	-	119,753,409
Revenue from the Federal government	8,950,253	4,300,065	-	13,250,318
Total revenues	<u>247,324,847</u>	<u>8,634,351</u>	<u>5,367,009</u>	<u>261,326,207</u>
EXPENDITURES				
Education	247,031,067	8,789,563	5,161,465	260,982,095
Debt service:				
Principal retirement	693,366	22,595	-	715,961
Interest and fiscal charges	29,044	50	-	29,094
Total expenditures	<u>247,753,477</u>	<u>8,812,208</u>	<u>5,161,465</u>	<u>261,727,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(428,630)</u>	<u>(177,857)</u>	<u>205,544</u>	<u>(400,943)</u>
OTHER FINANCING SOURCES				
Other financing sources:				
Lease financing	183,252	-	-	183,252
Total other financing sources	<u>183,252</u>	<u>-</u>	<u>-</u>	<u>183,252</u>
Net other financing sources (uses)	<u>\$ 183,252</u>	<u>-</u>	<u>-</u>	<u>183,252</u>
Net change in fund balance	(245,378)	(177,857)	205,544	(217,691)
Fund balances - beginning	2,267,214	3,476,925	3,422,523	9,166,662
Fund balances - ending	<u>\$ 2,021,836</u>	<u>3,299,068</u>	<u>3,628,067</u>	<u>8,948,971</u>

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

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, 2025

Net change in fund balances - total governmental funds \$ (217,691)

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 and amortization expense.

Capital outlay	22,367,754
Depreciation and amortization expense	(9,270,946)

The net effect of various miscellaneous transactions involving capital assets, such as sales, trade-ins, transfers and donations that increased net position. 1,540

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. (10,483,050)

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. (1,216,943)

Lease obligations are reported on the government-wide statement of net position and are not reported in the funds. As the School Board component unit makes rental payments for these obligations, the related interest expense and amortization expense are reported in the government-wide statement of activities for the duration of the lease term.

Principal payments on leases	359,801
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Subscription obligations are reported on the government-wide statement of net position and are not reported in the funds. As the School Board component unit makes payments for these obligations, the related interest expense and amortization expense are reported in the government-wide statement of activities for the duration of the subscription term.

Principal payments on subscriptions	356,161
-------------------------------------	---------

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 relating to pension. 9,303,121

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. 1,871,297

Changes in net position of School Board Component Unit activities \$ 13,071,044

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

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, 2025

	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	\$ 154,800	154,800	154,800	-
Total revenue from use of money and property	154,800	154,800	154,800	-
Charges for services:				
Tuition and other charges for services	473,000	473,000	374,780	(98,220)
Total charges for services	473,000	473,000	374,780	(98,220)
Miscellaneous:				
Miscellaneous	4,507,927	1,488,972	999,359	(489,613)
Total miscellaneous revenues	4,507,927	1,488,972	999,359	(489,613)
Recovered costs:				
Recovered costs	235,000	237,827	140,811	(97,016)
Total recovered costs	235,000	237,827	140,811	(97,016)
Payments from Primary Government:				
General Fund	122,475,000	122,489,300	117,135,010	(5,354,290)
Total payments from Primary Government	122,475,000	122,489,300	117,135,010	(5,354,290)
Total revenue from local sources	127,845,727	124,843,899	118,804,760	(6,039,139)
Revenue from the Commonwealth:				
Non-categorical aid:				
Non-categorical aid programs	87,424,502	90,580,254	89,504,251	(1,076,003)
Total non-categorical aid	87,424,502	90,580,254	89,504,251	(1,076,003)
Categorical aid:				
Categorical aid programs	26,051,044	30,021,495	30,065,583	44,088
Total categorical aid	26,051,044	30,021,495	30,065,583	44,088
Total revenue from the Commonwealth	113,475,546	120,601,749	119,569,834	(1,031,915)
Revenue from the Federal government:				
Categorical aid:				
Department of Education	8,378,207	10,097,719	8,950,253	(1,147,466)
Total revenue from the Federal government	8,378,207	10,097,719	8,950,253	(1,147,466)
Total revenues	249,699,480	255,543,367	247,324,847	(8,218,520)
EXPENDITURES				
Education:				
General support	14,522,559	15,321,230	14,261,784	1,059,446
Pupil transportation	12,603,630	12,883,371	12,978,763	(95,392)
Operations and maintenance	15,821,034	17,260,012	17,407,258	(147,246)
Instruction	205,771,211	211,245,229	203,354,990	7,890,239
Facilities	981,046	1,100,739	1,035,517	65,222
Total education	249,699,480	257,810,581	249,038,312	8,772,269
Debt service:				
Principal retirement	-	-	693,366	(693,366)
Interest and fiscal charges	-	-	29,044	(29,044)
Total debt service	-	-	722,410	(722,410)
Total expenditures - budgetary basis	249,699,480	257,810,581	249,760,722	8,049,859
Less encumbrances at June 30, 2025	-	-	(2,007,245)	2,007,245
Total expenditures	249,699,480	257,810,581	247,753,477	10,057,104
Deficiency of revenues under expenditures	-	(2,267,214)	(428,630)	1,838,584
OTHER FINANCING SOURCES				
Other financing sources:				
Lease financing	-	-	183,252	183,252
Total other financing sources	-	-	183,252	183,252
Other financing sources	-	-	183,252	183,252
Net change in fund balance	-	(2,267,214)	(245,378)	2,021,836
Fund balance - beginning	-	2,267,214	2,267,214	-
Fund balance - ending	\$ -	-	2,021,836	2,021,836

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 23

Cafeteria Fund - School Board

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

For the Year Ended June 30, 2025

	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	\$ 35,000	35,000	110,712	75,712
Charges for services	3,630,000	3,630,000	3,882,377	252,377
Miscellaneous revenues	380,000	380,000	157,622	(222,378)
Total revenues from local sources	<u>4,045,000</u>	<u>4,045,000</u>	<u>4,150,711</u>	<u>105,711</u>
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Categorical aid:				
School food programs	190,537	190,537	183,575	(6,962)
Total revenues from the Commonwealth	<u>190,537</u>	<u>190,537</u>	<u>183,575</u>	<u>(6,962)</u>
Revenue from the Federal government:				
Categorical aid:				
USDA donated commodities	400,001	400,001	671,228	271,227
School food programs	3,810,000	3,810,000	3,628,837	(181,163)
Total revenues from the Federal government	<u>4,210,001</u>	<u>4,210,001</u>	<u>4,300,065</u>	<u>90,064</u>
Total intergovernmental revenues	<u>4,400,538</u>	<u>4,400,538</u>	<u>4,483,640</u>	<u>83,102</u>
Total revenues	<u>8,445,538</u>	<u>8,445,538</u>	<u>8,634,351</u>	<u>188,813</u>
EXPENDITURES				
Education:				
Cafeteria	9,185,516	9,185,516	8,789,563	395,953
Total education	<u>9,185,516</u>	<u>9,185,516</u>	<u>8,789,563</u>	<u>395,953</u>
Debt service:				
Principal retirement	-	-	22,595	(22,595)
Interest and fiscal charges	-	-	50	(50)
Total debt service	<u>-</u>	<u>-</u>	<u>22,645</u>	<u>(22,645)</u>
Total expenditures	<u>9,185,516</u>	<u>9,185,516</u>	<u>8,812,208</u>	<u>373,308</u>
Net change in fund balance	(739,978)	(739,978)	(177,857)	562,121
Fund balance - beginning	-	3,476,925	3,476,925	-
Fund balance - ending	<u>\$ (739,978)</u>	<u>2,736,947</u>	<u>3,299,068</u>	<u>562,121</u>

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

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, 2025

ASSETS

Pooled cash, cash equivalents and investments	\$ 131,883
Total assets	<u>\$ 131,883</u>

LIABILITIES AND FUND BALANCES

Accounts payable	\$ 4,110
Total liabilities	<u>4,110</u>

Fund balances:

Assigned	95,000
Unassigned	32,773
Total fund balances	<u>127,773</u>
Total liabilities and fund balances	<u>\$ 131,883</u>

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.	\$ 770,000
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.	<u>(770,000)</u>
Total net position of the Economic Development Authority	<u>\$ 127,773</u>

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

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, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Charges for services:				
Economic development fees	\$ 82,335	82,335	83,085	750
Total revenues	<u>82,335</u>	<u>82,335</u>	<u>83,085</u>	<u>750</u>
EXPENDITURES				
Community Development:				
Economic development	82,335	87,335	79,643	7,692
Total expenditures	<u>82,335</u>	<u>87,335</u>	<u>79,643</u>	<u>7,692</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(5,000)</u>	<u>3,442</u>	<u>8,442</u>
Net change in fund balance	-	(5,000)	3,442	8,442
Fund balance - beginning	-	124,331	124,331	-
Fund balance - ending	<u>\$ -</u>	<u>119,331</u>	<u>127,773</u>	<u>8,442</u>

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



STATISTICAL SECTION

The Statistical Section of the County of Hanover’s Annual Comprehensive 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:

	<u>Pages</u>
Financial Trends Information	174 - 180
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	181 - 184
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	185 - 186
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	187 - 188
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	189 - 191
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
Net Position by Component (Unaudited)
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	<u>2016</u>	<u>2017</u>	<u>2018 (1)</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Governmental activities:										
Net investment in capital assets	\$ 77,813,118	78,760,193	81,867,826	82,130,809	84,032,333	90,679,700	98,372,276	108,465,433	114,845,810	138,889,315
Restricted	8,991,060	9,405,975	8,211,782	7,883,977	8,716,897	21,217,462	41,922,959	47,512,826	55,447,258	70,165,012
Unrestricted	<u>57,293,783</u>	<u>58,254,707</u>	<u>55,720,981</u>	<u>64,185,650</u>	<u>82,697,815</u>	<u>103,751,059</u>	<u>127,169,386</u>	<u>176,061,424</u>	<u>229,417,311</u>	<u>259,234,089</u>
Total net position, governmental activities	\$ 144,097,961	146,420,875	145,800,589	154,200,436	175,447,045	215,648,221	267,464,621	332,039,683	399,710,379	468,288,416
Business-type activities:										
Net investment in capital assets	\$ 196,617,097	202,891,621	213,370,261	218,728,265	225,248,001	234,210,628	238,711,588	252,469,325	271,382,583	291,027,036
Restricted	3,486,303	3,587,279	3,755,185	3,887,194	4,063,710	4,237,420	5,053,581	5,084,921	5,382,950	5,699,301
Unrestricted	<u>22,080,371</u>	<u>25,425,525</u>	<u>26,360,193</u>	<u>28,920,096</u>	<u>33,053,382</u>	<u>36,392,034</u>	<u>42,199,872</u>	<u>44,133,051</u>	<u>37,177,693</u>	<u>24,990,329</u>
Total net position, business-type activities	\$ 222,183,771	231,904,425	243,485,639	251,535,555	262,365,093	274,840,082	285,965,041	301,687,297	313,943,226	321,716,666
Primary government:										
Net investment in capital assets	\$ 274,430,215	281,651,814	295,238,087	300,859,074	309,280,334	324,890,328	337,083,864	360,934,758	386,228,393	429,916,351
Restricted	12,477,363	12,993,254	11,966,967	11,771,171	12,780,607	25,454,882	46,976,540	52,597,747	60,830,208	75,864,313
Unrestricted	<u>79,374,154</u>	<u>83,680,232</u>	<u>82,081,174</u>	<u>93,105,746</u>	<u>115,751,197</u>	<u>140,143,093</u>	<u>169,369,258</u>	<u>220,194,475</u>	<u>266,595,004</u>	<u>284,224,418</u>
Total net position, Primary Government	\$ 366,281,732	378,325,300	389,286,228	405,735,991	437,812,138	490,488,303	553,429,662	633,726,980	713,653,605	790,005,082

Notes: (1) 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

Changes in Net Position (Unaudited)

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2

	Fiscal Year									
	2016	2017	2018 (1)	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental activities:										
General government administration	\$ 14,579,237	16,697,133	15,979,421	18,288,850	19,062,592	28,757,564	20,206,436	21,851,839	23,027,250	24,461,953
Judicial administration	4,968,826	6,931,360	7,981,981	7,493,514	8,030,417	8,513,448	8,237,142	9,247,168	9,837,348	11,192,099
Public safety	53,695,056	59,422,217	60,731,436	63,126,625	65,689,440	72,941,427	74,214,530	78,549,808	87,584,433	98,073,274
Public works	14,580,033	17,693,369	27,958,841	20,567,158	23,624,070	9,883,199	13,282,508	23,489,986	34,483,600	30,163,997
Human services	21,222,733	22,498,625	23,401,758	24,900,685	26,204,530	27,851,496	28,152,179	31,133,754	35,270,739	40,083,099
Parks, recreation and cultural	6,189,937	6,615,395	6,475,656	6,760,866	6,675,108	6,156,104	6,835,545	7,940,771	8,231,013	10,430,631
Community development	5,094,822	5,139,068	5,297,842	5,650,983	5,614,279	7,349,683	6,490,492	8,564,677	9,408,332	8,928,593
Education	85,215,836	89,409,847	93,998,917	98,123,845	98,169,817	100,193,462	109,318,093	112,020,355	119,393,085	133,876,036
Interest on long-term debt	6,611,846	6,132,233	5,883,953	5,787,665	5,303,168	5,124,498	4,654,246	5,881,531	5,652,253	8,992,938
Total governmental activities expenses	212,158,326	230,539,247	247,709,805	250,700,191	258,373,421	266,770,881	271,391,171	298,679,889	332,888,053	366,202,620
Business-type activities:										
Public utilities	26,302,409	26,477,038	25,936,698	28,217,686	29,236,870	31,022,556	30,033,599	32,748,954	35,741,515	37,278,477
Airport	627,311	625,962	658,321	733,997	863,690	1,029,520	1,090,344	1,116,029	1,330,222	1,417,896
Total business-type activities expenses	26,929,720	27,103,000	26,595,019	28,951,683	30,100,560	32,052,076	31,123,943	33,864,983	37,071,737	38,696,373
Total expenses, Primary Government	\$ 239,088,046	257,642,247	274,304,824	279,651,874	288,473,981	298,822,957	302,515,114	332,544,872	369,959,790	404,898,993
Program Revenues										
Governmental activities:										
Charges for services:										
General governmental administration	\$ 1,687,666	1,847,076	2,362,301	2,414,877	2,455,585	2,841,171	2,789,177	2,657,257	3,276,659	2,962,446
Judicial administration	1,049,789	1,077,473	1,068,257	1,042,023	959,741	1,124,110	912,416	873,583	836,841	916,505
Public safety	4,664,786	5,181,569	4,924,849	5,703,634	5,592,212	5,920,796	8,432,176	7,646,490	6,658,234	7,699,563
Public works	1,106,528	1,715,083	2,428,584	2,579,622	1,788,663	2,088,305	2,479,498	2,416,642	2,557,662	3,168,196
Human services	3,338,548	3,346,538	3,230,466	3,455,355	3,285,753	3,208,018	3,743,972	4,091,201	4,322,206	4,170,631
Parks, recreation and cultural	480,162	554,834	255,579	657,269	524,249	158,623	267,644	406,694	397,037	456,170
Community development	1,204,089	1,166,607	1,280,476	1,212,482	1,099,820	807,082	1,718,429	1,507,217	1,689,144	1,965,352
Operating grants and contributions	16,575,846	19,167,150	18,643,069	18,980,164	19,925,541	20,848,487	22,461,537	25,798,873	28,857,973	29,162,552
Capital grants and contributions	5,331,207	5,697,464	14,202,534	8,901,635	16,048,539	16,603,436	18,410,990	34,236,661	27,088,645	40,607,681
Total governmental activities program revenues	35,438,621	39,753,794	48,396,115	44,947,061	51,680,103	53,600,028	61,215,839	79,634,618	75,684,401	91,109,096
Business-type activities:										
Charges for services:										
Public utilities	30,524,162	30,374,748	30,091,001	31,484,081	33,137,653	34,917,953	35,905,086	35,065,163	37,854,851	37,087,841
Airport ⁽¹⁾	207,288	215,748	221,383	227,988	286,679	415,749	653,989	606,179	296,674	542,403
Operating grants and contributions	-	-	-	-	30,000	192,993	531,708	67,027	239,124	252,218
Capital grants and contributions	3,282,212	6,131,327	8,094,840	4,232,942	6,062,536	8,831,694	5,771,948	12,240,152	8,682,172	7,040,920
Total business-type activities program revenues	34,013,662	36,721,823	38,407,224	35,945,011	39,516,868	44,358,389	42,862,731	47,978,521	47,072,821	44,923,382
Total program revenues, Primary Government	\$ 69,452,283	76,475,617	86,803,339	80,892,072	91,196,971	97,958,417	104,078,570	127,613,139	122,757,222	136,032,478
Net (Expense) Revenue										
Governmental activities	\$ (176,719,705)	(191,055,453)	(199,313,690)	(205,753,130)	(206,693,318)	(213,170,853)	(210,175,332)	(219,045,271)	(257,203,652)	(275,093,524)
Business-type activities	7,083,942	9,618,823	11,812,205	6,993,328	9,416,308	12,306,313	11,738,788	14,113,538	10,001,084	6,227,009
Total net expense, Primary Government	\$ (169,635,763)	(181,436,630)	(187,501,485)	(198,759,802)	(197,277,010)	(200,864,540)	(198,436,544)	(204,931,733)	(247,202,568)	(268,866,515)

(continued)

COUNTY OF HANOVER, VIRGINIA

Table 2

Changes in Net Position (Unaudited)

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018 (1)	2019	2020	2021	2022	2023	2024	2025
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 139,280,061	143,800,396	152,312,919	161,303,287	172,139,996	179,819,627	197,107,865	215,488,267	248,417,607	266,016,649
Sales taxes	19,886,580	20,752,689	22,037,982	22,863,888	24,952,022	27,749,559	31,386,268	33,420,552	35,332,144	36,155,483
Utility taxes	6,726,388	6,639,025	6,557,712	6,156,966	6,195,954	5,683,606	5,643,223	5,540,862	5,223,395	5,291,206
Recordation taxes	2,431,061	2,403,524	2,460,540	2,561,531	2,988,339	3,598,741	3,570,398	2,515,902	2,534,902	2,504,102
Other	2,835,584	3,024,186	3,266,880	3,576,388	3,635,955	3,408,364	4,220,016	4,801,365	4,611,098	4,931,192
Noncategorical State aid	15,322,281	15,390,161	15,433,308	15,550,167	15,558,068	15,695,095	15,582,768	15,627,543	15,668,503	15,663,490
Grants and contributions not restricted to specific programs	1,416,225	1,338,897	911,867	244,755	760,510	17,585,090	6,154,359	1,473,587	1,011,408	1,471,514
Unrestricted investment earnings	582,027	81,738	239,848	1,948,024	2,138,527	623	(1,559,198)	4,880,755	12,208,286	13,960,603
Transfers	(10,361)	(52,249)	(71,018)	(52,029)	(429,444)	(168,676)	(113,967)	(128,500)	(132,995)	(112,292)
Total general revenues and other changes in net position, governmental activities	188,469,846	193,378,367	203,150,038	214,152,977	227,939,927	253,372,029	261,991,732	283,620,333	324,874,348	345,881,947
Business-type activities:										
Public utilities - unrestricted investment earnings	188,316	49,582	112,532	1,004,559	983,786	-	(530,144)	1,282,566	2,121,850	1,550,411
Transfers - Airport fund	10,361	52,249	71,018	52,029	429,444	168,676	113,967	128,500	132,995	112,292
Total general revenues and other changes in net position, business-type activities	198,677	101,831	183,550	1,056,588	1,413,230	168,676	(416,177)	1,411,066	2,254,845	1,662,703
Total general revenues and other changes in net position, Primary Government	\$ 188,668,523	193,480,198	203,333,588	215,209,565	229,353,157	253,540,705	261,575,555	285,031,399	327,129,193	347,544,650
Change in Net Position										
Governmental activities	\$ 11,750,141	2,322,914	3,836,348	8,399,847	21,246,609	40,201,176	51,816,400	64,575,062	67,670,696	70,788,423
Business-type activities	7,282,619	9,720,654	11,995,755	8,049,916	10,829,538	12,474,989	11,322,611	15,524,604	12,255,929	7,889,712
Total change in net position, Primary Government	\$ 19,032,760	12,043,568	15,832,103	16,449,763	32,076,147	52,676,165	63,139,011	80,099,666	79,926,625	78,678,135

Notes: (1) 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
Fund Balances, Governmental Funds (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 3

	Fiscal Year Ended June 30, (see note 1 below)									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund:										
Nonspendable	\$ 221,923	248,444	247,392	265,730	945,922	322,804	341,221	391,488	415,091	376,472
Restricted	894,106	693,755	868,647	924,397	971,724	921,756	1,003,815	1,595,759	2,716,728	2,448,897
Committed	500,000	500,000	500,000	500,000	500,000	50,000	500,000	500,000	500,000	500,000
Assigned	26,794,234	21,741,736	20,386,174	21,808,028	27,557,732	48,726,920	60,820,138	65,317,507	76,291,366	90,984,886
Unassigned	28,169,774	29,351,651	30,870,027	33,241,543	35,558,697	37,884,183	40,333,577	44,243,616	49,761,744	53,358,721
Total General Fund	\$ 56,580,037	52,535,586	52,872,240	56,739,698	65,534,075	87,905,663	102,998,751	112,048,370	129,684,929	147,668,976
All other governmental funds: ⁽²⁾										
Nonspendable	\$ 290,107	264,560	214,911	155,515	1,203,231	137,524	1,932,705	1,748,276	4,115,541	4,924,973
Restricted	23,664,172	22,321,649	11,813,267	19,619,407	20,646,953	34,145,237	44,496,712	87,056,225	51,736,621	137,679,710
Assigned	12,898,509	19,819,146	18,584,547	19,596,130	23,772,281	22,435,302	25,073,596	47,031,471	67,984,259	81,421,305
Total All Other Governmental Funds	\$ 36,852,788	42,405,355	30,612,725	39,371,052	45,622,465	56,718,063	71,503,013	135,835,972	123,836,421	224,025,988

- Notes: (1) Source: County of Hanover, Virginia Annual Comprehensive Financial Reports for fiscal years indicated.
(2) Includes the County Improvements Fund, the School Improvements Fund and the Debt Service Fund of the Primary Government.



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

Table 4

Primary Government:	Fiscal Year				
	2016	2017	2018	2019	2020
REVENUES					
General property taxes	\$ 137,857,061	144,598,402	152,391,918	160,914,283	171,784,998
Other local taxes	31,879,613	32,819,424	34,323,112	35,158,773	37,772,270
Permits, privilege fees and regulatory licenses	2,143,668	2,192,797	2,198,363	2,440,338	2,296,678
Fines and forfeitures	1,002,872	1,033,165	1,010,284	986,439	863,633
Revenues from use of money and property	1,260,668	706,628	1,054,226	2,925,216	4,135,352
Charges for services	7,764,617	8,982,222	8,931,873	9,653,345	9,850,206
Miscellaneous	875,690	1,065,300	978,881	1,576,947	833,771
Recovered costs	3,539,942	3,445,940	4,900,822	4,667,132	4,193,451
Intergovernmental (state and federal)	35,946,025	39,241,368	46,264,286	40,921,536	48,441,282
Total revenues	222,270,156	234,085,246	252,053,765	259,244,009	280,171,641
EXPENDITURES					
General governmental administration	16,799,922	17,695,118	22,657,863	19,210,640	23,819,097
Judicial administration	27,667,680	13,139,599	6,346,665	6,463,712	6,829,972
Public safety	54,722,857	56,060,444	64,089,189	62,841,589	65,606,558
Public works	14,374,485	18,779,795	27,725,516	21,778,298	26,092,396
Human services	21,640,679	22,172,932	23,769,039	25,496,769	26,364,325
Parks, recreation and cultural	6,116,007	6,161,919	6,856,335	7,678,142	14,013,475
Community development	5,120,515	5,077,614	5,550,600	6,046,934	5,482,997
Education expenditures, for:					
Instruction, operations and administration	72,803,686	76,666,934	80,582,583	82,871,239	85,931,936
Capital outlay	3,527,024	7,224,396	10,199,131	11,413,274	3,404,742
Total education, Primary Government	76,330,710	83,891,330	90,781,714	94,284,513	89,336,678
Debt service:					
Principal retirement	12,477,200	12,788,637	12,945,718	13,407,335	13,855,812
Interest and fiscal charges	6,811,762	6,763,982	6,720,089	6,365,400	6,229,538
Total debt service	19,288,962	19,552,619	19,665,807	19,772,735	20,085,350
Bond issuance costs	289,742	40,116	99,255	195,341	309,924
Total expenditures	242,351,559	242,571,486	267,541,983	263,768,673	277,940,772
Excess (deficiency) of revenues over (under) expenditures	(20,081,403)	(8,486,240)	(15,488,218)	(4,524,664)	2,230,869
OTHER FINANCING SOURCES (USES)					
Transfers in	26,712,119	33,891,124	29,830,816	32,105,142	33,325,144
Transfers out	(26,722,480)	(33,943,373)	(29,901,834)	(32,157,171)	(33,754,588)
Bonds issued	23,139,711	10,046,605	4,044,300	17,202,478	13,043,805
Refunding bonds issued	-	-	1,548,284	-	17,548,142
Payments to escrow agent	-	-	(1,489,324)	-	(17,347,582)
Lease financing	-	-	-	-	-
Subscription financing	-	-	-	-	-
Total other financing sources, net	23,129,350	9,994,356	4,032,242	17,150,449	12,814,921
Net change in fund balances	\$ 3,047,947	1,508,116	(11,455,976)	12,625,785	15,045,790
County capital outlay (other than for education) contained in functional expenditure categories, above	\$ 30,947,021	14,701,082	16,124,188	11,042,197	23,304,108
GASB 44 debt service disclosure (Primary Government): (2)					
Noncapital expenditures	211,404,538	227,870,404	251,417,795	252,726,476	254,636,664
Debt service as a percentage of noncapital expenditures, Primary Government, governmental funds	9.1%	8.6%	7.8%	7.8%	7.9%
Self-imposed debt margin compliance (Total Reporting Entity): (1)					
Noncapital expenditures - total reporting entity	\$ 307,134,844	318,829,642	331,834,249	341,092,828	348,306,761
Debt service as a percent of noncapital expenditures - total reporting entity	6.3%	6.1%	5.9%	5.8%	5.8%

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

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

(2) **GASB 44 debt service disclosure**

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

COUNTY OF HANOVER, VIRGINIA
Changes in Fund Balances, Governmental Funds ⁽¹⁾ (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 4

Fiscal Year					
2021	2022	2023	2024	2025	
180,507,626	196,221,864	216,108,267	247,392,605	266,726,651	REVENUES
51,118,956	59,249,303	60,668,774	63,222,162	64,888,614	General property taxes
2,754,554	4,026,979	3,101,061	3,056,173	3,378,858	Other local taxes
918,173	735,721	789,528	802,463	828,420	Permits, privilege fees and regulatory licenses
850,725	(729,084)	7,822,248	14,637,278	17,569,528	Fines and forfeitures
9,122,320	10,911,430	10,655,964	9,383,997	15,444,966	Revenues from use of money and property
1,332,024	1,657,674	1,827,965	1,864,038	3,173,953	Charges for services
4,345,971	4,406,220	4,970,698	5,284,408	5,482,257	Miscellaneous
57,395,718	45,275,321	56,899,962	52,074,908	61,402,708	Recovered costs
308,346,067	321,755,428	362,844,467	397,718,032	438,895,955	Intergovernmental (state and federal)
					Total revenues
21,925,598	20,177,112	27,723,377	27,320,010	36,899,438	EXPENDITURES
7,603,852	8,339,334	11,565,556	8,918,543	10,304,758	General governmental administration
73,976,095	77,555,479	81,529,204	88,676,055	107,440,001	Judicial administration
20,100,168	20,042,811	29,129,235	35,611,925	29,006,618	Public safety
27,806,894	29,229,576	31,801,794	35,871,442	40,177,741	Public works
7,014,451	6,522,803	9,422,400	18,931,686	13,376,125	Human services
7,471,214	6,417,438	8,530,063	9,338,712	8,904,758	Parks, recreation and cultural
					Community development
					Education expenditures, for:
84,263,313	93,874,859	97,391,654	106,597,635	117,135,010	Instruction, operations and administration
15,464,747	11,445,036	20,413,325	41,263,540	21,647,580	Capital outlay
99,728,060	105,319,895	117,804,979	147,861,175	138,782,590	Total education, Primary Government
12,601,325	12,850,752	12,747,130	13,118,307	13,283,388	Debt service:
6,039,034	5,864,651	5,993,531	6,742,559	7,753,645	Principal retirement
18,640,359	18,715,403	18,740,661	19,860,866	21,037,033	Interest and fiscal charges
43,848	-	290,532	-	494,582	Total debt service
284,310,539	292,319,851	336,537,801	392,390,414	406,423,644	Bond issuance costs
24,035,528	29,435,577	26,306,666	5,327,618	32,472,311	Total expenditures
					Excess (deficiency) of revenues over (under) expenditures
29,761,342	38,344,039	57,409,987	63,882,289	64,441,738	OTHER FINANCING SOURCES (USES)
(29,930,018)	(38,458,006)	(57,538,487)	(64,015,284)	(64,554,030)	Transfers in
10,050,334	-	46,916,674	-	83,586,336	Transfers out
-	-	-	-	-	Bonds issued
-	-	-	-	-	Refunding bonds issued
-	106,428	111,456	129,378	116,090	Payments to escrow agent
-	-	176,282	313,007	2,111,169	Lease financing
9,881,658	(7,539)	47,075,912	309,390	85,701,303	Subscription financing
					Total other financing sources, net
33,917,186	29,428,038	73,382,578	5,637,008	118,173,614	Net change in fund balances
18,651,268	18,025,619	30,242,399	28,355,980	37,206,842	County capital outlay (other than for education) contained in functional expenditure categories, above
265,659,271	274,294,232	306,295,402	364,034,434	369,216,802	GASB 44 Debt Service Disclosure (primary government): (2)
7.0%	6.8%	6.1%	5.5%	5.7%	Noncapital expenditures
					Debt service as a percentage of noncapital expenditures, Primary Government, governmental funds
362,932,063	390,893,382	415,438,986	451,897,506	478,406,296	Self-imposed debt margin compliance (total reporting entity): (1)
5.1%	4.8%	4.6%	4.4%	4.5%	Noncapital expenditures - total reporting entity
					Debt service as a percent of noncapital expenditures - total reporting entity

To assist the reader, the fiscal year 2025 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 2025	Self-imposed	GASB 44
	Total Reporting Entity (Note 1)	Primary Government (Note 2)
Total expenditures	\$ 520,175,333	406,423,644
Less:		
Capital Outlay	(41,769,037)	(37,206,842)
Noncapital expenditures	\$ 478,406,296	369,216,802
Debt service expenditures	\$ 21,531,615	21,037,033
As a % of noncapital expenditures	4.5%	5.7%

COUNTY OF HANOVER, VIRGINIA

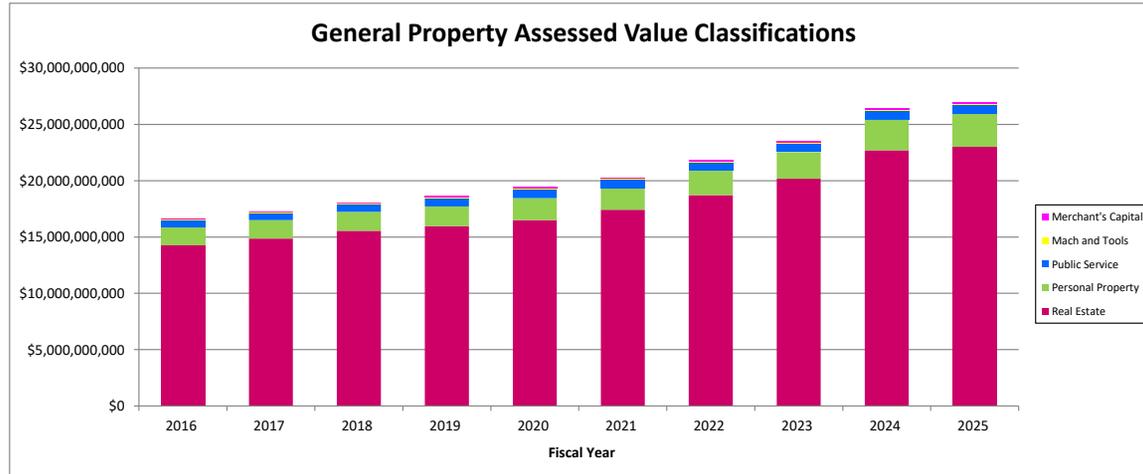
Table 5

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	Merchant's Capital	Public Service Corporations (3)	Total Taxable Assessed Value	Total Direct Tax Rate (4)	Estimated Actual Taxable Value (5)	Taxable Assessed Value as a % of Actual Taxable Value
2016	14,289,819,850	1,565,166,980	58,997,854	67,922,205	624,325,439	16,606,232,328	1.08	18,017,370,030	92.2%
2017	14,858,279,800	1,643,589,209	53,077,040	76,493,600	634,456,928	17,265,896,577	1.08	18,668,289,972	92.5%
2018	15,542,711,200	1,701,821,785	65,753,420	83,535,805	645,117,718	18,038,939,928	1.08	19,584,696,258	92.1%
2019	15,965,286,280	1,752,501,610	56,346,000	97,545,290	719,110,278	18,590,789,458	1.08	20,092,378,612	92.5%
2020	16,496,913,758	1,959,943,148	59,799,172	93,248,378	802,159,233	19,412,063,689	1.10	20,997,650,878	92.4%
2021	17,416,489,766	1,917,675,620	53,732,494	94,767,642	777,923,246	20,260,588,768	1.08	21,837,185,459	92.8%
2022	18,710,186,500	2,175,294,863	54,838,973	92,777,375	748,433,647	21,781,531,358	1.09	23,462,030,817	92.8%
2023	20,172,652,855	2,365,597,218	51,005,936	103,280,353	771,913,991	23,464,450,353	1.11	25,212,103,364	93.1%
2024	22,703,933,324	2,691,349,008	67,104,280	115,933,548	807,038,644	26,385,358,804	1.10	28,430,380,281	92.8%
2025	23,009,290,843	2,839,126,613	74,625,733	123,226,862	903,193,261	26,949,463,311	1.11	29,092,996,667	92.6%
% Change	1.3%	5.5%	11.2%	6.3%	11.9%	2.1%		2.3%	
% Ch. Since 2016	61.0%	81.4%	26.5%	81.4%	44.7%	62.3%		61.5%	
% of Total	85.4%	10.5%	0.3%	0.5%	3.4%	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 estate assessed values are before land use deferrals or relief for the elderly.
 (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) The assessed values of Public Service Corporation real and personal property are determined by the State Corporation Commission.
 (4) The total direct tax rate for each fiscal year is per \$100 of assessed valuation, calculated on the weighted average basis.
 (5) 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



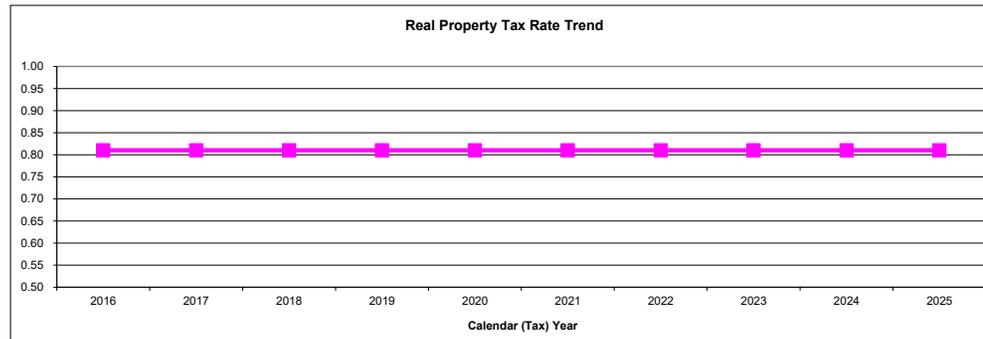
COUNTY OF HANOVER, VIRGINIA
 Direct and Overlapping Property Tax Rates (Unaudited)
 Last Ten Calendar (Tax) Years

Table 6

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
2016	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2017	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2018	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2019	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.10	0.77	0.77
2020	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.10	0.10	0.77	0.77
2021	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.10	0.77	0.77
2022	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.09	0.10	0.77	0.77
2023	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.11	0.10	0.77	0.77
2024	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.10	0.10	0.70	0.70
2025	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.11	0.10	0.70	0.70
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%
% Ch. Since 2016	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.8%	11.1%	-9.1%	-9.1%

- 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 Annual Comprehensive 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	2025			2016		
		General Property Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	General Property Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Virginia Electric and Power Company	Electric company	\$ 352,077,224	1	1.3%	\$ 210,275,005	1	1.4%
Doswell Limited Partnership	Power generation facility	225,186,005	2	0.8%	193,220,984	2	1.3%
Wegmans Food Markets INC.	Grocery wholesaler	180,804,285	3	0.6%	-	n/a	
Memorial Regional Medical Center	Hospital/medical center	177,665,200	4	0.6%	118,721,650	3	0.8%
Covenant Woods	Nursing home	121,510,180	5	0.4%	88,049,785	4	0.6%
Virginia Natural Gas	Natural gas distributor	115,551,408	6	0.4%	53,129,121	6	0.3%
Cedar Fair Southwest	Entertainment	96,412,296	7	0.3%	86,631,215	5	0.6%
Hickory Hill Road LLC/San Mar Corporation	Retail warehouse	83,607,106	8	0.3%	-	n/a	
Cascades/819 Virginia LLC (2025)/ Bear Island Paper Company	Paper mill	83,070,545	9	0.3%	49,875,515	7	0.3%
BEL Cardinal North, LLC/Performance Food Group	Grocery wholesaler	56,822,632	10	0.2%	-	n/a	
Richfood, Inc.	Grocery wholesaler	-	n/a		44,657,370	8	0.3%
Verizon Virginia	Telecommunications		n/a		39,811,856	9	0.3%
Rappahanock Electric Coop	Electric company	-	n/a		37,991,590	10	0.2%
		<u>\$ 1,492,706,881</u>		<u>5.2%</u>	<u>\$ 922,364,091</u>		<u>6.1%</u>
Total taxable assessed values				<u>\$ 27,965,390,789</u>			<u>\$ 15,207,776,495</u>

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
Property Tax Levies and Collections (Unaudited)
Last Ten Fiscal Years

Table 8

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, 2025	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	147,705,971	144,943,605	98.1%	2,753,186	147,696,791	99.1%
2017	157,129,677	154,661,526	98.4%	2,448,914	157,110,440	98.4%
2018	164,152,649	161,148,623	99.5%	2,978,112	164,126,735	99.5%
2019	172,172,776	169,675,177	98.5%	2,195,998	171,871,175	99.0%
2020	183,902,348	178,043,680	96.8%	5,510,994	183,554,674	96.8%
2021	191,901,902	186,702,001	97.3%	4,592,726	191,294,727	99.7%
2022	207,262,970	200,785,085	96.9%	5,022,896	205,807,981	99.3%
2023	226,734,840	220,573,665	97.3%	4,547,455	225,121,120	99.3%
2024	257,600,225	250,427,384	97.2%	5,336,789	255,764,173	99.3%
2025	275,179,717	267,606,114	97.2%	-	267,606,114	97.2%

- 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.

Governmental Activities General Bonded Debt Outstanding (1)												
Fiscal Year	General Obligation Bonds	Virginia Public School Authority Bonds	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	Notes	Support Agreement	Lease Obligations	Subscription Obligations
2016	\$ 73,803,009	39,555,423	113,358,432	18,017,370,030	0.6%	104,210	1,088	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%	106,375	1,064	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%	107,357	939	42,571,482	5,887,085	2,464,221	-	-
2019	51,003,400	42,667,356	93,670,756	20,092,378,612	0.5%	107,928	868	53,776,786	4,955,594	2,001,370	-	-
2020	43,198,220	38,425,290	81,623,510	20,997,650,878	0.4%	109,229	747	65,248,065	4,019,105	1,713,518	-	-
2021	36,639,578	44,704,158	81,343,736	21,837,185,459	0.4%	115,428	705	63,033,819	3,084,993	1,490,666	-	-
2022	30,325,938	40,511,084	70,837,022	23,462,030,817	0.3%	114,173	620	60,779,572	2,150,880	1,183,832	1,959,424	-
2023	25,217,298	82,913,079	108,130,377	25,212,103,364	0.4%	115,428	937	58,490,328	1,211,768	1,055,853	1,843,656	1,278,675
2024	21,187,131	76,335,579	97,522,710	28,430,380,281	0.3%	116,766	835	56,151,081	1,076,515	922,874	1,735,883	620,786
2025	17,151,965	152,802,130	169,954,095	29,926,299,954	0.6%	116,766	1,456	53,766,836	840,000	770,000	1,615,314	1,690,982
% Change	-19.0%	100.2%	74.3%	5.3%	65.6%	0.0%	74.3%	-4.2%	-22.0%	-16.6%	-6.9%	172.4%
% Ch. Since 2016	-76.8%	286.3%	49.9%	66.1%	-9.7%	12.0%	33.8%	22.8%	-57.6%	-80.0%	0.0%	0.0%

Fiscal Year	Business-type Activities				Total Primary Government				Self-Imposed Debt Limit Information (3)				
	Revenue Bonds	Support Agreement	Lease Obligations	Subscription Obligations	Total Primary Government	Demographic Information		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)
						Total Personal Income (2) (000's)	Per Capita Personal Income (2)						
2016	\$ 17,581,614	3,723,110	-	-	184,273,229	5,886,330	56,013	3.1%	1,768	162,968,505	0.9%	1,564	2,024
2017	16,321,357	2,375,964	-	-	171,301,519	6,120,856	57,586	2.8%	1,610	161,662,377	0.9%	1,480	1,417
2018	15,026,887	1,015,979	-	-	167,733,544	6,334,056	58,970	2.6%	1,562	151,690,678	0.8%	1,413	1,709
2019	13,677,986	310,000	-	-	168,392,492	6,659,284	61,313	2.5%	1,560	154,404,506	0.8%	1,431	1,528
2020	14,593,003	250,000	-	-	167,447,201	7,154,595	64,945	2.3%	1,533	152,604,198	0.8%	1,397	1,257
2021	13,086,547	190,000	-	-	162,229,761	7,754,559	69,922	2.1%	1,431	148,953,214	0.7%	1,314	1,163
2022	11,463,030	130,000	10,159	-	148,513,919	8,210,731	73,043	1.8%	1,301	134,951,306	0.6%	1,182	970
2023	9,775,062	65,000	6,336	438,094	182,295,149	8,789,964	77,769	2.1%	1,579	168,888,326	0.7%	1,463	1,390
2024	8,068,544	-	3,453	532,048	166,633,894	8,898,375	77,769	1.9%	1,427	155,673,180	0.6%	1,333	1,254
2025	6,277,331	-	1,595	483,425	235,399,578	9,173,056	77,769	2.6%	2,016	228,637,227	0.8%	1,958	2,185
% Change	-22.2%	0.0%	-53.8%	-9.1%	41.3%	3.1%	0.0%	37.0%	41.3%	46.9%	37.4%	46.9%	74.3%
% Ch. Since 2016	-64.3%	-100.0%	0.0%	0.0%	27.7%	55.8%	38.8%	-18.0%	14.0%	40.3%	-8.4%	25.2%	8.0%

Notes:

- (1) See Financial Statement Note IV-E for additional information on outstanding debt. The County's general bonded debt is direct debt.
- (2) Population estimates at June 30th for each year from Weldon Cooper. Populations were updated for prior years based on a change in data source. Per Capita Personal Income is calculated by dividing Personal Income by the population estimate for each fiscal year. Personal income data for 2016 through 2023 (the last year available) is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce. Per Capita Personal Income for 2022 and 2023 is assumed to be equal to 2021, the last year for which Personal Income data is available from the U.S. Department of Commerce. Personal Income amounts for 2024 and 2025 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 activities 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 (\$2,766 for fiscal year 2025).
- (6) The County's debt policy provides that general bonded debt per Per Capita Income will not exceed \$5,000.

Utility - Water and Sewer Revenue Bonds

Fiscal Year	Utility Revenues (2,7)	Less: Operating Expenses (3)	Net Available Revenues	Debt Service Requirements		Net Available Revenues Coverage (4)	Utility - Debt Covenant Coverage Ratio (1,5)		
				Principal	Interest		Debt Service		Debt Covenant Coverage Test
							Senior Debt Service	Subordinate Debt Service	
2016	30,835,377	16,545,081	14,290,296	2,418,471	593,230	4.7	3,011,701	-	4.1
2017	30,424,331	16,679,572	13,744,759	2,321,830	656,573	4.6	2,978,403	-	4.0
2018	30,203,533	16,038,366	14,165,167	2,351,830	501,997	5.0	2,853,827	-	4.3
2019	32,488,641	18,045,117	14,443,524	1,776,831	443,218	6.5	2,220,049	-	5.7
2020	34,121,439	18,450,454	15,670,985	1,211,830	400,060	9.7	1,611,890	-	8.5
2021	35,095,971	19,839,941	15,256,030	1,261,830	350,094	9.5	1,611,924	-	8.2
2022	35,874,313	18,804,855	17,069,458	1,316,830	290,872	10.6	1,607,702	-	9.2
2023	36,347,729	21,637,051	14,710,678	1,381,832	223,240	9.2	1,605,072	-	8.0
2024	39,780,540	24,113,275	15,667,265	1,395,810	155,129	10.1	1,550,939	-	8.8
2025	38,638,252	25,522,403	13,115,849	1,410,810	42,809	9.0	1,453,619	-	7.8
% Change			-16.3%	1.1%	-72.4%	-10.7%	-6.3%	0.0%	-10.7%
% Ch. Since 2016			20.3%	-42.0%	-82.5%	155.4%	-52.9%	0.0%	155.4%

Airport Revenue Bond 2007

Fiscal Year	Rent received from Airport Fixed Base Operator	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Available Revenues Coverage (6)	Airport - Debt Covenant Coverage Ratio (1,6)			
				Principal	Interest		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
2017	187,848	-	187,848	81,889	60,008	1.3	187,848	-	36,000	1.6
2018	193,483	-	193,483	86,102	55,688	1.4	193,483	-	36,000	1.6
2019	199,288	-	199,288	90,532	51,146	1.4	199,288	-	36,000	1.7
2020	205,267	-	205,267	95,189	46,370	1.5	205,267	-	36,000	1.7
2021	211,425	-	211,425	100,086	16,380	1.8	211,425	-	36,000	2.1
2022	228,695	-	228,695	117,012	9,182	1.8	228,695	-	36,000	2.1
2023	269,090	-	269,090	118,550	7,635	2.1	269,090	-	36,000	2.4
2024	285,492	-	285,492	120,108	6,066	2.3	285,492	-	36,000	2.5
2025	284,864	-	284,864	121,686	4,477	2.3	284,864	-	36,000	2.5
% Change			-0.2%	1.3%	-26.2%	-0.2%	-0.2%	0.0%	0.0%	-0.2%
% Ch. Since 2016			56.2%	56.2%	-93.0%	75.8%	56.2%	0.0%	0.0%	65.4%

Airport Revenue Bond 2019

Fiscal Year	Rent received from Airpoor Lessee	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Available Revenues Coverage (8)	Airport - Debt Covenant Coverage Ratio (1,8)			
				Principal	Interest		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
2021	175,630	-	175,630	43,002	77,176	1.5	175,630	-	162,278	2.8
2022	176,140	-	176,140	88,134	72,864	1.1	176,140	-	162,278	2.1
2023	176,666	-	176,666	91,051	70,058	1.1	176,666	-	162,278	2.1
2024	177,207	-	177,207	94,064	66,928	1.1	177,207	-	162,278	2.1
2025	177,765	-	177,765	97,177	63,772	1.1	177,765	-	162,278	2.1
% Change			0.3%	3.3%	-4.7%	0.3%	0.3%	0.0%	0.0%	0.2%
% Ch. Since 2020			507.6%	0.0%	4180.0%	-94.4%	507.6%	0.0%	0.0%	-98.4%

Notes: (1) Further information on the County's revenue bonds can be found in Note IV-F 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.

(8) During fiscal 2020, the County issued an airport revenue bond, secured by rent from the airport's lessee. The County's airport debt covenant requires the ratio of the sum received from the airport's lessee, restricted cash used during the fiscal year or available at fiscal year-end 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 lessee 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.

(9) The lessee irrevocable letter of credit amount for the 2007 airport revenue bond has been restated to \$36,000 for 2023.

COUNTY OF HANOVER, VIRGINIA
Demographic Statistics (Unaudited)
Last Ten Fiscal Years

Table 11

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
2016	105,088	\$ 5,886,330	\$ 56,013	42.4	3.5%	17,776	1,442	12.3
2017	106,290	6,120,856	57,586	42.6	3.3%	17,751	1,463	12.1
2018	107,411	6,334,056	58,970	42.9	2.7%	17,671	1,472	12.0
2019	108,611	6,659,284	61,313	42.7	2.4%	17,462	1,481	11.8
2020	110,164	7,154,595	64,945	42.7	5.1%	17,273	1,521	11.4
2021	110,903	7,754,559	69,922	42.1	2.9%	16,636	1,514	11.0
2022	112,409	8,210,731	73,043	42.4	2.3%	16,415	1,514	10.8
2023	113,026	8,789,964	77,769	42.3	2.4%	16,743	1,540	10.9
2024	114,420	8,898,375	77,769	42.3	2.5%	16,544	1,563	10.6
2025	117,952	9,173,056	77,769	42.3	3.4%	16,467	1,585	10.4
% Change	3.1%	3.1%	0.0%	0.0%	36.0%	-0.5%	1.4%	-1.8%
% Ch. Since 2016	12.2%	55.8%	38.8%	-0.2%	-2.9%	-7.4%	9.9%	-15.7%

- Notes: (1) Population estimates at June 30th for 2016-2024 from Welden Cooper. In 2021, populations were restated for 2016 - 2020 based on new source. Populations estimates at June 30th for 2025 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 2016 through 2023 (the last year available) is obtained from the U. S. Department of Commerce, Bureau of Economic Analysis. Per Capita Personal Income for 2024 and 2025 is assumed to be equal to 2023, 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 2024 and 2025 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). The school enrollment for 2021 was adjusted from the 6/30/21 ACFR.
- (5) Hanover County School Board (instructional positions include teachers, guidance counselors, librarians and other instructional-related positions).

COUNTY OF HANOVER, VIRGINIA

Table 12

Principal Employers (1) (Unaudited)
Current Year and Nine Years Ago

Employer	Type of Business	2024			2015		
		Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
Hanover County Schools	Educational Services	2,608	1	4.3%	2,456	1	4.5%
Amazon Fulfillment Services Inc.	Administrative and Support Services	1,000 and over	2	3.3%	n/a	n/a	n/a
Bon Secours Richmond Health System	Hospitals	1,000 and over	3	3.3%	1,000 and over	2	3.7%
Rmc Events	Administrative and Support Services	1,000 and over	4	3.3%	n/a	n/a	n/a
County of Hanover	Executive, Legislative and Other General Government Support	1,310	5	2.1%	1,068	3	2.0%
Kings Dominion (Paramount Parks Inc)	Amusement, Gambling and Recreation Industries	500-999	6	1.2%	500-999	6	1.3%
Wal-Mart Stores	General Merchandise Stores	500-999	7	1.2%	500-999	4	1.4%
Federal Express	General Merchandise Stores	500-999	8	1.2%	n/a	n/a	n/a
Wegmans Store #07	General Merchandise Stores	500-999	9	1.2%	500-999	n/a	1.4%
Virginia Department of Alcoholic Beverage Control	Administration of Economic Programs	500-999	10	1.2%	n/a	n/a	n/a
Tyson Farms	Food Manufacturing	n/a	n/a	n/a	500-999	5	1.4%
Accosta Sales & Marketing	Wholesale Electronic Markets and Agents and Brokers	n/a	n/a	n/a	500-999	7	1.4%
Supervalu Distribution Center	Merchant Wholesalers, Nondurable Goods	n/a	n/a	n/a	500-999	8	1.4%
Sales Mark	Professional, Scientific, and Technical Services	n/a	n/a	n/a	250-499	9	0.7%
Randolph-Macon College	Educational Services	n/a	n/a	n/a	250-499	10	0.7%
Totals				<u>22.3%</u>			<u>19.8%</u>
Total County Employment (3)		<u>61,302</u>			<u>54,255</u>		

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 2024.

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

(3) VEC Annual not Seasonally Adjusted Labor Force

COUNTY OF HANOVER, VIRGINIA

Table 13

Full-time Equivalent Government Employees by Function (1) (Unaudited)
Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Primary government:											
General governmental administration	132	133	135	137	139	145	145	148	154	157	158
Judicial administration	59	64	68	70	72	74	74	77	81	83	85
Public safety (3)	464	489	501	525	539	568	568	575	591	594	626
Public works (2)	83	86	86	88	88	89	89	88	91	95	100
Human services (3)	182	185	188	194	199	205	205	212	221	222	224
Parks, recreation and cultural	32	31	31	31	31	31	32	32	33	35	35
Community development	24	24	24	25	25	25	25	25	27	28	28
Public utilities	91	93	94	94	94	95	95	95	95	95	96
Self insurance fund	1	1	1	1	1	1	1	1	1	1	1
Totals - Primary government	1,068	1,106	1,128	1,165	1,188	1,233	1,234	1,253	1,294	1,310	1,353
Component Unit:											
School Board (4)	2,456	2,466	2,482	2,491	2,503	2,523	2,511	2,520	2,590	2,608	2,652
Total:	3,524	3,572	3,610	3,656	3,691	3,756	3,745	3,773	3,884	3,918	4,005

- Notes:
- (1) Source: Hanover County Department of Finance and Management Services, Budget Division.
 - (2) Includes Airport Fund.
 - (3) Due to the Amended FTE being used instead of the Adopted FTE, the FY18 Primary Government amount has been revised from the 6/30/18 ACFR reporting. In mid-FY18, the Board added 9 Public Safety (SAFER) and 4 Human Services.
 - (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 ACFR reporting.
 - (5) Due to the Amended FTE being used instead of the Adopted FTE, the FY18 Primary Government amount has been revised from the 6/30/18 ACFR reporting. In mid-FY18, the Board added 9 Public Safety (SAFER) and 4 Human Services.

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Primary government:										
General governmental administration										
Number of registered voters	75,126	76,303	78,089	79,426	81,643	84,645	84,636	86,515	88,838	89,434
Number of real estate transfers	4,003	4,079	3,881	4,016	4,691	5,796	4,631	4,556	3,712	3,974
State income tax returns processed	6,268	6,717	6,157	7,140	4,893	5,006	4,156	3,653	3,373	2,754
Judicial administration										
Judgments docketed	2,958	2,863	3,588	3,627	3,367	3,232	3,256	3,232	2,899	3,390
Public safety										
Sheriff incidents	38,046	36,726	37,779	39,137	40,270	41,466	41,799	42,186	40,642	36,813
Number of sworn officers	207	215	221	226	233	233	240	239	237	236
Fire/EMS incidents	13,256	13,882	14,667	14,624	17,803	16,795	17,991	18,490	19,065	19,711
Animal control incidents	5,815	4,944	4,774	5,171	5,562	4,590	4,692	4,782	4,799	4,916
Commercial building plan reviews	490	494	556	462	388	492	585	996	578	629
Residential building plan reviews	1,549	1,536	1,437	1,468	1,946	2,378	2,163	3,976	2,015	2,169
Public works										
Tons of solid waste received	48,336	60,483	66,456	72,624	51,851	50,303	46,928	47,720	44,481	45,378
Tons of solid waste recycled	14,217	10,563	6,646	1,522	2,988	9,239	8,678	6,888	6,864	8,578
Human services										
Communicable disease visits/investigations (6)	679	929	891	331	973	7,746	17,861	5,906	3,284	2,069
Immunization visits (3)	391	265	284	484	526	63,473	8,412	1,965	1,000	486
Restaurant inspection visits (5)	974	1,262	1,049	900	729	593	847	925	792	1,033
Social services lobby visits	14,700	16,934	16,731	16,112	12,280	5,527	8,169	10,102	11,622	12,143
Social services Medicaid Cases (4)	10,016	10,318	10,243	11,053	13,987	15,050	17,147	18,690	19,805	17,965
Number of Hanover Youth Service Council (HYSC) projects	36	34	41	37	37	44	40	58	81	85
HYSC Volunteer hours reported	1,183	1,116	961	692	994	1,008	635	910	1,761	1,884
Parks, recreation and cultural										
Active Library borrowers	83,785	84,865	65,405	66,418	61,577	60,482	53,341	58,912	44,908	45,293
Internet sessions	130,315	121,065	106,354	92,385	55,886	33,008	38,360	34,993	38,283	35,417
Library reference questions answered	388,748	381,262	397,956	388,567	328,913	237,997	409,452	314,035	343,673	362,871
Community development										
Economic development services to existing/prospective businesses (7)	405	444	476	461	712	1,130	568	570	541	567
Public utilities										
Water customers	20,488	20,905	21,328	21,585	21,995	22,470	22,933	23,306	23,650	23,879
Wastewater customers	19,929	20,343	20,761	21,019	21,436	21,918	22,366	22,733	23,060	23,263
Daily average water distributed (million gallons/day)	8.90	9.15	8.21	8.80	8.41	8.30	8.60	9.03	8.77	8.51
Maximum daily water capacity (million gallons/day)	19.95	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Daily average wastewater treatment (million gallons/day)	7.07	6.66	6.30	7.70	6.31	8.34	6.68	6.39	7.56	7.12
Maximum daily capacity of wastewater treatment plant (mg/d)	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50	15.50
General services										
School buses serviced	313	313	313	314	313	309	291	282	287	270
Public safety vehicles serviced	519	519	519	511	527	527	543	571	586	599
Fleet availability	96.6%	96.1%	96.1%	95.7%	95.5%	94.7%	93.7%	91.8%	92.1%	92.0%

- 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. COVID 19 immunizations makeup 62,955 of 63,473 visits in 2021.
 - (4) In FY22, Social Services began reporting number of Medicaid cases instead of New Benefit Program Customers count.
 - (5) Information estimated as a new data system was implemented in June 2019.
 - (6) COVID 19 is primary factor for volume of visits in 2021 and 2022.
 - (7) Includes 21 and 32 services regarding Retention and Expansions in 2023 and 2024 respectively.
 - (8) In FY22, Social Services began reporting Number of Medicaid Cases instead of New Benefit Program Customers count.

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Primary government:										
General governmental administration										
Estimated square feet- all general administrative office space (3)	47,762	106,222	106,222	107,767	107,767	107,767	107,767	107,767	114,342	114,342
Judicial administration										
Estimated square feet - all judicial buildings (2)	58,460	69,933	69,933	68,951	68,951	68,951	68,951	68,951	72,923	72,923
Public safety										
Estimated square feet - all public safety buildings (7)	214,604	214,604	214,604	214,604	214,604	214,604	214,604	214,604	219,485	234,485
Number of sheriff's stations	1	1	1	1	1	1	1	1	1	1
Correctional facility inmate capacity	495	519	519	519	519	519	519	519	519	519
Number of fire/EMS stations	16	16	16	16	16	16	16	16	16	17
Public works										
Estimated square feet - all public works	17,665	17,665	17,665	17,665	17,665	17,665	17,665	17,665	14,550	14,550
Number of solid waste convenience centers	6	6	6	6	6	6	6	6	6	6
County Airport - acres in facility	257	260	257	257	257	257	265	265	265	265
Aircraft T-Hangar spaces - County Airport (6)	54	54	54	54	54	54	54	54	54	54
Aircraft tie-down spaces	56	56	56	56	91	91	91	91	91	91
Length of runway (ft)	5,402	5,402	5,402	5,402	5,402	5,402	5,402	5,402	5,402	5,402
Human services										
Estimated square feet of facilities	62,939	62,939	62,939	62,939	62,939	62,939	62,939	62,939	62,939	62,939
Parks, recreation and cultural										
Number of County parks/boat launch (4)	11	11	11	11	11	11	11	11	11	11
Park acreage	1,250	1,250	1,250	1,250	1,250	1,250	1,230	1,230	1,251	1,251
Public utilities										
Miles of water mains	434	431	436	441	448	457	461	469	471	581
Number of fire hydrants	2,599	2,670	2,718	2,766	2,842	2,937	2,991	3,089	3,149	3,191
Miles of sanitary sewers	399	396	398	403	407	413	415	419	423	423
Number of wastewater treatment plants	4	4	4	4	4	4	4	4	4	4
General services										
Number of vehicles maintained	1,189	1,189	1,189	1,189	1,317	1,324	1,302	1,400	1,448	1,372
School Board Component Unit:										
Number of elementary schools	15	15	15	15	15	15	15	15	15	14
Number of secondary schools	8	8	8	8	8	8	8	8	8	8
Number of specialty schools (5)(8)	2	2	2	2	2	2	3	3	3	2

- Notes:
- (1) Source: County Departments as identified above.
 - (2) 2017 - New Courthouse Building
 - (3) 2019 - Remodeled former Circuit Court for General Government Administration
 - (4) In 2023, the number of parks/boat launch sites were restated to reflect only County owned properties that are developed parks and boat landings.
 - (5) Reclassified the Alternative Education facility and Technology Center to specialty schools in 2022. In FY22, the Hanover Online School opened.
 - (6) In 2023, the number of aircraft T-Hangar spaces was restated for 2022 from 55 to 54.
 - (7) 2025 - New Fire Station
 - (8) 2025 - Ashland Elementary School opened, which consolidated 2 previous elementary schools. In addition the Hanover Online School closed.



COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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 (*Government Auditing Standards*); 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 (County), as of and for the year ended June 30, 2025, 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 10, 2025.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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*.

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.



Harrisonburg, Virginia
November 10, 2025

HANOVER COUNTY DEPARTMENT OF FINANCE AND MANAGEMENT SERVICES

Lauren K. Null,
Director of Finance and Management Services
Shelly H. Wright
Deputy Director of Finance and Management Services

ACCOUNTING DIVISION

Jacqueline A. Manzer, CPA, Finance Division Director
Amy L. Sylvia, Finance Manager
Megan H. Slater, Payroll Manager
Teresa J. Cetin, Payroll Analyst
Brooke N. Crump, Systems Administrator
Leah E. Daniel, Payroll Analyst
Kelli M. Hoffner, Financial Technician
Nancy M. Mancuso, Financial Technician
Connie L. Mills, Financial Technician
Michael A. Piselli, Financial Analyst

BUDGET DIVISION

Mark A. Highfield, Budget Division Director
KeShawn L. Brown, Budget Management Analyst
Joshua D. Poole, Budget Management Analyst
Kaitlyn D. Hicks, Budget Management Analyst

PURCHASING DIVISION

Gloria J. Taylor, Purchasing Division Director
Sandra S. Humerickhouse, Purchasing Officer

Cameron E. Glasco, Office Manager

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

