



ANNUAL COMPREHENSIVE FINANCIAL REPORT

HANOVER COUNTY, VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2023



COUNTY OF HANOVER, VIRGINIA
Annual Comprehensive Financial Report
For the Fiscal Year Ended
June 30, 2023



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 Amanda L. Six, 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, 2023

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BOARD OF SUPERVISORS

W. CANOVA PETERSON, CHAIR
MECHANICSVILLE DISTRICT

SUSAN P. DIBBLE, VICE-CHAIR
SOUTH ANNA, DISTRICT

SEAN DAVIS
HENRY DISTRICT

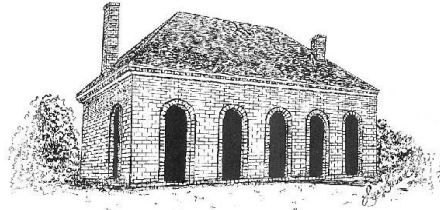
F. MICHAEL HERZBERG IV
COLD HARBOR DISTRICT

S. BRENT HELMICK
CHICKAHOMINY DISTRICT

J. ROBERT MONOLO
BEAVERDAM DISTRICT

FAYE O. PRICHARD
ASHLAND DISTRICT

JOHN A. BUDESKY
COUNTY ADMINISTRATOR



HANOVER COURTHOUSE

HANOVER COUNTY

ESTABLISHED IN 1720

DEPARTMENT OF FINANCE AND MANAGEMENT SERVICES

AMANDA L. SIX
DIRECTOR

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7507 LIBRARY DRIVE
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SHELLY H. WRIGHT
BUDGET DIVISION DIRECTOR

LAUREN K. NULL
FINANCE DIVISION DIRECTOR

STEVEN K. RUSCH
PURCHASING DIVISION DIRECTOR

PHONE: 804-365-6015

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WWW.HANOVERCOUNTY.GOV

November xx, 2023

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, 2023. 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 auditors' responsibility is to express opinions on the County's financial statements based on their audit. The auditors conducted the audit in accordance with professional auditing standards, which require that the auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment,

including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The independent auditors concluded, based upon the audit evidence they obtained, that there was a reasonable basis for forming and expressing unmodified opinions that the County's financial statements as of and for the fiscal year ended June 30, 2023, 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 auditors' report on the Single Audit for the County will be available in a separate report.

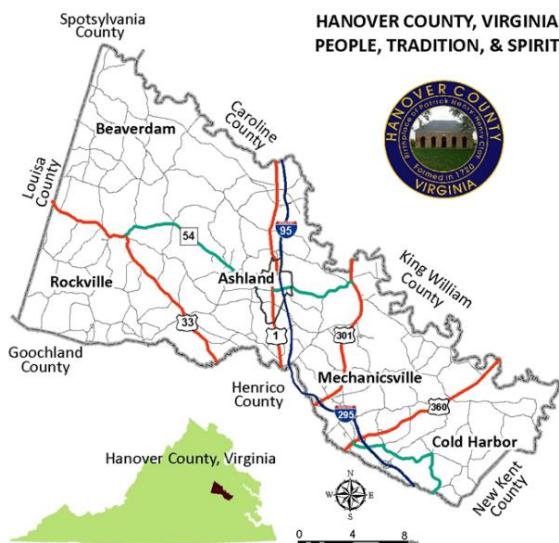
GAAP require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's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

Profile of the County

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

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

Located in central Virginia, Hanover County is a 90-minute drive south of the nation's capital, Washington D.C., and 15 minutes north of the Commonwealth's capital, Richmond. Hanover County is more than 470 square miles in area, and is strategically located in the northern Greater Richmond Region, which also includes the City of Richmond and the counties of Chesterfield and Henrico. Hanover is bordered by the counties of Caroline, King William, New Kent, Henrico, Goochland, Spotsylvania, and Louisa and by the Pamunkey, North Anna and Chickahominy Rivers. The South Anna River is also located in the County. Home of the internationally renowned Hanover tomato, the County offers an appealing blend of both historic houses and the latest new home developments, a nationally recognized suburban school system, and a resilient economy with a balance between residential, commercial, industrial and agricultural tax bases.





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

The Court system is made up of the Circuit Court, General District Court, Magistrate, Juvenile and Domestic Relations Court, Clerk of the Circuit Court, Court Services, and Commonwealth's Attorney. The public safety operations of the County include the Sheriff, Pamunkey Regional Jail, Juvenile Court Services Unit, Community Corrections, Emergency Communications, Fire and Emergency Medical Services, Animal Control and Building Inspections.



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

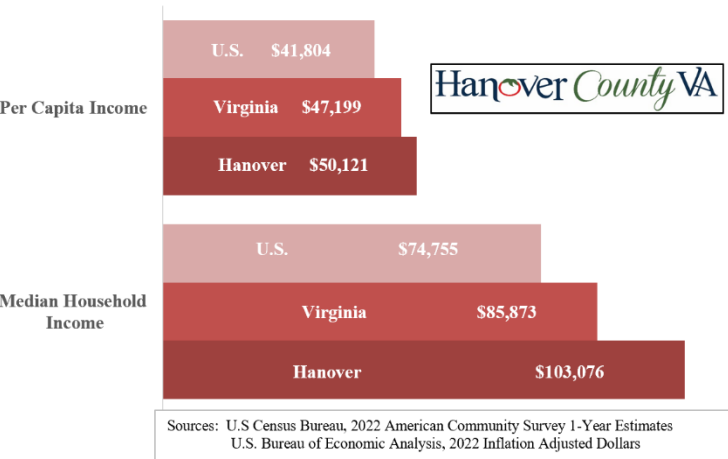


The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates. **Hanover County's municipal bond rating continues to be AAA from the rating agencies, Fitch, Moody's and Standard & 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:

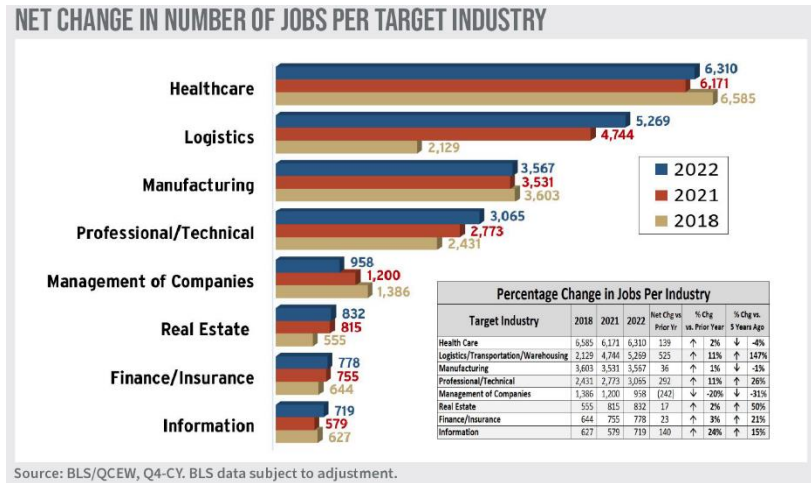
Based on its strategic location in the northern Greater Richmond region of the mid-Atlantic and its suburban/rural character, the County is an attractive location for businesses relocating or expanding and for developers interested in the opportunities in the area's residential and commercial markets. 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 2023 even as impacts from the pandemic and inflationary and supply chain impacts came to the forefront of consumer discussions. Real estate and personal property tax revenues remained strong while sales tax revenues outpaced projections once again. 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 \$50,121 is consistent with the Commonwealth’s \$47,199, while its median (mid-point) household income is 20% above the Commonwealth’s and 37.9% above the national average. In addition, the U.S. Census Bureau’s estimate of Hanover’s mean (average) household income of \$129,188 in 2022 is 8.5% above the Commonwealth’s \$119,058 and 22.4% higher than the United States’ of \$105,555.

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

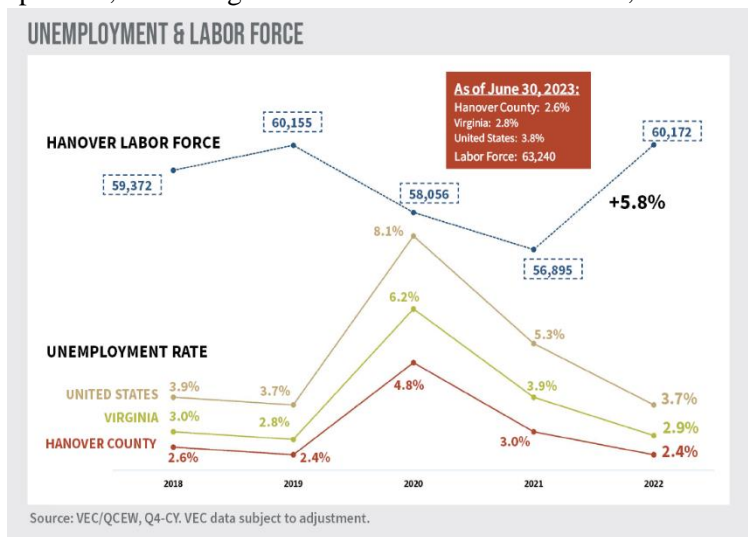


The County continues to target key industries poised for growth including: Professional Services, Advanced Manufacturing, Healthcare, and Supply Chain and Logistics. Within these growth industries, Hanover specifically works to recruit those with higher wage jobs.

Economic Development Update:

geopolitical concerns. For the first time, Economic Development reported the Gross Domestic Product (GDP) of the County. While there is nearly a year lag time in reporting by the U.S. Bureau of Economic Analysis, the County’s GDP growth from calendar year 2020 to 2021 was 10.6%, growing faster than the national average of 10.1%. The CY 2022 calculations will be presented late in 2023, and we anticipate another strong year of GDP growth for Hanover, reflecting continued investment by businesses in the community. The County’s Labor Force hit a record high at the end of FY 2023, with 63,240 individuals in the workforce and eclipsing the previous record high of 60,172 ending CY 2022. Sectors such as logistics/warehousing, professional/technical, and information/technology lead the community in job creation growth, with each category increasing over 10% for the year. Along with strong labor force growth, the Average Annual Wage in the County grew over 10% from CY 2021 to CY 2022 to a record \$54,047.

Additional construction and delivery of industrial product, including East Coast Commerce Center, Cardinal Commerce Center, and Northlake II, has helped address a serious shortage of industrial space on the market while also welcoming companies such as Ferguson, Performance Food Group and SanMar into the community. While vacancy rates for both flex and industrial have ticked up to 4.5% and 3.1% respectively, these are still very low rates and reflect a continued tight industrial market in Hanover. Retail and office construction have been small-scale and somewhat limited in the County in the past few years, and combined with population growth, we are witnessing both sectors at record low vacancy rates (4.3% for office and 2.2% for retail). New retail development is proposed for the County which will help address the problematic low vacancy rate and offer opportunity for additional businesses to establish. Richmond Region Tourism's initiatives to enhance and grow tourism in the region are paying huge dividends, with record lodging tax revenue of almost \$1.46 million collected by hotels in Hanover County in FY 2023, an 8.1% increase of last year's record \$1.35 million collected.



During FY 2023, the Department of Economic Development was able to visit more than 150 small businesses through direct outreach and its successful Business First-Business Walk program and provided direct assistance to 162 business with a variety of issues from workforce development to Planning/Zoning requests. The County will reap the benefits of enhanced health care with the completion of the Bon Secours Memorial Regional Medical Center's \$50 million expansion.

Additionally, Lutron, Architectural Products of Virginia, Jones Sign, and First Call Environmental all completed business expansions during the fiscal year. Now that the County's updated 2023 Comprehensive Plan has been adopted, the Department of Economic Development will embark in FY 2024 on an update to its five-year Strategic Economic Development Plan and will partner with other County departments on updates to utilities, recreation, and small area planning. As the Comprehensive Plan helps guide where development will take place, the Economic Development Strategic Plan will piggyback on these plans to determine the best strategies to guide strategic, targeted, high-quality investment into areas best suited for the use.

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 greater than \$50,000. The fiscal year 2024 capital budget for County, School and Public Utilities projects is \$149.8 million. The County's budget policies recommend the use of "pay-as-you-go" CIP funding of 10% or more, to recognize the need to balance the use of debt with the use of other resources for funding. The fiscal year 2024 CIP includes 59% 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.

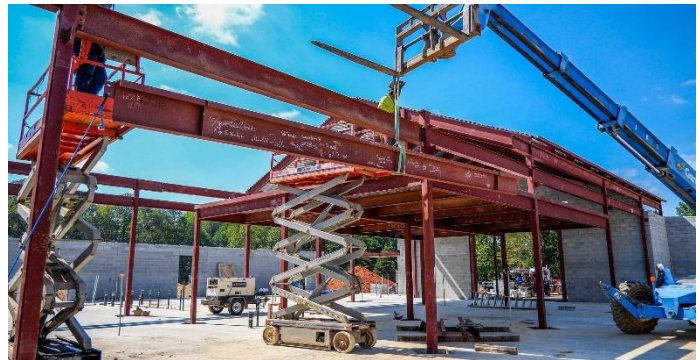
Relevant Financial Policies:

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 FY2023 to provide tax relief to the citizens of Hanover County as assessed values of both real and personal property both increased, at rates outside of the norm for consecutive years. Supply and demand imbalances in the vehicle market created an unprecedented increase in personal property tax assessments therefore the Board of Supervisors and the Commissioner of the Revenue collaborated to establish an assessment ratio of 80% for FY23. These efforts provided approximately \$13M of tax relief to the owners of qualified cars, trucks, and other classes of personal property throughout the County. In the spring, due to continued pressures in the consumer market that our residents are facing daily coupled with a second year of measurable increases in the valuation of real property, the Board of Supervisors declared \$4M of revenue associated with the tax levy as surplus and abated taxes from resident's bills by creating an effective tax rate of \$0.78 cents for the first half bill only.

Montpelier Recreation Center and Library was approved by the Board of Supervisors in May 2022 and construction is well underway on the new 20,000 square foot center. The project also includes a new ballfield with restrooms to be available. In September, County leaders came together with community partners to sign the latest beam being raised at Montpelier Recreation Center and Library. This is truly a project created by our community, for our community. The center will house a library, gym and classroom space and we can't wait to fill it with residents next year!



Fire-EMS Station 17 will be constructed beginning at the end of 2023 on land the Board accepted as a donation of 3.5 acres in surplus property from the School Board, which is adjacent to Laurel Meadow Elementary School. The new station would enable Hanover Fire/EMS to meet emergency needs in that area and improve response times. The construction of this station is an excellent example of the County's pay-go cash strategies as work as this station is 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 ongoing debt service payment associated with this fourteen-million-dollar project into the County's operating budget. Hanover County Fire-EMS also held a ribbon cutting for a state-of-the-art fire training burn tower

facility, a class B gas powered training facility. This training environment offers our public safety providers realistic situational pressures while minimizing occupation hazards and maximizing training time with the ability to utilize the many gas fed burn props throughout the tower.



Ashland Elementary School is being constructed as a replacement for the upper and lower elementary schools serving the Ashland community currently. The secure and modernly equipped school will be ready to welcome students for the 2024-2025 school year with the debt issuance and cash capital strategies deployed to fund this project being a major accomplishment of fiscal year 2023. On a very cold day in December students, staff and members of the community celebrated the groundbreaking of this new \$50M facility! County staff and our financial advising team did a live electronic bid bond sale and were able to target a sale date that yielded the lowest interest rates in that thirty-day period. County taxpayers

will save \$985,000 over the life of the bonds by maintaining its 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 2023. 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

All Hanover schools have achieved full accreditation by the Virginia Department of Education based upon results during the 2018-2019 school year. Hanover is one of the largest school divisions in the Commonwealth to experience this level of success at all its schools. Hanover students exceeded all the SOL benchmarks set by the VDOE in English (reading and writing), math, history, and science, as well as met or exceeded the state average on 28 out of 29 SOL tests.



Parks and Recreation

Hanover County Parks and Recreation received the MVP Sports Award from the Richmond Region Tourism Foundation. Parks and Recreation attracts tens of thousands of visitors to the region by hosting national cross-country events at Pole Green Park including the USATF National Championships, the NIRCA National Championships and the Atlantic 10 Conference Championships. The Department was recognized for always going the extra mile to accommodate organizers, athletes, and spectators during these large events.

Sheriff's Office

Hanover County Sheriff's Office has been recertified as a Certified Crime Prevention Community and is one of only 12 localities in the Commonwealth to have achieved this distinction. "This is truly about the county we live in and the community we serve," said Colonel David R. Hines, Sheriff. On the reverse side of our "Welcome to Hanover County" signs is a reminder of the safe community that our Sheriff's Office has created by working alongside our residents.



Self-Insurance Fund Be Well Program

Hanover County's BE WELL Employee Wellness Program, lead by Jami Zanetta, has received a Making a Difference Workplace Well-being Award from our insurance carrier. This award is the culmination of our employees' desire to live healthier, more active lives and make well-being a priority.

Finance and Management Services

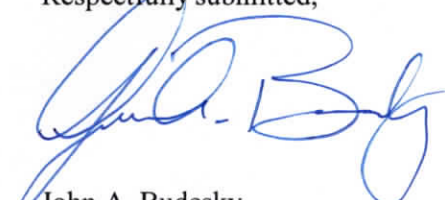
The Government Finance Officers Association (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to Hanover County for its ACFR for the fiscal year ended June 30, 2022. The County has received this prestigious award each fiscal year since 1985. The Certificate of Achievement 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 FY2023 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 2023 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. Lauren Null, CPA, and Ms. Jackie Manzer, CPA for their 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,



John A. Budesky
County Administrator



Amanda L. Six
Director of Finance and Management Services



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**County of Hanover
Virginia**

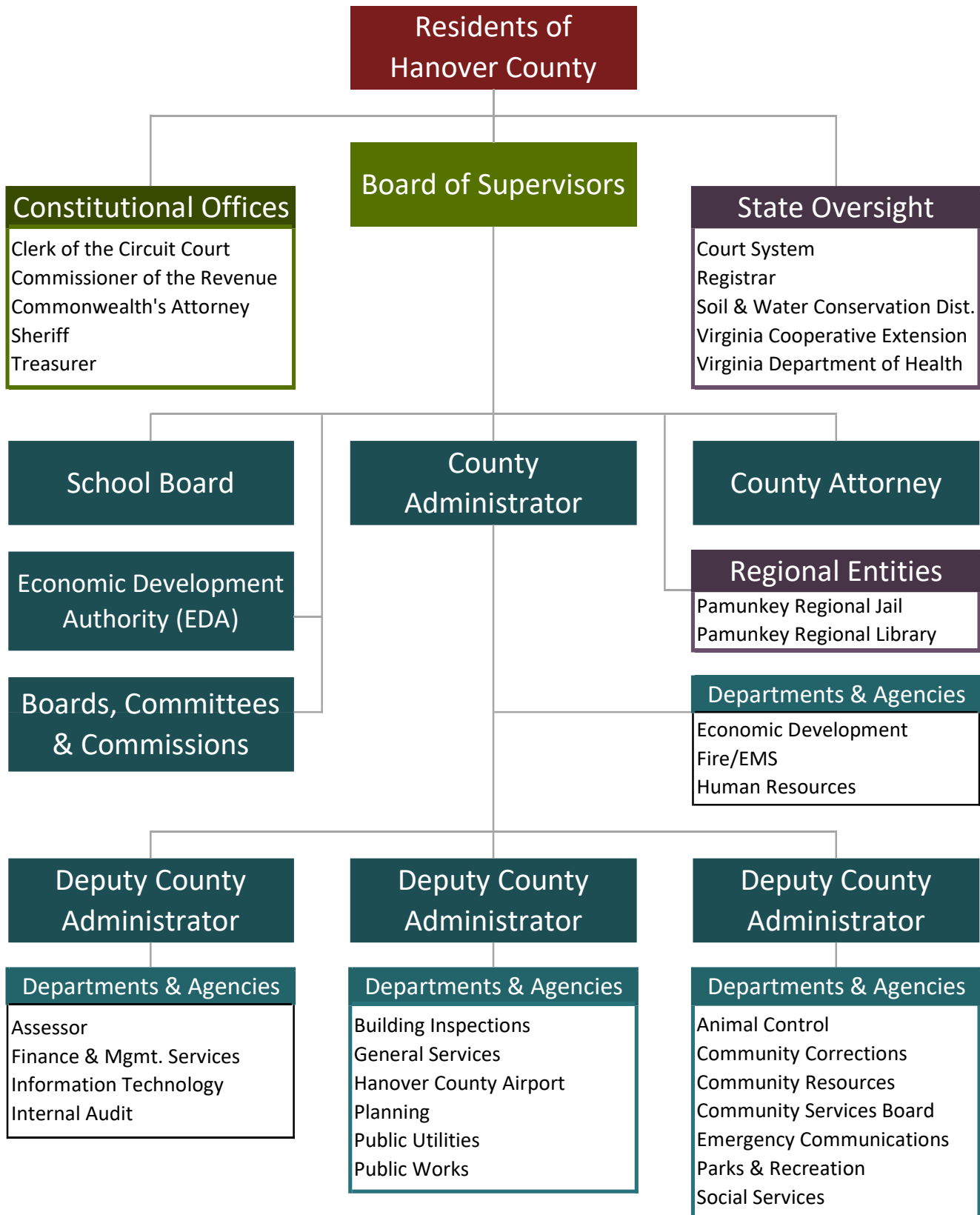
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

County Organizational Chart



Color Key

Elected Officials

County Entities

State & Regional Entities

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2023

Board of Supervisors

W. Canova Peterson, Chair
Susan P. Dibble, Vice Chair
Sean Davis
F. Michael Herzberg
Angela Kelly-Wiecek
J. Robert Monolo
Faye O. Prichard

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

Constitutional Officers

Frank D. Hargrove, Jr.
T. Scott Harris
R. E. "Trip" Chalkley, III
Colonel David R. Hines
M. Scott Miller

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
James P. Taylor
Jay A. Brown
Amanda L. Six

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

School Board

John F. Axselle III, Chair
Robert J. (Bob) May, Vice Chair
Ola J. Hawkins
Robert L. Hundley, Jr.
Steven Ikenberry
John E. Redd, Jr.
George E. Sutton

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

School Administrative Officials

Dr. Michael B. Gill
Christina P. Berta
Jennifer E. Greif
Amanda A. Baker
Lisa A. Seward
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 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, 2023, 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, 2023, 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.

Other Matter

The financial statements of the County, as of and for the year ended June 30, 2022, were audited by other auditors, whose report dated November 9, 2022, expressed an unmodified opinion.

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 131-143, 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 accompanying schedules listed in the table of contents as other supplementary information are 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 comprehensive financial 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 30, 2023 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.

ppmres, LLP

Harrisonburg, Virginia
November 30, 2023

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, 2023. 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 2023 by \$633.7 million (*net position*). Of this amount, \$220.2 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 \$80.1 million, of which the governmental activities increased by \$64.6 million and business-type activities increased by \$15.5 million.
- As of the close of fiscal year 2023, the County's governmental funds reported combined ending fund balances of \$247.9 million, an increase of \$73.4 million from prior year. Of the \$247.9 million total, 63.4% (\$157.1 million) is available for spending in compliance with County policies (sum of *committed, assigned and unassigned fund balances*), while *nonspendable and restricted fund balances* were 36.6% or \$90.8 million of the total.
- The General Fund's unassigned fund balance was 13.5% of total General Fund revenues, which reflects an increase of \$3.7 million to \$44.2 million at June 30, 2023. 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 \$4.7 million to \$65.3 million at June 30, 2023. The \$4.7 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.
- The County's total debt increased by \$28.1 million (20.9%) to \$162.6 million during fiscal year 2023. The increase is due to the issuance of VPSA general obligation bonds for school construction and improvement projects in the amount of \$41.3 million, offset by principal payments on existing debt of \$13.2 million.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

During fiscal year 2023, 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, 2023. The governmental fund financial statements can be found at Exhibits 3 through 6 of this report.

The County maintains two different types of **Proprietary Funds**: enterprise and internal service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its public utilities fund and its airport fund (a major fund). *Internal service funds* are an accounting device used to accumulate and allocate costs

internally among the County's various functions. The County uses an internal service fund to account for its employee healthcare benefit activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

Fiduciary funds are used to account for resources received and held in a fiduciary capacity for the benefit of individuals, private organizations, or other governments. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. However, the County is responsible for ensuring that fiduciary fund assets are used for their intended purposes. The County's fiduciary funds consist of 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: Finally, this report contains a Compliance Section, including the County's Schedule of Expenditures of Federal Awards and related notes thereto, and the independent auditors' required reports on compliance and internal control.

Financial Analysis of the County as a Whole

Statement of Net Position

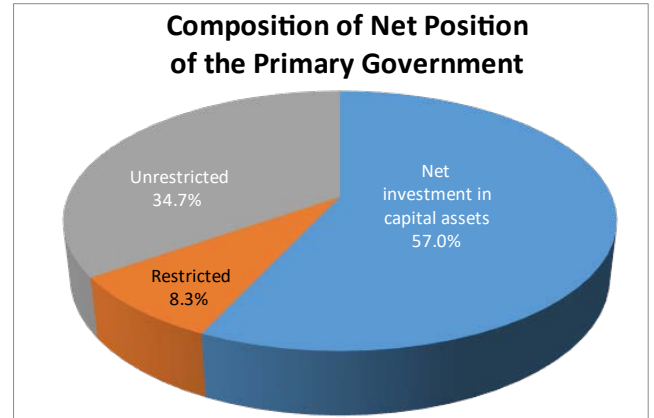
Table 1 summarizes the Statements of Net Position for the Primary Government as of June 30, 2023 and 2022:

| Table 1 | County of Hanover, Virginia Summary of Net Position (\$ in millions) | | | | | |
|-----------------------------------|--|-------|-----------------------------|-------|-----------------------------|-------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | | | | | | |
| Current and other assets | \$ 431.4 | 337.3 | 60.5 | 61.6 | 491.9 | 398.9 |
| Capital assets | 244.5 | 224.2 | 267.9 | 249.9 | 512.4 | 474.1 |
| Total assets | 675.9 | 561.5 | 328.4 | 311.5 | 1,004.3 | 873.0 |
| Deferred outflows of resources | 18.3 | 23.1 | 1.6 | 2.1 | 19.9 | 25.2 |
| Long-term liabilities outstanding | 203.8 | 153.3 | 13.2 | 13.5 | 217.0 | 166.8 |
| Other liabilities | 51.5 | 42.1 | 7.9 | 4.5 | 59.4 | 46.6 |
| Total liabilities | 255.3 | 195.4 | 21.1 | 18.0 | 276.4 | 213.4 |
| Deferred inflows of resources | 106.8 | 121.7 | 7.2 | 9.4 | 114.0 | 131.1 |
| Net position: | | | | | | |
| Net investment in capital assets | 108.4 | 98.4 | 252.5 | 238.7 | 360.9 | 337.1 |
| Restricted | 47.5 | 41.9 | 5.1 | 5.0 | 52.6 | 46.9 |
| Unrestricted | 176.1 | 127.2 | 44.1 | 42.4 | 220.2 | 169.6 |
| Total net position | \$ 332.0 | 267.5 | 301.7 | 286.1 | 633.7 | 553.6 |

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 \$633.7 million at the close of fiscal year 2023, representing an increase of \$80.1 million from the net position at June 30, 2022.

As the following graph shows, by far the largest portion of the County's total net position (\$360.9 million, 57.0% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and intangibles); less any related debt and deferred loss on refunding used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens, like water and wastewater services, schools, libraries, law enforcement, and fire and emergency medical services. Consequently, these assets are *not* available for future spending, as capital assets are generally not sold or otherwise disposed of during their useful life.

As also shown, an additional portion of the County's total net position (\$52.6 million, 8.3% of total) represents resources that are subject to external restrictions on how they may be used, including amounts restricted for capital projects, grant programs, debt covenants and postemployment healthcare benefits. The remaining balance of unrestricted net position (\$220.2 million, 34.7% 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, 2023 and 2022:

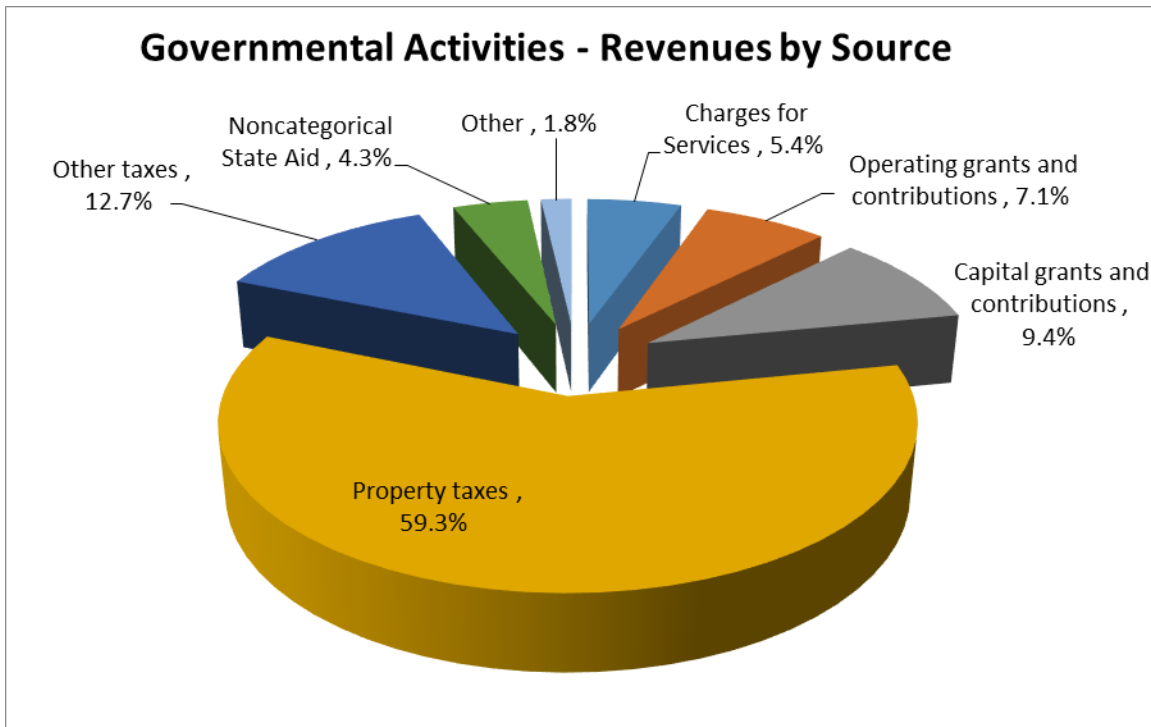
| County of Hanover, Virginia Summary of Changes in Net Position (\$ in millions) | | | | | | |
|--|--------------------------------|--------------|---------------------------------|--------------|---------------------------------|--------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 19.6 | 20.3 | 35.7 | 36.0 | 55.3 | 56.3 |
| Operating grants and contributions | 25.8 | 22.5 | 0.1 | 0.5 | 25.9 | 23.0 |
| Capital grants and contributions | 34.2 | 18.4 | 12.3 | 5.8 | 46.5 | 24.2 |
| General revenues: | | | | | | |
| Property taxes | 215.5 | 197.1 | - | - | 215.5 | 197.1 |
| Other taxes | 46.2 | 40.6 | - | - | 46.2 | 40.6 |
| Noncategorical State aid | 15.6 | 15.6 | - | - | 15.6 | 15.6 |
| Grants and contributions | 1.5 | 6.1 | - | - | 1.5 | 6.1 |
| Other | 4.9 | 2.7 | 1.3 | - | 6.2 | 2.7 |
| Total revenues | 363.3 | 323.3 | 49.4 | 42.3 | 412.7 | 365.6 |
| Expenses: | | | | | | |
| General government | 21.9 | 20.2 | - | - | 21.9 | 20.2 |
| Judicial administration | 9.2 | 8.2 | - | - | 9.2 | 8.2 |
| Public safety | 78.5 | 74.2 | - | - | 78.5 | 74.2 |
| Public works | 23.5 | 13.3 | - | - | 23.5 | 13.3 |
| Human services | 31.1 | 28.2 | - | - | 31.1 | 28.2 |
| Parks, recreation and cultural | 7.9 | 6.8 | - | - | 7.9 | 6.8 |
| Community development | 8.6 | 6.5 | - | - | 8.6 | 6.5 |
| Education | 112.1 | 109.3 | - | - | 112.1 | 109.3 |
| Interest on long-term debt * | 5.9 | 4.7 | - | - | 5.9 | 4.7 |
| Public utilities | - | - | 32.8 | 30.0 | 32.8 | 30.0 |
| Airport | - | - | 1.1 | 1.1 | 1.1 | 1.1 |
| Total expenses | 298.7 | 271.4 | 33.9 | 31.1 | 332.6 | 302.5 |
| Increase in net position before transfers | 64.6 | 51.9 | 15.5 | 11.2 | 80.1 | 63.1 |
| Transfers | (0.1) | (0.1) | 0.1 | 0.1 | - | - |
| Increase in net position | 64.5 | 51.8 | 15.6 | 11.3 | 80.1 | 63.1 |
| Total net position - beginning of year | 267.5 | 215.7 | 286.1 | 274.8 | 553.6 | 490.5 |
| Total net position - end of year | \$ 332.0 | 267.5 | 301.7 | 286.1 | 633.7 | 553.6 |

* 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 \$64.6 million for fiscal year 2023. Generally, net position changes are the result of the difference

between revenues and expenses. Fiscal year 2023 revenues of \$363.3 million represent an increase of \$40.0 million, or 12.4% in comparison to the prior year, while expenses and transfers of \$332.6 million represent an increase of \$27.3 million, or 10.0% compared to the prior year.

The following chart illustrates the County's fiscal year 2023 governmental revenues by source as a percentage of total governmental revenues:



Taxes are the largest source of County revenues, totaling \$261.8 million for fiscal year 2023, an increase of \$24.1 million, or 10.1%, in comparison to fiscal year 2022. An increase in general property taxes of \$18.4 million, or 9.3% was largely attributable to higher than projected personal property tax revenue resulting from increased assessed values. Sales tax revenue increased by \$2.0 million, or 6.5%. General property taxes totaled \$215.5 million for fiscal year 2023 and represent 83.9% of total taxes and 58.8% of all revenues.

Also in fiscal year 2023, \$79.6 million, or 21.9% of total revenues, consisted of program revenues, including \$19.6 million in charges for services, \$25.8 million of operating grants and contributions, and \$34.2 million of capital grants and contributions. General revenues, including \$15.6 million of noncategorical state aid and \$1.5 million of unrestricted grants and contributions and unrestricted investment earnings of \$4.9 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 2023 were \$298.7 million, which represents an increase of \$27.3 million, or 10.1% higher than fiscal year 2022. Increases in expenses for general government administration, judicial administration, public safety, public works, human services, parks, recreation and cultural, education, and interest expenses were \$3.1 million, \$1.1 million, \$4.7 million, \$10.2 million, \$3.0 million, \$1.1 million, \$2.1 million, \$2.7 million, and \$1.2 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 \$112.1 million in fiscal year 2023. Public safety and human services are also strategic focus areas with expenses totaling \$78.9 million and \$31.1 million, respectively in fiscal year 2023.

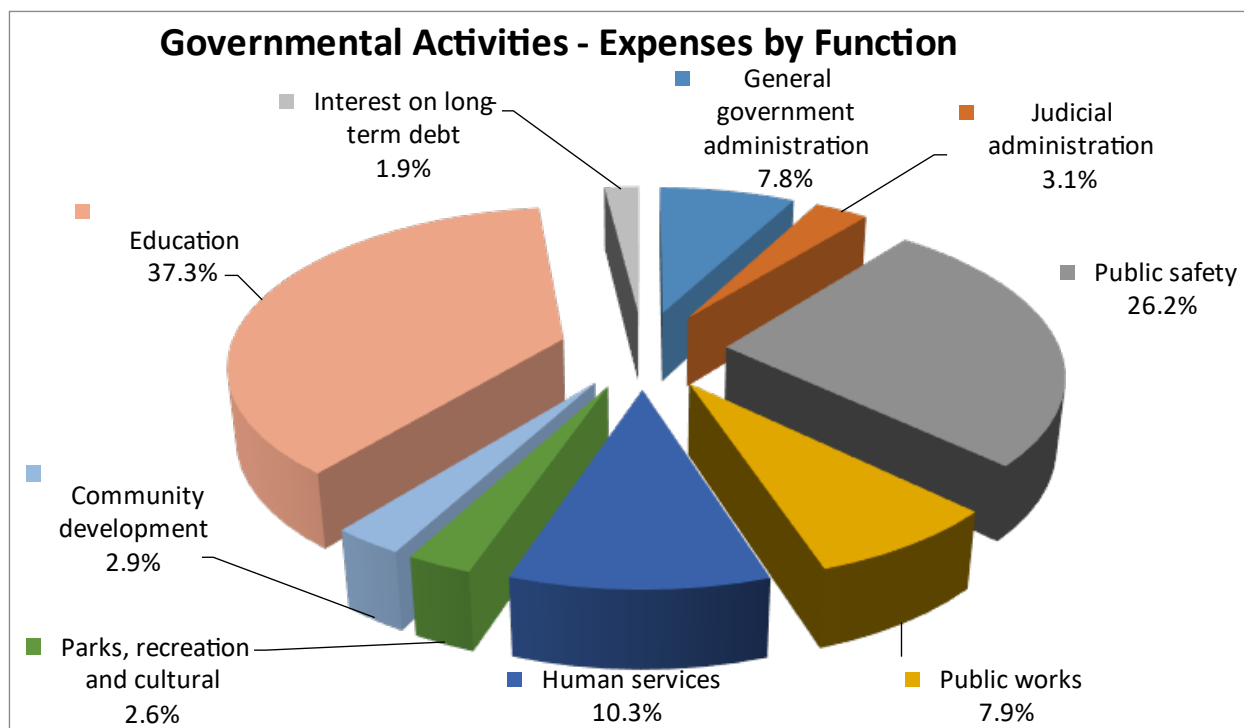


Table 3 presents the total cost of the County's governmental activities by function, as well as the net cost of each function (total cost less fees generated by each function and program-specific intergovernmental aid) for the fiscal year ended June 30, 2023 and 2022:

| Table 3 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 | |
| | 2023 | 2022 | 2023 | 2022 |
| General government | \$ 21.9 | 20.2 | 10.0 | 16.7 |
| Judicial administration | 9.2 | 8.2 | 6.4 | 5.4 |
| Public safety | 78.5 | 74.2 | 64.1 | 59.2 |
| Public works | 23.5 | 13.3 | 0.6 | (7.5) |
| Human services | 31.1 | 28.2 | 13.7 | 11.3 |
| Parks, recreation and cultural | 7.9 | 6.8 | 7.4 | 6.4 |
| Community development | 8.6 | 6.5 | 5.4 | 4.7 |
| Education | 112.1 | 109.3 | 105.6 | 109.3 |
| Interest on long-term debt | 5.9 | 4.7 | 5.9 | 4.7 |
| Total | \$ 298.7 | 271.4 | 219.1 | 210.2 |

A portion of the \$298.7 million cost of the County's governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of \$19.6 million) and other governments and organizations that subsidized certain programs (i.e., operating and capital grants and contributions of \$60.0 million). These combined program revenues of \$79.6 million decreased the total fiscal year 2023 cost of services from \$298.7 million to the net cost of services of \$219.1 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 \$15.5 million for fiscal year 2023.

Public Utilities revenues totaled \$45.6 million, of which \$30.5 million, or 67.0%, was generated from charges for services and user fees. Nonoperating capacity fee revenues decreased to \$4.5 million from \$7.0 million last year, based on revenue and the allocation of operating costs. Capital contributions increased \$5.5 million to \$9.2 million in 2023. Public Utilities expenses totaled \$32.7 million for fiscal year 2023 compared to \$30.0 million in fiscal year 2022.

Airport operating revenues totaled \$673,206 in fiscal year 2023 compared to \$686,326 in fiscal year 2022. The Airport had no nonoperating revenues in fiscal year 2023 or fiscal year 2022, while capital contributions increased to \$3.0 million in fiscal year 2023 from \$1.8 million in fiscal year 2022. Airport nonoperating expenses were \$77,692 and \$82,047 in fiscal years 2023 and 2022, respectively.

Financial Analysis of the County's Funds

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

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

As of the end of fiscal year 2023, the County's governmental funds reported combined ending fund balances of \$247.9 million (Exhibit 3), as compared to \$174.5 million at June 30, 2022, an increase of \$73.4 million. Of the \$247.9 million fiscal year 2023 fund balance, \$2.1 million is classified as *nonspendable* because it is invested in inventories and prepaid expenses and, therefore, is not in spendable form, \$88.7 million is classified as *restricted* to indicate that it can only be spent for specific purposes as stipulated by external resource providers (for example, through debt covenants, grant agreements, or by laws or regulations of other governments), \$0.5 million is classified as *committed* to indicate that it has been set aside for specific purposes by resolution of the County's Board of Supervisors, \$112.4 million is *assigned* to indicate that County administration has identified specific purposes for the use of those funds, and the remaining \$44.2 million is *unassigned*. Unassigned fund balances are technically available for any purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The General Fund is the primary operating fund of the County (Exhibits 3 through 6). The General Fund's fund balance increased \$9.0 million (8.8%) during fiscal year 2023, to \$112.0 million. Total year revenues are approximately \$13.6 million higher than the appropriated budget, primarily driven by increases in personal property tax assessments and higher than budgeted sales tax revenue. Fiscal year 2023 expenditure savings for the General Fund totaled \$23.6 million, comprised of \$4.2 million in personnel savings, \$11.6 million in operating savings, and a return of School Board appropriations to the General Fund of \$7.8 million. Of the \$112.0 million fund balance, \$0.4 million is nonspendable, \$1.6 million is restricted, \$0.5 million is committed, \$65.3 million is assigned and \$44.2 million is unassigned. As one measure of the General Fund's liquidity, it is useful to compare the total of the County's committed, assigned and unassigned fund balances to total fund revenues. At the end of fiscal year 2023, the General Fund's committed, assigned and unassigned fund balances of \$112.0 million represents 34.2% of total General Fund revenues of \$327.7 million. In addition, General Fund's unassigned fund balance totaled \$44.2 million, up from \$40.3 million at the end of fiscal year 2022, which represents 13.5% of total General Fund revenues in 2023 and 2022, continuing to exceed the 10% minimum set by the County's fund balance policy. The \$9.0 million fiscal year 2023 increase in the General Fund's fund balance resulted from General Fund revenues of \$327.7 million less expenditures of \$262.8 million and net other financing sources and uses of \$55.9 million, as shown on Exhibit 4 to the financial statements.

The fund balance in the County Improvements Fund (Exhibit 4) increased by \$21.4 million to \$85.6 million during fiscal year 2023. This increase is partially attributable to the County receiving \$14.4 million in tax revenues from the Central Virginia Transportation Authority, a recently created authority established by the *Code of Virginia* in 2020 as well as increased transfers from the General Fund of \$30.3 million.

The fund balance in the School Improvements Fund (Exhibit 4) increased by \$41.7 million to \$48.2 million during fiscal year 2023, primarily due to the issuance of general obligation bonds during the year of \$40.9 million. The fund balance in the Debt Service Fund (Exhibit 4) increased by \$1.24 million to \$2.05 million fiscal year 2023. The Debt Service Fund recognized investment income from unspent bond proceeds and savings from interest on debt and fiscal charges, 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 \$23.0 million, or 7.2% between the originally-adopted fiscal year 2023 budget appropriation for expenditures and transfers out and the final budget, with \$2.8 million of the increase resulting from reappropriation of fiscal year 2022 budget commitments for completion of ongoing projects in fiscal year 2023, and \$10.7 million of increases in transfers to the County Improvements Fund and School Improvements Fund for capital projects. Encumbered balances account for 72.6% of the total reappropriation.

Capital Assets and Debt Administration

Capital assets: The County's investment in capital assets as of June 30, 2023, totals \$512.4 million, net of accumulated depreciation and amortization. This represents an increase of \$2.3 million, or 8.1% more than fiscal year 2022. Capital assets, net of accumulated depreciation and amortization, are illustrated in the following table:

| | (\$ in millions) | | | |
|-----------------------------------|------------------|---------------|-------------------|--------------|
| | Governmental | Business-type | Totals at June 30 | |
| | Activities | Activities | 2023 | 2022 |
| Land | \$ 10.4 | 11.9 | 22.3 | 21.8 |
| Intangible assets | 5.3 | 32.2 | 37.5 | 36.7 |
| Buildings | 122.2 | 39.2 | 161.4 | 161.4 |
| Improvements other than buildings | 26.2 | 142.4 | 168.6 | 157.1 |
| Machinery and equipment | 36.3 | 14.1 | 50.4 | 49.9 |
| Infrastructure | 18.1 | - | 18.1 | 18.6 |
| Right to use assets | 3.1 | 0.5 | 3.6 | 1.9 |
| Construction in progress | 22.9 | 27.6 | 50.5 | 26.7 |
| Total | <u>\$ 244.5</u> | <u>267.9</u> | <u>512.4</u> | <u>474.1</u> |

Major capital asset activity during fiscal year 2023 included the following:

- The implementation of GASB 96 Subscription Based Information Technology Arrangements, resulting in the increase of right to use assets.
- The costs of completed water and wastewater infrastructure projects reported in the Public Utilities Fund totaling \$10.0 million, funded by water and sewer user fees and capacity fees.

- Developers' contributions of water and wastewater lines totaled \$7.2 million.
- The costs of public safety improvements totaling \$6.8 million, including ambulances, equipment upgrades, and a fire training facility, funded by state grants and general revenues.
- The costs of school facility improvements and equipment acquisition by the School Component Unit totaled \$20.4 million, including the beginning stages of construction of a new elementary school.

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

Long-term debt: In the Commonwealth of Virginia, there is no State statute limiting the amount of general obligation debt a County may issue. However, with limited exceptions as described under General Obligation Bonds in Note IV.E to the accompanying financial statements, general obligation bonded indebtedness must be approved by voter referendum prior to issuance. In addition, the County's Board of Supervisors and revenue bond covenants have established limits and coverage requirements with respect to long-term debt, and the County is in compliance with all debt policy limits and debt coverage requirements at June 30, 2023.

The following table illustrates the County's outstanding debt at June 30, 2023:

| | (\$ in millions) | | |
|---|----------------------------|-----------------------------|--------------|
| | Governmental Activities | Business-type Activities | Total |
| General obligation bonds | \$ 97.0 | - | 97.0 |
| Revenue bonds | - | 9.0 | 9.0 |
| Infrastructure and state moral obligation bonds | 54.4 | - | 54.4 |
| Support agreement | 1.0 | 0.1 | 1.1 |
| Notes payable | 1.1 | - | 1.1 |
| Total | <u>\$ 153.5</u> | <u>9.1</u> | <u>162.6</u> |

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

Economic Factors and Next Year's Budgets and Rates

During fiscal year 2023, 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 7.5% in calendar year 2022 and 7.7% in calendar year 2023. Throughout fiscal year 2023, the County's unemployment rate remained relatively consistent. In June 2023, the County's unemployment rate was 2.6%, which remains favorable in comparison to the Commonwealth's average unemployment rate of 2.8% and the national average rate of 3.8%.

Fiscal year 2023 showed positive revenue returns compared to budget. The County anticipates continued economic recovery from the pandemic, as is reflected in the fiscal 2023 budget. Real estate taxes and personal property taxes are budgeted to increase 13.4% and 12.9%, respectively from the 2023 to the 2024 budget. Including the use of \$14.7 million of prior year fund balance, the County's adopted fiscal year 2024 General Fund budget was set at \$354.8 million, an increase of \$33.2 million or 10.3% in comparison to the fiscal year 2023 total of \$321.6 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, 2023 the County has assigned \$14.7 million of fund balance in its General Fund to fund a portion of the fiscal year 2024 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 \$8.9 million to fund future school budgets, \$28.0 million to fund capital projects, \$5.0 million for economic stability reserves, and \$8.7 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 2023. In fiscal year 2023, Public Utilities' water and sewer user fees increased by 3% 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

Statement of Net Position

June 30, 2023

Exhibit 1

| | Primary Government | | | Component Units | |
|--|-------------------------|--------------------------|---------------|-----------------|--------------------------------|
| | Governmental Activities | Business-type Activities | Total | School Board | Economic Development Authority |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Pooled cash, cash equivalents and investments | \$ 252,496,205 | 40,323,557 | 292,819,762 | 15,474,236 | 1,816,669 |
| Receivables (net of allowance for uncollectibles) | 120,878,998 | 8,741,723 | 129,620,721 | 15,653,134 | - |
| Prepaid expenses | 1,753,976 | 60,826 | 1,814,802 | - | - |
| Support agreement receivable | - | - | - | - | 195,000 |
| Inventories | 385,788 | - | 385,788 | 404,630 | - |
| Total current assets | 375,514,967 | 49,126,106 | 424,641,073 | 31,532,000 | 2,011,669 |
| Noncurrent Assets: | | | | | |
| Pooled cash, cash equivalents and investments - restricted | 45,052,214 | 4,886,133 | 49,938,347 | - | - |
| Support agreement receivable | - | - | - | - | 905,000 |
| Leases receivable | 9,653,811 | 6,392,662 | 16,046,473 | - | - |
| Net pension asset - restricted | - | - | - | 5,777,600 | - |
| Net other postemployment benefits asset - restricted | 1,193,272 | 84,869 | 1,278,141 | 1,872,123 | - |
| Capital assets (net of accumulated depreciation and amortization): | | | | | |
| Land | 10,389,865 | 11,905,122 | 22,294,987 | 7,400,682 | - |
| Intangible assets | 5,308,077 | 32,182,235 | 37,490,312 | - | - |
| Buildings | 122,227,286 | 39,192,557 | 161,419,843 | 59,141,595 | - |
| Improvements other than buildings | 26,218,531 | 142,411,788 | 168,630,319 | 29,137,539 | - |
| Machinery and equipment | 36,275,834 | 14,088,083 | 50,363,917 | 9,404,302 | - |
| Infrastructure | 18,135,427 | - | 18,135,427 | - | - |
| Right to use assets | 3,115,681 | 510,328 | 3,626,009 | 1,626,458 | - |
| Construction in progress | 22,842,133 | 27,615,352 | 50,457,485 | 12,172,654 | - |
| Total capital assets, net | 244,512,834 | 267,905,465 | 512,418,299 | 118,883,230 | - |
| Total noncurrent assets | 300,412,131 | 279,269,129 | 579,681,260 | 126,532,953 | 905,000 |
| Total assets | 675,927,098 | 328,395,235 | 1,004,322,333 | 158,064,953 | 2,916,669 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred loss on refunding | 837,880 | 407,391 | 1,245,271 | - | - |
| Deferred outflows relating to pension | 16,043,902 | 1,141,082 | 17,184,984 | 32,610,881 | - |
| Deferred outflows relating to other postemployment benefits | 1,370,256 | 91,566 | 1,461,822 | 4,135,035 | - |
| Total deferred outflows of resources | 18,252,038 | 1,640,039 | 19,892,077 | 36,745,916 | - |

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

(Continued)

COUNTY OF HANOVER, VIRGINIA

Statement of Net Position

June 30, 2023

Exhibit 1

| | Primary Government | | | Component Units | |
|---|-------------------------|--------------------------|-------------|-----------------|--------------------------------|
| | Governmental Activities | Business-type Activities | Total | School Board | Economic Development Authority |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | 14,749,073 | 5,617,950 | 20,367,023 | 2,025,402 | 1,694,991 |
| Incurred but not reported self-insurance claims | 2,512,279 | - | 2,512,279 | - | - |
| Accrued liabilities | 9,792,052 | 2,197,155 | 11,989,207 | 19,210,542 | - |
| Accrued interest | 2,782,080 | 123,415 | 2,905,495 | 7,380 | - |
| Unearned revenues | 21,715,208 | - | 21,715,208 | 226,702 | - |
| Current portion of bonds payable | 12,946,912 | 1,706,520 | 14,653,432 | - | 195,000 |
| Current portion of notes payable | 130,253 | - | 130,253 | - | - |
| Current portion of lease obligations | 244,515 | 2,883 | 247,398 | 347,509 | - |
| Current portion of subscription obligations | 899,596 | 19,500 | 919,096 | 419,415 | - |
| Current portion of compensated absences | 8,433,768 | 579,400 | 9,013,168 | 5,783,321 | - |
| Current portion of liability for landfill closure and postclosure costs | 46,764 | - | 46,764 | - | - |
| Current portion of support agreement | 132,979 | 65,000 | 197,979 | - | - |
| Total current liabilities | 74,385,479 | 10,311,823 | 84,697,302 | 28,020,271 | 1,889,991 |
| Noncurrent Liabilities: | | | | | |
| Bonds payable | 153,673,793 | 8,068,543 | 161,742,336 | - | 905,000 |
| Notes payable | 1,081,515 | - | 1,081,515 | - | - |
| Lease obligations | 1,599,141 | 3,453 | 1,602,594 | 269,290 | - |
| Subscription obligations | 379,079 | 418,594 | 797,673 | 675,084 | - |
| Compensated absences | 2,608,667 | 362,399 | 2,971,066 | 1,431,764 | - |
| Deposits | - | 517,877 | 517,877 | - | - |
| Capacity fee credits | - | 91,226 | 91,226 | - | - |
| Liability for landfill closure and postclosure costs | 1,418,093 | - | 1,418,093 | - | - |
| Support agreement | 922,874 | - | 922,874 | - | - |
| Net pension liability | 14,848,748 | 1,056,080 | 15,904,828 | 116,101,797 | - |
| Net other postemployment benefits liability | 4,406,882 | 313,429 | 4,720,311 | 22,349,042 | - |
| Total noncurrent liabilities | 180,938,792 | 10,831,601 | 191,770,393 | 140,826,977 | 905,000 |
| Total liabilities | 255,324,271 | 21,143,424 | 276,467,695 | 168,847,248 | 2,794,991 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred revenues | 84,577,101 | 17,776 | 84,594,877 | - | - |
| Deferred inflows related to leases | 9,762,447 | 6,305,369 | 16,067,816 | - | - |
| Deferred inflows relating to pension | 10,793,859 | 767,687 | 11,561,546 | 28,453,868 | - |
| Deferred inflows relating to other postemployment benefits | 1,681,775 | 113,721 | 1,795,496 | 3,591,720 | - |
| Total deferred inflows of resources | 106,815,182 | 7,204,553 | 114,019,735 | 32,045,588 | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 108,465,433 | 252,469,325 | 360,934,758 | 118,883,230 | - |
| Restricted for: | | | | | |
| Grant programs | 1,595,758 | - | 1,595,758 | 149,355 | - |
| Capital projects | 44,723,796 | - | 44,723,796 | - | - |
| Debt covenants | - | 5,000,052 | 5,000,052 | - | - |
| Pension | - | - | - | 5,777,600 | - |
| Other postemployment benefits | 1,193,272 | 84,869 | 1,278,141 | 1,872,123 | - |
| Unrestricted (deficit) | 176,061,424 | 44,133,051 | 220,194,475 | (132,764,275) | 121,678 |
| Total net position | \$ 332,039,683 | 301,687,297 | 633,726,980 | (6,081,967) | 121,678 |

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, 2023

| | | | | | Net (Expense) Revenue and Changes in Net Assets | | | | |
|--|----------------|-------------------------|--|--|--|-----------------------------|---------------|-----------------|--------------------------------------|
| | | | | | Primary Government | | | Component Units | |
| Function/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | School Board | Economic Development Authority |
| Primary Government: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General governmental administration | \$ 21,851,839 | 2,657,257 | 2,889,690 | 6,265,602 | (10,039,290) | - | (10,039,290) | - | - |
| Judicial administration | 9,247,168 | 873,583 | 1,987,236 | - | (6,386,349) | - | (6,386,349) | - | - |
| Public safety | 78,549,808 | 7,646,490 | 5,860,390 | 930,653 | (64,112,275) | - | (64,112,275) | - | - |
| Public works | 23,489,986 | 2,416,642 | 29,595 | 20,473,582 | (570,167) | - | (570,167) | - | - |
| Human services | 31,133,754 | 4,091,201 | 13,335,259 | - | (13,707,294) | - | (13,707,294) | - | - |
| Parks, recreation and cultural | 7,940,771 | 406,694 | 1,712 | 135,196 | (7,397,169) | - | (7,397,169) | - | - |
| Community development | 8,564,677 | 1,507,217 | 1,694,991 | - | (5,362,469) | - | (5,362,469) | - | - |
| Education | 112,020,355 | - | - | 6,431,628 | (105,588,727) | - | (105,588,727) | - | - |
| Interest on long-term debt | 5,881,531 | - | - | - | (5,881,531) | - | (5,881,531) | - | - |
| Total governmental activities | 298,679,889 | 19,599,084 | 25,798,873 | 34,236,661 | (219,045,271) | - | (219,045,271) | - | - |
| | | | | | | | | | |
| Business-type activities: | | | | | | | | | |
| Public Utilities | 32,748,954 | 35,065,163 | - | 9,212,712 | - | 11,528,921 | 11,528,921 | - | - |
| Airport | 1,116,029 | 606,179 | 67,027 | 3,027,440 | - | 2,584,617 | 2,584,617 | - | - |
| Total business-type activities | 33,864,983 | 35,671,342 | 67,027 | 12,240,152 | - | 14,113,538 | 14,113,538 | - | - |
| Total Primary Government | \$ 332,544,872 | 55,270,426 | 25,865,900 | 46,476,813 | (219,045,271) | 14,113,538 | (204,931,733) | - | - |
| | | | | | | | | | |
| Component Units: | | | | | | | | | |
| School Board | \$ 211,748,747 | 10,096,652 | 123,608,128 | - | - | - | - | (78,043,967) | - |
| Economic Development Authority | 1,776,292 | 84,923 | - | - | - | - | - | - | (1,691,369) |
| Total component units | \$ 213,525,039 | 10,181,575 | 123,608,128 | - | - | - | - | (78,043,967) | (1,691,369) |
| | | | | | | | | | |
| General revenues: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| General property taxes | | | | | 215,488,267 | - | 215,488,267 | - | - |
| Sales taxes | | | | | 33,420,552 | - | 33,420,552 | - | - |
| Utility taxes | | | | | 5,540,862 | - | 5,540,862 | - | - |
| Recordation taxes | | | | | 2,515,902 | - | 2,515,902 | - | - |
| Other | | | | | 4,801,365 | - | 4,801,365 | - | - |
| Noncategorical State aid | | | | | 15,627,543 | - | 15,627,543 | - | - |
| Grants and contributions not restricted to specific programs | | | | | 1,473,587 | - | 1,473,587 | 310,724 | - |
| Payment from Hanover County | | | | | - | - | - | 97,391,654 | 1,694,991 |
| Unrestricted investment earnings | | | | | 4,880,755 | 1,282,566 | 6,163,321 | 78,715 | - |
| Transfers | | | | | (128,500) | 128,500 | - | - | - |
| Total general revenues and transfers | | | | | 283,620,333 | 1,411,066 | 285,031,399 | 97,781,093 | 1,694,991 |
| Change in net position | | | | | 64,575,062 | 15,524,604 | 80,099,666 | 19,737,126 | 3,622 |
| Total net position - beginning | | | | | 267,464,621 | 286,162,693 | 553,627,314 | (25,819,093) | 118,056 |
| Total net position - ending | | | | | \$ 332,039,683 | 301,687,297 | 633,726,980 | (6,081,967) | 121,678 |

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

COUNTY OF HANOVER, VIRGINIA

Governmental Funds

Balance Sheet

June 30, 2023

Exhibit 3

| | | Capital Funds | | | Total |
|---|----------------|---------------------|---------------------|--------------|--------------------|
| | General | County Improvements | School Improvements | Debt Service | Governmental Funds |
| ASSETS | | | | | |
| Pooled cash, cash equivalents and investments | \$ 115,989,496 | 87,785,943 | 14,691,965 | 2,045,332 | 220,512,736 |
| Receivables (net of allowances for uncollectibles) | 111,801,227 | 8,472,241 | 3,370,000 | - | 123,643,468 |
| Prepaid expenditures | 5,700 | 1,748,276 | - | - | 1,753,976 |
| Inventories | 385,788 | - | - | - | 385,788 |
| Pooled cash, cash equivalents and investments - restricted | - | 7,750,360 | 37,301,854 | - | 45,052,214 |
| Total assets | \$ 228,182,211 | 105,756,820 | 55,363,819 | 2,045,332 | 391,348,182 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 3,757,723 | 5,060,625 | 3,909,669 | - | 12,728,017 |
| Accrued liabilities | 8,691,272 | 516,303 | 440,241 | - | 9,647,816 |
| Unearned revenues | 3,772,902 | 14,580,765 | 2,822,396 | - | 21,176,063 |
| Total liabilities | 16,221,897 | 20,157,693 | 7,172,306 | - | 43,551,896 |
| Deferred Inflows of Resources: | | | | | |
| Deferred revenues | 90,149,497 | - | - | - | 90,149,497 |
| Deferred inflows related to leases | 9,762,447 | - | - | - | 9,762,447 |
| Total deferred inflows | 99,911,944 | - | - | - | 99,911,944 |
| Fund Balances: | | | | | |
| Nonspendable | 391,488 | 1,748,276 | - | - | 2,139,764 |
| Restricted | 1,595,759 | 49,827,436 | 37,228,789 | - | 88,651,984 |
| Committed | 500,000 | - | - | - | 500,000 |
| Assigned | 65,317,507 | 34,023,415 | 10,962,724 | 2,045,332 | 112,348,978 |
| Unassigned | 44,243,616 | - | - | - | 44,243,616 |
| Total fund balances | 112,048,370 | 85,599,127 | 48,191,513 | 2,045,332 | 247,884,342 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 228,182,211 | 105,756,820 | 55,363,819 | 2,045,332 | 391,348,182 |

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. | \$ 241,397,153 |
| Right to use assets in governmental activities are not financial resources and, therefore, are not reported in the funds. | 3,115,681 |
| Receivables on the Statement of Net Position that do not provide current financial resources are not reported in the funds. | 885,404 |
| 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). | 5,894,614 |
| 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. | 32,448,470 |
| 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. | (187,300,027) |
| Deferred loss on refunding does not provide current financial resources and, therefore, is not reported in the funds. | 837,880 |
| 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 | (14,848,748) |
| Pension investment experience | (8,855,742) |
| Difference between expected and actual experience | (428,917) |
| Pension contributions after measurement date | 8,456,759 |
| Change in assumptions | 6,077,943 |
| | (9,598,705) |
| 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 | 1,193,272 |
| Net other postemployment benefits liability | (4,406,882) |
| OPEB investment experience | (875,030) |
| Difference between expected and actual experience | 248,044 |
| OPEB contributions after measurement date | 78,612 |
| GLI and HIC contributions after measurement date | 482,000 |
| Change in assumptions | (198,185) |
| Change in proportion | (46,960) |
| | (3,525,129) |
| Total net position of governmental activities | \$ 332,039,683 |

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, 2023

Exhibit 4

| | General | County Improvements | School Improvements | Debt Service | Total Governmental Funds |
|---|----------------|------------------------|------------------------|-----------------|--------------------------------|
| REVENUES | | | | | |
| Revenue from local sources: | | | | | |
| General property taxes | \$ 216,108,267 | - | - | - | 216,108,267 |
| Other local taxes | 46,278,681 | 14,390,093 | - | - | 60,668,774 |
| Permits, privilege fees and regulatory licenses | 3,101,061 | - | - | - | 3,101,061 |
| Fines and forfeitures | 789,528 | - | - | - | 789,528 |
| Revenues from use of money and property | 5,663,608 | - | 1,288,526 | 870,114 | 7,822,248 |
| Charges for services | 9,831,315 | 824,649 | - | - | 10,655,964 |
| Miscellaneous | 1,801,943 | - | - | 26,022 | 1,827,965 |
| Recovered costs | 4,970,698 | - | - | - | 4,970,698 |
| Revenue from the Commonwealth | 34,318,123 | 2,654,809 | 1,605,081 | - | 38,578,013 |
| Revenue from the Federal government | 4,867,227 | 9,935,482 | 3,519,240 | - | 18,321,949 |
| Total revenues | 327,730,451 | 27,805,033 | 6,412,847 | 896,136 | 362,844,467 |
| EXPENDITURES | | | | | |
| General governmental administration | 19,825,174 | 7,898,203 | - | - | 27,723,377 |
| Judicial administration | 8,316,427 | 3,249,129 | - | - | 11,565,556 |
| Public safety | 74,684,917 | 6,844,287 | - | - | 81,529,204 |
| Public works | 13,476,838 | 15,652,397 | - | - | 29,129,235 |
| Human services | 31,778,794 | 23,000 | - | - | 31,801,794 |
| Parks, recreation and cultural | 7,336,596 | 2,085,804 | - | - | 9,422,400 |
| Community development | 8,530,063 | - | - | - | 8,530,063 |
| Education | 97,391,654 | - | 20,413,325 | - | 117,804,979 |
| Debt service: | | | | | |
| Principal retirement | 543,715 | 585,486 | - | 11,617,929 | 12,747,130 |
| Interest and fiscal charges | 109,905 | 872 | - | 5,882,754 | 5,993,531 |
| Debt issuance costs | - | - | - | 290,532 | 290,532 |
| Total expenditures | 261,994,083 | 36,339,178 | 20,413,325 | 17,791,215 | 336,537,801 |
| Excess (deficiency) of revenues over (under) expenditures | 65,736,368 | (8,534,145) | (14,000,478) | (16,895,079) | 26,306,666 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 282,000 | 30,258,020 | 9,123,047 | 17,746,920 | 57,409,987 |
| Transfers out | (57,256,487) | (282,000) | - | - | (57,538,487) |
| Issuance of general obligation bonds | - | - | 40,912,107 | 391,674 | 41,303,781 |
| Premium on general obligation bonds issued | - | - | 5,612,893 | - | 5,612,893 |
| Lease financing | 111,456 | - | - | - | 111,456 |
| Subscription financing | 176,282 | - | - | - | 176,282 |
| Total other financing sources (uses), net | (56,686,749) | 29,976,020 | 55,648,047 | 18,138,594 | 47,075,912 |
| Net change in fund balances | 9,049,619 | 21,441,875 | 41,647,569 | 1,243,515 | 73,382,578 |
| Total fund balances - beginning | 102,998,751 | 64,157,252 | 6,543,944 | 801,817 | 174,501,764 |
| Total fund balances - ending | \$ 112,048,370 | 85,599,127 | 48,191,513 | 2,045,332 | 247,884,342 |

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, 2023

| | |
|---|----------------------|
| Net change in fund balance - total governmental funds | \$ 73,382,578 |
| <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 | 30,242,399 |
| Depreciation and amortization expense | (19,695,341) |
| <p>The net effect of various miscellaneous transactions involving capital assets, such as sales, trade-ins, transfers and donations that decreased net position.</p> | |
| | (525,622) |
| <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 decrease in the net book value of School Board Component Unit capital assets reported by the County for the fiscal year, which resulted primarily from a decrease in school construction activity during the fiscal year, and results in a decrease in net position reported by the County (Primary Government) on the Statement of Activities.</p> | |
| | 8,021,360 |
| <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 | 253,274 |
| <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 | 898,544 |
| <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> | |
| | (72,550) |
| <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> | |
| | 549,882 |
| <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> | |
| Debt Issued | (46,897,893) |
| Repayment of Debt Principal | 11,595,311 |
| <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> | |
| | 81,589 |
| <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> | |
| | 1,095,927 |
| <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> | |
| | 674,613 |
| <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> | |
| | 4,970,991 |
| Change in net position of governmental activities | <u>\$ 64,575,062</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, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|--------------|----------------|---|
| | Original | Final | Budget Basis | |
| REVENUES | | | | |
| Revenue from local sources: | | | | |
| General property taxes | \$ 206,892,000 | 206,892,000 | 216,108,267 | 9,216,267 |
| Other local taxes | 44,470,000 | 44,820,000 | 46,278,681 | 1,458,681 |
| Permits, privilege fees and regulatory licenses | 2,423,000 | 2,444,479 | 3,101,061 | 656,582 |
| Fines and forfeitures | 877,000 | 877,000 | 789,528 | (87,472) |
| Revenues from use of money and property | 650,000 | 666,662 | 5,663,608 | 4,996,946 |
| Charges for services | 8,353,367 | 8,440,787 | 9,831,315 | 1,390,528 |
| Miscellaneous | 1,114,498 | 1,268,808 | 1,801,938 | 533,130 |
| Recovered costs | 4,623,699 | 4,966,269 | 4,970,700 | 4,431 |
| Revenue from the Commonwealth | 32,808,363 | 34,784,998 | 34,318,124 | (466,874) |
| Revenue from the Federal government | 4,568,568 | 8,922,669 | 4,867,229 | (4,055,440) |
| Total revenues | 306,780,495 | 314,083,672 | 327,730,451 | 13,646,779 |
| EXPENDITURES | | | | |
| General governmental administration | 20,355,403 | 21,219,704 | 20,037,952 | 1,181,752 |
| Judicial administration | 8,378,363 | 8,755,529 | 8,376,528 | 379,001 |
| Public safety | 77,440,406 | 80,216,934 | 76,017,479 | 4,199,455 |
| Public works | 13,022,651 | 14,533,981 | 14,010,889 | 523,092 |
| Human services | 33,606,192 | 35,645,013 | 31,821,166 | 3,823,847 |
| Parks, recreation and cultural | 7,403,416 | 7,630,471 | 7,337,891 | 292,580 |
| Community development | 5,667,337 | 8,942,379 | 8,644,521 | 297,858 |
| Education | 104,370,000 | 105,180,000 | 97,391,654 | 7,788,346 |
| Nondepartmental | 4,269,957 | 4,336,836 | - | 4,336,836 |
| Debt service: | | | | |
| Principal retirement | - | - | 543,715 | (543,715) |
| Interest and fiscal charges | - | - | 109,905 | (109,905) |
| Total expenditures - budgetary basis | 274,513,725 | 286,460,847 | 264,291,700 | 22,169,147 |
| Less encumbrances at June 30, 2023 | - | - | (2,297,617) | 2,297,617 |
| Total expenditures | 274,513,725 | 286,460,847 | 261,994,083 | 24,466,764 |
| Excess of revenues over expenditures | 32,266,770 | 27,622,825 | 65,736,368 | 38,113,543 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 282,000 | 282,000 | - |
| Transfers out | (46,196,420) | (57,256,487) | (57,256,487) | - |
| Lease financing | - | - | 111,456 | 111,456 |
| Subscription financing | - | - | 176,282 | 176,282 |
| Total other financing uses, net | (46,196,420) | (56,974,487) | (56,686,749) | 287,738 |
| Net change in fund balance | (13,929,650) | (29,351,662) | 9,049,619 | 38,401,281 |
| Fund balances - beginning | 13,929,650 | 102,998,751 | 102,998,751 | - |
| Fund balances - ending | \$ - | 73,647,089 | 112,048,370 | 38,401,281 |

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, 2023

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 | \$ 39,856,518 | 467,039 | 40,323,557 | 31,983,469 |
| Receivables (net of allowances for uncollectibles) | 7,274,039 | 1,467,684 | 8,741,723 | 6,003,938 |
| Prepaid expenses | 60,826 | - | 60,826 | - |
| Total current assets | 47,191,383 | 1,934,723 | 49,126,106 | 37,987,407 |
| Noncurrent Assets: | | | | |
| Pooled cash, cash equivalents and investments - restricted | 4,886,133 | - | 4,886,133 | - |
| Leases receivable | - | 6,392,662 | 6,392,662 | - |
| Net other postemployment benefits asset - restricted | 83,463 | 1,406 | 84,869 | - |
| Capital assets: | | | | |
| Land | 6,452,771 | 5,452,351 | 11,905,122 | - |
| Intangible assets | 55,504,617 | - | 55,504,617 | - |
| Buildings and system | 79,462,708 | 8,801,729 | 88,264,437 | - |
| Improvements other than buildings | 267,121,501 | 17,764,149 | 284,885,650 | - |
| Machinery and equipment | 30,557,424 | 190,494 | 30,747,918 | - |
| Right to use assets | 584,993 | - | 584,993 | - |
| Construction in progress | 24,616,054 | 2,999,298 | 27,615,352 | - |
| Less accumulated depreciation and amortization | (221,315,911) | (10,286,713) | (231,602,624) | - |
| Total capital assets (net of accumulated depreciation and amortization) | 242,984,157 | 24,921,308 | 267,905,465 | - |
| Total noncurrent assets | 247,953,753 | 31,315,376 | 279,269,129 | - |
| Total assets | 295,145,136 | 33,250,099 | 328,395,235 | 37,987,407 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred loss on refunding | 407,391 | - | 407,391 | - |
| Deferred outflows relating to pension | 1,122,179 | 18,903 | 1,141,082 | - |
| Deferred outflows relating to other postemployment benefits | 89,958 | 1,608 | 91,566 | - |
| Total deferred outflows of resources | 1,619,528 | 20,511 | 1,640,039 | - |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 4,761,808 | 856,142 | 5,617,950 | 2,021,059 |
| Incurred but not reported self-insurance claims | - | - | - | 2,512,279 |
| Accrued liabilities | 1,931,165 | 265,990 | 2,197,155 | 144,236 |
| Accrued interest | 91,051 | 32,364 | 123,415 | - |
| Advance premiums | - | - | - | 861,363 |
| Current portion of bonds payable | 1,492,348 | 214,172 | 1,706,520 | - |
| Current portion of lease obligations | 2,883 | - | 2,883 | - |
| Current portion of subscription obligations | 19,500 | - | 19,500 | - |
| Current portion of compensated absences | 572,606 | 6,794 | 579,400 | - |
| Current portion of support agreement | 65,000 | - | 65,000 | - |
| Total current liabilities | 8,936,361 | 1,375,462 | 10,311,823 | 5,538,937 |
| Noncurrent Liabilities: | | | | |
| Bonds payable | 5,628,275 | 2,440,268 | 8,068,543 | - |
| Lease obligations | 3,453 | - | 3,453 | - |
| Subscription obligations | 418,594 | - | 418,594 | - |
| Compensated absences | 362,157 | 242 | 362,399 | - |
| Deposits | 517,877 | - | 517,877 | - |
| Capacity fee credits | 91,226 | - | 91,226 | - |
| Net pension liability | 1,038,585 | 17,495 | 1,056,080 | - |
| Net other postemployment benefits liability | 308,236 | 5,193 | 313,429 | - |
| Total noncurrent liabilities | 8,368,403 | 2,463,198 | 10,831,601 | - |
| Total liabilities | 17,304,764 | 3,838,660 | 21,143,424 | 5,538,937 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred revenues | 17,776 | - | 17,776 | - |
| Deferred inflows related to leases | - | 6,305,369 | 6,305,369 | - |
| Deferred inflows relating to pension | 754,969 | 12,718 | 767,687 | - |
| Deferred inflows relating to other postemployment benefits | 111,746 | 1,975 | 113,721 | - |
| Total deferred inflows of resources | 884,491 | 6,320,062 | 7,204,553 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 231,312,690 | 21,156,635 | 252,469,325 | - |
| Restricted for debt covenants | 4,886,133 | 113,919 | 5,000,052 | - |
| Restricted for other postemployment benefits | 83,463 | 1,406 | 84,869 | - |
| Unrestricted | 42,293,123 | 1,839,928 | 44,133,051 | 32,448,470 |
| Total net position | \$ 278,575,409 | 23,111,888 | 301,687,297 | 32,448,470 |

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, 2023

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|--|--|------------|-------------|--|
| | Public Utilities | Airport | Total | |
| OPERATING REVENUES | | | | |
| Revenue from use of money and property | \$ - | 597,331 | 597,331 | - |
| Charges for services | 29,809,004 | - | 29,809,004 | 46,506,406 |
| Capacity fees | 470,771 | - | 470,771 | - |
| Recovered costs | - | - | - | 901,683 |
| Miscellaneous | 241,699 | 8,848 | 250,547 | 117 |
| Categorical federal aid | - | 61,439 | 61,439 | - |
| Categorical state aid | - | 5,588 | 5,588 | - |
| Total operating revenues | 30,521,474 | 673,206 | 31,194,680 | 47,408,206 |
| OPERATING EXPENSES | | | | |
| Personnel services | 5,632,368 | 87,704 | 5,720,072 | 65,200 |
| Fringe benefits | 2,152,853 | 25,472 | 2,178,325 | 23,683 |
| Health care claims and benefits | - | - | - | 42,541,108 |
| Contractual services | 7,101,000 | 73,537 | 7,174,537 | 47,913 |
| Internal services | 1,682,000 | - | 1,682,000 | - |
| Other charges | 5,068,830 | 37,914 | 5,106,744 | 490,874 |
| Depreciation and amortization | 10,869,995 | 813,710 | 11,683,705 | - |
| Total operating expenses | 32,507,046 | 1,038,337 | 33,545,383 | 43,168,778 |
| Operating income (loss) | (1,985,572) | (365,131) | (2,350,703) | 4,239,428 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Nonoperating revenues: | | | | |
| Capacity fees - nonoperating | 4,543,689 | - | 4,543,689 | - |
| Interest income | 1,282,566 | - | 1,282,566 | 731,563 |
| Total nonoperating revenues | 5,826,255 | - | 5,826,255 | 731,563 |
| Nonoperating expenses: | | | | |
| Interest expense and fiscal charges | 241,908 | 77,692 | 319,600 | - |
| Total nonoperating expenses | 241,908 | 77,692 | 319,600 | - |
| Net nonoperating revenues (expenses) | 5,584,347 | (77,692) | 5,506,655 | 731,563 |
| Income (loss) before capital contributions and transfers | 3,598,775 | (442,823) | 3,155,952 | 4,970,991 |
| Capital contributions | 9,212,712 | 3,027,440 | 12,240,152 | - |
| Transfers in | - | 128,500 | 128,500 | - |
| Change in fund net position | 12,811,487 | 2,713,117 | 15,524,604 | 4,970,991 |
| Total fund net position - beginning | 265,763,922 | 20,398,771 | 286,162,693 | 27,477,479 |
| Total fund net position - ending | \$ 278,575,409 | 23,111,888 | 301,687,297 | 32,448,470 |

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, 2023

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|--|--|-------------|--------------|--|
| | Public Utilities | Airport | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users | \$ 28,871,054 | 643,039 | 29,514,093 | - |
| Receipts from interfund services provided | - | - | - | 43,945,968 |
| Receipts from Federal/state operating grants | - | 67,027 | 67,027 | - |
| Miscellaneous receipts | - | 8,848 | 8,848 | - |
| Payments to suppliers and service providers | (13,077,530) | (115,702) | (13,193,232) | (47,912) |
| Payments to employees | (5,523,408) | (116,643) | (5,640,051) | (88,883) |
| Claims and benefits paid | - | - | - | (40,451,268) |
| Net cash provided by operating activities | 10,270,116 | 486,569 | 10,756,685 | 3,357,905 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers from other funds | - | 128,500 | 128,500 | - |
| Advance from other funds | - | (893,421) | (893,421) | - |
| Net cash used in noncapital financing activities | - | (764,921) | (764,921) | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Capital contributions | 1,800,000 | - | 1,800,000 | - |
| Intergovernmental revenue received - capital grants | 187,220 | 3,336,929 | 3,524,149 | - |
| Capacity fees received | 4,543,689 | - | 4,543,689 | - |
| Acquisition and construction of capital assets | (18,935,972) | (2,081,417) | (21,017,389) | - |
| Principal payments on revenue bonds and support agreement debt | (1,381,830) | (209,600) | (1,591,430) | - |
| Interest payments on revenue bonds | (333,388) | (79,639) | (413,027) | - |
| Principal payments on leases | (3,823) | - | (3,823) | - |
| Interest payments on leases | (324) | - | (324) | - |
| Principal payments on subscriptions | (80,258) | - | (80,258) | - |
| Interest payments on subscriptions | (321) | - | (321) | - |
| Reduction in lease deferred revenue | - | (256,282) | (256,282) | - |
| Net cash provided by (used in) capital and related financing activities | (14,205,007) | 709,991 | (13,495,016) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment income | 1,282,566 | - | 1,282,566 | 731,563 |
| Net cash provided by investing activities | 1,282,566 | - | 1,282,566 | 731,563 |
| Net increase (decrease) in cash and cash equivalents | (2,652,325) | 431,639 | (2,220,686) | 4,089,468 |
| Pooled cash, cash equivalents and investments at beginning of year | 47,394,976 | 35,400 | 47,430,376 | 27,894,001 |
| Pooled cash, cash equivalents and investments at end of year | \$ 44,742,651 | 467,039 | 45,209,690 | 31,983,469 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ (1,985,572) | (365,131) | (2,350,703) | 4,239,428 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization expense | 10,869,995 | 813,710 | 11,683,705 | - |
| Pension expense | (85,321) | (2,449) | (87,770) | - |
| Other postemployment benefits expense | (50,590) | (1,250) | (51,840) | - |
| (Increase) decrease in: | | | | |
| Receivables | (1,877,280) | 45,708 | (1,831,572) | (3,420,678) |
| Increase (decrease) in: | | | | |
| Customer deposits | 228,342 | - | 228,342 | - |
| Accounts payable | 3,063,058 | (4,251) | 3,058,807 | 1,915,581 |
| Incurred but not reported self-insurance claims | - | - | - | 646,509 |
| Accrued liabilities | 32,926 | 278 | 33,204 | 18,625 |
| Advance premiums | - | - | - | (41,560) |
| Compensated absences | 76,041 | (46) | 75,995 | - |
| Deferred revenues | (1,483) | - | (1,483) | - |
| Total adjustments | 12,255,688 | 851,700 | 13,107,388 | (881,523) |
| Net cash provided by operating activities | \$ 10,270,116 | 486,569 | 10,756,685 | 3,357,905 |
| Noncash investing, capital, and financing activities: | | | | |
| Capital contributions | \$ 9,212,712 | 3,027,440 | 12,240,152 | - |
| Subscription financing | \$ 149,039 | - | 149,039 | - |

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, 2023

| | Retiree Medical Benefits Trust | Custodial Funds |
|--|---|--------------------|
| ASSETS | | |
| Pooled cash, cash equivalents and investments | \$ - | 3,075,799 |
| Receivables | 3,278 | 380,523 |
| Investments, at fair value (mutual funds): | | |
| Money market | 42,357 | - |
| Domestic equity | 2,993,816 | - |
| International equity | 1,528,068 | - |
| Fixed income | 2,273,308 | - |
| Total assets | <u>6,840,827</u> | <u>3,456,322</u> |
| LIABILITIES | | |
| Accounts payable | - | 374,484 |
| Accrued liabilities | - | 30,900 |
| Deposits | - | 1,376 |
| Total liabilities | <u>-</u> | <u>406,760</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred revenues | - | 380,718 |
| Total deferred inflows of resources | <u>-</u> | <u>380,718</u> |
| FIDUCIARY NET POSITION | | |
| Restricted for: | | |
| Other postemployment benefits | 6,840,827 | - |
| Individuals, organizations and other governments | - | 2,668,844 |
| Total net position | <u>\$ 6,840,827</u> | <u>2,668,844</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, 2023

Exhibit 11

| | Retiree Medical Benefits Trust | Custodial Funds |
|---|---|--------------------|
| ADDITIONS | | |
| Contributions: | | |
| Plan members | \$ 990,140 | - |
| Total contributions | 990,140 | - |
| Investment earnings | 548,192 | - |
| Tax collections for other governments | - | 7,502,052 |
| Miscellaneous | - | 81,131 |
| Total additions | 1,538,332 | 7,583,183 |
| DEDUCTIONS | | |
| Benefits paid to participants or beneficiaries | 990,140 | 1,768,468 |
| Administrative expense | - | 5,000 |
| Payments of tax collections to other governments | - | 7,497,052 |
| Total deductions | 990,140 | 9,270,520 |
| Net increase (decrease) in fiduciary net position | 548,192 | (1,687,337) |
| Net position | | |
| Beginning | 6,292,635 | 4,356,181 |
| Ending | \$ 6,840,827 | 2,668,844 |

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated uncollectible amounts, in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider, including time requirements, if any, have been met. Employer contributions to the Retiree Medical Benefits Trust fiduciary fund (including cash contributions and actuarially estimated employer premium subsidies) and plan member contributions are recognized in the period in which the contributions and subsidies are due. Benefits are recognized when due and payable in accordance with the terms of the plan. 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, County revenues and receivables include May and June sales tax received from the Commonwealth in July and August. School revenue and receivables include the May sales tax received from the Commonwealth in July and the non-accelerated June sales tax received in August. The June accelerated sales tax is recognized in the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Other items associated with the current fiscal period, including other local taxes, licenses, certain charges for services, interest associated with the current fiscal period and direct Federal interest subsidies on

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

bonded indebtedness for which applications have been timely submitted are all considered to be susceptible to accrual and so are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available and are recorded as revenues when cash is received.

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

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

quoted market prices at year end. As of June 30, 2023, the pooled cash and investments have been allocated between the County and the respective component units and Trust based upon their respective ownership percentages. Investment earnings are allocated to the participating funds and component units based upon their respective average monthly equity balances in the pooled account. Cash, cash equivalents and investments – restricted represent unspent bond proceeds for capital projects and, when applicable, accumulated interest thereon, as well as amounts set aside for bond debt service or to comply with other debt covenants. For purposes of the Statement of Cash Flows, the amounts reported as cash and cash equivalents for the proprietary fund types represent amounts maintained in the reporting entity's investment pool, as they are considered to be demand deposits for the purpose of complying with accounting principles generally accepted in the United States of America (GAAP).

2. Receivables and payables

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

Accounts receivable and property tax receivables are shown net of an allowance for uncollectibles. The accounts receivable allowance for uncollectibles 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, 2022, and the first installment (June 5) of the levy on assessed value at January 1, 2023.

Property tax revenues may be used to fund any general governmental services authorized by the Code of Virginia and the County Board. Property taxes levied by the County are not subject to any statutory maximum; however, a public hearing must be held prior to setting the current tax rate. The tax rate is set by the County Board in March or April and is applied to the assessed value as of January 1 of the calendar year. The assessed value of all classes of property approximates market value. January 1 is also the date an enforceable legal claim to the asset applies.

Installments due on June 5, 2023, are levied for fiscal year 2023 and, when unavailable in the current period, are reported as deferred inflows of resources. Installments due on October 5, 2023 are levied for fiscal year 2023, and therefore, are unearned and reported as deferred inflows of resources.

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.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

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

The 1998 Virginia General Assembly enacted legislation providing property tax relief to citizens. The Personal Property Tax Relief Act (PPTRA) was intended to be phased in over five years on the first \$20,000 of value for motor vehicles not used for business purposes. In 2005 the General Assembly capped PPTRA relief at \$950 million statewide beginning with the 2006 tax year. Hanover receives a total of \$15,002,000 in four payments annually. County 2022 tax bills, payable in fiscal year 2023, included a forty-one percent reduction on the first \$20,000 in value for qualifying vehicles. PPTRA payments received from the Commonwealth of Virginia are classified as noncategorical State aid in the General Fund.

3. Inventories

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

4. Restricted assets

In accordance with applicable bond covenants, governmental and business-type activities report restricted cash, cash equivalents and investments at June 30, 2023 of \$49,938,347, which consists of unspent bond proceeds of \$45,052,214 restricted for capital projects in the School and County Improvements Funds. Business-type activities report restricted cash, cash equivalents and investments of \$4,886,133 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.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

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.

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

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.

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.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

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 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 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 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

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

The Political Subdivision HIC Program is an agent multiple-employer defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision 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

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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 May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The County has adopted this Statement for the fiscal year ending June 30, 2023, and details can be found in footnote IV. F.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The County has adopted this Statement for the fiscal year ending June 30, 2023, as adoption of Statement No. 95 in the fiscal year ending June 30, 2020, extended the implementation date.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The County has adopted this Statement for the fiscal year ending June 30, 2023, and has no activities identified as PPPs or APAs.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users

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(governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information. The County has adopted this Statement in the fiscal year ending June 30, 2023. Details can be found in footnote IV. F.

2. Future Accounting Pronouncements

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements effective for June 30, 2022 were adopted as previously outlined in the New Accounting Pronouncement section. The County will analyze the requirements related to leases, PPPs, and SBITAs for adoption in the fiscal year ended June 30, 2023. The County will analyze the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 for adoption in the fiscal year ending June 30, 2024.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. 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, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement 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

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the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. 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, 2025.

II. Reconciliation of government-wide and fund financial statements

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

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

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

| | |
|---|------------------------------|
| Bonds payable, net | \$ 166,620,705 |
| Accrued interest payable | 2,782,080 |
| Notes payable | 1,211,768 |
| Lease obligations | 1,843,656 |
| Subscription obligations | 1,278,675 |
| Support agreement payable | 1,055,853 |
| Compensated absences | 11,042,433 |
| Liability for landfill closure and postclosure costs | <u>1,464,857</u> |
| Net adjustment to reduce total fund balances - total governmental funds to arrive at net position - governmental activities | <u><u>\$ 187,300,027</u></u> |

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 | \$ (319,932) |
| Liability for landfill closure and postclosure costs | 20,116 |
| Arbitrage rebate | (113,276) |
| Accrued interest | (718,761) |
| Amortization of bond premiums | 1,342,946 |
| Amortization of deferred loss on refunding | <u>(129,504)</u> |
| Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net position of governmental activities | <u><u>\$ 81,589</u></u> |

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III. Stewardship, compliance, and accountability

A. Budgetary information

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

On or before November 1 of each year, all agencies of the County submit requests for appropriations to the County Administrator so that a budget may be prepared. 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, 2023, the County's pooled cash and investments includes \$11,784,658 reported by the School Board Component Unit, \$1,816,669 reported by the Economic Development Authority and \$3,075,799 held on behalf of custodial funds. The Student Activity Funds reported \$3,689,578 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, 2023, were as follows:

(See schedule on following page)

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Notes to Financial Statements
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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 | 41,372,060 | - | - | - | - | 41,372,060 |
| Demand and time deposits | 2,942,682 | - | 860,783 | 2,081,899 | - | - |
| Money market mutual funds (AAAm ratings) | 112,779,246 | 112,779,246 | - | - | - | - |
| U.S. government and agency bonds | 51,223,553 | 2,920,464 | 48,303,089 | - | - | - |
| Corporate notes and bonds | 16,741,021 | 651,926 | 13,499,389 | 2,589,706 | - | - |
| Commercial paper | - | - | - | - | - | - |
| LGIP Funds | 133,696,216 | 133,696,216 | - | - | - | - |
| Municipal bonds | 676,329 | 317,573 | 358,756 | - | - | - |
| Total pooled deposits and investments | \$ 359,435,232 | 250,365,425 | 63,022,017 | 4,671,605 | - | 41,376,185 |
| | | | | | | |
| Fund Credit Quality Rating | | | | | | |
| Student Activity Funds: | Fair Value | AAAm | N/R | N/A | | |
| Cash deposits | \$ 3,689,578 | - | - | 3,689,578 | | |
| Total Student Activity Funds deposits | \$ 3,689,578 | - | - | 3,689,578 | | |
| | | | | | | |
| Fund Credit Quality Rating | | | | | | |
| Retiree Medical Benefits Trust: | Fair Value | AAAm | N/R | N/A | | |
| Mutual funds: | | | | | | |
| Money market | \$ 42,357 | 42,357 | - | - | | |
| Domestic equity | 2,993,816 | - | - | 2,993,816 | | |
| International equity | 1,528,068 | - | - | 1,528,068 | | |
| Fixed income | 2,273,308 | - | - | 2,273,308 | | |
| Total trust investments | \$ 6,837,549 | 42,357 | - | 6,795,192 | | |

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).

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

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

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

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

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

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The target asset classes and asset weightings as of June 30, 2023 are as follows:

| Trust Asset Class | Fair Value | Trust Asset Weightings | | |
|-------------------------|--------------|------------------------|--------|--------|
| | | Range | Target | Actual |
| Liquidity assets: | | | | |
| Cash equivalent | \$ 42,357 | 0 - 100% | 100% | 100% |
| Investment assets: | | | | |
| Domestic equity | 2,993,816 | 26 - 46% | 36% | 44% |
| International equity | 1,528,068 | 13 - 33% | 20% | 23% |
| REITs | - | 0 - 12% | 6% | 0% |
| Inflation hedged | - | 0 - 10% | 0% | 0% |
| Fixed income | 2,273,308 | 20 - 60% | 35% | 33% |
| Cash equivalent | - | 0 - 20% | 3% | 0% |
| Total investment assets | 6,795,192 | | 100% | 100% |
| Total trust investments | \$ 6,837,549 | | | |

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, 2023, deposits and fixed income investments managed by the Treasurer are summarized at fair value and maturity as follows:

(See schedule on following page)

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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 | 41,372,060 | 41,370,690 | - | 1,370 |
| Demand and time deposits | 2,942,682 | 2,081,899 | 860,783 | - |
| Money market mutual funds | 112,779,246 | 112,779,246 | - | - |
| U.S. Government and agency bonds | 51,223,553 | 15,178,364 | 33,464,358 | 2,580,831 |
| Corporate notes and bonds | 16,741,021 | 346,160 | 16,394,861 | - |
| LGIP Funds | 133,696,216 | 133,696,216 | - | - |
| Municipal bonds | 676,329 | - | 358,755 | 317,574 |
| Total pooled deposits and investments | \$ 359,435,232 | 305,456,700 | 51,078,757 | 2,899,775 |

| Student Activity Funds: | Fair Value | Investment Maturities (in Years) | |
|---------------------------------------|---------------------|----------------------------------|-------------|
| | | Less than 1 | More than 1 |
| Cash deposits | \$ 3,689,578 | 3,689,578 | - |
| Total Student Activity Funds deposits | <u>\$ 3,689,578</u> | <u>3,689,578</u> | <u>-</u> |

| Retiree Medical Benefits Trust: | Fair Value | Investment Maturities (in Years) | |
|--------------------------------------|---------------------|----------------------------------|-------------|
| | | Less than 1 | More than 1 |
| Money market mutual fund | \$ 42,357 | 42,357 | - |
| Fixed income | 2,273,308 | 2,273,308 | - |
| Domestic equity | 2,993,816 | 2,993,816 | - |
| International equity | 1,528,068 | 1,528,068 | - |
| Total trust deposits and investments | <u>\$ 6,837,549</u> | <u>6,837,549</u> | <u>-</u> |

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, 2023 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.

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

Concentration of Credit Risk: The County Policy establishes limitations on the pooled investment portfolio composition by issuer in order to control concentration of credit risk. No more than five percent

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

of the pooled investment portfolio will be invested in the securities of any single issuer with the following exceptions:

As of June 30, 2023, the issuers exceeding five percent of the pooled investments was the U.S. Treasury, which represented thirteen- and one-half 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, 2023 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, 2023, 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, 2023.

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Fair Value Hierarchy Disclosure: The following tables present investments at fair value on a recurring basis in accordance with GAAP at June 30, 2023:

| | | Fair Value Measurements Using | | |
|--|----------------|---|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Pooled Investments: | Total | | | |
| Investments by fair value level | | | | |
| U.S. Treasury bonds and notes | \$ 43,264,576 | 40,344,112 | 2,920,464 | - |
| U.S. agency securities | 7,958,977 | - | 7,958,977 | - |
| Corporate notes and bonds | 16,741,021 | - | 16,741,021 | - |
| Municipal Bonds | 676,329 | - | 676,329 | - |
| Total investments by fair value | 68,640,903 | 40,344,112 | 28,296,791 | - |
| Investments measured at amortized cost | | | | |
| Demand and time deposits | \$ 2,942,682 | | | |
| Money market mutual funds | 112,779,246 | | | |
| LGIP funds | 133,696,216 | | | |
| Total investments by amortized cost | \$ 249,418,144 | | | |
| Cash | | | | |
| Cash on hand | \$ 4,125 | | | |
| Cash deposits | 41,372,060 | | | |
| Total cash | \$ 41,376,185 | | | |
| Total pooled deposits and investments | \$ 359,435,232 | | | |
| Student Activity Funds: | Total | | | |
| Cash | | | | |
| Cash deposits | 3,689,578 | | | |
| Total cash | \$ 3,689,578 | | | |
| | | Fair Value Measurements Using | | |
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Retiree Medical Benefits Trust: | Total | | | |
| Investments by fair value level | | | | |
| Fixed income | \$ 2,273,308 | - | 2,273,308 | - |
| Domestic equity | 2,993,816 | - | 2,993,816 | - |
| International equity | 1,528,068 | - | 1,528,068 | - |
| Total investments by fair value | \$ 6,795,192 | - | 6,795,192 | - |
| Investments measured at amortized cost | | | | |
| Money market mutual fund | \$ 42,357 | | | |
| Total pooled deposits and investments | \$ 6,837,549 | | | |

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

B. Receivables

Receivables and allowances for uncollectible receivables of Governmental Funds, Proprietary Funds and the School Component Unit at June 30, 2023, are as follows:

| | Governmental Funds | | | | Proprietary Funds | | | | School Component Unit |
|------------------------------|--------------------|--------------------------|--------------------------|--------------------------|-------------------|--------------|------------------------|-------------------------|-----------------------|
| | General Fund | County Improvements Fund | School Improvements Fund | Total Governmental Funds | Public Utilities | Airport Fund | Internal Service Funds | Total Proprietary Funds | |
| Receivables: | | | | | | | | | |
| Interest | \$ 543,908 | - | - | 543,908 | - | 32,869 | - | 32,869 | - |
| Taxes | 89,856,502 | - | - | 89,856,502 | - | - | - | - | - |
| Lease | 10,031,473 | - | - | 10,031,473 | - | 6,642,319 | - | 6,642,319 | - |
| Accounts | 4,772,907 | - | - | 4,772,907 | 7,521,504 | - | 6,003,938 | 13,525,442 | 183,066 |
| Commonwealth of Virginia | 7,999,016 | 6,271,563 | - | 14,270,579 | - | 2,697 | - | 2,697 | 5,240,003 |
| Federal government | 790,744 | 2,200,678 | 3,370,000 | 6,361,422 | 100,241 | 1,182,461 | - | 1,282,702 | 10,230,065 |
| Gross receivables | 113,994,550 | 8,472,241 | 3,370,000 | 125,836,791 | 7,621,745 | 7,860,346 | 6,003,938 | 21,486,029 | 15,653,134 |
| Allowance for uncollectibles | (2,193,323) | - | - | (2,193,323) | (347,706) | - | - | (347,706) | - |
| Net total receivables | \$ 111,801,227 | 8,472,241 | 3,370,000 | 123,643,468 | 7,274,039 | 7,860,346 | 6,003,938 | 21,138,323 | 15,653,134 |

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 2023 real property tax levy, due on October 5, 2023, are reported as *deferred inflows of resources* at June 30, 2023 in the government-wide financial statements and in the governmental fund financial statements. At June 30, 2023, the various components of governmental activities' *deferred inflows of resources* and *unearned revenues* were as follows:

| | Deferred Inflows of Resources Governmental Funds' Financial Statements | Unearned Revenues Governmental Funds' Financial Statements | Deferred Inflows of Resources Government - wide Financial Statements | Unearned Revenues Government - wide Financial Statements |
|---|---|---|---|---|
| Property tax levies not yet due | \$ 82,277,681 | - | 82,277,681 | - |
| Prepaid taxes | 2,299,420 | - | 2,299,420 | - |
| Past due taxes (net of allowance for uncollectibles) | 4,621,000 | - | - | - |
| ARPA Funding | - | 17,488,097 | - | 17,488,097 |
| Categorical state aid | - | 2,822,396 | - | 2,822,396 |
| EMS transport fees | - | 322,217 | - | - |
| Community Services Board programs | - | 404,259 | - | 404,259 |
| Parks and Recreation programs | - | 139,094 | - | 139,093 |
| Opioid settlement | 951,396 | - | - | - |
| Advance health insurance premiums - Self Insurance Fund | - | - | - | 861,363 |
| Total deferred/unearned revenues - Primary Government | \$ 90,149,497 | 21,176,063 | 84,577,101 | 21,715,208 |

Lease 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 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

COUNTY OF HANOVER
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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 lease receivable outstanding at June 30, 2023 are as follows:

| Fiscal Year | Governmental Activities | | |
|-------------|-------------------------|------------------|-------------------|
| | Lease Receivable | | Total Payments |
| | Principal | Interest | |
| 2024 | \$ 377,662 | 339,762 | 717,424 |
| 2025 | 439,182 | 326,720 | 765,902 |
| 2026 | 469,966 | 311,596 | 781,562 |
| 2027 | 499,576 | 295,384 | 794,960 |
| 2028 | 533,553 | 278,181 | 811,734 |
| 2029 - 2033 | 3,378,687 | 1,080,434 | 4,459,121 |
| 2034 - 2038 | 2,524,406 | 538,307 | 3,062,714 |
| 2039 - 2043 | 1,191,344 | 200,750 | 1,392,094 |
| 2044 - 2048 | 617,097 | 47,525 | 664,622 |
| Totals | <u>\$ 10,031,473</u> | <u>3,418,659</u> | <u>13,450,132</u> |

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.

Principal and interest for the Airport lease receivable outstanding at June 30, 2023 are as follows:

| Fiscal Year | Airport Fund | | |
|-------------|---------------------|------------------|-------------------|
| | Lease Receivable | | Total Payments |
| | Principal | Interest | |
| 2024 | \$ 249,658 | 278,016 | 527,674 |
| 2025 | 272,563 | 263,573 | 536,136 |
| 2026 | 297,098 | 247,755 | 544,853 |
| 2027 | 292,470 | 230,460 | 522,930 |
| 2028 | 317,969 | 214,209 | 532,178 |
| 2029 - 2033 | 1,720,126 | 778,939 | 2,499,065 |
| 2034 - 2038 | 548,675 | 525,948 | 1,074,623 |
| 2039 - 2043 | 693,591 | 425,876 | 1,119,467 |
| 2044 - 2048 | 871,690 | 299,764 | 1,171,454 |
| 2049 - 2053 | 1,015,444 | 142,877 | 1,158,321 |
| 2054 - 2055 | 363,036 | 11,432 | 374,468 |
| Totals | <u>\$ 6,642,320</u> | <u>3,418,849</u> | <u>10,061,169</u> |

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C. Capital assets

Capital asset activity for the Primary Government for the year ended June 30, 2023 was as follows:

| Primary Government | | | | | |
|--|-----------------------|-------------------|---------------------|---|--------------------|
| | Balance July 1 | Increases | Decreases | Adjustment Assets Held In Tenancy in Common | Balance June 30 |
| Governmental activities: | | | | | |
| Capital assets, not being depreciated or amortized: | | | | | |
| Land | \$ 9,850,563 | 539,302 | - | - | 10,389,865 |
| Intangible assets | 4,787,734 | 520,343 | - | - | 5,308,077 |
| Construction in progress | 10,129,079 | 25,624,757 | (12,911,703) | - | 22,842,133 |
| Total capital assets, not being depreciated or amortized | 24,767,376 | 26,684,402 | (12,911,703) | - | 38,540,075 |
| Capital assets, being depreciated and amortized: | | | | | |
| Buildings | 237,037,236 | - | - | 21,461,470 | 258,498,706 |
| Improvements other than buildings | 33,722,553 | 6,982,965 | (226,567) | - | 40,478,951 |
| Machinery and equipment | 113,116,006 | 8,461,011 | (3,869,605) | (4,033,446) | 113,673,966 |
| Infrastructure | 45,173,519 | 699,378 | - | - | 45,872,897 |
| Right to use assets | 4,195,642 | 326,346 | (71,502) | - | 4,450,486 |
| Total capital assets, being depreciated and amortized | 433,244,956 | 16,469,700 | (4,167,674) | 17,428,024 | 462,975,006 |
| Less accumulated depreciation and amortization for: | | | | | |
| Buildings | (116,951,967) | (6,688,203) | - | (12,631,250) | (136,271,420) |
| Improvements other than buildings | (12,837,830) | (1,640,506) | 217,916 | - | (14,260,420) |
| Machinery and equipment | (75,227,730) | (9,027,892) | 3,632,904 | 3,224,586 | (77,398,132) |
| Infrastructure | (26,514,180) | (1,223,290) | - | - | (27,737,470) |
| Right to use assets | (261,608) | (1,115,450) | 42,253 | - | (1,334,805) |
| Total accumulated depreciation and amortization | (231,793,315) | (19,695,341) | 3,893,073 | (9,406,664) | (257,002,247) |
| Total capital assets, being depreciated and amortized, net | 201,451,641 | (3,225,641) | (274,601) | 8,021,360 | 205,972,759 |
| Governmental activities' capital assets, net | \$ 226,219,017 | 23,458,761 | (13,186,304) | 8,021,360 | 244,512,834 |
| Business-type activities: | | | | | |
| Public Utilities: | | | | | |
| Capital assets, not being depreciated or amortized: | | | | | |
| Land | \$ 6,452,771 | - | - | - | 6,452,771 |
| Construction in progress | 16,397,999 | 18,283,893 | (10,065,839) | - | 24,616,053 |
| Total capital assets, not being depreciated or amortized | 22,850,770 | 18,283,893 | (10,065,839) | - | 31,068,824 |
| Capital assets, being depreciated and amortized: | | | | | |
| Buildings | 79,382,708 | 80,000 | - | - | 79,462,708 |
| Improvements other than buildings | 254,895,977 | 12,225,524 | - | - | 267,121,501 |
| Intangible assets | 53,845,797 | 1,658,820 | - | - | 55,504,617 |
| Machinery and equipment | 26,719,555 | 3,857,438 | (19,568) | - | 30,557,425 |
| Right to use assets | 435,954 | 149,039 | - | - | 584,993 |
| Total capital assets, being depreciated and amortized | 415,279,991 | 17,970,821 | (19,568) | - | 433,231,244 |
| Less accumulated depreciation and amortization for: | | | | | |
| Buildings | (44,973,068) | (1,975,822) | - | - | (46,948,890) |
| Improvements other than buildings | (128,751,607) | (5,691,848) | - | - | (134,443,455) |
| Intangible assets | (21,915,083) | (1,407,299) | - | - | (23,322,382) |
| Machinery and equipment | (14,821,875) | (1,724,212) | 19,568 | - | (16,526,519) |
| Right to use assets | (3,851) | (70,814) | - | - | (74,665) |
| Total accumulated depreciation and amortization | (210,465,484) | (10,869,995) | 19,568 | - | (221,315,911) |
| Total capital assets, being depreciated and amortized, net | 204,814,507 | 7,100,826 | - | - | 211,915,333 |
| Public Utilities' capital assets, net | \$ 227,665,277 | 25,384,719 | (10,065,839) | - | 242,984,157 |

The beginning balances of right to use assets have been restated due to the implementation of GASB Statement No. 96.

COUNTY OF HANOVER
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June 30, 2023

| | Balance | | | Adjustment | Balance |
|--|-----------------------|-------------------|---------------------|-------------------------------------|--------------------|
| | July 1 | Increases | Decreases | Assets Held In Tenancy in Common | June 30 |
| Airport Fund: | | | | | |
| Capital assets, not being depreciated or amortized: | | | | | |
| Land | \$ 5,452,351 | - | - | - | 5,452,351 |
| Construction in progress | 180,253 | 3,039,491 | (220,446) | - | 2,999,298 |
| Total capital assets, not being depreciated or amortized | 5,632,604 | 3,039,491 | (220,446) | - | 8,451,649 |
| Capital assets, being depreciated and amortized: | | | | | |
| Buildings | 8,778,150 | 23,579 | - | - | 8,801,729 |
| Improvements other than buildings | 17,587,505 | 176,644 | - | - | 17,764,149 |
| Machinery and equipment | 150,703 | 39,791 | - | - | 190,494 |
| Total capital assets, being depreciated and amortized | 26,516,358 | 240,014 | - | - | 26,756,372 |
| Less accumulated depreciation and amortization for: | | | | | |
| Buildings | (1,876,592) | (246,398) | - | - | (2,122,990) |
| Improvements other than buildings | (7,486,070) | (544,337) | - | - | (8,030,407) |
| Machinery and equipment | (90,773) | (42,543) | - | - | (133,316) |
| Total accumulated depreciation and amortization | (9,453,435) | (833,278) | - | - | (10,286,713) |
| Total capital assets, being depreciated and amortized, net | 17,062,923 | (593,264) | - | - | 16,469,659 |
| Airport capital assets, net | \$ 22,695,527 | 2,446,227 | (220,446) | - | 24,921,308 |
| Total Business-type activities: | | | | | |
| Capital assets, not being depreciated or amortized: | | | | | |
| Land | \$ 11,905,122 | - | - | - | 11,905,122 |
| Construction in progress | 16,578,252 | 21,323,384 | (10,286,285) | - | 27,615,351 |
| Total capital assets, not being depreciated or amortized | 28,483,374 | 21,323,384 | (10,286,285) | - | 39,520,473 |
| Capital assets, being depreciated and amortized: | | | | | |
| Buildings | 88,160,858 | 103,579 | - | - | 88,264,437 |
| Improvements other than buildings | 272,483,482 | 12,402,168 | - | - | 284,885,650 |
| Intangible assets | 53,845,797 | 1,658,820 | - | - | 55,504,617 |
| Machinery and equipment | 26,870,258 | 3,897,229 | (19,568) | - | 30,747,919 |
| Right to use assets | 435,954 | 149,039 | - | - | 584,993 |
| Total capital assets, being depreciated and amortized | 441,796,349 | 18,210,835 | (19,568) | - | 459,987,616 |
| Less accumulated depreciation and amortization for: | | | | | |
| Buildings | (46,849,660) | (2,222,220) | - | - | (49,071,880) |
| Improvements other than buildings | (136,237,677) | (6,236,185) | - | - | (142,473,862) |
| Intangible assets | (21,915,083) | (1,407,299) | - | - | (23,322,382) |
| Machinery and equipment | (14,912,648) | (1,766,755) | 19,568 | - | (16,659,835) |
| Right to use assets | (3,851) | (70,814) | - | - | (74,665) |
| Total accumulated depreciation and amortization | (219,918,919) | (11,703,273) | 19,568 | - | (231,602,624) |
| Total capital assets, being depreciated and amortized, net | 221,877,430 | 6,507,562 | - | - | 228,384,992 |
| Business-type activities' capital assets, net | 250,360,804 | 27,830,946 | (10,286,285) | - | 267,905,465 |
| Total capital assets, net - Primary Government | \$ 476,579,821 | 51,289,707 | (23,472,589) | 8,021,360 | 512,418,299 |

The beginning balances of right to use assets have been restated due to the implementation of GASB Statement No. 96.

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Capital assets activity for the School Board Component Unit for the year ended June 30, 2023 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 | 3,830,576 | 14,815,872 | (6,473,794) | - | 12,172,654 |
| Total capital assets, not being depreciated or amortized | 11,231,258 | 14,815,872 | (6,473,794) | - | 19,573,336 |
| Capital assets, being depreciated and amortized: | | | | | |
| Buildings | 175,494,582 | - | - | (21,461,470) | 154,033,112 |
| Improvements other than buildings | 35,884,739 | 4,987,764 | - | - | 40,872,503 |
| Machinery and equipment | 36,385,107 | 1,845,541 | (2,032,619) | 4,033,446 | 40,231,475 |
| Right to use assets | 2,270,644 | 473,602 | (289,984) | - | 2,454,262 |
| Total capital assets, being depreciated and amortized | 250,035,072 | 7,306,907 | (2,322,603) | (17,428,024) | 237,591,352 |
| Less accumulated depreciation and amortization for: | | | | | |
| Buildings | (103,288,171) | (4,234,596) | - | 12,631,250 | (94,891,517) |
| Improvements other than buildings | (9,940,547) | (1,794,417) | - | - | (11,734,964) |
| Machinery and equipment | (26,966,591) | (2,550,558) | 1,914,562 | (3,224,586) | (30,827,173) |
| Right to use assets | (331,703) | (742,880) | 246,779 | - | (827,804) |
| Total accumulated depreciation and amortization | (140,527,012) | (9,322,451) | 2,161,341 | 9,406,664 | (138,281,458) |
| Total capital assets, being depreciated and amortized, net | 109,508,060 | (2,015,544) | (161,262) | (8,021,360) | 99,309,894 |
| School Board Component Unit capital assets, net | \$ 120,739,318 | 12,800,328 | (6,635,056) | (8,021,360) | 118,883,230 |

The beginning balances of right to use assets have been restated due to the implementation of GASB Statement No. 96.

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 | \$ 1,933,737 |
| Judicial administration | 1,022,072 |
| Public safety | 8,004,944 |
| Public works | 3,097,136 |
| Human services | 226,606 |
| Parks, recreation and cultural | 1,079,774 |
| Community development | 249,941 |
| Education | 4,081,131 |
| Total - governmental activities | 19,695,341 |

Business-type activities:

| | |
|---|----------------------|
| Public Utilities | 10,869,995 |
| Airport | 813,710 |
| Total - business-type activities | 11,683,705 |
| Total depreciation and amortization expense - Primary Government | \$ 31,379,046 |

School Board Component Unit:

| | |
|---|--------------|
| Education | \$ 9,322,451 |
| Total depreciation and amortization expense - School Board Component Unit | \$ 9,322,451 |

COUNTY OF HANOVER
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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, 2023, the County had outstanding financial obligations related to the acquisition and construction of school property totaling \$56,998,266. Accordingly, school buildings and equipment with a net book value of that amount are reported in the governmental activities of the Primary Government at June 30, 2023. During fiscal year 2023, the County’s financial obligations related to school buildings and equipment increased by a net amount of \$4,749,089, and accordingly, the net book value of school buildings and equipment reported by the Primary Government increased, and the net book value of buildings and equipment reported by the School Board Component Unit increased by the same amount. Depreciation expense on school buildings and equipment is allocated to the Primary Government and the School Board Component Unit in proportion to the relative cost of the buildings reported by each entity. Accordingly, depreciation of School Board Component Unit capital assets totaled \$12,660,702 in fiscal year 2023, of which \$4,081,131 is reported by the Primary Government and \$8,579,571 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, 2023 are as follows:

| Primary Government | Transfers In | Transfers Out |
|--------------------------|-------------------|-------------------|
| General Fund | \$ 282,000 | 57,256,487 |
| County Improvements Fund | 30,258,020 | 282,000 |
| School Improvements Fund | 9,123,047 | - |
| Debt Service Fund | 17,746,920 | - |
| Airport Fund | 128,500 | - |
| Total Primary Government | <u>57,538,487</u> | <u>57,538,487</u> |

E. Unearned revenues

The County has reported unearned revenues of \$21.7 million on the Statement of Net Position as of June 30, 2023. Of this amount, \$1.4 million is related to revenues received in June 2023 to be recognized for activity occurring in July 2023, and \$2.8 million is state categorical aid received in fiscal year 2023 for school improvement projects. The remaining \$17.5 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 must be incurred by December 31, 2024.

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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, 2023:

| | Balance July 1 | Additions | Reductions | Balance June 30 | Due Within One Year |
|--|-----------------------|-------------------|-------------------|--------------------|------------------------|
| Primary Government | | | | | |
| Governmental activities: | | | | | |
| General obligation bonds payable: | | | | | |
| Principal amount of bonds payable | \$ 64,193,320 | 41,285,000 | 8,514,069 | 96,964,251 | 9,540,672 |
| Premium | 6,643,702 | 5,612,893 | 1,090,469 | 11,166,126 | 1,066,994 |
| Infrastructure and state moral obligation bonds payable: | | | | | |
| Principal amount of bonds payable | 56,450,000 | - | 2,060,000 | 54,390,000 | 2,110,000 |
| Premium | 4,329,572 | - | 229,244 | 4,100,328 | 229,246 |
| Total bonds payable | 131,616,594 | 46,897,893 | 11,893,782 | 166,620,705 | 12,946,912 |
| Notes payable | 2,150,880 | - | 939,112 | 1,211,768 | 130,253 |
| Lease obligations | 1,959,424 | 150,064 | 265,832 | 1,843,656 | 244,515 |
| Subscription obligations | 2,000,937 | 176,282 | 898,544 | 1,278,675 | 899,596 |
| Compensated absences | 10,722,503 | 8,474,617 | 8,154,685 | 11,042,435 | 8,433,768 |
| Liability for landfill closure | 1,484,973 | - | 20,116 | 1,464,857 | 46,764 |
| Support agreement | 1,183,832 | - | 127,979 | 1,055,853 | 132,979 |
| Net pension liability | - | 22,194,108 | 7,345,360 | 14,848,748 | - |
| Net other postemployment benefits liability | 4,239,061 | 462,979 | 295,158 | 4,406,882 | - |
| Total governmental activities | 155,358,204 | 78,355,943 | 29,940,568 | 203,773,579 | 22,834,787 |
| Business-type activities: | | | | | |
| Public Utilities: | | | | | |
| Water and sewer revenue bonds payable: | | | | | |
| Principal amount of bonds payable | 7,680,882 | - | 1,316,830 | 6,364,052 | 1,330,810 |
| Premium | 918,109 | - | 161,538 | 756,571 | 161,538 |
| Total bonds payable | 8,598,991 | - | 1,478,368 | 7,120,623 | 1,492,348 |
| Lease obligations | 10,159 | - | 3,823 | 6,336 | 2,883 |
| Subscription obligations | 369,313 | 149,039 | 80,258 | 438,094 | 19,500 |
| Compensated absences | 858,721 | 580,122 | 504,080 | 934,763 | 572,606 |
| Deposits | 507,778 | 216,051 | 205,952 | 517,877 | - |
| Capacity fee credits | 99,210 | - | 7,984 | 91,226 | - |
| Support agreement | 130,000 | - | 65,000 | 65,000 | 65,000 |
| Net pension liability | - | 1,558,304 | 519,719 | 1,038,585 | - |
| Net other postemployment benefits liability | 299,934 | 62,839 | 54,537 | 308,236 | - |
| Total Public Utilities | 10,874,106 | 2,566,355 | 2,919,721 | 10,520,740 | 2,152,337 |
| Airport Fund: | | | | | |
| VRA airport revenue bond payable | 2,864,039 | - | 209,600 | 2,654,439 | 214,172 |
| Compensated absences | 7,082 | 6,168 | 6,214 | 7,036 | 6,794 |
| Net pension liability | - | 34,175 | 16,680 | 17,495 | - |
| Net other postemployment benefits liability | 5,453 | 1,057 | 1,317 | 5,193 | - |
| Total Airport Fund | 2,876,574 | 41,400 | 233,811 | 2,684,163 | 220,966 |
| Total Business-type activities: | | | | | |
| Revenue bonds payable: | | | | | |
| Principal amount of bonds payable | 10,544,921 | - | 1,526,430 | 9,018,491 | 1,544,982 |
| Premium | 918,109 | - | 161,538 | 756,571 | 161,538 |
| Total bonds payable | 11,463,030 | - | 1,687,968 | 9,775,062 | 1,706,520 |
| Lease obligations | 10,159 | - | 3,823 | 6,336 | 2,883 |
| Subscription obligations | 369,313 | 149,039 | 80,258 | 438,094 | 19,500 |
| Compensated absences | 865,803 | 586,290 | 510,294 | 941,799 | 579,400 |
| Deposits | 507,778 | 216,051 | 205,952 | 517,877 | - |
| Capacity fee credits | 99,210 | - | 7,984 | 91,226 | - |
| Support agreement | 130,000 | - | 65,000 | 65,000 | 65,000 |
| Net pension liability | - | 1,592,479 | 536,399 | 1,056,080 | - |
| Net other postemployment benefits liability | 305,387 | 63,896 | 55,854 | 313,429 | - |
| Total business-type activities | 13,750,680 | 2,607,755 | 3,153,532 | 13,204,903 | 2,373,303 |
| Total noncurrent liabilities - Primary Government | \$ 169,108,884 | 80,963,698 | 33,094,100 | 216,978,482 | 25,208,090 |

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

| | | | | | |
|---|-----------------------|-------------------|-------------------|--------------------|------------------|
| School Board Component Unit | | | | | |
| Lease obligations | \$ 612,561 | 423,887 | 419,649 | 616,799 | 347,509 |
| Subscription obligations | 1,322,044 | 49,715 | 277,260 | 1,094,499 | 419,415 |
| Compensated absences | 6,047,765 | 5,857,816 | 4,690,496 | 7,215,085 | 5,783,321 |
| Net pension liability | 92,729,422 | 48,015,275 | 24,642,900 | 116,101,797 | - |
| Net other postemployment benefits liability | 22,029,175 | 2,951,981 | 2,632,114 | 22,349,042 | - |
| Total noncurrent liabilities - School Board Component Unit | \$ 122,740,967 | 57,298,674 | 32,662,419 | 147,377,222 | 6,550,245 |
| Economic Development Authority Component Unit | | | | | |
| Support agreement | \$ 1,290,000 | - | 190,000 | 1,100,000 | 195,000 |
| Total noncurrent liabilities - EDA Component Unit | \$ 1,290,000 | - | 190,000 | 1,100,000 | 195,000 |

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

Liability for landfill closure

State and Federal laws and regulations required the County to place a final cover on its landfill site when it stopped accepting waste, and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill closed December 31, 2002 and a permanent cap was completed in 2003 over the 35-acre site. The \$1,464,857 reported as landfill closure and post closure care liability at June 30, 2023 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 2023. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Capacity fee credits

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

General obligation bonds

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

On July 26, 2017, the Virginia Public School Authority issued School Financing Refunding Bonds in which the Primary Government was a participant. The County debt service payments will remain unchanged and the VPSA will issue an annual credit for the return of debt services savings each year from fiscal year 2019 through fiscal year 2032. The credit received in fiscal year 2022 was \$17,050 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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

fiscal year 2022 through fiscal year 2026. The credit received in fiscal year 2022 was \$9,811 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.

On September 28, 2022, the Primary Government issued \$41,285,000 of VPSA General Obligation Bonds, Series 2022 with interest rates between 4.0 and 5.0 percent. The proceeds will be used to finance the construction of a new elementary school and capital projects for school improvements.

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 \$14.5 million as of June 30, 2023, to secure the total remaining debt service requirements of the then-outstanding Public Utilities Water and Sewer Revenue Bonds (Bonds), which have financed various Public Utilities improvements. Based on an estimate of the average net available revenues over the ten-year period ended June 30, 2023 of approximately \$14.5 million annually, it is estimated that approximately 5.1 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 2023, pledged net available revenues totaled \$14,710,678 and the water and sewer revenue bond debt service requirement was \$1,605,072.

The County has also pledged future lease rental income from the airport's fixed base operator (FBO), or successor FBOs, of \$571,323 as of June 30, 2023, 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 2023, pledged rental receipts totaled \$269,090 and the debt service requirement was \$126,961.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

The following is a schedule, by year, of principal and interest payments of revenue bonds as of June 30, 2023:

| Fiscal Year | | Principal | Interest | Total |
|-------------|----|-----------|----------|---------|
| 2024 | \$ | 120,108 | 6,853 | 126,961 |
| 2025 | | 121,686 | 5,274 | 126,960 |
| 2026 | | 123,286 | 3,675 | 126,961 |
| 2027 | | 124,906 | 2,055 | 126,961 |
| 2028 | | 63,067 | 413 | 63,480 |
| Totals | \$ | 553,053 | 18,270 | 571,323 |

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 \$2,758,733 as of June 30, 2023, 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 2023, pledged rental receipts totaled \$176,666 and the debt service requirement was \$162,279.

The following is a schedule, by year, of principal and interest payments of revenue bonds as of June 30, 2023:

| Fiscal Year | | Principal | Interest | Total |
|-------------|----|-----------|----------|-----------|
| 2024 | \$ | 94,064 | 68,215 | 162,279 |
| 2025 | | 97,177 | 65,101 | 162,278 |
| 2026 | | 100,393 | 61,885 | 162,278 |
| 2027 | | 103,716 | 58,563 | 162,279 |
| 2028 | | 107,148 | 55,130 | 162,278 |
| 2029-2033 | | 591,339 | 220,053 | 811,392 |
| 2034-2038 | | 695,887 | 115,506 | 811,393 |
| 2039-2043 | | 311,664 | 12,892 | 324,556 |
| Totals | \$ | 2,101,388 | 657,345 | 2,758,733 |

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

County General Obligation Bonds and Revenue Bonds

Outstanding general obligation bonds and revenue bonds as of June 30, 2023 are comprised of the following issues:

(See schedule on following page)

| Purpose | Interest Rates (%) | Date Issued | Original Issue | Principal Outstanding |
|--|-----------------------|----------------|-------------------|--------------------------|
| Governmental activities: | | | | |
| General obligation bonds: | | | | |
| County: | | | | |
| Series 2011A Public Improvement | 2.00 - 5.25 | 01-20-11 | \$ 11,452,000 | \$ 1,209,330 |
| Series 2015 Refunding | 2.00 - 5.00 | 03-19-15 | 11,199,110 | 6,811,630 |
| Series 2019 Refunding | 5.00 | 10-17-19 | 7,415,100 | 4,170,375 |
| Total general obligation bonds - County | | | | 12,191,335 |
| Schools: | | | | |
| Series 2011A Public Improvement | 2.00 - 5.25 | 01-20-11 | 1,048,000 | 110,670 |
| Series 2015 Refunding | 2.00 - 5.00 | 03-19-15 | 9,335,890 | 5,678,370 |
| Series 2019 Refunding | 5.00 | 10-17-19 | 7,564,900 | 4,254,625 |
| VPSA Series 2005A | 3.10 - 5.10 | 05-12-05 | 16,105,000 | 2,415,000 |
| VPSA Series 2005B | 4.60 - 5.10 | 11-10-05 | 6,995,000 | 1,045,000 |
| VPSA Series 2005C | 4.60 - 5.10 | 11-10-05 | 6,967,658 | 1,114,007 |
| VPSA Series 2007 | 4.35 - 5.10 | 11-08-07 | 13,838,206 | 3,655,244 |
| VPSA Series 2011B | 2.05 - 5.05 | 11-09-11 | 5,855,000 | 2,610,000 |
| VPSA Series 2014A | 2.68 - 5.05 | 05-15-14 | 1,895,000 | 1,315,000 |
| VPSA Series 2015B | 2.05 - 5.05 | 05-14-15 | 4,470,000 | 3,345,000 |
| VPSA Series 2016B | 2.80 - 5.05 | 11-01-16 | 9,140,000 | 6,380,000 |
| VPSA Series 2018B | 3.675 - 5.05 | 11-06-18 | 4,680,000 | 3,740,000 |
| VPSA Series 2020B | 2.05 - 5.05 | 11-10-20 | 8,695,000 | 7,825,000 |
| VPSA Series 2022 | 4.00 - 5.00 | 09-28-22 | 41,285,000 | 41,285,000 |
| Total general obligation bonds - Schools | | | | 84,772,916 |
| Total governmental activities - general obligation bonds | | | | 96,964,251 |
| Infrastructure and state moral obligation revenue bonds: | | | | |
| VRA Series 2014A | 2.74 - 4.83 | 5-21-14 | 19,950,000 | 17,350,000 |
| VRA Series 2015B | 3.125 - 5.125 | 8-19-15 | 21,505,000 | 18,630,000 |
| VRA Series 2018C | 4.125 - 5.125 | 11-14-18 | 10,945,000 | 8,745,000 |
| VRA Series 2019C | 2.966 - 5.125 | 11-20-19 | 11,375,000 | 9,665,000 |
| Total infrastructure and state moral obligation bonds | | | | 54,390,000 |
| Business-type activities: | | | | |
| Public Utilities: | | | | |
| Water and sewer revenue bonds: | | | | |
| Series 2007 | 0.00 | 07-19-07 | 616,206 | 154,052 |
| Series 2014B Refunding | 2.031 - 5.025 | 08-13-14 | 6,420,000 | 4,340,000 |
| Series 2015D Refunding | 3.094 - 5.125 | 11-18-15 | 7,130,000 | 1,870,000 |
| Total Public Utilities | | | | 6,364,052 |
| Airport Fund: | | | | |
| Taxable airport revenue bond: | | | | |
| VRA Series 2007 | 5.08 | 03-21-07 | 1,795,000 | 553,051 |
| VRA Series 2019 | 3.283 | 06-27-19 | 2,323,575 | 2,101,388 |
| Total Airport Fund | | | | 2,654,439 |
| Total Business-type activities | | | | 9,018,491 |
| Total bond indebtedness - Primary Government | | | | \$ 160,372,742 |

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

Principal and interest to maturity for the County's governmental activities general obligation bonds and business-type activities revenue bonds outstanding at June 30, 2023, 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 | Principal | Interest | Principal | Interest | | |
| 2024 | \$ 9,540,672 | 4,245,294 | 1,330,810 | 256,201 | 214,172 | 75,067 | 11,085,654 | 4,576,562 |
| 2025 | 9,569,891 | 3,782,503 | 1,410,810 | 187,525 | 218,863 | 70,376 | 11,199,564 | 4,040,404 |
| 2026 | 9,584,578 | 3,317,693 | 475,810 | 140,759 | 223,679 | 65,560 | 10,284,067 | 3,524,012 |
| 2027 | 8,088,132 | 2,897,702 | 490,810 | 119,019 | 228,622 | 60,617 | 8,807,564 | 3,077,338 |
| 2028 | 7,330,978 | 2,522,658 | 510,810 | 97,932 | 170,215 | 55,543 | 8,012,003 | 2,676,133 |
| 2029-2033 | 24,335,000 | 8,440,086 | 2,145,000 | 169,303 | 591,339 | 220,053 | 27,071,339 | 8,829,442 |
| 2034-2038 | 16,675,000 | 4,061,590 | - | - | 695,887 | 115,506 | 17,370,887 | 4,177,096 |
| 2039-2043 | 11,840,000 | 1,089,143 | - | - | 311,664 | 12,892 | 12,151,664 | 1,102,035 |
| Totals | \$ 96,964,251 | 30,356,669 | 6,364,050 | 970,739 | 2,654,441 | 675,614 | 105,982,742 | 32,003,022 |

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.

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

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, 2023 are as follows:

| Fiscal Year | Governmental Activities | | |
|-------------|-------------------------|-------------------|-------------------|
| | Principal | Interest | Total |
| 2024 | \$ 2,110,000 | 2,277,994 | 4,387,994 |
| 2025 | 2,155,000 | 2,173,753 | 4,328,753 |
| 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 |
| 2029-2033 | 12,265,000 | 7,649,405 | 19,914,405 |
| 2034-2038 | 13,645,000 | 5,028,738 | 18,673,738 |
| 2039-2043 | 11,590,000 | 2,429,714 | 14,019,714 |
| 2044-2048 | 5,845,000 | 350,373 | 6,195,373 |
| Totals | <u>\$ 54,390,000</u> | <u>25,768,959</u> | <u>80,158,959</u> |

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, 2023, the principal amounts outstanding on these IRBs totaled approximately \$84.2 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 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

COUNTY OF HANOVER
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June 30, 2023

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 \$248,075 were paid by the County during the fiscal year ended June 30, 2022.

The Support Agreement annual debt service requirements to maturity as of June 30, 2023, excluding amortization of premium, are as follows:

| Fiscal Year | Governmental Activities | | Business-type Activities | | Total | |
|-------------|-------------------------|----------|--------------------------|----------|-----------|----------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | \$ 130,000 | 47,875 | 65,000 | 2,600 | 195,000 | 50,475 |
| 2025 | 135,000 | 42,675 | - | - | 135,000 | 42,675 |
| 2026 | 140,000 | 37,275 | - | - | 140,000 | 37,275 |
| 2027 | 145,000 | 31,500 | - | - | 145,000 | 31,500 |
| 2028 | 155,000 | 24,250 | - | - | 155,000 | 24,250 |
| 2029-2033 | 330,000 | 25,000 | - | - | 330,000 | 25,000 |
| Totals | \$ 1,035,000 | 208,575 | 65,000 | 2,600 | 1,100,000 | 211,175 |

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, 2023, are as follows:

(See schedule on following page)

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

| Asset Class | Primary Government - Governmental Activities |
|--------------------------|---|
| Land | \$ 384,847 |
| Buildings | 13,804,580 |
| Machinery and equipment | 859,437 |
| Total assets, at cost | 15,048,864 |
| Accumulated depreciation | (9,785,813) |
| Total assets, net | \$ 5,263,051 |

| Fiscal Year | Principal | Interest | Total |
|-------------|--------------|----------|-----------|
| 2024 | \$ 115,000 | 50,591 | 165,591 |
| 2025 | 115,000 | 44,697 | 159,697 |
| 2026 | 120,000 | 38,675 | 158,675 |
| 2027 | 130,000 | 32,269 | 162,269 |
| 2028 | 135,000 | 25,478 | 160,478 |
| 2029-2031 | 455,000 | 33,697 | 488,697 |
| Totals | \$ 1,070,000 | 225,407 | 1,295,407 |

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, 2023, the County had general obligation bonds that were outstanding but considered defeased totaling \$1,145,000 and Public Utilities had revenue bonds that were outstanding, but considered defeased totaling \$7,660,000.

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 leased 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, 2023 are as follows:

| Lease Assets | Governmental Activities | Public Utilities | School Board Component Unit | Total |
|-------------------------------|----------------------------|------------------|--------------------------------|-----------|
| Buildings | \$ 429,925 | - | 139,885 | 569,810 |
| Equipment | 1,785,152 | 13,817 | 927,389 | 2,726,358 |
| Vehicles | 49,290 | - | - | 49,290 |
| Total Leases | 2,264,367 | 13,817 | 1,067,274 | 3,345,458 |
| Less Accumulated Amortization | (504,766) | (6,115) | (449,624) | (960,505) |
| Totals | \$ 1,759,601 | 7,702 | 617,650 | 2,384,953 |

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

| 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 | | |
| 2024 | \$ 244,515 | 98,024 | 2,883 | 161 | 281,723 | 14,008 | 529,121 | 112,193 |
| 2025 | 204,707 | 87,624 | 1,858 | 85 | 185,266 | 6,681 | 391,831 | 94,390 |
| 2026 | 136,880 | 79,253 | 1,595 | 24 | 109,559 | 2,458 | 248,034 | 81,735 |
| 2027 | 57,495 | 75,709 | - | - | 31,369 | 517 | 88,864 | 76,226 |
| 2028 | 46,344 | 73,527 | - | - | 8,882 | 83 | 55,226 | 73,610 |
| 2029 - 2033 | 89,501 | 346,640 | - | - | - | - | 89,501 | 346,640 |
| 2034 - 2038 | 146,084 | 312,327 | - | - | - | - | 146,084 | 312,327 |
| 2039 - 2043 | 267,816 | 245,347 | - | - | - | - | 267,816 | 245,347 |
| 2044 - 2048 | 401,812 | 131,047 | - | - | - | - | 401,812 | 131,047 |
| 2049 - 2053 | 198,151 | 43,973 | - | - | - | - | 198,151 | 43,973 |
| 2054 - 2055 | 50,351 | 2,518 | - | - | - | - | 50,351 | 2,518 |
| Totals | \$ 1,843,656 | 1,495,989 | 6,336 | 270 | 616,799 | 23,747 | 2,466,791 | 1,520,006 |

Subscription Obligations

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. 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, 2023 are as follows:

| Subscription Assets | Governmental Activities | Public Utilities | School Board Component Unit | Total |
|-------------------------------|-------------------------|------------------|-----------------------------|-------------|
| Software | \$ 2,186,119 | 571,177 | 1,386,988 | 4,144,284 |
| Less Accumulated Amortization | (830,039) | (66,963) | (378,179) | (1,275,181) |
| Totals | \$ 1,356,080 | 504,214 | 1,008,809 | 2,869,103 |

| 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 | | |
| 2024 | \$ 899,596 | 9,192 | 19,500 | 18,451 | 419,415 | 12,636 | 1,338,510 | 40,279 |
| 2025 | 236,413 | 3,285 | 21,212 | 18,168 | 356,161 | 5,455 | 613,786 | 26,908 |
| 2026 | 99,556 | 1,119 | 68,819 | 17,816 | 318,923 | 2,263 | 487,298 | 21,198 |
| 2027 | 6,815 | 510 | 59,033 | 16,379 | - | - | 65,848 | 16,889 |
| 2028 | 6,896 | 429 | 9,590 | 14,824 | - | - | 16,486 | 15,253 |
| 2029 - 2033 | 29,399 | 901 | 77,499 | 64,152 | - | - | 106,898 | 65,053 |
| 2034 - 2038 | - | - | 144,745 | 36,042 | - | - | 144,745 | 36,042 |
| 2039 - 2043 | - | - | 37,696 | 2,073 | - | - | 37,696 | 2,073 |
| Totals | \$ 1,278,675 | 15,436 | 438,094 | 187,905 | 1,094,499 | 20,354 | 2,811,267 | 223,695 |

COUNTY OF HANOVER
Notes to Financial Statements
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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 2022. All claims are paid in accordance with policy coverage in effect at the time. In addition, the County provides various surety bond coverage as required under regulations, generally at industry-recommended levels.

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

The County and School Board have chosen to retain the risk associated with the employee's health insurance plan. Risk is retained at 100% up to an individual stop loss amount of \$200,000 for individual claims paid during the contract year. 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 |
|-------------|--|--|-----------------------------------|--|---------------------------------|
| 2022 | \$ - | 40,666,987 | 40,666,987 | - | 1,865,770 |
| 2023 | \$ - | 41,018,375 | 41,018,375 | - | 2,512,279 |

| | Balance July 1 | Increases | Decreases | Balance June 30 |
|---------------------------|-------------------|------------|--------------|--------------------|
| Incurred But Not Reported | \$ 1,865,770 | 41,018,375 | (40,371,866) | 2,512,279 |

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:

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

| | 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 | \$ 385,788 | - | - | - | 385,788 | - | - |
| Prepaid expenditures | 5,700 | 1,748,276 | - | - | 1,753,976 | 404,630 | - |
| Total nonspendable | 391,488 | 1,748,276 | - | - | 2,139,764 | 404,630 | - |
| Restricted for: | | | | | | | |
| Public safety - asset forfeitures | 349,893 | - | - | - | 349,893 | - | - |
| Judicial administration - asset forfeitures | 32,516 | - | - | - | 32,516 | - | - |
| Judicial administration - grants and donations | 170,129 | - | - | - | 170,129 | - | - |
| Public safety - grants and donations | 2,713 | - | - | - | 2,713 | - | - |
| Public works - recycling service districts | 211,145 | - | - | - | 211,145 | - | - |
| Health and human services - Federal and state grants | 414,153 | - | - | - | 414,153 | - | - |
| Health and human services - donations | 676 | - | - | - | 676 | - | - |
| Health and human services - Opioid settlement | 367,745 | - | - | - | 367,745 | - | - |
| Parks, recreation and cultural donations | 46,789 | - | - | - | 46,789 | - | - |
| Education - grants | - | - | - | - | - | 149,355 | - |
| Capital improvements | - | 49,827,436 | 37,228,790 | - | 87,056,226 | - | - |
| Total restricted | 1,595,759 | 49,827,436 | 37,228,790 | - | 88,651,985 | 149,355 | - |
| Committed to: | | | | | | | |
| Economic development | 500,000 | - | - | - | 500,000 | - | - |
| Total committed | 500,000 | - | - | - | 500,000 | - | - |
| Assigned to: | | | | | | | |
| Education | 8,932,000 | - | - | - | 8,932,000 | 9,515,366 | - |
| Economic development | 5,000,000 | - | - | - | 5,000,000 | - | - |
| Public works - stormwater | - | - | - | - | - | - | - |
| Public works - transportation | - | - | - | - | - | - | - |
| Debt service | - | - | - | 2,045,332 | 2,045,332 | - | - |
| Encumbrances and reappropriations | 3,227,991 | - | - | - | 3,227,991 | - | - |
| Funding of subsequent fiscal years' adopted budget | 14,700,000 | - | - | - | 14,700,000 | - | - |
| Insurance reserves | 500,000 | - | - | - | 500,000 | - | - |
| Economic stability reserves | 5,000,000 | - | - | - | 5,000,000 | - | - |
| Capital improvements | 27,957,516 | 34,023,415 | 10,962,723 | - | 72,943,654 | - | - |
| Total assigned | 65,317,507 | 34,023,415 | 10,962,723 | 2,045,332 | 112,348,977 | 9,515,366 | - |
| Unassigned fund balance | 44,243,616 | - | - | - | 44,243,616 | - | 121,678 |
| Total fund balances | \$ 112,048,370 | 85,599,127 | 48,191,513 | 2,045,332 | 247,884,342 | 10,069,351 | 121,678 |

C. Commitments and contingent liabilities

Other commitments

At June 30, 2023, the Primary Government had commitments for capital projects totaling \$128.7 million as follows:

| | Primary Government | | | | Total Primary Government |
|---------------------------|--------------------------------|--------------------------------|-----------------------------|-----------------|--------------------------------|
| | County Improvements Fund | School Improvements Fund | Public Utilities Fund | Airport Fund | |
| Total capital commitments | \$ 62,063,307 | 40,849,238 | 25,536,233 | 247,458 | 128,696,236 |

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

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 Fund | County Improvements Fund | School Improvements Fund | Total Primary Government | |
| Encumbrances outstanding at fiscal year-end | \$ 2,297,617 | 62,063,307 | 40,849,238 | 105,210,162 | 1,501,292 |

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 10.6%. If actual revenues are less than estimated revenues identified in the budget (resulting in a deficit), the localities may, at their discretion, appropriate funds necessary to fund the deficit. To date, the County has not been required to fund any deficit. Complete financial statements for the Airport Commission can be obtained from the Chief Financial Officer, 1 Richard E. Byrd Terminal Drive, Suite A, Richmond International Airport, Richmond, VA 23250-2400.

Greater Richmond Convention Center Authority: The Greater Richmond Convention Center Authority (GRCCA), a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998 pursuant to the Public Recreational Facilities Authorities Act, Chapter 56, Title 15.2 of the Code. The political subdivisions participating in the incorporation of the GRCCA are the City of Richmond and the Counties of Chesterfield, Hanover and Henrico. The GRCCA is governed by a five member

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commission comprised of the chief administrative officer of each of the four incorporating political subdivisions and the President/CEO of the Retail Merchants Association of Greater Richmond.

The GRCCA was created for the purpose of acquiring, constructing, equipping, maintaining, and operating a regional convention center facility. In August 1996, each locality designated future revenue from the transient occupancy tax for expansion of the convention center. The GRCCA 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 \$1,448,044 for transient occupancy tax to the GRCCA during fiscal year 2023. 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 have 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. In fiscal year 2015, the County renewed its commitment to this partnership for another three years. The Participants are committed to ensuring the long-term financial viability of DEIC, without the requirement for major cash subsidies after the first five years of operation. During fiscal year 2023, the EDA contributed \$18,000. 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 2023, the School Board paid tuition in the amount of \$337,600. Additional information is available from CodeRVA Regional High School at 1405 Cummings Drive, Suite 10, Richmond, VA 23220.

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E. Jointly governed organizations

Pamunkey Regional Library: The Pamunkey Regional Library (Library) is a political subdivision of the Commonwealth of Virginia and is governed by a separate Board of Trustees, appointed for specific terms of office by the Boards of Supervisors of the counties to which it provides library services, including the Counties of Hanover, Goochland, King William, and King and Queen. Management and accountability for fiscal matters rest with the Library's Board, of which the County appoints four of the ten members. The Library receives contributions from the participating counties, but invests its own funds and formulates and approves its own budget. The County does not bear any direct or indirect liabilities for the operation of the Library, and has no equity interest in it. In fiscal year 2023, the County contributed a total of \$3,525,795 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 \$4,963,993 in fiscal year 2023. Complete financial statements for the Jail Authority can be obtained from the Jail Superintendent's office at P.O. Box 510, Hanover, Virginia 23069.

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

The Detention Commission was created to enhance the protection of the region's citizens by the maintenance and operation of a juvenile detention facility (the Merrimac Center) to serve the member jurisdictions. The member jurisdictions have entered into a Service Agreement which is a long-term contract governing the parties' respective obligations. Under the Service Agreement, the County is obligated to pay a per diem rate to be determined annually by the Detention Commission for each day a juvenile from the County is held at the Center or in another detention facility secured by the Detention Commission. If the sum of all per diem rates paid during the fiscal year is below \$2,500, the County shall pay the Detention Commission the amount equal to the difference. During fiscal year 2023, the County's per diem payments to the Detention Commission totaled \$307,164. Complete financial statements for the

COUNTY OF HANOVER
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Detention Commission can be obtained from the fiscal agent's office at James City County, Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

Central Virginia Waste Management Authority: The Central Virginia Waste Management Authority (Waste Authority) was established under the provisions of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George; the Cities of Colonial Heights, Hopewell, Petersburg and Richmond; and the Town of Ashland. The 19 member board is comprised of no less than one and no more than three members from each of the participating jurisdictions, determined on a population basis. The County has two representatives serving on the Waste Authority's Board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Twenty-two 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 2023 payments to the Waste Authority totaled \$466,612. 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 2023, 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 2023 contributions to RMCVB totaling \$193,927. 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 \$61,448 in fiscal year 2023. 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, 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 2022 Annual Financial Report (Annual Report) and GASB 68 Report. A copy of the 2022 VRS Annual Report and GAAP Pension Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

VRS Plan Description

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

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

VRS Plan 1 and Plan 2

Overview: Plan 1 and Plan 2 are defined benefit plans. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for and in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund. Employees are eligible for and in Plan 2 if their membership date is on

or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. VRS Plan 1 and Plan 2 non-hazardous duty covered members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. 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.

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

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

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

Benefit Calculations: The Basic Benefit is calculated based on a formula using the member's average final compensation, 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 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.

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, creditable service is used to determine vesting for the employer contribution portion of the plan.

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

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

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

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.

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

Distribution is not required, except as governed by law.

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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

(See schedule on following page)

| | <u>County</u> | <u>School Board Non-Professional</u> |
|---|---------------|--|
| Inactive members or their beneficiaries currently receiving benefits | 652 | 212 |
| Inactive members: | | |
| Vested inactive members | 222 | 40 |
| Non-vested inactive members | 278 | 102 |
| Inactive members active elsewhere in VRS | 398 | 73 |
| Total inactive members | 898 | 215 |
| Active members: | 1,174 | 189 |
| Total covered employees | <u>2,724</u> | <u>616</u> |

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, 2023 were 11.59% and 0.0%, respectively, of their annual covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$9,058,225 and \$7,366,936 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions from the School Board's non-professional group were \$0 and \$45,421 for the years ended June 30, 2023 and June 30, 2022, respectively.

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, 2023, the County reported a net pension liability of \$15,904,828 and the School Board's non-professional group reported a net pension asset of \$5,777,600. The total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions – General and Public Safety Employees

The total pension liability was measured as of June 30, 2021 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, 2022:

(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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

| County General Employees | County Public Safety Employees |
|--|---|
| Updated mortality rates to PUB2010 public sector mortality tables | Updated mortality rates to PUB2010 public sector mortality tables |
| For future mortality improvements, replaced load with a modified Mortality Improvement Scale MP-2020 | 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 |
| 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 | 34.00% | 5.71% | 1.94% |
| Fixed Income | 15.00% | 2.04% | 0.31% |
| Credit Strategies | 14.00% | 4.78% | 0.67% |
| Real Assets | 14.00% | 4.47% | 0.63% |
| Private Equity | 14.00% | 9.73% | 1.36% |
| MAPS - Multi-Asset Strategies | 6.00% | 3.73% | 0.22% |
| PIP - Private Investment Partnership | 3.00% | 6.55% | 0.20% |
| | <u>100.00%</u> | | <u>5.33%</u> |
| | | Inflation | <u>2.50%</u> |
| | | *Expected arithmetic normal return | <u>7.83%</u> |

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund allocation at that time, providing a median return of 7.11%, 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 to determine the discount rate assumed that plan member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY12 or 100% of the actuarially determined employer rate from the June 30, 2021, actuarial valuations, whichever is greater. From July 1, 2022 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.

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, 2021 | \$ 333,648,737 | \$ 339,675,088 | \$ (6,026,351) |
| Changes for the year: | | | |
| Service cost | 9,281,072 | - | 9,281,072 |
| Interest | 22,717,943 | - | 22,717,943 |
| Differences between expected and actual experience | 233,460 | - | 233,460 |
| Contributions - employer | - | 7,366,936 | (7,366,936) |
| Contributions - employee | - | 3,598,948 | (3,598,948) |
| Net investment income | - | (462,434) | 462,434 |
| Benefit payments, including refunds of employee contributions | (12,735,373) | (12,735,373) | - |
| Administrative expenses | - | (210,079) | 210,079 |
| Other changes | - | 7,925 | (7,925) |
| Net changes | 19,497,102 | (2,434,077) | 21,931,179 |
| Balances at June 30, 2022 | \$ 353,145,839 | \$ 337,241,011 | \$ 15,904,828 |

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, 2021 | \$ 27,511,531 | \$ 34,472,959 | \$ (6,961,428) |
| Changes for the year: | | | |
| Service cost | 454,679 | - | 454,679 |
| Interest | 1,839,655 | - | 1,839,655 |
| Difference between expected and actual experience | (873,615) | - | (873,615) |
| Contributions - employer | - | 45,421 | (45,421) |
| Contributions - employee | - | 233,485 | (233,485) |
| Net investment income | - | (21,104) | 21,104 |
| Benefit payments, including refunds of employee contributions | (1,424,123) | (1,424,123) | - |
| Administrative expenses | - | (21,693) | 21,693 |
| Other changes | - | 782 | (782) |
| Net changes | (3,404) | (1,187,232) | 1,183,828 |
| Balances at June 30, 2022 | \$ 27,508,127 | \$ 33,285,727 | \$ (5,777,600) |

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:

| | <u>1% Decrease (5.75%)</u> | <u>Discount Rate (6.75%)</u> | <u>1% Increase (7.75%)</u> |
|-------------------------------|--------------------------------|----------------------------------|--------------------------------|
| County Employees | | | |
| Net Pension Liability (Asset) | <u>\$ 67,272,250</u> | <u>\$ 15,904,828</u> | <u>\$ (25,784,668)</u> |
| School Non-Professional | | | |
| Net Pension Liability (Asset) | <u>\$ (2,638,154)</u> | <u>\$ (5,777,600)</u> | <u>\$ (8,382,864)</u> |

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

For the year ended June 30, 2023, the County recognized pension expense of \$7,874,528. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$1,616,537 | \$2,075,960 |
| Changes of assumptions | 6,510,222 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 9,485,586 |
| Employer contributions subsequent to the measurement date | <u>9,058,225</u> | <u>-</u> |
| Total | <u>\$17,184,984</u> | <u>\$11,561,546</u> |

\$9,058,225 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in future reporting periods as follows:

Year ended June 30

| | |
|------------|-----------------------|
| 2024 | \$ (32,995) |
| 2025 | (1,666,085) |
| 2026 | (6,400,498) |
| 2027 | 4,664,791 |
| 2028 | - |
| Thereafter | - |
| Total | <u>\$ (3,434,787)</u> |

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, 2023, the School Board non-professional group recognized pension expense of (\$851,656). At June 30, 2023, 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 | \$ - | \$431,710 |
| Changes of assumptions | 35,912 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,018,107 |
| Total | <u>\$35,912</u> | <u>\$1,449,817</u> |

As the School Board had a required contribution rate of 0% during the year, there were no deferred outflows of resources related to pensions resulting from the School Board's contributions after the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in future reporting periods as follows:

Year ending June 30

| | |
|------------|-----------------------|
| 2024 | \$ (787,602) |
| 2025 | (408,719) |
| 2026 | (679,320) |
| 2027 | 461,736 |
| 2028 | - |
| Thereafter | - |
| Total | <u>\$ (1,413,905)</u> |

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, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$19,248,273 and \$18,107,471 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teachers Employee Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution. The amount contributed to the School Board's professional group was \$5,394,627 for the year ended June 30, 2023.

Net Pension Liability

At June 30, 2023, the School Board professional group reported a liability of \$116,101,797 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Board's proportion was 1.21948% as compared to 1.19449% at June 30, 2021.

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

For the year ended June 30, 2023, the School Board's professional group recognized pension expense of \$4,791,668. 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, 2023, 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)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$8,005,678 |
| Net difference between projected and actual earnings on pension plan investments | - | 15,137,243 |
| Change in assumptions | 10,946,061 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,380,635 | 3,861,130 |
| Employer contributions subsequent to the measurement date | 19,248,273 | - |
| Total | <u>\$32,574,969</u> | <u>\$27,004,051</u> |

\$19,248,273 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ending June 30

| | |
|------------|-------------------------------|
| 2024 | \$ (4,938,803) |
| 2025 | (5,885,356) |
| 2026 | (10,245,420) |
| 2027 | 7,392,224 |
| 2028 | - |
| Thereafter | - |
| Total | <u><u>\$ (13,677,355)</u></u> |

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022:

(See schedule on following page)

| | School Board Professional Employee Group |
|---------------------------------------|--|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% - 5.95% |
| Investment rate of return | 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, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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 |

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, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | Teacher Employee Retirement Plan |
|----------------------------------|---|
| Total Pension Liability | \$ 54,732,329 |
| Plan Fiduciary Net Position | 45,211,731 |
| Employers' Net Pension Liability | <u>\$ 9,520,598</u> |

| | |
|--|--------|
| Plan Fiduciary Net Position as a Percentage of the Total Plan Liability | 82.61% |
|--|--------|

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 on the following page:

| Asset Class (Strategy) | Target Allocation | Arithmetic Long- Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|--------------------------------------|------------------------------|--|---|
| Public Equity | 34.00% | 5.71% | 1.94% |
| Fixed Income | 15.00% | 2.04% | 0.31% |
| Credit Strategies | 14.00% | 4.78% | 0.67% |
| Real Assets | 14.00% | 4.47% | 0.63% |
| Private Equity | 14.00% | 9.73% | 1.36% |
| MAPS - Multi-Asset Strategies | 6.00% | 3.73% | 0.22% |
| PIP - Private Investment Partnership | 3.00% | 6.55% | 0.20% |
| | <u>100.00%</u> | | <u>5.33%</u> |
| | | Inflation | <u>2.50%</u> |
| | | *Expected arithmetic normal return | <u>7.83%</u> |

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return

for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation, providing a median return of 7.11%, 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, 2022, 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 100% of the actuarially determined contribution rate. From July 1, 2022 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:

| | <u>1% Decrease (5.75%)</u> | <u>Discount Rate (6.75%)</u> | <u>1% Increase (7.75%)</u> |
|---|--------------------------------|----------------------------------|--------------------------------|
| School Board Professional proportionate share of the VRS Teacher Employment Retirement Plan Net Pension Liability | <u>\$ 207,366,697</u> | <u>\$ 116,101,797</u> | <u>\$ 41,792,098</u> |

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

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

financial statements as an Other Postemployment Benefits Trust Fund. Accordingly, audited financial statements are not separately available.

a. Summary of significant accounting policies

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

Valuation of investments – All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2023. 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, 2022, the Plan membership at February 1, 2023 consisted of the following:

| | Primary Government | School Board Component Unit | Affiliates | Total |
|--|-----------------------|--------------------------------|------------|-------|
| Retirees and beneficiaries receiving benefits | 25 | 37 | 4 | 66 |
| Active employees | 981 | 1,883 | 125 | 2,989 |
| Total number of plan members | 1,006 | 1,920 | 129 | 3,055 |
| Number of participating employers | 1 | 1 | 2 | 4 |

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

Retirees under the Plan may select from the health care plans offered to active employees and pay the health insurance premium rate established annually based on biennial actuarial analysis of the claims cost of the retiree group, net of the applicable subsidy established by the Plan. Depending upon the health care plan selected, the net retiree premium amounts range from \$481 to \$1,290 per month for those electing retiree-only coverage, and from \$1,363 to \$3,869 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, 2023, 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 a target allocations comprised of 42% in Domestic Equity, 23% in International Equity, and 35% in Fixed Income investments,
- Liquidity Assets to be held solely in cash equivalent investments and used to pay for benefits and expenses of the Trust.

Rate of Return – For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 9.21%. This return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset – As of June 30, 2023, in accordance with GAAP, the Net OPEB Asset amount for the Plan is as follows:

| | <u>Hanover OPEB Plan for Retiree Medical</u> |
|--|---|
| Total OPEB Liability | \$ 3,081,125 |
| Plan Fiduciary Net Position | 6,842,056 |
| Employers' Net OPEB Asset | <u>\$ 3,760,931</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Plan Liability | 222.06% |

The total OPEB liability is calculated by the Plan's actuary. The most recent actuarial valuation was based on data as of February 1, 2023 with a measurement date of June 30, 2023 for its GASB 74 reporting for the year ended June 30, 2023.

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 February 1, 2023 actuarial valuation, 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 fourteen years.

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 4.70% on Domestic Equities, 6.00% on International Developed Equities, International Emerging Market Equities, 5.40% on International Emergency Markets Equities, 2.00% on Core Fixed, 3.00% on Investment Grade Corporate Debt, 4.40% on Emerging Market Debt, and 5.00% on High Yield 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, 2023.

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, 2023 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)

| | 5.5% 1% Decrease | 6.5% Discount Rate | 7.5% 1% Increase |
|----------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| Total OPEB Liability | 3,269,484 | 3,081,125 | 2,903,336 |
| Net OPEB Liability/(Asset) | (3,572,572) | (3,760,931) | (3,938,720) |

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, 2022, the County reported \$1,278,141 and the School Board reported \$1,872,123 for their portions of the net pension OPEB asset. The net OPEB asset was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation performed as of February 1, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled to the measurement date of June 30, 2023.

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, 2023 are outlined as follows:

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, 2021 for FYE 2022 | \$ 1,467,731 | \$ 2,474,102 | \$ (1,006,371) |
| Changes for the year: | | | |
| Service cost | 72,810 | - | 72,810 |
| Interest | 104,341 | - | 104,341 |
| Experience (Gains) | (461,228) | - | (461,228) |
| Employer Trust contributions | - | 83,662 | (83,662) |
| Change in proportionate share | 208,118 | 350,817 | (142,699) |
| Net investment income | - | (406,687) | 406,687 |
| Change in assumptions | (168,019) | - | (168,019) |
| Benefit payments | (83,662) | (83,662) | - |
| Net changes | (327,640) | (55,870) | (271,770) |
| Balances at June 30, 2022 for FYE 2023 | \$ 1,140,091 | \$ 2,418,232 | \$ (1,278,141) |

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, 2021 for FYE 2022 | \$ 2,828,131 | \$ 4,767,280 | \$ (1,939,149) |
| Changes for the year: | | | |
| Service cost | 106,646 | - | 106,646 |
| Interest | 152,831 | - | 152,831 |
| Experience (Gains) | (675,570) | - | (675,570) |
| Employer Trust contributions | - | 122,543 | (122,543) |
| Change in proportionate share | (373,477) | (629,558) | 256,081 |
| Net investment income | - | (595,683) | 595,683 |
| Change in assumptions | (246,102) | - | (246,102) |
| Benefit payments | (122,542) | (122,542) | - |
| Net changes | (1,158,214) | (1,225,240) | 67,026 |
| Balances at June 30, 2022 for FYE 2023 | \$ 1,669,917 | \$ 3,542,040 | \$ (1,872,123) |

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, 2023 (with a measurement date of June 30, 2022, 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:

| | 5.5% 1% Decrease | 6.5% Discount Rate | 7.5% 1% Increase |
|----------------|-----------------------------|-------------------------------|-----------------------------|
| County | | | |
| Net OPEB Asset | \$ 1,206,411 | \$ 1,278,141 | \$ 1,345,867 |
| School Board | | | |
| Net OPEB Asset | \$ 1,767,058 | \$ 1,872,123 | \$ 1,971,322 |

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (County) – For the year ended June 30, 2023, the County recognized OPEB expense of (\$150,117), including (\$140,149) for the Primary Government, (\$9,803) for public utilities, and (\$165) for the airport. At June 30, 2022, 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 | \$66 | \$554,514 |
| Changes of assumptions | 24,083 | 144,017 |
| Net difference between projected and actual earnings on OPEB plan investments | 125,535 | - |
| Change in proportion | 10,455 | 114,773 |
| Employer contributions subsequent to the measurement date | 84,204 | - |
| Total | <u>\$244,343</u> | <u>\$813,304</u> |

\$84,204 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, 2024. 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

| | |
|------------|---------------------|
| 2024 | \$ (139,057) |
| 2025 | (126,875) |
| 2026 | (128,444) |
| 2027 | (17,851) |
| 2028 | (141,945) |
| Thereafter | (98,993) |
| Total | <u>\$ (653,165)</u> |

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (School Board) – For the year ended June 30, 2023, the School Board recognized OPEB expense of (\$174,260). At June 30, 2023, 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 | \$95 | \$812,213 |
| Changes of assumptions | 35,276 | 210,944 |
| Net difference between projected and actual earnings on OPEB plan investments | 183,876 | - |
| Change in proportion | 154,969 | 23,880 |
| Employer contributions subsequent to the measurement date | 123,336 | - |
| Total | <u>\$497,552</u> | <u>\$1,047,037</u> |

\$123,336 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, 2024. 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

| | |
|------------|---------------------|
| 2024 | \$ (158,063) |
| 2025 | (140,214) |
| 2026 | (142,510) |
| 2027 | 32,535 |
| 2028 | (149,234) |
| Thereafter | <u>(115,335)</u> |
| Total | <u>\$ (672,821)</u> |

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.

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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

| | <u>County</u> | <u>School Board Non-Professional</u> |
|---|-------------------|--|
| Inactive members or their beneficiaries currently receiving benefits | 147 | 76 |
| Inactive members: | | |
| Vested inactive members | 17 | 6 |
| Non-vested inactive members | - | - |
| Inactive members active elsewhere in VRS | - | - |
| Total inactive members | <u>164</u> | <u>6</u> |
| Active members: | <u>754</u> | <u>189</u> |
| Total covered employees | <u><u>918</u></u> | <u><u>271</u></u> |

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, 2023 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, 2023 was 0.94% of covered employee compensation. These rate were based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$96,580 and \$89,145 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions from the School Board to the Political Subdivision HIC Program were \$53,847 and \$36,717 for the years ended June 30, 2023 and June 30, 2022, 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, 2022. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

(See schedule on following page)

| | 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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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 | Updated mortality rates to PUB2010 public sector mortality tables |
| For future mortality improvements, replaced load with a modified Mortality Improvement Scale MP-2020 | 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 |

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 | 34.00% | 5.71% | 1.94% |
| Fixed Income | 15.00% | 2.04% | 0.31% |
| Credit Strategies | 14.00% | 4.78% | 0.67% |
| Real Assets | 14.00% | 4.47% | 0.63% |
| Private Equity | 14.00% | 9.73% | 1.36% |
| MAPS - Multi-Asset Strategies | 6.00% | 3.73% | 0.22% |
| PIP - Private Investment Partnership | 3.00% | 6.55% | 0.20% |
| | <u>100.00%</u> | | <u>5.33%</u> |
| | | Inflation | <u>2.50%</u> |
| | | *Expected arithmetic normal return | <u>7.83%</u> |

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, 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, 2022, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

Changes in Net OPEB - HIC Liability (County Employees)

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2021 | \$ 1,431,642 | \$ 803,221 | \$ 628,421 |
| Changes for the year: | | | |
| Service cost | 56,420 | - | 56,420 |
| Interest | 97,308 | - | 97,308 |
| Changes of assumptions | 151,891 | - | 151,891 |
| Difference between expected and actual experience | (143,926) | - | (143,926) |
| Contributions - employer | - | 89,145 | (89,145) |
| Net investment income | - | 731 | (731) |
| Benefit payments, including refunds of employee contributions | (92,930) | (92,930) | - |
| Administrative expenses | - | (1,468) | 1,468 |
| Other changes | - | 46,665 | (46,665) |
| Net changes | 68,763 | 42,143 | 26,620 |
| Balances at June 30, 2022 | \$ 1,500,405 | \$ 845,364 | \$ 655,041 |

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

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2021 | \$ 542,997 | \$ 41,654 | \$ 501,343 |
| Changes for the year: | | | |
| Service cost | 8,181 | - | 8,181 |
| Interest | 36,837 | - | 36,837 |
| Changes of assumptions | 138,437 | - | 138,437 |
| Difference between expected and actual experience | (39,745) | - | (39,745) |
| Contributions - employer | - | 36,717 | (36,717) |
| Net investment income | - | (668) | 668 |
| Benefit payments, including refunds of employee contributions | (10,878) | (10,878) | - |
| Administrative expenses | - | (128) | 128 |
| Other changes | - | 670 | (670) |
| Net changes | 132,832 | 25,713 | 107,119 |
| Balances at June 30, 2022 | \$ 675,829 | \$ 67,367 | \$ 608,462 |

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 | <u>\$ 827,806</u> | <u>\$ 655,041</u> | <u>\$ 509,201</u> |
| School Board Non-Professional Employees | | | |
| Net HIC OPEB Liability | <u>\$ 668,925</u> | <u>\$ 608,462</u> | <u>\$ 556,306</u> |

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, 2023, the County recognized HIC Program OPEB expense \$46,635, including \$43,539 for the general government, \$3,045 for public utilities, and \$51 for the airport. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program from the following sources:

(See schedule on following page)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$2,206 | \$131,003 |
| Changes of assumptions | 160,526 | 8,526 |
| Net difference between projected and actual earnings on HIC plan investments | - | 18,679 |
| Employer contributions subsequent to the measurement date | <u>96,580</u> | <u>-</u> |
| Total | <u>\$259,312</u> | <u>\$158,208</u> |

\$96,580 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, 2024. 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)

Year ended June 30

| | | |
|------------|----|--------------|
| 2024 | \$ | (6,213) |
| 2025 | | (2,882) |
| 2026 | | (7,077) |
| 2027 | | 14,935 |
| 2028 | | 3,825 |
| Thereafter | | 1,936 |
| Total | \$ | <u>4,524</u> |

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, 2023, the School Board recognized HIC Program OPEB expense \$67,328. At June 30, 2023, 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 | \$ - | \$30,566 |
| Change in assumptions | 115,278 | - |
| Net difference between projected and actual earnings on HIC plan investments | 1,277 | - |
| Employer contributions subsequent to the measurement date | 53,847 | - |
| Total | <u>\$170,402</u> | <u>\$30,566</u> |

\$53,847 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, 2024. 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

| | | |
|------------|----|---------------|
| 2024 | \$ | 26,554 |
| 2025 | | 26,554 |
| 2026 | | 24,487 |
| 2027 | | 8,394 |
| 2028 | | - |
| Thereafter | | - |
| Total | \$ | <u>85,989</u> |

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, 2023 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, 2021. 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 \$1,462,471 and \$1,369,725 for the years ended June 30, 2023 and June 30, 2022, 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, 2023, the School Board reported a liability of \$15,170,669 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2022 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, 2021 and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion of the VRS Teacher Employee HIC Program was 1.21458% as compared to 1.18956% at June 30, 2021.

For the year ended June 30, 2023, the School Board recognized VRS Teacher Employee HIC Program OPEB expense of \$1,119,186. 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 proportion.

At June 30, 2023, 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 | \$ - | \$618,380 |
| Net difference between projected and actual earnings on Teacher HIC plan investments | - | 15,227 |
| Change in assumptions | 443,213 | 38,741 |
| Changes in proportionate share | - | 279,412 |
| Employer contributions subsequent to the measurement date | <u>1,462,471</u> | <u>-</u> |
| Total | <u>\$1,905,684</u> | <u>\$951,760</u> |

\$1,462,471 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, 2024. Other amounts reported as deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year ending June 30

| | |
|------------|---------------------|
| 2024 | \$ (139,522) |
| 2025 | (132,212) |
| 2026 | (120,048) |
| 2027 | (44,410) |
| 2028 | (61,980) |
| Thereafter | <u>(10,375)</u> |
| Total | <u>\$ (508,547)</u> |

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, 2021, 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, 2022.

| | <u>School Board Professional Employee Group</u> |
|---------------------------------------|--|
| 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, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

| <u>School Board's Professional Employee Group</u> |
|---|
| 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, 2022, 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 | \$ 1,470,891 |
| Plan Fiduciary Net Position | 221,845 |
| Teacher Employee net HIC OPEB Liability | <u>\$ 1,249,046</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | 15.08% |

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

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

(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 | 34.00% | 5.71% | 1.94% |
| Fixed Income | 15.00% | 2.04% | 0.31% |
| Credit Strategies | 14.00% | 4.78% | 0.67% |
| Real Assets | 14.00% | 4.47% | 0.63% |
| Private Equity | 14.00% | 9.73% | 1.36% |
| MAPS - Multi-Asset Strategies | 6.00% | 3.73% | 0.22% |
| PIP - Private Investment Partnership | 3.00% | 6.55% | 0.20% |
| | <u>100.00%</u> | | <u>5.33%</u> |
| | | Inflation | 2.50% |
| | | *Expected arithmetic normal return | <u>7.83%</u> |

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, 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, 2022, 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, 2022 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:

| | 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 | <u>\$ 17,097,518</u> | <u>\$ 15,170,669</u> | <u>\$ 13,537,328</u> |

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 2022 annual report, which may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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 OBEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

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

Basic group life insurance coverage is automatic upon employment. Coverage 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
 - 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 \$8,984 as of June 30, 2023.

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% 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, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 1.34% rate. The employer component of contributions (.54% rate) to the GLI Program from the County were \$419,701 and \$393,383 for the years ended June 30, 2023 and June 30, 2022, respectively. The employer component of contributions to the GLI Program from the Schools for the professional group were \$649,395 and \$608,979 for the years ended June 30, 2023 and June 30, 2022, respectively. The employer component of contributions to the GLI Program from the Schools for the non-professional group were \$31,073 and \$27,186 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act. The amount contributed to the GLI program for the County was \$102,766, for the Schools professional group was \$158,983, and for the Schools non-professional group was \$7,101.

GLI OPEB Liabilities: At June 30, 2023, the County reported a liability of \$4,065,270 for its proportionate share of the Net GLI OPEB Liability. The School Board reported a liability of \$6,289,116 for its professional group and \$280,795 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, 2022 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, 2021 and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the County's proportion was 0.33762% as compared to 0.33635% at June 30, 2021. At June 30, 2022, the School Board professional's proportion was 0.52231% as compared to 0.51295 at June 30, 2021. At June 30, 2022, the School Board non-professional's proportion was 0.02332% as compared to 0.02464% at June 30, 2021.

GLI OPEB Expense: For the year ended June 30, 2023, the County recognized GLI OPEB expense of \$163,942, including \$153,056 for the general government, \$10,706 for public utilities, and \$180 for the airport. The School Board recognized a GLI OPEB expense of \$161,241 for its professional group and (\$13,561) for its non-professional group. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (County): At June 30, 2023, 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 | \$321,918 | \$163,089 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 254,020 |
| Change in assumptions | 151,628 | 395,974 |
| Changes in proportion | 64,920 | 10,901 |
| Employer contributions subsequent to the measurement date | 419,701 | - |
| Total | <u>\$958,167</u> | <u>\$823,984</u> |

\$419,701 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, 2024. 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

| | |
|------------|---------------------|
| 2024 | \$ (40,741) |
| 2025 | (50,583) |
| 2026 | (197,706) |
| 2027 | 30,950 |
| 2028 | (27,438) |
| Thereafter | - |
| Total | <u>\$ (285,518)</u> |

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board professional group): At June 30, 2023, 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:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$498,019 | \$252,304 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 392,977 |
| Change in assumptions | 234,574 | 612,585 |
| Changes in proportion | 115,628 | 202,439 |
| Employer contributions subsequent to the measurement date | <u>649,395</u> | <u>-</u> |
| Total | <u><u>\$1,497,616</u></u> | <u><u>\$1,460,305</u></u> |

\$649,395 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, 2024. 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

| | |
|------------|----------------------------|
| 2024 | \$ (151,966) |
| 2025 | (141,175) |
| 2026 | (337,568) |
| 2027 | 43,936 |
| 2028 | (25,311) |
| Thereafter | <u>-</u> |
| Total | <u><u>\$ (612,084)</u></u> |

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board non-professional group): At June 30, 2023, 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:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$22,235 | \$11,265 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 17,546 |
| Change in assumptions | 10,473 | 27,351 |
| Changes in proportion | - | 45,890 |
| Employer contributions subsequent to the measurement date | <u>31,073</u> | <u>-</u> |
| Total | <u><u>\$63,781</u></u> | <u><u>\$102,052</u></u> |

\$31,073 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, 2024. 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

| | |
|------------|---------------------------|
| 2024 | \$ (21,552) |
| 2025 | (14,922) |
| 2026 | (22,937) |
| 2027 | (4,777) |
| 2028 | (5,156) |
| Thereafter | <u>-</u> |
| Total | <u><u>\$ (69,344)</u></u> |

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

| | <u>Group Life Insurance Plan Assumptions</u> |
|---------------------------------------|---|
| 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 |

| | <u>School Board Employees</u> |
|-----------------------------|--|
| 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 |

| | <u>County General Employees</u> |
|-----------------------------|---|
| 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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

| 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, 2022, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

Group Life Insurance OPEB Program

| | |
|--|--------------------|
| Total GLI OPEB Liability | \$3,672,085 |
| Plan Fiduciary Net Position | <u>2,4467,989</u> |
| Employers' Net GLI OPEB Liability | <u>\$1,204,096</u> |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 67.21% |

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 | 34.00% | 5.71% | 1.94% |
| Fixed Income | 15.00% | 2.04% | 0.31% |
| Credit Strategies | 14.00% | 4.78% | 0.67% |
| Real Assets | 14.00% | 4.47% | 0.63% |
| Private Equity | 14.00% | 9.73% | 1.36% |
| MAPS - Multi-Asset Strategies | 6.00% | 3.73% | 0.22% |
| PIP - Private Investment Partnership | 3.00% | 6.55% | 0.20% |
| | <u>100.00%</u> | | <u>5.33%</u> |
| | | Inflation | <u>2.50%</u> |
| | | *Expected arithmetic normal return | <u>7.83%</u> |

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, 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, 2022, 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 100% of the actuarially determined contribution rate. From July 1, 2022 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 | <u>\$ 5,915,444</u> | <u>\$ 4,065,270</u> | <u>\$ 2,570,077</u> |
| School Board professional group's proportionate share of the GLI Program Net OPEB Liability | <u>\$ 9,151,400</u> | <u>\$ 6,289,116</u> | <u>\$ 3,975,999</u> |
| School Board non-professional group's proportionate share of the GLI Program Net OPEB Liability | <u>\$ 408,590</u> | <u>\$ 280,795</u> | <u>\$ 177,520</u> |

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2022 annual report, which may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to VRS's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

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 2023, 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, and \$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 \$1,950,000 to 819 Virginia, LLC in fiscal year 2024, upon verification that the performance measures have been satisfied, at which point the County will determine the amount of local tax rebate based on capital investments in real property and tangible personal property. There were no tax rebates paid in fiscal year 2023.

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*.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

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, 2023, the total 2003 Bonds outstanding were \$821,270. The Bell Creek CDA is obligated to make all debt service payments on the 2003 Bonds.

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

During fiscal year 2023, special assessments on property within the District totaled \$166,000 and payments to the Bell Creek CDA of special assessments collected totaled \$156,322.

- **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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2023

Bonds outstanding totaled \$41,135,015 as of June 30, 2023. 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 2023, Special Assessment Tax levy on property within the district totaled \$691,256. The 2023 Special Real Estate Property Tax (Valorem) levy was \$84,000. Incremental tax collections owed to the Lewistown CDA totaled \$1,047,137 and are payable semiannually by February 1 and August 1 of each year.

**SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION**

(Unaudited)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2023

Virginia Retirement System-Pension Plan - Primary Government

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

| | 2023* | 2022* | 2021* | 2020* | 2019* | 2018* | 2017* | 2016* | 2015* |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | | | | | | | |
| Service cost | \$ 9,281,072 | \$ 8,516,435 | \$ 8,516,368 | \$ 7,696,287 | \$ 7,331,577 | \$ 7,359,194 | \$ 7,195,250 | \$ 7,003,117 | \$ 6,872,262 |
| Interest on total pension liability | 22,717,943 | 20,379,641 | 18,836,367 | 17,771,484 | 16,663,276 | 15,932,633 | 14,918,283 | 14,159,064 | 13,186,216 |
| Changes of assumptions | - | 13,119,584 | - | 8,940,696 | - | (1,150,577) | - | - | - |
| Differences between expected and actual experience | 233,460 | (4,183,534) | 6,595,585 | 232,863 | 182,107 | (4,220,153) | (566,270) | (3,717,438) | - |
| Benefit payments | (12,735,373) | (12,208,002) | (9,962,002) | (8,962,753) | (7,728,076) | (7,238,603) | (6,874,514) | (6,323,001) | (5,604,586) |
| Other | - | - | - | - | - | - | - | (196,852) | - |
| Net change in total pension liability | 19,497,102 | 25,624,124 | 23,986,318 | 25,678,577 | 16,448,884 | 10,682,494 | 14,672,749 | 10,924,890 | 14,453,892 |
| Total pension liability - beginning | 333,648,737 | 308,024,613 | 284,038,295 | 258,359,718 | 241,910,834 | 231,228,340 | 216,555,591 | 205,630,701 | 191,176,809 |
| Total pension liability - ending (a) | \$ 353,145,839 | \$ 333,648,737 | \$ 308,024,613 | \$ 284,038,295 | \$ 258,359,718 | \$ 241,910,834 | \$ 231,228,340 | \$ 216,555,591 | \$ 205,630,701 |
| Total fiduciary net position | | | | | | | | | |
| Contributions - employer | \$ 7,366,936 | \$ 6,987,052 | \$ 5,906,015 | \$ 5,650,320 | \$ 5,918,509 | \$ 5,698,852 | \$ 6,383,455 | \$ 6,227,470 | \$ 6,347,611 |
| Contributions - employee | 3,598,948 | 3,414,683 | 3,520,775 | 3,219,861 | 3,111,501 | 3,033,422 | 2,911,440 | 2,841,053 | 2,728,734 |
| Net investment income | (462,434) | 73,623,416 | 5,047,032 | 16,685,971 | 17,020,572 | 25,051,577 | 3,550,392 | 8,626,111 | 25,182,288 |
| Benefit Payments, including refunds of employee contributions | (12,735,373) | (12,208,002) | (9,962,002) | (8,962,753) | (7,728,076) | (7,238,603) | (6,874,514) | (6,323,001) | (5,604,586) |
| Administrative expense | (210,079) | (179,904) | (169,144) | (160,692) | (142,977) | (140,541) | (122,126) | (113,582) | (131,515) |
| Other | 7,925 | 6,967 | (6,631) | (10,525) | (15,347) | (22,390) | (1,496) | (485,907) | 1,327 |
| Net change in plan fiduciary net position | (2,434,077) | 71,644,212 | 4,336,045 | 16,422,182 | 18,164,182 | 26,382,317 | 5,847,151 | 10,772,144 | 28,523,859 |
| Plan fiduciary net position - beginning | 339,675,088 | 268,030,876 | 263,694,831 | 247,272,649 | 229,108,467 | 202,726,150 | 196,878,999 | 186,106,855 | 157,582,996 |
| Plan fiduciary net position - ending (b) | \$ 337,241,011 | \$ 339,675,088 | \$ 268,030,876 | \$ 263,694,831 | \$ 247,272,649 | \$ 229,108,467 | \$ 202,726,150 | \$ 196,878,999 | \$ 186,106,855 |
| Net pension liability/(asset) ending (a) - (b) | \$ 15,904,828 | \$ (6,026,351) | \$ 39,993,737 | \$ 20,343,464 | \$ 11,087,069 | \$ 12,802,367 | \$ 28,502,190 | \$ 19,676,592 | \$ 19,523,846 |
| Plan fiduciary net position as a percentage of the total pension liability | 95.50% | 101.81% | 87.02% | 92.84% | 95.71% | 94.71% | 87.67% | 90.91% | 90.51% |
| Covered payroll | \$ 73,191,300 | \$ 69,319,445 | \$ 69,250,382 | \$ 65,738,841 | \$ 63,272,936 | \$ 60,564,521 | \$ 58,128,921 | \$ 56,469,989 | \$ 55,711,055 |
| Political subdivision's net pension liability/(asset) as a percentage of covered payroll | 21.73% | -8.69% | 57.75% | 30.95% | 17.52% | 21.14% | 49.03% | 34.84% | 35.04% |

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

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

(continued)

COUNTY OF HANOVER, VIRGINIA

Exhibit 12

Schedules of Required Supplementary Information (Unaudited)
June 30, 2023

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

Schedule of Changes in the Net Pension Asset and Related Ratios

| | 2023* | 2022* | 2021* | 2020* | 2019* | 2018* | 2017* | 2016* | 2015* |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | | | | | | |
| Service cost | \$ 454,679 | \$ 508,416 | \$ 529,745 | \$ 527,361 | \$ 526,335 | \$ 563,888 | \$ 704,264 | \$ 717,494 | \$ 761,268 |
| Interest on total pension liability | 1,839,655 | 1,716,571 | 1,698,127 | 1,663,215 | 1,627,896 | 1,619,611 | 1,604,103 | 1,563,895 | 1,470,488 |
| Changes of assumptions | - | 754,172 | - | 657,553 | - | (126,666) | - | - | - |
| Differences between expected and actual experience | (873,615) | (225,649) | (581,206) | (160,869) | (477,022) | (822,111) | (1,070,969) | (750,409) | - |
| Benefit payments | (1,424,123) | (1,345,317) | (1,401,532) | (1,178,551) | (1,166,740) | (1,066,000) | (965,702) | (947,448) | (847,310) |
| Net change in total pension liability | (3,404) | 1,408,193 | 245,134 | 1,508,709 | 510,469 | 168,722 | 271,696 | 583,532 | 1,384,446 |
| Total pension liability - beginning | 27,511,531 | 26,103,338 | 25,858,204 | 24,349,495 | 23,839,026 | 23,670,304 | 23,398,608 | 22,815,076 | 21,430,630 |
| Total pension liability - ending (a) | \$ 27,508,127 | \$ 27,511,531 | \$ 26,103,338 | \$ 25,858,204 | \$ 24,349,495 | \$ 23,839,026 | \$ 23,670,304 | \$ 23,398,608 | \$ 22,815,076 |
| Total fiduciary net position | | | | | | | | | |
| Contributions - employer | \$ 45,421 | \$ 48,374 | \$ 78,603 | \$ 82,764 | \$ 195,964 | \$ 202,659 | \$ 437,250 | \$ 507,170 | \$ 595,088 |
| Contributions - employee | 233,485 | 234,999 | 250,453 | 250,620 | 245,280 | 250,592 | 280,632 | 325,545 | 325,403 |
| Net investment income | (21,104) | 7,558,460 | 537,270 | 1,816,980 | 1,936,203 | 2,913,758 | 418,439 | 1,054,611 | 3,133,692 |
| Benefit Payments, including refunds of employee contributions | (1,424,123) | (1,345,317) | (1,401,532) | (1,178,551) | (1,166,740) | (1,066,000) | (965,702) | (947,448) | (847,310) |
| Administrative expense | (21,693) | (19,326) | (18,924) | (18,429) | (16,985) | (17,086) | (14,837) | (14,331) | (16,675) |
| Other | 782 | 707 | (631) | (1,140) | (1,713) | (2,581) | (177) | (223) | 165 |
| Net change in plan fiduciary net position | (1,187,232) | 6,477,897 | (554,761) | 952,244 | 1,192,009 | 2,281,342 | 155,605 | 925,324 | 3,190,363 |
| Plan fiduciary net position - beginning | 34,472,959 | 27,995,062 | 28,549,823 | 27,597,579 | 26,405,570 | 24,124,228 | 23,968,623 | 23,043,299 | 19,852,936 |
| Plan fiduciary net position - ending (b) | \$ 33,285,727 | \$ 34,472,959 | \$ 27,995,062 | \$ 28,549,823 | \$ 27,597,579 | \$ 26,405,570 | \$ 24,124,228 | \$ 23,968,623 | \$ 23,043,299 |
| Net pension asset ending (a) - (b) | \$ (5,777,600) | \$ (6,961,428) | \$ (1,891,724) | \$ (2,691,619) | \$ (3,248,084) | \$ (2,566,544) | \$ (453,924) | \$ (570,015) | \$ (228,223) |
| Plan fiduciary net position as a percentage of the total pension asset | 121.00% | 125.30% | 107.25% | 110.41% | 113.34% | 110.77% | 101.92% | 102.44% | 101.00% |
| Covered payroll | \$ 5,030,853 | \$ 5,076,697 | \$ 5,337,485 | \$ 5,256,371 | \$ 5,150,695 | \$ 5,201,892 | \$ 5,775,545 | \$ 6,613,413 | \$ 6,145,564 |
| Net pension asset as a percentage of covered payroll | 114.84% | 137.13% | 35.44% | 51.21% | 63.06% | 49.34% | 7.86% | 8.62% | 3.71% |

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

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2023Schedule of School Board Professional's Share of Net Pension Liability/(Asset)
VRS Teacher Retirement Plan

| | 2023* | 2022* | 2021* | 2020* | 2019* |
|--|----------------|----------------|----------------|----------------|----------------|
| Employer's Proportion of the Net Pension Liability | 1.21948% | 1.19449% | 1.22369% | 1.23585% | 1.25655% |
| Employer's Proportionate Share of the Net Pension Liability | \$ 116,101,797 | \$ 92,729,422 | \$ 178,079,031 | \$ 162,644,883 | \$ 147,770,000 |
| Employer's Covered Payroll | \$ 113,162,890 | \$ 105,176,978 | \$ 106,871,061 | \$ 103,292,430 | \$ 101,392,249 |
| Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 102.60% | 88.17% | 166.63% | 157.46% | 145.74% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 82.61% | 85.46% | 71.47% | 73.51% | 74.81% |
| | 2018* | 2017* | 2016* | 2015* | |
| Employer's Proportion of the Net Pension Liability | 1.26798% | 1.26562% | 1.27192% | 1.26737% | |
| Employer's Proportionate Share of the Net Pension Liability | \$ 155,936,000 | \$ 177,365,000 | \$ 160,089,000 | \$ 153,157,000 | |
| Employer's Covered Payroll | \$ 99,817,919 | \$ 96,591,415 | \$ 94,472,208 | \$ 90,933,148 | |
| Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 156.22% | 183.62% | 169.46% | 168.43% | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 72.92% | 68.28% | 70.68% | 70.88% | |

* 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: | 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% |
| | 2015 | 6,227,470 | 6,227,470 | - | 56,469,989 | 11.03% |
| School Non-Professional: | 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% |
| | 2015 | 507,170 | 507,170 | - | 6,613,413 | 7.67% |
| School Professional: | 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% |
| | 2015 | 13,679,435 | 13,679,435 | - | 94,472,208 | 14.48% |

Schedules above are intended to show information for 10 years. Since 2015 is the first fiscal year for presentation, no earlier data is available.

However, additional years will be included as they become available.

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2023

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

| | 2023* | 2022* | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB liability | | | | | | | |
| Service cost | \$ 115,478 | \$ 189,559 | \$ 281,713 | \$ 178,821 | \$ 165,789 | \$ 172,531 | \$ 161,244 |
| Interest cost | 186,899 | 271,651 | 348,422 | 251,394 | 250,445 | 241,190 | 230,876 |
| Experience losses/(gains) | 29,760 | (1,200,800) | (181,395) | (436,754) | 342 | (31,678) | - |
| Change in benefit terms | - | - | (1,413,809) | 1,845,584 | - | - | - |
| Changes in Assumptions | - | (437,437) | - | - | 125,400 | - | - |
| Benefit payments | (219,225) | (217,814) | (245,822) | (270,196) | (229,000) | (271,000) | (218,532) |
| Net change in total OPEB liability | 112,912 | (1,394,841) | (1,210,891) | 1,568,849 | 312,976 | 111,043 | 173,588 |
| Total OPEB liability - beginning | 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>\$ 3,081,125</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 | \$ 219,225 | \$ 217,814 | \$ - | \$ 8,000 | \$ 20,000 | \$ 42,000 | \$ 218,532 |
| Net investment income | 546,216 | (1,058,804) | 1,832,142 | 340,861 | 527,273 | 414,736 | 502,797 |
| Benefit payments | (219,225) | (217,814) | (245,822) | (270,196) | (229,000) | (271,000) | (218,532) |
| Net change in plan fiduciary net position | 546,216 | (1,058,804) | 1,586,320 | 78,665 | 318,273 | 185,736 | 502,797 |
| Plan fiduciary net position - beginning | 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>\$ 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) | \$ 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 | 222.06% | 212.11% | 168.57% | 103.49% | 142.06% | 145.48% | 144.81% |
| Covered payroll | \$ 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 | 1.67% | 1.58% | 1.47% | 0.10% | 0.86% | 0.88% | 0.86% |
| Contributions as a percentage of covered payroll | 0.10% | 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.

* 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)

COUNTY OF HANOVER, VIRGINIA

Exhibit 12

Schedules of Required Supplementary Information (Unaudited)
June 30, 2023

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> | 2023* | 2022* | 2021* | 2020* | 2019* | 2018* |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB liability | | | | | | |
| Service cost | \$ 72,810 | \$ 94,768 | \$ 66,038 | \$ 51,869 | \$ 53,979 | \$ 53,516 |
| Interest cost | 104,341 | 117,209 | 92,840 | 78,355 | 75,460 | 76,628 |
| Experience losses/(gains) | (461,228) | (61,021) | (161,293) | 107 | (9,910) | - |
| Change in benefit terms | - | (475,605) | 681,574 | - | - | - |
| Change in proportionate share | 208,118 | (183,383) | 226,032 | - | (68,170) | - |
| Change in assumptions | (168,019) | - | - | 39,233 | - | - |
| Benefit payments | (83,662) | (82,695) | (99,783) | (71,646) | (84,786) | (72,531) |
| Net change in total OPEB liability | (327,640) | (590,727) | 805,408 | 97,918 | (33,427) | 57,613 |
| Total OPEB liability - beginning | 1,467,731 | 2,058,458 | 1,253,050 | 1,155,132 | 1,188,559 | 1,130,946 |
| Total OPEB liability - ending (a) | \$ 1,140,091 | \$ 1,467,731 | \$ 2,058,458 | \$ 1,253,050 | \$ 1,155,132 | \$ 1,188,559 |
| Total fiduciary net position | | | | | | |
| Contributions - employer | \$ 83,662 | \$ - | \$ 2,954 | \$ 6,257 | \$ 13,140 | \$ 72,531 |
| Change in proportionate share | 350,817 | (189,778) | 321,102 | - | (98,714) | - |
| Net investment income | (406,687) | 616,333 | 125,880 | 164,965 | 129,756 | 166,878 |
| Benefit payments | (83,662) | (82,695) | (99,783) | (71,646) | (84,786) | (72,531) |
| Net change in plan fiduciary net position | (55,870) | 343,860 | 350,153 | 99,576 | (40,604) | 166,878 |
| Plan fiduciary net position - beginning | 2,474,102 | 2,130,242 | 1,780,089 | 1,680,513 | 1,721,117 | 1,554,239 |
| Plan fiduciary net position - ending (b) | \$ 2,418,232 | \$ 2,474,102 | \$ 2,130,242 | \$ 1,780,089 | \$ 1,680,513 | \$ 1,721,117 |
| Net OPEB asset ending (b) - (a) | \$ 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 | 212.11% | 168.57% | 103.49% | 142.06% | 145.48% | 144.81% |
| Covered payroll | \$ 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 | 1.63% | 1.33% | 0.10% | 0.74% | 0.79% | 0.82% |
| Contributions as a percentage of covered payroll | 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 p 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)

COUNTY OF HANOVER, VIRGINIA

Exhibit 12

Schedules of Required Supplementary Information (Unaudited)
June 30, 2023

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

| | 2023* | 2022* | 2021* | 2020* | 2019* | 2018* |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total OPEB liability | | | | | | |
| Service cost | \$ 106,646 | \$ 182,606 | \$ 110,207 | \$ 111,010 | \$ 115,524 | \$ 100,955 |
| Interest cost | 152,831 | 225,847 | 154,934 | 167,696 | 161,498 | 144,551 |
| Experience losses/(gains) | (675,570) | (117,580) | (269,171) | 229 | (21,212) | - |
| Change in benefit terms | - | (916,431) | 1,137,433 | - | - | - |
| Change in proportionate share | (373,477) | 177,809 | (213,420) | - | 155,731 | - |
| Change in assumptions | (246,102) | - | - | 83,966 | - | - |
| Benefit payments | (122,542) | (159,342) | (166,522) | (153,335) | (181,458) | (136,823) |
| Net change in total OPEB liability | (1,158,214) | (607,091) | 753,461 | 209,566 | 230,083 | 108,683 |
| Total OPEB liability - beginning | 2,828,131 | 3,435,222 | 2,681,761 | 2,472,195 | 2,242,112 | 2,133,429 |
| Total OPEB liability - ending (a) | \$ 1,669,917 | \$ 2,828,131 | \$ 3,435,222 | \$ 2,681,761 | \$ 2,472,195 | \$ 2,242,112 |
| Total fiduciary net position | | | | | | |
| Contributions - employer | \$ 122,543 | \$ - | \$ 4,930 | \$ 13,392 | \$ 28,123 | \$ 136,823 |
| Change in proportionate share | (629,558) | 184,011 | (303,186) | - | 225,509 | - |
| Net investment income | (595,683) | 1,187,594 | 210,073 | 353,055 | 277,702 | 314,801 |
| Benefit payments | (122,542) | (159,342) | (166,522) | (153,336) | (181,458) | (136,823) |
| Net change in plan fiduciary net position | (1,225,240) | 1,212,263 | (254,705) | 213,111 | 349,876 | 314,801 |
| Plan fiduciary net position - beginning | 4,767,280 | 3,555,017 | 3,809,722 | 3,596,611 | 3,246,735 | 2,931,934 |
| Plan fiduciary net position - ending (b) | \$ 3,542,040 | \$ 4,767,280 | \$ 3,555,017 | \$ 3,809,722 | \$ 3,596,611 | \$ 3,246,735 |
| Net OPEB asset ending (b) - (a) | \$ 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 | 212.11% | 168.57% | 103.49% | 142.06% | 145.48% | 144.81% |
| Covered payroll | \$ 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 | 1.51% | 1.61% | 0.10% | 0.95% | 0.96% | 0.87% |
| Contributions as a percentage of covered payroll | 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 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, 2023

Hanover County Retiree Medical Benefits Trust

Schedule of Investment Returns

| | Fiscal Year | Rate |
|--|-------------|---------|
| Annual money-weighted rate of return, net of investment expense | 6/30/2023 | 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% |
| | 6/30/2015 | 2.71% |
| | 6/30/2014 | 17.48% |

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) |
|-----------|--|--|---|---|---|
| 6/30/2023 | \$ - | \$ - | - | \$ 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) |
|-----------|--|---|---|---|---|
| 6/30/2023 | \$ - | \$ - | - | \$ 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, 2023

Virginia Retirement System-Net OPEB HIC Plan - Primary Government

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

| | 2023* | 2022* | 2021* | 2020* | 2019* | 2018* |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB liability | | | | | | |
| Service cost | \$ 56,420 | \$ 38,929 | \$ 38,144 | \$ 36,034 | \$ 33,937 | \$ 36,106 |
| Interest on total OPEB liability | 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 | (143,926) | (124) | (4,765) | (10,045) | 6,981 | - |
| Benefit payments | (92,930) | (84,317) | (77,371) | (60,311) | (60,799) | (39,706) |
| Net change in total OPEB liability | 68,763 | 64,126 | 42,814 | 84,855 | 60,542 | 29,888 |
| Total OPEB liability - beginning | 1,431,642 | 1,367,516 | 1,324,702 | 1,239,847 | 1,179,305 | 1,149,417 |
| Total OPEB liability - ending (a) | <u>\$ 1,500,405</u> | <u>\$ 1,431,642</u> | <u>\$ 1,367,516</u> | <u>\$ 1,324,702</u> | <u>\$ 1,239,847</u> | <u>\$ 1,179,305</u> |
| Total fiduciary net position | | | | | | |
| Contributions - employer | \$ 89,145 | \$ 84,385 | \$ 84,961 | \$ 80,463 | \$ 86,037 | \$ 81,864 |
| Net investment income | 731 | 167,713 | 12,533 | 37,527 | 36,347 | 49,782 |
| Benefit Payments, including refunds of employee contributions | (92,930) | (84,317) | (77,371) | (60,311) | (60,799) | (39,706) |
| Administrative expense | (1,468) | (1,995) | (1,220) | (828) | (886) | (858) |
| Other | 46,665 | - | (6) | (45) | (2,349) | 2,349 |
| Net change in plan fiduciary net position | 42,143 | 165,786 | 18,897 | 56,806 | 58,350 | 93,431 |
| Plan fiduciary net position - beginning | 803,221 | 637,435 | 618,538 | 561,732 | 503,382 | 409,951 |
| Plan fiduciary net position - ending (b) | <u>\$ 845,364</u> | <u>\$ 803,221</u> | <u>\$ 637,435</u> | <u>\$ 618,538</u> | <u>\$ 561,732</u> | <u>\$ 503,382</u> |
| Net OPEB liability ending (a) - (b) | \$ 655,041 | \$ 628,421 | \$ 730,081 | \$ 706,164 | \$ 678,115 | \$ 675,923 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 56.34% | 56.10% | 46.61% | 46.69% | 45.31% | 42.68% |
| Covered payroll | \$ 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 | 1.40% | 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, 2023

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

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

| | 2023* | 2022* | 2021* |
|--|--------------|--------------|------------|
| Total OPEB liability | | | |
| Service cost | \$ 8,181 | \$ 7,993 | \$ - |
| Interest | 36,837 | 32,814 | - |
| Changes in benefit terms | - | - | 486,125 |
| Changes of assumptions | 138,437 | 16,065 | - |
| Difference between expected and actual experience | (39,745) | - | - |
| Benefit payments | (10,878) | - | - |
| Net change in total OPEB liability | 132,832 | 56,872 | 486,125 |
| Total OPEB liability - beginning | 542,997 | 486,125 | - |
| Total OPEB liability - ending (a) | 675,829 | 542,997 | \$ 486,125 |
| Total fiduciary net position | | | |
| Contributions - employer | \$ 36,717 | \$ 36,882 | \$ - |
| Net investment income | (668) | 4,936 | - |
| Benefit payments | (10,878) | - | - |
| Administrative expense | (128) | (164) | - |
| Other | 670 | - | - |
| Net change in plan fiduciary net position | 25,713 | 41,654 | - |
| Plan fiduciary net position - beginning | 41,654 | - | - |
| Plan fiduciary net position - ending (b) | \$ 67,367 | \$ 41,654 | \$ - |
| Net OPEB liability ending (a) - (b) | \$ 608,462 | \$ 501,343 | \$ 486,125 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 9.97% | 7.67% | 0.00% |
| Covered payroll | \$ 5,029,826 | \$ 5,052,181 | \$ - |
| Political subdivision's net OPEB liability as a percentage of covered payroll | | | |

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, 2023

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

| | 2023* | 2022* | 2021* | 2020* |
|--|----------------|----------------|----------------|----------------|
| Employer's Proportion of the Net OPEB Liability | 1.21458% | 1.18956% | 1.21953% | 1.23144% |
| Employer's Proportionate Share of the Net OPEB Liability | \$ 15,170,669 | \$ 15,268,825 | \$ 15,908,970 | \$ 16,120,747 |
| Employer's Covered Payroll | \$ 113,200,538 | \$ 105,204,144 | \$ 106,913,212 | \$ 103,288,960 |
| Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 13.40% | 14.51% | 14.88% | 15.61% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 15.08% | 13.15% | 9.95% | 8.97% |
| | 2019* | 2018* | | |
| Employer's Proportion of the Net OPEB Liability | 1.25384% | 1.26516% | | |
| Employer's Proportionate Share of the Net OPEB Liability | \$ 15,919,000 | \$ 16,050,000 | | |
| Employer's Covered Payroll | \$ 101,392,249 | \$ 99,817,919 | | |
| Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 15.70% | 16.08% | | |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 8.08% | 7.04% | | |

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

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2023

Virginia Retirement System-Net GLI OPEB Plan

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

| County's share | 2023* | 2022* | 2021* | 2020* | 2019* |
|---|----------------|----------------|----------------|----------------|----------------|
| County's Proportion of the Net GLI OPEB Liability | 0.33762% | 0.33635% | 0.33740% | 0.33555% | 0.33281% |
| County's Proportionate Share of the Net GLI OPEB Liability | \$ 4,065,270 | \$ 3,916,027 | \$ 5,630,654 | \$ 5,460,292 | \$ 5,054,000 |
| Covered Payroll | \$ 73,440,688 | \$ 69,319,445 | \$ 69,250,382 | \$ 65,738,841 | \$ 63,272,936 |
| County's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 5.54% | 5.65% | 8.13% | 8.31% | 7.99% |
| | 2018* | | | | |
| County's Proportion of the Net GLI OPEB Liability | | | | | |
| County's Proportionate Share of the Net GLI OPEB Liability | 0.32895% | | | | |
| Covered Payroll | \$ 4,950,000 | | | | |
| County's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | \$ 60,564,521 | | | | |
| | 8.17% | | | | |
| School Board professional group's share | 2023* | 2022* | 2021* | 2020* | 2019* |
| School Board's Proportion of the Net GLI OPEB Liability | 0.52231% | 0.51295% | 0.52100% | 0.52833% | 0.53434% |
| School Board's Proportionate Share of the Net GLI OPEB Liability | \$ 6,289,116 | \$ 5,972,130 | \$ 8,694,637 | \$ 8,597,335 | \$ 8,115,000 |
| Covered Payroll | \$ 113,615,624 | \$ 105,176,978 | \$ 106,871,061 | \$ 103,292,430 | \$ 101,392,249 |
| School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 5.54% | 5.68% | 8.14% | 8.32% | 8.00% |
| | 2018* | | | | |
| School Board's Proportion of the Net GLI OPEB Liability | 0.54244% | | | | |
| School Board's Proportionate Share of the Net GLI OPEB Liability | \$ 8,163,000 | | | | |
| Covered Payroll | \$ 99,817,919 | | | | |
| School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 8.18% | | | | |
| School Board non-professional group's share | 2023* | 2022* | 2021* | 2020* | 2019* |
| School Board's Proportion of the Net GLI OPEB Liability | 0.02332% | 0.02464% | 0.02594% | 0.02686% | 0.02712% |
| School Board's Proportionate Share of the Net GLI OPEB Liability | \$ 280,795 | \$ 286,877 | \$ 432,897 | \$ 437,084 | \$ 411,000 |
| Covered Payroll | \$ 5,073,636 | \$ 5,076,697 | \$ 5,337,485 | \$ 5,256,371 | \$ 5,150,695 |
| School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 5.53% | 5.65% | 8.11% | 8.32% | 7.98% |
| | 2018* | | | | |
| School Board's Proportion of the Net GLI OPEB Liability | 0.02825% | | | | |
| School Board's Proportionate Share of the Net GLI OPEB Liability | \$ 425,000 | | | | |
| Covered Payroll | \$ 5,201,892 | | | | |
| School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 8.17% | | | | |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 2023* | 2022* | 2021* | 2020* | 2019* |
| | 67.21% | 67.45% | 52.64% | 52.00% | 51.22% |
| | 2018* | | | | |
| | 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, 2023

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) |
|-----------|--|--|---|---|---|
| 6/30/2023 | \$ 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% |
| 6/30/2015 | 77,293 | 77,293 | - | 36,028,121 | 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) |
|-----------|--|--|---|---|---|
| 6/30/2023 | \$ 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% |
| 6/30/2015 | 1,003,397 | 1,003,397 | - | 94,472,208 | 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) |
|-----------|--|--|---|---|---|
| 6/30/2023 | \$ 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% |

* 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, 2023

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) |
|-----------|--|--|---|---|---|
| 6/30/2023 | \$ 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% |
| 6/30/2015 | 271,056 | 271,056 | - | 56,469,989 | 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) |
|-----------|--|--|---|---|---|
| 6/30/2023 | \$ 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% |
| 6/30/2015 | 451,796 | 451,796 | - | 94,472,208 | 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) |
|-----------|--|--|---|---|---|
| 6/30/2023 | \$ 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% |
| 6/30/2015 | 31,524 | 31,524 | - | 6,613,413 | 0.48% |

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

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, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|------------------|-------------|----------------|------------------------------------|
| | Original | Final | Budget Basis | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Revenues from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 145,500,000 | 145,500,000 | 147,950,710 | 2,450,710 |
| Public service corporation property taxes | 6,450,000 | 6,450,000 | 6,250,642 | (199,358) |
| Personal property taxes | 47,230,000 | 47,230,000 | 52,140,807 | 4,910,807 |
| Machinery and tools taxes | 1,750,000 | 1,750,000 | 1,808,062 | 58,062 |
| Merchants' capital taxes | 1,662,000 | 1,662,000 | 1,955,861 | 293,861 |
| Delinquent taxes | 3,000,000 | 3,000,000 | 4,019,571 | 1,019,571 |
| Penalties and interest | 1,300,000 | 1,300,000 | 1,982,614 | 682,614 |
| Total general property taxes | 206,892,000 | 206,892,000 | 216,108,267 | 9,216,267 |
| Other local taxes: | | | | |
| Local sales and use taxes | 32,425,000 | 32,425,000 | 33,420,552 | 995,552 |
| Consumer utility taxes | 1,850,000 | 1,850,000 | 2,086,339 | 236,339 |
| Contractor license taxes | 900,000 | 900,000 | 1,688,136 | 788,136 |
| Franchise license taxes | 450,000 | 450,000 | 447,063 | (2,937) |
| Lodging taxes | 1,200,000 | 1,550,000 | 1,448,970 | (101,030) |
| Bank stock tax | 1,100,000 | 1,100,000 | 1,217,196 | 117,196 |
| Taxes on recordation and wills | 3,045,000 | 3,045,000 | 2,515,902 | (529,098) |
| Communication sales tax | 3,500,000 | 3,500,000 | 3,454,523 | (45,477) |
| Total other local taxes | 44,470,000 | 44,820,000 | 46,278,681 | 1,458,681 |
| Permits, privilege fees and regulatory licenses: | | | | |
| General Government Administration: | | | | |
| Land use application fee | - | - | 990 | 990 |
| Primary filing fee | - | 21,479 | 5,438 | (16,041) |
| Public Safety: | | | | |
| Animal licenses | 20,000 | 20,000 | 27,051 | 7,051 |
| Building permits | 900,000 | 900,000 | 1,299,251 | 399,251 |
| Heating and air conditioning | 360,000 | 360,000 | 466,719 | 106,719 |
| Electrical permits | 320,000 | 320,000 | 363,268 | 43,268 |
| Plumbing permits | 140,000 | 140,000 | 136,024 | (3,976) |
| Inspection fees | 130,000 | 130,000 | 205,761 | 75,761 |
| Public Works: | | | | |
| Erosion and sediment inspections | 300,000 | 300,000 | 304,739 | 4,739 |
| Stormwater management | 8,000 | 8,000 | 4,500 | (3,500) |
| Community Development: | | | | |
| Planning fees | 245,000 | 245,000 | 287,320 | 42,320 |
| Total permits, privilege fees and regulatory licenses | 2,423,000 | 2,444,479 | 3,101,061 | 656,582 |
| Fines and Forfeitures: | | | | |
| Public Works: | | | | |
| Erosion and sediment fines | 4,000 | 4,000 | 19,300 | 15,300 |
| Judicial Administration: | | | | |
| Court fines and forfeitures | 673,000 | 673,000 | 555,347 | (117,653) |
| Courthouse maintenance fees | 85,000 | 85,000 | 75,659 | (9,341) |
| Court appointed attorney fees | 25,000 | 25,000 | 29,450 | 4,450 |
| Public Safety: | | | | |
| Criminal Justice Academy training fees | 45,000 | 45,000 | 53,247 | 8,247 |
| Security alarm fines | 45,000 | 45,000 | 55,700 | 10,700 |
| Animal control | - | - | 825 | 825 |
| Total fines and forfeitures | 877,000 | 877,000 | 789,528 | (87,472) |
| Revenues from use of money and property: | | | | |
| Revenue from use of money | - | - | 4,880,755 | 4,880,755 |
| Revenue from use of property | 650,000 | 666,662 | 782,853 | 116,191 |
| Total revenues from use of money and property | 650,000 | 666,662 | 5,663,608 | 4,996,946 |
| Charges for services: | | | | |
| EMS cost recovery | 2,760,000 | 2,760,000 | 3,477,490 | 717,490 |
| Landfill fees | 894,979 | 894,979 | 1,259,295 | 364,316 |
| Recreation fees | 302,625 | 388,245 | 383,675 | (4,570) |
| Community Services | 3,422,694 | 3,424,494 | 3,833,522 | 409,028 |
| Other | 973,069 | 973,069 | 877,333 | (95,736) |
| Total charges for services | 8,353,367 | 8,440,787 | 9,831,315 | 1,390,528 |

(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, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|------------------|-------------|----------------|------------------------------------|
| | Original | Final | Budget Basis | Final Budget - Positive (Negative) |
| Miscellaneous: | | | | |
| Insurance recoveries | - | 343,392 | 309,877 | (33,515) |
| Gifts and donations | 40,600 | 65,288 | 73,761 | 8,473 |
| National Opioid Settlement | - | 331,393 | 375,535 | 44,142 |
| Other miscellaneous revenue | 373,898 | 392,684 | 1,042,765 | 650,081 |
| Reserve for revenue transfers | 700,000 | 136,051 | - | (136,051) |
| Total miscellaneous | 1,114,498 | 1,268,808 | 1,801,938 | 533,130 |
| Recovered costs: | | | | |
| General Government Administration: | | | | |
| Pamunkey Regional Jail Authority | 503,000 | 503,000 | 503,000 | - |
| Public Utilities Fund: | | | | |
| Cost allocation | 1,297,000 | 1,331,220 | 1,332,245 | 1,025 |
| Service assessment | 385,000 | 385,000 | 385,000 | - |
| Treasurer | 70,000 | 70,000 | 102,615 | 32,615 |
| Commissioner of the Revenue | 350,000 | 350,000 | 279,799 | (70,201) |
| Judicial Administration: | | | | |
| Clerk of Circuit Court | 13,000 | 13,000 | 18,545 | 5,545 |
| Court Services | 7,500 | 7,500 | 31,825 | 24,325 |
| Commonwealth's Attorney | - | - | 5,036 | 5,036 |
| Public Safety: | | | | |
| Community Corrections | 71,000 | 71,000 | 77,520 | 6,520 |
| Sheriff | 25,000 | 25,000 | 39,588 | 14,588 |
| Building Inspector | 1,000 | 1,000 | 1,125 | 125 |
| Animal Control | 5,000 | 5,000 | 4,752 | (248) |
| Fire | 37,000 | 37,000 | 7,441 | (29,559) |
| Human Services: | | | | |
| Social Services | 34,680 | 34,680 | 30,822 | (3,858) |
| Community Resources | 5,000 | 5,000 | 5,000 | - |
| Comprehensive Services | 90,000 | 90,000 | 94,370 | 4,370 |
| Community Services | 227,991 | 570,561 | 127,487 | (443,074) |
| Public Works: | | | | |
| Solid Waste Management | 250,000 | 250,000 | 370,182 | 120,182 |
| Recycling Service Districts | 166,823 | 166,823 | 166,751 | (72) |
| General Services | - | - | 29,720 | 29,720 |
| Community Development: | | | | |
| Contributions: Greater Richmond Convention Center Authority | 960,000 | 960,000 | 1,293,942 | 333,942 |
| Planning | 8,000 | 8,000 | 10,450 | 2,450 |
| Lewistown CDA | 34,220 | - | - | - |
| Economic Development | 53,485 | 53,485 | 53,485 | - |
| Total recovered costs | 4,623,699 | 4,966,269 | 4,970,700 | 4,431 |
| Total revenues from local sources | 269,403,564 | 270,376,005 | 288,545,098 | 18,169,093 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Non-categorical aid: | | | | |
| Vehicle rental tax | 450,000 | 450,000 | 563,828 | 113,828 |
| Personal property taxes (State remittance) | 15,002,000 | 15,002,000 | 15,002,745 | 745 |
| Rolling Stock Tax | 75,000 | 75,000 | 60,970 | (14,030) |
| Total non-categorical aid | 15,527,000 | 15,527,000 | 15,627,543 | 100,543 |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commissioner of the Revenue | 292,820 | 292,820 | 307,792 | 14,972 |
| Treasurer | 253,910 | 253,910 | 255,325 | 1,415 |
| Registrar | 99,300 | 99,300 | 103,506 | 4,206 |
| Clerk of Circuit Court | 627,980 | 627,980 | 676,688 | 48,708 |
| Commonwealth's Attorney | 1,039,660 | 1,039,660 | 1,055,185 | 15,525 |
| Sheriff | 3,932,330 | 3,932,330 | 4,146,331 | 214,001 |
| Total shared expenses | 6,246,000 | 6,246,000 | 6,544,827 | 298,827 |
| Other categorical aid: | | | | |
| Social Services | 1,525,916 | 1,525,916 | 1,355,741 | (170,175) |
| Comprehensive Services | 4,388,000 | 4,388,000 | 3,907,630 | (480,370) |
| Community Services | 3,436,610 | 3,647,086 | 3,583,437 | (63,649) |
| Community Development | - | 1,694,992 | 1,694,991 | (1) |
| Other | 1,684,837 | 1,756,004 | 1,603,955 | (152,049) |
| Total other categorical aid | 11,035,363 | 13,011,998 | 12,145,754 | (866,244) |
| Total categorical aid | 17,281,363 | 19,257,998 | 18,690,581 | (567,417) |
| Total revenue from the Commonwealth | 32,808,363 | 34,784,998 | 34,318,124 | (466,874) |

(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, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|------------------|-------------|----------------|------------------------------------|
| | Original | Final | Budget Basis | Final Budget - Positive (Negative) |
| Revenue from the Federal government: | | | | |
| Categorical aid: | | | | |
| American Rescue Plan Act - Federal grants | \$ - | 2,755,609 | - | (2,755,609) |
| General Government - Federal grants | - | - | 4,848 | 4,848 |
| Fire - Federal grants | 130,120 | 215,120 | 244,562 | 29,442 |
| Sheriff - Federal grants | 132,028 | 329,016 | 138,821 | (190,195) |
| Social Services - Federal grants | 3,537,350 | 3,537,350 | 3,291,312 | (246,038) |
| Community Resources - Federal grants | 35,000 | 695,879 | 356,941 | (338,938) |
| Commonwealth's Attorney - Federal grants | 138,650 | 138,650 | 146,525 | 7,875 |
| Comprehensive Services - Federal grants | 55,000 | 55,000 | 38,207 | (16,793) |
| Community Services - Federal grants | 540,420 | 1,196,045 | 646,013 | (550,032) |
| Total revenue from the Federal government | 4,568,568 | 8,922,669 | 4,867,229 | (4,055,440) |
| Total intergovernmental | 37,376,931 | 43,707,667 | 39,185,353 | (4,522,314) |
| Total revenues | 306,780,495 | 314,083,672 | 327,730,451 | 13,646,779 |
| EXPENDITURES | | | | |
| General government administration: | | | | |
| Legislative - Board of Supervisors | 668,654 | 749,449 | 739,767 | 9,682 |
| General and financial administration: | | | | |
| County Administrator | 1,574,184 | 1,598,891 | 1,601,442 | (2,551) |
| Human Resources | 1,987,640 | 1,932,391 | 1,784,487 | 147,904 |
| County Attorney | 1,211,863 | 1,256,547 | 1,201,498 | 55,049 |
| Commissioner of the Revenue | 2,249,979 | 2,850,214 | 2,202,762 | 647,452 |
| Assessor | 1,469,656 | 1,540,624 | 1,530,887 | 9,737 |
| Treasurer | 1,918,976 | 1,923,560 | 1,884,091 | 39,469 |
| Finance | 2,373,100 | 2,423,298 | 2,372,268 | 51,030 |
| Management Services | 420,223 | 443,104 | 450,180 | (7,076) |
| Information Technology | 5,572,959 | 5,546,075 | 5,430,684 | 115,391 |
| Total general and financial administration | 18,778,580 | 19,514,704 | 18,458,299 | 1,056,405 |
| Board of elections - Registrar and Electoral Board | 908,169 | 955,551 | 839,886 | 115,665 |
| Total general government administration | 20,355,403 | 21,219,704 | 20,037,952 | 1,181,752 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit Court | 355,504 | 360,775 | 338,517 | 22,258 |
| General District Court | 155,258 | 155,633 | 78,533 | 77,100 |
| Magistrates | 3,870 | 3,870 | 3,112 | 758 |
| Juvenile and Domestic Relations District Court | 27,350 | 27,350 | 24,415 | 2,935 |
| Clerk of the Circuit Court | 1,764,224 | 1,836,210 | 1,759,724 | 76,486 |
| Court Services | 3,451,801 | 3,654,903 | 3,514,290 | 140,613 |
| Total courts | 5,758,007 | 6,038,741 | 5,718,591 | 320,150 |
| Commonwealth's Attorney | 2,620,356 | 2,716,788 | 2,657,937 | 58,851 |
| Total judicial administration | 8,378,363 | 8,755,529 | 8,376,528 | 379,001 |
| Public safety: | | | | |
| Sheriff | 31,754,438 | 32,791,172 | 31,268,226 | 1,522,946 |
| Fire and Rescue Services: | | | | |
| Fire and Emergency Management Services | 28,483,561 | 29,992,484 | 28,970,315 | 1,022,169 |
| Total fire and rescue services | 28,483,561 | 29,992,484 | 28,970,315 | 1,022,169 |
| Correction and Detention: | | | | |
| Pamunkey Regional Jail Authority | 6,182,623 | 6,182,623 | 4,963,993 | 1,218,630 |
| Juvenile Court Services | 620,438 | 612,076 | 587,533 | 24,543 |
| Community Corrections | 665,572 | 705,761 | 685,243 | 20,518 |
| Total correction and detention | 7,468,633 | 7,500,460 | 6,236,769 | 1,263,691 |
| Inspections - Building Inspections | 1,790,290 | 1,888,134 | 1,865,530 | 22,604 |
| Other protection: | | | | |
| Emergency Communications | 6,645,650 | 6,582,201 | 6,250,630 | 331,571 |
| Animal Control | 1,297,834 | 1,462,483 | 1,426,009 | 36,474 |
| Total other protection | 7,943,484 | 8,044,684 | 7,676,639 | 368,045 |
| Total public safety | 77,440,406 | 80,216,934 | 76,017,479 | 4,199,455 |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Public Works | 2,325,859 | 2,169,599 | 2,079,256 | 90,343 |
| Solid Waste Services | 5,543,978 | 6,253,771 | 5,866,741 | 387,030 |
| Total sanitation and waste removal | 7,869,837 | 8,423,370 | 7,945,997 | 477,373 |

(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, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|------------------|--------------|----------------|------------------------------------|
| | Original | Final | Budget Basis | Final Budget - Positive (Negative) |
| Maintenance of buildings, grounds and equipment: | | | | |
| Facilities and Vehicle Management | \$ 5,152,814 | 6,110,611 | 6,064,892 | 45,719 |
| Total maintenance of buildings, grounds and equip. | 5,152,814 | 6,110,611 | 6,064,892 | 45,719 |
| Total public works | 13,022,651 | 14,533,981 | 14,010,889 | 523,092 |
| Health and human services: | | | | |
| Health | 724,051 | 766,791 | 759,020 | 7,771 |
| Human Services: | | | | |
| Social Services | 6,935,980 | 7,111,383 | 6,629,000 | 482,383 |
| Community Resources | 1,379,844 | 1,590,461 | 971,832 | 618,629 |
| Comprehensive Services | 8,195,000 | 8,195,000 | 7,257,881 | 937,119 |
| Community Services | 13,791,317 | 15,401,378 | 13,137,305 | 2,264,073 |
| Tax Relief | 2,580,000 | 2,580,000 | 3,066,128 | (486,128) |
| Total human services | 32,882,141 | 34,878,222 | 31,062,146 | 3,816,076 |
| Total health and human services | 33,606,192 | 35,645,013 | 31,821,166 | 3,823,847 |
| Parks, recreation and cultural: | | | | |
| Parks and Recreation | 3,877,621 | 4,104,676 | 3,812,096 | 292,580 |
| Pamunkey Regional Library | 3,525,795 | 3,525,795 | 3,525,795 | - |
| Total parks, recreation and cultural | 7,403,416 | 7,630,471 | 7,337,891 | 292,580 |
| Community development: | | | | |
| Planning and Community Development: | | | | |
| Planning | 2,457,075 | 2,819,687 | 2,616,615 | 203,072 |
| Economic Development | 1,228,629 | 3,669,610 | 3,832,937.00 | (163,327) |
| Community Support | 1,736,027 | 2,207,476 | 1,978,294 | 229,182 |
| Total planning and community development | 5,421,731 | 8,696,773 | 8,427,846 | 268,927 |
| Environmental mgmt. - Soil and Water Conservation District | 112,445 | 112,445 | 112,445 | - |
| Cooperative Extension Program - VPI Extension | 133,161 | 133,161 | 104,230 | 28,931 |
| Total community development | 5,667,337 | 8,942,379 | 8,644,521 | 297,858 |
| Education: | | | | |
| School Fund | 104,370,000 | 105,180,000 | 97,391,654 | 7,788,346 |
| Total education | 104,370,000 | 105,180,000 | 97,391,654 | 7,788,346 |
| Total education | 104,370,000 | 105,180,000 | 97,391,654 | 7,788,346 |
| Debt service: | | | | |
| Principal retirement | - | - | 543,715 | (543,715) |
| Interest and fiscal charges | - | - | 109,905 | (109,905) |
| Total debt service | - | - | 653,620 | (653,620) |
| Nondepartmental: | | | | |
| Reserves | 4,269,957 | 4,336,836 | - | 4,336,836 |
| Total nondepartmental | 4,269,957 | 4,336,836 | - | 4,336,836 |
| Total expenditures - budgetary basis | 274,513,725 | 286,460,847 | 264,291,700 | 22,169,147 |
| Less encumbrances at June 30, 2023 | - | - | (2,297,617) | 2,297,617 |
| Total expenditures | 274,513,725 | 286,460,847 | 261,994,083 | 24,466,764 |
| Excess of revenues over expenditures | 32,266,770 | 27,622,825 | 65,736,368 | 38,113,543 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Other financing sources: | | | | |
| Transfers from governmental funds: | | | | |
| County Improvements Fund | - | 282,000 | 282,000 | - |
| Lease financing | - | - | 111,456 | (111,456) |
| Subscription financing | - | - | 176,282 | (176,282) |
| Total other financing sources | - | 282,000 | 569,738 | (287,738) |
| Other financing uses: | | | | |
| Transfers to governmental funds: | | | | |
| County Improvements Fund | (25,159,000) | (30,258,020) | (30,258,020) | - |
| School Improvements Fund | (3,162,000) | (9,123,047) | (9,123,047) | - |
| Debt Service Fund | (17,746,920) | (17,746,920) | (17,746,920) | - |
| Total transfers to governmental funds | (46,067,920) | (57,127,987) | (57,127,987) | - |
| Transfers to Proprietary Fund: | | | | |
| Airport Fund | (128,500) | (128,500) | (128,500) | - |
| Total other financing uses | (46,196,420) | (57,256,487) | (57,256,487) | - |
| Total other financing uses, net | (46,196,420) | (56,974,487) | (56,686,749) | (287,738) |
| Net change in fund balance | (13,929,650) | (29,351,662) | 9,049,619 | 38,401,281 |
| Fund balance - beginning | 13,929,650 | 102,998,751 | 102,998,751 | - |
| Fund balance - ending | \$ - | 73,647,089 | 112,048,370 | 38,401,281 |

See accompanying independent auditors' report.

COUNTY IMPROVEMENTS FUND

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

COUNTY OF HANOVER, VIRGINIA
Exhibit 14

County Improvements Fund

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

For the Year Ended June 30, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|------------------|--------------|----------------|------------------------------------|
| | Original | Final | Budget Basis | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Revenue from local sources: | | | | |
| Other local taxes | \$ 9,585,000 | 9,585,000 | 14,390,093 | 4,805,093 |
| Charges for services | 800,000 | 4,050,000 | 824,649 | (3,225,351) |
| Miscellaneous | 700,000 | 777,497 | - | (777,497) |
| Total revenue from local sources | 11,085,000 | 14,412,497 | 15,214,742 | 802,245 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth | 4,538,136 | 20,589,254 | 2,654,809 | (17,934,445) |
| Revenue from the Federal government | 2,255,336 | 50,348,659 | 9,935,482 | (40,413,177) |
| Total intergovernmental | 6,793,472 | 70,937,913 | 12,590,291 | (58,347,622) |
| Total revenues | 17,878,472 | 85,350,410 | 27,805,033 | (57,545,377) |
| EXPENDITURES | | | | |
| General government administration | 1,935,000 | 35,450,676 | 31,116,233 | 4,334,443 |
| Judicial administration | - | 3,851,040 | 3,331,068 | 519,972 |
| Public safety | 18,851,000 | 27,274,034 | 11,380,620 | 15,893,414 |
| Public works | 21,666,452 | 82,642,881 | 40,659,324 | 41,983,557 |
| Human services | - | 23,000 | 23,000 | - |
| Parks, recreation and cultural | - | 15,416,836 | 11,305,882 | 4,110,954 |
| Reserve for future projects | 700,000 | 700,000 | - | 700,000 |
| Total expenditures | 43,152,452 | 165,358,467 | 97,816,127 | 67,542,340 |
| Debt service: | | | | |
| Principal retirement | - | - | 585,486 | (585,486) |
| Interest and fiscal charges | - | - | 872 | (872) |
| Total debt service | - | - | 586,358 | (586,358) |
| Total expenditures - budgetary basis | 43,152,452 | 165,358,467 | 98,402,485 | 66,955,982 |
| Less encumbrances at June 30, 2023 | - | - | (62,063,307) | 62,063,307 |
| Total expenditures | 43,152,452 | 165,358,467 | 36,339,178 | 129,019,289 |
| Deficiency of revenues under expenditures | (25,273,980) | (80,008,057) | (8,534,145) | 71,473,912 |
| OTHER FINANCING SOURCES | | | | |
| Other financing sources: | | | | |
| Transfers in | 25,159,000 | 30,258,020 | 30,258,020 | - |
| Total other financing sources | 25,159,000 | 30,258,020 | 30,258,020 | - |
| Other financing uses: | | | | |
| Transfers out | - | (282,000) | (282,000) | - |
| Total other financing uses | - | (282,000) | (282,000) | - |
| Total other financing sources, net | 25,159,000 | 29,976,020 | 29,976,020 | - |
| Net change in fund balance | (114,980) | (50,032,037) | 21,441,875 | 71,473,912 |
| Fund balance - beginning | 114,980 | 64,157,252 | 64,157,252 | - |
| Fund balance - ending | \$ - | 14,125,215 | 85,599,127 | 71,473,912 |

See accompanying independent auditors' report.

SCHOOL IMPROVEMENTS FUND

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

COUNTY OF HANOVER, VIRGINIA
Exhibit 15
School Improvements Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
For the Year Ended June 30, 2023

| | Original Budget | Final Budget | Actual Amounts Budget Basis | Variance with Final Budget - Positive (Negative) |
|--|--------------------|-----------------|--------------------------------|---|
| REVENUES | | | | |
| Revenue from local sources: | | | | |
| Revenues from use of money and property | \$ - | 1,288,526 | 1,288,526 | - |
| Total revenue from local sources | - | 1,288,526 | 1,288,526 | - |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Non-categorical aid: | | | | |
| Education | 5,716,004 | 4,427,478 | 1,605,081 | (2,822,397) |
| Total non-categorical State aid | 5,716,004 | 4,427,478 | 1,605,081 | (2,822,397) |
| Revenue from the Federal government | - | 3,950,393 | 3,519,240 | (431,153) |
| Total intergovernmental | 5,716,004 | 8,377,871 | 5,124,321 | (3,253,550) |
| Total revenues | 5,716,004 | 9,666,397 | 6,412,847 | (3,253,550) |
| EXPENDITURES | | | | |
| Capital outlay: | | | | |
| Education | 51,403,004 | 71,304,167 | 61,262,563 | 10,041,604 |
| Total expenditures - budgetary basis | 51,403,004 | 71,304,167 | 61,262,563 | 10,041,604 |
| Less encumbrances at June 30, 2023 | - | - | (40,849,238) | 40,849,238 |
| Total expenditures | 51,403,004 | 71,304,167 | 20,413,325 | 50,890,842 |
| Deficiency of revenues under expenditures | (45,687,000) | (61,637,770) | (14,000,478) | 47,637,292 |
| OTHER FINANCING SOURCES | | | | |
| Other financing sources: | | | | |
| Transfers in | 3,162,000 | 9,123,047 | 9,123,047 | - |
| Issuance of general obligation bonds | 42,525,000 | 40,912,107 | 40,912,107 | - |
| Premium on general obligation bonds issued | - | 5,612,893 | 5,612,893 | - |
| Total other financing sources | 45,687,000 | 55,648,047 | 55,648,047 | - |
| Net change in fund balance | - | (5,989,723) | 41,647,569 | 47,637,292 |
| Fund balance - beginning | - | 6,543,944 | 6,543,944 | - |
| Fund balance - ending | \$ - | 554,221 | 48,191,513 | 47,637,292 |

See accompanying independent auditors' report.

DEBT SERVICE FUND

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 16

Debt Service Fund

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

For the Year Ended June 30, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|--------------|----------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from local sources: | | | | |
| Revenues from use of money and property | \$ - | - | 870,114 | 870,114 |
| Miscellaneous | 26,020 | 26,020 | 26,022 | 2 |
| Total revenues | 26,020 | 26,020 | 896,136 | 870,116 |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Principal retirement | 11,847,930 | 11,847,930 | 11,617,929 | 230,001 |
| Interest | 5,899,310 | 5,899,310 | 5,871,379 | 27,931 |
| Other fiscal charges | 25,700 | 25,700 | 11,375 | 14,325 |
| Debt issuance costs | 637,880 | 697,880 | 290,532 | 407,348 |
| Total expenditures | 18,410,820 | 18,470,820 | 17,791,215 | 679,605 |
| Deficiency of revenues under expenditures | (18,384,800) | (18,444,800) | (16,895,079) | 1,549,721 |
| OTHER FINANCING SOURCES | | | | |
| Other financing sources: | | | | |
| Transfers in | 17,746,920 | 17,746,920 | 17,746,920 | - |
| Issuance of general obligation bonds | 637,880 | 697,880 | 391,674 | (306,206) |
| Total other financing sources | 18,384,800 | 18,444,800 | 18,138,594 | (306,206) |
| Net change in fund balance | - | - | 1,243,515 | 1,243,515 |
| Fund balance - beginning | - | 801,817 | 801,817 | - |
| Fund balance - ending | \$ - | 801,817 | 2,045,332 | 1,243,515 |

See accompanying independent auditors' report.

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, 2023

| | Bell Creek Community Development Authority | Lewistown Community Development Authority | Escrow | Special Welfare | Commonwealth | Total |
|--|---|--|-----------|--------------------|--------------|-----------|
| ASSETS | | | | | | |
| Pooled cash, cash equivalents and investments | \$ 78,966 | 317,350 | 2,614,272 | 63,835 | 1,376 | 3,075,799 |
| Accounts receivable | 88,282 | 292,241 | - | - | - | 380,523 |
| Total assets | 167,248 | 609,591 | 2,614,272 | 63,835 | 1,376 | 3,456,322 |
| LIABILITIES | | | | | | |
| Accounts payable | 78,771 | 286,450 | 9,263 | - | - | 374,484 |
| Accrued liabilities | - | 30,900 | - | - | - | 30,900 |
| Deposits | - | - | - | - | 1,376 | 1,376 |
| Total liabilities | 78,771 | 317,350 | 9,263 | - | 1,376 | 406,760 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred revenues | 88,477 | 292,241 | - | - | - | 380,718 |
| Total deferred inflows of resources | 88,477 | 292,241 | - | - | - | 380,718 |
| NET POSITION | | | | | | |
| Restricted for: | | | | | | |
| Individuals, organizations and other governments | - | - | 2,605,009 | 63,835 | - | 2,668,844 |
| Total net position | \$ - | - | 2,605,009 | 63,835 | - | 2,668,844 |

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA

Exhibit 18

Custodial Funds

Combining Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2023

| | Bell Creek Community Development Authority | Lewistown Community Development Authority | Escrow | Special Welfare | Commonwealth | Total |
|--|---|--|-------------|--------------------|--------------|-------------|
| ADDITIONS | | | | | | |
| Income tax collections for other governments | \$ - | - | - | - | 5,965,182 | 5,965,182 |
| Sales tax collections for other governments | - | - | 748,461 | - | - | 748,461 |
| Special assessment tax collections for other governments | 156,322 | 586,988 | - | - | - | 743,310 |
| Business license surcharge collections for other governments | - | - | 45,099 | - | - | 45,099 |
| Miscellaneous | - | - | - | 81,131 | - | 81,131 |
| Total additions | 156,322 | 586,988 | 793,560 | 81,131 | 5,965,182 | 7,583,183 |
| DEDUCTIONS | | | | | | |
| Benefits paid to participants or beneficiaries | - | - | 1,694,991 | 73,477 | - | 1,768,468 |
| Administrative expense | 5,000 | - | - | - | - | 5,000 |
| Payments of income tax collections to other governments | - | - | - | - | 5,965,182 | 5,965,182 |
| Payments of sales tax to other governments | - | - | 748,461 | - | - | 748,461 |
| Payments of special assessment tax to other governments | 151,322 | 586,988 | - | - | - | 738,310 |
| Payments of business license surcharge to other governments | - | - | 45,099 | - | - | 45,099 |
| Total deductions | 156,322 | 586,988 | 2,488,551 | 73,477 | 5,965,182 | 9,270,520 |
| Net increase (decrease) in fiduciary net position | - | - | (1,694,991) | 7,654 | - | (1,687,337) |
| Net position | | | | | | |
| Beginning | - | - | 4,300,000 | 56,181 | - | 4,356,181 |
| Ending | \$ - | - | 2,605,009 | 63,835 | - | 2,668,844 |

See accompanying independent auditors' report.

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Governmental Funds:

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

Cafeteria – Accounts for the operations of school food services.

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

| | Governmental Funds | | | |
|---|----------------------|------------------|------------------|-----------------------|
| | Special Revenue | | | |
| | Student Activity | | | |
| | School | Cafeteria | Fund | Totals |
| ASSETS | | | | |
| Pooled cash, cash equivalents and investments | \$ 8,222,187 | 3,562,471 | 3,689,578 | 15,474,236 |
| Accounts receivable | 183,066 | - | - | 183,066 |
| Due from other governmental units | 15,267,640 | 202,428 | - | 15,470,068 |
| Inventory | - | 404,630 | - | 404,630 |
| Total assets | <u>\$ 23,672,893</u> | <u>4,169,529</u> | <u>3,689,578</u> | <u>31,532,000</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,782,550 | 72,181 | 170,671 | 2,025,402 |
| Accrued liabilities | 18,826,225 | 384,320 | - | 19,210,545 |
| Unearned revenues | 89,746 | - | 136,956 | 226,702 |
| Total liabilities | <u>20,698,521</u> | <u>456,501</u> | <u>307,627</u> | <u>21,462,649</u> |
| Fund balances: | | | | |
| Nonspendable | - | 404,630 | - | 404,630 |
| Restricted | 5,449 | - | 143,906 | 149,355 |
| Assigned | 2,968,923 | 3,308,398 | 3,238,045 | 9,515,366 |
| Total fund balances | <u>2,974,372</u> | <u>3,713,028</u> | <u>3,381,951</u> | <u>10,069,351</u> |
| Total liabilities and fund balances | <u>\$ 23,672,893</u> | <u>4,169,529</u> | <u>3,689,578</u> | <u>31,532,000</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. | | | | \$ 117,256,772 |
| Right to use assets in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | | 1,626,458 |
| Long-term liabilities and some accrued liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds: | | | | (8,933,760) |
| 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 | | | 5,777,600 | |
| Net pension liability | | | (116,101,797) | |
| Pension investment experience | | | (16,155,350) | |
| Pension contributions after measurement date | | | 19,248,273 | |
| Change in actual and proportionate share of pension contributions, net | | | (1,480,495) | |
| Difference between expected and actual experience | | | (8,437,388) | |
| Change in assumptions, net | | | 10,981,973 | |
| | | | | (106,167,184) |
| 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 | | | 1,872,123 | |
| Net other postemployment benefits liability | | | (22,349,042) | |
| OPEB investment experience | | | (1,236,591) | |
| OPEB contributions after measurement date | | | 2,320,122 | |
| Change in actual and proportionate share of OPEB contributions | | | (281,024) | |
| Difference between expected and actual experience | | | (208,385) | |
| Change in assumptions | | | (50,807) | |
| | | | | (19,933,604) |
| Net position of School Board Component Unit activities | | | | <u>\$ (6,081,967)</u> |

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA**Exhibit 20**

Discretely Presented Component Unit - School Board

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

For the Year Ended June 30, 2023

| | School | Cafeteria | Special Revenue Student Activity Fund | Totals |
|---|--------------|-----------|---|-------------|
| REVENUES | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property | \$ 154,800 | 78,293 | 422 | 233,515 |
| Charges for services - operating | 396,914 | 3,642,700 | 2,593,521 | 6,633,135 |
| Miscellaneous | 863,153 | 118,552 | 1,856,070 | 2,837,775 |
| Recovered costs | 150,043 | - | 631,622 | 781,665 |
| Payments from Primary Government | 97,391,654 | - | - | 97,391,654 |
| Revenue from the Commonwealth | 104,951,250 | 250,729 | - | 105,201,979 |
| Revenue from the Federal government | 13,533,812 | 4,398,732 | - | 17,932,544 |
| Total revenues | 217,441,626 | 8,489,006 | 5,081,635 | 231,012,267 |
| EXPENDITURES | | | | |
| Education | 217,282,886 | 8,300,560 | 5,010,707 | 230,594,153 |
| Debt service: | | | | |
| Principal retirement | 626,448 | 22,645 | - | 649,093 |
| Interest and fiscal charges | 25,804 | - | - | 25,804 |
| Total expenditures | 217,935,138 | 8,323,205 | 5,010,707 | 231,269,050 |
| Excess (deficiency) of revenues over (under) expenditures | (493,512) | 165,801 | 70,928 | (256,783) |
| OTHER FINANCING SOURCES | | | | |
| Other financing sources: | | | | |
| Lease financing | 423,887 | - | - | 423,887 |
| Subscription financing | 49,715 | - | - | 49,715 |
| Total other financing sources | 473,602 | - | - | 473,602 |
| Net change in fund balance | (19,910) | 165,801 | 70,928 | 216,819 |
| Fund balances - beginning | 2,994,282 | 3,547,227 | 3,311,023 | 9,852,532 |
| Fund balances - ending | \$ 2,974,372 | 3,713,028 | 3,381,951 | 10,069,351 |

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA**Exhibit 21**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Discretely Presented School Component Unit to the Statement of Activities
For the Year Ended June 30, 2023

| | |
|--|----------------------|
| Net change in fund balances - total governmental funds | \$ 216,819 |
| <p>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.</p> | |
| Capital outlay | 15,648,985 |
| Depreciation and amortization expense | (9,322,451) |
| The net effect of various miscellaneous transactions involving capital assets, such as sales, trade-ins, transfers and donations that decreased net position. | (591,660) |
| <p>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.</p> | |
| | (8,021,360) |
| 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. | (1,139,912) |
| <p>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.</p> | |
| Principal payments on leases | 371,834 |
| <p>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.</p> | |
| Principal payments on subscriptions | 277,260 |
| <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 asset, net pension liability, and deferred inflows and outflows relating to pension.</p> | |
| | 21,401,760 |
| <p>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.</p> | |
| | 895,851 |
| Changes in net position of School Board Component Unit activities | <u>\$ 19,737,126</u> |

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA

Exhibit 22

School Fund - School Board

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

For the Year Ended June 30, 2023

| | 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 | 480,000 | 480,000 | 396,914 | (83,086) |
| Total charges for services | 480,000 | 480,000 | 396,914 | (83,086) |
| Miscellaneous: | | | | |
| Miscellaneous | 1,649,000 | 1,678,970 | 863,153 | (815,817) |
| Total miscellaneous revenues | 1,649,000 | 1,678,970 | 863,153 | (815,817) |
| Recovered costs: | | | | |
| Recovered costs | 935,000 | 1,018,055 | 150,043 | (868,012) |
| Total recovered costs | 935,000 | 1,018,055 | 150,043 | (868,012) |
| Payments from Primary Government: | | | | |
| General Fund | 104,370,000 | 105,180,000 | 97,391,654 | (7,788,346) |
| Total payments from Primary Government | 104,370,000 | 105,180,000 | 97,391,654 | (7,788,346) |
| Total revenue from local sources | 107,588,800 | 108,511,825 | 98,956,564 | (9,555,261) |
| Revenue from the Commonwealth: | | | | |
| Non-categorical aid: | | | | |
| Non-categorical aid programs | 73,647,441 | 75,941,808 | 77,270,573 | 1,328,765 |
| Total non-categorical aid | 73,647,441 | 75,941,808 | 77,270,573 | 1,328,765 |
| Categorical aid: | | | | |
| Categorical aid programs | 28,430,369 | 28,218,044 | 27,680,677 | (537,367) |
| Total categorical aid | 28,430,369 | 28,218,044 | 27,680,677 | (537,367) |
| Total revenue from the Commonwealth | 102,077,810 | 104,159,852 | 104,951,250 | 791,398 |
| Revenue from the Federal government: | | | | |
| Categorical aid: | | | | |
| Department of Education | 7,593,225 | 15,395,750 | 13,533,812 | (1,861,938) |
| Total revenue from the Federal government | 7,593,225 | 15,395,750 | 13,533,812 | (1,861,938) |
| Total revenues | 217,259,835 | 228,067,427 | 217,441,626 | (10,625,801) |
| EXPENDITURES | | | | |
| Education: | | | | |
| General support | 10,950,361 | 12,928,006 | 11,838,590 | 1,089,416 |
| Pupil transportation | 10,352,714 | 11,001,712 | 10,461,852 | 539,860 |
| Operations and maintenance | 15,039,099 | 15,210,383 | 15,201,637 | 8,746 |
| Instruction | 180,232,379 | 190,349,463 | 180,454,609 | 9,894,854 |
| Facilities | 685,282 | 965,949 | 809,674 | 156,275 |
| Total education | 217,259,835 | 230,455,513 | 218,766,362 | 11,689,151 |
| Debt service: | | | | |
| Principal retirement | - | - | 626,448 | (626,448) |
| Interest and fiscal charges | - | - | 25,804 | (25,804) |
| Total debt service | - | - | 652,252 | (652,252) |
| Total expenditures - budgetary basis | 217,259,835 | 230,455,513 | 219,418,614 | 11,036,899 |
| Less encumbrances at June 30, 2023 | - | - | (1,483,476) | 1,483,476 |
| Total expenditures | 217,259,835 | 230,455,513 | 217,935,138 | 12,520,375 |
| Deficiency of revenues under expenditures | - | (2,388,086) | (493,512) | 1,894,574 |
| OTHER FINANCING SOURCES AND USES | | | | |
| Other financing sources: | | | | |
| Lease financing | - | - | 423,887 | 423,887 |
| Subscription financing | - | - | 49,715 | 49,715 |
| Total other financing sources | - | - | 473,602 | 473,602 |
| Other financing uses: | | | | |
| Operating transfers out: | - | (606,196) | - | 606,196 |
| Total other financing uses | - | (606,196) | - | 606,196 |
| Other financing sources (uses), net | - | (606,196) | 473,602 | (132,594) |
| Net change in fund balance | - | (2,994,282) | (19,910) | 1,761,980 |
| Fund balance - beginning | - | 2,994,282 | 2,994,282 | - |
| Fund balance - ending | \$ - | - | 2,974,372 | 2,974,372 |

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA**Exhibit 23**

Cafeteria Fund - School Board

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

For the Year Ended June 30, 2023

| | 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 | \$ - | - | 78,293 | 78,293 |
| Charges for services | 385,000 | 3,493,556 | 3,642,700 | 149,144 |
| Miscellaneous revenues | 375,000 | 375,000 | 118,552 | (256,448) |
| Total revenues from local sources | 760,000 | 3,868,556 | 3,839,545 | (29,011) |
| Intergovernmental revenue: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| School food programs | 203,040 | 203,040 | 250,729 | 47,689 |
| Total revenues from the Commonwealth | 203,040 | 203,040 | 250,729 | 47,689 |
| Revenue from the Federal government: | | | | |
| Categorical aid: | | | | |
| USDA donated commodities | 400,001 | 400,001 | 514,595 | 114,594 |
| School food programs | 7,547,629 | 3,678,114 | 3,884,137 | 206,023 |
| Total revenues from the Federal government | 7,947,630 | 4,078,115 | 4,398,732 | 320,617 |
| Total intergovernmental revenues | 8,150,670 | 4,281,155 | 4,649,461 | 368,306 |
| Total revenues | 8,910,670 | 8,149,711 | 8,489,006 | 339,295 |
| EXPENDITURES | | | | |
| Education: | | | | |
| Cafeteria | 8,910,670 | 9,875,077 | 8,318,376 | 1,556,701 |
| Total education | 8,910,670 | 9,875,077 | 8,318,376 | 1,556,701 |
| Debt service: | | | | |
| Principal retirement | - | - | 22,645 | (22,645) |
| Total debt service | - | - | 22,645 | (22,645) |
| Total expenditures - budgetary basis | 8,910,670 | 9,875,077 | 8,341,021 | 1,534,056 |
| Less encumbrances at June 30, 2023 | - | - | (17,816) | 17,816 |
| Total expenditures | 8,910,670 | 9,875,077 | 8,323,205 | 1,551,872 |
| OTHER FINANCING SOURCES | | | | |
| Other financing sources: | | | | |
| Transfers in | - | 606,196 | - | (606,196) |
| Total other financing sources | - | 606,196 | - | (606,196) |
| Net change in fund balance | - | (1,119,170) | 165,801 | 1,284,971 |
| Fund balance - beginning | - | 3,547,227 | 3,547,227 | - |
| Fund balance - ending | \$ - | 2,428,057 | 3,713,028 | 1,284,971 |

See accompanying independent auditors' report.

DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY

Governmental Fund:

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

COUNTY OF HANOVER, VIRGINIA**Exhibit 24**

Discretely Presented Component Unit - Economic Development Authority

Balance Sheet

June 30, 2023

ASSETS

| | |
|---|---------------------|
| Pooled cash, cash equivalents and investments | \$ 1,816,669 |
| Total assets | <u>\$ 1,816,669</u> |

LIABILITIES AND FUND BALANCES

| | |
|-------------------|------------------|
| Accounts payable | \$ 1,694,991 |
| Total liabilities | <u>1,694,991</u> |

Fund balances:

| | |
|-------------------------------------|---------------------|
| Unassigned | <u>121,678</u> |
| Total fund balances | <u>121,678</u> |
| Total liabilities and fund balances | <u>\$ 1,816,669</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. | \$ 1,100,000 |
| 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. | (1,100,000) |
| Total net position of the Economic Development Authority | <u>\$ 121,678</u> |

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA**Exhibit 25**

Discretely Presented Component Unit - Economic Development Authority

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

For the Year Ended June 30, 2023

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|--------------------|-----------------|----------------|---|
| REVENUES | | | | |
| Charges for services: | | | | |
| Economic development fees | \$ 84,610 | 84,610 | 84,155 | (455) |
| Recovered costs | - | - | 768 | 768 |
| Payments from Primary Government: | | | | |
| General Fund | - | 1,694,992 | 1,694,991 | (1) |
| Total revenues | 84,610 | 1,779,602 | 1,779,914 | 312 |
| EXPENDITURES | | | | |
| Community Development: | | | | |
| Economic development | 84,610 | 1,779,602 | 1,776,292 | 3,310 |
| Total expenditures | 84,610 | 1,779,602 | 1,776,292 | 3,310 |
| Excess of revenues over expenditures | - | - | 3,622 | 3,622 |
| Net change in fund balance | - | - | 3,622 | 3,622 |
| Fund balance - beginning | - | 118,056 | 118,056 | - |
| Fund balance - ending | \$ - | 118,056 | 121,678 | 3,622 |

See accompanying independent auditors' report.

STATISTICAL SECTION

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

| | <u>Pages</u> |
|--|---------------------|
| Financial Trends Information | 169 - 175 |
| 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 | 176 - 179 |
| 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 | 180 - 181 |
| 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 | 182 - 183 |
| 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 | 184 - 186 |
| 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

| | 2014 | 2015 (1) | 2016 | 2017 | 2018 (2) | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 74,495,930 | 73,603,011 | 77,813,118 | 78,760,193 | 81,867,826 | 82,130,809 | 84,032,333 | 90,679,700 | 98,372,276 | 108,465,433 |
| Restricted | 7,621,816 | 8,444,892 | 8,991,060 | 9,405,975 | 8,211,782 | 7,883,977 | 8,716,897 | 21,217,462 | 41,922,959 | 47,512,826 |
| Unrestricted | 66,759,717 | 50,299,917 | 57,293,783 | 58,254,707 | 55,720,981 | 64,185,650 | 82,697,815 | 103,751,059 | 127,169,386 | 176,061,424 |
| Total net position, governmental activities | \$ 148,877,463 | 132,347,820 | 144,097,961 | 146,420,875 | 145,800,589 | 154,200,436 | 175,447,045 | 215,648,221 | 267,464,621 | 332,039,683 |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 187,148,593 | 192,592,248 | 196,617,097 | 202,891,621 | 213,370,261 | 218,728,265 | 225,248,001 | 234,210,628 | 238,711,588 | 252,469,325 |
| Restricted | 3,474,707 | 3,524,693 | 3,486,303 | 3,587,279 | 3,755,185 | 3,887,194 | 4,063,710 | 4,237,420 | 5,053,581 | 5,084,921 |
| Unrestricted | 20,297,896 | 18,734,211 | 22,080,371 | 25,425,525 | 26,360,193 | 28,920,096 | 33,053,382 | 36,392,034 | 42,199,872 | 44,133,051 |
| Total net position, business-type activities | \$ 210,921,196 | 214,851,152 | 222,183,771 | 231,904,425 | 243,485,639 | 251,535,555 | 262,365,093 | 274,840,082 | 285,965,041 | 301,687,297 |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | \$ 261,644,523 | 266,195,259 | 274,430,215 | 281,651,814 | 295,238,087 | 300,859,074 | 309,280,334 | 324,890,328 | 337,083,864 | 360,934,758 |
| Restricted | 11,096,523 | 11,969,585 | 12,477,363 | 12,993,254 | 11,966,967 | 11,771,171 | 12,780,607 | 25,454,882 | 46,976,540 | 52,597,747 |
| Unrestricted | 87,057,613 | 69,034,128 | 79,374,154 | 83,680,232 | 82,081,174 | 93,105,746 | 115,751,197 | 140,143,093 | 169,369,258 | 220,194,475 |
| Total net position, Primary Government | \$ 359,798,659 | 347,198,972 | 366,281,732 | 378,325,300 | 389,286,228 | 405,735,991 | 437,812,138 | 490,488,303 | 553,429,662 | 633,726,980 |

Notes: (1) The County adopted GASB Statement Nos. 68 and 71 in fiscal year 2015. Prior years have not been adjusted for the effect of this statement on net position.

(2) The County adopted GASB Statement No. 75 in fiscal year 2018. Prior years have not been adjusted for the effect of this statement on the change in net position.

COUNTY OF HANOVER, VIRGINIA

Changes in Net Position (Unaudited)

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2

| | Fiscal Year | | | | | | | | | |
|---|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2015 (1) | 2016 | 2017 | 2018 (2) | 2019 | 2020 | 2021 | 2022 | 2023 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government administration | \$ 13,327,904 | 14,078,698 | 14,579,237 | 16,697,133 | 15,979,421 | 18,288,850 | 19,062,592 | 28,757,564 | 20,206,436 | 21,851,839 |
| Judicial administration | 4,671,068 | 4,699,748 | 4,968,826 | 6,931,360 | 7,981,981 | 7,493,514 | 8,030,417 | 8,513,448 | 8,237,142 | 9,247,168 |
| Public safety | 50,081,795 | 51,586,916 | 53,695,056 | 59,422,217 | 60,731,436 | 63,126,625 | 65,689,440 | 72,941,427 | 74,214,530 | 78,549,808 |
| Public works | 8,156,659 | 15,054,599 | 14,580,033 | 17,693,369 | 27,958,841 | 20,567,158 | 23,624,070 | 9,883,199 | 13,282,508 | 23,489,986 |
| Human services | 20,053,613 | 20,364,814 | 21,222,733 | 22,498,625 | 23,401,758 | 24,900,685 | 26,204,530 | 27,851,496 | 28,152,179 | 31,133,754 |
| Parks, recreation and cultural | 5,914,812 | 6,118,595 | 6,189,937 | 6,615,395 | 6,475,656 | 6,760,866 | 6,675,108 | 6,156,104 | 6,835,545 | 7,940,771 |
| Community development | 4,556,186 | 4,723,408 | 5,094,822 | 5,139,068 | 5,297,842 | 5,650,983 | 5,614,279 | 7,349,683 | 6,490,492 | 8,564,677 |
| Education | 80,080,452 | 82,732,244 | 85,215,836 | 89,409,847 | 93,998,917 | 98,123,845 | 98,169,817 | 100,193,462 | 109,318,093 | 112,020,355 |
| Interest on long-term debt | 8,266,750 | 6,005,268 | 6,611,846 | 6,132,233 | 5,883,953 | 5,787,665 | 5,303,168 | 5,124,498 | 4,654,246 | 5,881,531 |
| Total governmental activities expenses | 195,109,239 | 205,364,290 | 212,158,326 | 230,539,247 | 247,709,805 | 250,700,191 | 258,373,421 | 266,770,881 | 271,391,171 | 298,679,889 |
| Business-type activities: | | | | | | | | | | |
| Public utilities | 26,704,949 | 26,303,713 | 26,302,409 | 26,477,038 | 25,936,698 | 28,217,686 | 29,236,870 | 31,022,556 | 30,033,599 | 32,748,954 |
| Airport | 649,430 | 736,601 | 627,311 | 625,962 | 658,321 | 733,997 | 863,690 | 1,029,520 | 1,090,344 | 1,116,029 |
| Total business-type activities expenses | 27,354,379 | 27,040,314 | 26,929,720 | 27,103,000 | 26,595,019 | 28,951,683 | 30,100,560 | 32,052,076 | 31,123,943 | 33,864,983 |
| Total expenses, Primary Government | \$ 222,463,618 | 232,404,604 | 239,088,046 | 257,642,247 | 274,304,824 | 279,651,874 | 288,473,981 | 298,822,957 | 302,515,114 | 332,544,872 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General governmental administration | \$ 1,919,543 | 1,945,854 | 1,687,666 | 1,847,076 | 2,362,301 | 2,414,877 | 2,455,585 | 2,841,171 | 2,789,177 | 2,657,257 |
| Judicial administration | 1,131,565 | 1,114,869 | 1,049,789 | 1,077,473 | 1,068,257 | 1,042,023 | 959,741 | 1,124,110 | 912,416 | 873,583 |
| Public safety | 4,520,561 | 4,828,466 | 4,664,786 | 5,181,569 | 4,924,849 | 5,703,634 | 5,592,212 | 5,920,796 | 8,432,176 | 7,646,490 |
| Public works | 1,270,579 | 1,021,198 | 1,106,528 | 1,715,083 | 2,428,584 | 2,579,622 | 1,788,663 | 2,088,305 | 2,479,498 | 2,416,642 |
| Human services | 3,563,282 | 3,462,587 | 3,338,548 | 3,346,538 | 3,230,466 | 3,455,355 | 3,285,753 | 3,208,018 | 3,743,972 | 4,091,201 |
| Parks, recreation and cultural | 523,055 | 456,682 | 480,162 | 554,834 | 255,579 | 657,269 | 524,249 | 158,623 | 267,644 | 406,694 |
| Community development | 973,409 | 1,077,596 | 1,204,089 | 1,166,607 | 1,280,476 | 1,212,482 | 1,099,820 | 807,082 | 1,718,429 | 1,507,217 |
| Operating grants and contributions | 17,090,061 | 16,135,262 | 16,575,846 | 19,167,150 | 18,643,069 | 18,980,164 | 19,925,541 | 20,848,487 | 22,461,537 | 25,798,873 |
| Capital grants and contributions | 4,400,177 | 6,157,602 | 5,331,207 | 5,697,464 | 14,202,534 | 8,901,635 | 16,048,539 | 16,603,436 | 18,410,990 | 34,236,661 |
| Total governmental activities program revenues | 35,392,232 | 36,200,116 | 35,438,621 | 39,753,794 | 48,396,115 | 44,947,061 | 51,680,103 | 53,600,028 | 61,215,839 | 79,634,618 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Public utilities | 22,727,173 | 23,922,093 | 30,524,162 | 30,374,748 | 30,091,001 | 31,484,081 | 33,137,653 | 34,917,953 | 35,905,086 | 35,065,163 |
| Airport ⁽¹⁾ | 194,468 | 207,379 | 207,288 | 215,748 | 221,383 | 227,988 | 286,679 | 415,749 | 653,989 | 606,179 |
| Operating grants and contributions | - | - | - | - | - | - | 30,000 | 192,993 | 531,708 | 67,027 |
| Capital grants and contributions | 10,021,676 | 8,745,545 | 3,282,212 | 6,131,327 | 8,094,840 | 4,232,942 | 6,062,536 | 8,831,694 | 5,771,948 | 12,240,152 |
| Total business-type activities program revenues | 32,943,317 | 32,875,017 | 34,013,662 | 36,721,823 | 38,407,224 | 35,945,011 | 39,516,868 | 44,358,389 | 42,862,731 | 47,978,521 |
| Total program revenues, Primary Government | \$ 68,335,549 | 69,075,133 | 69,452,283 | 76,475,617 | 86,803,339 | 80,892,072 | 91,196,971 | 97,958,417 | 104,078,570 | 127,613,139 |
| Net (Expense) Revenue | | | | | | | | | | |
| Governmental activities | \$ (159,717,007) | (169,164,174) | (176,719,705) | (191,055,453) | (199,313,690) | (205,753,130) | (206,693,318) | (213,170,853) | (210,175,332) | (219,045,271) |
| Business-type activities | 5,588,938 | 5,834,703 | 7,083,942 | 9,618,823 | 11,812,205 | 6,993,328 | 9,416,308 | 12,306,313 | 11,738,788 | 14,113,538 |
| Total net expense, Primary Government | \$ (154,128,069) | (163,329,471) | (169,635,763) | (181,436,630) | (187,501,485) | (198,759,802) | (197,277,010) | (200,864,540) | (198,436,544) | (204,931,733) |

(continued)

COUNTY OF HANOVER, VIRGINIA

Changes in Net Position (Unaudited)

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 (1) | 2016 | 2017 | 2018 (2) | 2019 | 2020 | 2021 | 2022 | 2023 |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$ 127,974,854 | 130,303,062 | 139,280,061 | 143,800,396 | 152,312,919 | 161,303,287 | 172,139,996 | 179,819,627 | 197,107,865 | 215,488,267 |
| Sales taxes | 18,158,255 | 19,201,921 | 19,886,580 | 20,752,689 | 22,037,982 | 22,863,888 | 24,952,022 | 27,749,559 | 31,386,268 | 33,420,552 |
| Utility taxes | 6,769,285 | 6,770,101 | 6,726,388 | 6,639,025 | 6,557,712 | 6,156,966 | 6,195,954 | 5,683,606 | 5,643,223 | 5,540,862 |
| Recordation taxes | 1,955,691 | 2,165,891 | 2,431,061 | 2,403,524 | 2,460,540 | 2,561,531 | 2,988,339 | 3,598,741 | 3,570,398 | 2,515,902 |
| Other | 2,387,749 | 2,552,378 | 2,835,584 | 3,024,186 | 3,266,880 | 3,576,388 | 3,635,955 | 3,408,364 | 4,220,016 | 4,801,365 |
| Noncategorical State aid | 15,273,372 | 15,107,698 | 15,322,281 | 15,390,161 | 15,433,308 | 15,550,167 | 15,558,068 | 15,695,095 | 15,582,768 | 15,627,543 |
| Grants and contributions not restricted to specific programs | 1,283,768 | 1,468,137 | 1,416,225 | 1,338,897 | 911,867 | 244,755 | 760,510 | 17,585,090 | 6,154,359 | 1,473,587 |
| Unrestricted investment earnings | 322,311 | 302,518 | 582,027 | 81,738 | 239,848 | 1,948,024 | 2,138,527 | 623 | (1,559,198) | 4,880,755 |
| Transfers | - | (90,074) | (10,361) | (52,249) | (71,018) | (52,029) | (429,444) | (168,676) | (113,967) | (128,500) |
| Total general revenues and other changes in net position, governmental activities | 174,125,285 | 177,781,632 | 188,469,846 | 193,378,367 | 203,150,038 | 214,152,977 | 227,939,927 | 253,372,029 | 261,991,732 | 283,620,333 |
| Business-type activities: | | | | | | | | | | |
| Public utilities - unrestricted investment earnings | 110,332 | 104,280 | 188,316 | 49,582 | 112,532 | 1,004,559 | 983,786 | - | (530,144) | 1,282,566 |
| Transfers - Airport fund | - | 90,074 | 10,361 | 52,249 | 71,018 | 52,029 | 429,444 | 168,676 | 113,967 | 128,500 |
| Total general revenues and other changes in net position, business-type activities | 110,332 | 194,354 | 198,677 | 101,831 | 183,550 | 1,056,588 | 1,413,230 | 168,676 | (416,177) | 1,411,066 |
| Total general revenues and other changes in net position, Primary Government | \$ 174,235,617 | 177,975,986 | 188,668,523 | 193,480,198 | 203,333,588 | 215,209,565 | 229,353,157 | 253,540,705 | 261,575,555 | 285,031,399 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 14,408,278 | 8,617,458 | 11,750,141 | 2,322,914 | 3,836,348 | 8,399,847 | 21,246,609 | 40,201,176 | 51,816,400 | 64,575,062 |
| Business-type activities | 5,699,270 | 6,029,057 | 7,282,619 | 9,720,654 | 11,995,755 | 8,049,916 | 10,829,538 | 12,474,989 | 11,322,611 | 15,524,604 |
| Total change in net position, Primary Government | \$ 20,107,548 | 14,646,515 | 19,032,760 | 12,043,568 | 15,832,103 | 16,449,763 | 32,076,147 | 52,676,165 | 63,139,011 | 80,099,666 |

Notes: (1) The County adopted GASB Statement Nos. 68 and 71 in fiscal year 2015. Prior years have not been adjusted for the effect of this statement on the change in net position.

(2) The County adopted GASB Statement No. 75 in fiscal year 2018. Prior years have not been adjusted for the effect of this statement on the change in net position.

COUNTY OF HANOVER, VIRGINIA

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) | | | | | | | | | | |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| General Fund: | | | | | | | | | | |
| Nonspendable | \$ 263,620 | 201,790 | 221,923 | 248,444 | 247,392 | 265,730 | 945,922 | 322,804 | 341,221 | 391,488 |
| Restricted | 975,241 | 892,123 | 894,106 | 693,755 | 868,647 | 924,397 | 971,724 | 921,756 | 1,003,815 | 1,595,759 |
| Committed | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 50,000 | 500,000 | 500,000 |
| Assigned | 23,260,372 | 24,467,668 | 26,794,234 | 21,741,736 | 20,386,174 | 21,808,028 | 27,557,732 | 48,726,920 | 60,820,138 | 65,317,507 |
| Unassigned | 25,644,215 | 26,418,188 | 28,169,774 | 29,351,651 | 30,870,027 | 33,241,543 | 35,558,697 | 37,884,183 | 40,333,577 | 44,243,616 |
| Total General Fund | \$ 50,643,448 | 52,479,769 | 56,580,037 | 52,535,586 | 52,872,240 | 56,739,698 | 65,534,075 | 87,905,663 | 102,998,751 | 112,048,370 |
| All other governmental funds: ⁽²⁾ | | | | | | | | | | |
| Nonspendable | \$ 178,126 | 158,852 | 290,107 | 264,560 | 214,911 | 155,515 | 1,203,231 | 137,524 | 1,932,705 | 1,748,276 |
| Restricted | 26,801,595 | 24,100,147 | 23,664,172 | 22,321,649 | 11,813,267 | 19,619,407 | 20,646,953 | 34,145,237 | 44,496,712 | 87,056,225 |
| Assigned | 11,298,077 | 13,646,110 | 12,898,509 | 19,819,146 | 18,584,547 | 19,596,130 | 23,772,281 | 22,435,302 | 25,073,596 | 47,031,471 |
| Total All Other Governmental Funds | \$ 38,277,798 | 37,905,109 | 36,852,788 | 42,405,355 | 30,612,725 | 39,371,052 | 45,622,465 | 56,718,063 | 71,503,013 | 135,835,972 |

- Notes: (1) Source: County of Hanover, Virginia Comprehensive Annual 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

Table 4

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

| Primary Government: | Fiscal Year | | | | |
|--|----------------------|------------------|------------------|------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| REVENUES | | | | | |
| General property taxes | \$ 127,474,854 | 132,279,062 | 137,857,061 | 144,598,402 | 152,391,918 |
| Other local taxes | 29,270,980 | 30,690,291 | 31,879,613 | 32,819,424 | 34,323,112 |
| Permits, privilege fees and regulatory licenses | 2,172,162 | 2,126,778 | 2,143,668 | 2,192,797 | 2,198,363 |
| Fines and forfeitures | 1,142,444 | 1,086,243 | 1,002,872 | 1,033,165 | 1,010,284 |
| Revenues from use of money and property | 710,460 | 796,077 | 1,260,668 | 706,628 | 1,054,226 |
| Charges for services | 9,170,473 | 8,015,343 | 7,764,617 | 8,982,222 | 8,931,873 |
| Miscellaneous | 960,005 | 1,050,022 | 875,690 | 1,065,300 | 978,881 |
| Recovered costs | 3,743,137 | 3,746,404 | 3,539,942 | 3,445,940 | 4,900,822 |
| Intergovernmental (state and federal) | 34,174,720 | 36,088,750 | 35,946,025 | 39,241,368 | 46,264,286 |
| Total revenues | 208,819,235 | 215,878,970 | 222,270,156 | 234,085,246 | 252,053,765 |
| EXPENDITURES | | | | | |
| General governmental administration | 13,610,993 | 15,080,859 | 16,799,922 | 17,695,118 | 22,657,863 |
| Judicial administration | 5,602,584 | 9,260,522 | 27,667,680 | 13,139,599 | 6,346,665 |
| Public safety | 48,819,005 | 52,259,053 | 54,722,857 | 56,060,444 | 64,089,189 |
| Public works | 10,928,408 | 14,300,650 | 14,374,485 | 18,779,795 | 27,725,516 |
| Human services | 20,337,280 | 20,978,177 | 21,640,679 | 22,172,932 | 23,769,039 |
| Parks, recreation and cultural | 5,472,274 | 5,748,956 | 6,116,007 | 6,161,919 | 6,856,335 |
| Community development | 4,565,432 | 4,824,351 | 5,120,515 | 5,077,614 | 5,550,600 |
| Education expenditures, for: | | | | | |
| Instruction, operations and administration | 70,939,017 | 71,361,872 | 72,803,686 | 76,666,934 | 80,582,583 |
| Capital outlay | 1,632,012 | 6,188,679 | 3,527,024 | 7,224,396 | 10,199,131 |
| Total education, Primary Government | 72,571,029 | 77,550,551 | 76,330,710 | 83,891,330 | 90,781,714 |
| Debt service: | | | | | |
| Principal retirement | 13,312,349 | 12,581,509 | 12,477,200 | 12,788,637 | 12,945,718 |
| Interest and fiscal charges | 6,451,957 | 6,728,512 | 6,811,762 | 6,763,982 | 6,720,089 |
| Total debt service | 19,764,306 | 19,310,021 | 19,288,962 | 19,552,619 | 19,665,807 |
| Bond issuance costs | 307,254 | 246,024 | 289,742 | 40,116 | 99,255 |
| Total expenditures | 201,978,565 | 219,559,164 | 242,351,559 | 242,571,486 | 267,541,983 |
| Excess (deficiency) of revenues over (under) expenditures | 6,840,670 | (3,680,194) | (20,081,403) | (8,486,240) | (15,488,218) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 23,595,558 | 27,503,653 | 26,712,119 | 33,891,124 | 29,830,816 |
| Transfers out | (23,595,558) | (27,593,727) | (26,722,480) | (33,943,373) | (29,901,834) |
| Sale of capital assets | - | - | - | - | - |
| Bonds issued | 22,896,441 | 5,014,371 | 23,139,711 | 10,046,605 | 4,044,300 |
| Refunding bonds issued | - | 23,903,469 | - | - | 1,548,284 |
| Payments to escrow agent | - | (23,683,940) | - | - | (1,489,324) |
| Lease financing | - | - | - | - | - |
| Subscription financing | - | - | - | - | - |
| Total other financing sources, net | 22,896,441 | 5,143,826 | 23,129,350 | 9,994,356 | 4,032,242 |
| Net change in fund balances | \$ 29,737,111 | 1,463,632 | 3,047,947 | 1,508,116 | (11,455,976) |
| County capital outlay (other than for education) contained in functional expenditure categories, above | \$ 8,426,621 | 9,174,311 | 30,947,021 | 14,701,082 | 16,124,188 |
| GASB 44 debt service disclosure (Primary Government): (2) | | | | | |
| Noncapital expenditures | 193,551,944 | 210,384,853 | 211,404,538 | 227,870,404 | 251,417,795 |
| Debt service as a percentage of noncapital expenditures, | | | | | |
| Primary Government, governmental funds | 10.2% | 9.2% | 9.1% | 8.6% | 7.8% |
| Self-imposed debt margin compliance (Total Reporting Entity): (1) | | | | | |
| Noncapital expenditures - total reporting entity | \$ 290,620,815 | 303,333,119 | 307,134,844 | 318,829,642 | 331,834,249 |
| Debt service as a percent of noncapital expenditures - total reporting entity | 6.8% | 6.4% | 6.3% | 6.1% | 5.9% |

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

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

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

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

COUNTY OF HANOVER, VIRGINIA

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

Last Ten Fiscal Years

(modified accrual basis of accounting)

Table 4

| Fiscal Year | | | | | |
|--------------|--------------|--------------|--------------|--------------|--|
| 2019 | 2020 | 2021 | 2022 | 2023 | |
| 160,914,283 | 171,784,998 | 180,507,626 | 196,221,864 | 216,108,267 | REVENUES |
| 35,158,773 | 37,772,270 | 51,118,956 | 59,249,303 | 60,668,774 | General property taxes |
| 2,440,338 | 2,296,678 | 2,754,554 | 4,026,979 | 3,101,061 | Other local taxes |
| 986,439 | 863,633 | 918,173 | 735,721 | 789,528 | Permits, privilege fees and regulatory licenses |
| 2,925,216 | 4,135,352 | 850,725 | (729,084) | 7,822,248 | Fines and forfeitures |
| 9,653,345 | 9,850,206 | 9,122,320 | 10,911,430 | 10,655,964 | Revenues from use of money and property |
| 1,576,947 | 833,771 | 1,332,024 | 1,657,674 | 1,827,965 | Charges for services |
| 4,667,132 | 4,193,451 | 4,345,971 | 4,406,220 | 4,970,698 | Miscellaneous |
| 40,921,536 | 48,441,282 | 57,395,718 | 45,275,321 | 56,899,962 | Recovered costs |
| 259,244,009 | 280,171,641 | 308,346,067 | 321,755,428 | 362,844,467 | Intergovernmental (state and federal) |
| | | | | | Total revenues |
| 19,210,640 | 23,819,097 | 21,925,598 | 20,177,112 | 27,723,377 | EXPENDITURES |
| 6,463,712 | 6,829,972 | 7,603,852 | 8,339,334 | 11,565,556 | General governmental administration |
| 62,841,589 | 65,606,558 | 73,976,095 | 77,555,479 | 81,529,204 | Judicial administration |
| 21,778,298 | 26,092,396 | 20,100,168 | 20,042,811 | 29,129,235 | Public safety |
| 25,496,769 | 26,364,325 | 27,806,894 | 29,229,576 | 31,801,794 | Public works |
| 7,678,142 | 14,013,475 | 7,014,451 | 6,522,803 | 9,422,400 | Human services |
| 6,046,934 | 5,482,997 | 7,471,214 | 6,417,438 | 8,530,063 | Parks, recreation and cultural |
| | | | | | Community development |
| 82,871,239 | 85,931,936 | 84,263,313 | 93,874,859 | 97,391,654 | Education expenditures, for: |
| 11,413,274 | 3,404,742 | 15,464,747 | 11,445,036 | 20,413,325 | Instruction, operations and administration |
| | | | | | Capital outlay |
| 94,284,513 | 89,336,678 | 99,728,060 | 105,319,895 | 117,804,979 | Total education, Primary Government |
| 13,407,335 | 13,855,812 | 12,601,325 | 12,850,752 | 12,747,130 | Debt service: |
| 6,365,400 | 6,229,538 | 6,039,034 | 5,864,651 | 5,993,531 | Principal retirement |
| 19,772,735 | 20,085,350 | 18,640,359 | 18,715,403 | 18,740,661 | Interest and fiscal charges |
| 195,341 | 309,924 | 43,848 | - | 290,532 | Total debt service |
| 263,768,673 | 277,940,772 | 284,310,539 | 292,319,851 | 336,537,801 | Bond issuance costs |
| (4,524,664) | 2,230,869 | 24,035,528 | 29,435,577 | 26,306,666 | Total expenditures |
| | | | | | Excess (deficiency) of revenues over (under) expenditures |
| 32,105,142 | 33,325,144 | 29,761,342 | 38,344,039 | 57,409,987 | OTHER FINANCING SOURCES (USES) |
| (32,157,171) | (33,754,588) | (29,930,018) | (38,458,006) | (57,538,487) | Transfers in |
| - | - | - | - | - | Transfers out |
| 17,202,478 | 13,043,805 | 10,050,334 | - | 46,916,674 | Sale of capital assets |
| - | 17,548,142 | - | - | - | Bonds issued |
| - | (17,347,582) | - | - | - | Refunding bonds issued |
| - | - | - | 106,428 | 111,456 | Payments to escrow agent |
| - | - | - | - | 176,282 | Lease financing |
| 17,150,449 | 12,814,921 | 9,881,658 | (7,539) | 47,075,912 | Subscription financing |
| | | | | | Total other financing sources, net |
| 12,625,785 | 15,045,790 | 33,917,186 | 29,428,038 | 73,382,578 | Net change in fund balances |
| 11,042,197 | 23,304,108 | 18,651,268 | 18,025,619 | 30,242,399 | County capital outlay (other than for education) contained in functional expenditure categories, above |
| 252,726,476 | 254,636,664 | 265,659,271 | 274,294,232 | 306,295,402 | GASB 44 Debt Service Disclosure (primary government): (2) |
| 7.8% | 7.9% | 7.0% | 6.8% | 6.1% | Noncapital expenditures |
| | | | | | Debt service as a percentage of noncapital expenditures, Primary Government, governmental funds |
| 341,092,828 | 348,306,761 | 362,932,063 | 390,893,382 | 415,438,986 | Self-imposed debt margin compliance (total reporting entity): (1) |
| 5.8% | 5.8% | 5.1% | 4.8% | 4.6% | Noncapital expenditures - total reporting entity |
| | | | | | Debt service as a percent of noncapital expenditures - total reporting entity |

To assist the reader, the fiscal year 2023 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 2023 | Self-imposed | GASB 44 |
| | Total Reporting Entity (Note 1) | Primary Government (Note 2) |
| Total expenditures | \$ 769,768,002 | 336,537,801 |
| Less: | | |
| Capital Outlay | (354,329,016) | (30,242,399) |
| Noncapital expenditures | \$ 415,438,986 | 306,295,402 |
| Debt service expenditures | \$ 19,031,193 | 18,740,661 |
| As a % of noncapital expenditures | 4.6% | 6.1% |

COUNTY OF HANOVER, VIRGINIA

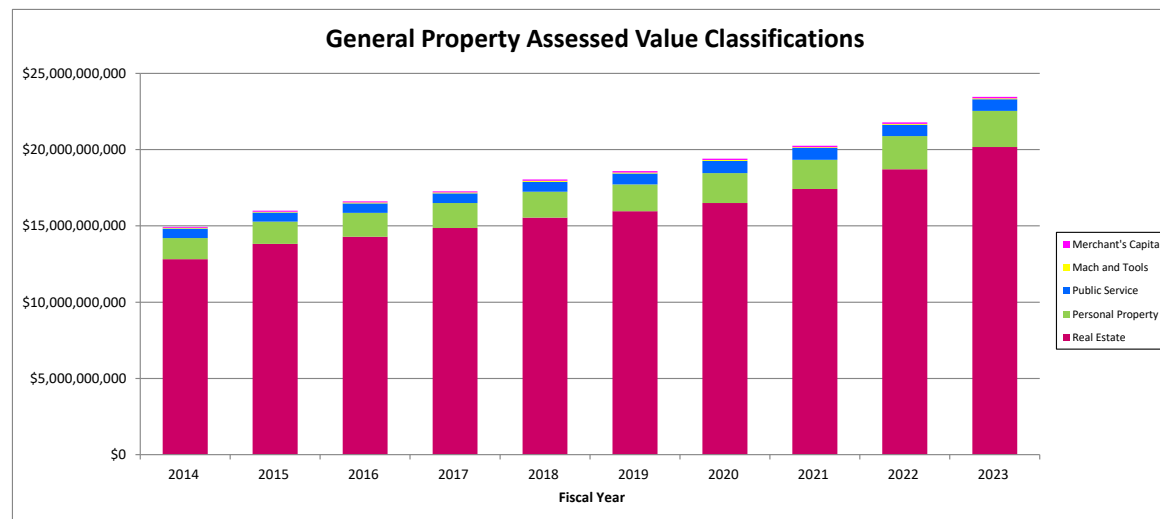
Table 5

Assessed Value and Estimated Actual Value of Taxable Property ^(1,2) (Unaudited)
Last Ten Fiscal Years

| Fiscal Year | Real Estate | Personal Property | Machinery and Tools (3) | Merchant's Capital | Public Service Corporations (4) | Total Taxable Assessed Value | Total Direct Tax Rate (5) | Estimated Actual Taxable Value (6) | Taxable Assessed Value as a % of Actual Taxable Value |
|------------------|----------------|-------------------|-------------------------|--------------------|---------------------------------|------------------------------|---------------------------|------------------------------------|---|
| 2014 | 12,811,773,150 | 1,393,705,252 | 47,093,690 | 57,047,845 | 623,384,698 | 14,933,004,635 | 1.08 | 16,153,767,752 | 92.4% |
| 2015 | 13,826,817,650 | 1,452,694,995 | 49,984,140 | 63,368,410 | 599,981,428 | 15,992,846,623 | 1.07 | 17,293,606,269 | 92.5% |
| 2016 | 14,289,819,850 | 1,565,166,980 | 58,997,854 | 67,922,205 | 624,325,439 | 16,606,232,328 | 1.08 | 18,017,370,030 | 92.2% |
| 2017 | 14,858,279,800 | 1,643,589,209 | 53,077,040 | 76,493,600 | 634,456,928 | 17,265,896,577 | 1.08 | 18,668,289,972 | 92.5% |
| 2018 | 15,542,711,200 | 1,701,821,785 | 65,753,420 | 83,535,805 | 645,117,718 | 18,038,939,928 | 1.08 | 19,584,696,258 | 92.1% |
| 2019 | 15,965,286,280 | 1,752,501,610 | 56,346,000 | 97,545,290 | 719,110,278 | 18,590,789,458 | 1.08 | 20,092,378,612 | 92.5% |
| 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 | 17,416,489,765 | 1,917,675,620 | 53,732,494 | 94,767,642 | 777,923,246 | 20,260,588,767 | 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 | 1.10 | 25,212,103,364 | 93.1% |
| % Change | 7.8% | 8.7% | -7.0% | 11.3% | 3.1% | 7.7% | | 7.5% | |
| % Ch. Since 2014 | 57.5% | 69.7% | 8.3% | 81.0% | 23.8% | 57.1% | | 56.1% | |
| % of Total | 86.0% | 10.1% | 0.2% | 0.4% | 3.3% | 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) Machinery and tools are assessed at 10% of cost. Litigation with Bear Island resulted in additional supplemental billing in 2015, based on prior years (2012-2014) tax basis. This resulted in 2015 showing an assessed value of \$127,046,115. Adjustments to determine the actual tax basis in prior years was calculated, in applying the retro-adjustments to 2015 for purposes of evaluating a more realistic tax basis in 2015.
(4) The assessed values of Public Service Corporation real and personal property are determined by the State Corporation Commission.
(5) The total direct tax rate for each fiscal year is per \$100 of assessed valuation, calculated on the weighted average basis.
(6) Market valuation estimates include: machinery and tools estimated at 90% of cost, real estate (including Public Service Corporation real estate) based on traditional 105% sales/assessment ratio, personal property based on 112% trade to book ratio.

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



COUNTY OF HANOVER, VIRGINIA

Direct and Overlapping Property Tax Rates (Unaudited)

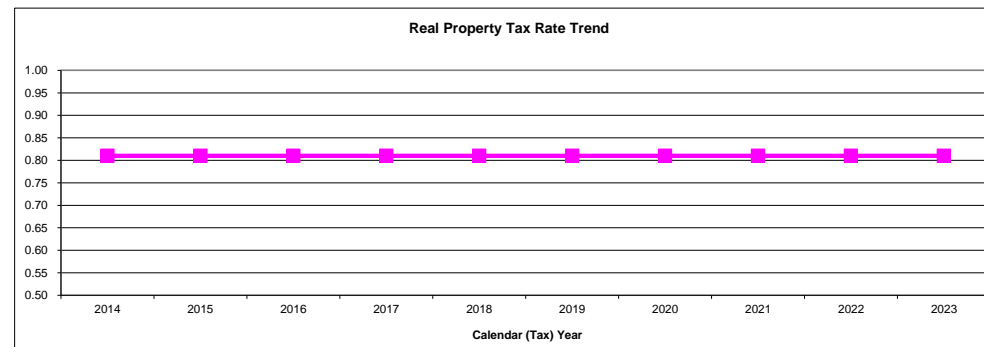
Last Ten Calendar (Tax) Years

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 |
| 2014 | 0.81 | 0.81 | 3.57 | 1.78 | 0.50 | 3.57 | 1.90 | 1.08 | 0.09 | 0.77 | 0.77 |
| 2015 | 0.81 | 0.81 | 3.57 | 1.78 | 0.50 | 3.57 | 1.90 | 1.07 | 0.09 | 0.77 | 0.77 |
| 2016 | 0.81 | 0.81 | 3.57 | 1.78 | 0.50 | 3.57 | 1.90 | 1.08 | 0.09 | 0.77 | 0.77 |
| 2017 | 0.81 | 0.81 | 3.57 | 1.78 | 0.50 | 3.57 | 1.90 | 1.08 | 0.09 | 0.77 | 0.77 |
| 2018 | 0.81 | 0.81 | 3.57 | 1.78 | 0.50 | 3.57 | 1.90 | 1.08 | 0.09 | 0.77 | 0.77 |
| 2019 | 0.81 | 0.81 | 3.57 | 1.78 | 0.50 | 3.57 | 1.90 | 1.08 | 0.10 | 0.77 | 0.77 |
| 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 | 1.10 | 0.10 | 0.77 | 0.77 |
| % 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 2014 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.9% | 11.1% | 0.0% | 0.0% |

- Notes: (1) The individual tax rates are per \$100 of assessed value, which is generally determined as of January 1 of each year, and are used to determine tax payments due within the same calendar (tax) year.
- (2) Real property taxes are payable in two equal installments, on June 5 and October 5. Personal property taxes are due on February 5 of the following calendar year.
- (3) The County prepares its budgets and its 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

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

Table 7

| Taxpayer | Type of Business | 2023 | | | 2014 | | |
|---|-----------------------------|---|------|---|---|------|---|
| | | 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 | \$ 306,619,928 | 1 | 1.3% | \$ 185,461,883 | 2 | 1.2% |
| Doswell Limited Partnership | Power generation facility | 223,586,736 | 2 | 1.0% | 217,800,163 | 1 | 1.5% |
| Memorial Regional Medical Center | Hospital/medical center | 168,446,000 | 3 | 0.7% | 118,707,150 | 3 | 0.8% |
| Covenant Woods | Nursing home | 116,418,133 | 4 | 0.5% | 59,834,350 | 5 | 0.4% |
| Virginia Natural Gas | Natural gas distributor | 92,592,840 | 5 | 0.4% | 51,071,489 | 6 | 0.3% |
| Cedar Fair Southwest | Entertainment | 87,623,962 | 6 | 0.4% | 86,447,045 | 4 | 0.6% |
| Hickory Hill Road LLC | Real estate holding company | 73,901,200 | 7 | 0.3% | - | n/a | 0.0% |
| UNFI Distribution Company (2023)/Richfood Inc (2014) | Grocery wholesaler | 49,696,786 | 8 | 0.2% | 42,553,125 | 8 | 0.3% |
| Rappahannock Electric Coop | Electric company | 44,100,997 | 9 | 0.2% | 36,500,809 | 10 | 0.2% |
| Cascades Holding US Inc (2023)/Bear Island Paper Company (2014) | Paper mill | 41,425,182 | 10 | 0.2% | 45,276,085 | 7 | 0.3% |
| Verizon Virginia | Telecommunications | - | n/a | - | 39,701,159 | 9 | 0.3% |
| | | <u>\$ 1,204,411,764</u> | | <u>5.2%</u> | <u>\$ 883,353,258</u> | | <u>5.9%</u> |
| Total taxable assessed values | | <u>\$ 23,464,450,353</u> | | | <u>\$14,933,004,635</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**Table 8****Property Tax Levies and Collections (Unaudited)****Last Ten Fiscal Years**

| Fiscal Year | General Property Taxes Levied for the Fiscal Year (1,2) | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date as of June 30, 2023 | |
|----------------|---|---|-----------------------|---------------------------------------|--|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2014 | 138,899,948 | 137,555,596 | 99.0% | 1,340,768 | 138,896,364 | 99.8% |
| 2015 | 144,003,614 | 143,368,974 | 99.6% | 630,676 | 143,999,650 | 99.6% |
| 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% | - | 220,573,665 | 97.3% |

- Notes: (1) Source: County of Hanover, Virginia Treasurer's Office
- (2) Total tax levies include the Commonwealth of Virginia's personal property tax relief reimbursements, and are net of supplemental levies for prior fiscal years, abatements, land use deferrals and tax relief in each fiscal year. The levies exclude special assessments on behalf of the Bell Creek and Lewistown Community Development Authorities and curbside recycling districts.

COUNTY OF HANOVER, VIRGINIA

Table 9

Ratios of Outstanding Debt by Type, and

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

Last Ten Fiscal Years

| Governmental Activities | | | | | | | | | | | |
|---|--------------------------|--|---------------------------|--|--|--|--|--|---|---|--|
| General Bonded Debt Outstanding (1) | | | | | | | | | | | |
| Fiscal Year | General Obligation Bonds | Virginia Public School Authority Bonds | 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 | |
| 2014 | \$ 90,596,851 | 42,302,195 | 132,899,046 | 16,153,767,752 | 0.8% | 102,714 | 1,294 | 20,849,280 | 2,166,620 | 5,250,629 | |
| 2015 | 82,248,421 | 43,338,840 | 125,587,261 | 17,293,606,269 | 0.7% | 104,013 | 1,207 | 20,818,270 | 2,077,143 | 4,547,777 | |
| 2016 | 73,803,009 | 39,555,423 | 113,358,432 | 18,017,370,030 | 0.6% | 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 | |
| 2023 | 22,235,000 | 74,729,251 | 96,964,251 | 21,837,185,459 | 0.4% | 115,428 | 840 | 54,390,000 | 1,211,768 | 1,055,853 | |
| % Change | -26.7% | 84.5% | 36.9% | -6.9% | 47.1% | 1.1% | 35.4% | -10.5% | -43.7% | -10.8% | |
| % Ch. Since 2014 | -75.5% | 76.7% | -27.0% | 35.2% | -46.0% | 12.4% | -35.1% | 160.9% | -44.1% | -79.9% | |
| Business-type Activities | | | | | | | | | | | |
| Total Primary Government | | | | | | | | | | | |
| Self-Imposed Debt Limit Information (3) | | | | | | | | | | | |
| Fiscal Year | Revenue Bonds | Support Agreement | 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) | | | | | | |
| 2014 | \$ 19,525,241 | 6,432,696 | 187,123,512 | 5,327,129 | 51,772 | 3.5% | 1,822 | 161,165,575 | 1.1% | 1,569 | 2,567 |
| 2015 | 18,970,376 | 5,077,903 | 177,078,730 | 5,724,499 | 55,083 | 3.1% | 1,702 | 153,030,451 | 1.0% | 1,471 | 2,280 |
| 2016 | 17,581,614 | 3,723,110 | 184,273,229 | 5,962,742 | 56,740 | 3.1% | 1,768 | 162,968,505 | 0.9% | 1,564 | 1,998 |
| 2017 | 16,321,357 | 2,375,964 | 171,301,519 | 6,182,409 | 58,165 | 2.8% | 1,610 | 161,662,377 | 0.9% | 1,480 | 1,403 |
| 2018 | 15,026,887 | 1,015,979 | 167,733,544 | 6,399,936 | 59,584 | 2.6% | 1,562 | 151,690,678 | 0.8% | 1,413 | 1,691 |
| 2019 | 13,677,986 | 310,000 | 168,392,492 | 6,730,416 | 61,968 | 2.5% | 1,560 | 154,404,506 | 0.8% | 1,431 | 1,512 |
| 2020 | 14,593,003 | 250,000 | 167,447,201 | 7,226,633 | 65,599 | 2.3% | 1,533 | 152,604,198 | 0.8% | 1,397 | 1,244 |
| 2021 | 13,086,547 | 190,000 | 162,229,761 | 7,693,263 | 69,369 | 2.1% | 1,431 | 148,953,214 | 0.7% | 1,314 | 1,173 |
| 2022 | 11,463,030 | 130,000 | 146,544,336 | 7,797,733 | 69,369 | 1.9% | 1,284 | 134,951,306 | 0.6% | 1,182 | 1,021 |
| 2023 | 9,775,062 | 65,000 | 163,461,934 | 8,013,957 | 69,369 | 2.0% | 1,431 | 153,621,872 | 0.8% | 1,331 | 1,398 |
| % Change | -14.7% | -50.0% | 11.5% | 2.8% | 0.0% | 8.5% | 11.5% | 13.8% | 22.4% | 12.6% | 36.9% |
| % Ch. Since 2014 | -49.9% | -99.0% | -12.6% | 50.4% | 34.0% | -41.9% | -21.5% | -4.7% | -33.2% | -15.2% | -45.5% |

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 2014 through 2021 (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 2021 and 2022 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 (\$2,607 for fiscal year 2023).
- (6) The County's debt policy provides that general bonded debt per Per Capita Income will not exceed \$5,000.

COUNTY OF HANOVER, VIRGINIA
Pledged Revenue Coverage (1) (Unaudited)
Last Ten Fiscal Years

Table 10

Utility - Water and Sewer Revenue Bonds

| Utility - Water and Sewer Revenue Bonds | | | | | | Utility - Debt Covenant Coverage Ratio (1,5) | | | |
|---|------------------------|------------------------------|------------------------|---------------------------|-----------|--|---------------------|--------------------------|-----------------------------|
| Fiscal Year | Utility Revenues (2,7) | Less: Operating Expenses (3) | Net Available Revenues | Debt Service Requirements | | Net Available Revenues Coverage (4) | Debt Service | | Debt Covenant Coverage Test |
| | | | | Principal | Interest | | Senior Debt Service | Subordinate Debt Service | |
| | | | | | | | | | |
| 2014 | 28,940,235 | 16,732,863 | 12,207,372 | 2,296,831 | 1,001,088 | 3.7 | 3,297,919 | - | 3.2 |
| 2015 | 29,549,906 | 16,531,486 | 13,018,420 | 2,406,830 | 884,863 | 4.0 | 3,291,693 | - | 3.4 |
| 2016 | 30,835,377 | 16,545,081 | 14,290,296 | 2,418,471 | 593,230 | 4.7 | 3,011,701 | - | 4.1 |
| 2017 | 30,424,331 | 16,679,572 | 13,744,759 | 2,321,830 | 656,573 | 4.6 | 2,978,403 | - | 4.0 |
| 2018 | 30,203,533 | 16,038,366 | 14,165,167 | 2,351,830 | 501,997 | 5.0 | 2,853,827 | - | 4.3 |
| 2019 | 32,488,641 | 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 |
| % Change | | | -13.8% | 4.9% | -23.3% | -13.7% | -0.2% | 0.0% | -13.7% |
| % Ch. Since 2014 | | | 20.5% | -39.8% | -77.7% | 147.6% | -51.3% | 0.0% | 147.6% |

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 |
| | | | | | | | | | | |
| 2014 | 171,919 | - | 171,919 | 70,448 | 71,740 | 1.2 | 171,919 | - | 36,000 | 1.5 |
| 2015 | 177,077 | - | 177,077 | 74,072 | 68,024 | 1.2 | 177,077 | - | 36,000 | 1.5 |
| 2016 | 182,388 | - | 182,388 | 77,883 | 64,116 | 1.3 | 182,388 | - | 36,000 | 1.5 |
| 2017 | 187,848 | - | 187,848 | 81,889 | 60,008 | 1.3 | 187,848 | - | 36,000 | 1.6 |
| 2018 | 193,483 | - | 193,483 | 86,102 | 55,688 | 1.4 | 193,483 | - | 36,000 | 1.6 |
| 2019 | 199,288 | - | 199,288 | 90,532 | 51,146 | 1.4 | 199,288 | - | 36,000 | 1.7 |
| 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 | 2.1 |
| % Change | | | 17.7% | 1.3% | -16.9% | 17.7% | 17.7% | 0.0% | -100.0% | 1.7% |
| % Ch. Since 2014 | | | 56.5% | 68.3% | -89.4% | 76.4% | 56.5% | 0.0% | -100.0% | 45.8% |

Airport Revenue Bond 2019

| | | | | | | | Airport - Debt Covenant Coverage Ratio (1,8) | | | |
|------------------|-----------------------------------|--------------------------|------------------------|---------------------------|----------|---------------------------------|--|--|---|-----------------------------|
| Fiscal Year | Rent received from Airpoer Lessee | Less: Operating Expenses | Net Available Revenues | Debt Service Requirements | | Available Revenues Coverage (8) | Rent Received | Restricted cash - | Lessee irrevocable | Debt Covenant Coverage Test |
| | | | | Principal | Interest | | | (used during current | letter of credit pledged | |
| | | | | | | | | FY or available at FYE for debt service) | for satisfaction of debt covenant ratio | |
| 2020 | \$ 29,257 | - | 29,257 | - | 1,490 | 19.6 | 29,257 | - | 162,278 | 128.5 |
| 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 |
| % Change | | | 0.3% | 3.3% | -3.9% | 0.2% | 0.3% | 0.0% | 0.0% | 0.1% |
| % Ch. Since 2020 | | | 503.8% | | 4601.8% | -94.4% | 503.8% | 0.0% | 0.0% | -98.4% |

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

(2) Utility revenues exclude donated capital assets.

(3) Utility operating expenses exclude depreciation.

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

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

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

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

(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.

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 |
|------------------|----------------|--------------------------------|--------------------------------|----------------|-----------------------|-----------------------|------------------------------------|--|
| 2014 | 102,895 | 5,327,129 | 51,772 | 41.8 | 4.5% | 17,952 | 1,410 | 12.7 |
| 2015 | 103,925 | 5,724,499 | 55,083 | 41.9 | 3.8% | 17,734 | 1,445 | 12.3 |
| 2016 | 105,088 | 5,962,742 | 56,740 | 42.4 | 3.4% | 17,776 | 1,442 | 12.3 |
| 2017 | 106,290 | 6,182,409 | 58,165 | 42.6 | 3.3% | 17,751 | 1,463 | 12.1 |
| 2018 | 107,411 | 6,399,936 | 59,584 | 42.9 | 2.6% | 17,671 | 1,472 | 12.0 |
| 2019 | 108,611 | 6,730,416 | 61,968 | 42.7 | 2.4% | 17,462 | 1,481 | 11.8 |
| 2020 | 110,164 | 7,226,633 | 65,599 | 42.7 | 5.0% | 17,273 | 1,521 | 11.4 |
| 2021 | 110,903 | 7,693,263 | 69,369 | 42.1 | 3.0% | 16,636 | 1,514 | 11.0 |
| 2022 | 112,409 | 7,797,733 | 69,369 | 42.1 | 2.4% | 16,415 | 1,514 | 10.8 |
| 2023 | 115,526 | 8,013,957 | 69,369 | 42.1 | 2.6% | 16,743 | 1,540 | 10.9 |
| % Change | 2.8% | 2.8% | 0.0% | 0.0% | 8.3% | 2.0% | 1.7% | 0.3% |
| % Ch. Since 2014 | 12.3% | 50.4% | 34.0% | 0.7% | -42.2% | -6.7% | 9.3% | -14.6% |

Notes: (1) Population estimates at June 30th for 2014-2022 from Welden Cooper. In 2021, populations were restated for 2014 - 2020 based on new source. Populations estimates at June 30th for 2023 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 2014 through 2021 (the last year available) is obtained from the U. S. Department of Commerce, Bureau of Economic Analysis. 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, Bureau of Economic Analysis. Personal Income amounts for 2022 and 2023 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 | 2022 | | | 2013 | | |
|---|---|----------------|------|---|----------------|------|---|
| | | Employees | Rank | Percentage of Total County Employment (2) | Employees | Rank | Percentage of Total County Employment (2) |
| Hanover County Schools | Educational Services | 2,520 | 1 | 4.2% | 2,462 | 1 | 4.4% |
| Amazon Fulfillment Services Inc. | Administrative and Support Services | 1,000 and over | 2 | 3.3% | n/a | n/a | |
| Bon Secours Richmond Health System | Hospitals | 1,000 and over | 3 | 3.3% | 1,000 and over | 2 | 3.6% |
| Kings Dominion (Paramount Parks Inc) | Amusement, Gambling and Recreation Industries | 1,000 and over | 4 | 3.3% | 1,000 and over | 3 | 3.6% |
| County of Hanover | Executive, Legislative and Other General Government Support | 1,253 | 5 | 2.1% | 1,045 | 4 | 1.9% |
| Rmc Events | Administrative and Support Services | 500-999 | 6 | 1.2% | n/a | n/a | |
| Supervalu Distribution Center (2022)/Richfood(2013) | Merchant Wholesalers, Nondurable Goods | 500-999 | 7 | 1.2% | 500-999 | 8 | 1.4% |
| Wal-Mart Stores | General Merchandise Stores | 500-999 | 8 | 1.2% | 500-999 | 6 | 1.4% |
| Tyson Farms | Food Manufacturing | 500-999 | 9 | 1.2% | 500-999 | 5 | 0.7% |
| Owens & Minor Medical Inc | Management of Companies Enterprises | 500-999 | 10 | 1.2% | n/a | n/a | |
| Accosta Sales & Marketing | Wholesale Electronic Markets and Agents and Brokers | n/a | n/a | | 500-999 | 7 | 1.4% |
| Sales Mark | Wholesale Electronic Markets and Agents and Brokers | n/a | n/a | | 500-999 | 9 | 1.4% |
| Randolph-Macon College | Educational Services | n/a | n/a | | 250-499 | 4 | 0.7% |
| Totals | | | | 22.2% | | | 20.3% |
| Total County Employment (3) | | 60,172 | | | 55,429 | | |

- 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 2021.
 - (2) Employment ranges for the private sector are as published by the VEC to ensure confidentiality. Percentages are based on the midpoint of the employment range.
 - (3) VEC Annual not Seasonally Adjusted Labor Force
 - (4) Due to the conversion over to a new human resource system and additional corrections by the schools, FTEs restated for FY17 for Schools Operating Fund and Food Services Fund will not match the totals listed in prior years.
 - (5) Due to the Amended FTE being used instead of the Adopted FTE, the FY18 Primary Government amount has been revised from the 6/30/18 ACFR reporting. In mid-FY18, the Board added 9 Public Safety (SAFER) and 4 Human Services.

COUNTY OF HANOVER, VIRGINIA

Table 13

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

| Function/Program | Full-time Equivalent Employees as of June 30 | | | | | | | | | |
|-------------------------------------|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Primary government: | | | | | | | | | | |
| General governmental administration | 130 | 132 | 133 | 135 | 137 | 139 | 145 | 145 | 148 | 154 |
| Judicial administration | 57 | 59 | 64 | 68 | 70 | 72 | 74 | 74 | 77 | 81 |
| Public safety (3) | 449 | 464 | 489 | 501 | 525 | 539 | 568 | 568 | 575 | 591 |
| Public works (2) | 83 | 83 | 86 | 86 | 88 | 88 | 89 | 89 | 88 | 91 |
| Human services (3) | 181 | 182 | 185 | 188 | 194 | 199 | 205 | 205 | 212 | 221 |
| Parks, recreation and cultural | 32 | 32 | 31 | 31 | 31 | 31 | 31 | 32 | 32 | 33 |
| Community development | 24 | 24 | 24 | 24 | 25 | 25 | 25 | 25 | 25 | 27 |
| Public utilities | 91 | 91 | 93 | 94 | 94 | 94 | 95 | 95 | 95 | 95 |
| Self insurance fund | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Totals - Primary government | 1,048 | 1,068 | 1,106 | 1,128 | 1,165 | 1,188 | 1,233 | 1,234 | 1,253 | 1,294 |
| Component Unit: | | | | | | | | | | |
| School Board (4) | 2,438 | 2,456 | 2,466 | 2,482 | 2,491 | 2,503 | 2,523 | 2,511 | 2,520 | 2,590 |
| Total: | 3,486 | 3,524 | 3,572 | 3,610 | 3,656 | 3,691 | 3,756 | 3,745 | 3,773 | 3,884 |

- 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 | | | | | | | | | |
|--|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Primary government: | | | | | | | | | | |
| General governmental administration | | | | | | | | | | |
| Number of registered voters | 71,828 | 72,268 | 75,126 | 76,303 | 78,089 | 79,426 | 81,643 | 84,645 | 84,636 | 86,515 |
| Number of real estate transfers | 3,256 | 3,606 | 4,003 | 4,079 | 3,881 | 4,016 | 4,691 | 5,796 | 4,631 | 4,556 |
| State income tax returns processed | 7,854 | 7,600 | 6,268 | 6,717 | 6,157 | 7,140 | 4,893 | 5,006 | 4,156 | 3,653 |
| Judicial administration | | | | | | | | | | |
| Judgments docketed | 3,114 | 2,975 | 2,958 | 2,863 | 3,588 | 3,627 | 3,367 | 3,232 | 3,256 | 3,232 |
| Public safety | | | | | | | | | | |
| Sheriff incidents | 37,891 | 34,474 | 38,046 | 36,726 | 37,779 | 39,137 | 40,270 | 41,466 | 41,799 | 42,186 |
| Number of sworn officers | 207 | 211 | 207 | 215 | 221 | 226 | 233 | 233 | 240 | 239 |
| Fire/EMS incidents | 15,740 | 15,854 | 13,256 | 13,882 | 14,667 | 14,624 | 17,803 | 16,795 | 17,991 | 18,490 |
| Animal control incidents | 6,233 | 5,877 | 5,815 | 4,944 | 4,774 | 5,171 | 5,562 | 4,590 | 4,692 | 4,782 |
| Commercial building plan reviews | 412 | 506 | 490 | 494 | 556 | 462 | 388 | 492 | 585 | 996 |
| Residential building plan reviews | 1,381 | 1,462 | 1,549 | 1,536 | 1,437 | 1,468 | 1,946 | 2,378 | 2,163 | 3,976 |
| Public works | | | | | | | | | | |
| Tons of solid waste received | 32,198 | 44,651 | 48,336 | 60,483 | 66,456 | 72,624 | 51,851 | 50,303 | 46,928 | 47,720 |
| Tons of solid waste recycled | 15,141 | 11,970 | 14,217 | 10,563 | 6,646 | 1,522 | 2,988 | 9,239 | 8,678 | 6,888 |
| Human services | | | | | | | | | | |
| Communicable disease visits/investigations (6) | 268 | 555 | 679 | 929 | 891 | 331 | 973 | 7,746 | 17,861 | 5,906 |
| Immunization visits (3) | 471 | 311 | 391 | 265 | 284 | 484 | 526 | 63,473 | 8,412 | 1,965 |
| Restaurant inspection visits (5) | 815 | 939 | 974 | 1,262 | 1,049 | 900 | 729 | 593 | 847 | 925 |
| Social services lobby visits | 17,681 | 15,541 | 14,700 | 16,934 | 16,731 | 16,112 | 12,280 | 5,527 | 8,169 | 10,102 |
| Social services Medicaid Cases (4) | 8,542 | 8,913 | 10,016 | 10,318 | 10,243 | 11,053 | 13,987 | 15,050 | 17,147 | 18,690 |
| Number of Hanover Youth Service Council (HYSC) projects | 43 | 37 | 36 | 34 | 41 | 37 | 37 | 44 | 40 | 58 |
| HYSC Volunteer hours reported | 1,576 | 1,080 | 1,183 | 1,116 | 961 | 692 | 994 | 1,008 | 635 | 910 |
| Parks, recreation and cultural | | | | | | | | | | |
| Active Library borrowers | 80,642 | 82,096 | 83,785 | 84,865 | 65,405 | 66,418 | 61,577 | 60,482 | 53,341 | 58,912 |
| Internet sessions | 142,545 | 141,492 | 130,315 | 121,065 | 106,354 | 92,385 | 55,886 | 33,008 | 38,360 | 34,993 |
| Library reference questions answered | 375,526 | 384,223 | 388,748 | 381,262 | 397,956 | 388,567 | 328,913 | 237,997 | 409,452 | 314,035 |
| Community development | | | | | | | | | | |
| Economic development services to existing/prospective businesses (7) | 212 | 479 | 405 | 444 | 476 | 461 | 712 | 1,130 | 568 | 570 |
| Public utilities | | | | | | | | | | |
| Water customers | 19,647 | 19,995 | 20,488 | 20,905 | 21,328 | 21,585 | 21,995 | 22,470 | 22,933 | 23,306 |
| Wastewater customers | 19,098 | 19,428 | 19,929 | 20,343 | 20,761 | 21,019 | 21,436 | 21,918 | 22,366 | 22,733 |
| Daily average water distributed (million gallons/day) | 8.56 | 8.90 | 8.90 | 9.15 | 8.21 | 8.80 | 8.41 | 8.30 | 8.60 | 9.03 |
| Maximum daily water capacity (million gallons/day) | 19.95 | 19.95 | 19.95 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 |
| Daily average wastewater treatment (million gallons/day) | 6.79 | 5.80 | 7.07 | 6.66 | 6.30 | 7.70 | 6.31 | 8.34 | 6.68 | 6.39 |
| 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 | 297 | 301 | 313 | 313 | 313 | 314 | 313 | 309 | 291 | 282 |
| Public safety vehicles serviced | 476 | 470 | 519 | 519 | 519 | 511 | 527 | 527 | 543 | 571 |
| Fleet availability | 96.9% | 96.6% | 96.6% | 96.1% | 96.1% | 95.7% | 95.5% | 94.7% | 93.7% | 91.8% |

- 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 services regarding Retention and Expansions in 2023.
 - (8) In FY22, Social Services began reporting Number of Medicaid Cases instead of New Benefit Program Customers count.

| Function/Program | Fiscal Year | | | | | | | | | |
|--|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Primary government: | | | | | | | | | | |
| General governmental administration | | | | | | | | | | |
| Estimated square feet- all general administrative office space (3) | 47,762 | 47,762 | 47,762 | 106,222 | 106,222 | 107,767 | 107,767 | 107,767 | 107,767 | 107,767 |
| Judicial administration | | | | | | | | | | |
| Estimated square feet - all judicial buildings (2) | 58,460 | 58,460 | 58,460 | 69,933 | 69,933 | 68,951 | 68,951 | 68,951 | 68,951 | 68,951 |
| Public safety | | | | | | | | | | |
| Estimated square feet - all public safety buildings | 214,604 | 214,604 | 214,604 | 214,604 | 214,604 | 214,604 | 214,604 | 214,604 | 214,604 | 214,604 |
| Number of sheriff's stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Correctional facility inmate capacity | 469 | 469 | 495 | 519 | 519 | 519 | 519 | 519 | 519 | 519 |
| Number of fire/EMS stations | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Public works | | | | | | | | | | |
| Estimated square feet - all public works | 17,665 | 17,665 | 17,665 | 17,665 | 17,665 | 17,665 | 17,665 | 17,665 | 17,665 | 17,665 |
| Number of solid waste convenience centers | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| County Airport - acres in facility | 260 | 260 | 257 | 260 | 257 | 257 | 257 | 257 | 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 | 56 | 56 | 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 | 1,282 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,230 | 1,230 |
| Public utilities | | | | | | | | | | |
| Miles of water mains | 425 | 429 | 434 | 431 | 436 | 441 | 448 | 457 | 461 | 469 |
| Number of fire hydrants | 2,523 | 2,564 | 2,599 | 2,670 | 2,718 | 2,766 | 2,842 | 2,937 | 2,991 | 3,089 |
| Miles of sanitary sewers | 389 | 394 | 399 | 396 | 398 | 403 | 407 | 413 | 415 | 419 |
| Number of wastewater treatment plants | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| General services | | | | | | | | | | |
| Number of vehicles maintained | 1,206 | 1,210 | 1,189 | 1,189 | 1,189 | 1,189 | 1,317 | 1,324 | 1,302 | 1,400 |
| School Board Component Unit: | | | | | | | | | | |
| Number of elementary schools | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Number of secondary schools | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Number of specialty schools (5) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 |

- 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.

HANOVER COUNTY DEPARTMENT OF FINANCE AND MANAGEMENT SERVICES

Amanda L. Six,
Director of Finance and Management Services

ACCOUNTING DIVISION

Lauren K. Null, CPA, Finance Division Director
Jacqueline A. Manzer, CPA, Senior Accountant
Teresa J. Cetin, Payroll Analyst
Leah E. Daniel, Payroll Analyst
Kelli M. Hoffner, Financial Technician
Cheri L. Hudson, Payroll Manager
Nancy M. Mancuso, Financial Technician
Connie L. Mills, Financial Technician
Sarah J. Moss, Accountant
Donna B. Neely, Systems Administrator
Megan H. Slater, Payroll Analyst
Amy L. Sylvia, Accountant

BUDGET DIVISION

Shelly H. Wright, Budget Division Director
Mark A. Highfield, Budget Manager
Jack A. Hatch, Budget Management Analyst
Kaitlyn D. Hicks, Budget Management Analyst

PURCHASING DIVISION

Steven K. Rusch, Purchasing Division Director
Angela P. Melton, Contract Manager
Sandra S. Humerickhouse, Purchasing Officer
Trena A. Ponton, Senior 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

