



ANNUAL COMPREHENSIVE FINANCIAL REPORT

HANOVER COUNTY, VIRGINIA

For the fiscal year ended June 30, 2021

Hanovercounty.gov

COUNTY OF HANOVER, VIRGINIA
Annual Comprehensive Financial Report
For the Fiscal Year Ended
June 30, 2021



Hanover: People, Tradition, and Spirit

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

COUNTY OF HANOVER, VIRGINIA
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

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BOARD OF SUPERVISORS

SEAN M. DAVIS, CHAIRMAN
HENRY DISTRICT

ANGELA KELLY-WIECEK, VICE-CHAIRMAN
CHICKAHOMINY DISTRICT

SUSAN P. DIBBLE
SOUTH ANNA DISTRICT

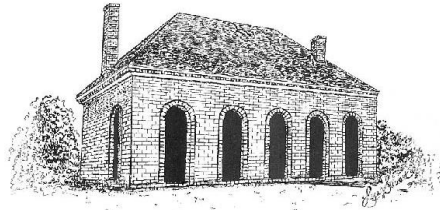
F. MICHAEL HERZBERG IV
COLD HARBOR DISTRICT

W. CANOVA PETERSON
MECHANICSVILLE DISTRICT

FAYE O. PRICHARD
ASHLAND DISTRICT

AUBREY M. STANLEY
BEAVERDAM DISTRICT

JOHN A. BUDESKY
COUNTY ADMINISTRATOR



HANOVER COURTHOUSE

HANOVER COUNTY

ESTABLISHED IN 1720

FINANCE AND MANAGEMENT SERVICES DEPARTMENT

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November 9, 2021

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, 2021. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with government auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This 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 Cherry Bekaert LLP, a firm of licensed certified public accountants. The independent auditors' responsibility is to express opinions on the County's financial statements based on their audit. The auditors conducted the audit in accordance with professional auditing standards, which require that the auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain evidence about

the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The independent auditors concluded, based upon the audit evidence they obtained, that there was a reasonable basis for forming and expressing unmodified opinions that the County's financial statements as of and for the fiscal year ended June 30, 2021 are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report on the financial statements is presented as the first component of the Financial Section of this financial report.

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

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

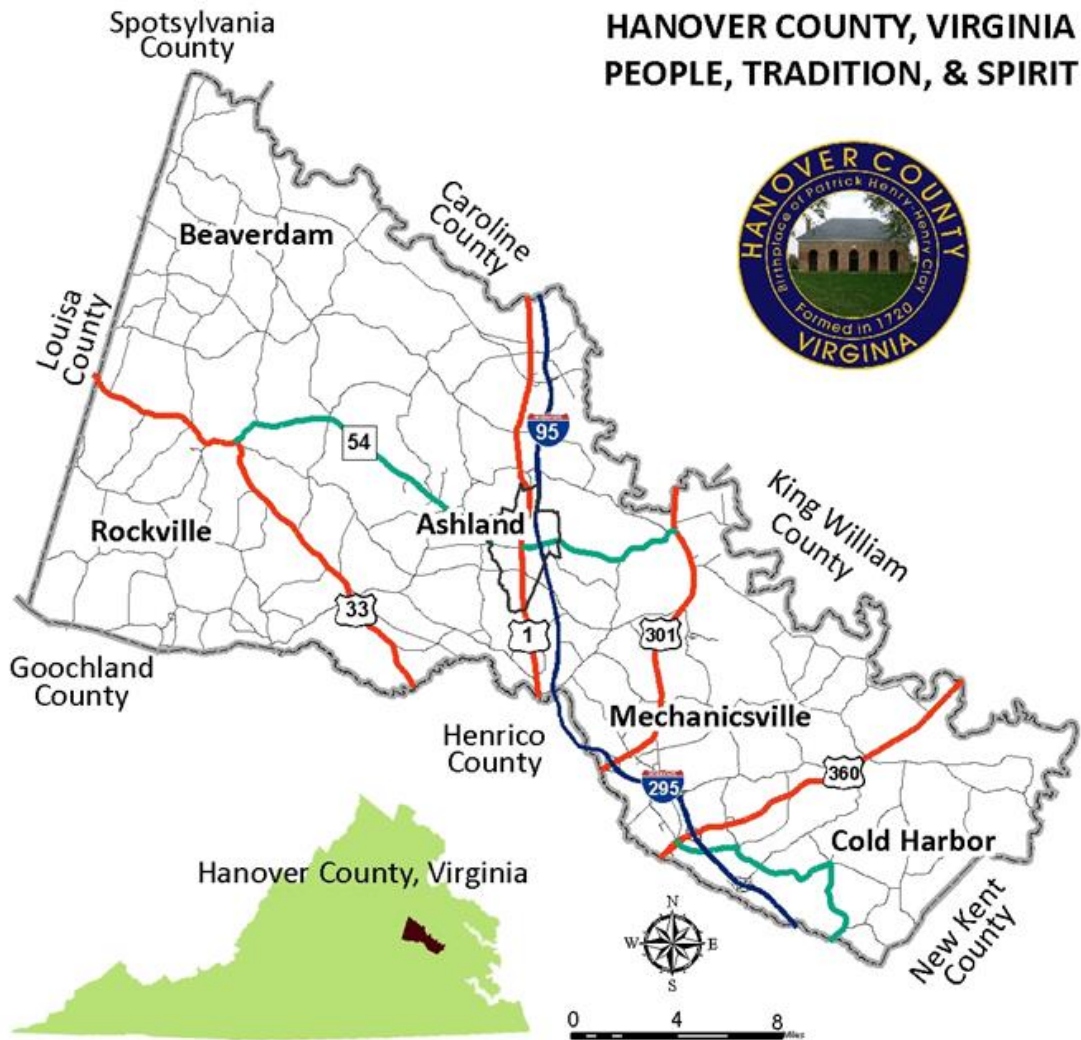


Profile of the County

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

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

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



The offices of the Board of Supervisors, County Administrator, County Attorney, Commissioner of the Revenue, Treasurer, Registrar, and the departments of Human Resources, Finance and Management Services, Internal Audit, Assessor, 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 approves the budget, levies the necessary taxes to finance operations and issues debt to finance school capital projects. The Board of Supervisors also approves transfers between education funds, and appoints School Board members. The EDA has the power to issue tax-exempt industrial development revenue bonds on behalf of qualifying enterprises wishing to utilize that form of financing, as well as to finance County facilities. Those bonds do not constitute a debt or pledge of the faith and credit of the County or the EDA, but represent limited obligations of the EDA payable solely from the revenue and receipts derived from the projects funded with the proceeds.

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

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

budget-to-actual comparison by department is presented at Exhibit 13, and budget-to-actual comparisons for other governmental funds with appropriated annual budgets are presented in the Supplementary Information subsection of this report.

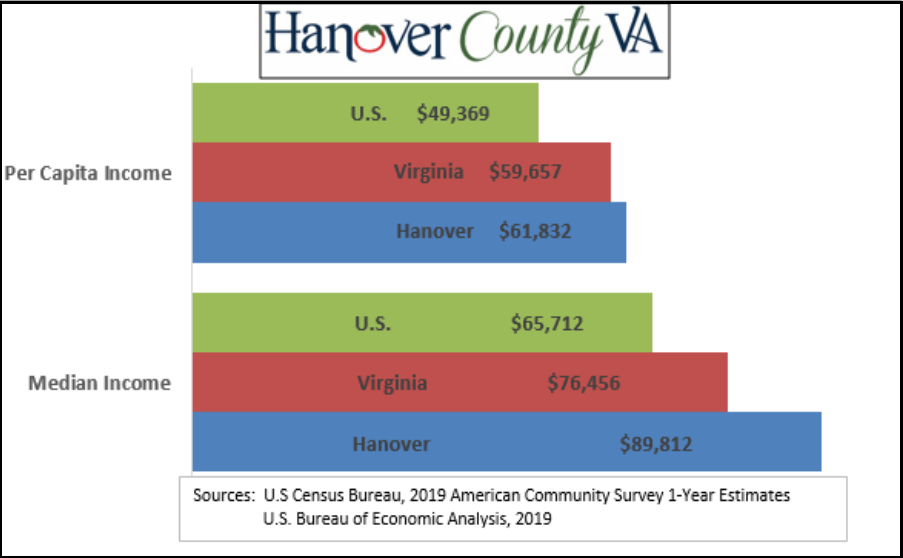
Factors Affecting Financial Condition

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

Local Economy:

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

The County continued its resiliency and fiscal stability even as the COVID-19 pandemic continued into 2021. Real estate and personal property tax revenues remained strong while sales tax revenues outpaced initial projections. 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 enjoys a higher per capita income and median household income than the national and State averages. Comparatively, Hanover’s per capita income of \$61,832 is consistent with the Commonwealth’s \$59,657, while its median (mid-point) household income is 17.5% above the Commonwealth’s and 36.7% above the national average. In addition, the U.S. Census Bureau’s estimate of Hanover’s mean (average) household income of \$110,344 in 2019 is 5.0% above the Commonwealth’s \$105,091 and 19.5% higher than the United States’ of \$92,324.

The County also continues to attract and maintain diverse sectors of employment. The County's major employment sectors have been in trade, transportation and utilities; health and education services; and professional and business services. The County continues to add to its labor force while 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:

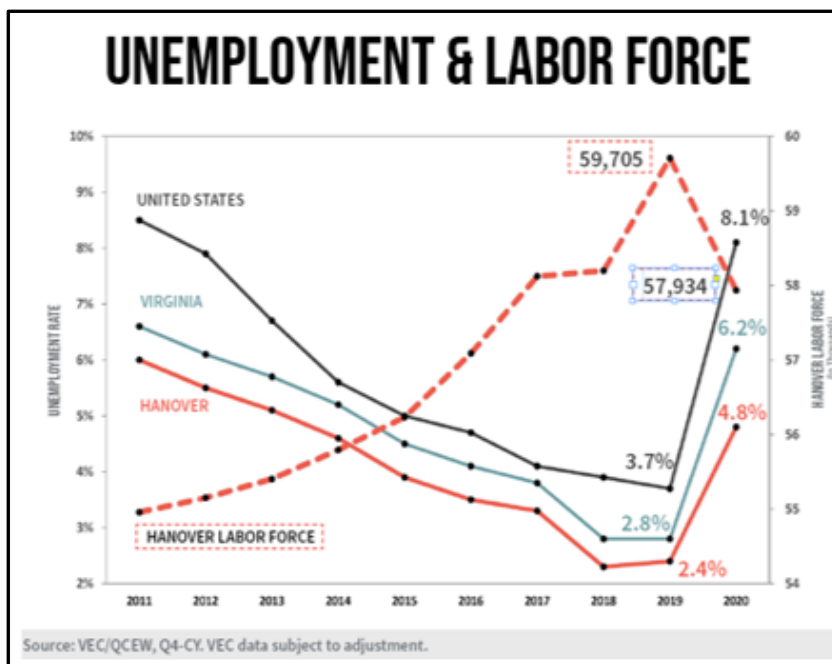
Fiscal year 2021 was one of the most challenging on record for many sectors of our local economy, especially those small businesses in the retail and hospitality industries. For the first time in over 15 years, Hanover County experienced a net loss of over 3,000 jobs which can be directly associated with the pandemic. The County's unemployment rate spiked at 8.9% in May of 2020 at the height of the virus, but has since receded to 3.1% in June 2021. In just one year, the County almost returned to pre-COVID levels and still remain well below both the State and national averages.

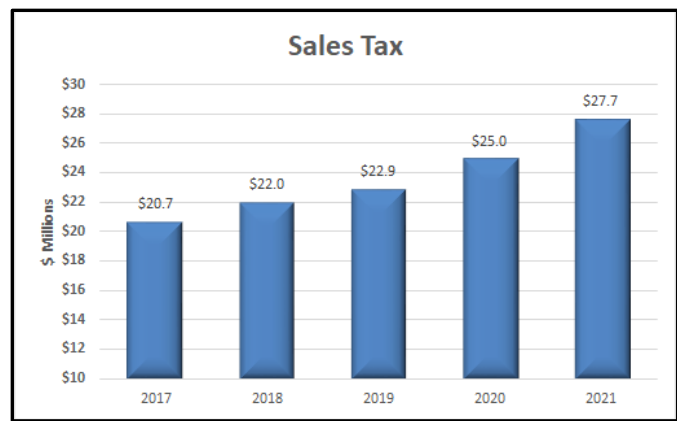
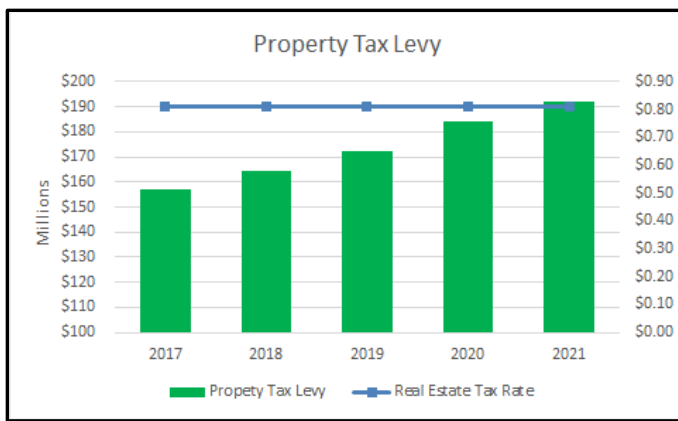
New capital investment exceeded \$63 million, which again was a record, along with new business announcements totaling more than \$140 million. These investments helped cushion the unexpected economic effects of the epidemic. Building off the success from prior year, the County had 150 new business announcements and expansion projects which was a 75% increase from the previous year. Though some sectors struggled, the County saw significant growth in the logistics, manufacturing and supply chain operations which helped insulate the local economy. The growth in our industrial tax base has been exorbitant as the County is in the process of adding over six million square feet of new space which equates to an increase of over 40% to its current offerings. Some of the major new announcements and expansions this past year included: Matan Industrial Development, McKenzie Development, CodeBlue Technology, Rio Brazilian Steak House, Home Depot, Quikrete, Green Air, Inc., Virginia Medical Training Academy, Pizza and Beer of Hanover, ACE Hardware/Mechanicsville, Hanover Specialties, Mygrant Glass, ARC Natural Surfaces, Virginia Urology Associates, Virginia Eye Institute, Anixter, MegaWash and the NEFCO Corporation.

The Department of Economic Development was able to touch and assist more small businesses through the pandemic than ever before. Through the small business resiliency grant program, the County provided support to 58 local businesses totaling almost \$300,000. The County also rolled out its first shop local campaign in almost 10 years which encouraged citizens to visit the many businesses throughout the community. In all, the County assisted over 670 businesses this last year alone which is almost as many businesses that were touched in the previous five years combined. In fiscal year 2022, Hanover County will embark on a five-year update to its strategic economic development plan which was put on hold last year due to the pandemic. These efforts, working in partnership with the Board of Supervisors and Economic Development Authority, will help position the County for sustained economic success over the coming years.

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

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





Long-Term Financial Planning:

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

- **Capital Improvements Program (CIP):** The CIP is the County’s plan for investing in facilities, equipment, and vehicles over the next five years, and includes those items with a unit cost greater than \$50,000. The fiscal year 2022 capital budget for County, School and Public Utilities projects is \$52.8 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 2022 CIP includes 86.4% of “pay-as-you-go” funding (from non-debt sources) for County and School capital projects.
- **Five-Year Financial Plan:** The County’s Five-Year Financial Plan represents the County’s effort to quantify the fiscal impacts of future needs, matched with a projection of General Fund resources available to meet those needs. Each year this plan is adopted by the Board of Supervisors, thereby indicating to the public the County’s expected tax rates, operating costs, capital improvements, debt service requirements, school allocations and service level plans. The plan is illustrated with detailed assumptions in the overview section of the budget document. Generally, the plan seeks to maintain or enhance all current budgetary objectives and Board-adopted initiatives.

Relevant Financial Policies:

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

Major Initiatives and Accomplishments:

In response to the COVID-19 pandemic, the County established a COVID-19 call center and a community vaccination clinic. Led by Hanover Fire/EMS and partnering with the Chickahominy Health District, the clinic provided over 50,000 doses. Through other partnerships and clinics, over 70% of adult Hanover residents received at least one vaccine dose.

Hanover County Public Schools (HCPS) was able to advance and to conclude its multi-year technology plan with additional funding through Federal CARES Act dollars. Students in all elementary, middle and high schools now have laptops or tablets.

The Sliding Hill Road improvements project was completed at the end of December 2020. Sliding Hill Road was widened from Atlee Station Road to the vicinity of New Ashcake Road. Further improvements included upgrades to traffic signals and additional sidewalks and bicycle paths.

The County finalized the design of the new airport terminal and held a groundbreaking ceremony in November 2020. The facility will provide many new spaces including a lobby for air travelers, conference room facilities, a pilot lounge, flight planning facilities, a new front-line counter and space for the fixed-base operator (FBO) that handles the day-to-day operations of the airport. Construction is expected to be completed in the fall of 2021.



The Broadband Advisory Committee, appointed by the Board of Supervisors, presented a final report to the Board in December 2020. The Board unanimously adopted the plan, which includes an array of findings and recommendations.

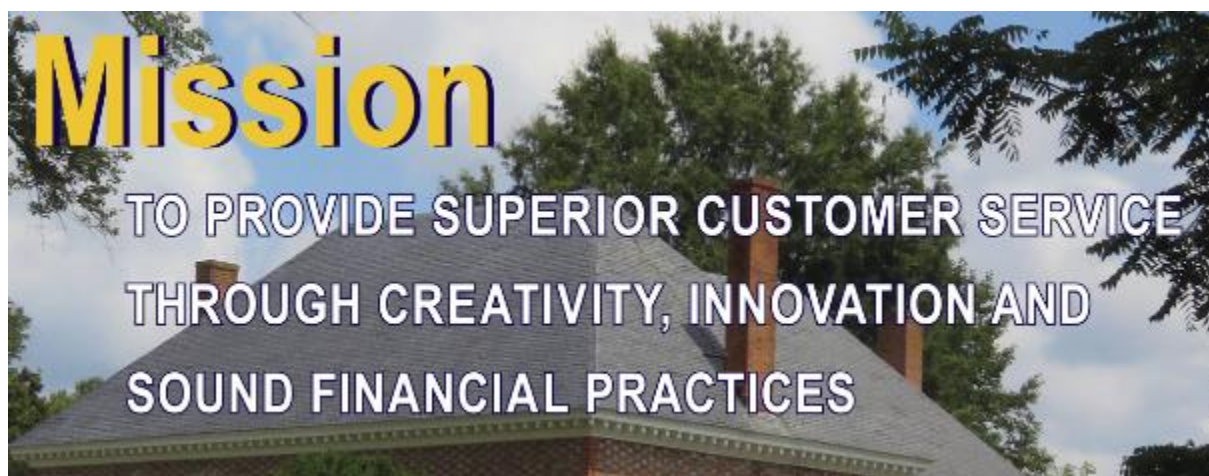
Due to the COVID-19 pandemic, the County postponed many of the County’s 300th birthday celebration activities until fall 2021. Activities underway are local events at Hanover Tavern, Scotchtown, Kings Dominion, and with the Richmond Flying Squirrels. The 300th birthday celebration will coincide with the opening of the Hanover Museum of History & Culture. Slated to open in late summer, the Hanover Museum will include a welcome center and multiple exhibit galleries. The Hanover Museum will welcome the Smithsonian Institute’s traveling museum display *Crossroads: Change in Rural America* as a part of its opening festivities.





Awards and Acknowledgements

Hanover County continued to be recognized for excellence in operational and fiscal management during fiscal year 2021. The County's adopted mission (seen in the graphic below) is exemplified by the awards and acknowledgements noted in this section.



Community Services Board & Fire/EMS

The Virginia Association of Counties presented the Hanover Community Services Board and Hanover Fire/EMS with an Achievement Award for their Resiliency Initiative. The resiliency initiative addresses the need for firefighters to have access to culturally competent, trauma-informed and affordable behavioral healthcare. This project is a partnership between Hanover's Fire/EMS and CSB departments as well as Half Wild Counseling services and other mental health clinicians who are in private practice.

Public Utilities

The Ashland and Totopotomoy Wastewater Treatment Plants were recognized by the National Association of Clean Water Agencies (NACWA) with Peak Performance Awards for more than five years of 100% permit compliance. The Ashland Wastewater Treatment Plant was recognized for 22 years of perfect permit compliance and the Totopotomoy Wastewater Treatment Plant for 16 years of perfect permit compliance. Both of these plants again earned NACWA's Platinum Peak Performance Award for their operations and the Doswell Plant won the Silver Award. On the water side, Hanover's Doswell Water Treatment Plant earned the Virginia Department of Health's Excellence in Waterworks Operations and Performance, and the CDC's Water Fluoridation Quality Award.

Sheriff's Office

The Virginia Association of Counties presented the Hanover Sheriff's Office with an Achievement Award for their SHIELD Initiative. SHIELD was developed in partnership with police agencies from around the world to counter terrorism and increasing crime trends. As a member of the Global SHIELD Network, the Hanover Sheriff's Office partnered with NYPD and helped develop a design that provides a platform for any citizen to partner with the Sheriff's Office and receive not only the latest terrorism information from around the world, but local and regional crime trends as well. These partnerships increase opportunities to share potential crime or suspicious information as well as increase awareness of crime trends, the current condition of homeland security and terrorism abroad. Partners receive access to crime prevention resources, significant event "real time" alerts/reports, Sheriff's Office newsletters, a crime reporting phone app, a community resource guide, quarterly meetings and training in areas such as Civilian Response to Active Shooter Events (CRASE).

Finance and Management Services

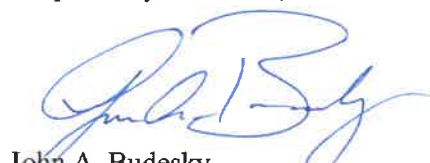
The Government Finance Officers Association (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to Hanover County for its ACFR for the fiscal year ended June 30, 2020. The County has received this prestigious award each fiscal year since 1985. The Certificate of Achievement 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 FY2020 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 2021 results of operations and on an analysis of the financial statements.

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

Respectfully submitted,



John A. Budesky
County Administrator



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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**County of Hanover
Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

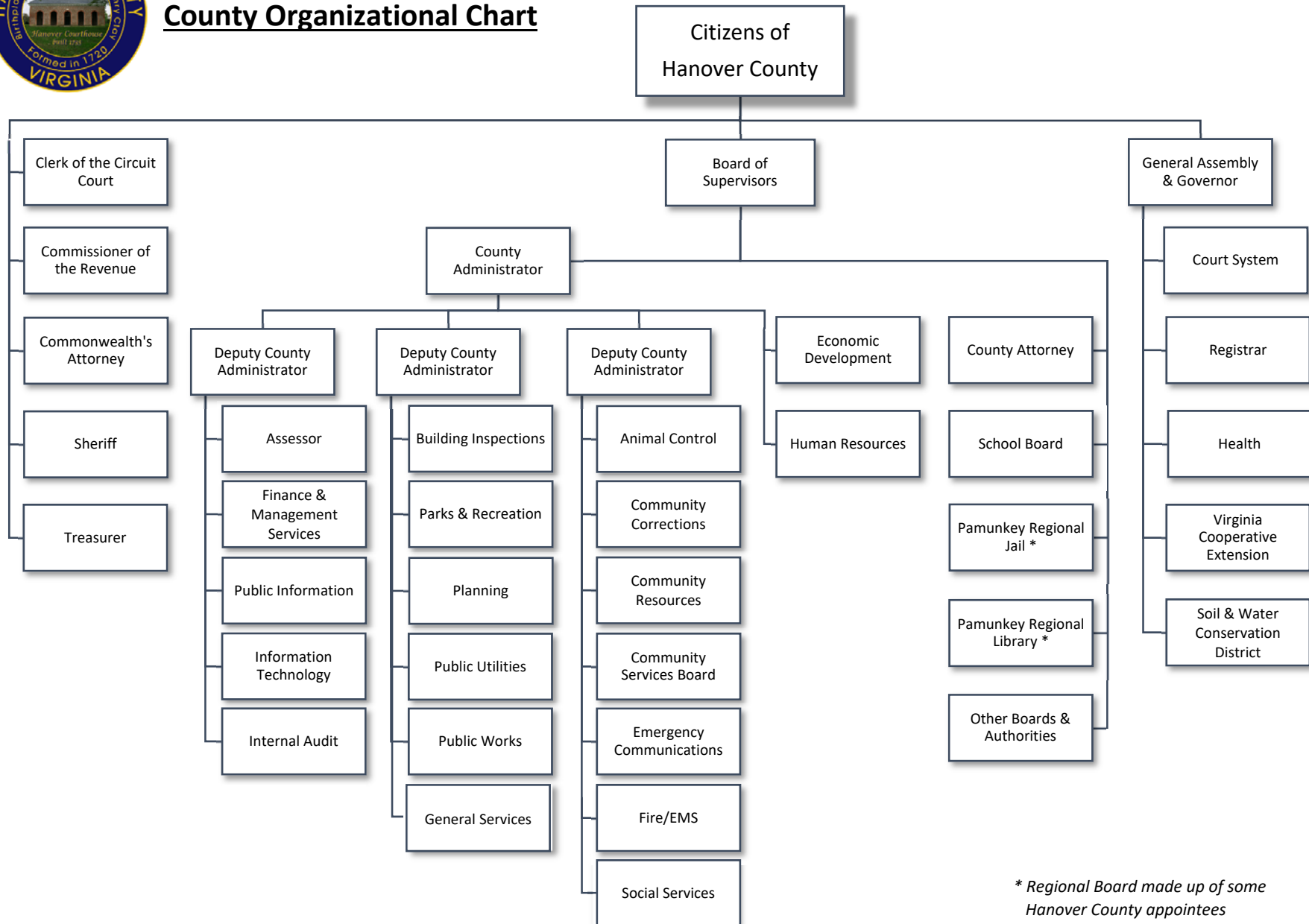
June 30, 2020

Christopher P. Morill

Executive Director/CEO



County Organizational Chart



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

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2021

Board of Supervisors

Sean Davis, Chair
Angela Kelly-Wiecek, Vice Chair
Susan P. Dibble
F. Michael Herzberg
W. Canova Peterson
Faye O. Prichard
Aubrey M. Stanley

Henry District
Chickahominy District
South Anna District
Cold Harbor District
Mechanicsville District
Ashland District
Beaverdam 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
Frank W. Harksen, Jr.
James P. Taylor
Jay A. Brown
Jacob A. Sumner

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

School Board

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

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

School Administrative Officials

Dr. Michael B. Gill
Cristina Berta
Jennifer E. Greif
Mandy Baker
Amanda L. Six
Lisa Seward
Chris Whitley

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

FINANCIAL SECTION

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia (the "County"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis – General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I-E-1 to the basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. As a result, related net position and fund balance have been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefits information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021, 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.

Handwritten signature of Cheryl Behrman in blue ink.

Richmond, Virginia
November 9, 2021



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, 2021. 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 2021 by \$490.5 million (*net position*). Of this amount, \$140.2 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 \$52.7 million, of which the governmental activities increased by \$40.3 million and business-type activities increased by \$12.4 million.
- As of the close of fiscal year 2021, the County's governmental funds reported combined ending fund balances of \$145.1 million, an increase of \$33.9 million from prior year. Of the \$145.1 million total, 75.5% (\$109.6 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 24.5% or \$35.5 million of the total.
- The General Fund's unassigned fund balance was 13.5% of total General Fund revenues, which reflects an increase of \$2.3 million to \$37.9 million at June 30, 2021. 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 \$21.2 million to \$48.7 million at June 30, 2021. The \$21.2 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 decreased by \$5.3 million (3.44%) to \$148.9 million during fiscal year 2021. The decrease is related to the County issuing \$8.7 million in bonds through the VPSA Program, offset by making principal payments on existing debt of \$14.0 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 2021, 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, 2021. The governmental fund financial statements can be found at Exhibits 3 through 6 of this report.

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

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

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

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

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

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

Other *supplementary information* is presented immediately following the required supplementary information at Exhibits 13 through 25 of this report. The County adopts an annual appropriated General Fund budget, for which a budgetary comparison statement has been provided to demonstrate compliance with this budget, which can be found at Exhibit 13 of this report. The combining financial statements referred to earlier comprising individual fund statements and schedules are presented at Exhibits 17 through 25 of this report.

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

Compliance: The County's Schedule of Expenditures of Federal Awards and related notes thereto, and the independent auditors' required reports on compliance and internal control will be issued as a separate report for fiscal year 2021.

Financial Analysis of the County as a Whole

Statement of Net Position

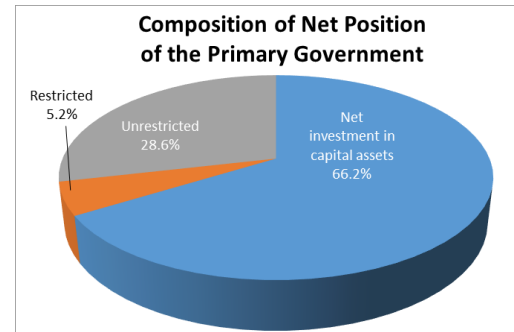
Table 1 summarizes the Statements of Net Position for the Primary Government as of June 30, 2021 and 2020:

Table 1	County of Hanover, Virginia Summary of Net Position (\$ in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 268.1	219.1	47.5	42.8	315.6	261.9
Capital assets	224.3	222.9	247.5	240.4	471.8	463.3
Total assets	492.4	442.0	295.0	283.2	787.4	725.2
Deferred outflows of resources	25.2	14.4	2.3	1.6	27.5	16.0
Long-term liabilities outstanding	204.1	188.9	18.4	18.9	222.5	207.8
Other liabilities	29.5	24.1	4.1	3.2	33.6	27.3
Total liabilities	233.6	213.0	22.5	22.1	256.1	235.1
Deferred inflows of resources	68.3	67.9	-	0.4	68.3	68.3
Net position:						
Net investment in capital assets	90.7	84.0	234.2	225.3	324.9	309.3
Restricted	21.2	8.7	4.2	4.1	25.4	12.8
Unrestricted	103.8	82.7	36.4	33.0	140.2	115.7
Total net position	\$ 215.7	175.4	274.8	262.4	490.5	437.8

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 \$490.5 million at the close of fiscal year 2021, representing an increase of \$52.7 million from the net position at June 30, 2020.

As the following graph shows, by far the largest portion of the County's total net position (\$324.9 million, 66.2% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and intangibles); less any related debt and deferred loss on refunding used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens, like water and wastewater services, schools, libraries, law enforcement, and fire and emergency medical services. Consequently, these assets are *not* available for future spending, as capital assets are generally not sold or otherwise disposed of during their useful life.

As also shown, an additional portion of the County's total net position (\$25.4 million, 5.2% 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 (\$140.2 million, 28.6% of total) may be used to meet the County's ongoing obligations to citizens and creditors.



Statement of Activities

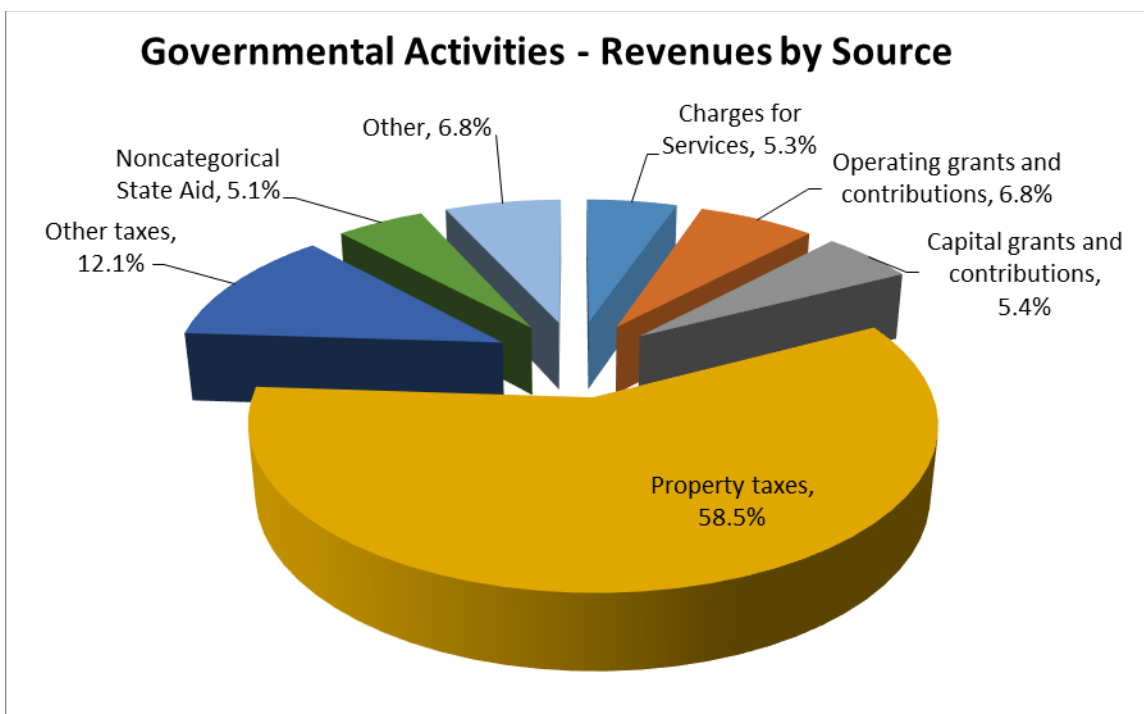
Table 2 summarizes the Statements of Activities of the Primary Government for the fiscal years ended June 30, 2021 and 2020:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 16.1	15.7	35.3	33.5	51.4	49.2
Operating grants and contributions	20.9	19.9	0.2	-	21.1	19.9
Capital grants and contributions	16.6	16.0	8.8	6.1	25.4	22.1
General revenues:						
Property taxes	179.8	172.1	-	-	179.8	172.1
Other taxes	37.1	37.8	-	-	37.1	37.8
Noncategorical State aid	15.7	15.6	-	-	15.7	15.6
Grants and contributions	17.6	0.8	-	-	17.6	0.8
Other	3.4	2.1	-	1.0	3.4	3.1
Total revenues	307.2	280.0	44.3	40.6	351.5	320.6
Expenses:						
General government	28.8	19.1	-	-	28.8	19.1
Judicial administration	8.5	8.0	-	-	8.5	8.0
Public safety	72.9	65.7	-	-	72.9	65.7
Public works	9.9	23.6	-	-	9.9	23.6
Human services	27.8	26.2	-	-	27.8	26.2
Parks, recreation and cultural	6.2	6.7	-	-	6.2	6.7
Community development	7.3	5.6	-	-	7.3	5.6
Education	100.2	98.2	-	-	100.2	98.2
Interest on long-term debt *	5.1	5.3	-	-	5.1	5.3
Public utilities	-	-	31.1	29.2	31.1	29.2
Airport	-	-	1.0	0.9	1.0	0.9
Total expenses	266.7	258.4	32.1	30.1	298.8	288.5
Increase in net position before transfers	40.5	21.6	12.2	10.5	52.7	32.1
Transfers	(0.2)	(0.4)	0.2	0.4	-	-
Increase in net position	40.3	21.2	12.4	10.9	52.7	32.1
Total net position - beginning of year	175.4	154.2	262.4	251.5	437.8	405.7
Total net position - end of year	\$ 215.7	175.4	274.8	262.4	490.5	437.8

* 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 \$40.3 million for fiscal year 2021. Generally, net position changes are the result of the difference between revenues and expenses. Fiscal year 2021 revenues of \$307.2 million represent an increase of \$27.2 million, or 9.7% in comparison to the prior year, while expenses and transfers of \$266.9 million represent an increase of \$8.1 million, or 3.1% compared to the prior year.

The following chart illustrates the County's fiscal year 2021 governmental revenues by source as a percentage of total governmental revenues:



Taxes are the largest source of County revenues, totaling \$216.9 million for fiscal year 2021, an increase of \$7.0 million, or 3.3%, in comparison to fiscal year 2020. An increase in general property taxes of \$7.7 million, or 4.5% was largely attributable to higher than projected real property tax revenue resulting from increased assessed values. Sales tax revenue increased by \$2.8 million, or 11.2%. General property taxes totaled \$179.8 million for fiscal year 2021 and represent 82.9% of total taxes and 58.5% of all revenues.

Also in fiscal year 2021, \$53.6 million, or 17.5% of total revenues, consisted of program revenues, including \$16.1 million in charges for services, \$20.9 million of operating grants and contributions, and \$16.6 million of capital grants and contributions. General revenues, including \$15.7 million of noncategorical state aid and \$21.0 million of unrestricted grants and contributions and unrestricted investment earnings, accounted for the remaining revenues.

As shown in Table 2 and Table 3, the total expenses of all the County's governmental activities for fiscal year 2021 were \$266.7 million, which represents an increase of \$8.3 million, or 3.2% higher than fiscal year 2020. Increases in expenses for general government, judicial administration, public safety, human services, community development, and education expenses of \$9.7 million, \$0.5 million, \$7.2 million, \$1.6 million, \$1.7 million, and \$2.0 million respectively, were offset by decreases in public works, and parks, recreation and cultural of \$14.2 million and interest on long term debt of \$0.2 million. As the following chart indicates, education continues to be one of the County's largest programs and highest priority, with education expenses totaling \$100.2 million in fiscal year 2021. Public safety and human services are also strategic focus areas with expenses totaling \$72.9 million and \$27.8 million, respectively in fiscal year 2021.

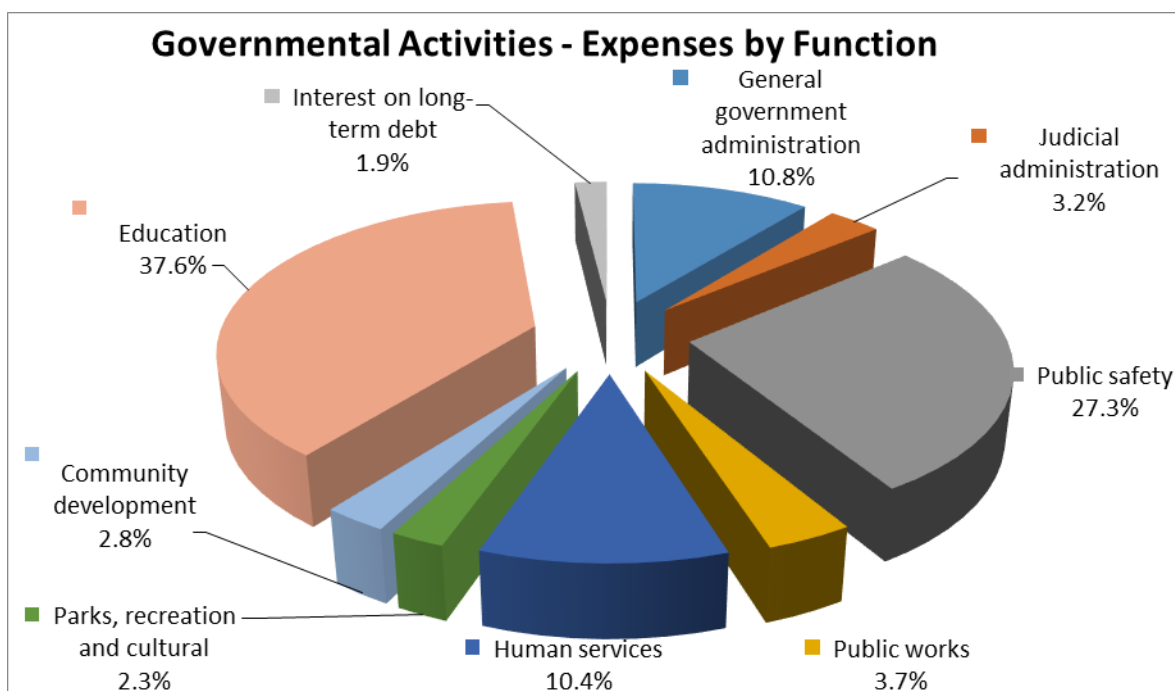


Table 3 presents the total cost of the County's governmental activities by function, as well as the net cost of each function (total cost less fees generated by each function and program-specific intergovernmental aid) for the fiscal year ended June 30, 2021 and 2020:

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	
	2021	2020	2021	2020
General government	\$ 28.8	19.1	25.2	15.6
Judicial administration	8.5	8.0	5.6	5.3
Public safety	72.9	65.7	60.9	54.3
Public works	9.9	23.6	(8.8)	6.8
Human services	27.8	26.2	12.4	11.6
Parks, recreation and cultural	6.2	6.7	6.0	5.1
Community development	7.3	5.6	6.5	4.5
Education	100.2	98.2	100.2	98.2
Interest on long-term debt	5.1	5.3	5.1	5.3
Total	\$ 266.7	258.4	213.1	206.7

A portion of the \$266.7 million cost of the County's governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of \$16.1 million) and other governments and organizations that subsidized certain programs (i.e., operating and capital grants and contributions of \$37.5 million). These combined program revenues of \$53.6 million decreased the total fiscal year 2021 cost of services from \$266.7 million to the net cost of services of \$213.1 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 \$12.4 million for fiscal year 2021.

Public Utilities revenues totaled \$42.9 million, of which \$34.9 million, or 81.4%, was generated from charges for services and user fees. Nonoperating capacity fee revenues increased to \$7.5 million from \$6.1 million last year, based on revenue and the allocation of operating costs. Capital contributions increased \$2.0 million to \$7.8 million in 2021. Public Utilities expenses totaled \$31.1 million for fiscal year 2021 compared to \$29.2 million in fiscal year 2020.

Airport operating revenues totaled \$430,723 in fiscal year 2021 compared to \$316,679 in fiscal year 2020. The Airport had no nonoperating revenues in fiscal year 2021 and fiscal year 2020, while capital contributions increased to \$1.1 million in fiscal year 2021 from \$0.3 million in fiscal year 2020. Airport nonoperating expenses were \$101,906 and \$47,860 in fiscal years 2021 and 2020, 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 2021, the County's governmental funds reported combined ending fund balances of \$145.1 million (Exhibit 3), as compared to \$111.2 million at June 30, 2020, an increase of \$33.9 million. Of the \$145.1 million fiscal year 2021 fund balance, \$0.4 million is classified as *nonspendable* because it is invested in inventories and prepaid expenses and, therefore, is not in spendable form, \$35.1 million is classified as *restricted* to indicate that it can only be spent for specific purposes as stipulated by external resource providers (for example, through debt covenants, grant agreements, or by laws or regulations of other governments), \$0.5 million is classified as *committed* to indicate that it has been set aside for specific purposes by resolution of the County's Board of Supervisors, \$71.2 million is *assigned* to indicate that County administration has identified specific purposes for the use of those funds, and the remaining \$37.9 million is *unassigned*. Unassigned fund balances are technically available for any purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The General Fund is the primary operating fund of the County (Exhibits 3 through 6). The General Fund's fund balance increased \$22.8 million (34.8%) during fiscal year 2021, to \$88.4 million. Total year revenues are approximately \$13.4 million higher than the appropriated budget, primarily driven by increases in real property tax assessments and higher than budgeted sales tax revenue. Fiscal year 2021 expenditure savings for the General Fund totaled \$17.8 million, comprised of \$2.7 million in personnel savings, \$6.4 million in operating savings, and a return of School Board appropriations to the General Fund of \$8.7 million. Of the \$88.4 million fund balance, \$0.3 million is nonspendable, \$0.9 million is restricted, \$0.5 million is committed, \$48.8 million is assigned and \$37.9 million is unassigned. As one measure of the General Fund's liquidity, it is useful to compare the total of the County's committed, assigned and unassigned fund balances to total fund revenues. At the end of fiscal year 2021, the General Fund's committed, assigned and unassigned fund balances of \$87.1 million represents 31.0% of total General Fund revenues of \$280.6 million. In addition, General Fund's unassigned fund balance totaled \$37.9 million, up from \$35.6 million at the end of fiscal year 2020, which represents 13.5% of total General Fund revenues in 2021 and 2020, continuing to exceed the 10% minimum set by the County's fund balance policy. The \$22.8 million fiscal year 2021 increase in the General Fund's fund balance resulted from General Fund revenues of \$280.6 million less expenditures of \$227.9 million and net other financing sources and uses of \$29.9 million, as shown on Exhibit 4 to the financial statements.

The fund balance in the County Improvements Fund (Exhibit 4) increased by \$6.6 million to \$45.3 million during fiscal year 2021. This increase is largely attributable to the County receiving \$10.7 million in tax revenues from the Central Virginia Transportation Authority, a newly-created authority established by the Code of Virginia in 2020.

The fund balance in the School Improvements Fund (Exhibit 4) increased by \$4.4 million to \$10.8 million during fiscal year 2021, primarily due to the issuance of general obligation bonds for school improvement projects. The fund balance in the Debt Service Fund (Exhibit 4) increased by \$0.09 million to \$0.64 million fiscal year 2021. 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 \$8.2 million, or 3.5% between the originally-adopted fiscal year 2021 budget appropriation for expenditures and transfers out and the final budget, with \$1.3 million of the increase resulting from reappropriation of fiscal year 2020 budget commitments for completion of ongoing projects in fiscal year 2021. Encumbered balances account for 69.0% of the total reappropriation.

Capital Assets and Debt Administration

Capital assets: The County's investment in capital assets as of June 30, 2021, totals \$471.8 million, net of accumulated depreciation. This represents an increase of \$8.2 million, or 1.8% more than fiscal year 2020. Capital assets, net of accumulated depreciation, are illustrated in the following table:

	(\$ in millions)			
	Governmental Activities	Business-type Activities	Totals at June 30	
			2021	2020
Land	\$ 9.9	11.2	21.1	21.1
Intangible assets	3.5	32.9	36.4	37.1
Buildings	127.5	40.7	168.2	165.6
Improvements other than buildings	21.3	138.5	159.8	140.9
Machinery and equipment	41.1	12.6	53.7	51.6
Infrastructure	16.1	-	16.1	15.7
Construction in progress	4.9	11.6	16.5	31.3
Total	<u>\$ 224.3</u>	<u>247.5</u>	<u>471.8</u>	<u>463.3</u>

Major capital asset activity during fiscal year 2021 included the following:

- The costs of completed water and wastewater infrastructure projects reported in the Public Utilities Fund totaling \$9.0 million, funded by water and sewer user fees and capacity fees.
- Developers' contributions of water and wastewater lines totaled \$7.8 million.
- The costs of public safety improvements including ambulances and equipment upgrades, totaling \$5.2 million, funded by general revenues and CARES Act funding.
- The completion of construction of a new Atlee Library, totaling \$1.0 million.

- The completion of renovation of the Martha Ann Fields building for County offices, totaling \$1.5 million.
- The costs of school facility improvements and equipment acquisition by the School Component Unit totaled \$4.5 million.

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

Long-term debt: In the Commonwealth of Virginia, there is no State statute limiting the amount of general obligation debt a County may issue. However, with limited exceptions as described under General Obligation Bonds in Note IV.E to the accompanying financial statements, general obligation bonded indebtedness must be approved by voter referendum prior to issuance. In addition, the County's Board of Supervisors and revenue bond covenants have established limits and coverage requirements with respect to long-term debt, and the County is in compliance with all debt policy limits and debt coverage requirements at June 30, 2021.

The following table illustrates the County's outstanding debt at June 30, 2021:

	(\$ in millions)		
	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 73.9	-	73.9
Revenue bonds	-	12.0	12.0
Infrastructure and state moral obligation bonds	58.5	-	58.5
Support agreement	1.4	0.2	1.6
Capital lease obligations	2.9	-	2.9
Total	<u>\$ 136.7</u>	<u>12.2</u>	<u>148.9</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 2021, Hanover County experienced positive trends in its economic indicators. The County's revenues continue to slowly grow primarily due to higher real property assessed valuations. Total value of taxable property increased 4.4% in calendar year 2021 and 4.4% in calendar year 2020. Throughout fiscal year 2021, the County's unemployment rate decreased, following a downturn in March 2020 attributable to the COVID-19 outbreak. In June 2021, the County's unemployment rate was 3.6%, which remains favorable in comparison to the Commonwealth's average unemployment rate of 4.3% and the national average rate of 5.9%.

Fiscal year 2021 showed positive revenue returns compared to budget. The County anticipates continued economic recovery from the pandemic, as is reflected in the fiscal 2022 budget. Real estate taxes and personal property taxes are budgeted to increase 6.2% and 5.9%, respectively from the 2021 to the 2022 budget. Including the use of \$14.1 million of prior year fund balance, the County's adopted fiscal year 2022 General Fund budget was set at \$289.8 million, an increase of \$23.1 million or 8.7% in comparison to the fiscal year 2021 total of \$266.7 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, 2021 the County has assigned \$10.6 million of fund balance in its General Fund to fund a portion of the fiscal year 2022 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 \$9.7 million to fund future school budgets, \$16.7 million to fund capital projects, \$5.0 million for economic stability reserves, and \$8.4 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 2021. In fiscal year 2021, Public Utilities' water and sewer user fees did not increase in response to the COVID-19 crisis impacting citizens.

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, 2021

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	\$ 162,588,885	37,070,293	199,659,178	18,816,546	121,427
Receivables (net of allowance for uncollectibles)	90,538,354	6,345,389	96,883,743	7,466,711	-
Prepaid expenses	143,065	-	143,065	-	-
Support agreement receivable	-	-	-	-	275,000
Advances to other activities	192,869	-	192,869	-	-
Inventories	317,263	-	317,263	332,324	-
Total current assets	253,780,436	43,415,682	297,196,118	26,615,581	396,427
Noncurrent Assets:					
Pooled cash, cash equivalents and investments - restricted	14,262,584	4,141,702	18,404,286	-	-
Support agreement receivable	-	-	-	-	1,290,000
Net pension asset - restricted	-	-	-	1,891,724	-
Net other postemployment benefits asset - restricted	66,888	4,896	71,784	119,797	-
Capital assets (net of accumulated depreciation):					
Land	9,850,563	11,222,940	21,073,503	7,400,682	-
Intangible assets	3,564,928	32,914,391	36,479,319	-	-
Buildings	127,466,316	40,666,834	168,133,150	75,266,819	-
Improvements other than buildings	21,335,619	138,553,582	159,889,201	20,908,575	-
Machinery and equipment	41,093,419	12,571,781	53,665,200	9,820,283	-
Infrastructure	16,093,089	-	16,093,089	-	-
Construction in progress	4,858,105	11,564,514	16,422,619	3,256,299	-
Total capital assets, net	224,262,039	247,494,042	471,756,081	116,652,658	-
Total noncurrent assets	238,591,511	251,640,640	490,232,151	118,664,179	1,290,000
Total assets	492,371,947	295,056,322	787,428,269	145,279,760	1,686,427
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	1,108,291	543,249	1,651,540	-	-
Deferred outflows relating to pension	22,704,311	1,661,848	24,366,159	43,662,887	-
Deferred outflows relating to other postemployment benefits	1,386,787	101,506	1,488,293	3,765,365	-
Total deferred outflows of resources	25,199,389	2,306,603	27,505,992	47,428,252	-

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, 2021

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
LIABILITIES					
Current Liabilities:					
Accounts payable	5,325,675	2,457,009	7,782,684	2,320,271	836
Incurred but not reported self-insurance claims	1,803,103	-	1,803,103	-	-
Accrued liabilities	8,118,885	1,009,437	9,128,322	16,901,574	-
Advances from other activities	-	192,869	192,869	-	-
Accrued bond interest	2,266,573	141,642	2,408,215	-	-
Unearned revenues	12,007,791	321,940	12,329,731	291,768	8,250
Current portion of bonds payable	12,760,962	1,623,515	14,384,477	-	275,000
Current portion of capital lease obligations	934,113	-	934,113	-	-
Current portion of compensated absences	9,282,733	674,016	9,956,749	5,866,376	-
Current portion of liability for landfill closure and postclosure costs	91,630	-	91,630	-	-
Current portion of support agreement	227,852	60,000	287,852	-	-
Total current liabilities	52,819,317	6,480,428	59,299,745	25,379,989	284,086
Noncurrent Liabilities:					
Bonds payable	131,616,593	11,463,032	143,079,625	-	1,290,000
Capital lease obligations	2,150,880	-	2,150,880	-	-
Compensated absences	1,187,393	184,618	1,372,011	783,443	-
Deposits	-	498,873	498,873	-	-
Capacity fee credits	-	550,116	550,116	-	-
Liability for landfill closure and postclosure costs	1,440,107	-	1,440,107	-	-
Support agreement	1,262,814	130,000	1,392,814	-	-
Net pension liability	37,266,039	2,727,698	39,993,737	178,079,031	-
Net other postemployment benefits liability	5,926,913	433,822	6,360,735	25,522,629	-
Total noncurrent liabilities	180,850,739	15,988,159	196,838,898	204,385,103	1,290,000
Total liabilities	233,670,056	22,468,587	256,138,643	229,765,092	1,574,086
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	67,772,615	19,090	67,791,705	-	-
Deferred inflows relating to pension	37,255	2,727	39,982	14,499,524	-
Deferred inflows relating to other postemployment benefits	443,189	32,439	475,628	1,660,425	-
Total deferred inflows of resources	68,253,059	54,256	68,307,315	16,159,949	-
NET POSITION					
Net investment in capital assets	90,679,700	234,210,628	324,890,328	116,652,658	-
Restricted for:					
Grant programs	921,756	-	921,756	298,939	-
Capital projects	20,228,818	-	20,228,818	-	-
Debt covenants	-	4,232,524	4,232,524	-	-
Pension	-	-	-	1,891,724	-
Other postemployment benefits	66,888	4,896	71,784	119,797	-
Unrestricted (deficit)	103,751,059	36,392,034	140,143,093	(172,180,147)	112,341
Total net position	\$ 215,648,221	274,840,082	490,488,303	(53,217,029)	112,341

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, 2021

					Net (Expense) Revenue and Changes in Net Assets				
Program Revenues					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	\$ 28,757,564	2,841,171	689,452	-	(25,226,941)	-	(25,226,941)	-	-
Judicial administration	8,513,448	1,124,110	1,783,236	-	(5,606,102)	-	(5,606,102)	-	-
Public safety	72,941,427	5,920,796	6,113,957	-	(60,906,674)	-	(60,906,674)	-	-
Public works	9,883,199	2,088,305	17,296	16,603,436	8,825,838	-	8,825,838	-	-
Human services	27,851,496	3,208,018	12,242,771	-	(12,400,707)	-	(12,400,707)	-	-
Parks, recreation and cultural	6,156,104	158,623	1,775.00	-	(5,995,706)	-	(5,995,706)	-	-
Community development	7,349,683	807,082	-	-	(6,542,601)	-	(6,542,601)	-	-
Education	100,193,462	-	-	-	(100,193,462)	-	(100,193,462)	-	-
Interest on long-term debt	5,124,498	-	-	-	(5,124,498)	-	(5,124,498)	-	-
Total governmental activities	266,770,881	16,148,105	20,848,487	16,603,436	(213,170,853)	-	(213,170,853)	-	-
Business-type activities:									
Public Utilities	31,022,556	34,917,953	178,019	7,774,327	-	11,847,743	11,847,743	-	-
Airport	1,029,520	415,749	14,974	1,057,367	-	458,570	458,570	-	-
Total business-type activities	32,052,076	35,333,702	192,993	8,831,694	-	12,306,313	12,306,313	-	-
Total Primary Government	\$ 298,822,957	51,481,807	21,041,480	25,435,130	(213,170,853)	12,306,313	(200,864,540)	-	-
Component Units:									
School Board	\$ 205,207,088	4,836,113	109,890,535	-	-	-	-	(90,480,440)	-
Economic Development Authority	375,557	106,545	290,401	-	-	-	-	-	21,389
Total component units	\$ 205,582,645	4,942,658	110,180,936	-	-	-	-	(90,480,440)	21,389
General revenues:									
Taxes:									
General property taxes					179,819,627	-	179,819,627	-	-
Sales taxes					27,749,559	-	27,749,559	-	-
Utility taxes					5,683,606	-	5,683,606	-	-
Recordation taxes					3,598,741	-	3,598,741	-	-
Other					3,408,364	-	3,408,364	-	-
Noncategorical State aid					15,695,095	-	15,695,095	-	-
Grants and contributions not restricted to specific programs					17,585,090	-	17,585,090	2,889,104	-
Payment from Hanover County					-	-	-	84,263,313	-
Unrestricted investment earnings					623	-	623	2,136	-
Transfers					(168,676)	168,676	-	-	-
Total general revenues and transfers					253,372,029	168,676	253,540,705	87,154,553	-
Change in net position					40,201,176	12,474,989	52,676,165	(3,325,887)	21,389
Total net position - beginning as restated (see note I.E.1)					175,447,045	262,365,093	437,812,138	(49,891,142)	90,952
Total net position - ending					\$ 215,648,221	274,840,082	490,488,303	(53,217,029)	112,341

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, 2021

Exhibit 3

		Capital Funds			Total
	General	County Improvements	School Improvements	Debt Service	Governmental Funds
ASSETS					
Pooled cash, cash equivalents and investments	\$ 99,555,716	31,244,325	7,162,624	639,918	138,602,583
Receivables (net of allowances for uncollectibles)	82,405,404	5,563,711	-	-	87,969,115
Advances to other funds	192,869	-	-	-	192,869
Prepaid expenditures	5,541	137,524	-	-	143,065
Inventories	317,263	-	-	-	317,263
Pooled cash, cash equivalents and investments - restricted	-	8,935,279	5,327,305	-	14,262,584
Total assets	\$ 182,476,793	45,880,839	12,489,929	639,918	241,487,479
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,277,337	598,165	1,343,115	4,199	5,222,816
Accrued liabilities	7,846,331	-	147,144	-	7,993,475
Unearned revenues	10,869,847	-	200,000	-	11,069,847
Total liabilities	21,993,515	598,165	1,690,259	4,199	24,286,138
Deferred Inflows of Resources:					
Deferred revenues	72,127,615	-	-	-	72,127,615
Total deferred inflows	72,127,615	-	-	-	72,127,615
Fund Balances:					
Nonspendable	322,804	137,524	-	-	460,328
Restricted	921,756	28,450,756	5,694,481	-	35,066,993
Committed	500,000	-	-	-	500,000
Assigned	48,726,920	16,694,394	5,105,189	635,719	71,162,222
Unassigned	37,884,183	-	-	-	37,884,183
Total fund balances	88,355,663	45,282,674	10,799,670	635,719	145,073,726
Total liabilities, deferred inflows of resources and fund balances	\$ 182,476,793	45,880,839	12,489,929	639,918	241,487,479

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.	\$ 224,262,039
Receivables on the Statement of Net Position that do not provide current financial resources are not reported in the funds.	4,563,009
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.	23,378,216
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.	(163,221,650)
Deferred loss on refunding does not provide current financial resources and, therefore, is not reported in the funds.	1,108,291
GAAP require the recognition of net pension liability and deferred flows of resources related to pensions. These amounts do not use current financial resources and are not reported in the funds.	
Net pension liability	(37,266,039)
Pension investment experience	7,464,637
Difference between expected and actual experience	4,663,255
Pension contributions after measurement date	6,510,517
Change in assumptions	4,028,647
	(14,598,983)

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	66,888
Net other postemployment benefits liability	(5,926,913)
OPEB investment experience	38,919
Difference between expected and actual experience	235,268
GLI and HIC contributions after measurement date	425,463
Change in assumptions	188,991
Change in proportion	54,957
	(4,916,427)

Total net position of governmental activities

\$ 215,648,221

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, 2021

Exhibit 4

	General	County Improvements	School Improvements	Debt Service	Total Governmental Funds
REVENUES					
Revenue from local sources:					
General property taxes	\$ 180,507,626	-	-	-	180,507,626
Other local taxes	40,440,270	10,678,686	-	-	51,118,956
Permits, privilege fees and regulatory licenses	2,754,554	-	-	-	2,754,554
Fines and forfeitures	918,173	-	-	-	918,173
Revenues from use of money and property	810,692	-	-	40,033	850,725
Charges for services	7,644,844	1,477,476	-	-	9,122,320
Miscellaneous	1,314,224	-	-	17,800	1,332,024
Recovered costs	4,345,703	268	-	-	4,345,971
Revenue from the Commonwealth	31,335,672	3,201,979	-	-	34,537,651
Revenue from the Federal government	10,551,821	5,469,952	6,836,294	-	22,858,067
Total revenues	280,623,579	20,828,361	6,836,294	57,833	308,346,067
EXPENDITURES					
General governmental administration	17,252,684	4,672,914	-	-	21,925,598
Judicial administration	7,032,712	571,140	-	-	7,603,852
Public safety	66,428,825	7,547,270	-	-	73,976,095
Public works	11,919,756	8,180,412	-	-	20,100,168
Human services	27,806,894	-	-	-	27,806,894
Parks, recreation and cultural	5,923,615	1,090,836	-	-	7,014,451
Community development	7,257,418	213,796	-	-	7,471,214
Education	84,263,313	-	15,464,747	-	99,728,060
Debt service:					
Principal retirement	-	-	-	12,601,325	12,601,325
Interest and fiscal charges	-	-	-	6,039,034	6,039,034
Debt issuance costs	-	-	-	43,848	43,848
Total expenditures	227,885,217	22,276,368	15,464,747	18,684,207	284,310,539
Excess (deficiency) of revenues over (under) expenditures	52,738,362	(1,448,007)	(8,628,453)	(18,626,374)	24,035,528
OTHER FINANCING SOURCES (USES)					
Transfers in	6,622	8,092,800	3,000,000	18,661,920	29,761,342
Transfers out	(29,923,396)	(6,622)	-	-	(29,930,018)
Issuance of general obligation bonds	-	-	8,644,666	50,334	8,695,000
Premium on general obligation bonds issued	-	-	1,355,334	-	1,355,334
Total other financing sources (uses), net	(29,916,774)	8,086,178	13,000,000	18,712,254	9,881,658
Net change in fund balances	22,821,588	6,638,171	4,371,547	85,880	33,917,186
Total fund balances - beginning	65,534,075	38,644,503	6,428,123	549,839	111,156,540
Total fund balances - ending	\$ 88,355,663	45,282,674	10,799,670	635,719	145,073,726

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, 2021

Net change in fund balance - total governmental funds	\$ 33,917,186
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlays	18,651,268
Depreciation Expense	(18,270,835)
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.	
	1,175,329
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).	
	(1,205,338)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Debt Issued	(10,050,334)
Repayment of Debt Principal	12,601,325
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.	
	591,492
Pension contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the Statement of Net Position. Pension expenses reported on the Statement of Activities do not use current financial resources and are not reported in the funds. This adjustment accounts for the net changes in net pension liability and deferred inflows and outflows relating to pension.	
	(4,085,864)
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.	
	(511,157)
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.	
	7,388,104
Change in net position of governmental activities	<u>\$ 40,201,176</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final	Budget Basis	
REVENUES				
Revenue from local sources:				
General property taxes	\$ 173,390,000	173,390,000	180,507,626	7,117,626
Other local taxes	34,880,000	35,010,000	40,440,270	5,430,270
Permits, privilege fees and regulatory licenses	1,970,600	1,970,600	2,754,554	783,954
Fines and forfeitures	983,010	983,010	918,173	(64,837)
Revenues from use of money and property	952,000	952,000	810,692	(141,308)
Charges for services	8,149,050	8,237,400	7,644,844	(592,556)
Miscellaneous	1,174,500	1,118,167	1,314,224	196,057
Recovered costs	3,873,537	4,176,819	4,345,703	168,884
Revenue from the Commonwealth	30,471,184	30,954,536	31,335,672	381,136
Revenue from the Federal government	4,596,347	10,457,618	10,551,821	94,203
Total revenues	260,440,228	267,250,150	280,623,579	13,373,429
EXPENDITURES				
General governmental administration	17,254,602	18,071,885	17,346,147	725,738
Judicial administration	7,226,825	7,336,936	7,081,423	255,513
Public safety	66,115,076	68,583,162	67,378,142	1,205,020
Public works	11,606,725	12,420,132	12,123,877	296,255
Human services	28,336,877	29,207,884	27,814,282	1,393,602
Parks, recreation and cultural	6,663,127	6,917,335	5,973,593	943,742
Community development	5,201,847	7,340,408	7,274,755	65,653
Education	92,996,000	92,996,000	84,263,313	8,732,687
Nondepartmental	2,075,186	2,818,247	-	2,818,247
Total expenditures - budgetary basis	237,476,265	245,691,989	229,255,532	16,436,457
Less encumbrances at June 30, 2021	-	-	(1,370,315)	1,370,315
Total expenditures	237,476,265	245,691,989	227,885,217	17,806,772
Excess of revenues over expenditures	22,963,963	21,558,161	52,738,362	31,180,201
OTHER FINANCING SOURCES (USES)				
Transfers in	-	6,622	6,622	-
Transfers out	(29,222,396)	(29,923,396)	(29,923,396)	-
Total other financing uses, net	(29,222,396)	(29,916,774)	(29,916,774)	-
Net change in fund balance	(6,258,433)	(8,358,613)	22,821,588	31,180,201
Fund balances - beginning	6,258,433	65,534,075	65,534,075	-
Fund balances - ending	\$ -	57,175,462	88,355,663	31,180,201

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, 2021

Exhibit 7

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Public Utilities	Non-major Airport	Total	
ASSETS				
Current Assets:				
Pooled cash, cash equivalents and investments	\$ 37,070,293	-	37,070,293	23,986,302
Receivables (net of allowances for uncollectibles)	5,178,895	1,166,494	6,345,389	2,366,727
Total current assets	42,249,188	1,166,494	43,415,682	26,353,029
Noncurrent Assets:				
Pooled cash, cash equivalents and investments - restricted	4,106,302	35,400	4,141,702	-
Net other postemployment benefits asset - restricted	4,803	93	4,896	-
Capital assets:				
Land	6,452,771	4,770,169	11,222,940	-
Intangible assets	53,432,516	-	53,432,516	-
Buildings and system	79,382,708	5,970,832	85,353,540	-
Improvements other than buildings	250,707,231	17,517,172	268,224,403	-
Machinery and equipment	25,761,731	119,418	25,881,149	-
Construction in progress	10,178,762	1,385,752	11,564,514	-
Less accumulated depreciation	(199,540,344)	(8,644,676)	(208,185,020)	-
Total capital assets (net of accumulated depreciation)	226,375,375	21,118,667	247,494,042	-
Total noncurrent assets	230,486,480	21,154,160	251,640,640	-
Total assets	272,735,668	22,320,654	295,056,322	26,353,029
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	543,249	-	543,249	-
Deferred outflows relating to pension	1,630,413	31,435	1,661,848	-
Deferred outflows relating to other postemployment benefits	99,587	1,919	101,506	-
Total deferred outflows of resources	2,273,249	33,354	2,306,603	-
LIABILITIES				
Current Liabilities:				
Accounts payable	2,217,740	239,269	2,457,009	102,857
Incurred but not reported self-insurance claims	-	-	-	1,803,103
Accrued liabilities	953,424	56,013	1,009,437	125,410
Unearned revenues	286,540	35,400	321,940	-
Advances from other funds	-	192,869	192,869	-
Accrued bond interest	105,284	36,358	141,642	-
Advance premiums	-	-	-	943,443
Current portion of bonds payable	1,418,369	205,146	1,623,515	-
Current portion of compensated absences	661,524	12,492	674,016	-
Current portion of support agreement	60,000	-	60,000	-
Total current liabilities	5,702,881	777,547	6,480,428	2,974,813
Noncurrent Liabilities:				
Bonds payable	8,598,991	2,864,041	11,463,032	-
Compensated absences	174,640	9,978	184,618	-
Deposits	498,873	-	498,873	-
Capacity fee credits	550,116	-	550,116	-
Support agreement	130,000	-	130,000	-
Net pension liability	2,676,103	51,595	2,727,698	-
Net other postemployment benefits liability	425,616	8,206	433,822	-
Total noncurrent liabilities	13,054,339	2,933,820	15,988,159	-
Total liabilities	18,757,220	3,711,367	22,468,587	2,974,813
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues	19,090	-	19,090	-
Deferred inflows relating to pension	2,675	52	2,727	-
Deferred inflows relating to other postemployment benefits	31,825	614	32,439	-
Total deferred inflows of resources	53,590	666	54,256	-
NET POSITION				
Net investment in capital assets	216,161,148	18,049,480	234,210,628	-
Restricted for debt covenants	4,106,302	126,222	4,232,524	-
Restricted for other postemployment benefits	4,803	93	4,896	-
Unrestricted	35,925,854	466,180	36,392,034	23,378,216
Total net position	\$ 256,198,107	18,641,975	274,840,082	23,378,216

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, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Public Utilities	Non-major Airport	Total	Internal Service Fund
OPERATING REVENUES				
Revenue from use of money and property	\$ -	414,955	414,955	-
Charges for services	26,499,251	-	26,499,251	45,096,521
Capacity fees	522,987	-	522,987	-
Recovered costs	-	-	-	204,449
Miscellaneous	324,714	794	325,508	-
Categorical federal aid	178,019	-	178,019	-
Categorical state aid	-	14,974	14,974	-
Total operating revenues	27,524,971	430,723	27,955,694	45,300,970
OPERATING EXPENSES				
Personnel services	5,018,089	94,482	5,112,571	60,752
Fringe benefits	2,141,683	33,173	2,174,856	21,226
Health care claims and benefits	-	-	-	37,188,384
Contractual services	7,234,851	80,878	7,315,729	178,207
Internal services	1,769,000	-	1,769,000	-
Other charges	3,676,318	17,132	3,693,450	463,099
Depreciation	10,830,030	701,949	11,531,979	-
Total operating expenses	30,669,971	927,614	31,597,585	37,911,668
Operating income (loss)	(3,145,000)	(496,891)	(3,641,891)	7,389,302
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues:				
Capacity fees - nonoperating	7,548,565	-	7,548,565	-
Gain on sale of property	22,436	-	22,436	-
Total nonoperating revenues	7,571,001	-	7,571,001	-
Nonoperating expenses:				
Interest expense and fiscal charges	352,585	101,906	454,491	1,198
Total nonoperating expenses	352,585	101,906	454,491	1,198
Net nonoperating revenues (expenses)	7,218,416	(101,906)	7,116,510	(1,198)
Income (loss) before capital contributions and transfers	4,073,416	(598,797)	3,474,619	7,388,104
Capital contributions	7,774,327	1,057,367	8,831,694	-
Transfers in	-	168,676	168,676	-
Change in fund net position	11,847,743	627,246	12,474,989	7,388,104
Total fund net position - beginning	244,350,364	18,014,729	262,365,093	15,990,112
Total fund net position - ending	\$ 256,198,107	18,641,975	274,840,082	23,378,216

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, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Public Utilities	Non-major Airport	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 27,343,290	444,212	27,787,502	-
Receipts from interfund services provided	-	-	-	46,037,762
Receipts from Federal/state operating grants	464,559	14,974	479,533	-
Miscellaneous receipts	-	794	794	-
Payments to suppliers and service providers	(14,696,700)	(95,176)	(14,791,876)	(178,207)
Payments to employees	(4,987,127)	(117,036)	(5,104,163)	(81,977)
Claims and benefits paid	-	-	-	(37,979,254)
Net cash provided by operating activities	8,124,022	247,768	8,371,790	7,798,324
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	168,676	168,676	-
Advance from other funds	-	192,869	192,869	-
Net cash provided by noncapital financing activities	-	361,545	361,545	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Intergovernmental revenue received - capital grants	-	339,437	339,437	-
Capacity fees received	6,879,852	-	6,879,852	-
Acquisition and construction of capital assets	(9,324,787)	(977,204)	(10,301,991)	-
Principal payments on revenue bonds and support agreement debt	(1,261,830)	(143,088)	(1,404,918)	-
Interest payments on revenue bonds	(455,766)	(89,611)	(545,377)	-
Proceeds from sale of capital assets	22,436	-	22,436	-
Net cash used in capital and related financing activities	(4,140,095)	(870,466)	(5,010,561)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment expenses	(2,494)	-	(2,494)	(1,198)
Net cash used in investing activities	(2,494)	-	(2,494)	(1,198)
Net increase (decrease) in cash and cash equivalents	3,981,433	(261,153)	3,720,280	7,797,126
Pooled cash, cash equivalents and investments at beginning of year	37,195,162	296,553	37,491,715	16,189,176
Pooled cash, cash equivalents and investments at end of year	\$ 41,176,595	35,400	41,211,995	23,986,302
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (3,145,000)	(496,891)	(3,641,891)	7,389,302
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	10,830,030	701,949	11,531,979	-
Pension expense	266,033	5,783	271,816	-
Other postemployment benefits expense	25,284	699	25,983	-
(Increase) decrease in:				
Receivables	(390,940)	29,258	(361,682)	732,391
Increase (decrease) in:				
Customer deposits	387,845	-	387,845	-
Unearned income	286,540	-	286,540	-
Accounts payable	(166,173)	2,832	(163,341)	52,125
Incurred but not reported self-insurance claims	-	-	-	(392,550)
Accrued liabilities	5,968	126	6,094	12,654
Advance premiums	-	-	-	4,402
Compensated absences	24,999	4,012	29,011	-
Deferred revenues	(564)	-	(564)	-
Total adjustments	11,269,022	744,659	12,013,681	409,022
Net cash provided by operating activities	\$ 8,124,022	247,768	8,371,790	7,798,324
Noncash investing, capital, and financing activities:				
Capital contributions	\$ 7,774,327	1,057,367	8,831,694	-

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, 2021

	Retiree Medical Benefits Trust	Custodial Funds
ASSETS		
Pooled cash, cash equivalents and investments	\$ -	4,752,087
Receivables	2,174	1,400,639
Investments, at fair value (mutual funds):		
Money market	26,459	-
Domestic equity	3,215,695	-
International equity	1,718,099	-
Fixed income	1,881,772	-
Other	509,100	-
Total assets	<u>7,353,299</u>	<u>6,152,726</u>
LIABILITIES		
Accounts payable	-	367,265
Accrued liabilities	-	30,898
Deposits	-	8,631
Total liabilities	<u>-</u>	<u>406,794</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenues	-	1,400,639
Total deferred inflows of resources	<u>-</u>	<u>1,400,639</u>
FIDUCIARY NET POSITION		
Restricted for:		
Other postemployment benefits	7,353,299	-
Individuals, organizations and other governments	-	4,345,293
Total net position	<u>\$ 7,353,299</u>	<u>4,345,293</u>

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

COUNTY OF HANOVER, VIRGINIA**Exhibit 11**

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2021

	Retiree Medical Benefits Trust	Custodial Funds
ADDITIONS		
Contributions:		
Plan members	\$ 1,132,759	-
Total contributions	1,132,759	-
Investment earnings	1,584,476	-
Tax collections for other governments	-	5,972,000
Miscellaneous	-	95,869
Total additions	2,717,235	6,067,869
DEDUCTIONS		
Benefits paid to participants or beneficiaries	1,132,760	112,140
Administrative expense	-	38,222
Payments of tax collections to other governments	-	5,933,778
Total deductions	1,132,760	6,084,140
Net increase in fiduciary net position	1,584,475	(16,271)
Net position		
Beginning as restated (see note I.E.1)	5,768,824	4,361,564
Ending	\$ 7,353,299	4,345,293

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

I. Summary of significant accounting policies

A. Reporting entity

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

Discretely Presented Component Units

- **School Board:** The County provides education through its own public school system administered by the Hanover County School Board (the School Board or the Schools). The School Board has been classified as a discretely presented component unit in the financial reporting entity because it is legally separate, but financially dependent through appropriations. The Board of Supervisors administers the School Board's appropriation of funds at the category level, approves transfers between categories, authorizes school debt issuances and appoints School Board members. Financial statements of the School Board are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The School Board does not issue separate financial statements.
- **Economic Development Authority:** The Economic Development Authority of Hanover County, Virginia (the EDA) was established by ordinance of the Board pursuant to the Industrial Development and Revenue Bond Act (Chapter 33, Title 15.1, *Code of Virginia* (the Code) of 1950, as amended) so that such authorities may acquire, own, lease and dispose of properties to the end that such authorities may be able to promote industry and develop trade by inducing manufacturing, industrial, governmental and commercial enterprises to locate in or remain in the Commonwealth. Included in the discretely presented component unit EDA are the activities of economic development services. The County appoints the seven board members of the EDA representing each of the seven magisterial districts of the County. By statute, the EDA has the power to cause the issuance of tax-exempt industrial revenue bonds to qualifying enterprises wishing to utilize that form of financing. The County is involved in the day-to-day operations of the EDA, the determination of its operating budget and annual service fee rates and the approval of prospective private activity bond issues. Financial statements of the EDA are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The EDA does not issue separate financial statements.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the Primary Government and its component units, exclusive of fiduciary activities. For the most part, the effect of interfund activity has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues,

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

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, and do not involve the measurement of results of operations. 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 bonded

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

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

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

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

Additionally, the County reports the following fund categories:

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

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

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

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

D. Assets, liabilities, and net position or equity

1. Deposits and investments

The County and its component units follow the practice of pooling cash and investments of all funds with the County Treasurer, except for certain restricted cash and investments held by outside custodians in order to comply with the provisions of bond indentures and the investments of the Retiree Medical Benefits Trust (Trust) held by the Trust's Finance Board. Investments are reported at fair value, based on quoted market

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prices at year end. As of June 30, 2021, 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, 2020, and the first installment (June 5) of the levy on assessed value at January 1, 2021.

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

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

The 1998 Virginia General Assembly enacted legislation providing property tax relief to citizens. The Personal Property Tax Relief Act (PPTRA) was intended to be phased in over five years on the first \$20,000 of value for motor vehicles not used for business purposes. In 2005 the General Assembly capped PPTRA relief at \$950 million statewide beginning with the 2006 tax year. Hanover receives a total of \$15,002,000 in four payments annually. County 2020 tax bills, payable in fiscal year 2021, included a forty-seven 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.

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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, 2021 of \$18,404,286, which consists of unspent bond proceeds of \$14,262,584 restricted for capital projects in the School and County Improvements Funds. Business-type activities report restricted cash, cash equivalents and investments of \$4,106,302 maintained as reserves required by water and sewer revenue bond covenants and \$35,400 for restricted grants.

5. Capital assets

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

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

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

The estimated useful lives of capital assets are as follows:

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

6. Compensated absences

It is the County's policy to permit eligible employees to accumulate earned but unused vacation, compensatory time and sick pay benefits, subject to certain limitations. A liability for unused vacation pay and compensatory time is accrued when incurred in the government-wide and proprietary fund financial

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statements. The current portion of the liability is estimated based on historical leave usage. A liability for those amounts is reported in governmental funds only to the extent the liability has matured: for example, as a result of employee resignations or retirements. Sick leave is accrued under the vesting method, which estimates the expected eligibility of all employees to receive termination payments.

7. Long-term obligations

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

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

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

8. Net position / Fund balances

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

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

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Under GAAP, positive unassigned fund balances are only reported in the General Fund. However, in governmental funds other than the General Fund, expenditures incurred for a specific purpose might exceed the amount restricted, committed, or assigned to that purpose, and a negative residual amount for that purpose may result (for example, if capital project fund expenditures are made prior to receipt of bond proceeds). If that occurs, any negative residual is offset to the extent of any other assigned amounts in that fund, and any remaining negative residual amount is classified as a negative unassigned fund balance in the applicable governmental fund.

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

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

9. Deferred Outflows/Inflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources in addition to assets. The County reports deferred outflows of resources for deferred charges on refunding and amounts related to pensions and OPEB in the government-wide Statement of Net Position in this category. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. Deferred outflows for pensions and OPEB 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 amortized 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.

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In the government-wide Statement of Net Position, deferred inflows of resources are also reported for amounts related to pensions and OPEB plans. Actuarial losses resulting from a difference in expected and actual experience, plan investment returns that differed from projected earnings, changes in actuarial assumptions and changes in proportionate share are deferred and amortized over the remaining service life of all participants. Deferred inflows resulting from pension and OPEB investment returns lower than projected earnings are also deferred and amortized over a closed five-year period.

10. Pension Plans

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

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

11. Retiree Medical Benefits Plan and Trust

The County has established the Hanover County Retiree Medical Benefits Plan a multiple-employer defined benefit plan and related Trust to provide health insurance benefits to the employees and retired employees of the County and other participating employers including the Hanover County School Board, the Pamunkey Regional Library, and the Pamunkey Regional Jail Authority. The Hanover County Finance Board was established pursuant to the Code §15.2-1547 is responsible for the oversight of the Hanover Retiree Medical Benefits Trust, established pursuant to the Code §15.2-1544, which provides the authority under which benefit terms are established or may be amended. The related Medical Trust OPEB asset, deferred outflows 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 Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision HIC Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program OPEB, and the Political Subdivision HIC Program OPEB expense, information about the fiduciary net position of the VRS Political Subdivision HIC Program; and the additions to/deductions from the VRS Political Subdivision HIC's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

13. Group Life Insurance

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

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

E. Accounting Pronouncements

1. New Accounting Pronouncements

In January 2017, GASB issues statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a Primary Government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the Primary Government's fiduciary funds. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary

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resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The County adopted this Statement in its financial statements and accompanying notes to the financial statements for the fiscal year ended June 30, 2021. As a result of implementation, the County analyzed various activities to determine if they meet the criterion of fiduciary activities as defined in Statement No. 84. Several changes are reflected in the Government-wide Statement of Activities for the School Board Component Unit, the County Statement of Changes in Fiduciary Net Position, and the School Board Statement of Revenues, Expenditures and Changes in Fund Balances. Beginning in fiscal year 2021, the County is including the Commonwealth Fund, a custodial fund, and the Student Activity Fund, a governmental fund in the School Board Component Unit, in the annual financial report. As a result of the change in accounting requirements, the fiscal year 2020 net position and fund balances related to these activities differ from the items presented in the previously issued fiscal year 2020 financial statements. To facilitate the implementation of this change in accounting requirements, 2020 ending balances are adjusted as follows:

	Government-wide School Board Component Unit	Custodial Funds	
		Escrow Fund	Special Welfare
Net position - as previously reported at June 30, 2020	\$ (53,095,836)	-	-
Net change in accounting principle	3,204,694	4,300,000	61,564
Net position - as restated	<u>\$ (49,891,142)</u>	<u>4,300,000</u>	<u>61,564</u>

	School Board Component Unit Student Activity Fund
Fund balance - as previously reported at June 30, 2020	\$ -
Net change in accounting principle	3,204,694
Fund balance - as restated	<u>\$ 3,204,694</u>

In its implementation of Statement No. 84, the County also revised its custodial activity presentation to denote Custodial Funds in place of Agency Funds. With respect to this change, the fiscal year 2020 assets and corresponding liabilities differ from the items presented in the previously issued fiscal year 2020 financial statements. The 2020 ending balances are adjusted as follows:

	Custodial Funds - previously Agency Funds		
	Lewistown Community Development Authority	Escrow Fund	Commonwealth Fund
Assets/liabilities - as previously reported at June 30, 2020	\$ 1,397,495	6,332,878	-
Net change in accounting principle	(320,161)	(2,032,878)	6,866
Assets/liabilities - as restated	<u>\$ 1,077,334</u>	<u>4,300,000</u>	<u>6,866</u>

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be

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reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement is not applicable to the County as there are no interests of this type.

2. Future Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The County will analyze the impact on the reporting entity's financial statements and disclosures and will adopt this Statement for the fiscal year ending June 30, 2022 as adoption of Statement No. 95 in the fiscal year ending June 30, 2020 extended the implementation date.

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

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literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The County will analyze the Statement's impact on the entity's financial statements and disclosures for potential adoption in 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. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. 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 will analyze the impact on the reporting entity's financial statements and disclosures and will adopt this Statement for the fiscal year ending June 30, 2022 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 will analyze the Statement's impact on the entity's financial statements and disclosures for potential adoption in the fiscal year ending June 30, 2023.

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 (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

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included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information. The County will analyze the Statement's impact on the entity's financial statements and disclosures for potential adoption in the fiscal year ending June 30, 2023.

In June 2020, GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The County will analyze the Statement's impact on the entity's financial statements and disclosures for potential adoption in the fiscal year ending June 30, 2022.

II. Reconciliation of government-wide and fund financial statements

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

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

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

Bonds payable, net	\$ 144,377,555
Accrued bond interest	2,266,573
Capital lease obligations	3,084,993
Support agreement payable	1,490,666
Compensated absences	10,470,126
Liability for landfill closure and postclosure costs	<u>1,531,737</u>
Net adjustment to reduce total fund balances - total governmental funds to arrive at net position - governmental activities	<u>\$ 163,221,650</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.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

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	\$ (458,522)
Liability for landfill closure and postclosure costs	91,630
Accrued interest	(700)
Amortization of bond premiums	1,099,990
Amortization of deferred loss on refunding	(140,906)
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>\$ 591,492</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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

IV. Detailed notes on all funds

A. Deposits and investments

As of June 30, 2021, the reporting entity's pooled cash and investments includes \$15,394,388 reported by the School Board Component Unit, \$121,427 reported by the Economic Development Authority and \$4,752,087 held on behalf of custodial funds. The Student Activity Funds reported \$3,422,158 of deposits. Total pooled cash and investments for the reporting entity and amounts separately invested by the Retiree Medical Benefits Trust's Finance Board as of June 30, 2021, were as follows, on the next page:

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

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	39,158,783	-	-	-	-	39,158,783
Demand and time deposits	7,896,485	-	1,320,715	6,575,770	-	-
Money market mutual funds (AAAm ratings)	23,254,785	23,254,785	-	-	-	-
U.S. government and agency bonds	64,015,099	5,933,168	58,081,931	-	-	-
Corporate notes and bonds	4,623,315	333,841	4,289,474	-	-	-
Commercial paper	958,718	-	-	958,718	-	-
LGIP Funds	98,420,057	98,420,057	-	-	-	-
Total pooled deposits and investments	<u>\$ 238,331,367</u>	<u>127,941,851</u>	<u>63,692,120</u>	<u>7,534,488</u>	<u>-</u>	<u>39,162,908</u>
Fund Credit Quality Rating						
Student Activity Funds:	Fair Value	AAAm	N/R	N/A		
Cash deposits	<u>\$ 3,422,158</u>	<u>-</u>	<u>-</u>	<u>3,422,158</u>		
Total Student Activity Funds deposits	<u>\$ 3,422,158</u>	<u>-</u>	<u>-</u>	<u>3,422,158</u>		
Fund Credit Quality Rating						
Retiree Medical Benefits Trust:	Fair Value	AAAm	N/R	N/A		
Mutual funds:						
Money market	\$ 26,459	26,459	-	-		
Domestic equity	3,215,695	-	-	3,215,695		
International equity	1,718,099	-	-	1,718,099		
Fixed income	1,881,772	-	-	1,881,772		
Other	509,100	-	-	509,100		
Total trust investments	<u>\$ 7,351,125</u>	<u>26,459</u>	<u>-</u>	<u>7,324,666</u>		

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).

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

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.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

The target asset classes and asset weightings as of June 30, 2021 are as follows:

Trust Asset Class	Fair Value	Trust Asset Weightings		
		Range	Target	Actual
Liquidity assets:				
Cash equivalent	\$ 26,459	0 - 100%	100%	100%
Investment assets:				
Domestic equity	3,215,695	26 - 46%	36%	44%
International equity	1,718,099	13 - 33%	20%	23%
REITs	211,035	0 - 12%	6%	3%
Inflation hedged	-	0 - 10%	0%	0%
Fixed income	1,881,772	20 - 60%	35%	26%
Other - Growth	298,065	0 - 20%	3%	4%
Total investment assets	7,324,666		100%	100%
Total trust investments	\$ 7,351,125			

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

As of June 30, 2021, deposits and fixed income investments managed by the Treasurer are summarized at fair value and maturity as follows:

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	39,158,783	39,158,783	-	-
Demand and time deposits	7,896,485	6,575,770	1,320,715	-
Money market mutual funds	23,254,785	23,254,785	-	-
U.S. Government and agency bonds	64,015,099	1,657,931	59,880,852	2,476,316
Corporate notes and bonds	4,623,315	-	4,289,474	333,841
Commercial paper	958,718	958,718	-	-
LGIP Funds	98,420,057	98,420,057	-	-
Total pooled deposits and investments	<u>\$ 238,331,367</u>	<u>\$ 170,030,169</u>	<u>\$ 65,491,041</u>	<u>\$ 2,810,157</u>

Student Activity Funds:	Fair Value	Investment Maturities (in Years)	
		Less than 1	More than 1
Cash deposits	\$ 3,422,158	\$ 3,422,158	\$ -
Total Student Activity Funds deposits	<u>\$ 3,422,158</u>	<u>\$ 3,422,158</u>	<u>\$ -</u>

Retiree Medical Benefits Trust:	Fair Value	Investment Maturities (in Years)	
		Less than 1	More than 1
Money market mutual fund	\$ 26,459	\$ 26,459	\$ -
Fixed income	1,881,772	1,881,772	-
Domestic equity	3,215,695	3,215,695	-
International equity	1,718,099	1,718,099	-
Other - Growth	509,100	509,100	-
Total trust deposits and investments	<u>\$ 7,351,125</u>	<u>\$ 7,351,125</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, 2021 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.

COUNTY OF HANOVER
Notes to Financial Statements
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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 of the pooled investment portfolio will be invested in the securities of any single issuer with the following exceptions:

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

As of June 30, 2021, the issuers exceeding five percent of the pooled investments was the U.S. Treasury, which represented seventeen percent of pooled investments and Federal Agency Notes, which represented six 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, 2021 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, 2021, 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, 2021.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

Fair Value Hierarchy Disclosure: The following tables present investments at fair value on a recurring basis in accordance with GAAP at June 30, 2021:

		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	\$ 41,439,751	-	41,439,751	-
U.S. agency securities	22,575,348	-	22,575,348	-
Corporate notes and bonds	4,623,315	-	4,623,315	-
Total investments by fair value	\$ 68,638,414	-	68,638,414	-
Investments measured at amortized cost				
Demand and time deposits	\$ 7,896,485			
Money market mutual funds	23,254,785			
Commercial paper	958,718			
LGIP funds	98,420,057			
Total investments by amortized cost	\$ 130,530,045			
Cash				
Cash on hand	\$ 4,125			
Cash deposits	39,158,783			
Total cash	\$ 39,162,908			
Total pooled deposits and investments	\$ 238,331,367			
Student Activity Funds:	Total			
Cash				
Cash deposits	3,422,158			
Total cash	\$ 3,422,158			
		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	\$ 1,881,772	-	1,881,772	-
Domestic equity	3,215,695	-	3,215,695	-
International equity	1,718,099	-	1,718,099	-
Other - Growth	509,100	-	509,100	-
Total investments by fair value	\$ 7,324,666	-	7,324,666	-
Investments measured at amortized cost				
Money market mutual fund	\$ 26,459			
Total pooled deposits and investments	\$ 7,351,125			

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

B. Receivables

Receivables and allowances for uncollectible receivables of Governmental Funds, Proprietary Funds and the School Component Unit at June 30, 2021, are as follows:

	Governmental Funds			Proprietary Funds			Total Proprietary Funds	School Component Unit
	General Fund	County Improvements Fund	Total Governmental Funds	Public Utilities	Airport Fund	Internal Service Funds		
Receivables:								
Interest	\$ 149,699	-	149,699	-	-	-	-	-
Taxes	72,909,413	-	72,909,413	-	-	-	-	-
Accounts	2,675,624	-	2,675,624	5,709,694	-	2,366,727	8,076,421	74,287
Commonwealth of Virginia	7,296,605	5,148,169	12,444,774	-	933,078	-	933,078	4,198,672
Federal government	1,158,839	415,542	1,574,381	-	233,416	-	233,416	3,193,752
Gross receivables	84,190,180	5,563,711	89,753,891	5,709,694	1,166,494	2,366,727	9,242,915	7,466,711
Allowance for uncollectibles	(1,784,776)	-	(1,784,776)	(530,799)	-	-	(530,799)	-
Net total receivables	\$ 82,405,404	5,563,711	87,969,115	5,178,895	1,166,494	2,366,727	8,712,116	7,466,711

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 2021 real property tax levy, due on October 5, 2021, are reported as *deferred inflows of resources* at June 30, 2021 in the government-wide financial statements and in the governmental fund financial statements. At June 30, 2021, the various components of the Primary Government's *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	\$ 65,953,471	-	65,953,471	-
Prepaid taxes	1,819,144	-	1,819,144	-
Past due taxes (net of allowance for uncollectibles)	4,355,000	-	-	-
CARES Act funding	-	200,000	-	200,000
ARPA Funding	-	10,447,079	-	10,447,079
EMS transport fees	-	5,499	-	-
Community Services Board programs	-	368,004	-	368,004
Parks and Recreation programs	-	49,265	-	49,265
Advance health insurance premiums - Self Insurance Fund	-	-	-	943,443
Total deferred/unearned revenues - Primary Government	\$ 72,127,615	11,069,847	67,772,615	12,007,791

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

C. Capital assets

Capital asset activity for the Primary Government for the year ended June 30, 2021 was as follows:

Primary Government		Adjustment			
	Balance			Assets Held In	Balance
	July 1	Increases	Decreases	Tenancy in Common	June 30
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 9,850,563	-	-	-	9,850,563
Intangible assets	3,177,599	387,329	-	-	3,564,928
Construction in progress	17,345,436	13,682,228	(26,169,559)	-	4,858,105
Total capital assets, not being depreciated	30,373,598	14,069,557	(26,169,559)	-	18,273,596
Capital assets, being depreciated:					
Buildings	227,944,277	9,760,038	-	2,523,307	240,227,622
Improvements other than buildings	24,997,643	8,269,749	-	-	33,267,392
Machinery and equipment	101,398,322	11,252,604	(2,866,038)	-	109,784,888
Infrastructure	40,030,067	1,468,879	-	-	41,498,946
Total capital assets, being depreciated	394,370,309	30,751,270	(2,866,038)	2,523,307	424,778,848
Less accumulated depreciation for:					
Buildings	(105,262,401)	(6,150,927)	-	(1,347,978)	(112,761,306)
Improvements other than buildings	(10,604,677)	(1,327,096)	-	-	(11,931,773)
Machinery and equipment	(61,678,082)	(9,670,570)	2,657,183	-	(68,691,469)
Infrastructure	(24,283,615)	(1,122,242)	-	-	(25,405,857)
Total accumulated depreciation	(201,828,775)	(18,270,835)	2,657,183	(1,347,978)	(218,790,405)
Total capital assets, being depreciated, net	192,541,534	12,480,435	(208,855)	1,175,329	205,988,443
Governmental activities' capital assets, net	\$ 222,915,132	26,549,992	(26,378,414)	1,175,329	224,262,039
Business-type activities:					
Public Utilities:					
Capital assets, not being depreciated:					
Land	\$ 6,452,771	-	-	-	6,452,771
Construction in progress	10,676,844	8,503,803	(9,001,885)	-	10,178,762
Total capital assets, not being depreciated	17,129,615	8,503,803	(9,001,885)	-	16,631,533
Capital assets, being depreciated:					
Buildings	79,382,708	-	-	-	79,382,708
Improvements other than buildings	235,432,250	15,274,981	-	-	250,707,231
Intangible assets	53,000,140	432,376	-	-	53,432,516
Machinery and equipment	23,595,425	2,222,112	(55,806)	-	25,761,731
Total capital assets, being depreciated	391,410,523	17,929,469	(55,806)	-	409,284,186
Less accumulated depreciation for:					
Buildings	(40,997,675)	(1,993,914)	-	-	(42,991,589)
Improvements other than buildings	(116,880,305)	(5,911,839)	-	-	(122,792,144)
Intangible assets	(19,129,783)	(1,388,342)	-	-	(20,518,125)
Machinery and equipment	(11,758,357)	(1,535,935)	55,806	-	(13,238,486)
Total accumulated depreciation	(188,766,120)	(10,830,030)	55,806	-	(199,540,344)
Total capital assets, being depreciated, net	202,644,403	7,099,439	-	-	209,743,842
Public Utilities' capital assets, net	\$ 219,774,018	15,603,242	(9,001,885)	-	226,375,375

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

	Balance			Adjustment	Balance
	July 1	Increases	Decreases	Assets Held In Tenancy in Common	June 30
Airport Fund:					
Capital assets, not being depreciated:					
Land	\$ 4,770,169	-	-	-	4,770,169
Construction in progress	3,350,654	1,221,304	(3,186,206)	-	1,385,752
Total capital assets, not being depreciated	8,120,823	1,221,304	(3,186,206)	-	6,155,921
Capital assets, being depreciated:					
Buildings	5,970,832	-	-	-	5,970,832
Improvements other than buildings	14,330,966	3,186,206	-	-	17,517,172
Machinery and equipment	112,469	6,949	-	-	119,418
Total capital assets, being depreciated	20,414,267	3,193,155	-	-	23,607,422
Less accumulated depreciation for:					
Buildings	(1,519,492)	(175,625)	-	-	(1,695,117)
Improvements other than buildings	(6,369,203)	(509,474)	-	-	(6,878,677)
Machinery and equipment	(54,032)	(16,850)	-	-	(70,882)
Total accumulated depreciation	(7,942,727)	(701,949)	-	-	(8,644,676)
Total capital assets, being depreciated, net	12,471,540	2,491,206	-	-	14,962,746
Airport capital assets, net	\$ 20,592,363	3,712,510	(3,186,206)	-	21,118,667
Total Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 11,222,940	-	-	-	11,222,940
Construction in progress	14,027,498	9,725,107	(12,188,091)	-	11,564,514
Total capital assets, not being depreciated	25,250,438	9,725,107	(12,188,091)	-	22,787,454
Capital assets, being depreciated:					
Buildings	85,353,540	-	-	-	85,353,540
Improvements other than buildings	249,763,216	18,461,187	-	-	268,224,403
Intangible assets	53,000,140	432,376	-	-	53,432,516
Machinery and equipment	23,707,894	2,229,061	(55,806)	-	25,881,149
Total capital assets, being depreciated	411,824,790	21,122,624	(55,806)	-	432,891,608
Less accumulated depreciation for:					
Buildings	(42,517,167)	(2,169,539)	-	-	(44,686,706)
Improvements other than buildings	(123,249,508)	(6,421,313)	-	-	(129,670,821)
Intangible assets	(19,129,783)	(1,388,342)	-	-	(20,518,125)
Machinery and equipment	(11,812,389)	(1,552,785)	55,806	-	(13,309,368)
Total accumulated depreciation	(196,708,847)	(11,531,979)	55,806	-	(208,185,020)
Total capital assets, being depreciated, net	215,115,943	9,590,645	-	-	224,706,588
Business-type activities' capital assets, net	240,366,381	19,315,752	(12,188,091)	-	247,494,042
Total capital assets, net - Primary Government	\$ 463,281,513	45,865,744	(38,566,505)	1,175,329	471,756,081

COUNTY OF HANOVER
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Capital assets activity for the School Board Component Unit for the year ended June 30, 2021 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:					
Land	\$ 7,400,682	-	-	-	7,400,682
Construction in progress	184,878	7,562,168	(4,490,747)	-	3,256,299
Total capital assets, not being depreciated	7,585,560	7,562,168	(4,490,747)	-	10,656,981
Capital assets, being depreciated:					
Buildings	174,332,083	-	-	(2,523,307)	171,808,776
Improvements other than buildings	27,564,354	1,734,755	-	-	29,299,109
Machinery and equipment	33,339,897	3,427,169	(1,439,859)	-	35,327,207
Total capital assets, being depreciated	235,236,334	5,161,924	(1,439,859)	(2,523,307)	236,435,092
Less accumulated depreciation for:					
Buildings	(93,130,093)	(4,759,842)	-	1,347,978	(96,541,957)
Improvements other than buildings	(7,027,272)	(1,363,262)	-	-	(8,390,534)
Machinery and equipment	(24,745,714)	(2,201,069)	1,439,859	-	(25,506,924)
Total accumulated depreciation	(124,903,079)	(8,324,173)	1,439,859	1,347,978	(130,439,415)
Total capital assets, being depreciated, net	110,333,255	(3,162,249)	-	(1,175,329)	105,995,677
School Board Component Unit capital assets, net	\$ 117,918,815	4,399,919	(4,490,747)	(1,175,329)	116,652,658

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

Primary Government:	
Governmental activities:	
General governmental administration	\$ 1,550,978
Judicial administration	1,473,315
Public safety	6,912,537
Public works	2,692,327
Human services	186,714
Parks, recreation and cultural	841,872
Community development	198,535
Education	4,414,557
Total - governmental activities	18,270,835
Business-type activities:	
Public Utilities	10,830,030
Airport	701,949
Total depreciation expense - business-type activities	11,531,979
Total depreciation expense - Primary Government	\$ 29,802,814
School Board Component Unit:	
Education	\$ 8,324,173
Total depreciation expense - School Board Component Unit	\$ 8,324,173

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, 2021, the County had outstanding financial obligations related to the acquisition and construction of school property totaling \$58,634,184. 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, 2021. During fiscal year 2021, the County's financial obligations related to school buildings and equipment decreased by a net amount of \$3,239,229, and accordingly, the net book value of school buildings and equipment reported

COUNTY OF HANOVER
Notes to Financial Statements
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by the Primary Government decreased, and the net book value of buildings and equipment reported by the School Board Component Unit increased by the same amount. Depreciation expense on school buildings and equipment is allocated to the Primary Government and the School Board Component Unit in proportion to the relative cost of the buildings reported by each entity. Accordingly, depreciation of School Board Component Unit capital assets totaled \$12,738,730 in fiscal year 2021, of which \$4,414,557 is reported by the Primary Government and \$8,324,173 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. School Fund transfers to the Cafeteria Fund provide funding for operations. Interfund transfers for the year ended June 30, 2021 are as follows:

<u>Primary Government</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 6,622	29,923,396
County Improvements Fund	8,092,800	6,622
School Improvements Fund	3,000,000	-
Debt Service Fund	18,661,920	-
Airport Fund	168,676	-
Total Primary Government	<u>29,930,018</u>	<u>29,930,018</u>
<u>School Board Component Unit</u>	<u>Transfers In</u>	<u>Transfers Out</u>
School Fund	\$ -	91,000
Cafeteria Fund	91,000	-
Total School Board Component Unit	<u>\$ 91,000</u>	<u>\$ 91,000</u>

E. Unearned revenues

The County has reported unearned revenues of \$12.0 million on the Statement of Net Position as of June 30, 2021. Of this amount, \$1.5 million is related to revenues received in June 2021 for to be recognized for activity occurring in July 2021. The remaining \$10.5 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.

COUNTY OF HANOVER
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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, 2021:

	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	\$ 74,687,677	8,695,000	9,492,465	73,890,212	9,696,892
Premium	6,935,833	1,355,334	837,643	7,453,524	809,824
Infrastructure and state moral obligation bonds payable:					
Principal amount of bonds payable	60,460,000	-	1,985,000	58,475,000	2,025,000
Premium	4,788,065	-	229,246	4,558,819	229,246
Total bonds payable	146,871,575	10,050,334	12,544,354	144,377,555	12,760,962
Capital lease obligations	4,019,105	-	934,112	3,084,993	934,113
Compensated absences	10,011,603	9,421,717	8,963,194	10,470,126	9,282,733
Liability for landfill closure	1,623,367	-	91,630	1,531,737	91,630
Support agreement	1,713,518	-	222,852	1,490,666	227,852
Net pension liability	18,910,242	27,734,839	9,379,042	37,266,039	-
Net other postemployment benefits liability	5,732,022	928,722	733,831	5,926,913	-
Total governmental activities	188,881,432	48,135,612	32,869,015	204,148,029	23,297,290
Business-type activities:					
Public Utilities:					
Water and sewer revenue bonds payable:					
Principal amount of bonds payable	10,139,543	-	1,201,830	8,937,713	1,256,831
Premium	1,241,185	-	161,538	1,079,647	161,538
Total bonds payable	11,380,728	-	1,363,368	10,017,360	1,418,369
Compensated absences	811,164	666,745	641,745	836,164	661,524
Deposits	492,408	262,473	256,008	498,873	-
Capacity fee credits	886,554	332,273	668,711	550,116	-
Support agreement	250,000	-	60,000	190,000	60,000
Net pension liability	1,406,944	1,991,660	722,501	2,676,103	-
Net other postemployment benefits liability	426,469	66,692	67,545	425,616	-
Total Public Utilities	15,654,267	3,319,843	3,779,878	15,194,232	2,139,893
Airport Fund:					
VRA airport revenue bond payable	3,212,275	-	143,088	3,069,187	205,146
Compensated absences	18,458	14,274	10,262	22,470	12,492
Net pension liability	26,277	38,399	13,081	51,595	-
Net other postemployment benefits liability	7,965	1,286	1,045	8,206	-
Total Airport Fund	3,264,975	53,959	167,476	3,151,458	217,638
Total Business-type activities:					
Revenue bonds payable:					
Principal amount of bonds payable	13,351,818	-	1,344,918	12,006,900	1,461,977
Premium	1,241,185	-	161,538	1,079,647	161,538
Total bonds payable	14,593,003	-	1,506,456	13,086,547	1,623,515
Compensated absences	829,622	681,019	652,007	858,634	674,016
Deposits	492,408	262,473	256,008	498,873	-
Capacity fee credits	886,554	332,273	668,711	550,116	-
Support agreement	250,000	-	60,000	190,000	60,000
Net pension liability	1,433,221	2,030,059	735,582	2,727,698	-
Net other postemployment benefits liability	434,434	67,978	68,590	433,822	-
Total business-type activities	18,919,242	3,373,802	3,947,354	18,345,690	2,357,531
Total noncurrent liabilities - Primary Government	\$ 207,800,674	51,509,414	36,816,369	222,493,719	25,654,821
School Board Component Unit					
Compensated absences	\$ 6,722,470	5,857,816	5,930,467	6,649,819	5,866,376
Net pension liability	162,644,883	34,477,080	19,042,932	178,079,031	-
Net other postemployment benefits liability	25,155,166	3,132,384	2,764,921	25,522,629	-
Total noncurrent liabilities - School Board Component Unit	\$ 194,522,519	43,467,280	27,738,320	210,251,479	5,866,376
Economic Development Authority Component Unit					
Support agreement	\$ 1,835,000	-	270,000	1,565,000	275,000
Total noncurrent liabilities - EDA Component Unit	\$ 1,835,000	-	270,000	1,565,000	275,000

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

Liability for landfill closure

State and Federal laws and regulations required the County to place a final cover on its landfill site when it stopped accepting waste, and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill closed December 31, 2002 and a permanent cap was completed in 2003 over the 35-acre site. The \$1,531,737 reported as landfill closure and post closure care liability at June 30, 2021 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 2021. 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 2021 was \$17,800 and the total credit savings from this refunding transaction total \$220,594.

On November 10, 2020, the Primary Government issued \$8,695,000 of VPSA General Obligation Bonds, Series 2020B with interest rates between 2.05 and 5.05 percent to finance capital projects for school improvements.

On November 10, 2020, the Virginia Public School Authority issued School Financing Refunding Bonds in which the Primary Government was a participant. The County debt service payments will remain unchanged and the VPSA will issue an annual credit for the return of debt services savings each year from fiscal year 2022 through fiscal year 2026. The total credit savings from this refunding transaction total \$237,286. As the County's local bond was not refunded, there is no defeased debt and no deferred gain or loss recognized in the transaction.

Revenue bonds

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

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The County has pledged the sum of its future Public Utilities Fund Operating Income or Loss, prior to depreciation expense, and its Public Utilities Fund Nonoperating Revenues (together “Net Available Revenues”) in the approximate amount of \$13.2 million as of June 30, 2021, 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, 2021 of approximately \$13.2 million annually, it is estimated that approximately 7.3 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 2021, pledged Net Available Revenues totaled \$15,256,030 and the water and sewer revenue bond debt service requirement was \$1,611,924.

The County has also pledged future lease rental income from the airport’s fixed base operator (FBO), or successor FBOs, of \$825,246 as of June 30, 2021, 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 2021, pledged rental receipts totaled \$211,425 and the debt service requirement was \$116,466.

The following is a schedule, by year, of total minimum lease payments under direct financing leases as of June 30, 2021:

Fiscal Year	Future Minimum Lease Payments
2022	\$ 126,961
2023	126,961
2024	126,961
2025	126,961
2026	126,961
2027-2031	190,441
Total minimum lease payments	<u>\$ 825,246</u>

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 new hangar facility. The rental revenues are structured to generate revenues sufficient to maintain rate covenant requirements. The County covenants that, in each fiscal year, the Airport’s rental revenues relating to the new hangar will be at least 125% of the amount required to pay annual debt service on the loan. Default of the rate covenant requires

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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 \$3,083,289 as of June 30, 2021, 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 2021, pledged rental receipts totaled \$175,630 and the debt service requirement was \$120,178.

The following is a schedule, by year, of total minimum lease payments under direct financing leases as of June 30, 2021:

Fiscal Year	Future Minimum Lease Payments
2022	\$ 162,278
2023	162,278
2024	162,278
2025	162,278
2026	162,278
2027-2031	811,392
2032-2036	811,392
2037-2041	649,115
Total minimum lease payments	<u>\$ 3,083,289</u>

County General Obligation Bonds and Revenue Bonds

Outstanding general obligation bonds and revenue bonds as of June 30, 2021 are comprised of the following issues:

(See schedule on following page)

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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	\$ 2,418,662
Series 2015 Refunding	2.00 - 5.00	03-19-15	11,199,110	8,796,770
Series 2019 Refunding	5.00	10-17-19	7,415,100	5,793,975
Total general obligation bonds - County				17,009,407
Schools:				
Series 2011A Public Improvement	2.00 - 5.25	01-20-11	1,048,000	221,338
Series 2011A Refunding	2.00 - 5.25	01-20-11	5,340,000	2,135,000
Series 2015 Refunding	2.00 - 5.00	03-19-15	9,335,890	7,333,230
Series 2019 Refunding	5.00	10-17-19	7,564,900	5,911,025
VPSA Series 2005A	3.10 - 5.10	05-12-05	16,105,000	4,025,000
VPSA Series 2005B	4.60 - 5.10	11-10-05	6,995,000	1,745,000
VPSA Series 2005C	4.60 - 5.10	11-10-05	6,967,658	1,842,422
VPSA Series 2007	4.35 - 5.10	11-08-07	13,838,206	5,077,790
VPSA Series 2011B	2.05 - 5.05	11-09-11	5,855,000	3,200,000
VPSA Series 2014A	2.68 - 5.05	05-15-14	1,895,000	1,480,000
VPSA Series 2015B	2.05 - 5.05	05-14-15	4,470,000	3,705,000
VPSA Series 2016B	2.80 - 5.05	11-01-16	9,140,000	7,300,000
VPSA Series 2018B	3.675 - 5.05	11-06-18	4,680,000	4,210,000
VPSA Series 2020B	2.05 - 5.05	11-10-20	8,695,000	8,695,000
Total general obligation bonds - Schools				56,880,805
Total governmental activities - general obligation bonds				73,890,212
Infrastructure and state moral obligation revenue bonds:				
VRA Series 2014A	2.74 - 4.83	5-21-14	19,950,000	18,285,000
VRA Series 2015B	3.125 - 5.125	8-19-15	21,505,000	19,540,000
VRA Series 2018C	4.125 - 5.125	11-14-18	10,945,000	9,845,000
VRA Series 2019C	2.966 - 5.125	11-20-19	11,375,000	10,805,000
Total infrastructure and state moral obligation bonds				58,475,000
Business-type activities:				
Public Utilities:				
Water and sewer revenue bonds:				
Series 2002A	0.00	06-14-02	920,400	92,040
Series 2007	0.00	07-19-07	616,206	215,673
Series 2014B Refunding	2.031 - 5.025	08-13-14	6,420,000	5,070,000
Series 2015D Refunding	3.094 - 5.125	11-18-15	7,130,000	3,560,000
Total Public Utilities				8,937,713
Airport Fund:				
Taxable airport revenue bond:				
VRA Series 2007	5.08	03-21-07	1,795,000	788,614
VRA Series 2019	3.283	06-27-19	2,323,575	2,280,573
Total Airport Fund				3,069,187
Total Business-type activities				12,006,900
Total bond indebtedness - Primary Government				\$ 144,372,112

COUNTY OF HANOVER
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Principal and interest to maturity for the County's governmental activities general obligation bonds and business-type activities revenue bonds outstanding at June 30, 2021, 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		
2022	\$ 9,696,892	3,250,591	1,256,831	383,300	205,146	84,094	11,158,869	3,717,985
2023	8,514,069	2,697,902	1,316,831	321,288	209,601	79,639	10,040,501	3,098,829
2024	7,475,672	2,315,119	1,330,810	256,201	214,172	75,067	9,020,654	2,646,387
2025	7,504,891	1,955,578	1,410,810	187,525	218,863	70,376	9,134,564	2,213,479
2026	7,519,578	1,594,018	475,810	140,759	223,679	65,560	8,219,067	1,800,337
2027-2031	21,954,110	4,069,810	2,581,621	375,945	742,031	259,802	25,277,762	4,705,557
2032-2036	7,910,000	1,104,991	565,000	10,309	652,015	159,377	9,127,015	1,274,677
2037-2041	3,315,000	165,052	-	-	603,680	45,433	3,918,680	210,485
Totals	\$ 73,890,212	17,153,061	8,937,713	1,675,327	3,069,187	839,348	85,897,112	19,667,736

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

Infrastructure and State Moral Obligation Revenue Bonds

On May 21, 2014, the Primary Government issued a \$19,950,000 Series 2014A subfund revenue bond through the Virginia Resources Authority (VRA). In return for issuing the 2014 VRA Bond, VRA provided the County with a portion of the proceeds realized from 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. 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. 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 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

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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, 2021 are as follows:

Fiscal Year	Governmental Activities	
	Principal	Interest
2022	\$ 2,025,000	2,478,453
2023	2,060,000	2,380,024
2024	2,110,000	2,277,994
2025	2,155,000	2,173,753
2026	2,210,000	2,065,275
2027-2031	11,780,000	8,692,897
2032-2036	13,060,000	6,083,966
2037-2041	13,015,000	3,420,373
2042-2046	10,060,000	1,054,701
Totals	\$ 58,475,000	30,627,436

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, 2021, the principal amounts outstanding on these IRBs totaled approximately \$98.3 million.

Support Agreement

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

COUNTY OF HANOVER
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appropriation by the Board. Support principal and interest payments of \$349,875 were paid by the County during the fiscal year ended June 30, 2021.

The Support Agreement annual debt service requirements to maturity as of June 30, 2021, excluding amortization of premium, are as follows:

Fiscal Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 215,000	61,475	60,000	7,600	275,000	69,075
2023	125,000	52,875	65,000	5,200	190,000	58,075
2024	130,000	47,875	65,000	2,600	195,000	50,475
2025	135,000	42,675	-	-	135,000	42,675
2026	140,000	37,275	-	-	140,000	37,275
2027-2031	630,000	80,750	-	-	630,000	80,750
Totals	\$ 1,375,000	322,925	190,000	15,400	1,565,000	338,325

Capital Leases

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

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

The balance of capital assets, net of accumulated depreciation, the future minimum lease payments, and the present value of the minimum lease payments as of June 30, 2021, are as follows:

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	(9,095,584)
Total assets, net	\$ 5,953,280

Fiscal Year	Future Minimum Lease Payments
2022	\$ 166,116
2023	165,982
2024	165,591
2025	159,697
2026	158,675
2027-2031	811,444
Total minimum lease payments	1,627,505
Less: Portion representing interest	(342,505)
Present value of minimum lease payments	\$ 1,285,000

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

The balance of capital assets, net of accumulated depreciation, the future minimum lease payments, and the present value of the minimum lease payments as of June 30, 2021, are as follows:

Asset Class	Primary Government - Governmental Activities
Machinery and equipment	\$ 4,033,446
Total assets, at cost	4,033,446
Accumulated depreciation	(2,856,117)
Total assets, net	<u>\$ 1,177,329</u>

Fiscal Year	Future Minimum Lease Payments
2022	\$ 831,303
2023	816,341
Total minimum lease payments	1,647,644
Less: Portion representing interest	(29,924)
Present value of minimum lease payments	<u>\$ 1,617,720</u>

Defeasance of debt

In prior years, the County defeased certain outstanding bonds by placing the proceeds of newly issued bonds in irrevocable escrow funds to provide for all future debt service payments on the old bonds. Accordingly, the escrow fund assets and the liabilities for the defeased bonds are not included in the accompanying financial statements. At June 30, 2021, the County had general obligation bonds that were outstanding but considered defeased totaling \$1,370,000 and Public Utilities had revenue bonds that were outstanding, but considered defeased totaling \$10,230,000.

V. Other information

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries insurance through commercial carriers or through the Virginia Municipal Liability Pool. The County carries commercial insurance for all risks of loss including property, theft, auto liability, general liability, line of duty, cyber and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the past three years. There was no reduction in insurance coverage during fiscal year 2021. 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.

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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
2020	\$ (2,700)	38,197,476	38,194,776	-	2,195,653
2021	\$ -	35,729,446	35,729,446	-	1,803,103

	Balance July 1	Increases	Decreases	Balance June 30
Incurred But Not Reported	\$ 2,195,653	35,729,446	(36,121,996)	1,803,103

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:

(See schedule on following page)

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	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	\$ 317,263	-	-	-	317,263	-	-
Prepaid expenditures	5,541	137,524	-	-	143,065	332,324	-
Total nonspendable	322,804	137,524	-	-	460,328	332,324	-
Restricted for:							
Public safety - asset forfeitures	601,328	-	-	-	601,328	-	-
Judicial administration - asset forfeitures	37,016	-	-	-	37,016	-	-
Judicial administration - grants and donations	184,698	-	-	-	184,698	-	-
Public safety - grants and donations	1,388	-	-	-	1,388	-	-
Public works - recycling service districts	66,706	-	-	-	66,706	-	-
Parks, recreation and cultural donations	30,620	-	-	-	30,620	-	-
Education - grants	-	-	-	-	-	298,939	-
Capital improvements	-	28,450,756	5,694,481	-	34,145,237	-	-
Total restricted	921,756	28,450,756	5,694,481	-	35,066,993	298,939	-
Committed to:							
Economic development	500,000	-	-	-	500,000	-	-
Total committed	500,000	-	-	-	500,000	-	-
Assigned to:							
Education	9,700,000	-	-	-	9,700,000	6,470,705	-
Economic development	4,000,000	-	-	-	4,000,000	-	-
Public works - stormwater	750,000	-	-	-	750,000	-	-
Public works - transportation	1,000,000	-	-	-	1,000,000	-	-
Debt service	-	-	-	635,719	635,719	-	-
Encumbrances and reappropriations	2,177,787	-	-	-	2,177,787	-	-
Funding of subsequent fiscal years' adopted budget	10,550,000	-	-	-	10,550,000	-	-
Insurance reserves	500,000	-	-	-	500,000	-	-
Economic stability reserves	5,000,000	-	-	-	5,000,000	-	-
Capital improvements	15,049,133	16,694,394	5,105,189	-	36,848,716	-	-
Total assigned	48,726,920	16,694,394	5,105,189	635,719	71,162,222	6,470,705	-
Unassigned fund balance	37,884,183	-	-	-	37,884,183	-	112,341
Total fund balances	\$ 88,355,663	45,282,674	10,799,670	635,719	145,073,726	7,101,968	112,341

C. Commitments and contingent liabilities

Other commitments

At June 30, 2021, the Primary Government had commitments for capital projects totaling \$20,442,419 as follows:

	Primary Government				Total Primary Government
	County Improvements Fund	School Improvements Fund	Public Utilities Fund	Airport Fund	
Total capital commitments	\$ 6,842,586	4,398,151	7,900,396	1,301,286	20,442,419

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

Encumbrances

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

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	Primary Government - Governmental Funds				Schools Component Unit
	General Fund	County Improvements Fund	School Improvements Fund	Total Primary Government	
Encumbrances outstanding at fiscal year-end	\$ 1,370,315	6,842,586	4,398,151	12,611,052	1,571,028

Lease Commitments

The County leases various types of equipment under operating lease agreements. The lease agreements are contingent on the Board of Supervisors appropriating funds for each year's payments. Rent expense for operating leases for the fiscal year ended June 30, 2021 was \$248,676 for the County and \$561,372 for the School Board. As of June 30, 2021, future operating lease payments for the County and School Board were as follows:

Fiscal Year	Future Operating Lease Payments	
	County	School Board
2022	\$ 214,598	519,973
2023	105,192	370,465
2024	71,209	116,112
2025	27,021	8,476
2026	19,828	1,081
Total minimum lease payments	\$ 437,848	1,016,107

Contingent liabilities

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

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

D. Joint ventures

Capital Region Airport Commission: The Capital Region Airport Commission (Airport Commission) was established in 1975 by an Act of the Virginia General Assembly. The Airport Commission owns and operates Richmond International Airport (Airport). The Airport Commission is governed by 14 Commissioners, with four members each being appointed by the City of Richmond, County of Henrico and County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The Airport Commission generates its revenues from service charges to users of the Airport facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Airport Commission submit an annual budget showing estimated revenues and estimated expenditures to the governing bodies of the localities for their approval. After approval of the proposed budget by the governing bodies, if the Airport Commission's budget contains estimated expenditures that exceed estimated revenues, the governing bodies are required to fund the deficit in proportion to their pro rata financial basis in the Airport Commission. The pro rata basis is to be determined by the percentage of

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the population of each locality to the combined total population of all participating localities according to the most recent census, with Hanover County's pro rata share approximating 10.5%. If actual revenues are less than estimated revenues identified in the budget (resulting in a deficit), the localities may, at their discretion, appropriate funds necessary to fund the deficit. To date, the County has not been required to fund any deficit. Complete financial statements for the Airport Commission can be obtained from the Chief Financial Officer, 1 Richard E. Byrd Terminal Drive, Suite A, Richmond International Airport, Richmond, VA 23250-2400.

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

The GRCCA was created for the purpose of acquiring, constructing, equipping, maintaining, and operating a regional convention center facility. In August 1996, each locality designated future revenue from the transient occupancy tax for expansion of the convention center. The GRCCA has issued \$158,415,000 in Hotel Tax Revenue Bonds, which are secured by an eight percent transient occupancy tax imposed and collected by the localities. The County made an expenditure of \$799,767 for transient occupancy tax to the GRCCA during fiscal year 2021. 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 (DRGI), a Virginia non-profit, non-stock corporation, was created in 2009, under authority granted by the Virginia General Assembly to the Virginia Biotechnology Research Partnership Authority, pursuant to an Agreement between the County, the Town of Ashland (Town), their respective economic development authorities, the Virginia Biotechnology Research Partnership Authority (Authority) and the Virginia Biosciences Development Center, Inc. (Participants). The 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 2021, the EDA contributed \$10,000. 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.

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CodeRVA provides an innovative program of studies for students from fourteen 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 2021, the School Board paid tuition in the amount of \$274,400. Additional information is available from CodeRVA Regional High School at 1405 Cummings Drive, Suite 10, Richmond, VA 23220.

E. Jointly governed organizations

Pamunkey Regional Library: The Pamunkey Regional Library (Library) is a political subdivision of the Commonwealth of Virginia and is governed by a separate Board of Trustees, appointed for specific terms of office by the Boards of Supervisors of the counties to which it provides library services, including the Counties of Hanover, Goochland, King William, and King and Queen. Management and accountability for fiscal matters rest with the Library's Board, of which the County appoints four of the ten members. The Library receives contributions from the participating counties, but invests its own funds and formulates and approves its own budget. The County does not bear any direct or indirect liabilities for the operation of the Library, and has no equity interest in it. In fiscal year 2021, the County contributed a total of \$2,941,000 to the Library's operations. Complete financial statements for the Library can be obtained from the Director's office at 7527 Library Drive, Hanover, Virginia 23069.

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

The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the County is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail Authority. The County, which typically provides a majority of the inmates to the facility, made per diem contributions totaling \$5,102,101 in fiscal year 2021. 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.

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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 2021, the County's per diem payments to the Detention Commission totaled \$227,380. Complete financial statements for the Detention Commission can be obtained from the fiscal agent's office at James City County, Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

Central Virginia Waste Management Authority: The Central Virginia Waste Management Authority (Waste Authority) was established under the provisions of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George; the Cities of Colonial Heights, Hopewell, Petersburg and Richmond; and the Town of Ashland. The 21 member board is comprised of no less than one and no more than three members from each of the participating jurisdictions, determined on a population basis. The County has two representatives serving on the Waste Authority's Board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Twenty-one subdivisions in the County participate in the Waste Authority's curbside recycling program. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest in the Waste Authority. The County's fiscal year 2021 payments to the Waste Authority totaled \$471,677. 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 2021, the County made payments to the GRP totaling \$347,000. Complete financial statements can be obtained from GRP's office at Riverfront Plaza, 901 East Byrd Street, Suite 801, Richmond, Virginia 23219.

Richmond Region Tourism: The Richmond Metropolitan Convention and Visitors Bureau (RMCVB) serves the Counties of Chesterfield, Hanover, Henrico, 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 2021 contributions to RMCVB totaling \$230,555. 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

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economic development of the region through planning and encouraging local governments to plan for the future. The County paid member dues to PlanRVA totaling \$59,538 in fiscal year 2021. Complete financial statements can be obtained from PlanRVA at 9211 Forest Hill Avenue, Suite 200, Richmond, Virginia 23235.

F. Defined benefit pension plans – Virginia Retirement System

Pension Plans

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

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS agent multiple-employer and cost-sharing multiple-employer plans and the additions to/deductions from the VRS agent multiple-employer and cost-sharing multiple-employer plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Detailed information about the VRS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Financial Report (Annual Report) and GASB 68 Report. A copy of the 2020 VRS Annual Report and GAAP Pension Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-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

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

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

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

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

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

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

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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 1.7% under Plan 1 and 1.65% under Plan 2 on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service: Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must

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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:

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- 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 are 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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

(See schedule on following page)

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	County	School Board Non-Professional
Inactive members or their beneficiaries currently receiving benefits	567	189
Inactive members:		
Vested inactive members	215	36
Non-vested inactive members	230	84
Inactive members active elsewhere in VRS	400	75
Total inactive members	845	195
Active members:	1,156	221
Total covered employees	2,568	605

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, 2021 were 10.47% and 1.42%, respectively, of their annual covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$6,987,056 and \$5,906,015 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions from the School Board's non-professional group were \$48,374 and \$78,603 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the County reported a net pension liability of \$39,993,737 and the School Board's non-professional group reported a net pension asset of \$1,891,724. The total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions – General and Public Safety Employees

The total pension liability was measured as of June 30, 2019 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, 2020:

(See schedule on following page)

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	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	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates; for County public safety employees, males at 90% of rates and females set forward 1 year
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; for County general employees males set forward 3 years and females 1.0% increase compounded from ages 70 to 90; for County public safety employees males set forward 1 year with 1.0% increase compounded from ages 70 to 90 and females set forward 3 years
Post-Disablement	RP-2014 Disability Mortality Rates projected with scale BB to 2020; for County general employees males set forward 2 year, 110% of rates; females 125% of rates; for County public safety employees, males set forward 2 years; unisex using 100% male

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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
Update mortality table - RP-2014 projected to 2020	Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75	Increased retirement age 50 rates and lowered retirement rates at older ages
Adjusted termination rates to better fit experience at each age and service year through 9 years of service	Adjusted termination rates to better fit experience at each age and service year through 9 years of service
Lowered disability rates	Adjusted disability rates to better match experience
No change in salary scale	No change in salary scale
Increased line of duty disability from 14 to 20%	Decreased line of duty disability rate from 60 to 45%
Discount rate changed from 7.00% to 6.75%	Discount rate changed from 7.00% to 6.75%

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:

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Asset Class (Strategy)	Target Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic normal return	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, 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 allocation. More recent capital market assumptions compiled for the FY20 actuarial valuations, provide a median return of 6.81%.

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, 2020, the alternate rate was the employer contribution rate used in 2012 or 100% of the actuarially determined employer rate from the June 30, 2017, actuarial valuations, whichever is greater. From July 1, 2020 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.

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Changes in Net Pension Liability (County)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 284,038,295	\$ 263,694,831	\$ 20,343,464
Changes for the year:			
Service cost	8,516,368	-	8,516,368
Interest	18,836,367	-	18,836,367
Differences between expected and actual experience	6,595,585	-	6,595,585
Contributions - employer	-	5,906,015	(5,906,015)
Contributions - employee	-	3,520,775	(3,520,775)
Net investment income	-	5,047,032	(5,047,032)
Benefit payments, including refunds of employee contributions	(9,962,002)	(9,962,002)	-
Administrative expenses	-	(169,144)	169,144
Other changes	-	(6,631)	6,631
Net changes	23,986,318	4,336,045	19,650,273
Balances at June 30, 2020	\$ 308,024,613	\$ 268,030,876	\$ 39,993,737

Changes in Net Pension Liability/(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, 2019	\$ 25,858,204	\$ 28,549,823	\$ (2,691,619)
Changes for the year:			
Service cost	529,745	-	529,745
Interest	1,698,127	-	1,698,127
Difference between expected and actual experience	(581,206)	-	(581,206)
Contributions - employer	-	78,603	(78,603)
Contributions - employee	-	250,453	(250,453)
Net investment income	-	537,270	(537,270)
Benefit payments, including refunds of employee contributions	(1,401,532)	(1,401,532)	-
Administrative expenses	-	(18,924)	18,924
Other changes	-	(631)	631
Net changes	245,134	(554,761)	799,895
Balances at June 30, 2020	\$ 26,103,338	\$ 27,995,062	\$ (1,891,724)

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

The following presents the net pension liability of the County and School non-professional group using the discount rate of 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	\$ 82,900,565	\$ 39,993,737	\$ 4,594,958
School Non-Professional			
Net Pension Liability (Asset)	\$ 885,864	\$ (1,891,724)	\$ (4,244,404)

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

For the year ended June 30, 2021, the County recognized pension expense of \$11,344,736. At June 30, 2021, 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	\$5,036,000	\$31,417
Changes of assumptions	4,332,090	8,565
Net difference between projected and actual earnings on pension plan investments	8,011,013	-
Employer contributions subsequent to the measurement date	6,987,056	-
Total	<u>\$24,366,159</u>	<u>\$39,982</u>

\$6,987,056 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in future reporting periods as follows:

(See schedule on following page)

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Year ended June 30

2022	\$ 4,404,147
2023	6,278,064
2024	4,111,237
2025	2,545,673
2026	-
Thereafter	-
Total	<u>\$ 17,339,121</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, 2021, the School Board non-professional group recognized pension expense of \$230,267. At June 30, 2021, the School Board non-professional group 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	\$ -	\$328,538
Changes of assumptions	93,129	-
Net difference between projected and actual earnings on pension plan investments	838,156	-
Employer contributions subsequent to the measurement date	<u>48,374</u>	<u>-</u>
Total	<u>\$979,659</u>	<u>\$328,538</u>

\$48,374 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, 2022. 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

2022	\$ (189,808)
2023	234,442
2024	287,514
2025	270,599
2026	-
Thereafter	-
Total	<u>\$ 602,747</u>

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Cost-Sharing Multiple-Employer Plan

Contributions

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

Each school division's contractually required contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$16,890,538 and \$16,259,030 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

At June 30, 2021, the School Board professional group reported a liability of \$178,079,031 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the School Board's proportion was 1.22369% as compared to 1.23585% at June 30, 2019.

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

For the year ended June 30, 2021, the School Board's professional group recognized pension expense of \$19,013,069. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. At June 30, 2021, the School Board's 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
Differences between expected and actual experience	\$ -	\$10,438,177
Net difference between projected and actual earnings on pension plan investments	13,544,883	-
Change in assumptions	12,156,127	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	91,680	3,732,809
Employer contributions subsequent to the measurement date	16,890,538	-
Total	<u>\$42,683,228</u>	<u>\$14,170,986</u>

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\$16,890,538 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, 2022. 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

2022	\$ (915,604)
2023	3,658,974
2024	5,052,526
2025	4,101,242
2026	(275,434)
Thereafter	-
Total	<u>\$ 11,621,704</u>

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020:

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

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The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, 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>
Update to a more current mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and changed final retirement from 70 to 75
Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
Adjusted disability rates to better match experience
No change in salary scale
Discount rate changed from 7.00% to 6.75%

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, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 51,001,855
Plan Fiduciary Net Position	<u>36,449,229</u>
Employers' Net Pension Liability	<u><u>\$ 14,552,626</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Plan Liability	71.47%

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:

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Asset Class (Strategy)	Target Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic normal return	7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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, 2020, 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, 2020 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:

(See schedule on following page)

COUNTY OF HANOVER
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	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
School Board Professional proportionate share of the VRS Teacher Employment Retirement Plan Net Pension Liability	\$ 261,281,933	\$ 178,079,031	\$ 109,259,713

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, 2021. 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, 2020, the Plan membership at July 1, 2020 consisted of the following:

	Primary Government	School Board Component Unit	Affiliates	Total
Retirees and beneficiaries receiving benefits	18	66	2	86
Active employees	1,058	2,062	128	3,248
Total number of plan members	1,076	2,128	130	3,334
Number of participating employers	1	1	2	4

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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 \$471 to \$1,272 per month for those electing retiree-only coverage, and from \$1,333 to \$3,815 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, 2021, 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,

COUNTY OF HANOVER
Notes to Financial Statements
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- 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, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 28.25%. This return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset – As of June 30, 2020, 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	\$ 5,573,945
Plan Fiduciary Net Position	5,768,324
Employers' Net OPEB Asset	<u>\$ 194,379</u>
Plan Fiduciary Net Position as a Percentage of the Total Plan Liability	103.49%

The total OPEB liability is calculated by the Plan's actuary. The most recent actuarial valuation was dated June 30, 2020, for fiscal reporting in the years ended June 30, 2021 and June 30, 2022.

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 June 30, 2020 actuarial valuation, the Entry-Age Normal Actuarial Cost Method was used. 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 sixteen years. Mortality rates were based on the RP-2000 Fully Generational Combined Table.

The assumed inflation rate is 2.5%. The long-term expected rate of return of OPEB plan investments net of inflation is 4.90% on Equities (including US and International), 2.40% on Core Fixed, 3.30% on Investment Grade Corporate Debt, 4.00% on Emerging Market Debt, and 3.90% 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, 2021.

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

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate - The following presents the net pension liability for the OPEB plan for the June 30, 2020 valuation using the discount rate of 6.5%, as well as what their net OPEB liability 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:

	5.5% 1% Decrease	6.5% Discount Rate	7.5% 1% Increase
Total OPEB Liability	5,914,055	5,573,945	5,254,508
Net OPEB Liability/(Asset)	145,731	(194,379)	(513,816)

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, 2021, the County reported \$71,784 and the School Board reported \$119,795 for their portions of the net pension OPEB asset. The net OPEB asset was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation performed as of July 1, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled to the measurement date of June 30, 2020.

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, 2020 are outlined as follows:

Changes in Net OPEB Asset (County)

	Total OPEB	Increase (Decrease)	
	Liability (a)	Plan Fiduciary	Net OPEB
		Net Position (b)	(Asset) (a) - (b)
Balances at June 30, 2019	\$ 1,253,050	\$ 1,780,089	\$ (527,039)
Changes for the year:			
Service cost	66,038	-	66,038
Interest	92,840	-	92,840
Change in benefit terms	681,574	-	681,574
Experience (Gains)	(161,293)	-	(161,293)
Employer Trust contributions	-	2,954	(2,954)
Change in proportionate share	226,032	321,102	(95,070)
Net investment income	-	125,880	(125,880)
Benefit payments	(99,783)	(99,783)	-
Net changes	805,408	350,153	455,255
Balances at June 30, 2020	\$ 2,058,458	\$ 2,130,242	\$ (71,784)

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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, 2019	\$ 2,681,761	\$ 3,809,722	\$ (1,127,961)
Changes for the year:			
Service cost	110,207	-	110,207
Interest	154,934	-	154,934
Change in benefit terms	1,137,433	-	1,137,433
Experience (Gains)	(269,171)	-	(269,171)
Employer Trust contributions	-	4,930	(4,930)
Change in proportionate share	(213,420)	(303,186)	89,766
Net investment income	-	210,073	(210,073)
Benefit payments	(166,522)	(166,522)	-
Net changes	753,461	(254,705)	1,008,166
Balances at June 30, 2020	\$ 3,435,222	\$ 3,555,017	\$ (119,795)

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, 2020, 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 Liability/(Asset)	\$ 53,819	\$ (71,784)	\$ (189,752)
School Board			
Net OPEB Liability/(Asset)	\$ 89,813	\$ (119,795)	\$ (316,666)

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OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (County) – For the year ended June 30, 2021, the County recognized OPEB expense of \$656,295. At June 30, 2021, 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	\$94	\$148,443
Changes of assumptions	34,732	-
Net difference between projected and actual earnings on OPEB plan investments	-	50,851
Change in proportion	17,425	75,954
Total	<u>\$52,251</u>	<u>\$275,248</u>

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

2022	\$ (50,728)
2023	(37,802)
2024	(33,387)
2025	(21,674)
2026	(23,185)
Thereafter	(56,221)
Total	<u>\$ (222,997)</u>

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (School Board) – For the year ended June 30, 2021, the School Board recognized OPEB expense of \$1,109,822. At June 30, 2021, 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	\$158	\$247,728
Changes of assumptions	57,964	-
Net difference between projected and actual earnings on OPEB plan investments	-	84,869
Change in proportion	71,716	39,804
Total	<u>\$129,838</u>	<u>\$372,401</u>

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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

2022	\$ (70,080)
2023	(48,508)
2024	(41,146)
2025	(21,599)
2026	(24,110)
Thereafter	<u>(37,120)</u>
Total	<u>\$ (242,563)</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-

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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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	County	School Board Non-Professional
Inactive members or their beneficiaries currently receiving benefits	145	-
Inactive members:		
Vested inactive members	-	-
Non-vested inactive members	-	-
Inactive members active elsewhere in VRS	-	-
Total inactive members	145	-
Active members:	757	221
Total covered employees	902	221

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, 2021 was 0.19% of covered employee compensation. The School Boards' contractually required employer contribution rate for its non-professional employees for the year ended June 30, 2021 was 0.73% of covered employee compensation. These rate were based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$84,384 and \$84,961 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions from the School Board to the Political Subdivision HIC Program were \$36,881 for the year ended June 30, 2021, the first year of plan contributions.

Net HIC OPEB liability

The net HIC OPEB liability for the County and School Board non-professional group was measured as of June 30, 2020. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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	County & School Board Non-Professional Employees
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35% for County general and School Board non-professional employees 3.50% - 4.75% for County public safety employees
Cost-of-living adjustment	2.25% - 2.50%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*
Mortality Rates	
Pre-Retirement	RP-2014 Employee Rates to age 80, Health Annuitant Rates to 81 and older projected with Scale BB to 2020; for general employees males 95% of rates and females 105% of rates; for County public safety employees males 90% of rates and females set forward 1 year
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; for general employees males set forward 3 years and females 1.0% increase compounded from ages 70 to 90; for County public safety employees males set forward 1 year with 1.0% increase compounded from ages 70 to 90 and females set forward 3 years
Post-Disablement	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; for general employees males set forward 2 years, 110% of rates and females 125% of rates; for County public safety males set forward 2 years and unisex using 100% male

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 & School Board Non-Professional Employees	County Public Safety Employees
Update mortality table - RP-2014 projected to 2020	Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages	Increased retirement age 50 rates and lowered retirement rates at older ages
Adjusted termination rates to better fit experience at each age and service year	Adjusted termination rates to better fit experience at each age and service year
Lowered disability rates	Adjusted disability rates to better match experience
No change in salary scale	No change in salary scale
Increased line of duty disability from 14 to 20%	Decreased line of duty disability rate from 60 to 45%
Discount rate changed from 7.00% to 6.75%	Discount rate changed from 7.00% to 6.75%

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Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic normal return	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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, 2020, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rates. From July 1, 2020 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.

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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, 2019	\$ 1,324,702	\$ 618,538	\$ 706,164
Changes for the year:			
Service cost	38,144	-	38,144
Interest	86,806	-	86,806
Difference between expected and actual experience	(4,765)	-	(4,765)
Contributions - employer	-	84,961	(84,961)
Net investment income	-	12,533	(12,533)
Benefit payments, including refunds of employee contributions	(77,371)	(77,371)	-
Administrative expenses	-	(1,220)	1,220
Other changes	-	(6)	6
Net changes	42,814	18,897	23,917
Balances at June 30, 2020	\$ 1,367,516	\$ 637,435	\$ 730,081

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, 2019	\$ -	\$ -	\$ -
Changes for the year:			
Changes in benefit terms	486,125	-	486,125
Net changes	486,125	-	486,125
Balances at June 30, 2020	\$ 486,125	\$ -	\$ 486,125

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:

(See schedule on following page)

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	1% Decrease (5.75%)	Discount Rate (6.75%)	1 % Increase (7.75%)
County Employees			
Net HIC OPEB Liability	\$ 887,943	\$ 730,081	\$ 596,416
School Board Non-Professional Employees			
Net HIC OPEB Liability	\$ 535,194	\$ 486,125	\$ 443,727

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, 2021, the County recognized HIC Program OPEB expense \$84,106. At June 30, 2021, 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	\$4,116	\$11,356
Changes of assumptions	24,943	20,878
Net difference between projected and actual earnings on HIC plan investments	20,977	-
Employer contributions subsequent to the measurement date	84,384	-
Total	\$134,420	\$32,234

\$84,384 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, 2022. 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

2022	\$ (106)
2023	3,806
2024	3,874
2025	7,205
2026	3,011
Thereafter	12
Total	\$ 17,802

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, 2021, the School Board recognized HIC Program OPEB expense \$486,125. At June 30, 2021, the School Board reported \$36,881 as deferred outflows of resources related to the HIC

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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, 2022.

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, 2021 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, 2019. 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 \$1,272,917 and \$1,283,480 for the years ended June 30, 2021 and June 30, 2020, respectively.

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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, 2021, the School Board reported a liability of \$15,908,970 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, 2020 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, 2019 and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC Program was 1.21953% as compared to 1.23144% at June 30, 2019.

For the year ended June 30, 2021, the School Board recognized VRS Teacher Employee HIC Program OPEB expense of \$1,234,008. 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, 2021, 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	\$ -	\$212,457
Net difference between projected and actual earnings on Teacher HIC plan investments	70,502	-
Change in assumptions	314,498	86,922
Changes in proportionate share	-	435,227
Employer contributions subsequent to the measurement date	<u>1,272,917</u>	<u>-</u>
Total	<u><u>\$1,657,917</u></u>	<u><u>\$734,606</u></u>

\$1,272,917 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, 2022. Other amounts reported as deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

(See schedule on following page)

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Year ending June 30

2022	\$ (69,262)
2023	(62,274)
2024	(64,616)
2025	(57,277)
2026	(45,100)
Thereafter	<u>(51,077)</u>
Total	<u>\$ (349,606)</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, 2019, 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, 2020.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in

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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 to a more current mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and changed final retirement from 70 to 75
Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
Adjusted disability rates to better match experience
No change in salary scale
Discount rate changed from 7.00% to 6.75%

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, 2020, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

	<u>Teacher Employee HIC OPEB Plan</u>
Total Teacher Employee HIC OPEB Liability	\$ 1,448,676
Plan Fiduciary Net Position	144,160
Teacher Employee net HIC OPEB Liability	<u>\$ 1,304,516</u>
 Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	 9.95%

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

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

(See schedule on following page)

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Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic normal return	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return on 6.81%.

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, 2020, 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, 2020 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate: The following presents the School Board's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the School Board's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

(See schedule on following page)

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	<u>1% Decrease (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1 % Increase (7.75%)</u>
School Board's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net Pension Liability	<u>\$ 17,808,433</u>	<u>\$ 15,908,970</u>	<u>\$ 14,294,564</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 2020 annual report, which may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

I. Group Life Insurance Program - Virginia Retirement System

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

Group Life Insurance Program

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

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

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

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

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

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

- Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit – The accidental death benefit is double the natural death benefit.

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- 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 \$8,616 as of June 30, 2021.

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% ($1.34\% \times 60\%$) and the employer component was 0.54% ($1.34\% \times 40\%$). 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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$372,221 and \$363,795 for the years ended June 30, 2021 and June 30, 2020, respectively. The employer component of contributions to the GLI Program from the Schools for the professional group were \$567,626 and \$562,083 for the years ended June 30, 2021 and June 30, 2020, respectively. The employer component of contributions to the GLI Program from the Schools for the non-professional group were \$27,261 and \$27,716 for the years ended June 30, 2021 and June 30, 2020, respectively.

GLI OPEB Liabilities: At June 30, 2021, the County reported a liability of \$5,630,654 for its proportionate share of the Net GLI OPEB Liability. The School Board reported a liability of \$8,694,637 for its professional group and \$432,897 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, 2020 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, 2019 and rolled forward to the measurement date of June 30, 2020. 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, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the County's proportion was 0.33740% as compared to 0.33555% at June 30, 2019. At June 30, 2020, the School Board professional's proportion was 0.52100% as compared to 0.52833% at June 30, 2019. At June 30, 2020, the School Board non-professional's proportion was 0.02594% as compared to 0.02686% at June 30, 2019.

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GLI OPEB Expense: For the year ended June 30, 2021, the County recognized GLI OPEB expense of \$256,298. The School Board recognized a GLI OPEB expense of \$301,779 for its professional group and \$650 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, 2021, 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	\$361,155	\$50,575
Net difference between projected and actual earnings on GLI OPEB program investments	169,140	-
Change in assumptions	281,598	117,571
Changes in proportion	117,508	-
Employer contributions subsequent to the measurement date	372,221	-
Total	<u>\$1,301,622</u>	<u>\$168,146</u>

\$372,221 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, 2022. 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

2022	\$ 124,457
2023	172,223
2024	209,018
2025	199,174
2026	52,142
Thereafter	4,241
Total	<u>\$ 761,255</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board professional group): At June 30, 2021, 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:

(See schedule on following page)

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$557,681	\$78,093
Net difference between projected and actual earnings on GLI OPEB program investments	261,179	-
Change in assumptions	434,832	181,549
Changes in proportion	29,730	230,913
Employer contributions subsequent to the measurement date	567,626	-
Total	<u>\$1,851,048</u>	<u>\$490,555</u>

\$567,626 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, 2022. 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

2022	\$ 97,872
2023	171,630
2024	232,273
2025	243,056
2026	47,201
Thereafter	835
Total	<u>\$ 792,867</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board non-professional group): At June 30, 2021, 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:

(See schedule on following page)

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$27,766	\$3,889
Net difference between projected and actual earnings on GLI OPEB program investments	13,004	-
Change in assumptions	21,650	9,039
Changes in proportion	-	49,935
Employer contributions subsequent to the measurement date	27,261	-
Total	<u>\$89,681</u>	<u>\$62,863</u>

\$27,261 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, 2022. 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

2022	\$ (9,234)
2023	(5,561)
2024	3,475
2025	10,120
2026	1,030
Thereafter	(273)
Total	<u>\$ (443)</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

	Group Life Insurance Plan Assumptions
Inflation	2.50%
Salary increases, including inflation	
Teachers	3.50% - 5.95%
County General Employees	3.50% - 5.35%
County Public Safety Employees	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

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* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

<u>School Board Employees</u>	
Mortality Rates:	
Pre-Retirement	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020.
Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at age 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-Disablement	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.
<u>County General Employees</u>	
Mortality Rates:	
Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at age 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-Disablement	RP-2014 Disability Life Mortality Rates projected with Scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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County Public Safety Employees

Mortality Rates:

Pre-Retirement

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to age 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at age 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement

RP-2014 Disability Life Mortality Rates projected with Scale BB to 2020; males set forward 2 years, unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 to a more current mortality table - RP-2014 projected to 2020

Lowered retirement rates at older ages and changed final retirement from 70 to 75

Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service

Adjusted disability rates to better match experience

No change in salary scale

Discount rate changed from 7.00% to 6.75%

County General Employees

Update mortality table - RP-2014 projected to 2020

Lowered retirement rates at older ages and extended final retirement age from 70 to 75

Adjusted termination rates to better fit experience at each age and service year

Lowered disability rates

No change in salary scale

Increased line of duty disability from 14 to 15%

Discount rate changed from 7.00% to 6.75%

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County Public Safety Employees

Update mortality table - RP-2014 projected to 2020
Increased retirement age 50 rates and lowered
retirement rates at older ages
Adjusted termination rates to better fit experience at each
age and service year
Adjusted disability rates to better match experience
No change in salary scale
Decreased line of duty disability rate from 60 to 45%
Discount rate changed from 7.00% to 6.75%

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, 2020, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	<u>Group Life Insurance OPEB Program</u>
Total GLI OPEB Liability	\$3,523,937
Plan Fiduciary Net Position	<u>1,855,102</u>
Employers' Net GLI OPEB Liability	<u>\$1,668,835</u>
 Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	 52.64%

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)

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic normal return	7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%

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 that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, 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, 2020 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:

COUNTY OF HANOVER
Notes to Financial Statements
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	1% Decrease (5.75%)	Discount Rate (6.75%)	1 % Increase (7.75%)
County's proportionate share of the GLI Program Net OPEB Liability	\$ 7,401,927	\$ 5,630,654	\$ 4,192,214
School Board professional group's proportionate share of the GLI Program Net OPEB Liability	\$ 11,429,768	\$ 8,694,637	\$ 6,473,454
School Board non-professional group's proportionate share of the GLI Program Net OPEB Liability	\$ 569,076	\$ 432,897	\$ 322,306

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2020 annual report, which may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to VRS's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

J. Tax abatements

Speculative Building Strategy

Hanover County and the Hanover County Economic Development Authority have adopted a strategy granting a partial real property tax incentive for certain new commercial or industrial structures to encourage development within the County. This strategy is established under the authority of the Board of Supervisors, which approves agreements individually based on the County's speculative building guidelines. Upon approval, the applicant must obtain a land disturbance permit and building permit. At the beginning of each calendar year after issuance of a building permit, the applicant shall notify the County of the amount of real property tax paid for the previous calendar year. The County agrees to disburse funds to the applicant in an amount equal to the real property incremental tax increase. The obligation of the County to disburse funds shall be reduced proportionately by the percentage of floor area leased by the applicant. The agreement may terminate upon the earliest of several conditions, including the sale of the property to another party, the date upon which the entire building is leased by the applicant, or a set time period from the date of the issuance of an early land disturbance permit. Because real property taxes are not abated until after improvements have been made, there are no provisions for recapturing abated taxes. In fiscal year 2021, there were no tax abatement payments relating to the Speculative Building Program. No other commitments are made by the County as part of these agreements.

K. Special assessments and tax increment commitment

- **Bell Creek Community Development Authority:**

The Bell Creek Community Development Authority (Bell Creek CDA) was created by an ordinance adopted by the Board of Supervisors on July 24, 2002. This was a result of a petition filed with the Board of Supervisors by the owners of a majority of the land area within the Bell Creek District (District). The District consists of approximately 325 acres of land within the County. The District encompasses a mixed-use development and is expected to provide commercial development with

COUNTY OF HANOVER
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June 30, 2021

retail space including a shopping center known as *The Shoppes at Bell Creek*, a light industrial park, and a residential development on 167 acres known as *The Bluffs at Bell Creek*.

On September 25, 2002, the Board of Supervisors adopted an ordinance authorizing the levy of Special Assessments on abutting property within the boundaries of the District. On February 5, 2003, the Bell Creek CDA issued its \$12,135,000 Special Assessment Bonds, Series 2003A (the “2003A Bonds”) and its \$3,845,000 Special Assessment Bonds, Series 2003B (the “2003B Bonds” and together with the 2003A Bonds, the “2003 Bonds”), in accordance with the provision of Article 6 of Chapter 51 of Title 15.2 of the Code, as amended. The 2003 Bonds were issued to finance the acquisition and construction of certain infrastructure improvements to benefit the District. Neither the faith and credit of the Bell Creek CDA, nor the faith and credit of the County, are pledged to the payment of the principal of or interest on the 2003 Bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2021, the total 2003 Bonds outstanding were \$989,000. The Bell Creek CDA is obligated to make all debt service payments on the 2003 Bonds.

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

During fiscal year 2021, special assessments on property within the District totaled \$161,000 and payments to the Bell Creek CDA of special assessments collected totaled \$157,993.

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

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2021

Series A and B maturing March 1, 2044 and Series C maturing on March 1, 2054. The Lewistown CDA's most recently issued financial statements indicate that the Amended 2014 Bonds outstanding totaled \$42,531,000 as of June 30, 2020. 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 2021, Special Assessment Tax levy on property within the district totaled \$926,942. The 2021 Special Real Estate Property Tax (Valorem) levy was \$51,860. Incremental tax collections owed to the Lewistown CDA totaled \$650,060 and are payable semiannually by February 1 and August 1 of each year.

L. Subsequent events

The American Rescue Plan Act (ARPA) was signed into law on March 11, 2021. This included an allocation of \$20.9 million for the County and \$8.3 million for the School Board. \$10.5 million was transferred to the County in May 2021 and remained in unearned revenues at June 30, 2021. At the July 28, 2021 Board of Supervisors meeting, a budget supplement was approved including \$16.9 million to expand broadband, \$2.0 million for pandemic response and mitigation efforts, \$2.0 for small business and community support, and \$8.4 million for School enhancement projects.

Related to the \$16.9 million broadband appropriation, the County announced the 'Connect Hanover' initiative to make broadband services available to residents living in unserved areas of Hanover on July 28, 2021. The County has engaged All Points Broadband to assist in identifying areas of the County in need and partnering with Dominion Energy Virginia and Rappahannock Electric Cooperative (REC) to assist with deployment. Additionally, on September 8, 2021, Hanover County Board of Supervisors authorized the filing of a Virginia Telecommunication Initiative (VATI) broadband state grant application in conjunction with All Points Broadband on September 14. In addition to the County American Rescue Plan Act funds, the application requested \$14.4 million in VATI grant funds and noted \$29.9 million in private investment. This would serve 7,235 homes and businesses, including 785 businesses and home-based businesses and 43 community and government buildings.

**SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION**

(Unaudited)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2021

Virginia Retirement System-Pension Plan - Primary Government

Schedule of Changes in the Net Pension Liability and Related Ratios

	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Total pension liability							
Service cost	\$ 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	18,836,367	17,771,484	16,663,276	15,932,633	14,918,283	14,159,064	13,186,216
Changes of assumptions	-	8,940,696	-	(1,150,577)	-	-	-
Differences between expected and actual experience	6,595,585	232,863	182,107	(4,220,153)	(566,270)	(3,717,438)	-
Benefit payments	(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	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	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)	\$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	\$ 5,906,015	\$ 5,650,320	\$ 5,918,509	\$ 5,698,852	\$ 6,383,455	\$ 6,227,470	\$ 6,347,611
Contributions - employee	3,520,775	3,219,861	3,111,501	3,033,422	2,911,440	2,841,053	2,728,734
Net investment income	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	(9,962,002)	(8,962,753)	(7,728,076)	(7,238,603)	(6,874,514)	(6,323,001)	(5,604,586)
Administrative expense	(169,144)	(160,692)	(142,977)	(140,541)	(122,126)	(113,582)	(131,515)
Other	(6,631)	(10,525)	(15,347)	(22,390)	(1,496)	(485,907)	1,327
Net change in plan fiduciary net position	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	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)	\$268,030,876	\$263,694,831	\$ 247,272,649	\$ 229,108,467	\$ 202,726,150	\$ 196,878,999	\$ 186,106,855
Net pension liability ending (a) - (b)	\$ 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	87.02%	92.84%	95.71%	94.71%	87.67%	90.91%	90.51%
Covered payroll	\$ 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 as a percentage of covered payroll	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)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2021

Virginia Retirement System-Pension Plan - School Board Non-Professional**Schedule of Changes in the Net Pension Asset and Related Ratios**

	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Total pension liability							
Service cost	\$ 529,745	\$ 527,361	\$ 526,335	\$ 563,888	\$ 704,264	\$ 717,494	\$ 761,268
Interest on total pension liability	1,698,127	1,663,215	1,627,896	1,619,611	1,604,103	1,563,895	1,470,488
Changes of assumptions	-	657,553	-	(126,666)	-	-	-
Differences between expected and actual experience	(581,206)	(160,869)	(477,022)	(822,111)	(1,070,969)	(750,409)	-
Benefit payments	(1,401,532)	(1,178,551)	(1,166,740)	(1,066,000)	(965,702)	(947,448)	(847,310)
Net change in total pension liability	245,134	1,508,709	510,469	168,722	271,696	583,532	1,384,446
Total pension liability - beginning	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)	\$ 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	\$ 78,603	\$ 82,764	\$ 195,964	\$ 202,659	\$ 437,250	\$ 507,170	\$ 595,088
Contributions - employee	250,453	250,620	245,280	250,592	280,632	325,545	325,403
Net investment income	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	(1,401,532)	(1,178,551)	(1,166,740)	(1,066,000)	(965,702)	(947,448)	(847,310)
Administrative expense	(18,924)	(18,429)	(16,985)	(17,086)	(14,837)	(14,331)	(16,675)
Other	(631)	(1,140)	(1,713)	(2,581)	(177)	(223)	165
Net change in plan fiduciary net position	(554,761)	952,244	1,192,009	2,281,342	155,605	925,324	3,190,363
Plan fiduciary net position - beginning	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)	\$ 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)	\$ (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	107.25%	110.41%	113.34%	110.77%	101.92%	102.44%	101.00%
Covered payroll	\$ 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	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, 2021

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

	2021*	2020*	2019*	2018*
Employer's Proportion of the Net Pension Liability	1.22369%	1.23585%	1.25655%	1.26798%
Employer's Proportionate Share of the Net Pension Liability	\$ 178,079,031	\$ 162,644,883	\$ 147,770,000	\$ 155,936,000
Employer's Covered Payroll	\$ 106,871,061	\$ 103,292,430	\$ 101,392,249	\$ 99,817,919
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	166.63%	157.46%	145.74%	156.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%	73.51%	74.81%	72.92%
	2017*	2016*	2015*	
Employer's Proportion of the Net Pension Liability	1.26562%	1.27192%	1.26737%	
Employer's Proportionate Share of the Net Pension Liability	\$ 177,365,000	\$ 160,089,000	\$ 153,157,000	
Employer's Covered Payroll	\$ 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	183.62%	169.46%	168.43%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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:	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:	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:	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.

Schedules of Required Supplementary Information (Unaudited)
June 30, 2021

Hanover County, Virginia Retiree Medical Benefits Plan

Schedule of Changes in the Net OPEB Asset and Related Ratios

<i>As of June 30 of the Fiscal Year</i>	2021*	2020*	2019*	2018*
Total OPEB liability				
Service cost	\$ 178,821	\$ 165,789	\$ 172,531	\$ 161,244
Interest cost	251,394	250,445	241,190	230,876
Experience losses/(gains)	(436,754)	342	(31,678)	
Change in benefit terms	1,845,584			
Changes in Assumptions	-	125,400		
Benefit payments	(270,196)	(229,000)	(271,000)	(218,532)
Net change in total OPEB liability	1,568,849	312,976	111,043	173,588
Total OPEB liability - beginning	4,005,096	3,692,120	3,581,077	3,407,489
Total OPEB liability - ending (a)	\$ 5,573,945	\$ 4,005,096	\$ 3,692,120	\$ 3,581,077
Total fiduciary net position				
Contributions - employer	\$ 8,000	\$ 20,000	\$ 42,000	\$ 218,532
Net investment income	340,861	527,273	414,736	502,797
Benefit payments	(270,196)	(229,000)	(271,000)	(218,532)
Net change in plan fiduciary net position	78,665	318,273	185,736	502,797
Plan fiduciary net position - beginning	5,689,659	5,371,386	5,185,650	4,682,853
Plan fiduciary net position - ending (b)	\$ 5,768,324	\$ 5,689,659	\$ 5,371,386	\$ 5,185,650
Net OPEB asset ending (b) - (a)	\$ 194,379	\$ 1,684,563	\$ 1,679,266	\$ 1,604,573
Plan fiduciary net position as a percentage of the total OPEB liability	103.49%	142.06%	145.48%	144.81%
Covered payroll	\$ 200,751,445	\$ 196,805,332	\$ 190,489,157	\$ 187,285,093
Net OPEB asset as a percentage of covered payroll	0.10%	0.86%	0.88%	0.86%
Contributions as a percentage of covered payroll	0.00%	0.01%	0.02%	0.12%

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

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2021

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>	2021*	2020*	2019*	2018*
Total OPEB liability				
Service cost	\$ 66,038	\$ 51,869	\$ 53,979	\$ 53,516
Interest cost	92,840	78,355	75,460	76,628
Experience losses/(gains)	(161,293)	107	(9,910)	-
Change in benefit terms	681,574	-	-	-
Change in proportionate share	226,032	-	(68,170)	-
Change in assumptions	-	39,233	-	-
Benefit payments	(99,783)	(71,646)	(84,786)	(72,531)
Net change in total OPEB liability	805,408	97,918	(33,427)	57,613
Total OPEB liability - beginning	1,253,050	1,155,132	1,188,559	1,130,946
Total OPEB liability - ending (a)	\$ 2,058,458	\$ 1,253,050	\$ 1,155,132	\$ 1,188,559
Total fiduciary net position				
Contributions - employer	\$ 2,954	\$ 6,257	\$ 13,140	\$ 72,531
Change in proportionate share	321,102	-	(98,714)	-
Net investment income	125,880	164,965	129,756	166,878
Benefit payments	(99,783)	(71,646)	(84,786)	(72,531)
Net change in plan fiduciary net position	350,153	99,576	(40,604)	166,878
Plan fiduciary net position - beginning	1,780,089	1,680,513	1,721,117	1,554,239
Plan fiduciary net position - ending (b)	\$ 2,130,242	\$ 1,780,089	\$ 1,680,513	\$ 1,721,117
Net OPEB asset ending (b) - (a)	\$ 71,784	\$ 527,039	\$ 525,381	\$ 532,558
Plan fiduciary net position as a percentage of the total OPEB liability	103.49%	142.06%	145.48%	144.81%
Covered payroll	\$ 73,542,941	\$ 71,153,221	\$ 66,734,243	\$ 65,107,962
Net OPEB asset as a percentage of covered payroll	0.10%	0.74%	0.79%	0.82%
Contributions as a percentage of covered payroll	0.00%	0.01%	0.02%	0.11%

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

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2021

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

Schedule of Changes in the Net OPEB Asset and Related Ratios

<i>As of June 30 of the Fiscal Year</i> <i>School Board</i>	2021*	2020*	2019*	2018*
Total OPEB liability				
Service cost	\$ 110,207	\$ 111,010	\$ 115,524	\$ 100,955
Interest cost	154,934	167,696	161,498	144,551
Experience losses/(gains)	(269,171)	229	(21,212)	-
Change in benefit terms	1,137,433	-	-	-
Change in proportionate share	(213,420)	-	155,731	-
Change in assumptions	-	83,966	-	-
Benefit payments	(166,522)	(153,335)	(181,458)	(136,823)
Net change in total OPEB liability	753,461	209,566	230,083	108,683
Total OPEB liability - beginning	2,681,761	2,472,195	2,242,112	2,133,429
Total OPEB liability - ending (a)	\$ 3,435,222	\$ 2,681,761	\$ 2,472,195	\$ 2,242,112
Total fiduciary net position				
Contributions - employer	\$ 4,930	\$ 13,392	\$ 28,123	\$ 136,823
Change in proportionate share	(303,186)	-	225,509	-
Net investment income	210,073	353,055	277,702	314,801
Benefit payments	(166,522)	(153,336)	(181,458)	(136,823)
Net change in plan fiduciary net position	(254,705)	213,111	349,876	314,801
Plan fiduciary net position - beginning	3,809,722	3,596,611	3,246,735	2,931,934
Plan fiduciary net position - ending (b)	\$ 3,555,017	\$ 3,809,722	\$ 3,596,611	\$ 3,246,735
Net OPEB asset ending (b) - (a)	\$ 119,795	\$ 1,127,961	\$ 1,124,416	\$ 1,004,623
Plan fiduciary net position as a percentage of the total OPEB liability	103.49%	142.06%	145.48%	144.81%
Covered payroll	\$ 119,790,791	\$ 118,335,411	\$ 116,538,102	\$ 114,872,079
Net OPEB asset as a percentage of covered payroll	0.10%	0.95%	0.96%	0.87%
Contributions as a percentage of covered payroll	0.00%	0.01%	0.02%	0.12%

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2021

*Hanover County Retiree Medical Benefits Trust***Schedule of Investment Returns**

	<u>Fiscal Year</u>	<u>Rate</u>
Annual money-weighted rate of return, net of investment expense	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%
	6/30/2013	12.53%
	6/30/2012	0.58%

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

Schedule of Employer Contributions*County*

<u>Date</u>	<u>Contractually Required Contribution (a)</u>	<u>Contribution in Relation to Contractually Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a - b)</u>	<u>Employer's Covered Payroll (c)</u>	<u>Contributions as a % of Covered Payroll (b/c)</u>
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

<u>Date</u>	<u>Contractually Required Contribution (a)</u>	<u>Contributions in Relation to Contractually Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a - b)</u>	<u>Employer's Covered Payroll (c)</u>	<u>Contributions as a % of Covered Payroll (b/c)</u>
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, 2021

Virginia Retirement System-Net OPEB HIC Plan - Primary Government

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

	2021*	2020*	2019*	2018*
Total OPEB liability				
Service cost	\$ 38,144	\$ 36,034	\$ 33,937	\$ 36,106
Interest on total OPEB liability	86,806	84,678	80,423	79,070
Changes of assumptions	-	34,499	-	(45,582)
Difference between expected and actual experience	(4,765)	(10,045)	6,981	
Benefit payments	(77,371)	(60,311)	(60,799)	(39,706)
Net change in total OPEB liability	42,814	84,855	60,542	29,888
Total OPEB liability - beginning	1,324,702	1,239,847	1,179,305	1,149,417
Total OPEB liability - ending (a)	<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	\$ 84,961	\$ 80,463	\$ 86,037	\$ 81,864
Net investment income	12,533	37,527	36,347	49,782
Benefit Payments, including refunds of employee contributions	(77,371)	(60,311)	(60,799)	(39,706)
Administrative expense	(1,220)	(828)	(886)	(858)
Other	(6)	(45)	(2,349)	2,349
Net change in plan fiduciary net position	18,897	56,806	58,350	93,431
Plan fiduciary net position - beginning	618,538	561,732	503,382	409,951
Plan fiduciary net position - ending (b)	<u>\$ 637,435</u>	<u>\$ 618,538</u>	<u>\$ 561,732</u>	<u>\$ 503,382</u>
Net OPEB liability ending (a) - (b)	\$ 730,081	\$ 706,164	\$ 678,115	\$ 675,923
Plan fiduciary net position as a percentage of the total OPEB liability	46.61%	46.69%	45.31%	42.68%
Covered payroll	\$ 44,834,721	\$ 42,350,786	\$ 40,978,883	\$ 38,987,994
Political subdivision's net OPEB liability as a percentage of covered payroll	1.63%	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, 2021

Virginia Retirement System-Net OPEB HIC Plan - Primary Government

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

	<u>2021*</u>
Total OPEB liability	
Service cost	\$ -
Interest on total OPEB liability	-
Changes in benefit terms	486,125
Changes of assumptions	-
Difference between expected and actual experience	-
Benefit payments	-
Net change in total OPEB liability	<u>486,125</u>
Total OPEB liability - beginning	<u>-</u>
Total OPEB liability - ending (a)	<u><u>\$ 486,125</u></u>
Total fiduciary net position	
Contributions - employer	\$ -
Net investment income	-
Benefit Payments, including refunds of employee contributions	-
Administrative expense	-
Other	-
Net change in plan fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u><u>\$ -</u></u>
Net OPEB liability ending (a) - (b)	\$ 486,125
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered payroll	\$ -
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, 2021

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

	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>
Employer's Proportion of the Net OPEB Liability	1.21953%	1.23144%	1.25384%	1.26516%
Employer's Proportionate Share of the Net OPEB Liability	\$ 15,908,970	\$ 16,120,747	\$ 15,919,000	\$ 16,050,000
Employer's Covered Payroll	\$ 106,913,212	\$ 103,288,960	\$ 101,392,249	\$ 99,817,919
Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	14.88%	15.61%	15.70%	16.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.95%	8.97%	8.08%	7.04%

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

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2021

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)
6/30/2021	\$ 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%

See accompanying independent auditors' report.

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)
6/30/2021	\$ 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 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)
6/30/2021	\$ 36,881	\$ 36,881	-	\$ 5,052,181	0.73%

See accompanying independent auditors' report.

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

Schedules of Required Supplementary Information (Unaudited)
June 30, 2021

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	2021*	2020*	2019*	2018*
County's Proportion of the Net GLI OPEB Liability	0.33740%	0.33555%	0.33281%	0.32895%
County's Proportionate Share of the Net GLI OPEB Liability	\$ 5,630,654	\$ 5,460,292	\$ 5,054,000	\$ 4,950,000
Covered Payroll	\$ 69,250,382	\$ 65,738,841	\$ 63,272,936	\$ 60,564,521
County's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.13%	8.31%	7.99%	8.17%
School Board professional group's share	2021*	2020*	2019*	2018*
School Board's Proportion of the Net GLI OPEB Liability	0.52100%	0.52833%	0.53434%	0.54244%
School Board's Proportionate Share of the Net GLI OPEB Liability	\$ 8,694,637	\$ 8,597,335	\$ 8,115,000	\$ 8,163,000
Covered Payroll	\$ 106,871,061	\$ 103,292,430	\$ 101,392,249	\$ 99,817,919
School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.14%	8.32%	8.00%	8.18%
School Board non-professional group's share	2021*	2020*	2019*	2018*
School Board's Proportion of the Net GLI OPEB Liability	0.02594%	0.02686%	0.02712%	0.02825%
School Board's Proportionate Share of the Net GLI OPEB Liability	\$ 432,897	\$ 437,084	\$ 411,000	\$ 425,000
Covered Payroll	\$ 5,337,485	\$ 5,256,371	\$ 5,150,695	\$ 5,201,892
School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.11%	8.32%	7.98%	8.17%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

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

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2021*

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)
6/30/2021	\$ 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)
6/30/2021	\$ 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)
6/30/2021	\$ 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%

See accompanying independent auditors' report.

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

(continued)

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, 2021

	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	\$ 123,750,000	123,750,000	125,197,085	1,447,085
Public service corporation property taxes	6,500,000	6,500,000	6,400,060	(99,940)
Personal property taxes	37,355,000	37,355,000	39,705,676	2,350,676
Machinery and tools taxes	1,670,000	1,670,000	1,891,895	221,895
Merchants' capital taxes	1,412,000	1,412,000	1,727,908	315,908
Delinquent taxes	1,713,000	1,713,000	3,959,380	2,246,380
Penalties and interest	990,000	990,000	1,625,622	635,622
Total general property taxes	173,390,000	173,390,000	180,507,626	7,117,626
Other local taxes:				
Local sales and use taxes	23,035,000	23,035,000	27,749,559	4,714,559
Consumer utility taxes	1,950,000	1,950,000	2,018,087	68,087
Contractor license taxes	775,000	775,000	989,457	214,457
Franchise license taxes	600,000	600,000	465,612	(134,388)
Lodging taxes	685,000	815,000	800,361	(14,639)
Bank stock tax	1,150,000	1,150,000	1,152,934	2,934
Taxes on recordation and wills	2,635,000	2,635,000	3,598,741	963,741
Communication sales tax	4,050,000	4,050,000	3,665,519	(384,481)
Total other local taxes	34,880,000	35,010,000	40,440,270	5,430,270
Permits, privilege fees and regulatory licenses:				
General Government Administration:				
Land use application fee	-	-	1,200	1,200
Public Safety:				
Animal licenses	10,000	10,000	21,420	11,420
Building permits	690,000	690,000	968,796	278,796
Heating and air conditioning	295,000	295,000	379,292	84,292
Electrical permits	205,000	205,000	266,773	61,773
Plumbing permits	110,000	110,000	143,298	33,298
Septic tank permits	6,000	6,000	-	(6,000)
Inspection fees	130,000	130,000	121,697	(8,303)
Public Works:				
Erosion and sediment inspections	275,000	275,000	513,406	238,406
Stormwater management	5,100	5,100	15,300	10,200
Human Services:				
Well and septic inspection	5,000	5,000	-	(5,000)
Community Development:				
Planning fees	239,500	239,500	323,372	83,872
Total permits, privilege fees and regulatory licenses	1,970,600	1,970,600	2,754,554	783,954
Fines and Forfeitures:				
Public Works:				
Erosion and sediment fines	5,000	5,000	4,000	(1,000)
Judicial Administration:				
Court fines and forfeitures	720,500	720,500	706,677	(13,823)
Courthouse maintenance fees	102,000	102,000	71,956	(30,044)
Court appointed attorney fees	35,000	35,000	23,641	(11,359)
Public Safety:				
Criminal Justice Academy training fees	80,000	80,000	54,574	(25,426)
Security alarm fines	40,000	40,000	56,730	16,730
Animal control	510	510	595	85
Total fines and forfeitures	983,010	983,010	918,173	(64,837)
Revenues from use of money and property:				
Revenue from use of money	370,000	370,000	623	(369,377)
Revenue from use of property	582,000	582,000	810,069	228,069
Total revenues from use of money and property	952,000	952,000	810,692	(141,308)
Charges for services:				
EMS cost recovery	2,690,000	2,690,000	2,761,273	71,273
Landfill fees	521,500	609,850	793,146	183,296
Recreation fees	638,500	638,500	158,623	(479,877)
Community Services	3,310,000	3,310,000	2,897,053	(412,947)
Other	989,050	989,050	1,034,749	45,699
Total charges for services	8,149,050	8,237,400	7,644,844	(592,556)

(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, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budget Basis	Final Budget - Positive (Negative)
Miscellaneous:				
Refunds	\$ 68,000	68,000	197,648	129,648
Insurance recoveries	-	252,408	307,204	54,796
Gifts and donations	28,000	146,150	150,764	4,614
Other miscellaneous revenue	378,500	405,800	658,608	252,808
Reserve for revenue transfers	700,000	245,809	-	(245,809)
Total miscellaneous	1,174,500	1,118,167	1,314,224	196,057
Recovered costs:				
General Government Administration:				
Pamunkey Regional Jail Authority	400,000	400,000	400,000	-
Public Utilities Fund:				
Cost allocation	1,402,000	1,402,000	1,402,000	-
Service assessment	367,000	367,000	367,000	-
Treasurer	60,000	78,000	89,445	11,445
Commissioner of the Revenue	150,000	377,170	377,176	6
Registrar	-	6,849	6,849	-
Judicial Administration:				
Clerk of Circuit Court	19,410	19,410	13,644	(5,766)
Commonwealth's Attorney	-	-	8,129	8,129
Public Safety:				
Community Corrections	72,800	72,800	68,230	(4,570)
Sheriff	32,500	32,500	20,489	(12,011)
Building Inspector	1,000	1,000	404	(596)
Animal Control	6,500	6,500	5,606	(894)
Fire	90,000	96,263	52,647	(43,616)
Human Services:				
Social Services	30,972	30,972	63,624	32,652
Community Resources	5,000	5,000	5,000	-
Comprehensive Services	70,000	115,000	131,139	16,139
Community Services	150,000	150,000	56,621	(93,379)
Public Works:				
Public Works Operations	-	-	-	-
Solid Waste Management	250,000	250,000	332,100	82,100
Recycling Service Districts	109,740	109,740	128,118	18,378
General Services	3,000	3,000	1,614	(1,386)
Community Development:				
Contributions: Greater Richmond Convention Center Authority	548,000	548,000	653,170	105,170
Planning	-	-	2,500	2,500
Lewistown CDA	33,220	33,220	33,222	2
Economic Development	72,395	72,395	72,395	-
Total recovered costs	3,873,537	4,176,819	4,345,703	168,884
Total revenues from local sources	225,372,697	225,837,996	238,736,086	12,898,090
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Vehicle rental tax	450,000	450,000	433,840	(16,160)
Personal property taxes (State remittance)	15,002,000	15,002,000	15,002,745	745
Rolling Stock Tax	70,000	70,000	72,750	2,750
Games of Skill	-	-	185,760	185,760
Total non-categorical aid	15,522,000	15,522,000	15,695,095	173,095
Categorical aid:				
Shared expenses:				
Commissioner of the Revenue	265,600	265,600	264,367	(1,233)
Treasurer	230,300	230,300	230,524	224
Registrar	54,000	54,000	56,520	2,520
Clerk of Circuit Court	569,600	569,600	597,503	27,903
Commonwealth's Attorney	943,000	943,000	946,252	3,252
Sheriff	3,552,000	3,552,000	3,610,279	58,279
Total shared expenses	5,614,500	5,614,500	5,705,445	90,945
Other categorical aid:				
Social Services	1,424,690	1,428,822	1,290,753	(138,069)
Comprehensive Services	3,559,300	3,847,700	3,731,642	(116,058)
Community Services	2,833,314	2,986,779	3,387,375	400,596
Other	1,517,380	1,554,735	1,525,362	(29,373)
Total other categorical aid	9,334,684	9,818,036	9,935,132	117,096
Total categorical aid	14,949,184	15,432,536	15,640,577	208,041
Total revenue from the Commonwealth	30,471,184	30,954,536	31,335,672	381,136

(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, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budget Basis	Final Budget - Positive (Negative)
Revenue from the Federal government:				
Categorical aid:				
CARES Act - Federal grants	\$ -	4,286,132	4,286,146	14
General Government - Federal grants	20,000	20,000	14,371	(5,629)
Registrar - Help America Vote Act	-	80,209	80,209	-
Fire - Federal grants	712,490	1,871,451	1,884,432	12,981
Sheriff - Federal grants	100,000	174,490	437,024	262,534
Social Services - Federal grants	3,097,152	3,099,906	2,970,894	(129,012)
Community Resources - Federal grants	30,000	149,171	135,996	(13,175)
Commonwealth's Attorney - Federal grants	126,000	126,000	123,276	(2,724)
Comprehensive Services - Federal grants	55,000	55,000	53,929	(1,071)
Community Services - Federal grants	455,705	595,259	565,544	(29,715)
Total revenue from the Federal government	4,596,347	10,457,618	10,551,821	94,203
Total intergovernmental	35,067,531	41,412,154	41,887,493	475,339
Total revenues	260,440,228	267,250,150	280,623,579	13,373,429
EXPENDITURES				
General government administration:				
Legislative - Board of Supervisors	618,546	622,881	578,929	43,952
General and financial administration:				
County Administrator	1,376,274	1,391,310	1,361,704	29,606
Human Resources	1,321,029	1,320,337	1,287,411	32,926
County Attorney	1,167,369	1,050,593	993,489	57,104
Commissioner of the Revenue	1,913,257	2,280,884	1,902,536	378,348
Assessor	1,294,118	1,251,617	1,194,506	57,111
Treasurer	1,745,048	1,747,798	1,717,137	30,661
Finance	2,023,563	2,001,542	1,985,283	16,259
Management Services	373,144	376,517	369,550	6,967
Information Technology	4,846,317	5,094,486	5,078,123	16,363
Total general and financial administration	16,060,119	16,515,084	15,889,739	625,345
Board of elections - Registrar and Electoral Board	575,937	933,920	877,479	56,441
Total general government administration	17,254,602	18,071,885	17,346,147	725,738
Judicial administration:				
Courts:				
Circuit Court	336,342	343,739	344,957	(1,218)
General District Court	123,690	123,690	72,765	50,925
Magistrates	3,431	3,431	2,873	558
Juvenile and Domestic Relations District Court	25,336	25,659	14,329	11,330
Clerk of the Circuit Court	1,591,010	1,652,042	1,586,905	65,137
Court Services	2,987,085	3,019,374	2,922,583	96,791
Total courts	5,066,894	5,167,935	4,944,412	223,523
Commonwealth's Attorney	2,159,931	2,169,001	2,137,011	31,990
Total judicial administration	7,226,825	7,336,936	7,081,423	255,513
Public safety:				
Sheriff	27,226,352	28,277,868	27,941,049	336,819
Fire and Rescue Services:				
Fire and Emergency Management Services	23,008,649	24,505,390	24,637,698	(132,308)
Total fire and rescue services	23,008,649	24,505,390	24,637,698	(132,308)
Correction and Detention:				
Pamunkey Regional Jail Authority	5,717,226	5,691,108	5,193,982	497,126
Juvenile Court Services	558,138	550,044	494,205	55,839
Community Corrections	605,345	586,766	583,082	3,684
Total correction and detention	6,880,709	6,827,918	6,271,269	556,649
Inspections - Building Inspections	1,680,660	1,669,362	1,624,863	44,499
Other protection:				
Emergency Communications	6,196,567	6,164,170	5,848,566	315,604
Animal Control	1,122,139	1,138,454	1,054,697	83,757
Total other protection	7,318,706	7,302,624	6,903,263	399,361
Total public safety	66,115,076	68,583,162	67,378,142	1,205,020

(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, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budget Basis	Final Budget - Positive (Negative)
Public works:				
Sanitation and waste removal:				
Public Works	\$ 1,957,552	1,905,656	1,848,897	56,759
Solid Waste Services	4,727,947	4,881,353	4,800,884	80,469
Total sanitation and waste removal	6,685,499	6,787,009	6,649,781	137,228
Maintenance of buildings, grounds and equipment:				
Facilities and Vehicle Management	4,921,226	5,633,123	5,474,096	159,027
Total maintenance of buildings, grounds and equip.	4,921,226	5,633,123	5,474,096	159,027
Total public works	11,606,725	12,420,132	12,123,877	296,255
Health and human services:				
Health	665,000	970,000	904,701	65,299.00
Human Services:				
Social Services	6,194,304	6,226,568	5,842,102	384,466
Community Resources	588,069	683,596	688,196	(4,600)
Comprehensive Services	6,802,100	7,226,500	7,014,834	211,666
Community Services	12,087,404	12,101,220	11,261,700	839,520
Tax Relief	2,000,000	2,000,000	2,102,749	(102,749)
Total human services	27,671,877	28,237,884	26,909,581	1,328,303
Total health and human services	28,336,877	29,207,884	27,814,282	1,393,602
Parks, recreation and cultural:				
Parks and Recreation	3,722,127	3,829,253	2,885,512	943,741
Pamunkey Regional Library	2,941,000	3,088,082	3,088,081	1.00
Total parks, recreation and cultural	6,663,127	6,917,335	5,973,593	943,742
Community development:				
Planning and Community Development:				
Planning	2,128,613	2,134,963	2,061,997	72,966
Economic Development	1,621,218	1,619,005	1,677,275	(58,270)
Community Support	1,234,907	3,369,331	3,352,991	16,340
Total planning and community development	4,984,738	7,123,299	7,092,263	31,036
Environmental mgmt. - Soil and Water Conservation District	105,994	105,994	105,994	-
Cooperative Extension Program - VPI Extension	111,115	111,115	76,498	34,617
Total community development	5,201,847	7,340,408	7,274,755	65,653
Education:				
School Fund	92,996,000	92,996,000	84,263,313	8,732,687
Total education	92,996,000	92,996,000	84,263,313	8,732,687
Total education	92,996,000	92,996,000	84,263,313	8,732,687
Nondepartmental:				
Reserves	2,075,186	2,818,247	-	2,818,247
Total nondepartmental	2,075,186	2,818,247	-	2,818,247
Total expenditures - budgetary basis	237,476,265	245,691,989	229,255,532	16,436,457
Less encumbrances at June 30, 2021	-	-	(1,370,315)	1,370,315
Total expenditures	237,476,265	245,691,989	227,885,217	17,806,772
Excess of revenues over expenditures	22,963,963	21,558,161	52,738,362	31,180,201
OTHER FINANCING SOURCES (USES)				
Other financing sources:				
Transfers from governmental funds:				
County Improvements Fund	-	6,622	6,622	-
Total other financing sources	-	6,622	6,622	-
Other financing uses:				
Transfers to governmental funds:				
County Improvements Fund	(7,391,800)	(8,092,800)	(8,092,800)	-
School Improvements Fund	(3,000,000)	(3,000,000)	(3,000,000)	-
Debt Service Fund	(18,661,920)	(18,661,920)	(18,661,920)	-
Total transfers to governmental funds	(29,053,720)	(29,754,720)	(29,754,720)	-
Transfers to Proprietary Fund:				
Airport Fund	(168,676)	(168,676)	(168,676)	-
Total other financing uses	(29,222,396)	(29,923,396)	(29,923,396)	-
Total other financing uses, net	(29,222,396)	(29,916,774)	(29,916,774)	-
Net change in fund balance	(6,258,433)	(8,358,613)	22,821,588	31,180,201
Fund balance - beginning	6,258,433	65,534,075	65,534,075	-
Fund balance - ending	\$ -	57,175,462	88,355,663	31,180,201

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budget Basis	Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Other local taxes	-	-	10,678,686	10,678,686
Charges for services	750,000	2,250,000	1,477,476	(772,524)
Recovered costs	-	269	268	(1)
Miscellaneous	800,000	794,098	-	(794,098)
Total revenue from local sources	1,550,000	3,044,367	12,156,430	9,112,063
Intergovernmental:				
Revenue from the Commonwealth	5,950,000	18,782,302	3,201,979	(15,580,323)
Revenue from the Federal government	212,323	19,277,487	5,469,952	(13,807,535)
Total intergovernmental	6,162,323	38,059,789	8,671,931	(29,387,858)
Total revenues	7,712,323	41,104,156	20,828,361	(20,275,795)
EXPENDITURES				
General government administration	1,775,000	6,113,926	4,708,125	1,405,801
Judicial administration	1,160,000	1,211,765	803,587	408,178
Public safety	3,118,600	15,195,344	10,424,733	4,770,611
Public works	8,650,523	49,273,881	11,828,855	37,445,026
Human services	-	120,000	-	120,000
Parks, recreation and cultural	-	11,037,603	1,110,971	9,926,632
Community development	-	341,092	242,683	98,409
Reserve for future projects	700,000	694,098	-	694,098
Total expenditures - budgetary basis	15,404,123	83,987,709	29,118,954	54,868,755
Less encumbrances at June 30, 2021	-	-	(6,842,586)	6,842,586
Total expenditures	15,404,123	83,987,709	22,276,368	61,711,341
Excess (deficiency) of revenues over (under) expenditures	(7,691,800)	(42,883,553)	(1,448,007)	41,435,546
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in	7,391,800	8,092,800	8,092,800	-
Total other financing sources	7,391,800	8,092,800	8,092,800	-
Other financing uses:				
Transfers out	-	(6,622)	(6,622)	-
Total other financing uses	-	(6,622)	(6,622)	-
Total other financing sources, net	7,391,800	8,086,178	8,086,178	-
Net change in fund balance	(300,000)	(34,797,375)	6,638,171	41,435,546
Fund balance - beginning	300,000	38,644,503	38,644,503	-
Fund balance - ending	\$ -	3,847,128	45,282,674	41,435,546

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, 2021

	Original Budget	Final Budget	Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental:				
Revenue from the Federal government	\$ -	7,036,294	6,836,294	(200,000)
Total intergovernmental	-	7,036,294	6,836,294	(200,000)
Total revenues	-	7,036,294	6,836,294	(200,000)
EXPENDITURES				
Capital outlay:				
Education	13,000,000	26,018,347	19,862,898	6,155,449
Total expenditures - budgetary basis	13,000,000	26,018,347	19,862,898	6,155,449
Less encumbrances at June 30, 2021	-	-	(4,398,151)	4,398,151
Total expenditures	13,000,000	26,018,347	15,464,747	10,553,600
Excess (deficiency) of revenues over (under) expenditures	(13,000,000)	(18,982,053)	(8,628,453)	10,353,600
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in	3,000,000	3,000,000	3,000,000	-
Issuance of general obligation bonds	10,000,000	10,000,000	10,000,000	-
Total other financing sources	13,000,000	13,000,000	13,000,000	-
Net change in fund balance	-	(5,982,053)	4,371,547	10,353,600
Fund balance - beginning	-	6,428,123	6,428,123	-
Fund balance - ending	\$ -	446,070	10,799,670	10,353,600

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from local sources:				
Revenues from use of money and property	\$	-	40,033	40,033
Miscellaneous		-	17,800	17,800
Total revenues		-	57,833	57,833
EXPENDITURES				
Debt service:				
Principal retirement		12,586,330	12,601,326	12,601,325
Interest		6,049,890	6,034,894	6,024,134
Other fiscal charges		25,700	25,700	14,900
Debt issuance costs		150,000	150,000	43,848
Total expenditures		18,811,920	18,811,920	18,684,207
Excess (deficiency) of revenues over (under) expenditures		(18,811,920)	(18,811,920)	(18,626,374)
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in		18,661,920	18,661,920	18,661,920
Issuance of general obligation bonds		150,000	150,000	50,334
Total other financing sources		18,811,920	18,811,920	18,712,254
Net change in fund balance		-	-	85,880
Fund balance - beginning		-	549,839	549,839
Fund balance - ending	\$	-	549,839	635,719

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, 2021

	Bell Creek Community Development Authority	Lewistown Community Development Authority	Escrow	Special Welfare	Commonwealth	Total
ASSETS						
Pooled cash, cash equivalents and investments	\$ 80,448	308,128	4,309,587	45,293	8,631	4,752,087
Accounts receivable	78,679	1,321,960	-	-	-	1,400,639
Total assets	159,127	1,630,088	4,309,587	45,293	8,631	6,152,726
LIABILITIES						
Accounts payable	80,448	277,230	9,587	-	-	367,265
Accrued liabilities	-	30,898	-	-	-	30,898
Deposits	-	-	-	-	8,631	8,631
Total liabilities	80,448	308,128	9,587	-	8,631	406,794
DEFERRED INFLOWS OF RESOURCES						
Deferred revenues	78,679	1,321,960	-	-	-	1,400,639
Total deferred inflows of resources	78,679	1,321,960	-	-	-	1,400,639
NET POSITION						
Restricted for:						
Individuals, organizations and other governments	-	-	4,300,000	45,293	-	4,345,293
Total net position	\$ -	-	4,300,000	45,293	-	4,345,293

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, 2021

	Bell Creek Community Development Authority	Lewistown Community Development Authority	Escrow	Special Welfare	Commonwealth	Total
ADDITIONS						
Income tax collections for other governments	\$ -	-	-	-	4,391,327	4,391,327
Sales tax collections for other governments	-	-	727,557	-	-	727,557
Special assessment tax collections for other governments	157,993	660,026	-	-	-	818,019
Business license surcharge collections for other governments	-	-	35,097	-	-	35,097
Miscellaneous	-	-	-	95,869	-	95,869
Total additions	157,993	660,026	762,654	95,869	4,391,327	6,067,869
DEDUCTIONS						
Benefits paid to participants or beneficiaries	\$ -	-	-	112,140	-	112,140
Administrative expense	33,222	5,000	-	-	-	38,222
Payments of income tax collections to other governments	-	-	-	-	4,391,327	4,391,327
Payments of sales tax to other governments	-	-	727,557	-	-	727,557
Payments of special assessment tax to other governments	124,771	655,026	-	-	-	779,797
Payments of business license surcharge to other governments	-	-	35,097	-	-	35,097
Total deductions	157,993	660,026	762,654	112,140	4,391,327	6,084,140
Net increase in fiduciary net position	-	-	-	(16,271)	-	(16,271)
Net position						
Beginning as restated (see note I.E.1)	-	-	4,300,000	61,564	-	4,361,564
Ending	\$ -	-	4,300,000	45,293	-	4,345,293

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 Fund – Accounts for funds maintained by schools for instructional and extracurricular activities.

COUNTY OF HANOVER, VIRGINIA
Discretely Presented Component Unit - School Board
Combining Balance Sheet
June 30, 2021

Exhibit 19

	Governmental Funds			Totals
	School	Cafeteria	Special Revenue Student Activity Fund	
ASSETS				
Pooled cash, cash equivalents and investments	\$ 14,995,209	399,179	3,422,158	18,816,546
Accounts receivable	74,287	-	-	74,287
Due from other governmental units	6,952,767	439,657	-	7,392,424
Inventory	-	332,324	-	332,324
Total assets	<u>\$ 22,022,263</u>	<u>1,171,160</u>	<u>3,422,158</u>	<u>26,615,581</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,201,743	43,738	74,790	2,320,271
Accrued liabilities	16,554,207	347,367	-	16,901,574
Unearned revenues	199,680	-	92,088	291,768
Total liabilities	<u>18,955,630</u>	<u>391,105</u>	<u>166,878</u>	<u>19,513,613</u>
Fund balances:				
Nonspendable	-	332,324	-	332,324
Restricted	61,036	-	237,903	298,939
Assigned	3,005,597	447,731	3,017,377	6,470,705
Total fund balances	<u>3,066,633</u>	<u>780,055</u>	<u>3,255,280</u>	<u>7,101,968</u>
Total liabilities and fund balances	<u>\$ 22,022,263</u>	<u>1,171,160</u>	<u>3,422,158</u>	<u>26,615,581</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.	\$ 116,652,658
Long-term liabilities and some accrued liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:	(6,649,819)
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	1,891,724
Net pension liability	(178,079,031)
Pension investment experience	14,383,039
Pension contributions after measurement date	16,938,912
Change in actual and proportionate share of pension contributions, net	(3,641,129)
Difference between expected and actual experience	(10,766,715)
Change in assumptions, net	12,249,256
	(147,023,944)
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	119,797
Net other postemployment benefits liability	(25,522,629)
OPEB investment experience	97,115
OPEB contributions after measurement date	1,904,685
OPEB change in assumptions	57,964
Change in actual and proportionate share of OPEB contributions	(654,433)
Difference between expected and actual experience	206,139
Change in assumptions	493,470
	(23,297,892)
Net position of School Board Component Unit activities	<u>\$ (53,217,029)</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

For the Year Ended June 30, 2021

	Governmental Funds			
			Special Revenue Student Activity	
	School	Cafeteria	Fund	Totals
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	\$ 154,800	14	2,122	156,936
Charges for services - operating	462,997	274,155	679,390	1,416,542
Miscellaneous	1,546,089	65,048	1,377,928	2,989,065
Recovered costs	857,904	-	27,991	885,895
Payments from Primary Government	84,408,313	-	-	84,408,313
Revenue from the Commonwealth	93,158,080	56,219	-	93,214,299
Revenue from the Federal government	12,795,169	5,923,984	-	18,719,153
Total revenues	193,383,352	6,319,420	2,087,431	201,790,203
EXPENDITURES				
Education	192,218,837	6,139,713	2,036,845	200,395,395
Total expenditures	192,218,837	6,139,713	2,036,845	200,395,395
Excess of revenues over expenditures	1,164,515	179,707	50,586	1,394,808
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	91,000	-	91,000
Transfers out	(91,000)	-	-	(91,000)
Net other financing sources (uses)	\$ (91,000)	91,000	-	-
Net change in fund balance	1,073,515	270,707	50,586	1,394,808
Fund balances - beginning as restated (see note I.E.1)	1,993,118	509,348	3,204,694	5,707,160
Fund balances - ending	\$ 3,066,633	780,055	3,255,280	7,101,968

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, 2021**

Net change in fund balances - total governmental funds \$ 1,394,808

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 of the capital assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	8,233,345
Depreciation expense	(8,324,173)

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. (1,175,329)

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. 72,655

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. (2,304,424)

Other postemployment benefits contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the Statement of Net Position. OPEB expenses reported on the Statement of Activities do not use current financial resources and are not reported in the funds. This adjustment accounts for the net changes in net OPEB asset, net OPEB liability, and deferred inflows and outflows related to OPEB. (1,222,769)

Changes in net position of School Board Component Unit activities \$ (3,325,887)

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, 2021

	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	\$ 159,600	159,600	154,800	(4,800)
Total revenue from use of money and property	159,600	159,600	154,800	(4,800)
Charges for services:				
Tuition and other charges for services	842,000	876,000	462,997	(413,003)
Total charges for services	842,000	876,000	462,997	(413,003)
Miscellaneous:				
Miscellaneous	1,417,749	1,015,048	1,546,089	531,041
Total miscellaneous revenues	1,417,749	1,015,048	1,546,089	531,041
Recovered costs:				
Recovered costs	635,000	635,000	857,904	222,904
Total recovered costs	635,000	635,000	857,904	222,904
Payments from Primary Government:				
General Fund	92,996,000	93,141,000	84,408,313	(8,732,687)
Total payments from Primary Government	92,996,000	93,141,000	84,408,313	(8,732,687)
Total revenue from local sources	96,050,349	95,826,648	87,430,103	(8,396,545)
Revenue from the Commonwealth:				
Non-categorical aid:				
Non-categorical aid programs	68,419,448	69,329,076	68,818,945	(510,131)
Total non-categorical aid	68,419,448	69,329,076	68,818,945	(510,131)
Categorical aid:				
Categorical aid programs	21,293,379	20,400,410	24,339,135	3,938,725
Total categorical aid	21,293,379	20,400,410	24,339,135	3,938,725
Total revenue from the Commonwealth	89,712,827	89,729,486	93,158,080	3,428,594
Revenue from the Federal government:				
Categorical aid:				
Department of Education	8,114,327	13,867,543	12,795,169	(1,072,374)
Total revenue from the Federal government	8,114,327	13,867,543	12,795,169	(1,072,374)
Total revenues	193,877,503	199,423,677	193,383,352	(6,040,325)
EXPENDITURES				
Education:				
General support	10,666,019	10,588,660	10,232,780	355,880
Pupil transportation	8,730,687	8,633,143	7,777,491	855,652
Operations and maintenance	13,491,377	14,226,941	13,640,199	586,742
Instruction	160,285,249	166,983,769	161,310,875	5,672,894
Facilities	704,171	876,752	828,520	48,232
Total education	193,877,503	201,309,265	193,789,865	7,519,400
Total expenditures - budgetary basis	193,877,503	201,309,265	193,789,865	7,519,400
Less encumbrances at June 30, 2021	-	-	(1,571,028)	1,571,028
Total expenditures	193,877,503	201,309,265	192,218,837	9,090,428
Excess (deficiency) of revenues over (under) expenditures	-	(1,885,588)	1,164,515	3,050,103
OTHER FINANCING SOURCES AND USES				
Other financing uses:				
Operating transfers out:	-	(107,530)	(91,000)	16,530
Other financing sources (uses)	-	(107,530)	(91,000)	(16,530)
Net change in fund balance	-	(1,993,118)	1,073,515	3,033,573
Fund balance - beginning	-	1,993,118	1,993,118	-
Fund balance - ending	\$ -	-	3,066,633	3,066,633

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA**Exhibit 23**

Cafeteria Fund - School Board

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

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	\$ -	-	14	14
Charges for services	4,680,025	1,510,025	274,155	(1,235,870)
Miscellaneous revenues	310,000	219,000	65,048	(153,952)
Total revenues from local sources	4,990,025	1,729,025	339,217	(1,389,808)
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Categorical aid:				
School food programs	80,450	80,450	56,219	(24,231)
Total revenues from the Commonwealth	80,450	80,450	56,219	(24,231)
Revenue from the Federal government:				
Categorical aid:				
USDA donated commodities	304,000	304,000	296,849	(7,151)
School food programs	2,230,000	5,400,000	5,627,135	227,135
Total revenues from the Federal government	2,534,000	5,704,000	5,923,984	219,984
Total revenues	7,604,475	7,513,475	6,319,420	(1,194,055)
EXPENDITURES				
Education:				
Cafeteria	7,604,475	7,604,475	6,139,713	1,464,762
Total education	7,604,475	7,604,475	6,139,713	1,464,762
Total expenditures	7,604,475	7,604,475	6,139,713	1,464,762
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in	-	91,000	91,000	-
Total other financing sources	-	91,000	91,000	-
Net change in fund balance	-	-	270,707	270,707
Fund balance - beginning	-	509,348	509,348	-
Fund balance - ending	\$ -	509,348	780,055	270,707

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, 2021

ASSETS

Pooled cash, cash equivalents and investments	\$ 121,427
Total assets	<u>\$ 121,427</u>

LIABILITIES AND FUND BALANCES

Unearned revenues	\$ 8,250
Accounts payable	836
Total liabilities	<u>9,086</u>

Fund balances:

Unassigned	<u>112,341</u>
Total fund balances	<u>112,341</u>
Total liabilities and fund balances	<u>\$ 121,427</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.	\$ 1,565,000
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.	(1,565,000)
Total net position of the Economic Development Authority	<u>\$ 112,341</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, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Charges for services:				
Economic development fees	\$ 87,295	87,295	106,545	19,250
Revenue from the Federal government	-	290,401	290,401	-
Total revenues	87,295	377,696	396,946	19,250
EXPENDITURES				
Community Development:				
Economic development	87,295	377,696	375,557	2,139
Total expenditures	87,295	377,696	375,557	2,139
Excess of revenues over expenditures	-	-	21,389	21,389
Net change in fund balance	-	-	21,389	21,389
Fund balance - beginning	-	90,952	90,952	-
Fund balance - ending	\$ -	90,952	112,341	21,389

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	165 - 171
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	172 - 175
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	176 - 177
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	178 - 179
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	180 - 182
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

	2012	2013	2014	2015 (1)	2016	2017	2018 (2)	2019	2020	2021
Governmental activities:										
Net investment in capital assets	\$ 74,105,915	71,850,313	74,495,930	73,603,011	77,813,118	78,760,193	81,867,826	82,130,809	84,032,333	90,679,700
Restricted	5,054,300	5,034,427	7,621,816	8,444,892	8,991,060	9,405,975	8,211,782	7,883,977	8,716,897	21,217,462
Unrestricted	56,041,435	57,584,445	66,759,717	50,299,917	57,293,783	58,254,707	55,720,981	64,185,650	82,697,815	103,751,059
Total net position, governmental activities	\$ 135,201,650	134,469,185	148,877,463	132,347,820	144,097,961	146,420,875	145,800,589	154,200,436	175,447,045	215,648,221
Business-type activities:										
Net investment in capital assets	\$ 180,255,835	183,511,196	187,148,593	192,592,248	196,617,097	202,891,621	213,370,261	218,728,265	225,248,001	234,210,628
Restricted	3,400,179	3,431,374	3,474,707	3,524,693	3,486,303	3,587,279	3,755,185	3,887,194	4,063,710	4,237,420
Unrestricted	17,105,102	18,279,356	20,297,896	18,734,211	22,080,371	25,425,525	26,360,193	28,920,096	33,053,382	36,392,034
Total net position, business-type activities	\$ 200,761,116	205,221,926	210,921,196	214,851,152	222,183,771	231,904,425	243,485,639	251,535,555	262,365,093	274,840,082
Primary government:										
Net investment in capital assets	\$ 254,361,750	255,361,509	261,644,523	266,195,259	274,430,215	281,651,814	295,238,087	300,859,074	309,280,334	324,890,328
Restricted	8,454,479	8,465,801	11,096,523	11,969,585	12,477,363	12,993,254	11,966,967	11,771,171	12,780,607	25,454,882
Unrestricted	73,146,537	75,863,801	87,057,613	69,034,128	79,374,154	83,680,232	82,081,174	93,105,746	115,751,197	140,143,093
Total net position, Primary Government	\$ 335,962,766	339,691,111	359,798,659	347,198,972	366,281,732	378,325,300	389,286,228	405,735,991	437,812,138	490,488,303

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									
	2012	2013	2014	2015 (1)	2016	2017	2018 (2)	2019	2020	2021
Expenses										
Governmental activities:										
General government administration	\$ 14,324,220	13,251,586	13,327,904	14,078,698	14,579,237	16,697,133	15,979,421	18,288,850	19,062,592	28,757,564
Judicial administration	4,338,334	4,737,986	4,671,068	4,699,748	4,968,826	6,931,360	7,981,981	7,493,514	8,030,417	8,513,448
Public safety	49,003,762	51,534,448	50,081,795	51,586,916	53,695,056	59,422,217	60,731,436	63,126,625	65,689,440	72,941,427
Public works	11,407,634	12,115,168	8,156,659	15,054,599	14,580,033	17,693,369	27,958,841	20,567,158	23,624,070	9,883,199
Human services	22,925,913	21,502,295	20,053,613	20,364,814	21,222,733	22,498,625	23,401,758	24,900,685	26,204,530	27,851,496
Parks, recreation and cultural	6,531,096	6,141,549	5,914,812	6,118,595	6,189,937	6,615,395	6,475,656	6,760,866	6,675,108	6,156,104
Community development	4,625,376	4,809,867	4,556,186	4,723,408	5,094,822	5,139,068	5,297,842	5,650,983	5,614,279	7,349,683
Education	88,976,562	88,113,912	80,080,452	82,732,244	85,215,836	89,409,847	93,998,917	98,123,845	98,169,817	100,193,462
Interest on long-term debt	1,494,308	1,966,102	8,266,750	6,005,268	6,611,846	6,132,233	5,883,953	5,787,665	5,303,168	5,124,498
Total governmental activities expenses	203,627,205	204,172,913	195,109,239	205,364,290	212,158,326	230,539,247	247,709,805	250,700,191	258,373,421	266,770,881
Business-type activities:										
Public utilities	26,264,524	26,370,084	26,704,949	26,303,713	26,302,409	26,477,038	25,936,698	28,217,686	29,236,870	31,022,556
Airport	759,169	641,915	649,430	736,601	627,311	625,962	658,321	733,997	863,690	1,029,520
Total business-type activities expenses	27,023,693	27,011,999	27,354,379	27,040,314	26,929,720	27,103,000	26,595,019	28,951,683	30,100,560	32,052,076
Total expenses, Primary Government	\$ 230,650,898	231,184,912	222,463,618	232,404,604	239,088,046	257,642,247	274,304,824	279,651,874	288,473,981	298,822,957
Program Revenues										
Governmental activities:										
Charges for services:										
General governmental administration	\$ 2,015,327	1,989,140	1,919,543	1,945,854	1,687,666	1,847,076	2,362,301	2,414,877	2,455,585	2,841,171
Judicial administration	1,121,848	1,181,522	1,131,565	1,114,869	1,049,789	1,077,473	1,068,257	1,042,023	959,741	1,124,110
Public safety	3,077,467	4,261,351	4,520,561	4,828,466	4,664,786	5,181,569	4,924,849	5,703,634	5,592,212	5,920,796
Public works	1,260,824	1,172,975	1,270,579	1,021,198	1,106,528	1,715,083	2,428,584	2,579,622	1,788,663	2,088,305
Human services	3,332,257	3,400,041	3,563,282	3,462,587	3,338,548	3,346,538	3,230,466	3,455,355	3,285,753	3,208,018
Parks, recreation and cultural	498,989	477,202	523,055	456,682	480,162	554,834	255,579	657,269	524,249	158,623
Community development	1,005,930	926,660	973,409	1,077,596	1,204,089	1,166,607	1,280,476	1,212,482	1,099,820	807,082
Operating grants and contributions	16,696,451	15,906,997	17,090,061	16,135,262	16,575,846	19,167,150	18,643,069	18,980,164	19,925,541	20,848,487
Capital grants and contributions	1,993,464	3,477,420	4,400,177	6,157,602	5,331,207	5,697,464	14,202,534	8,901,635	16,048,539	16,603,436
Total governmental activities program revenues	31,002,557	32,793,308	35,392,232	36,200,116	35,438,621	39,753,794	48,396,115	44,947,061	51,680,103	53,600,028
Business-type activities:										
Charges for services:										
Public utilities	21,715,203	22,523,614	22,727,173	23,922,093	30,524,162	30,374,748	30,091,001	31,484,081	33,137,653	34,917,953
Airport ⁽¹⁾	184,550	189,662	194,468	207,379	207,288	215,748	221,383	227,988	286,679	415,749
Operating grants and contributions	-	-	-	-	-	-	-	-	30,000	192,993
Capital grants and contributions	4,936,335	8,634,930	10,021,676	8,745,545	3,282,212	6,131,327	8,094,840	4,232,942	6,062,536	8,831,694
Total business-type activities program revenues	26,836,088	31,348,206	32,943,317	32,875,017	34,013,662	36,721,823	38,407,224	35,945,011	39,516,868	44,358,389
Total program revenues, Primary Government	\$ 57,838,645	64,141,514	68,335,549	69,075,133	69,452,283	76,475,617	86,803,339	80,892,072	91,196,971	97,958,417
Net (Expense) Revenue										
Governmental activities	\$ (172,624,648)	(171,379,605)	(159,717,007)	(169,164,174)	(176,719,705)	(191,055,453)	(199,313,690)	(205,753,130)	(206,693,318)	(213,170,853)
Business-type activities	(187,605)	4,336,207	5,588,938	5,834,703	7,083,942	9,618,823	11,812,205	6,993,328	9,416,308	12,306,313
Total net expense, Primary Government	\$ (172,812,253)	(167,043,398)	(154,128,069)	(163,329,471)	(169,635,763)	(181,436,630)	(187,501,485)	(198,759,802)	(197,277,010)	(200,864,540)

(continued)

COUNTY OF HANOVER, VIRGINIA

Changes in Net Position (Unaudited)

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2

	Fiscal Year									
	2012	2013	2014	2015 (1)	2016	2017	2018 (2)	2019	2020	2021
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 126,263,780	125,689,871	127,974,854	130,303,062	139,280,061	143,800,396	152,312,919	161,303,287	172,139,996	179,819,627
Sales taxes	16,607,323	17,357,257	18,158,255	19,201,921	19,886,580	20,752,689	22,037,982	22,863,888	24,952,022	27,749,559
Utility taxes	6,869,415	6,871,623	6,769,285	6,770,101	6,726,388	6,639,025	6,557,712	6,156,966	6,195,954	5,683,606
Recordation taxes	1,695,512	2,428,067	1,955,691	2,165,891	2,431,061	2,403,524	2,460,540	2,561,531	2,988,339	3,598,741
Other	2,190,557	2,184,430	2,387,749	2,552,378	2,835,584	3,024,186	3,266,880	3,576,388	3,635,955	3,408,364
Noncategorical State aid	14,746,150	14,850,432	15,273,372	15,107,698	15,322,281	15,390,161	15,433,308	15,550,167	15,558,068	15,695,095
Grants and contributions not restricted to specific programs	1,215,096	1,168,838	1,283,768	1,468,137	1,416,225	1,338,897	911,867	244,755	760,510	17,585,090
Unrestricted investment earnings	314,846	164,364	322,311	302,518	582,027	81,738	239,848	1,948,024	2,138,527	623
Transfers	(192,889)	(67,742)	-	(90,074)	(10,361)	(52,249)	(71,018)	(52,029)	(429,444)	(168,676)
Total general revenues and other changes in net position, governmental activities	169,709,790	170,647,140	174,125,285	177,781,632	188,469,846	193,378,367	203,150,038	214,152,977	227,939,927	253,372,029
Business-type activities:										
Public utilities - unrestricted investment earnings	110,750	56,861	110,332	104,280	188,316	49,582	112,532	1,004,559	983,786	-
Transfers - Airport fund	192,889	67,742	-	90,074	10,361	52,249	71,018	52,029	429,444	168,676
Total general revenues and other changes in net position, business-type activities	303,639	124,603	110,332	194,354	198,677	101,831	183,550	1,056,588	1,413,230	168,676
Total general revenues and other changes in net position, Primary Government	\$ 170,013,429	170,771,743	174,235,617	177,975,986	188,668,523	193,480,198	203,333,588	215,209,565	229,353,157	253,540,705
Change in Net Position										
Governmental activities	\$ (2,914,858)	(732,465)	14,408,278	8,617,458	11,750,141	2,322,914	3,836,348	8,399,847	21,246,609	40,201,176
Business-type activities	116,034	4,460,810	5,699,270	6,029,057	7,282,619	9,720,654	11,995,755	8,049,916	10,829,538	12,474,989
Total change in net position, Primary Government	\$ (2,798,824)	3,728,345	20,107,548	14,646,515	19,032,760	12,043,568	15,832,103	16,449,763	32,076,147	52,676,165

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)									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund:										
Nondisposable	\$ 170,004	197,871	263,620	201,790	221,923	248,444	247,392	265,730	945,922	322,804
Restricted	467,104	581,242	975,241	892,123	894,106	693,755	868,647	924,397	971,724	921,756
Committed	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Assigned	20,567,906	17,754,733	23,260,372	24,467,668	26,794,234	21,741,736	20,386,174	21,808,028	27,557,732	48,726,920
Unassigned	23,927,842	25,200,284	25,644,215	26,418,188	28,169,774	29,351,651	30,870,027	33,241,543	35,558,697	37,884,183
Total General Fund	<u>45,632,856</u>	<u>44,234,130</u>	<u>50,643,448</u>	<u>52,479,769</u>	<u>56,580,037</u>	<u>52,535,586</u>	<u>52,872,240</u>	<u>56,739,698</u>	<u>65,534,075</u>	<u>88,355,663</u>
All other governmental funds: ⁽²⁾										
Nondisposable	-	-	178,126	158,852	290,107	264,560	214,911	155,515	1,203,231	137,524
Restricted	4,113,255	4,878,185	26,801,595	24,100,147	23,664,172	22,321,649	11,813,267	19,619,407	20,646,953	34,145,237
Assigned	9,522,307	10,071,820	11,298,077	13,646,110	12,898,509	19,819,146	18,584,547	19,596,130	23,772,281	22,435,302
Total All Other Governmental Funds	<u>13,635,562</u>	<u>14,950,005</u>	<u>38,277,798</u>	<u>37,905,109</u>	<u>36,852,788</u>	<u>42,405,355</u>	<u>30,612,725</u>	<u>39,371,052</u>	<u>45,622,465</u>	<u>56,718,063</u>

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)

	Fiscal Year				
	2012	2013	2014	2015	2016
Primary Government:					
REVENUES					
General property taxes	\$ 126,110,780	125,716,871	127,474,854	132,279,062	137,857,061
Other local taxes	27,362,807	28,841,377	29,270,980	30,690,291	31,879,613
Permits, privilege fees and regulatory licenses	1,555,734	2,117,648	2,172,162	2,126,778	2,143,668
Fines and forfeitures	1,123,148	1,122,896	1,142,444	1,086,243	1,002,872
Revenues from use of money and property	730,397	519,442	710,460	796,077	1,260,668
Charges for services	7,383,203	7,738,869	9,170,473	8,015,343	7,764,617
Miscellaneous	720,888	765,157	960,005	1,050,022	875,690
Recovered costs	3,899,087	4,085,951	3,743,137	3,746,404	3,539,942
Intergovernmental (state and federal)	32,212,010	32,350,451	34,174,720	36,088,750	35,946,025
Total revenues	201,098,054	203,258,662	208,819,235	215,878,970	222,270,156
EXPENDITURES					
General governmental administration	14,078,620	13,388,389	13,610,993	15,080,859	16,799,922
Judicial administration	4,365,516	4,625,522	5,602,584	9,260,522	27,667,680
Public safety	50,485,129	49,214,788	48,819,005	52,259,053	54,722,857
Public works	10,938,918	10,512,574	10,928,408	14,300,650	14,374,485
Human services	23,259,647	21,110,782	20,337,280	20,978,177	21,640,679
Parks, recreation and cultural	6,886,334	5,611,331	5,472,274	5,748,956	6,116,007
Community development	4,659,812	4,719,372	4,565,432	4,824,351	5,120,515
Education expenditures, for:					
Instruction, operations and administration	72,974,302	72,349,963	70,939,017	71,361,872	72,803,686
Capital outlay	6,591,609	1,863,441	1,632,012	6,188,679	3,527,024
Debt service:					
Principal retirement	10,502,253	10,723,304	-	-	-
Interest and fiscal charges	5,092,904	4,992,396	-	-	-
Total education, Primary Government	95,161,068	89,929,104	72,571,029	77,550,551	76,330,710
Debt service:					
Principal retirement	2,201,996	2,541,464	13,312,349	12,581,509	12,477,200
Interest and fiscal charges	2,001,749	1,957,177	6,451,957	6,728,512	6,811,762
Bond issuance costs	35,649	-	307,254	246,024	289,742
Total expenditures	214,074,438	203,610,503	201,978,565	219,559,164	242,351,559
Excess (deficiency) of revenues over (under) expenditures	(12,976,384)	(351,841)	6,840,670	(3,680,194)	(20,081,403)
OTHER FINANCING SOURCES (USES)					
Transfers in	10,061,563	4,123,000	23,595,558	27,503,653	26,712,119
Transfers out	(10,254,452)	(4,190,742)	(23,595,558)	(27,593,727)	(26,722,480)
Sale of capital assets	-	335,300	-	-	-
Bonds issued	6,471,989	-	22,896,441	5,014,371	23,139,711
Refunding bonds issued	-	-	-	23,903,469	-
Payments to escrow agent	-	-	-	(23,683,940)	-
Total other financing sources, net	6,279,100	267,558	22,896,441	5,143,826	23,129,350
Net change in fund balances	\$ (6,697,284)	(84,283)	29,737,111	1,463,632	3,047,947
County capital outlay (other than for education) contained in functional expenditure categories, above	\$ 7,641,249	3,126,556	8,426,621	9,174,311	30,947,021
GASB 44 debt service disclosure (Primary Government): (2)					
Noncapital expenditures	\$ 206,433,189	200,483,947	193,551,944	210,384,853	211,404,538
Debt service as a percentage of noncapital expenditures,					
Primary Government, governmental funds	9.6%	10.1%	10.2%	9.2%	9.1%
Self-imposed debt margin compliance (Total Reporting Entity): (1)					
Noncapital expenditures - total reporting entity	\$ 295,486,002	294,560,877	290,620,815	303,333,119	307,134,844
Debt service as a percent of noncapital expenditures - total reporting entity	6.7%	6.9%	6.8%	6.4%	6.3%

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

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

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

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

COUNTY OF HANOVER, VIRGINIA

Table 4

Changes in Fund Balances, Governmental Funds ⁽³⁾, (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year					
2017	2018	2019	2020	2021	
144,598,402	152,391,918	160,914,283	171,784,998	180,507,626	REVENUES
32,819,424	34,323,112	35,158,773	37,772,270	51,118,956	General property taxes
2,192,797	2,198,363	2,440,338	2,296,678	2,754,554	Other local taxes
1,033,165	1,010,284	986,439	863,633	918,173	Permits, privilege fees and regulatory licenses
706,628	1,054,226	2,925,216	4,135,352	850,725	Fines and forfeitures
8,982,222	8,931,873	9,653,345	9,850,206	9,122,320	Revenues from use of money and property
1,065,300	978,881	1,576,947	833,771	1,332,024	Charges for services
3,445,940	4,900,822	4,667,132	4,193,451	4,345,971	Miscellaneous
39,241,368	46,264,286	40,921,536	48,441,282	57,395,718	Recovered costs
234,085,246	252,053,765	259,244,009	280,171,641	308,346,067	Intergovernmental (state and federal)
					Total revenues
					EXPENDITURES
17,695,118	22,657,863	19,210,640	23,819,097	21,925,598	General governmental administration
13,139,599	6,346,665	6,463,712	6,829,972	7,603,852	Judicial administration
56,060,444	64,089,189	62,841,589	65,606,558	73,976,095	Public safety
18,779,795	27,725,516	21,778,298	26,092,396	20,100,168	Public works
22,172,932	23,769,039	25,496,769	26,364,325	27,806,894	Human services
6,161,919	6,856,335	7,678,142	14,013,475	7,014,451	Parks, recreation and cultural
5,077,614	5,550,600	6,046,934	5,482,997	7,471,214	Community development
					Education expenditures, for:
76,666,934	80,582,583	82,871,239	85,931,936	84,263,313	Instruction, operations and administration
7,224,396	10,199,131	11,413,274	3,404,742	15,464,747	Capital outlay
-	-	-	-	-	Debt service:
-	-	-	-	-	Principal retirement
					Interest and fiscal charges
					Total education, Primary Government
83,891,330	90,781,714	94,284,513	89,336,678	99,728,060	Debt service:
					Principal retirement
12,788,637	12,945,718	13,407,335	13,855,812	12,601,325	Interest and fiscal charges
6,763,982	6,720,089	6,365,400	6,229,538	6,039,034	Bond issuance costs
40,116	99,255	195,341	309,924	43,848	Total expenditures
242,571,486	267,541,983	263,768,673	277,940,772	284,310,539	Excess (deficiency) of revenues over (under) expenditures
(8,486,240)	(15,488,218)	(4,524,664)	2,230,869	24,035,528	OTHER FINANCING SOURCES (USES)
					Transfers in
33,891,124	29,830,816	32,105,142	33,325,144	29,761,342	Transfers out
(33,943,373)	(29,901,834)	(32,157,171)	(33,754,588)	(29,930,018)	Sale of capital assets
-	-	-	-	-	Bonds issued
10,046,605	4,044,300	17,202,478	13,043,805	10,050,334	Refunding bonds issued
-	1,548,284	-	17,548,142	-	Payments to escrow agent
-	(1,489,324)	-	(17,347,582)	-	Total other financing sources, net
9,994,356	4,032,242	17,150,449	12,814,921	9,881,658	
1,508,116	(11,455,976)	12,625,785	15,045,790	33,917,186	Net change in fund balances
					County capital outlay (other than for education) contained
14,701,082	16,124,188	11,042,197	23,304,108	18,651,268	in functional expenditure categories, above
					GASB 44 Debt Service Disclosure (primary government): (2)
227,870,404	251,417,795	252,726,476	254,636,664	265,659,271	Noncapital expenditures
					Debt service as a percentage of noncapital expenditures,
8.6%	7.8%	7.8%	7.9%	7.0%	Primary Government, governmental funds
					Self-imposed debt margin compliance (total reporting entity): (1)
318,829,642	331,834,249	341,092,828	348,306,761	362,932,063	Noncapital expenditures - total reporting entity
6.1%	5.9%	5.8%	5.8%	5.1%	Debt service as a percent of noncapital expenditures -
					total reporting entity

To assist the reader, the fiscal year 2021 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 2021	Self-imposed	GASB 44
	Total Reporting Entity (Note 1)	Primary Government (Note 2)
Total expenditures	\$ 400,673,178	284,310,539
Less:		
Capital Outlay	(37,741,115)	(18,651,268)
Noncapital expenditures	\$ 362,932,063	265,659,271
Debt service expenditures	\$ 18,684,207	18,640,359
As a % of noncapital expenditures	5.1%	7.0%

COUNTY OF HANOVER, VIRGINIA

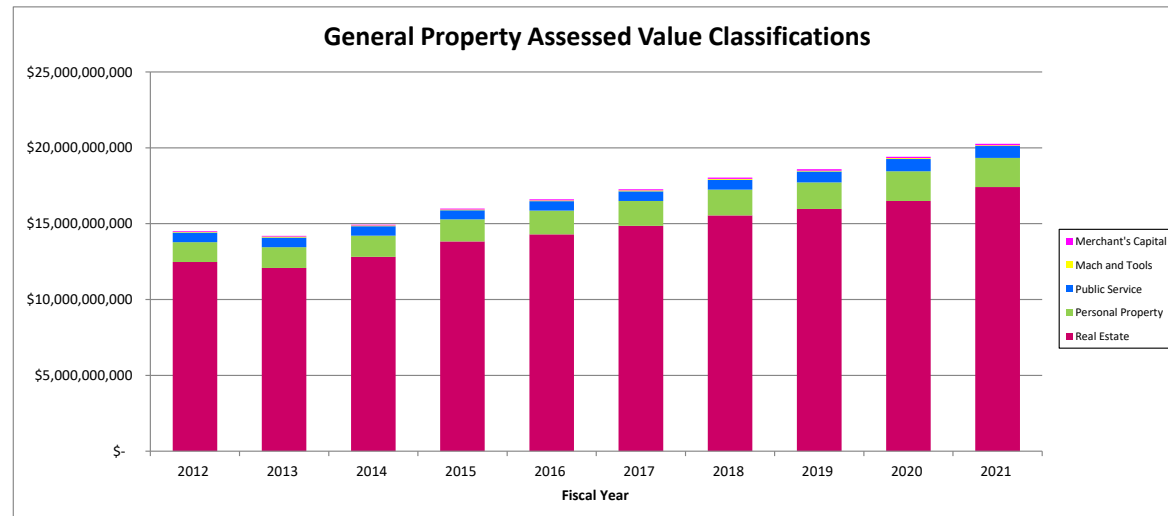
Table 5

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
2012	\$ 12,473,065,850	\$ 1,305,637,852	\$ 48,382,950	\$ 50,402,585	\$ 640,206,513	\$ 14,517,695,750	\$ 1.06	\$ 15,721,793,938	92.3%
2013	12,085,083,900	1,362,897,839	52,410,151	54,335,585	641,273,699	14,196,001,174	1.09	15,420,048,309	92.1%
2014	12,811,773,150	1,393,705,252	47,093,690	57,047,845	623,384,698	14,933,004,635	1.08	16,153,767,752	92.4%
2015	13,826,817,650	1,452,694,995	49,984,140	63,368,410	599,981,428	15,992,846,623	1.07	17,293,606,269	92.5%
2016	14,289,819,850	1,565,166,980	58,997,854	67,922,205	624,325,439	16,606,232,328	1.08	18,017,370,030	92.2%
2017	14,858,279,800	1,643,589,209	53,077,040	76,493,600	634,456,928	17,265,896,577	1.08	18,668,289,972	92.5%
2018	15,542,711,200	1,701,821,785	65,753,420	83,535,805	645,117,718	18,038,939,928	1.08	19,584,696,258	92.1%
2019	15,965,286,280	1,752,501,610	56,346,000	97,545,290	719,110,278	18,590,789,458	1.08	20,092,378,612	92.5%
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	20,260,588,768	1.08	21,837,185,459	92.8%
% Change	5.6%	9.4%	-10.1%	1.6%	-3.0%	4.4%		4.0%	
% Ch. Since 2011	39.6%	46.9%	11.1%	88.0%	21.5%	39.6%		38.9%	
% of Total	86.0%	9.5%	0.3%	0.5%	3.8%	100.0%			

- Notes: (1) Assessed values of all classes of property approximate market value as of assessment date, unless otherwise noted, and is shown for each period for which taxes are levied.
(2) Real property is assessed as of January 1 each year, with the resulting taxes being payable in two equal installments, on June 5 and October 5. Personal property is assessed as of January 1 each year, with payment due on February 5 of the following year.
(3) Machinery and tools are assessed at 10% of cost. Litigation with Bear Island resulted in additional supplemental billing in 2015, based on prior years (2012-2014) tax basis. This resulted in 2015 showing an assessed value of \$127,046,115. Adjustments to determine the actual tax basis in prior years was 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)

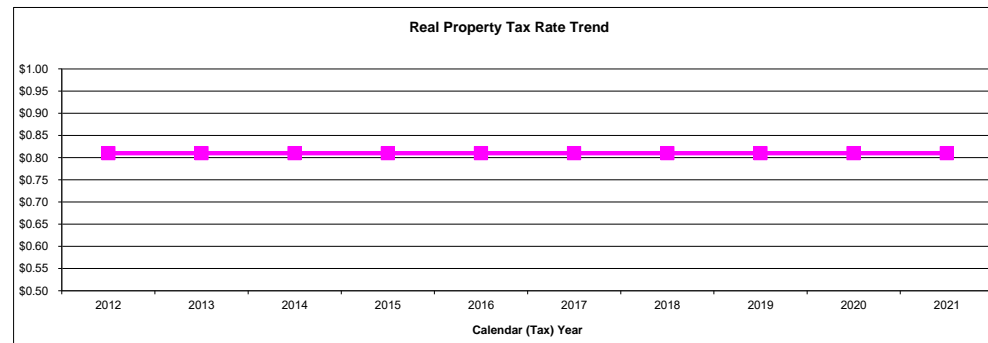
Last Ten Calendar (Tax) Years

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
2012	\$ 0.81	\$ 0.55	\$ 3.57	\$ 1.78	\$ 0.50	\$ 3.57	\$ 1.90	\$ 1.06	\$ 0.09	\$ 0.77	\$ 0.77
2013	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.09	0.09	0.77	0.77
2014	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2015	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.07	0.09	0.77	0.77
2016	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2017	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2018	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2019	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.10	0.77	0.77
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
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.8%	0.0%	0.0%	0.0%
% Ch. Since 2011	0.0%	47.3%	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 Comprehensive Annual Financial Report on a fiscal year basis (July 1 through June 30), as required by Section 15.2-2500 of the Code of Virginia, and levies taxes to support County activities for the fiscal year in which the tax payments are due. Accordingly, the Total Direct Tax Rates are applicable to the fiscal year for which the taxes are levied and due. The total direct tax rates are calculated per \$100 of assessed valuation and calculated on the weighted average basis.
- (4) These overlapping rates are in addition to the County rates, but only apply to taxpayers owning property within the borders of the Town of Ashland, Virginia, which lies within the County.
- (5) The Power Generating Equipment rate for 2013 has been revised from the 6/30/20 Comprehensive Annual Finance Report reporting.

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	2021			2012		
		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	\$ 300,742,389	1	1.5%	\$ 150,913,119	2	1.0%
Doswell Limited Partnership	Power Generation Facility	249,101,857	2	1.2%	275,527,206	1	1.9%
Memorial Regional Medical Center	Hospital/medical center	152,220,800	3	0.8%	126,262,670	3	0.9%
Covenant Woods	Nursing home	108,284,032	4	0.5%	42,074,420	7	0.3%
Cedar Fair Southwest(2021)/Paramount Parks(2012)	Entertainment	93,127,847	5	0.5%	85,417,975	4	0.6%
Virginia Natural Gas	Natural gas distributor	84,301,681	6	0.4%	34,569,904	10	0.2%
819 Virginia, LLC	Paper Mill	45,251,842	7	0.2%	-	n/a	-
Super Rite Foods (2021)/Richfood (2012)	Grocery Wholesale	45,041,861	8	0.2%	36,813,935	9	0.3%
Rappahannock Electric Coop	Electric company	44,206,098	9	0.2%	-	n/a	-
Verizon Virginia	Telecommunications	35,603,027	10	0.2%	49,471,902	5	0.3%
Bear Island Paper Company	Paper Mill	-	n/a	-	46,038,950	6	0.3%
Media General, Inc.	Newspaper publisher	-	n/a	-	38,743,295	8	0.3%
		<u>\$ 1,157,881,434</u>		<u>5.7%</u>	<u>\$ 885,833,376</u>		<u>6.1%</u>
Total taxable assessed values		<u>\$ 20,260,588,768</u>			<u>\$ 14,517,695,750</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, 2020	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 138,147,691	\$ 136,569,536	98.9%	\$ 1,574,767	\$ 138,144,303	100.0%
2013	136,956,978	135,351,034	98.8%	1,598,977	136,950,011	99.8%
2014	138,899,948	137,555,596	99.0%	1,327,295	138,882,891	99.8%
2015	144,003,614	143,368,974	99.6%	608,911	143,977,885	99.6%
2016	147,705,971	144,943,605	98.1%	2,500,095	147,443,700	99.1%
2017	157,129,677	154,661,526	98.4%	2,108,413	156,769,939	98.4%
2018	164,152,649	161,148,623	99.5%	2,464,434	163,613,057	99.5%
2019	172,172,776	169,675,177	98.5%	1,494,827	171,170,004	99.0%
2020	183,902,348	178,043,680	96.8%	2,958,903	181,002,583	96.8%
2021	191,901,902	186,702,001	97.3%	-	186,702,001	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.
- (3) The lower and negative net collections figure in subsequent years for 2014 and 2015 are due to abatements of Bear Island bills. Due to system limitations, the movement of funds from the abatements to the revised bills are handled as negative adjustments. FY15 adjustments equaled \$827,225.05 for Bear Island. Litigation is still in process.

COUNTY OF HANOVER, VIRGINIA

Table 9

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

Governmental Activities											
General Bonded Debt Outstanding (1)											
Fiscal Year	General Obligation Bonds	Virginia Public School Authority Bonds	State Literary Fund Loans	Total General Bonded Debt	Estimated Actual Value of Taxable Property	Percent of General Bonded Debt to Estimated Actual Value of Taxable Property	Population (2)	General Bonded Debt per Capita	Infrastructure and State Moral Obligation Revenue Bonds	Capital Leases	Support Agreement
2012	\$ 107,857,328	48,885,099	-	156,742,427	15,721,793,938	1.0%	101,586	1,543	-	2,355,572	6,681,332
2013	99,349,768	44,497,391	-	143,847,159	15,420,048,309	0.9%	102,623	1,402	-	2,256,096	5,963,481
2014	90,596,851	42,302,195	-	132,899,046	16,153,767,752	0.8%	104,124	1,276	20,849,280	2,166,620	5,250,629
2015	82,248,421	43,338,840	-	125,587,261	17,293,606,269	0.7%	105,456	1,191	20,818,270	2,077,143	4,547,777
2016	73,803,009	39,555,423	-	113,358,432	18,017,370,030	0.6%	107,152	1,058	43,782,481	1,982,667	3,844,925
2017	67,513,286	45,691,844	-	113,205,130	18,668,289,972	0.6%	108,706	1,041	43,421,982	1,883,191	3,152,074
2018	59,173,311	41,594,579	-	100,767,890	19,584,696,258	0.5%	110,250	914	42,571,482	5,887,085	2,464,221
2019	51,003,400	42,667,356	-	93,670,756	20,092,378,612	0.5%	111,325	841	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%	113,359	720	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%	113,359	718	63,033,819	3,084,993	1,490,666
% Change	-15.2%	16.3%	0.0%	-0.3%	4.0%	-4.2%	0.0%	-0.3%	-3.4%	-23.2%	-13.0%
% Ch. Since 2012	-66.0%	-8.6%	0.0%	-48.1%	38.9%	-62.6%	11.6%	-53.5%	100.0%	31.0%	-77.7%
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)						
2012	\$ 20,943,819	9,172,282	195,895,432	4,885,375	48,214	4.0%	1,928	165,779,331	1.1%	1,632	3,251
2013	19,951,453	7,792,489	179,810,678	4,961,925	48,789	3.6%	1,752	152,066,736	1.1%	1,482	2,948
2014	19,525,241	6,432,696	187,123,512	5,303,083	51,630	3.5%	1,797	161,165,575	1.1%	1,548	2,574
2015	18,970,376	5,077,903	177,078,730	5,698,253	54,784	3.1%	1,679	153,030,451	1.0%	1,451	2,292
2016	17,581,614	3,723,110	184,273,229	5,954,461	56,596	3.1%	1,720	162,968,505	0.9%	1,521	2,003
2017	16,321,357	2,375,964	171,301,519	6,197,972	58,265	2.8%	1,576	161,662,377	0.9%	1,426	1,401
2018	15,026,887	1,015,979	167,733,544	6,433,347	59,925	2.6%	1,521	151,690,678	0.8%	1,376	1,682
2019	13,677,986	310,000	168,392,492	6,663,431	61,740	2.5%	1,513	154,404,506	0.8%	1,387	1,517
2020	14,593,003	250,000	167,447,201	6,743,754	61,740	2.5%	1,477	152,604,198	0.8%	1,346	1,322
2021	13,086,547	190,000	162,229,761	7,126,478	61,740	2.3%	1,431	148,953,214	0.7%	1,314	1,318
% Change	-10.3%	-24.0%	-3.1%	5.7%	0.0%	-8.3%	-3.1%	-2.4%	-8.1%	-2.4%	-0.3%
% Ch. Since 2012	-37.5%	-97.9%	-17.2%	45.9%	28.1%	-43.2%	-25.8%	-10.1%	-35.6%	-19.5%	-59.5%

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 2012 through 2019 (the last year available) is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce. Per Capita Personal Income for 2020 and 2021 is assumed to be equal to 2019, the last year for which Personal Income data is available from the U.S. Department of Commerce. Personal Income amounts for 2020 and 2021 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 (\$2,506 for fiscal year 2021).
- (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									
Fiscal Year	Utility Revenues (2,7)	Less: Operating Expenses (3)	Net Available Revenues	Debt Service Requirements		Net Available Revenues Coverage (4)	Utility - Debt Covenant Coverage Ratio (1,5)		
				Principal	Interest		Senior Debt Service	Subordinate Debt Service	Debt Covenant Coverage Test
2012	\$ 25,048,715	16,458,146	8,590,569	1,986,020	1,559,074	2.4	3,378,974	166,120	2.1
2013	27,320,235	16,487,597	10,832,638	2,006,019	1,508,668	3.1	3,349,252	165,435	2.7
2014	28,940,235	16,732,863	12,207,372	2,296,831	1,001,088	3.7	3,297,919	-	3.2
2015	29,549,906	16,531,486	13,018,420	2,406,830	884,863	4.0	3,291,693	-	3.4
2016	30,835,377	16,545,081	14,290,296	2,418,471	593,230	4.7	3,011,701	-	4.1
2017	30,424,331	16,679,572	13,744,759	2,321,830	656,573	4.6	2,978,403	-	4.0
2018	30,203,533	16,038,366	14,165,167	2,351,830	501,997	5.0	2,853,827	-	4.3
2019	32,488,641	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
% Change			-2.6%	4.1%	-12.5%	-2.6%	0.0%	0.0%	-2.6%
% Ch. Since 2012			77.6%	-36.5%	-77.5%	290.6%	-52.3%	-100.0%	288.2%
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
2012	\$ 162,050	-	162,050	63,723	80,254	1.1	162,050	-	36,000
2013	166,912	-	166,912	67,001	75,274	1.2	166,912	-	36,000
2014	171,919	-	171,919	70,448	71,740	1.2	171,919	-	36,000
2015	177,077	-	177,077	74,072	68,024	1.2	177,077	-	36,000
2016	182,388	-	182,388	77,883	64,116	1.3	182,388	-	36,000
2017	187,848	-	187,848	81,889	60,008	1.3	187,848	-	36,000
2018	193,483	-	193,483	86,102	55,688	1.4	193,483	-	36,000
2019	199,288	-	199,288	90,532	51,146	1.4	199,288	-	36,000
2020	205,267	-	205,267	95,189	46,370	1.5	205,267	-	36,000
2021	211,425	-	211,425	100,086	16,380	1.8	211,425	-	36,000
% Change			3.0%	5.1%	-64.7%	25.2%	3.0%	0.0%	0.0%
% Ch. Since 2012			30.5%	57.1%	-79.6%	61.3%	30.5%	0.0%	54.4%
Airport Revenue Bond 2019									
Fiscal Year	Rent received from Airport Fixed Base Operator	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Available Revenues Coverage (8)	Airport - Debt Covenant Coverage Ratio (1,8)		
				Principal	Interest		Rent Received	Restricted cash - (used during current FY or available at FYE for debt service)	Lessee irrevocable letter of credit pledged for satisfaction of debt covenant ratio
2020	\$ 29,257	-	29,257	-	1,490	19.6	29,257	-	162,278
2021	175,630	-	175,630	43,002	77,176	1.5	175,630	-	162,278
% Change			500.3%	100.0%	5079.6%	-92.6%	500.3%	0.0%	0.0%
% Ch. Since 2020			500.3%	100.0%	5079.6%	-92.6%	500.3%	0.0%	-97.8%

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

(2) Utility revenues exclude donated capital assets.

(3) Utility operating expenses exclude depreciation.

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

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

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

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

(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
2012	101,327	\$ 4,885,375	48,214	41.2	5.4%	18,125	1,487	12.2
2013	101,702	4,961,925	48,789	41.5	4.9%	17,942	1,426	12.6
2014	102,714	5,303,083	51,630	41.8	4.5%	17,952	1,410	12.7
2015	104,013	5,698,253	54,784	41.9	3.8%	17,734	1,445	12.3
2016	105,210	5,954,461	56,596	42.4	3.4%	17,776	1,442	12.3
2017	106,375	6,197,972	58,265	42.6	3.3%	17,751	1,463	12.1
2018	107,357	6,433,347	59,925	42.9	2.6%	17,671	1,472	12.0
2019	107,928	6,663,431	61,740	42.7	2.3%	17,462	1,481	11.8
2020	109,229	6,743,754	61,740	42.7	4.8%	17,273	1,521	11.4
2021	115,428	7,126,478	61,740	42.7	3.6%	16,519	1,514	10.9
% Change	5.7%	5.7%	0.0%	0.0%	-25.0%	-4.4%	-0.5%	-3.9%
% Ch. Since 2011	13.9%	45.9%	28.1%	3.6%	-33.3%	-8.9%	1.8%	-10.5%

- Notes: (1) Population estimates at June 30th for 2012-2020 from Welden Cooper. In 2021, populations were restated for 2012 - 2020 based on new source. Populations estimates at June 30th for 2021 from Hanover County Planning Department. Per Capita Personal Income is calculated by dividing Personal Income by population estimate for each fiscal year. Personal income data for 2012 through 2019 (the last year available) is obtained from the U. S. Department of Commerce Bureau of Economic Analysis. Per Capita Personal Income for 2020 and 2021 is assumed to be equal to 2019, the last year for which Personal Income data is from the U.S. Department of Commerce, Bureau of Economic Analysis. Personal Income amounts for 2020 and 2021 are calculated by multiplying the population estimates by the Per Capita Personal Income estimates for each year.
- (2) U. S. Department of Commerce, Census Bureau
- (3) Virginia Employment Commission
- (4) Hanover County School Board (30th day enrollment for school fiscal year).
- (5) Hanover County School Board (instructional positions include teachers, guidance counselors, librarians and other instructional-related positions).

COUNTY OF HANOVER, VIRGINIA

Principal Employers (1) (Unaudited)

Current Year and Nine Years Ago

Table 12

Employer	Type of Business	2020			2011		
		Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
Hanover County Schools	Educational Services	2,523	1	4.4%	2,544	1	4.6%
Amazon Fulfillment Services Inc.	Administrative and Support Services	1,000 and over	2	3.5%	n/a		
Bon Secours Richmond Health System	Management of Companies Enterprises	1,000 and over	3	3.5%	1,000 and over	2	3.6%
County of Hanover	Executive, Legislative and Other General Government Support	1,233	4	2.1%	1,107	3	2.0%
Tyson Farms	Food Manufacturing	500-999	5	1.3%	500-999	6	1.4%
Wal-Mart Stores	General Merchandise Stores	500-999	6	1.3%	250-499	9	0.7%
Owens & Minor Medical Inc	Management of Companies Enterprises	500-999	7	1.3%	n/a		
Supervalu Distribution Center (2020)/Richfood(2011)	Merchant Wholesalers, Nondurable Goods	250-499	8	0.6%	500-999	7	1.4%
FedEx Ground	Couriers and Messengers	250-499	9	0.6%	n/a		
Food Lion	Food and Beverage Stores	250-499	10	0.6%	n/a		
New Caps LLC	Motion Picture and Sound Recording Industries	n/a			500-999	4	1.4%
Randolph-Macon College	Educational Services	n/a			500-999	5	1.4%
Kings Dominion	Amusement, Gambling and Recreation Industries	n/a			500-999	8	1.4%
Sales Mark	Wholesale Electronic Markets and Agents and Brokers	n/a			250-499	10	0.7%
Totals				19.2%			18.5%
Total County Employment (3)		57,934			54,872		

- 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 2020.
 - (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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Primary government:										
General governmental administration	132	123	130	132	133	135	137	139	145	145
Judicial administration	57	55	57	59	64	68	70	72	74	74
Public safety (3)	462	449	449	464	489	501	525	539	568	568
Public works (2)	88	83	83	83	86	86	88	88	89	89
Human services (3)	189	183	181	182	185	188	194	199	205	205
Parks, recreation and cultural	37	33	32	32	31	31	31	31	31	32
Community development	29	25	24	24	24	24	25	25	25	25
Public utilities	95	93	91	91	93	94	94	94	95	95
Self insurance fund	1	1	1	1	1	1	1	1	1	1
Totals - Primary government	1,090	1,045	1,048	1,068	1,106	1,128	1,165	1,188	1,233	1,232
Component Unit:										
School Board (4)	2,532	2,462	2,438	2,456	2,466	2,482	2,491	2,503	2,523	2,511
Total:	3,622	3,507	3,486	3,524	3,572	3,610	3,656	3,691	3,756	3,744

- 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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Primary government:										
General governmental administration										
Number of registered voters	71,832	71,010	71,828	72,268	75,126	76,303	78,089	79,426	81,643	84,645
Number of real estate transfers	3,027	3,065	3,256	3,606	4,003	4,079	3,881	4,016	4,691	5,796
State income tax returns processed	8,696	7,514	7,854	7,600	6,268	6,717	6,157	7,140	4,893	5,006
Judicial administration										
Judgments docketed	4,041	3,543	3,114	2,975	2,958	2,863	3,588	3,627	3,367	3,232
Public safety										
Sheriff incidents	38,819	37,125	37,891	34,474	38,046	36,726	37,779	39,137	40,270	41,466
Number of sworn officers	201	201	207	211	207	215	221	226	233	233
Fire/EMS incidents	14,216	13,620	15,740	15,854	13,256	13,882	14,667	14,624	17,803	16,795
Animal control incidents	6,485	6,009	6,233	5,877	5,815	4,944	4,774	5,171	5,562	4,590
Commercial building plan reviews	414	412	412	506	490	494	556	462	388	492
Residential building plan reviews	1,098	1,278	1,381	1,462	1,549	1,536	1,437	1,468	1,946	2,378
Public works										
Tons of solid waste received	36,599	32,571	32,198	44,651	48,336	60,483	66,456	72,624	51,851	50,303
Tons of solid waste recycled	20,000	21,418	15,141	11,970	14,217	10,563	6,646	1,522	2,988	9,239
Human services										
Communicable disease visits/investigations (6)	405	370	268	555	679	929	891	331	973	7,746
Immunization visits (3)	312	636	471	311	391	265	284	484	526	63,473
Restaurant inspection visits (5)	710	911	815	939	974	1,262	1,049	900	729	593
Social services lobby visits	20,027	19,018	17,681	15,541	14,700	16,934	16,731	16,112	12,280	5,527
Social services New Benefit Program Customers (4)	792	681	786	520	687	523	560	714	711	530
Number of Hanover Youth Service Council (HYSC) projects	48	44	43	37	36	34	41	37	37	44
HYSC Volunteer hours reported	1,847	1,353	1,576	1,080	1,183	1,116	961	692	994	1,008
Parks, recreation and cultural										
Active Library borrowers	79,700	80,553	80,642	82,096	83,785	84,865	65,405	66,418	61,577	60,482
Internet sessions	103,700	134,980	142,545	141,492	130,315	121,065	106,354	92,385	55,886	33,008
Library reference questions answered	365,265	330,062	375,526	384,223	388,748	381,262	397,956	388,567	328,913	237,997
Community development										
Economic development services to existing/prospective businesses (7)	286	253	212	479	405	444	476	461	712	1,130
Public utilities										
Water customers	20,592	19,198	19,647	19,995	20,488	20,905	21,328	21,585	21,995	2,470
Wastewater customers	18,816	18,640	19,098	19,428	19,929	20,343	20,761	21,019	21,436	21,918
Daily average water distributed (million gallons/day)	8.70	8.60	8.56	8.90	8.90	9.15	8.21	8.80	8.41	8.30
Maximum daily water capacity (million gallons/day)	19.95	19.95	19.95	19.95	19.95	25.00	25.00	25.00	25.00	25.00
Daily average wastewater treatment (million gallons/day)	6.07	5.99	6.79	5.80	7.07	6.66	6.30	7.70	6.31	8.34
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	310	303	297	301	313	313	313	314	313	309
Public safety vehicles serviced	421	470	476	470	519	519	519	511	527	527
Fleet availability	95.4%	95.2%	96.9%	96.6%	96.6%	96.1%	96.1%	95.7%	95.5%	94.7%

- Notes:
- (1) Source: County Departments as identified above.
 - (2) Information not available prior to first year reported. Operating indicators for the School Component Unit are presented on the Demographic Information schedule.
 - (3) Variability in number of immunization visits from year to year due to various factors. COVID 19 immunizations makeup 62,955 of 63,473 visits in 2021.
 - (4) In FY17, Social Services began reporting New Benefit Program Customers count instead of telephone calls received. Information not available prior to first year reported.
 - (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.
 - (7) Includes 51 services regarding Retention and Expansions

Function/Program	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Primary government:										
General governmental administration										
Estimated square feet- all general administrative office space (3) (4)	47,436	47,571	47,762	47,762	47,762	106,222	106,222	107,767	107,767	107,767
Judicial administration										
Estimated square feet - all judicial buildings	58,460	58,460	58,460	58,460	58,460	69,933	69,933	68,951	68,951	68,951
Public safety										
Estimated square feet - all public safety buildings	213,447	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	437	437	469	469	495	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	17,565	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	260	260	257	260	257	257	257	257
Aircraft T-Hanger spaces - County Airport	54	54	54	54	54	54	54	54	54	54
Aircraft tie-down spaces	56	56	56	56	56	56	56	56	91	91
Length of runway (ft)	5,400	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 (5)	14	14	14	14	14	14	14	14	15	15
Park acreage (2)	1,282	1,282	1,282	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Public utilities										
Miles of water mains	412	419	425	429	434	431	436	441	448	457
Number of fire hydrants	2,422	2,475	2,523	2,564	2,599	2,670	2,718	2,766	2,842	2,937
Miles of sanitary sewers	379	383	389	394	399	396	398	403	407	413
Number of wastewater treatment plants	4	4	4	4	4	4	4	4	4	4
General services										
Number of vehicles maintained	1,193	1,198	1,206	1,210	1,189	1,189	1,189	1,189	1,317	1,324
School Board Component Unit:										
Number of elementary schools	15	15	15	15	15	15	15	15	15	15
Number of secondary schools	8	8	8	8	8	8	8	8	8	8
Alternative Education Facility	1	1	1	1	1	1	1	1	1	1
Number of Technology Centers	1	1	1	1	1	1	1	1	1	1

Notes: (1) Source: County Departments as identified above.
(2) 2012 - North Anna Battlefield Park increased in acreage due to donation by Martin Marietta.
(3) 2017 - New Courthouse Building
(4) 2019 - Remodeled former Circuit Court for General Government Administration
(5) 2020 - Lake Hanover Nature Trail

HANOVER COUNTY DEPARTMENT OF FINANCE AND MANAGEMENT SERVICES

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

ACCOUNTING DIVISION

Lauren K. Null, CPA, Finance Division Director
Jacqueline A. Manzer, CPA, Senior Accountant
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
Joann O. Romero, Payroll Analyst
Megan H. Slater, Payroll Analyst
Amy L. Sylvia, Accountant

BUDGET DIVISION

Shelly H. Wright, Budget Division Director
Mark A. Highfield, Budget Manager
Tyler C. Mead, Budget Analyst
Caitlin F. Pelletier, Budget Systems Specialist

PURCHASING DIVISION

Steven K. Rusch, Purchasing Division Director
Kristin St. Germain, Financial Technician
Sandra S. Humerickhouse, Purchasing Officer
Craig J. Patacca, Purchasing Officer
Trena A. Ponton, Senior Purchasing Officer

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



Schedule of Expenditures of Federal Awards And Independent Auditor Compliance Reports



**FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**



HANOVER COUNTY, VIRGINIA



Hanovercounty.gov

COMPLIANCE REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia (the "County"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 9, 2021. That report recognizes that the County restated certain fund balance and net position amounts due to the implementation of a new accounting standard, effective July 1, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive, flowing style.

Richmond, Virginia
November 9, 2021

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the County of Hanover, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2021. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated November 9, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Richmond, Virginia
April 20, 2022

Report of Independent Auditor on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia (the "County"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 9, 2021.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia		State Agency Requirements
Budget and Appropriation Laws	Procurement	Education
Cash and Investments	Unclaimed Property	Children's Services Act Funds
Conflicts of Interest	Property Taxes	Social Services
Intergovernmental Revenues	Debt Provisions	Fire Programs Aid to Localities

The results of our tests disclosed one (1) instance of noncompliance required to be reported in accordance with the Specifications as described in the accompanying schedule of findings and questioned costs as item 2021-001.

County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants and the results of that testing, and not to provide an opinion on the County's compliance. Accordingly, this communication is not suitable for any other purpose.



Richmond, Virginia
April 20, 2022

COUNTY OF HANOVER, VIRGINIA
Schedule of Expenditures of Federal Awards
Year to Date June 30, 2021

Federal Granting Agency/Recipient State Agency/Grant Program	Assistance Listing Number	Program Clusters	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Passed Through the Commonwealth of Virginia:			
<u>Department of Agriculture and Consumer Services:</u>			
National School Lunch Program - Cafeteria (commodities)	10.555	\$ 296,849	
<u>Department of Education:</u>			
<u>CARES Act:</u>			
School Breakfast Program	10.553	1,333,174	
National School Lunch Program	10.555	4,293,961	
Total Child Nutrition Cluster			\$ 5,923,984
<u>Department of Health:</u>			
Child & Adult Care Food Program	10.558		16,372
<u>Department of Social Services:</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	841,015	
Total SNAP Cluster			841,015
DEPARTMENT OF DEFENSE:			
Direct Payments:			
JROTC	12.000		233,351
DEPARTMENT OF JUSTICE:			
Direct Payments:			
Equitable Sharing Program	16.922		46,946
Passed Through the Commonwealth of Virginia:			
<u>Department of Criminal Justice Services:</u>			
Crime Victim Assistance (21-X9600VW19, 21-Z8854CA21)	16.575		158,276
DEPARTMENT OF TRANSPORTATION:			
Direct Payments:			
Department of Aviation:			
Airport Improvement Program	20.106		90,772
Passed Through the Commonwealth of Virginia:			
<u>Department of Transportation:</u>			
Highway Planning & Construction	20.205	1,245,028	
Total Highway Planning and Construction Cluster			1,245,028
<u>Department of Rail & Public Transportation:</u>			
Enhanced Mobility of Seniors & Individuals with Disabilities (VA-2020-047)	20.513	100,996	
Total Transit Services Programs Cluster			100,996
<u>Department of Motor Vehicles:</u>			
State & Community Highway Safety (FSC-2020-50294-20294, FSC-2021-51315-21315, FOP-2021-51317-21317)	20.600	18,534	
Total Highway Safety Cluster			18,534
Alcohol Open Container Requirements (154AL-2021-51312-21312, 154AL-2020-50293-20293)	20.607		115,487
DEPARTMENT OF TREASURY:			
Passed Through the Commonwealth of Virginia:			
<u>Department of Accounts:</u>			
COVID-19 Coronavirus Relief Fund (CRF)	21.019	16,290,740	
COVID-19 CRF - Municipal Utility Relief Program	21.019	178,019	
COVID-19 CRF Passed Through to:			
Town of Ashland	21.019	1,276,327	
Pamunkey Regional Jail	21.019	91,881	
Pamunkey Regional Library	21.019	147,081	
United Way of Greater Richmond & Petersburg	21.019	500,000	
<u>Department of Education:</u>			
COVID-19 DOE Coronavirus Relief Fund (CRF)	21.019	2,712,937	
<u>Department of Elections:</u>			
COVID-19 CARES Help America Vote Act	21.019	80,209	
Total Coronavirus Relief Fund			21,277,194
DEPARTMENT OF EDUCATION:			
Passed Through the Commonwealth of Virginia:			
<u>Department of Education:</u>			
Adult Education - Basic Grants to States (V002A200047)	84.002		104,719
Title I Grants to Local Educational Agencies (S010A180046, S010A190046, S010A200046)	84.010		1,289,042
Career and Technical Education - Basic Grants to States (V048A200046)	84.048		182,060
Special Education Grants to States (H027A180107, H027A190107, H027A200107)	84.027	3,318,631	
Special Education Preschool Grants (H173A200112)	84.173	79,406	
Total Special Education Cluster (IDEA)			3,398,037
English Language Acquisition State Grants (S365A190046)	84.365		13,601
Supporting Effective Instruction State Grants (S367A190044, S367A200044)	84.367		211,989
Title IV-A Student Support and Academic Enrichment (S424A190048, S424A200048)	84.424		102,051

(continued)

COUNTY OF HANOVER, VIRGINIA
Schedule of Expenditures of Federal Awards
Year to Date June 30, 2021

Federal Granting Agency/Recipient State Agency/Grant Program	Assistance Listing Number	Program Clusters	Federal Expenditures
COVID-19 CARES Act			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) State Set-Aside (S425D200008)	84.425D	\$ 916,819	
COVID-19 Governor's Emergency Education Relief (GEER) State Set-Aside Fund (S425C200042)	84.425C	78,935	
Total COVID-19 State Set-Aside			\$ 995,754
<u>Department of Behavioral Health & Developmental Services:</u>			
Special Education-Grants for Infants & Families (720-4515-17)	84.181		128,880
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Payments:			
Provider Relief Fund	93.498		10,673
Head Start (03CH011715)	93.600		1,007,517
COVID-19 CARES Act - Head Start	93.600		92,275
Passed Through the Commonwealth of Virginia:			
<u>Department of Social Services:</u>			
Promoting Safe & Stable Families	93.556		16,803
Temporary Assistance for Needy Families	93.558	271,599	
Total TANF Cluster			271,599
Refugee & Entrant Assistance State Administered Programs	93.566		414
Low-Income Home Energy Assistance	93.568		37,360
Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	60,782	
Total CCDF Cluster			60,782
Chafee Education and Training Vouchers Program (ETV)	93.599		193
Stephanie Tubbs Jones Child Welfare Services Program	93.645		250
Foster Care Title IV-E	93.658		470,199
Adoption Assistance	93.659		356,588
Social Services Block Grant	93.667		291,057
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		5,485
<u>Department of Medical Assistance Services:</u>			
Children's Health Insurance Program	93.767		8,982
<u>Department of Medical Assistance Services:</u>			
Medical Assistance Program	93.778	664,203	
Total Medicaid Cluster			664,203
<u>Department of Behavioral Health and Developmental Services:</u>			
Opioid STR (530020090, 530030090, 530330090)	93.788		78,393
Block Grants for Community Mental Health Services (522000090, 501290090, 522000090)	93.958		96,096
Block Grants for Prevention & Treatment of Substance Abuse (501690090, 501990090)	93.959		370,339
DEPARTMENT OF HOMELAND SECURITY:			
Direct Payments:			
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083		736,106
Passed Through the Commonwealth of Virginia:			
<u>Department of Emergency Management:</u>			
Emergency Management Performance Grants	97.042		22,975
			<u>\$ 41,092,378</u>

COUNTY OF HANOVER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

1. GENERAL

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

2. BASIS OF ACCOUNTING

The Schedule is presented using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds, as described in Note I. C. to the County's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. For the year ended June 30, 2021, the County participated in the following federal programs in which non-cash benefits were provided through the State to eligible participants:

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

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

COUNTY OF HANOVER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

3. RELATIONSHIP TO THE FINANCIAL STATEMENTS

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

<u>Fund</u>	<u>Federal Expenditures</u>
Primary Government:	
Governmental Activities:	
General	\$ 10,281,502
County Improvements	5,469,952
School Improvements	6,836,292
Total Governmental Activities	<u>22,587,746</u>
Business-type Activities:	
Public Utilities	178,019
Non-major - Airport	90,772
Total Business-type Activities	<u>268,792</u>
Total Primary Government	<u>22,856,538</u>
Component Units:	
School Board	12,021,455
Cafeteria	5,923,984
Economic Development Authority	290,401
Total Component Units	<u>18,235,840</u>
Total Federal expenditures	<u>\$ 41,092,378</u>

4. SUB-RECIPIENT PAYMENTS

The County expended \$2,015,289 to several subrecipients with funding received from the Coronavirus Relief Fund. See Assistance Listing Number 21.019 in the Schedule for related information.

5. INDIRECT COST RATE

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

COUNTY OF HANOVER, VIRGINIA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of the financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **No**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under the Uniform Guidance: **No**
9. The programs tested as major programs were:

<u>AL Number</u>	<u>Name of Federal Program and Cluster</u>
84.027 and 84.173	Special Education Cluster
84.425	84.425D – COVID-19 Education Stabilization Fund – Elementary and Secondary Education Emergency Relief (ESSER) Fund
	84.425C – COVID-19 Governor's Emergency Education Relief (GEER) Fund
21.019	COVID-19 Coronavirus Relief Fund

10. Dollar threshold used to distinguish between type A and type B programs: **\$1,232,771**
11. Auditee qualified as a low-risk auditee under Section 530 of Uniform Guidance: **Yes**

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None reported.

C. Findings and Questioned Costs Relating to Federal Awards

None reported.

COUNTY OF HANOVER, VIRGINIA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

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

2021-001 – Conflict of Interest (Repeat Area of Non-compliance – See Finding 2020-003)

Criteria: Section 2.2-3115 of the Code of Virginia (the “Code”) requires members of local boards, commissions, and councils, and employees meeting defined criteria to, upon assuming office and annually thereafter, file financial disclosure documents.

In accordance with the requirements set forth in Section 2.2-3118.2 of the Code, such disclosure shall be filed as a condition prior to assuming office or employment and, thereafter, shall be filed annually with the clerk of the governing body of such county on or before February 1.

Condition: Of the sixty-three (63) officials and employees who filed a completed Disclosure Report, we noted two (2) officials who took office during fiscal year 2021 and did not complete the Disclosure Report before taking office.

Cause: Completed Disclosure Report was not filed before taking office.

Effect: The County is not in compliance with Section 2.2-3115 of the Code and non-compliance may result in action by the Commonwealth.

Questioned Cost: Non-financial.

Recommendation: Local government officials and employees should file the Disclosure Report in accordance with Section 2.2-3118.2 of the Code.

Views of Responsible Officials and Planned Corrective Actions: The County is committed to obtaining and filing timely and accurate disclosure forms. Officials receive multiple notifications of filing deadlines and the County will continue to reiterate and monitor the deadlines and requirements stipulated in the Code of Virginia.

E. Status of Prior Year Findings

2020-001 – Virginia Initiative for Employment not Welfare Program – Non-compliant transaction – Not repeated

2020-002 – Information Security System Controls – Non-compliant controls – Not repeated

2020-003 – Conflict of Interest – Non-compliant filing – repeated, see 2021-001