

People, Tradition, & Spirit



COMPREHENSIVE ANNUAL FINANCIAL REPORT

HANOVER COUNTY, VIRGINIA

For the fiscal year ended June 30, 2020

Hanovercounty.gov

COUNTY OF HANOVER, VIRGINIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2020



Hanover: People, Tradition, and Spirit

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

COUNTY OF HANOVER, VIRGINIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020

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INTRODUCTORY SECTION

BOARD OF SUPERVISORS

AUBREY M. STANLEY, CHAIRMAN
BEAVERDAM DISTRICT

SEAN M. DAVIS, VICE-CHAIRMAN
HENRY DISTRICT

SUSAN P. DIBBLE
SOUTH ANNA DISTRICT

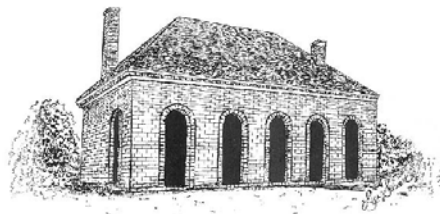
F. MICHAEL HERZBERG IV
COLD HARBOR DISTRICT

ANGELA KELLY-WIECEK
CHICKAHOMINY DISTRICT

W. CANOVA PETERSON
MECHANICSVILLE DISTRICT

FAYE O. PRICHARD
ASHLAND DISTRICT

JOHN A. BUDESKY
COUNTY ADMINISTRATOR



HANOVER COURTHOUSE

HANOVER COUNTY

ESTABLISHED IN 1720

FINANCE AND MANAGEMENT SERVICES DEPARTMENT

JACOB A. SUMNER, CMA, CGFM
DIRECTOR

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

SHELLY H. WRIGHT
BUDGET DIVISION DIRECTOR

LAUREN K. NULL
FINANCE DIVISION DIRECTOR

STEVEN K. RUSCH
PURCHASING DIVISION DIRECTOR

PHONE: 804-365-6015

FAX: 804-365-6100

WWW.HANOVERCOUNTY.GOV

November 12, 2020

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

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the County of Hanover (the County) for the fiscal year ended June 30, 2020. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with government auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This CAFR has been prepared by the County's Department of Finance and Management Services in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA).

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

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

Hanover: People, Tradition and Spirit

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

The independent auditors concluded, based upon the audit evidence they obtained, that there was a reasonable basis for forming and expressing unmodified opinions that the County's financial statements as of and for the fiscal year ended June 30, 2020 are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report on the financial statements is presented as the first component of the Financial Section of this financial report.

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

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



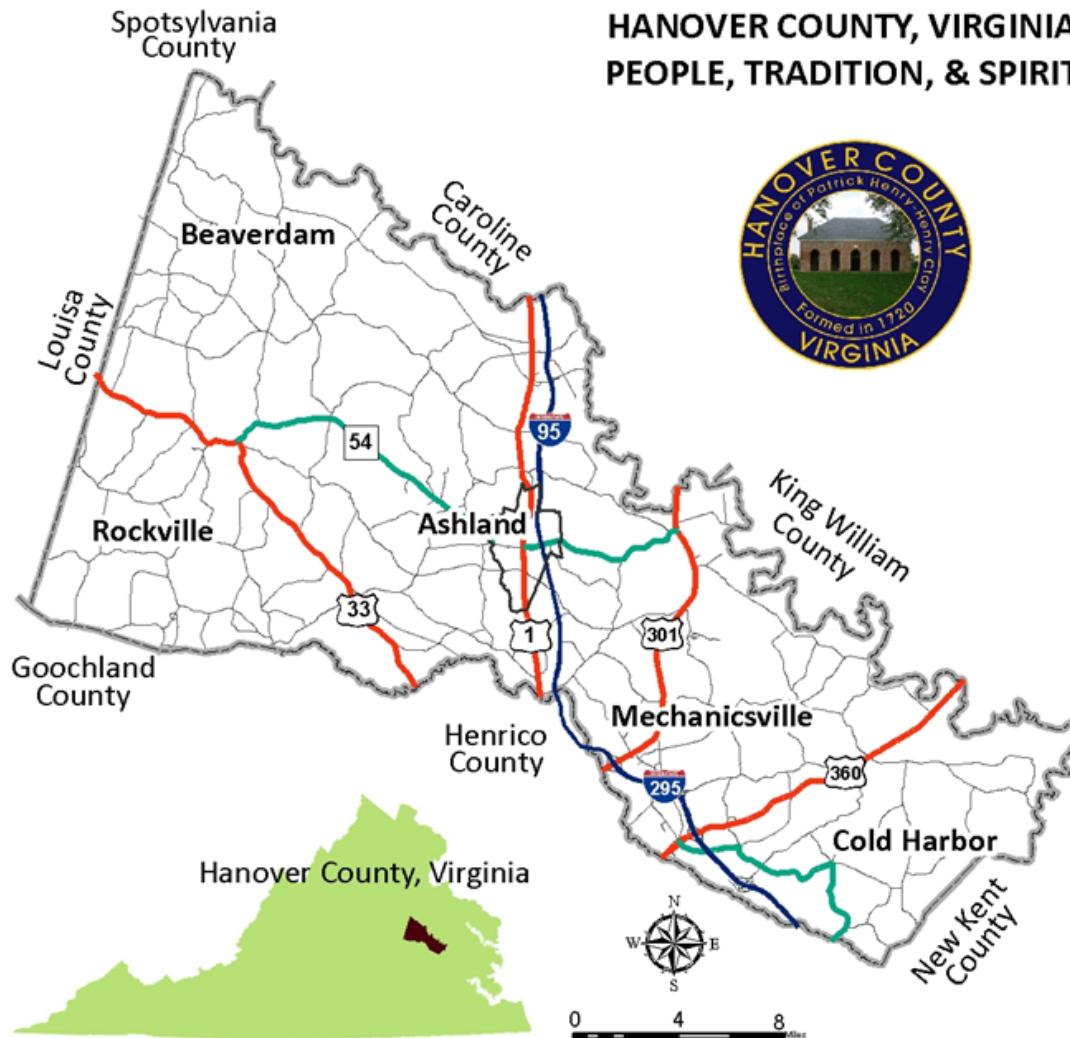
Profile of the County

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

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

Located in central Virginia, Hanover County is a 90-minute drive south of the nation's capital, Washington D.C., and 15 minutes north of the Commonwealth's capital, Richmond. Hanover County is more than 470 square miles in

area, and is strategically located in the northern Greater Richmond Region, which also includes the City of Richmond and the counties of Chesterfield and Henrico. Hanover is bordered by the counties of Caroline, King William, New Kent, Henrico, Goochland, Spotsylvania and Louisa and by the Pamunkey, North Anna and Chickahominy Rivers. The South Anna River is also located in the County. Home of the internationally renowned Hanover tomato, the County offers an appealing blend of both historic houses and the latest new home developments, a nationally recognized suburban school system, and a resilient economy with a balance between residential, commercial, industrial and agricultural tax bases.

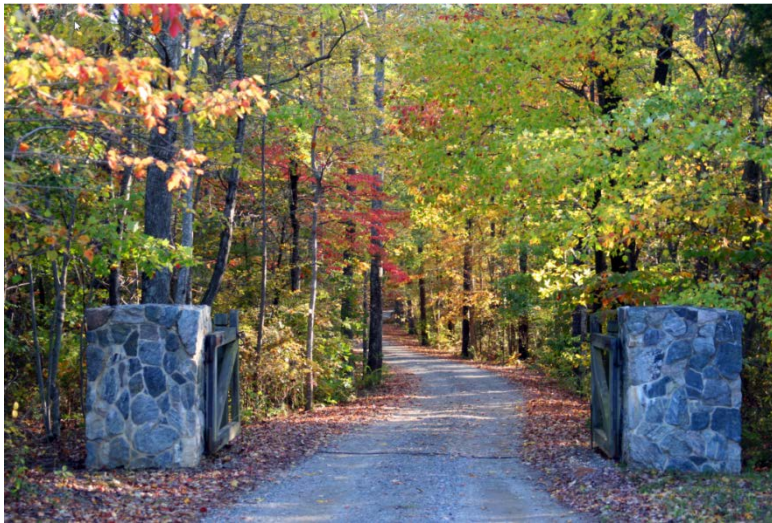


The offices of the Board of Supervisors, County Administrator, County Attorney, Commissioner of the Revenue, Treasurer, Registrar, and the departments of Human Resources, Finance and Management Services, Internal Audit, Assessor, Public Information, and Information Technology constitute the general government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

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

Public Works administers capital projects of the County, maintains the stormwater management program, administers the State-sponsored erosion and sediment control law, and oversees solid waste management, the Cannery, the County Airport and the recycling service district operations. General Services provides property management of all County-owned, non-school related properties, as well as, preventative maintenance and repair services for County and School vehicles and motorized equipment. General Services oversees risk management and the Hanover Museum of History and Culture.

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



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

The Planning Department is responsible for the Comprehensive Plan, demographics, and the acceptance, review, and disposition of all land use and subdivision applications. The services

of the Economic Development Department are designed to attract, retain, generate, and facilitate expansion of high quality business and industry resulting in a stable and diverse local economy and an improved standard of living for the residents of the County.

The County's Department of Public Utilities operates and maintains public water and sanitary sewer systems in the "Suburban Service Area" (the crescent-shaped area north of the Chickahominy River, generally between Route 1 and Creighton Road including the Town of Ashland), the Doswell area, the Route 33 area, and the Hanover Courthouse area. The County provides utility service to approximately 22,000 water and 21,500 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.

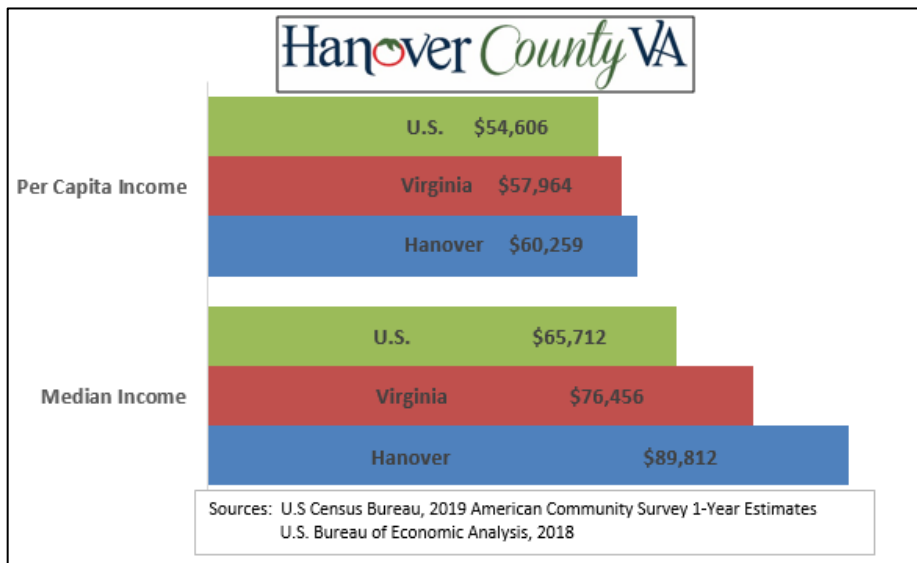
Local Economy:

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 COVID-19 pandemic in 2020 presented with County with several challenges. Economic uncertainty increased and consumer driven revenues fluctuated. The County, however, remained resilient and fiscally sound during the pandemic. Revenue projections were tempered and expenditure reductions were implemented resulting 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.



Hanover: People, Tradition and Spirit

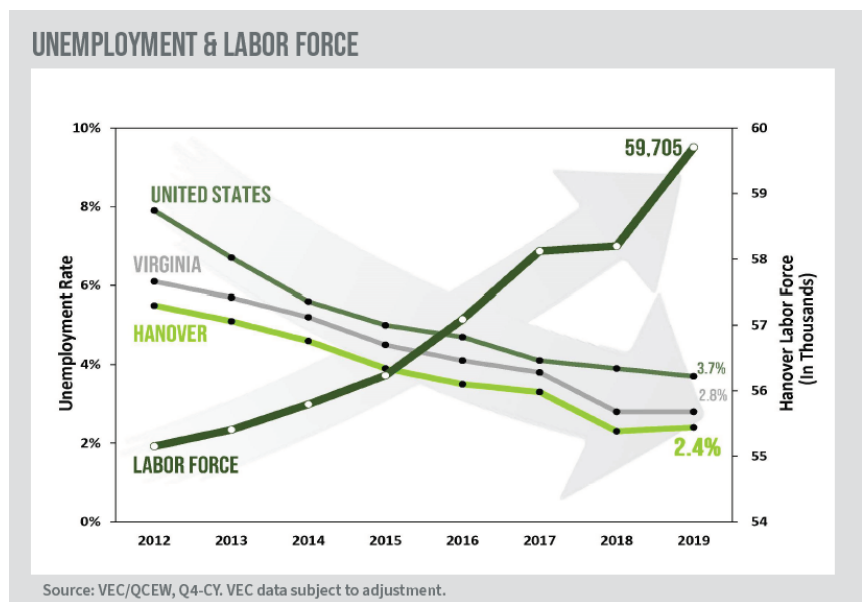


As the chart to the left illustrates, based on the most recent estimates available, Hanover enjoys a higher per capita income and median household income than the national and State averages. Comparatively, Hanover's per capita income of \$60,259 is consistent with the Commonwealth's \$57,964, while 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.

Approximately 1,954 new jobs were added to Hanover's job market. The County continues to target key industries poised for growth including: Professional Services, Advanced Manufacturing, Healthcare, and Supply Chain and Logistics. Within these growth industries, Hanover specifically works to recruit those with higher wage jobs.



Economic Development Update:

This marked another successful year for increased business investment in Hanover County. Over the last year, Hanover County has seen significant growth with multiple new business announcements and existing business expansion projects. Through these efforts, more than 1,950 net new jobs were added to the local economy.

INDEVCO North America is investing nearly \$3 million in building construction and renovation, and over \$12 million in machinery and tools. Over four years, the company will add 40 new jobs. The County's Department of Utilities will expand its water infrastructure throughout the manufacturing campus and will also supply access to water along several other properties currently being marketed for economic development.

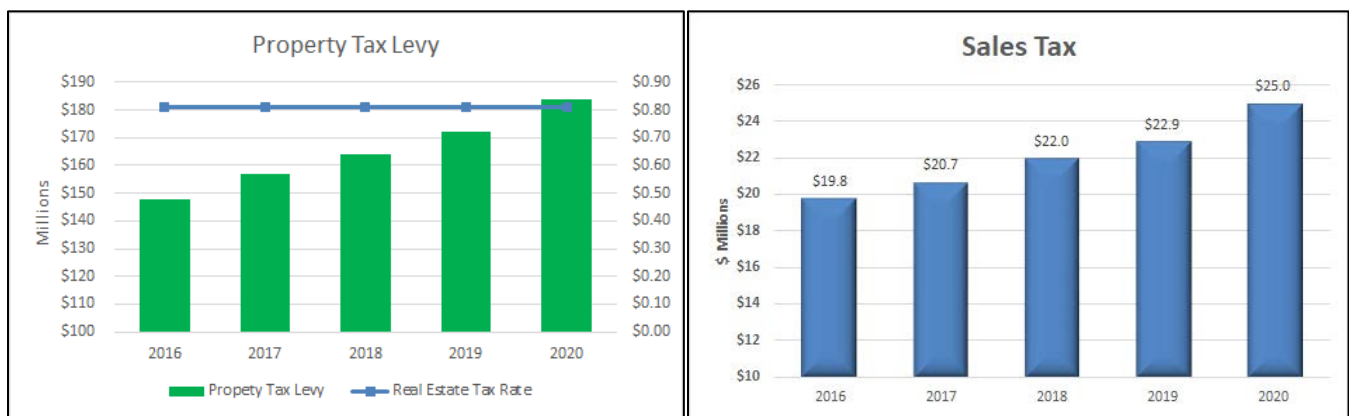
Wegmans Food Markets, Inc., announced a \$175 million investment in a middle-office and distribution center that will create over 700 jobs and will pay on average 20% above the county's median wage. Wegmans, which is ranked #3 by FORTUNE Magazine of the "100 Best Companies to Work For" in 2020. The new campus will allow the company to expand its distribution network on the East Coast and accommodate its growing retail footprint.

The State of Virginia is relocating two departments to Hanover County. The Virginia Alcoholic Beverage Control Authority is constructing a new 315,000-square-foot distribution center and 95,000-square-foot office on Pole Green Road. The Virginia Department of Forensic Science will construct a new 283,000-square-foot facility on 25 acres near Times Dispatch Boulevard to house the Central Laboratory and Office of the Chief Medical Examiner.

Introduced in 2018, Hanover County's speculative building program to encourage new development has resulted in nearly one million square feet of space coming out of the ground in FY20. Northlake Commerce Center, completed in the fall of 2019, is fully leased. Three other major building projects currently under construction include Cardinal Commerce Center, Northlake 95 and Winding Brook Industrial Park.

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 2021 capital budget for County, School and Public Utilities projects is \$40.7 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 2021 CIP includes 64.8% 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 2020, the County continued its renovation project of the former District Court building. The adaptive reuse project transformed the former District Court Building into the Martha Ann Fields building housing the offices of the County Assessor, Human Resources, Parks and Recreation, General Services and a portion of Building Inspection and Public Works staff.

The County initiated the planning process to celebrate Hanover's 300th birthday celebration. A citizens committee was formed to develop events to commemorate the County's tercentenary. Although the pandemic delayed many of the signature events, celebrations will extend into the following year.

Hanover County Public Schools (HCPs) continued their multi-year technology plan. The third year of the program funded the final technological infrastructure upgrade for elementary schools. In anticipation of future student devices, the school system conducted a student device pilot program at one of its middle schools.





Hanover partnered with the Commonwealth's Department of Rail and Public Transit to expand access and increase independence for older adults and persons with a disability. The Hanover DASH program helps eligible residents travel to medical appointments, shopping, banking and formal social activities.

The County completed a number of improvements to the east side of the Hanover County Municipal Airport including ramp aprons, a new parking lot and access road. A corporate hangar was constructed, as well, providing a premiere facility and establishing a corporate presence for years to come.



Further, the County continued to support HCPS and the sheriff with funding for school safety and security initiatives. Additional officers were included in the five-year plan for school security, as well as, capital project funding for vestibules in seventeen schools, improving door access and locks and updating the employee badge access system.



Hanover: People, Tradition and Spirit

Awards and Acknowledgements

Hanover County continued to be recognized for excellence in operational and fiscal management during fiscal year 2020. The County's adopted mission (seen in the graphic below) is exemplified by the awards and acknowledgements noted in this section.



County Administrator's Office

Cecil R. "Rhu" Harris Jr., County Administrator through June 2020, was among those named the Person of the Year by the Richmond Times-Dispatch for 2020. This program recognizes servant-leaders and others who strengthen and highlight the Richmond region. The award captures not just how the honorees have shaped the region but who they are as individuals behind their titles and accomplishments. Harris was County Administrator in Hanover for 16 years before retiring in June. He is succeeded by John A. Budesky.

County Attorney's Office

At its Fall 2020 conference, the Local Government Attorneys of Virginia (LGA) issued a number of awards for services to the LGA and localities throughout Virginia. The Special Projects Award is a recognition of members of the LGA who have performed work on a LGA project or other project of significant importance to the LGA or local government generally. This year's award was presented to the Ad Hoc Committee on COVID-19, which provided guidance to LGA members (and, through them, to local governments through Virginia) on matters such as the continuity of government, workplace safety, the Freedom of Information Act, employment law, and tax issues during the current public health crisis. The attorneys on the committee took on these responsibilities in addition to their normal responsibilities. Rebecca Randolph, a Senior Assistant County Attorney for Hanover County, served on this committee. The award is a well-deserved recognition of Rebecca's contribution to the committee's work, which benefited Hanover County and other counties, cities and towns throughout the state.

Community Services Board

Kelly Blankenship, an employee of the Hanover Community Services Board, received a Life Saver Award from the Virginia Risk Sharing Association (VRSA). In October 2019, Mrs. Blankenship recognized the need to take immediate action with one of the clients attending the CSB's Day Health and Rehabilitation Program. She applied the Heimlich maneuver and followed up by administering proper first aid and CPR. EMS personnel noted that her quick thinking and appropriate application of training saved the client's life.

Fire/EMS

The Retail Merchants Association held their 30th annual Valor Awards ceremony in November 2019. Among those honored were several Hanover firefighters that were involved in the October 11, 2018 incident that took the life of fellow firefighter Lt. Brad Clark. Receiving RMA Valor Awards were Jacob Smith, Matthew Sutphin, Colin Bunn, Christopher Elish and Captain David "DJ" Johnston.

Public Utilities

Four wastewater treatment plants operated by the Hanover County Department of Public Utilities have been recognized as being among the top performers in the nation or state. The Ashland, Totopotomoy, Doswell and Hanover Courthouse Wastewater Treatment Plants were awarded by the National Association of Clean Water Agencies (NACWA) with Peak Performance Awards for permit compliance in 2019. The Ashland Wastewater Treatment Plant was recognized for 21 years of perfect permit compliance and the Totopotomoy Wastewater Treatment Plant for 15 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 Fluoridation Quality awards.

Sheriff's Office

The Sheriff's Office was asked to serve as executive leaders on the Global SHIELD Network. This organization distributes open source information to our community regarding global acts of terror as well crime trends in and around our community. The Sheriff's Office has moved to a new information sharing platform which allows SHIELD alerts to be sent to our community members through text messaging services. SHIELD was also utilized to share important updates regarding the COVID-19 pandemic.

The Sheriff's Office, also, received several individual awards. Colonel David Hines, Sheriff, was named the "2020 Law Enforcement Officer of the Year" by the American Legion Department of Virginia. Lieutenant Kent Mullen and Deputy Matthew Keeley were presented with the Valor Award from the Virginia Sheriff's Association for their heroic efforts during a domestic disturbance call for service in December 2019. Deputies James Brockenbrough and Ryan Payne were two of over 200 law enforcement officers throughout the Commonwealth recognized by "Mothers Against Drunk Driving" (MADD) for their DUI enforcement efforts.

Finance and Management Services

The Government Finance Officers Association (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to Hanover County for its CAFR for the fiscal year ended June 30, 2019. The County has received this prestigious award each fiscal year since 1985. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. Hanover County's CAFR was judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR. The GFOA is a non-profit professional association serving nearly 19,000 appointed and elected government finance professionals throughout North America.

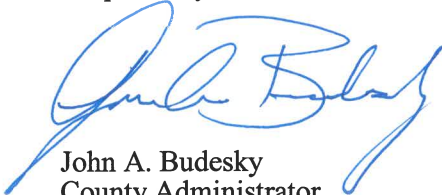
The GFOA awarded a **Distinguished Budget Presentation Award** to Hanover County for its FY2019 budget. The County has received this prestigious award each fiscal year since 1990. This award reflects the commitment of the governing body and staff to meeting the highest principles of governmental budgeting. In order to receive the budget award, Hanover County had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well an entity's budget serves as a policy document; a financial plan; an operations guide; and a communications device.

The County utilizes its website www.hanovercounty.gov for presentation of the CAFR and budget document. The budget document serves as the best source of information for County's current and five year financial plan, new initiatives, capital improvements program and changes in service levels. In addition, the website provides many other topics of interest to County residents and service providers, and provides an excellent forum to recognize outstanding employees and their accomplishments. While many of those accomplishments could also be highlighted in this report, the remainder of this financial report will focus on the County's fiscal year 2020 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

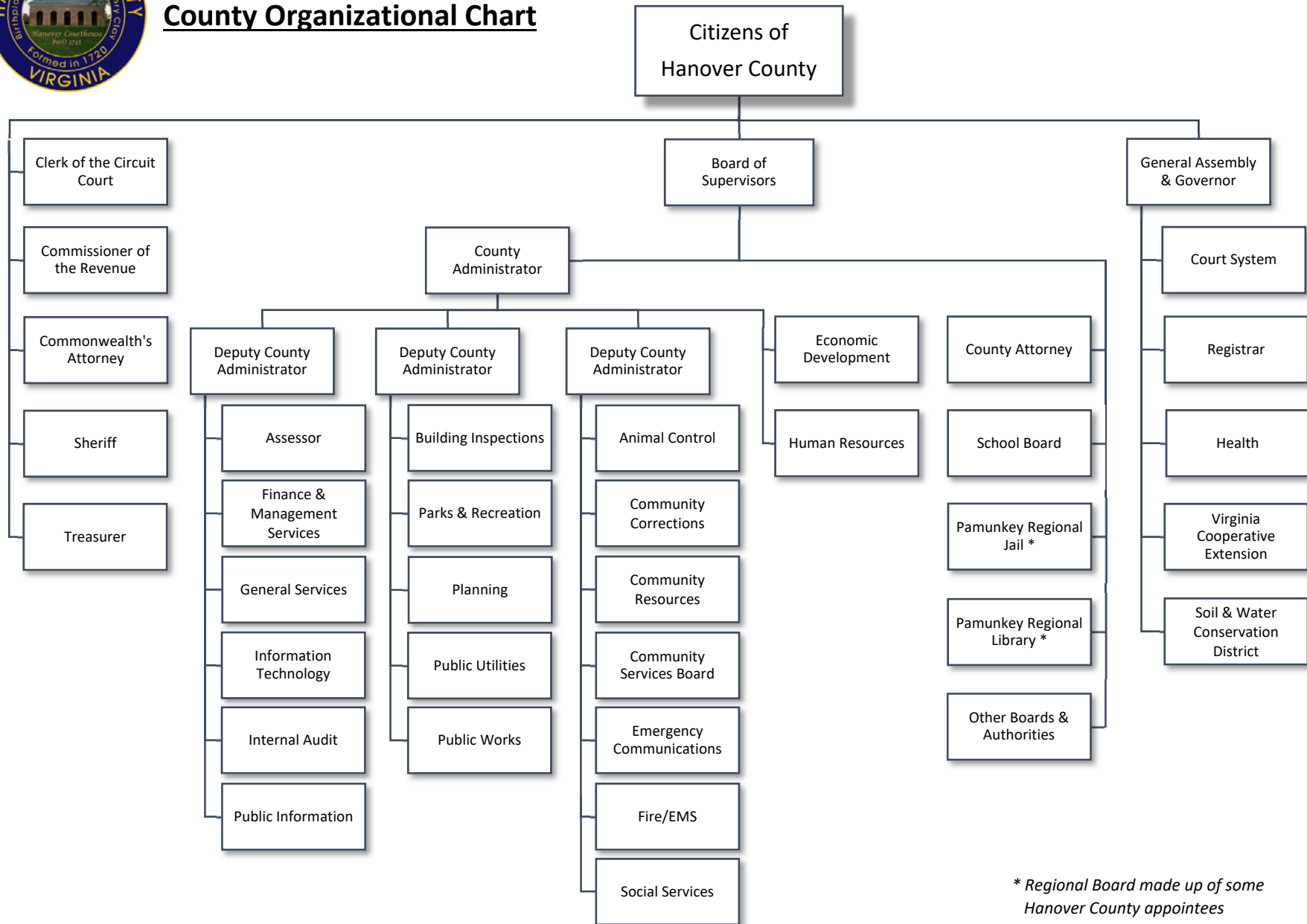
June 30, 2019

Christopher P. Morill

Executive Director/CEO



County Organizational Chart



* Regional Board made up of some Hanover County appointees

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2020

Board of Supervisors

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

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

Constitutional Officers

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

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

County Administrative Officials

John A. Budesky
Dennis A. Walter
Kathleen T. Seay
Frank W. Harksen, Jr.
James P. Taylor
Jacob A. Sumner

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

School Board

John F. Axselle, III, Chair
Ola J. Hawkins, Vice-Chair
Sterling H. Daniel
Kelly K. Evko
Robert L. Hundley, Jr.
Norman K. Sulser
George E. Sutton

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

School Administrative Officials

Dr. Michael B. Gill
Terry S. Stone
Jennifer E. Greif
Mandy Baker
Amanda L. Six
Lisa Seward
Chris Whitley

Superintendent of Schools
Asst. Superintendent of Business and Operations
Asst. Superintendent of Instruction
Asst. Superintendent of Human Resources
Director of Finance
School Board Attorney
Public Information Officer

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, 2020, 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, 2020, 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.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020, 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.



Richmond, Virginia
November 12, 2020



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, 2020. 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 2020 by \$437.8 million (*net position*). Of this amount, \$115.7 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 \$32.1 million, of which the governmental activities increased by \$21.2 million and business-type activities increased by \$10.9 million.
- As of the close of fiscal year 2020, the County's governmental funds reported combined ending fund balances of \$111.2 million, an increase of \$15.0 million from prior year. Of the \$111.2 million total, 78.7% (\$87.4 million) is available for spending in compliance with County policies (sum of *committed*, *assigned* and *unassigned fund balances*), while *nonspendable* and *restricted fund balances* were 21.3% or \$23.8 million of the total.
- The General Fund's unassigned fund balance was 13.5% of total General Fund revenues, which reflects an increase of \$2.3 million to \$35.6 million at June 30, 2020. 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 \$5.7 million to \$27.6 million at June 30, 2020. The \$5.7 million increase is the net of increases and decreases to amounts assigned for various purposes, including education, public works, economic development, the subsequent fiscal year's adopted budget, the subsequent five-year financial plan, capital projects, and other County services.
- The County's total debt decreased by \$1.1 million (0.65%) to \$167.4 million during fiscal year 2020. The decrease is related to the County issuing \$15.0 million in bonds through the VRA Program, \$2.3 million of bonds through the VRA Airport Revolving Fund, but these amounts are offset by making principal payments on existing debt and refunding of \$17.0 million of general obligation bonds.

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 2020, 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, 2020. The governmental fund financial statements can be found at Exhibits 3 through 6 of this report.

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

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

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

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

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

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

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

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

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

Financial Analysis of the County as a Whole

Statement of Net Position

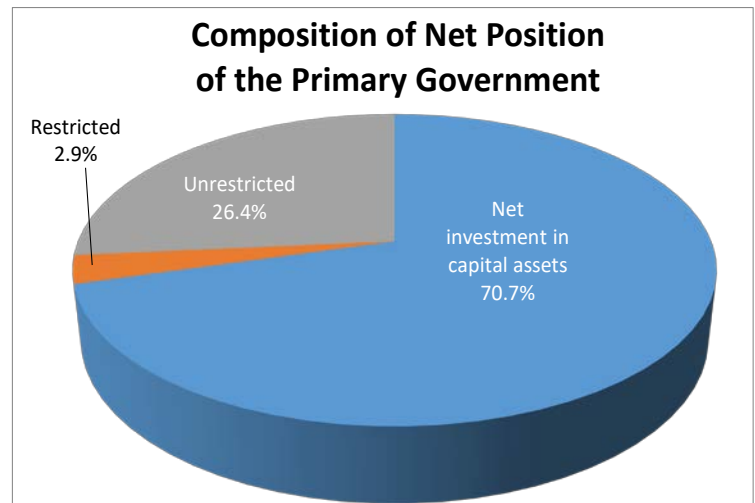
Table 1 summarizes the Statements of Net Position for the Primary Government as of June 30, 2020 and 2019:

Table 1	County of Hanover, Virginia Summary of Net Position (\$ in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 219.1	187.5	42.8	38.0	261.9	225.5
Capital assets	222.9	222.5	240.4	233.4	463.3	455.9
Total assets	442.0	410.0	283.2	271.4	725.2	681.4
Deferred outflows of resources	14.4	7.6	1.6	1.1	16.0	8.7
Long-term liabilities outstanding	188.9	181.8	18.9	17.9	207.8	199.7
Other liabilities	24.1	15.1	3.2	2.7	27.3	17.8
Total liabilities	213.0	196.9	22.1	20.6	235.1	217.5
Deferred inflows of resources	67.9	66.6	0.4	0.4	68.3	67.0
Net position:						
Net investment in capital assets	84.0	82.1	225.3	218.7	309.3	300.8
Restricted	8.7	7.9	4.1	3.9	12.8	11.8
Unrestricted	82.7	64.2	33.0	28.9	115.7	93.1
Total net position	\$ 175.4	154.2	262.4	251.5	437.8	405.7

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 \$437.8 million at the close of fiscal year 2020, representing an increase of \$32.1 million from the net position at June 30, 2019.

As the following graph shows, by far the largest portion of the County's total net position (\$309.3 million, 70.8% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and intangibles); less any related debt and deferred loss on refunding used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens, like water and wastewater services, schools, libraries, law enforcement, and fire and emergency medical services. Consequently, these assets are *not* available for future spending, as capital assets are generally not sold or otherwise disposed of during their useful life.

As also shown, an additional portion of the County's total net position (\$12.8 million, 2.9% of total) represents resources that are subject to external restrictions on how they may be used, including amounts restricted for capital projects, grant programs, debt covenants and postemployment healthcare benefits. The remaining balance of unrestricted net position (\$115.7 million, 26.4% 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, 2020 and 2019:

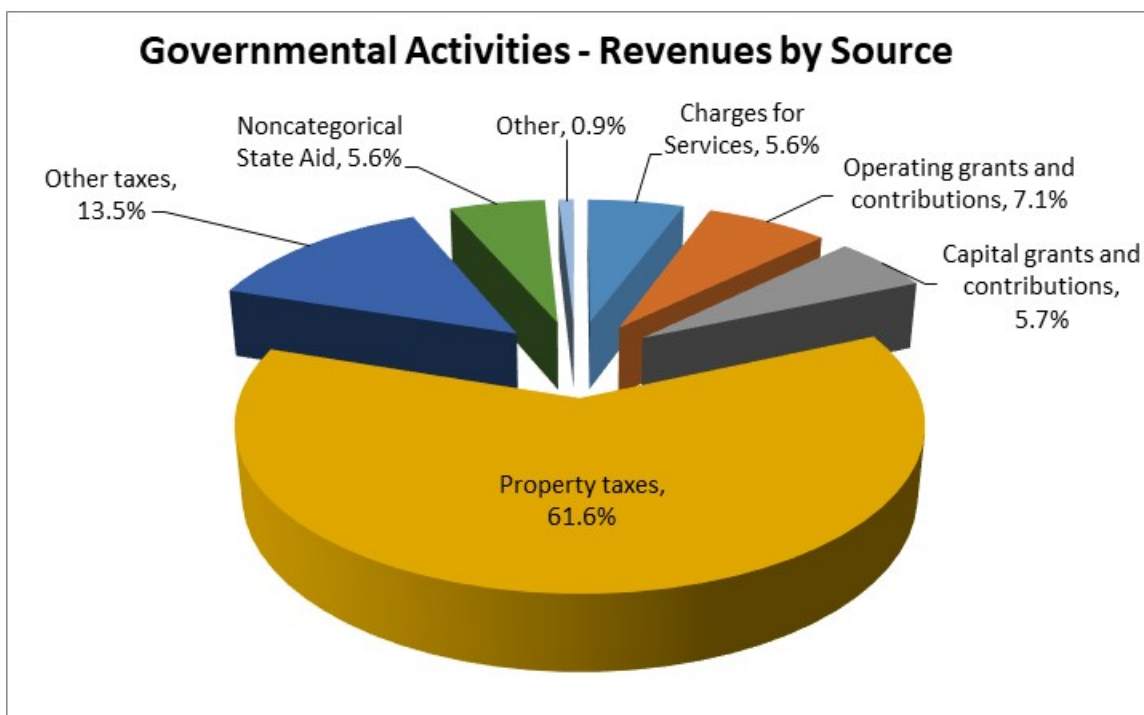
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 15.7	17.1	33.5	31.7	49.2	48.8
Operating grants and contributions	19.9	19.0	-	-	19.9	19.0
Capital grants and contributions	16.0	8.9	6.1	4.2	22.1	13.1
General revenues:						
Property taxes	172.1	161.3	-	-	172.1	161.3
Other taxes	37.8	35.2	-	-	37.8	35.2
Noncategorical State aid	15.6	15.6	-	-	15.6	15.6
Grants and contributions	0.8	0.2	-	-	0.8	0.2
Other	2.1	1.9	1.0	1.0	3.1	2.9
Total revenues	280.0	259.2	40.6	36.9	320.6	296.1
Expenses:						
General government	19.1	18.3	-	-	19.1	18.3
Judicial administration	8.0	7.5	-	-	8.0	7.5
Public safety	65.7	63.1	-	-	65.7	63.1
Public works	23.6	20.6	-	-	23.6	20.6
Human services	26.2	24.9	-	-	26.2	24.9
Parks, recreation and cultural	6.7	6.7	-	-	6.7	6.7
Community development	5.6	5.7	-	-	5.6	5.7
Education	98.2	98.1	-	-	98.2	98.1
Interest on long-term debt *	5.3	5.8	-	-	5.3	5.8
Public utilities	-	-	29.2	28.3	29.2	28.3
Airport	-	-	0.9	0.7	0.9	0.7
Total expenses	258.4	250.7	30.1	29.0	288.5	279.7
Increase in net position before transfers	21.6	8.5	10.5	7.9	32.1	16.4
Transfers	(0.4)	(0.1)	0.4	0.1	-	-
Increase in net position	21.2	8.4	10.9	8.0	32.1	16.4
Total net position - beginning of year	154.2	145.8	251.5	243.5	405.7	389.3
Total net position - end of year	\$ 175.4	154.2	262.4	251.5	437.8	405.7

* 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 \$21.2 million for fiscal year 2020. Generally, net position changes are the result of the difference

between revenues and expenses. Fiscal year 2020 revenues of \$280.0 million represent an increase of \$20.8 million, or 8.0% in comparison to the prior year, while expenses and transfers of \$258.4 million represent an increase of \$7.7 million, or 3.1% compared to the prior year.

The following chart illustrates the County's fiscal year 2020 governmental revenues by source as a percentage of total governmental revenues:



Taxes are the largest source of County revenues, totaling \$209.9 million for fiscal year 2020, an increase of \$13.5 million, or 6.8%, in comparison to fiscal year 2019. An increase in general property taxes of \$10.8 million, or 6.7% was largely attributable to higher than projected real property tax revenue resulting from increased assessed values. Sales tax revenue increased by \$2.1 million, or 9.1%. General property taxes totaled \$172.1 million for fiscal year 2020 and represent 82.0% of total taxes and 61.6% of all revenues.

Also in fiscal year 2020, \$51.7 million, or 18.5% of total revenues, consisted of program revenues, including \$15.7 million in charges for services, \$19.9 million of operating grants and contributions, and \$16.0 million of capital grants and contributions. General revenues, including \$15.6 million of noncategorical state aid and \$2.5 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 2020 were \$258.4 million, which represents an increase of \$7.7 million, or 3.1% higher than fiscal year 2019. Increases in expenses for general government, judicial administration, public safety, public works, and human services expenses of \$0.8 million, \$0.5 million, \$2.6 million, \$3.1 million, \$1.3 million, respectively, were offset by decreases in parks, recreation and cultural, community development of \$0.1 million and interest on long term debt of \$0.5 million. Expenses related to community development and education expenses were relatively unchanged during fiscal year 2020, each within \$50,000 from fiscal year 2019. As the following chart indicates, education continues to be one of the County's largest programs and highest priority, with education expenses totaling \$98.2 million in fiscal year 2020. Public safety and human services are also strategic focus areas with expenses totaling \$65.7 million and \$26.2 million, respectively in fiscal year 2020.

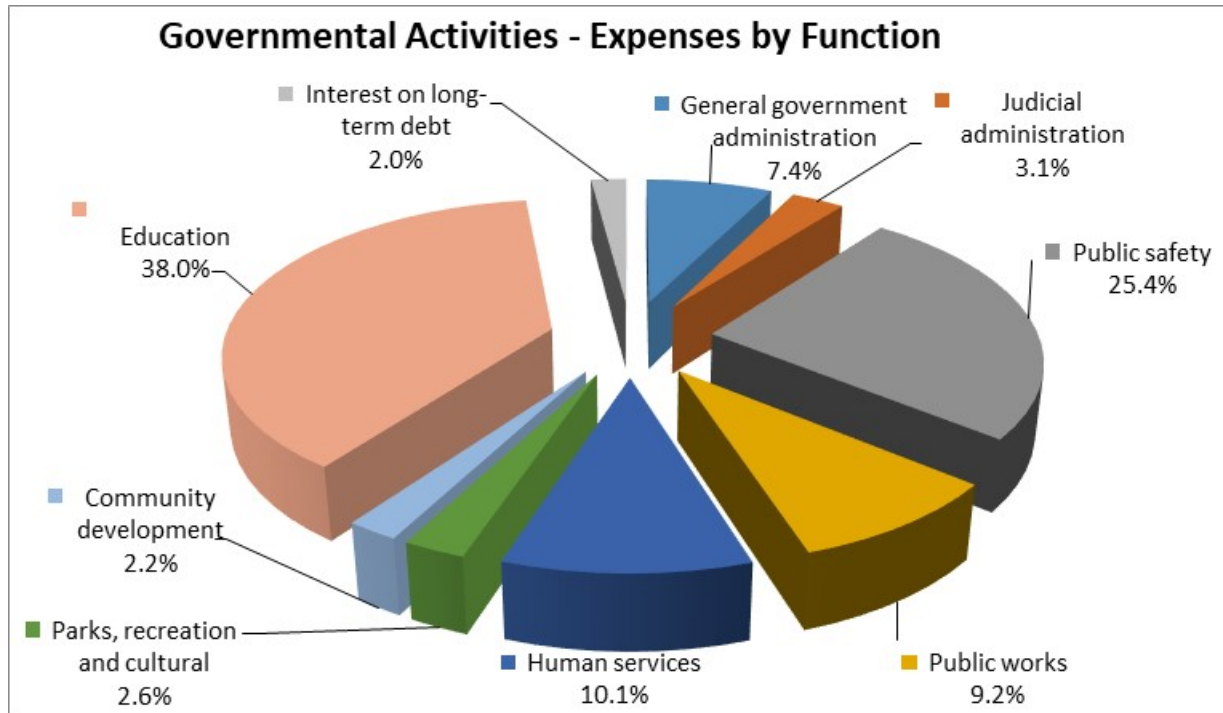


Table 3 presents the total cost of the County's governmental activities by function, as well as the net cost of each function (total cost less fees generated by each function and program-specific intergovernmental aid) for the fiscal year ended June 30, 2020 and 2019:

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	
	2020	2019	2020	2019
General government	\$ 19.1	18.3	\$ 15.6	14.8
Judicial administration	8.0	7.5	5.3	4.8
Public safety	65.7	63.1	54.3	51.5
Public works	23.6	20.6	6.8	10.4
Human services	26.2	24.9	11.6	10.8
Parks, recreation and cultural	6.7	6.7	5.1	5.2
Community development	5.6	5.7	4.5	4.4
Education	98.2	98.1	98.2	98.1
Interest on long-term debt	5.3	5.8	5.3	5.8
Total	\$ 258.4	250.7	\$ 206.7	205.8

A portion of the \$258.4 million cost of the County's governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of \$15.7 million) and other governments and organizations that subsidized certain programs (i.e., operating and capital grants and contributions of \$36.0 million). These combined program revenues of \$51.7 million decreased the total fiscal year 2020 cost of services from \$258.4 million to the net cost of services of \$206.7 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 \$10.8 million for fiscal year 2020.

Public Utilities revenues totaled \$40.0 million, of which \$33.1 million, or 83.0%, was generated from charges for services and user fees. Nonoperating capacity fee revenues increased to \$6.1 million from \$4.7 million last year, based on revenue and the allocation of operating costs. Capital contributions increased \$1.7 million to \$5.8 million in 2020. Public Utilities expenses totaled \$29.2 million for fiscal year 2020 compared to \$28.3 million in fiscal year 2019.

Airport operating revenues totaled \$316,679 in fiscal year 2020 compared to \$227,988 in fiscal year 2019. The Airport had no nonoperating revenues in fiscal year 2020 and fiscal year 2019, while capital contributions increased to \$0.3 million in fiscal year 2020 from \$0.1 million in fiscal year 2019. Airport nonoperating expenses were \$47,860 and \$51,146 in fiscal years 2020 and 2019, 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 2020, the County's governmental funds reported combined ending fund balances of \$111.2 million (Exhibit 3), as compared to \$96.1 million at June 30, 2019, an increase of \$15.1 million. Of the \$111.2 million fiscal year 2020 fund balance, \$2.1 million is classified as *nonspendable* because it is invested in inventories and prepaid expenses and, therefore, is not in spendable form, \$21.6 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, \$51.3 million is *assigned* to indicate that County administration has identified specific purposes for the use of those funds, and the remaining \$35.6 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 \$8.8 million (15.5%) during fiscal year 2020, to \$65.5 million, of which \$0.9 million is nonspendable, \$1.0 million is restricted, \$0.5 million is committed, \$27.5 million is assigned and \$35.6 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 2020, the General Fund's committed, assigned and unassigned fund balances of \$63.6 million represents 24.2% of total General Fund revenues of \$263.4 million. In addition, General Fund's unassigned fund balance totaled \$35.6 million, up from \$33.2 million at the end of fiscal year 2019, which represents 13.5% of total General Fund revenues in 2020 and 13.3% in 2019, continuing to exceed the 10% minimum set by the County's fund balance policy. The \$8.8 million fiscal year 2020 increase in the General Fund's fund balance resulted from General Fund revenues of \$263.4 million less expenditures of \$221.1 million and net other financing sources and uses of \$33.5 million, as shown on Exhibit 4 to the financial statements.

The fund balance in the County Improvements Fund (Exhibit 4) increased by \$3.8 million to \$38.6 million during fiscal year 2020. The fund balance in the School Improvements Fund (Exhibit 4) increased by \$2.4 million to \$6.4 million during fiscal year 2020. The fund balance in the Debt Service Fund (Exhibit 4) increased by \$0.03 million to \$.55 million fiscal year 2020.

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 \$4.5 million, or 1.7% between the originally-adopted fiscal year 2020 budget appropriation for expenditures and transfers out and the final budget, with \$1.5 million of the increase resulting from reappropriation of fiscal year 2019 budget commitments for completion of ongoing projects in fiscal year 2020. Encumbered balances account for 48.62% of the total reappropriation.

Capital Assets and Debt Administration

Capital assets: The County's investment in capital assets as of June 30, 2020, totals \$463.3 million, net of accumulated depreciation. This represents an increase of \$7.3 million, or 1.6% more than fiscal year 2019. Capital assets, net of accumulated depreciation, are illustrated in the following table:

	(\$ in millions)			
	Governmental Activities	Business-type Activities	Totals at June 30	
			2020	2019
Land	\$ 9.9	11.2	21.1	21.1
Intangible assets	3.2	33.9	37.1	36.8
Buildings	122.7	42.9	165.6	177.1
Improvements other than buildings	14.4	126.5	140.9	138.8
Machinery and equipment	39.7	11.9	51.6	54.9
Infrastructure	15.7	-	15.7	14.1
Construction in progress	17.3	14.0	31.3	13.2
Total	<u>\$ 222.9</u>	<u>240.4</u>	<u>463.3</u>	<u>456.0</u>

Major capital asset activity during fiscal year 2020 included the following:

- The costs of completed water and wastewater infrastructure projects reported in the Public Utilities Fund totaling \$5.1 million, funded by water and sewer user fees and capacity fees.
- Developers' contributions of water and wastewater lines totaled \$5.8 million.
- The costs of public safety improvements including ambulances and equipment upgrades, totaling \$1.6 million, funded by general revenues.
- The continued costs of construction of a new Atlee Library, totaling \$7.7 million.
- The continued costs of renovation of the former General District Court building for County offices, totaling \$5.5 million.
- The costs of school facility improvements and equipment acquisition by the School Component Unit totaled \$3.4 million.

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

Long-term debt: In the Commonwealth of Virginia, there is no State statute limiting the amount of general obligation debt a County may issue. However, with limited exceptions as described under General Obligation Bonds in Note IV.E to the accompanying financial statements, general obligation bonded indebtedness must be approved by voter referendum prior to issuance. In addition, the County's Board of

Supervisors and revenue bond covenants have established limits and coverage requirements with respect to long-term debt, and the County is in compliance with all debt policy limits and debt coverage requirements at June 30, 2020.

The following table illustrates the County's outstanding debt at June 30, 2020:

	(\$ in millions)		
	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 81.6	-	81.6
Revenue bonds	-	14.6	14.6
Infrastructure and state moral obligation bonds	65.2	-	65.2
Support agreement	1.7	0.3	2.0
Capital lease obligations	4.0	-	4.0
Total	<u>\$ 152.5</u>	<u>14.9</u>	<u>167.4</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 2020, Hanover County experienced mixed 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 2020 and 3.1% in calendar year 2019. Throughout fiscal year 2020, the County's unemployment rate fluctuated, with a downturn in March 2020 attributable to the COVID-19 outbreak and then subsequent improvement. In June 2020, the County's unemployment rate was 6.4%, while higher than usual due to the COVID-19 outbreak still remains favorable in comparison to the Commonwealth's average unemployment rate of 8.5% and the national average rate of 11.2%.

Fiscal year 2020 showed positive and consistent revenue returns. However, as the County continues to respond to the pandemic, fiscal year 2021 expectations have been modified in the fiscal 2021 budget. Real estate taxes increased 3.9% from the 2020 to the 2021 budget while personal property taxes have decreased by 1.3% between the 2020 and 2021 budget. Net of the use of \$6.3 million of prior year fund balance, the County's adopted fiscal year 2021 General Fund budget was set at \$266.7 million, a decrease of \$0.4 million or 0.4% in comparison to the fiscal year 2020 figure of \$267.1 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, 2020 the County has assigned \$6.3 million of fund balance in its General Fund to fund a portion of the fiscal year 2021 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 \$4.0 million to fund future school budgets, \$8.8 million to fund capital projects, and \$7.3 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, 2020

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	\$ 116,879,868	33,457,504	150,337,372	16,896,184	390,952
Receivables (net of allowance for uncollectibles)	86,740,555	5,265,777	92,006,332	4,619,072	-
Prepaid expenses	1,858,573	-	1,858,573	9,069	-
Support agreement receivable	-	-	-	-	270,000
Inventories	290,580	-	290,580	386,507	-
Total current assets	205,769,576	38,723,281	244,492,857	21,910,832	660,952
Noncurrent Assets:					
Pooled cash, cash equivalents and investments - restricted	12,784,883	4,034,211	16,819,094	-	-
Support agreement receivable	-	-	-	-	1,565,000
Net pension asset - restricted	-	-	-	2,691,619	-
Net other postemployment benefits asset - restricted	489,908	37,131	527,039	1,127,961	-
Capital assets (net of accumulated depreciation):					
Land	9,850,563	11,222,940	21,073,503	7,400,682	-
Intangible assets	3,177,599	33,870,357	37,047,956	-	-
Buildings	122,681,874	42,836,373	165,518,247	81,201,990	-
Improvements other than buildings	14,392,965	126,513,708	140,906,673	20,537,081	-
Machinery and equipment	39,720,241	11,895,505	51,615,746	8,594,183	-
Infrastructure	15,746,452	-	15,746,452	-	-
Construction in progress	17,345,436	14,027,498	31,372,934	184,878	-
Total capital assets, net	222,915,130	240,366,381	463,281,511	117,918,814	-
Total noncurrent assets	236,189,921	244,437,723	480,627,644	121,738,394	1,565,000
Total assets	441,959,497	283,161,004	725,120,501	143,649,226	2,225,952
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	1,249,197	611,178	1,860,375	-	-
Deferred outflows relating to pension	11,903,842	902,238	12,806,080	33,021,684	-
Deferred outflows relating to other postemployment benefits	1,273,398	96,514	1,369,912	3,536,260	-
Total deferred outflows of resources	14,426,437	1,609,930	16,036,367	36,557,944	-

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, 2020

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
LIABILITIES					
Current Liabilities:					
Accounts payable	5,620,414	2,301,517	7,921,931	1,459,132	-
Incurred but not reported self-insurance claims	2,195,653	-	2,195,653	-	-
Accrued liabilities	4,904,108	689,751	5,593,859	17,512,418	-
Accrued bond interest	2,265,873	141,412	2,407,285	-	-
Unearned revenues	9,157,057	35,400	9,192,457	436,816	300,000
Current portion of bonds payable	12,516,777	1,506,458	14,023,235	-	270,000
Current portion of capital lease obligations	934,113	-	934,113	-	-
Current portion of compensated absences	7,826,278	620,879	8,447,157	6,327,753	-
Current portion of liability for landfill closure and postclosure costs	81,754	-	81,754	-	-
Current portion of support agreement	222,852	60,000	282,852	-	-
Total current liabilities	45,724,879	5,355,417	51,080,296	25,736,119	570,000
Noncurrent Liabilities:					
Bonds payable	134,354,798	13,086,545	147,441,343	-	1,565,000
Capital lease obligations	3,084,992	-	3,084,992	-	-
Compensated absences	2,185,325	208,743	2,394,068	394,719	-
Deposits	-	492,408	492,408	-	-
Capacity fee credits	-	886,555	886,555	-	-
Liability for landfill closure and postclosure costs	1,541,613	-	1,541,613	-	-
Support agreement	1,490,666	190,000	1,680,666	-	-
Net pension liability	18,910,242	1,433,221	20,343,463	162,644,883	-
Net other postemployment benefits liability	5,732,022	434,434	6,166,456	25,155,166	-
Total noncurrent liabilities	167,299,658	16,731,906	184,031,564	188,194,768	1,565,000
Total liabilities	213,024,537	22,087,323	235,111,860	213,930,887	2,135,000
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	63,971,078	19,654	63,990,732	-	-
Deferred inflows relating to pension	3,506,720	265,777	3,772,497	17,787,940	-
Deferred inflows relating to other postemployment benefits	436,554	33,087	469,641	1,584,179	-
Total deferred inflows of resources	67,914,352	318,518	68,232,870	19,372,119	-
NET POSITION					
Net investment in capital assets	84,032,333	225,248,001	309,280,334	117,918,814	-
Restricted for:					
Grant programs	971,724	-	971,724	51,990	-
Capital projects	7,255,265	-	7,255,265	-	-
Debt covenants	-	4,026,579	4,026,579	-	-
Pension	-	-	-	2,691,619	-
Other postemployment benefits	489,908	37,131	527,039	1,127,961	-
Unrestricted (deficit)	82,697,815	33,053,382	115,751,197	(174,886,220)	90,952
Total net position	\$ 175,447,045	262,365,093	437,812,138	(53,095,836)	90,952

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

COUNTY OF HANOVER, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2020

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
					Primary Government			Component Units	
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
Primary Government:									
Governmental activities:									
General governmental administration	\$ 19,062,592	2,455,585	1,031,397	-	(15,575,610)	-	(15,575,610)	-	-
Judicial administration	8,030,417	959,741	1,724,664	-	(5,346,012)	-	(5,346,012)	-	-
Public safety	65,689,440	5,592,212	5,813,863	-	(54,283,365)	-	(54,283,365)	-	-
Public works	23,624,070	1,788,663	15,059	15,048,539	(6,771,809)	-	(6,771,809)	-	-
Human services	26,204,530	3,285,753	11,309,528	-	(11,609,249)	-	(11,609,249)	-	-
Parks, recreation and cultural	6,675,108	524,249	31,030.00	1,000,000	(5,119,829)	-	(5,119,829)	-	-
Community development	5,614,279	1,099,820	-	-	(4,514,459)	-	(4,514,459)	-	-
Education	98,169,817	-	-	-	(98,169,817)	-	(98,169,817)	-	-
Interest on long-term debt	5,303,168	-	-	-	(5,303,168)	-	(5,303,168)	-	-
Total governmental activities	258,373,421	15,706,023	19,925,541	16,048,539	(206,693,318)	-	(206,693,318)	-	-
Business-type activities:									
Public Utilities	29,236,870	33,137,653	-	5,791,318	-	9,692,101	9,692,101	-	-
Airport	863,690	286,679	30,000	271,218	-	(275,793)	(275,793)	-	-
Total business-type activities	30,100,560	33,424,332	30,000	6,062,536	-	9,416,308	9,416,308	-	-
Total Primary Government	\$ 288,473,981	49,130,355	19,955,541	22,111,075	(206,693,318)	9,416,308	(197,277,010)	-	-
Component Units:									
School Board	\$ 191,819,410	4,852,924	102,144,448	-	-	-	-	(84,822,038)	-
Economic Development Authority	86,391	88,560	-	-	-	-	-	-	2,169
Total component units	\$ 191,905,801	4,941,484	102,144,448	-	-	-	-	(84,822,038)	2,169
General revenues:									
Taxes:									
General property taxes					172,139,996	-	172,139,996	-	-
Sales taxes					24,952,022	-	24,952,022	-	-
Utility taxes					6,195,954	-	6,195,954	-	-
Recordation taxes					2,988,339	-	2,988,339	-	-
Other					3,635,955	-	3,635,955	-	-
Noncategorical State aid					15,558,068	-	15,558,068	-	-
Grants and contributions not restricted to specific programs					760,510	-	760,510	774,164	-
Payment from Hanover County					-	-	-	85,927,420	-
Unrestricted investment earnings					2,138,527	983,786	3,122,313	-	-
Transfers					(429,444)	429,444	-	-	-
Total general revenues and transfers					227,939,927	1,413,230	229,353,157	86,701,584	-
Change in net position					21,246,609	10,829,538	32,076,147	1,879,546	2,169
Total net position - beginning					154,200,436	251,535,555	405,735,991	(54,975,382)	88,783
Total net position - ending					\$ 175,447,045	262,365,093	437,812,138	(53,095,836)	90,952

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 3

Governmental Funds

Balance Sheet

June 30, 2020

		Capital Funds			Total
	General	County Improvements	School Improvements	Debt Service	Governmental Funds
ASSETS					
Pooled cash, cash equivalents and investments	\$ 62,710,246	27,456,720	9,973,887	549,839	100,690,692
Receivables (net of allowances for uncollectibles)	78,904,744	4,265,665	-	-	83,170,409
Prepaid expenditures	655,342	1,203,231	-	-	1,858,573
Inventories	290,580	-	-	-	290,580
Pooled cash, cash equivalents and investments - restricted	-	12,563,057	221,826	-	12,784,883
Total assets	\$ 142,560,912	45,488,673	10,195,713	549,839	198,795,137

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 2,429,711	3,103,884	36,090	-	5,569,685
Accrued liabilities	4,137,298	652,552	1,500	-	4,791,350
Unearned revenues	1,445,750	3,087,734	3,730,000	-	8,263,484
Total liabilities	8,012,759	6,844,170	3,767,590	-	18,624,519

Deferred Inflows of Resources:

Deferred revenues	69,014,078	-	-	-	69,014,078
Total deferred inflows	69,014,078	-	-	-	69,014,078

Fund Balances:

Nonspendable	945,922	1,203,231	-	-	2,149,153
Restricted	971,724	20,057,951	589,002	-	21,618,677
Committed	500,000	-	-	-	500,000
Assigned	27,557,732	17,383,321	5,839,121	549,839	51,330,013
Unassigned	35,558,697	-	-	-	35,558,697
Total fund balances	65,534,075	38,644,503	6,428,123	549,839	111,156,540
Total liabilities, deferred inflows of resources and fund balances	\$ 142,560,912	45,488,673	10,195,713	549,839	198,795,137

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 222,915,130
Receivables on the Statement of Net Position that do not provide current financial resources are not reported in the funds.	5,559,497
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.	15,990,112
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.	(166,505,041)
Deferred loss on refunding does not provide current financial resources and, therefore, is not reported in the funds.	1,249,197
GAAP requires the recognition of net pension liability and deferred flows of resources related to pensions. These amounts do not use current financial resources and are not reported in the funds.	
Net pension liability	(18,910,242)
Pension investment experience	(2,173,312)
Difference between expected and actual experience	(814,961)
Pension contributions after measurement date	5,489,894
Change in assumptions	5,895,501
	(10,513,120)

GAAP requires 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	489,908
Net other postemployment benefits liability	(5,732,022)
OPEB investment experience	(114,410)
Difference between expected and actual experience	198,416
GLI and HIC contributions after measurement date	417,139
Change in assumptions	201,781
Change in proportion	133,918
	(4,405,270)

Total net position of governmental activities	\$ 175,447,045
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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, 2020

Exhibit 4

	General	County Improvements	School Improvements	Debt Service	Total Governmental Funds
REVENUES					
Revenue from local sources:					
General property taxes	\$ 171,784,998	-	-	-	171,784,998
Other local taxes	37,772,270	-	-	-	37,772,270
Permits, privilege fees and regulatory licenses	2,296,678	-	-	-	2,296,678
Fines and forfeitures	863,633	-	-	-	863,633
Revenues from use of money and property	2,799,027	1,000,000	-	336,325	4,135,352
Charges for services	7,808,681	2,041,525	-	-	9,850,206
Miscellaneous	820,471	-	-	13,300	833,771
Recovered costs	4,007,506	185,945	-	-	4,193,451
Revenue from the Commonwealth	30,292,406	6,073,923	-	-	36,366,329
Revenue from the Federal government	4,952,082	7,056,612	-	66,259	12,074,953
Total revenues	263,397,752	16,358,005	-	415,884	280,171,641
EXPENDITURES					
General governmental administration	16,579,154	7,239,943	-	-	23,819,097
Judicial administration	6,829,972	-	-	-	6,829,972
Public safety	62,635,624	2,970,934	-	-	65,606,558
Public works	11,193,048	14,899,348	-	-	26,092,396
Human services	26,364,325	-	-	-	26,364,325
Parks, recreation and cultural	6,123,397	7,890,078	-	-	14,013,475
Community development	5,441,381	41,616	-	-	5,482,997
Education	85,931,936	-	3,404,742	-	89,336,678
Debt service:					
Principal retirement	-	-	-	13,855,812	13,855,812
Interest and fiscal charges	-	-	-	6,229,538	6,229,538
Debt issuance costs	-	-	-	309,924	309,924
Total expenditures	221,098,837	33,041,919	3,404,742	20,395,274	277,940,772
Excess (deficiency) of revenues over (under) expenditures	42,298,915	(16,683,914)	(3,404,742)	(19,979,390)	2,230,869
OTHER FINANCING SOURCES (USES)					
Transfers in	125,025	7,736,289	5,800,000	19,663,830	33,325,144
Transfers out	(33,629,563)	(125,025)	-	-	(33,754,588)
Issuance of general obligation bonds	-	11,231,195	-	143,805	11,375,000
Premium on general obligation bonds issued	-	1,668,805	-	-	1,668,805
Issuance of general obligation refunding bonds	-	-	-	14,980,000	14,980,000
Premium on general obligation refunding bonds	-	-	-	2,568,142	2,568,142
Payments to refunded bonds escrow agents	-	-	-	(17,347,582)	(17,347,582)
Total other financing sources (uses), net	(33,504,538)	20,511,264	5,800,000	20,008,195	12,814,921
Net change in fund balances	8,794,377	3,827,350	2,395,258	28,805	15,045,790
Total fund balances - beginning	56,739,698	34,817,153	4,032,865	521,034	96,110,750
Total fund balances - ending	\$ 65,534,075	38,644,503	6,428,123	549,839	111,156,540

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, 2020

Net change in fund balance - total governmental funds	\$ 15,045,790
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	23,304,108
Depreciation Expense	(16,802,210)
Tenancy in Common (see note IV. C.) - Under Virginia law, the County has a tenancy in common for School Board Component Unit capital assets for which the County is obligated to repay outstanding "on-behalf" bonds. Under the tenancy in common, the County reports the net book value of School Component Unit capital assets in the amount of the outstanding principal balance of "on-behalf" bonds at year end, net of unspent bond proceeds. This amount is the decrease in the net book value of School Board Component Unit capital assets reported by the County for the fiscal year, which resulted primarily from a decrease in school construction activity during the fiscal year, and results in a decrease in net position reported by the County (Primary Government) on the Statement of Activities.	(5,820,309)
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).	(122,163)
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	(30,591,947)
Repayment of Debt Principal	13,855,812
Payment to Refunded Bond Escrow Agent is an expenditure in the governmental funds, but the refunding reduces long-term debt in the Statement of Net Position.	17,347,582
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	1,394,607
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.	(412,063)
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.	207,947
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.	3,839,455
Change in net position of governmental activities	<u>\$ 21,246,609</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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final	Budget Basis	
REVENUES				
Revenue from local sources:				
General property taxes	\$ 169,303,000	169,303,000	171,784,998	2,481,998
Other local taxes	36,368,000	36,368,000	37,772,270	1,404,270
Permits, privilege fees and regulatory licenses	2,042,500	2,042,500	2,296,679	254,179
Fines and forfeitures	1,025,400	1,025,400	863,633	(161,767)
Revenues from use of money and property	1,090,150	1,090,150	2,799,027	1,708,877
Charges for services	8,448,444	8,489,444	7,808,681	(680,763)
Miscellaneous	1,192,692	885,677	820,471	(65,206)
Recovered costs	3,776,315	3,918,736	4,007,506	88,770
Revenue from the Commonwealth	29,619,664	30,235,852	30,292,406	56,554
Revenue from the Federal government	4,331,925	6,574,690	4,952,081	(1,622,609)
Total revenues	257,198,090	259,933,449	263,397,752	3,464,303
EXPENDITURES				
General governmental administration	16,809,336	17,594,959	16,692,773	902,186
Judicial administration	7,107,197	7,179,485	6,894,013	285,472
Public safety	64,437,089	66,493,982	63,104,547	3,389,435
Public works	11,501,506	12,082,315	11,336,137	746,178
Human services	26,814,219	28,152,046	26,422,932	1,729,114
Parks, recreation and cultural	6,794,731	6,797,894	6,123,397	674,497
Community development	5,902,066	6,645,350	5,478,909	1,166,441
Education	91,696,000	91,771,000	85,931,936	5,839,064
Nondepartmental	2,128,647	782,547	-	782,547
Total expenditures - budgetary basis	233,190,791	237,499,578	221,984,644	15,514,934
Less encumbrances at June 30, 2020	-	-	(885,807)	885,807
Total expenditures	233,190,791	237,499,578	221,098,837	16,400,741
Excess of revenues over expenditures	24,007,299	22,433,871	42,298,915	19,865,044
OTHER FINANCING SOURCES (USES)				
Transfers in	-	125,025	125,025	-
Transfers out	(33,924,274)	(34,102,563)	(33,629,563)	473,000
Total other financing uses, net	(33,924,274)	(33,977,538)	(33,504,538)	473,000
Net change in fund balance	(9,916,975)	(11,543,667)	8,794,377	20,338,044
Fund balances - beginning	9,916,975	56,739,698	56,739,698	-
Fund balances - ending	\$ -	45,196,031	65,534,075	20,338,044

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, 2020

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	\$ 33,196,351	261,153	33,457,504	16,189,176
Receivables (net of allowances for uncollectibles)	4,787,954	477,823	5,265,777	3,099,118
Total current assets	37,984,305	738,976	38,723,281	19,288,294
Noncurrent Assets:				
Pooled cash, cash equivalents and investments - restricted	3,998,811	35,400	4,034,211	-
Net other postemployment benefits asset - restricted	36,450	681	37,131	-
Capital assets:				
Land	6,452,771	4,770,169	11,222,940	-
Intangible assets	53,000,140	-	53,000,140	-
Buildings and system	79,382,708	5,970,832	85,353,540	-
Improvements other than buildings	235,432,250	14,330,966	249,763,216	-
Machinery and equipment	23,595,425	112,469	23,707,894	-
Construction in progress	10,676,844	3,350,654	14,027,498	-
Less accumulated depreciation	(188,766,120)	(7,942,727)	(196,708,847)	-
Total capital assets (net of accumulated depreciation)	219,774,018	20,592,363	240,366,381	-
Total noncurrent assets	223,809,279	20,628,444	244,437,723	-
Total assets	261,793,584	21,367,420	283,161,004	19,288,294
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	611,178	-	611,178	-
Deferred outflows relating to pension	885,517	16,721	902,238	-
Deferred outflows relating to other postemployment benefits	94,731	1,783	96,514	-
Total deferred outflows of resources	1,591,426	18,504	1,609,930	-
LIABILITIES				
Current Liabilities:				
Accounts payable	2,266,106	35,411	2,301,517	50,729
Incurred but not reported self-insurance claims	-	-	-	2,195,653
Accrued liabilities	683,885	5,866	689,751	112,759
Unearned revenues	-	35,400	35,400	-
Accrued bond interest	117,349	24,063	141,412	-
Advance premiums	-	-	-	939,041
Current portion of bonds payable	1,363,369	143,089	1,506,458	-
Current portion of compensated absences	610,961	9,918	620,879	-
Current portion of support agreement	60,000	-	60,000	-
Total current liabilities	5,101,670	253,747	5,355,417	3,298,182
Noncurrent Liabilities:				
Bonds payable	10,017,359	3,069,186	13,086,545	-
Compensated absences	200,203	8,540	208,743	-
Deposits	492,408	-	492,408	-
Capacity fee credits	886,555	-	886,555	-
Support agreement	190,000	-	190,000	-
Net pension liability	1,406,944	26,277	1,433,221	-
Net other postemployment benefits liability	426,469	7,965	434,434	-
Total noncurrent liabilities	13,619,938	3,111,968	16,731,906	-
Total liabilities	18,721,608	3,365,715	22,087,323	3,298,182
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues	19,654	-	19,654	-
Deferred inflows relating to pension	260,904	4,873	265,777	-
Deferred inflows relating to other postemployment benefits	32,480	607	33,087	-
Total deferred inflows of resources	313,038	5,480	318,518	-
NET POSITION				
Net investment in capital assets	207,867,913	17,380,088	225,248,001	-
Restricted for debt covenants	3,998,811	27,768	4,026,579	-
Restricted for other postemployment benefits	36,450	681	37,131	-
Unrestricted	32,447,190	606,192	33,053,382	15,990,112
Total net position	\$ 244,350,364	18,014,729	262,365,093	15,990,112

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, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Public Utilities	Non-major Airport	Total	
OPERATING REVENUES				
Revenue from use of money and property	\$ -	262,424	262,424	-
Charges for services	26,171,131	-	26,171,131	43,214,517
Capacity fees	424,913	-	424,913	-
Recovered costs	-	24,255	24,255	397,569
Miscellaneous	407,463	-	407,463	-
Categorical federal aid	-	30,000	30,000	-
Total operating revenues	27,003,507	316,679	27,320,186	43,612,086
OPERATING EXPENSES				
Personnel services	5,084,093	90,162	5,174,255	64,354
Fringe benefits	1,690,191	25,694	1,715,885	21,514
Health care claims and benefits	-	-	-	39,522,754
Contractual services	6,449,709	42,012	6,491,721	60,640
Internal services	1,491,000	-	1,491,000	-
Other charges	3,735,460	17,667	3,753,127	437,415
Depreciation	10,386,357	640,295	11,026,652	-
Total operating expenses	28,836,810	815,830	29,652,640	40,106,677
Operating income (loss)	(1,833,303)	(499,151)	(2,332,454)	3,505,409
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues:				
Capacity fees - nonoperating	6,134,146	-	6,134,146	-
Interest income	983,786	-	983,786	334,046
Total nonoperating revenues	7,117,932	-	7,117,932	334,046
Nonoperating expenses:				
Interest expense and fiscal charges	400,060	47,860	447,920	-
Total nonoperating expenses	400,060	47,860	447,920	-
Net nonoperating revenues (expenses)	6,717,872	(47,860)	6,670,012	334,046
Income (loss) before capital contributions and transfers	4,884,569	(547,011)	4,337,558	3,839,455
Capital contributions	5,791,318	271,218	6,062,536	-
Transfers in	-	429,444	429,444	-
Change in fund net position	10,675,887	153,651	10,829,538	3,839,455
Total fund net position - beginning	233,674,477	17,861,078	251,535,555	12,150,657
Total fund net position - ending	\$ 244,350,364	18,014,729	262,365,093	15,990,112

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, 2020

	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	\$ 27,517,310	235,396	27,752,706	-
Receipts from interfund services provided	-	-	-	43,241,816
Receipts from Federal operating grants	-	30,000	30,000	-
Miscellaneous receipts	-	24,255	24,255	-
Payments to suppliers and service providers	(12,752,726)	(51,217)	(12,803,943)	(60,640)
Payments to employees	(4,955,780)	(114,103)	(5,069,883)	(85,868)
Claims and benefits paid	-	-	-	(40,647,628)
Net cash provided by operating activities	9,808,804	124,331	9,933,135	2,447,680
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	429,444	429,444	-
Net cash provided by noncapital financing activities	-	429,444	429,444	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Revenue bonds issued	-	2,323,575	2,323,575	-
Intergovernmental revenue received - capital grants	-	154,890	154,890	-
Capacity fees received	5,504,185	-	5,504,185	-
Acquisition and construction of capital assets	(9,543,464)	(2,711,736)	(12,255,200)	-
Payments on revolving fund loan	-	(32,314)	(32,314)	-
Principal payments on revenue bonds and support agreement debt	(1,211,830)	(95,190)	(1,307,020)	-
Interest payments on revenue bonds	(507,666)	(48,787)	(556,453)	-
Net cash used in capital and related financing activities	(5,758,775)	(409,562)	(6,168,337)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	983,786	-	983,786	334,046
Net cash provided by investing activities	983,786	-	983,786	334,046
Net increase in cash and cash equivalents	5,033,815	144,213	5,178,028	2,781,726
Pooled cash, cash equivalents and investments at beginning of year	32,161,347	152,340	32,313,687	13,407,450
Pooled cash, cash equivalents and investments at end of year	\$ 37,195,162	296,553	37,491,715	16,189,176
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (1,833,303)	(499,151)	(2,332,454)	3,505,409
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	10,386,357	640,295	11,026,652	-
Pension expense	31,075	48	31,123	-
Other postemployment benefits expense	(15,336)	(460)	(15,796)	-
(Increase) decrease in:				
Receivables	508,315	(27,028)	481,287	(159,422)
Prepays	-	-	-	2,703
Increase (decrease) in:				
Customer deposits	3,855	-	3,855	-
Accounts payable	597,891	8,462	606,353	(69,462)
Incurred but not reported self-insurance claims	-	-	-	(666,228)
Accrued liabilities	106,886	1,723	108,609	45,528
Advance premiums	-	-	-	(210,848)
Compensated absences	21,431	442	21,873	-
Deferred revenues	1,633	-	1,633	-
Total adjustments	11,642,107	623,482	12,265,589	(1,057,729)
Net cash provided by operating activities	\$ 9,808,804	124,331	9,933,135	2,447,680
Noncash investing, capital, and financing activities:				
Capital contributions	\$ 5,791,318	271,218	6,062,536	-

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, 2020

	Retiree Medical Benefits Trust	Agency Funds
ASSETS		
Pooled cash, cash equivalents and investments	\$ 1,336	6,831,588
Receivables	2,342	1,105,713
Investments, at fair value (mutual funds):		
Money market	27,094	-
Domestic equity	2,417,480	-
International equity	1,166,408	-
Fixed income	2,033,802	-
Other	120,362	-
Total assets	<u>5,768,824</u>	<u>7,937,301</u>
LIABILITIES		
Accounts payable	-	386,096
Accrued liabilities	-	1,200,940
Deposits	-	6,350,265
Total liabilities	<u>-</u>	<u>7,937,301</u>
FIDUCIARY NET POSITION		
Net position restricted for other postemployment benefits	<u>\$ 5,768,824</u>	

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

COUNTY OF HANOVER, VIRGINIA
Retiree Medical Benefits Trust Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

Exhibit 11

	Retiree Medical Benefits Trust
ADDITIONS	
Contributions:	
Employer	\$ 8,000
Plan members	1,278,647
Total contributions	<u>1,286,647</u>
Investment earnings	327,993
Total additions	<u>1,614,640</u>
DEDUCTIONS	
Trust withdrawal	270,196
Benefits	1,278,646
Total deductions	<u>1,548,842</u>
Net increase in fiduciary net position	65,798
Net position restricted for other postemployment benefits	
Beginning	5,703,026
Ending	<u><u>\$ 5,768,824</u></u>

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2020

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, 2020

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

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

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

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

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

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

Other items associated with the current fiscal period, including other local taxes, licenses, certain charges for services, interest associated with the current fiscal period and direct Federal interest subsidies on bonded indebtedness for which applications have been timely submitted are all considered to be susceptible to

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2020

accrual and so are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available and are recorded as revenues when cash is received.

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

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

Additionally, the County reports the following fund categories:

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

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

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

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

D. Assets, liabilities, and net position or equity

1. Deposits and investments

The County and its component units follow the practice of pooling cash and investments of all funds with the County Treasurer, except for certain restricted cash and investments held by outside custodians in order to comply with the provisions of bond indentures and the investments of the Retiree Medical Benefits Trust (Trust) held by the Trust's Finance Board. Investments are reported at fair value, based on quoted market prices at year end. As of June 30, 2020, the pooled cash and investments have been allocated between the County and the respective component units and Trust based upon their respective ownership percentages.

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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, 2019, and the first installment (June 5) of the levy on assessed value at January 1, 2020.

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 2019 tax bills, payable in fiscal year 2020, 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.

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

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of the County's discretely presented School Board Component Unit are valued at cost using the FIFO method.

4. *Restricted assets*

In accordance with applicable bond covenants, governmental and business-type activities report restricted cash, cash equivalents and investments at June 30, 2020 of \$16,819,094, which consists of unspent bond proceeds, and accumulated interest of \$12,784,883 restricted for capital projects in the School and County Improvements Funds. Business-type activities report restricted cash, cash equivalents and investments of \$4,034,211 maintained as reserves required by water and sewer revenue bond covenants.

5. *Capital assets*

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

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

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

The estimated useful lives of capital assets are as follows:

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

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7. Long-term obligations

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

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

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

8. Net position / Fund balances

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

Fund balances in governmental funds are classified as follows:

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

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

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

Assigned fund balance – Consists of amounts which the County intends to use for specific purposes, but which are neither restricted nor committed as previously defined. The County's Fund Balance Policy adopted by the Board delegates the authority to assign fund balances for specific purposes to the County

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Administrator. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County. For all other governmental funds, any positive residual fund balances that are neither nonspendable, restricted or committed are considered to be assigned for the purposes of the respective funds. Therefore, with the exception of the General Fund, assigned fund balance is the residual fund balance classification for all governmental funds with positive balances.

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

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

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

9. Deferred Outflows/Inflows of Resources

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

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

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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.

14. New Accounting Pronouncements

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The County adopted this statement in the fiscal year ending June 30, 2020 in accompanying notes to the financial statements related to the adoption of Statements.

15. Future Accounting Pronouncements

In January 2017, GASB issues statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary

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activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The County will analyze the impact on the reporting entity's financial statements and disclosures and will adopt this Statement for the fiscal year ending June 30, 2021 upon adoption of Statement No. 95 in the fiscal year ending June 30, 2020.

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

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The County will analyze the Statement's impact on the entity's financial statements and disclosures for potential adoption in the fiscal year ending June 30, 2021 upon adoption of Statement No. 95 in the fiscal year ending June 30, 2020.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional

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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 upon adoption of Statement No. 95 in the fiscal year ending June 30, 2020.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The County will analyze the Statement's impact on the entity's financial statements and disclosures for potential adoption in the fiscal year ending June 30, 2021 upon adoption of Statement No. 95 in the fiscal year ending June 30, 2020.

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 upon adoption of Statement No. 95 in the fiscal year ending June 30, 2020.

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

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

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

Bonds payable, net	\$ 146,871,575
Accrued bond interest	2,265,873
Capital lease obligations	4,019,105
Support agreement payable	1,713,518
Compensated absences	10,011,603
Liability for landfill closure and postclosure costs	<u>1,623,367</u>
Net adjustment to reduce total fund balances - total governmental funds to arrive at net position - governmental activities	<u>\$ 166,505,041</u>

B. Explanation of certain differences between the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances, and the government-wide Statement of Activities.

The governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between the *net change in fund balance - total governmental funds* and the *change in net position of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation states that "Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	\$ 76,563
Liability for landfill closure and postclosure costs	81,754
Accrued interest	258,465
Amortization of bond premiums	1,219,486
Amortization of deferred loss on refunding	<u>(241,661)</u>
Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net position of governmental activities	<u>\$ 1,394,607</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.

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

IV. Detailed notes on all funds

A. Deposits and investments

As of June 30, 2020, the reporting entity's pooled cash and investments includes \$16,896,184 reported by the School Board Component Unit, \$390,952 reported by the Economic Development Authority and \$6,831,588 held on behalf of agency funds. Total pooled cash and investments for the reporting entity and amounts separately invested by the Retiree Medical Benefits Trust's Finance Board, were as follows:

Investment Type	Fair Value	Credit Quality Rating				
		AAA/AAAm	AA	A	N/R	N/A
Pooled Investments:						
Cash on hand	4,225	-	-	-	-	4,225
Cash deposits	51,450,353	-	-	-	-	51,450,353
Demand and time deposits	4,239,512	-	1,322,842	2,417,214	-	499,456
Money market mutual funds (AAAm rating)	18,131,143	18,131,143	-	-	-	-
U.S. government and agency bonds	53,257,726	2,302,346	50,955,380	-	-	-
Corporate notes and bonds	8,898,089	-	8,898,089	-	-	-
Commercial paper	664,158	-	-	664,158	-	-
LGIP Funds	54,629,984	54,629,984	-	-	-	-
Total pooled deposits and investments	\$ 191,275,190	75,063,473	61,176,311	3,081,372	-	51,954,034

Retiree Medical Benefits Trust:	Fair Value	Fund Credit Quality Rating		
		AAAm	N/R	N/A
Cash deposits	\$ 1,336	-	-	1,336
Mutual funds:				
Money market	27,094	27,094	-	-
Domestic equity	2,417,480	-	-	2,417,480
International equity	1,166,408	-	-	1,166,408
Fixed income	2,033,802	-	-	2,033,802
Other	120,362	-	-	120,362
Total trust investments	\$ 5,766,482	27,094	-	5,739,388

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.

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

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

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

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

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

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

The target asset classes and asset weightings are as follows:

Trust Asset Class	Fair Value	Trust Asset Weightings		
		Range	Target	Actual
Liquidity assets:				
Cash equivalent	\$ 27,094	0 - 100%	100%	100%
Investment assets:				
Domestic equity	2,417,480	26 - 46%	36%	42%
International equity	1,166,408	13 - 33%	20%	20%
REITs	-	0 - 12%	6%	0%
Inflation hedged	-	0 - 10%	0%	0%
Fixed income	2,033,802	20 - 60%	35%	36%
Other - Growth	120,362	0 - 20%	3%	2%
Total investment assets	5,738,052		100%	100%
Total trust investments	\$ 5,765,146			

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
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As of June 30, 2020, 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	\$ 4,225	4,225	-	-
Cash deposits	51,450,353	51,450,353	-	-
Demand and time deposits	4,239,512	2,916,670	1,322,842	-
Money market mutual funds	18,131,143	18,131,143	-	-
U.S. Government and agency bonds	53,257,726	-	53,257,726	-
Corporate notes and bonds	8,898,089	1,619,602	7,278,487	-
Commercial paper	664,158	664,158	-	-
LGIP Funds	54,629,984	54,629,984	-	-
Total pooled deposits and investments	<u>\$ 191,275,190</u>	<u>129,416,135</u>	<u>61,859,055</u>	<u>-</u>

Retiree Medical Benefits Trust:	Fair Value	Investment Maturities (in Years)	
		Less than 1	More than 1
Cash deposits	\$ 1,336	1,336	-
Money market mutual fund	27,094	27,094	-
Fixed income	2,033,802	2,033,802	-
Domestic equity	2,417,480	2,417,480	-
International equity	1,166,408	1,166,408	-
Other - Growth	120,362	120,362	-
Total trust deposits and investments	<u>\$ 5,766,482</u>	<u>5,766,482</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, 2020 were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization. Deposits and investments not exposed to credit quality risk, as defined by GAAP, are designated as not applicable (N/A) in the credit rating column, and those that are not rated are designated as N/R.

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

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

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

As of June 30, 2020, the only issuer exceeding five percent of the pooled investments was the U.S. Treasury, which represented nineteen 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, 2020 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, 2020, 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, 2020.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2020

Fair Value Hierarchy Disclosure: The following tables present investments at fair value on a recurring basis in accordance with GAAP at June 30, 2020:

		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	\$ 30,373,034	-	30,373,034	-
U.S. agency securities	22,884,692	-	22,884,692	-
Corporate notes and bonds	8,898,089	-	8,898,089	-
Total investments by fair value	\$ 62,155,815	-	62,155,815	-
Investments measured at amortized cost				
Demand and time deposits	\$ 4,239,512			
Money market mutual funds	18,131,143			
Commercial paper	664,158			
LGIP funds	54,629,984			
Total investments by amortized cost	\$ 77,664,797			
Cash				
Cash on hand	\$ 4,225			
Cash deposits	51,450,353			
Total cash	\$ 51,454,578			
Total pooled deposits and investments	\$ 191,275,190			

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Retiree Medical Benefits Trust:	Total			
Investments by fair value level				
Fixed income	\$ 2,033,802	-	2,033,802	-
Domestic equity	2,417,480	-	2,417,480	-
International equity	1,166,408	-	1,166,408	-
Other - Growth	120,362	-	120,362	-
Total investments by fair value	\$ 5,738,052	-	5,738,052	-
Investments measured at amortized cost				
Money market mutual fund	\$ 27,094			
Cash				
Cash deposits	\$ 1,336			
Total pooled deposits and investments	\$ 5,766,482			

COUNTY OF HANOVER
Notes to Financial Statements
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B. Receivables

Receivables and allowances for uncollectible receivables of Governmental Funds, Proprietary Funds and the School Component Unit at June 30, 2020, are as follows:

	Governmental Funds			Proprietary Funds				School Component Unit
	General Fund	County Improvements Fund	Total Governmental Funds	Public Utilities	Airport Fund	Internal Service Fund	Total Proprietary Funds	
Receivables:								
Interest	\$ 378,281	-	378,281	-	-	-	-	-
Taxes	70,072,874	-	70,072,874	-	-	-	-	-
Accounts	2,338,843	-	2,338,843	5,117,069	29,258	3,099,118	8,245,445	38,462
Commonwealth of Virginia	6,988,393	2,552,068	9,540,461	-	275,921	-	275,921	3,252,854
Federal government	789,413	1,713,597	2,503,010	-	172,644	-	172,644	1,327,756
Gross receivables	80,567,804	4,265,665	84,833,469	5,117,069	477,823	3,099,118	8,694,010	4,619,072
Allowance for uncollectibles	(1,663,060)	-	(1,663,060)	(329,115)	-	-	(329,115)	-
Net total receivables	\$ 78,904,744	4,265,665	83,170,409	4,787,954	477,823	3,099,118	8,364,895	4,619,072

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 2020 real property tax levy, due on October 5, 2020, are reported as *deferred inflows of resources* at June 30, 2020 in the government-wide financial statements and in the governmental fund financial statements. At June 30, 2020, 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	\$ 62,623,518	-	62,623,518	-
Prepaid taxes	1,347,560	-	1,347,560	-
Past due taxes (net of allowance for uncollectibles)	5,043,000	-	-	-
CARES Act funding	-	8,203,791	-	8,203,791
EMS transport fees	-	45,468	-	-
Parks and Recreation programs	-	14,225	-	14,225
Advance health insurance premiums - Self Insurance Fund	-	-	-	939,041
Total deferred/unearned revenues - Primary Government	\$ 69,014,078	8,263,484	63,971,078	9,157,057

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2020

C. Capital assets

Capital asset activity for the Primary Government for the year ended June 30, 2020 was as follows:

Primary Government				
	Balance July 1	Increases	Decreases	Balance June 30
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,850,563	-	-	9,850,563
Intangible assets	2,321,437	856,162	-	3,177,599
Construction in progress	3,406,455	17,211,594	(3,272,613)	17,345,436
Total capital assets, not being depreciated	15,578,455	18,067,756	(3,272,613)	30,373,598
Capital assets, being depreciated:				
Buildings	239,738,372	-	(11,794,095)	227,944,277
Improvements other than buildings	24,436,665	560,977	-	24,997,642
Machinery and equipment	98,258,494	5,223,125	(2,083,297)	101,398,322
Infrastructure	37,305,204	2,724,863	-	40,030,067
Total capital assets, being depreciated	399,738,735	8,508,965	(13,877,392)	394,370,308
Less accumulated depreciation for:				
Buildings	(105,266,641)	(5,969,549)	5,973,786	(105,262,403)
Improvements other than buildings	(9,551,112)	(1,053,565)	-	(10,604,677)
Machinery and equipment	(54,753,729)	(8,666,251)	1,741,899	(61,678,081)
Infrastructure	(23,170,770)	(1,112,845)	-	(24,283,615)
Total accumulated depreciation	(192,742,252)	(16,802,210)	7,715,685	(201,828,776)
Total capital assets, being depreciated, net	206,996,483	(8,293,245)	(6,161,706)	192,541,532
Governmental activities' capital assets, net	\$ 222,574,938	9,774,510	(9,434,319)	222,915,130
Business-type activities:				
Public Utilities:				
Capital assets, not being depreciated:				
Land	\$ 6,452,771	-	-	6,452,771
Construction in progress	6,654,713	9,149,396	(5,127,265)	10,676,844
Total capital assets, not being depreciated	13,107,484	9,149,396	(5,127,265)	17,129,615
Capital assets, being depreciated:				
Buildings	79,341,849	40,859	-	79,382,708
Improvements other than buildings	226,582,902	8,849,348	-	235,432,250
Intangible assets	52,287,741	712,399	-	53,000,140
Machinery and equipment	21,837,919	1,786,009	(28,503)	23,595,425
Total capital assets, being depreciated	380,050,411	11,388,615	(28,503)	391,410,523
Less accumulated depreciation for:				
Buildings	(39,004,737)	(1,992,938)	-	(40,997,675)
Improvements other than buildings	(111,178,889)	(5,701,416)	-	(116,880,305)
Intangible assets	(17,755,222)	(1,374,561)	-	(19,129,783)
Machinery and equipment	(10,469,418)	(1,317,442)	28,503	(11,758,357)
Total accumulated depreciation	(178,408,266)	(10,386,357)	28,503	(188,766,120)
Total capital assets, being depreciated, net	201,642,145	1,002,258	-	202,644,403
Public Utilities' capital assets, net	\$ 214,749,629	10,151,654	(5,127,265)	219,774,018

COUNTY OF HANOVER
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	Balance July 1	Increases	Decreases	Balance June 30
Airport Fund:				
Capital assets, not being depreciated:				
Land	\$ 4,770,169	-	-	4,770,169
Construction in progress	3,119,311	2,533,038	(2,301,695)	3,350,654
Total capital assets, not being depreciated	7,889,480	2,533,038	(2,301,695)	8,120,823
Capital assets, being depreciated:				
Buildings	3,669,137	2,301,695	-	5,970,832
Improvements other than buildings	14,330,966	-	-	14,330,966
Machinery and equipment	112,469	-	-	112,469
Total capital assets, being depreciated	18,112,572	2,301,695	-	20,414,267
Less accumulated depreciation for:				
Buildings	(1,396,614)	(122,878)	-	(1,519,492)
Improvements other than buildings	(5,868,579)	(500,624)	-	(6,369,203)
Machinery and equipment	(37,239)	(16,793)	-	(54,032)
Total accumulated depreciation	(7,302,432)	(640,295)	-	(7,942,727)
Total capital assets, being depreciated, net	10,810,140	1,661,400	-	12,471,540
Airport capital assets, net	\$ 18,699,620	4,194,438	(2,301,695)	20,592,363
Total Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 11,222,940	-	-	11,222,940
Construction in progress	9,774,024	11,682,434	(7,428,960)	14,027,498
Total capital assets, not being depreciated	20,996,964	11,682,434	(7,428,960)	25,250,438
Capital assets, being depreciated:				
Buildings	83,010,986	2,342,554	-	85,353,540
Improvements other than buildings	240,913,868	8,849,348	-	249,763,216
Intangible assets	52,287,741	712,399	-	53,000,140
Machinery and equipment	21,950,388	1,786,009	(28,503)	23,707,894
Total capital assets, being depreciated	398,162,983	13,690,310	(28,503)	411,824,790
Less accumulated depreciation for:				
Buildings	(40,401,351)	(2,115,816)	-	(42,517,167)
Improvements other than buildings	(117,047,468)	(6,202,040)	-	(123,249,508)
Intangible assets	(17,755,222)	(1,374,561)	-	(19,129,783)
Machinery and equipment	(10,506,657)	(1,334,235)	28,503	(11,812,389)
Total accumulated depreciation	(185,710,698)	(11,026,652)	28,503	(196,708,847)
Total capital assets, being depreciated, net	212,452,285	2,663,658	-	215,115,943
Business-type activities' capital assets, net	233,449,249	14,346,092	(7,428,960)	240,366,381
Total capital assets, net - Primary Government	\$ 456,024,187	24,120,603	(16,863,279)	463,281,511

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2020

Capital assets activity for the School Board Component Unit for the year ended June 30, 2020 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	215,669	1,900,956	(1,931,747)	-	184,878
Total capital assets, not being depreciated	7,616,351	1,900,956	(1,931,747)	-	7,585,560
Capital assets, being depreciated:					
Buildings	162,537,988	-	-	11,794,095	174,332,083
Improvements other than buildings	26,794,314	770,039	-	-	27,564,353
Machinery and equipment	32,194,441	1,876,129	(730,673)	-	33,339,897
Total capital assets, being depreciated	221,526,743	2,646,168	(730,673)	11,794,095	235,236,333
Less accumulated depreciation for:					
Buildings	(82,326,558)	(4,829,749)	-	(5,973,786)	(93,130,093)
Improvements other than buildings	(5,699,569)	(1,327,703)	-	-	(7,027,272)
Machinery and equipment	(23,297,906)	(1,884,447)	436,639	-	(24,745,714)
Total accumulated depreciation	(111,324,033)	(8,041,899)	436,639	(5,973,786)	(124,903,079)
Total capital assets, being depreciated, net	110,202,710	(5,395,731)	(294,034)	5,820,309	110,333,254
School Board Component Unit capital assets, net	\$ 117,819,061	(3,494,775)	(2,225,781)	5,820,309	117,918,814

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

Primary Government:

Governmental activities:

General governmental administration	\$ 1,539,719
Judicial administration	1,454,768
Public safety	6,221,911
Public works	2,247,979
Human services	199,179
Parks, recreation and cultural	596,289
Community development	197,714
Education	4,344,651
Total - governmental activities	<u>16,802,210</u>

Business-type activities:

Public Utilities	10,386,357
Airport	640,295
Total depreciation expense - business-type activities	<u>11,026,652</u>
Total depreciation expense - Primary Government	<u>\$ 27,828,862</u>

School Board Component Unit:

Education	\$ 8,041,899
Total depreciation expense - School Board Component Unit	<u>\$ 8,041,899</u>

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, 2020, the County had outstanding financial obligations related to the acquisition and construction of school property totaling \$61,873,413. Accordingly, school buildings and equipment with a net book value of that

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2020

amount are reported in the governmental activities of the Primary Government at June 30, 2020. During fiscal year 2020, the County's financial obligations related to school buildings and equipment decreased by a net amount of \$10,164,959, and accordingly, the net book value of school buildings and equipment reported by the Primary Government decreased, and the net book value of buildings and equipment reported by the School Board Component Unit increased by the same amount. Depreciation expense on school buildings and equipment is allocated to the Primary Government and the School Board Component Unit in proportion to the relative cost of the buildings reported by each entity. Accordingly, depreciation of School Board Component Unit capital assets totaled \$12,386,550 in fiscal year 2020, of which \$4,344,651 is reported by the Primary Government and \$8,041,899 is reported by the School Component Unit.

D. Interfund transfers

The primary purpose of interfund transfers is to provide funding for operations and capital projects. Transfers from the General Fund are to move funds that are collected in the General Fund to the County and School Improvements Funds to finance capital projects. General Fund transfers to the Debt Service Fund are to fund annual debt service payments on County and School obligations. General Fund transfers to the Airport Fund are to finance capital projects and support operations. Interfund transfers for the year ended June 30, 2020 are as follows:

Primary Government	Transfers In	Transfers Out
General Fund	\$ 125,025	33,629,563
County Improvements Fund	7,736,289	125,025
School Improvements Fund	5,800,000	-
Debt Service Fund	19,663,830	-
Airport Fund	429,444	-
Total Primary Government	\$ 33,754,588	33,754,588

E. Unearned revenues

In June 2020, the County received approximately \$9,402,000 in Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding from the State of Virginia. The CARES Act cites that the County must use the funding as directed for COVID-19 preventative and recovery measures through December 30, 2020.

The County has reported unearned revenues of \$9,157,057 on the Statement of Net Position as of June 30, 2020. Of this amount, \$953,266 is related to revenues received in June 2020 to be recognized for activity occurring in July 2020. The remaining \$8,203,791 is related to the CARES Act.

Of the CARES Act funds received, the County recognized \$511,360 in qualifying expenditures through June 30, 2020, including \$91,693 spent by the Town of Ashland. Additionally, \$300,000 was transferred to the Economic Development Authority for its use in small-business recovery efforts as noted on the related Balance Sheet - Exhibit 24 and \$388,250 has been transferred to the School Board for their use and is included within unearned revenues on the related Balance Sheet - Exhibit 19.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2020

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, 2020:

	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	\$ 87,974,629	14,980,000	28,266,952	74,687,677	9,492,465
Premium	5,696,127	2,568,142	1,328,436	6,935,833	810,066
Infrastructure and state moral obligation bonds payable:					
Principal amount of bonds payable	50,470,000	11,375,000	1,385,000	60,460,000	1,985,000
Premium	3,306,786	1,668,805	187,526	4,788,065	229,246
Total bonds payable	147,447,542	30,591,947	31,167,914	146,871,575	12,516,777
Capital lease obligations	4,955,594	-	936,489	4,019,105	934,113
Compensated absences	10,088,163	7,790,446	7,867,006	10,011,603	7,826,278
Liability for landfill closure	1,705,121	-	81,754	1,623,367	81,754
Support agreement	2,001,370	-	287,852	1,713,518	222,852
Net pension liability	10,305,904	12,499,589	3,895,251	18,910,242	-
Net other postemployment benefits liability	5,328,246	788,738	384,962	5,732,022	-
Total governmental activities	181,831,940	51,670,720	44,621,228	188,881,432	21,581,774
Business-type activities:					
Public Utilities:					
Water and sewer revenue bonds payable:					
Principal amount of bonds payable	11,291,373	-	1,151,830	10,139,543	1,201,831
Premium	1,402,723	-	161,538	1,241,185	161,538
Total bonds payable	12,694,096	-	1,313,368	11,380,728	1,363,369
Compensated absences	789,734	616,251	594,821	811,164	610,961
Deposits	488,553	275,656	271,801	492,408	-
Capacity fee credits	1,412,105	211,532	737,083	886,554	-
Support agreement	310,000	-	60,000	250,000	60,000
Net pension liability	766,492	895,402	254,950	1,406,944	-
Net other postemployment benefits liability	396,283	58,683	28,497	426,469	-
Total Public Utilities	16,857,263	2,057,524	3,260,520	15,654,267	2,034,330
Airport Fund:					
VRA airport revenue bond payable	983,890	2,323,575	95,190	3,212,275	143,089
Virginia airport revolving fund loan	32,314	-	32,314	-	-
Compensated absences	18,016	10,123	9,681	18,458	9,918
Net pension liability	14,673	16,723	5,119	26,277	-
Net other postemployment benefits liability	7,586	1,096	717	7,965	-
Total Airport Fund	1,056,479	2,351,517	143,021	3,264,975	153,007
Total business-type activities	17,913,742	4,409,041	3,403,541	18,919,242	2,187,337
Total Business-type activities:					
Revenue bonds payable:					
Principal amount of bonds payable	12,275,263	2,323,575	1,247,020	13,351,818	1,344,920
Premium	1,402,723	-	161,538	1,241,185	161,538
Total bonds payable	13,677,986	2,323,575	1,408,558	14,593,003	1,506,458
Virginia airport revolving fund loan	32,314	-	32,314	-	-
Compensated absences	807,750	626,374	604,502	829,622	620,879
Deposits	488,553	275,656	271,801	492,408	-
Capacity fee credits	1,412,105	211,532	737,083	886,554	-
Support agreement	310,000	-	60,000	250,000	60,000
Net pension liability	781,165	912,125	260,069	1,433,221	-
Net other postemployment benefits liability	403,869	59,779	29,214	434,434	-
Total business-type activities	17,913,742	4,409,041	3,403,541	18,919,242	2,187,337
Total noncurrent liabilities - Primary Government	\$ 199,745,682	56,079,761	48,024,769	207,800,674	23,769,111
School Board Component Unit					
Compensated absences	\$ 6,306,585	6,352,172	5,936,285	6,722,472	6,327,753
Net pension liability	147,770,000	15,791,930	917,047	162,644,883	-
Net other postemployment benefits liability	24,445,000	2,655,972	1,945,806	25,155,166	-
Total noncurrent liabilities - School Board Component Unit	\$ 178,521,585	24,800,074	8,799,138	194,522,521	6,327,753

COUNTY OF HANOVER
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June 30, 2020

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 \$1,623,367 reported as landfill closure and post closure care liability at June 30, 2020 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 2020. 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 2020 was \$13,300 and the total credit savings from this refunding transaction total \$220,594.

On October 17, 2019, the primary government issued \$14,980,000 of Series 2019 General Obligation Refunding Bonds (Series 2019 Bonds) with an interest rate of 5.0 percent. The Series 2019 Bonds were issued to advance refund existing bonds. The Series 2019 Bonds were issued to refund \$2,855,000 of Series 2009 bonds which had an interest rate of 5.0%, and \$14,125,000 of Series 2010B bonds which had interest rates between 4.73% and 6.015%. The refunding net proceeds of \$17,347,582 were used to purchase full faith and credit U.S. Government securities which were deposited in an irrevocable escrow account to provide the resources to pay all principal and interest on the refunded bonds when due from the date of issuance of the Series 2015 Bonds and to redeem the 2009 bonds on November 18, 2019, and the 2010B bonds on January 15, 2020. The reacquisition price exceeded the net carrying amount of the refunded bonds by \$213,212, and this amount is being amortized over the remaining life of the refunded bonds.

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 \$12.8 million as of June 30, 2020, 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, 2020 of approximately \$12.8 million annually, it is estimated that approximately 8.0 percent of future Utility Net Available Revenues are pledged through fiscal 2032, and will expire in that fiscal year with the final maturity of the current Bonds. However, future water and sewer revenue bonds, which may be issued to finance future utility improvements, will likely contain similar pledges, and future annual Net Available Revenues may differ significantly from the average used in this estimate. In the event of default, the lender may provide prompt, written notice declaring the entire unpaid balance as due and payable. The lender also has the option of applying to the State Aid Intercept Program and request that the Commonwealth withholds its payments to the County to be applied to the defaulted amount as a cure for nonpayment. During fiscal year 2020, pledged Net Available Revenues totaled \$15,670,985 and the water and sewer revenue bond debt service requirement was \$1,611,890.

The County has also pledged future lease rental income from the airport’s fixed base operator (FBO), or successor FBOs, is \$1,079,827 as of June 30, 2020, 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 2020, pledged rental receipts totaled \$205,267 and the debt service requirement was \$141,559.

The following is a schedule, by year, of total minimum lease payments under direct financing leases as of June 30, 2020:

Fiscal Year	Future Minimum Lease Payments
2021	\$ 143,977
2022	143,977
2023	143,977
2024	143,977
2025	143,977
2026-2030	359,942
Total minimum lease payments	<u>\$ 1,079,827</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 \$3,172,268 as of June 30, 2020, 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 2020, pledged rental receipts totaled \$29,257 and the debt service requirement was \$1,490.

The following is a schedule, by year, of total minimum lease payments under direct financing leases as of June 30, 2020:

Fiscal Year	Future Minimum Lease Payments
2021	\$ 88,986
2022	162,278
2023	162,278
2024	162,278
2025	162,278
2026-2030	811,390
2031-2035	811,390
2036-2040	811,390
Total minimum lease payments	<u>3,172,268</u>

County General Obligation Bonds and Revenue Bonds

Outstanding general obligation bonds and revenue bonds as of June 30, 2020 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	\$ 3,023,327
Series 2015 Refunding	2.00 - 5.00	03-19-15	11,199,110	9,380,310
Series 2019 Refunding	5.00	10-17-19	7,415,100	7,397,775
Total general obligation bonds - County				<u>19,801,412</u>
Schools:				
Series 2011A Public Improvement	2.00 - 5.25	01-20-11	1,048,000	276,673
Series 2011A Refunding	2.00 - 5.25	01-20-11	5,340,000	3,200,000
Series 2015 Refunding	2.00 - 5.00	03-19-15	9,335,890	7,819,690
Series 2019 Refunding	5.00	10-17-19	7,564,900	7,547,225
VPSA Series 2005A	3.10 - 5.10	05-12-05	16,105,000	4,830,000
VPSA Series 2005B	4.60 - 5.10	11-10-05	6,995,000	2,095,000
VPSA Series 2005C	4.60 - 5.10	11-10-05	6,967,658	2,201,445
VPSA Series 2007	4.35 - 5.10	11-08-07	13,838,206	5,781,232
VPSA Series 2011B	2.05 - 5.05	11-09-11	5,855,000	3,495,000
VPSA Series 2014A	2.68 - 5.05	05-15-14	1,895,000	1,560,000
VPSA Series 2015B	2.05 - 5.05	05-14-15	4,470,000	3,875,000
VPSA Series 2016B	2.80 - 5.05	11-01-16	9,140,000	7,760,000
VPSA Series 2018B	3.675 - 5.05	11-06-18	4,680,000	4,445,000
Total general obligation bonds - Schools				<u>54,886,265</u>
Total governmental activities - general obligation bonds				<u>74,687,677</u>
Infrastructure and state moral obligation revenue bonds:				
VRA Series 2014A	2.74 - 4.83	5-21-14	19,950,000	18,725,000
VRA Series 2015B	3.125 - 5.125	8-19-15	21,505,000	19,965,000
VRA Series 2018C	4.125 - 5.125	11-14-18	10,945,000	10,395,000
VRA Series 2019C	2.966 - 5.125	11-20-19	11,375,000	11,375,000
Total infrastructure and state moral obligation bonds				<u>60,460,000</u>
Business-type activities:				
Public Utilities:				
Water and sewer revenue bonds:				
Series 2002A	0.00	06-14-02	920,400	138,060
Series 2007	0.00	07-19-07	616,206	246,483
Series 2014B Refunding	2.031 - 5.025	08-13-14	6,420,000	5,410,000
Series 2015D Refunding	3.094 - 5.125	11-18-15	7,130,000	4,345,000
Total Public Utilities				<u>10,139,543</u>
Airport Fund:				
Taxable airport revenue bond:				
VRA Series 2007	5.08	03-21-07	1,795,000	888,700
VRA Series 2019	3.283	06-27-19	2,323,575	2,323,575
Total Airport Fund				<u>3,212,275</u>
Total Business-type activities				<u>13,351,818</u>
Total bond indebtedness - Primary Government				<u><u>\$ 148,499,495</u></u>

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2020

Principal and interest to maturity for the County's governmental activities general obligation bonds and business-type activities revenue bonds outstanding at June 30, 2020, 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
	2021	\$ 9,492,465	3,280,402	1,201,831	436,466	143,089	89,874	10,837,385
2022	9,261,892	2,832,751	1,256,831	383,300	193,369	112,887	10,712,092	3,328,938
2023	8,079,069	2,380,793	1,316,831	321,288	201,700	104,556	9,597,600	2,806,637
2024	7,040,672	2,019,977	1,330,810	256,201	210,405	95,850	8,581,887	2,372,028
2025	7,069,891	1,682,404	1,410,810	187,525	219,504	86,751	8,700,205	1,956,680
2026-2030	24,843,688	4,202,162	2,507,430	486,048	870,370	300,963	28,221,488	4,989,173
2031-2035	6,745,000	914,477	1,115,000	40,965	631,128	180,264	8,491,128	1,135,706
2036-2040	2,155,000	103,373	-	-	742,710	68,682	2,897,710	172,055
Totals	\$ 74,687,677	17,416,339	10,139,543	2,111,793	3,212,275	1,039,827	88,039,495	20,567,959

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

COUNTY OF HANOVER
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Service Fund and are pledged to secure the local bonds. The obligation for these bonds is to be liquidated by the Debt Service Fund and is subject to annual appropriation. The 2019 VRA Bond was issued to finance building renovations, parks, recreation and cultural capital projects.

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

Principal and interest to maturity for the Infrastructure and State Moral Obligation Revenue Bonds outstanding at June 30, 2020 are as follows:

Fiscal Year	Governmental Activities	
	Principal	Interest
2021	\$ 1,985,000	2,570,660
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
2026-2030	11,540,000	9,229,548
2031-2035	12,785,000	6,607,012
2036-2040	13,765,000	3,943,769
2041-2045	10,790,000	1,507,292
2046-2050	1,245,000	29,591
Totals	\$ 60,460,000	33,198,096

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, 2020, the principal amounts outstanding on these IRBs totaled approximately \$88.6 million.

Support Agreement

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

COUNTY OF HANOVER
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appropriation by the Board. Support principal and interest payments of \$425,763 were paid by the County during the fiscal year ended June 30, 2020.

The Support Agreement annual debt service requirements to maturity as of June 30, 2020, excluding amortization of premium, are as follows:

Fiscal Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 210,000	69,875	60,000	10,000	270,000	79,875
2022	215,000	61,475	60,000	7,600	275,000	69,075
2023	125,000	52,875	65,000	5,200	190,000	58,075
2024	130,000	47,875	65,000	2,600	195,000	50,475
2025	135,000	42,675	-	-	135,000	42,675
2026-2030	770,000	118,025	-	-	770,000	118,025
Totals	\$ 1,585,000	392,800	250,000	25,400	1,835,000	418,200

Capital Leases

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

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

The balance of capital assets, net of accumulated depreciation, the future minimum lease payments, and the present value of the minimum lease payments as of June 30, 2020, are as follows:

(See schedule on following page)

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Asset Class	Primary Government - Governmental Activities
Land	\$ 384,847
Buildings	13,804,580
Machinery and equipment	1,783,693
Total assets, at cost	15,973,120
Accumulated depreciation	(9,674,726)
Total assets, net	<u>\$ 6,298,394</u>

Fiscal Year	Future Minimum Lease Payments
2021	\$ 170,792
2022	166,116
2023	165,982
2024	165,591
2025	159,697
2026-2030	806,269
2031-2035	163,850
Total minimum lease payments	1,798,297
Less: Portion representing interest	(408,297)
Present value of minimum lease payments	<u>\$ 1,390,000</u>

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, 2020, are as follows:

Asset Class	Primary Government - Governmental Activities
Machinery and equipment	\$ 4,033,446
Total assets, at cost	4,033,446
Accumulated depreciation	(2,049,428)
Total assets, net	<u>\$ 1,984,018</u>

Fiscal Year	Future Minimum Lease Payments
2021	\$ 846,266
2022	831,303
2023	816,341
Total minimum lease payments	2,493,910
Less: Portion representing interest	(67,330)
Present value of minimum lease payments	<u>\$ 2,426,580</u>

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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, 2020, the County had general obligation bonds that were outstanding but considered defeased totaling \$5,330,000 and Public Utilities had revenue bonds that were outstanding, but considered defeased totaling \$11,425,000.

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 2020. All claims are paid in accordance with policy coverage in effect at the time. In addition, the County provides various surety bond coverage as required under regulations, generally at industry-recommended levels.

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

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

Fiscal Year	Payable (Prepaid) Beginning of Year	Claims and Other Charges Processed	Claims and Benefit Payments	Payable (Prepaid) End of Year	Incurred But Not Reported
2019	\$ (429,120)	40,537,867	40,106,047	(2,700)	2,861,881
2020	\$ (2,700)	38,197,476	38,194,776	-	2,195,653

	Balance July 1	Increases	Decreases	Balance June 30
Incurred But Not Reported	\$ 2,861,881	38,197,476	(38,863,704)	2,195,653

COUNTY OF HANOVER
Notes to Financial Statements
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B. Fund Balance Classifications

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

	Primary Government				Total Governmental Funds	School Board Component Unit	Economic Development Authority
	General Fund	County Improvements Fund	School Improvements Fund	Debt Service Fund			
Nonspendable:							
Inventory	\$ 290,580	-	-	-	290,580	386,507	-
Prepaid expenditures	655,342	1,203,231	-	-	1,858,573	9,069	-
Total nonspendable	945,922	1,203,231	-	-	2,149,153	395,576	-
Restricted for:							
Public safety - asset forfeitures	673,242	-	-	-	673,242	-	-
Judicial administration - asset forfeitures	28,887	-	-	-	28,887	-	-
Judicial administration - grants and donations	196,651	-	-	-	196,651	-	-
Public safety - grants and donations	4,685	-	-	-	4,685	-	-
Public works - recycling service districts	42,298	-	-	-	42,298	-	-
Parks, recreation and cultural donations	25,961	-	-	-	25,961	-	-
Education - grants	-	-	-	-	-	51,990	-
Capital improvements	-	20,057,951	589,002	-	20,646,953	-	-
Total restricted	971,724	20,057,951	589,002	-	21,618,677	51,990	-
Committed to:							
Economic development	500,000	-	-	-	500,000	-	-
Total committed	500,000	-	-	-	500,000	-	-
Assigned to:							
Education	4,000,000	-	-	-	4,000,000	2,054,900	-
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	-	-	-	549,839	549,839	-	-
Encumbrances and reappropriations	1,279,993	-	-	-	1,279,993	-	-
Funding of subsequent fiscal years' adopted budget	6,258,433	-	-	-	6,258,433	-	-
Insurance reserves	500,000	-	-	-	500,000	-	-
Economic stability reserves	1,000,000	-	-	-	1,000,000	-	-
Capital improvements	8,769,306	17,383,321	5,839,121	-	31,991,748	-	-
Total assigned	27,557,732	17,383,321	5,839,121	549,839	51,330,013	2,054,900	-
Unassigned fund balance	35,558,697	-	-	-	35,558,697	-	90,952
Total fund balances	\$ 65,534,075	38,644,503	6,428,123	549,839	111,156,540	2,502,466	90,952

C. Commitments and contingent liabilities

Other commitments

At June 30, 2020, the Primary Government had commitments for capital projects totaling \$31,080,279 as follows:

	Primary Government				Total Primary Government
	County Improvements Fund	School Improvements Fund	Public Utilities Fund	Airport Fund	
Total capital commitments	\$ 16,258,397	5,203,896	9,419,528	198,458	31,080,279

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

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Encumbrances

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

	Primary Government - Governmental Funds				
	County	School	Total	Schools	
	Improvements	Improvements	Primary	Component	
	Fund	Fund	Government	Unit	
Encumbrances outstanding at fiscal year-end	\$ 885,807	16,258,397	5,203,896	22,348,100	1,008,542

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, 2020 was \$265,676 for the County and \$601,227 for the School Board. As of June 30, 2020, future operating lease payments for the County and School Board were as follows:

Fiscal Year	Future Operating Lease Payments	
	County	School Board
2021	\$ 230,890	396,925
2022	140,533	296,693
2023	56,581	147,185
2024	24,663	62,394
2025	17,400	6,024
Total minimum lease payments	\$ 470,067	909,221

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 HANOVER
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County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The Airport Commission generates its revenues from service charges to users of the Airport facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Airport Commission submit an annual budget showing estimated revenues and estimated expenditures to the governing bodies of the localities for their approval. After approval of the proposed budget by the governing bodies, if the Airport Commission's budget contains estimated expenditures that exceed estimated revenues, the governing bodies are required to fund the deficit in proportion to their pro rata financial basis in the Airport Commission. The pro rata basis is to be determined by the percentage of the population of each locality to the combined total population of all participating localities according to the most recent census, with Hanover County's pro rata share approximating 10.5%. If actual revenues are less than estimated revenues identified in the budget (resulting in a deficit), the localities may, at their discretion, appropriate funds necessary to fund the deficit. To date, the County has not been required to fund any deficit. Complete financial statements for the Airport Commission can be obtained from the Chief Financial Officer, 1 Richard E. Byrd Terminal Drive, Suite A, Richmond International Airport, Richmond, VA 23250-2400.

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

The GRCCA was created for the purpose of acquiring, constructing, equipping, maintaining, and operating a regional convention center facility. In August 1996, each locality designated future revenue from the transient occupancy tax for expansion of the convention center. The GRCCA has issued \$158,415,000 in Hotel Tax Revenue Bonds, which are secured by an eight percent transient occupancy tax imposed and collected by the localities. The County made an expenditure of \$932,417 for transient occupancy tax to the GRCCA during fiscal year 2020. 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

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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 2020, the EDA contributed \$20,000. Neither the County nor EDA have any ongoing financial interest in DEIC. Annual audited financial statements are available from DEIC at 201 Duncan Street, Ashland, VA 23005.

CodeRVA Regional High School: CodeRVA Regional High School (CodeRVA) was established pursuant to Section 22.1-26 of the *Code of Virginia* and Regulation of the Virginia Board of Education. CodeRVA provides an innovative program of studies for students from 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 2020, the School Board paid tuition in the amount of \$231,600. 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 2020, the County contributed a total of \$2,794,000 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 \$4,954,041 in fiscal year 2020. Complete financial statements for the Jail Authority can be obtained from the Jail Superintendent's office at P.O. Box 510, Hanover, Virginia 23069.

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

The Detention Commission was created to enhance the protection of the region's citizens by the maintenance and operation of a juvenile detention facility (the Merrimac Center) to serve the member jurisdictions. The member jurisdictions have entered into a Service Agreement which is a long-term contract governing the parties' respective obligations. Under the Service Agreement, the County is obligated to pay a per diem rate to be determined annually by the Detention Commission for each day a juvenile from the County is held at the Center or in another detention facility secured by the Detention Commission. If the sum of all per diem rates paid during the fiscal year is below \$2,500, the County shall pay the Detention Commission the amount equal to the difference. During fiscal year 2020, the County's per diem payments to the Detention Commission totaled \$182,759. Complete financial statements for the Detention Commission can be obtained from the fiscal agent's office at James City County, Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

Central Virginia Waste Management Authority: The Central Virginia Waste Management Authority (Waste Authority) was established under the provisions of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George; the Cities of Colonial Heights, Hopewell, Petersburg and Richmond; and the Town of Ashland. The 19 member board is comprised of no less than one and no more than three members from each of the participating jurisdictions, determined on a population basis. The County has two representatives serving on the Waste Authority's Board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Twenty-one subdivisions in the County participate in the Waste Authority's curbside recycling program. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest in the Waste Authority. The County's fiscal year 2020 payments to the Waste Authority totaled \$531,123. Complete financial statements can be obtained from the Waste Authority at 2100 West Laburnum Avenue, Suite 105, Richmond, Virginia 23227.

Greater Richmond Partnership: The Greater Richmond Partnership, Inc. (GRP) serves the Counties of Chesterfield, Hanover and Henrico, and the City of Richmond by seeking to enhance economic development in the participating localities. The County has one representative serving on GRP's Board of Directors. During fiscal year 2020, the County made payments to the GRP totaling \$385,000. Complete financial statements can be obtained from GRP's office at Riverfront Plaza, 901 East Byrd Street, Suite 801, Richmond, Virginia 23219.

Richmond Region Tourism: The Richmond Metropolitan Convention and Visitors Bureau (RMCVB) serves the Counties of Chesterfield, Hanover, Henrico, 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 2020 contributions to RMCVB totaling \$251,941. Complete financial statements can be obtained from the RMCVB's office at 401 North 3rd Street, Richmond, Virginia 23219.

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PlanRVA The Regional Commission: The PlanRVA the Regional Commission, formally known as the Richmond Regional Planning District Commission, is a regional planning agency serving the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The primary functions of the Commission are to promote regional cooperation; coordinate the activities and policies of member local governments; resolve service delivery problems involving more than one government within the region and provide planning assistance to local governments. In accordance with its Charter, the PlanRVA promotes the orderly physical, social and economic development of the region through planning and encouraging local governments to plan for the future. The County paid member dues to PlanRVA totaling \$63,958 in fiscal year 2020. 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 2019 Comprehensive Annual Financial Report (CAFR) and GASB 68 Report. A copy of the 2019 VRS CAFR and GAAP Pension Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2019-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

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in the *Code of Virginia* (the Code), as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

VRS Plan 1 and Plan 2

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

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

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

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

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

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

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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 creditable service or age 50 with at least 25 years of creditable service. The earliest reduced retirement can occur at age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees can receive a reduced retirement benefit as early as age 50 with at least five years of creditable 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.

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

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

Hybrid Plan

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

- The defined benefit is based on a member's age, 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

COUNTY OF HANOVER
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years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

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

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

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

Distribution is not required, except as governed by law.

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

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

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

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

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Agent Multiple-Employer Plan

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>County</u>	<u>School Board Non-Professional</u>
Inactive members or their beneficiaries currently receiving benefits	527	179
Inactive members:		
Vested inactive members	200	28
Non-vested inactive members	216	71
Inactive members active elsewhere in VRS	383	80
Total inactive members	799	179
Active members:	1,110	222
Total covered employees	2,436	580

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, 2020 were 8.86% and 1.99%, respectively, of their annual covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$5,906,015 and contributions from the School Board's non-professional group were \$78,603 for the year ended June 30, 2020.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GAAP, less that employer's fiduciary net position. At June 30, 2020, the County reported a net pension liability of \$20,343,464 and the School Board's non-professional group reported a net pension asset of \$2,691,619. The total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions – General and Public Safety Employees

The total pension liability was measured as of June 30, 2018 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

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and rolled forward to the measurement date of June 30, 2019:

	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, 2018 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

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expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.89%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic normal return	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. 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.

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, 2019, 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, 2019 on, participating employers and employees are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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, 2018	\$ 258,359,718	\$ 247,272,649	\$ 11,087,069
Changes for the year:			
Service cost	7,696,287	-	7,696,287
Interest	17,771,484	-	17,771,484
Changes of assumptions	8,940,696	-	8,940,696
Differences between expected and actual experience	232,863	-	232,863
Contributions - employer	-	5,650,320	(5,650,320)
Contributions - employee	-	3,219,861	(3,219,861)
Net investment income	-	16,685,971	(16,685,971)
Benefit payments, including refunds of employee contributions	(8,962,753)	(8,962,753)	-
Administrative expenses	-	(160,692)	160,692
Other changes	-	(10,525)	10,525
Net changes	<u>25,678,577</u>	<u>16,422,182</u>	<u>9,256,395</u>
Balances at June 30, 2019	<u>\$ 284,038,295</u>	<u>\$ 263,694,831</u>	<u>\$ 20,343,464</u>

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
Balances at June 30, 2018	\$ 24,349,495	\$ 27,597,579	\$ (3,248,084)
Changes for the year:			
Service cost	527,361	-	527,361
Interest	1,663,215	-	1,663,215
Changes of assumptions	657,553	-	657,553
Difference between expected and actual experience	(160,869)	-	(160,869)
Contributions - employer	-	82,764	(82,764)
Contributions - employee	-	250,620	(250,620)
Net investment income	-	1,816,980	(1,816,980)
Benefit payments, including refunds of employee contributions	(1,178,551)	(1,178,551)	-
Administrative expenses	-	(18,429)	18,429
Other changes	-	(1,140)	1,140
Net changes	<u>1,508,709</u>	<u>952,244</u>	<u>556,465</u>
Balances at June 30, 2019	<u>\$ 25,858,204</u>	<u>\$ 28,549,823</u>	<u>\$ (2,691,619)</u>

COUNTY OF HANOVER
Notes to Financial Statements
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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County and School non-professional group using the discount rate of 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	\$ 61,010,963	\$ 20,343,464	\$ (11,958,881)
School Non-Professional			
Net Pension Liability (Asset)	\$ 174,717	\$ (2,691,619)	\$ (5,003,611)

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

For the year ended June 30, 2020, the County recognized pension expense of \$6,349,201. At June 30, 2020, 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	\$263,672	\$1,140,399
Changes of assumptions	6,636,393	294,068
Net difference between projected and actual earnings on pension plan investments	-	2,338,029
Employer contributions subsequent to the measurement date	5,906,015	-
Total	<u>\$12,806,080</u>	<u>\$3,772,496</u>

\$5,906,015 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, 2021. 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

2021	\$ 849,131
2022	140,872
2023	2,014,789
2024	122,777
2025	-
Thereafter	-
Total	<u>\$ 3,127,569</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, 2020, the School Board non-professional group recognized a credit to pension expense of \$146,519. At June 30, 2020, 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	\$ -	\$171,331
Changes of assumptions	375,341	-
Net difference between projected and actual earnings on pension plan investments	-	249,494
Employer contributions subsequent to the measurement date	<u>78,603</u>	<u>-</u>
Total	<u>\$453,944</u>	<u>\$420,825</u>

\$78,603 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, 2021. 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

2021	\$ 128,406
2022	(184,952)
2023	(5,855)
2024	16,917
2025	-
Thereafter	-
Total	<u>\$ (45,484)</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, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$16,259,030 and \$15,833,642 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

At June 30, 2020, the School Board professional group reported a liability of \$162,644,883 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the School Board's proportion was 1.23585% as compared to 1.25655% at June 30, 2018.

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

For the year ended June 30, 2020, the School Board's professional group recognized pension expense of \$15,791,930. 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, 2020, the School Board's professional group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(See schedule on following page)

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$10,414,839
Net difference between projected and actual earnings on pension plan investments	-	3,571,296
Change in assumptions	16,105,656	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	203,054	3,380,980
Employer contributions subsequent to the measurement date	16,259,030	-
Total	<u>\$32,567,740</u>	<u>\$17,367,115</u>

\$16,259,030 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, 2021. 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

2021	\$ (847,654)
2022	(3,979,394)
2023	640,219
2024	2,046,689
2025	1,081,735
Thereafter	-
Total	<u>\$ (1,058,405)</u>

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Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019:

	<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.

The actuarial assumptions used in the June 30, 2018 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%

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Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GAAP, less the System's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 49,683,336
Plan Fiduciary Net Position	<u>36,522,769</u>
Employers' Net Pension Liability	<u><u>\$ 13,160,567</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Plan Liability	73.51%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.89%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic normal return	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take

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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.

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, 2019, 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, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease</u> <u>(5.75%)</u>	<u>Discount Rate</u> <u>(6.75%)</u>	<u>1 % Increase</u> <u>(7.75%)</u>
School Board Professional proportionate share of the VRS Teacher Employment Retirement Plan Net Pension Liability	\$ 244,851,207	\$ 162,644,883	\$ 94,675,478

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

COUNTY OF HANOVER
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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, 2020. Securities without an established market are reported at estimated fair value.

b. Plan description, contribution and funding information

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

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

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

COUNTY OF HANOVER
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Retirees under the Plan may select from the health care plans offered to active employees and pay the health insurance premium rate established annually based on biennial actuarial analysis of the claims cost of the retiree group, net of the applicable subsidy established by the Plan. Depending upon the health care plan selected, the net retiree premium amounts range from \$393 to \$1,272 per month for those electing retiree-only coverage, and from \$1,111 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.

The Trust Board determines whether there should be any withdrawals or contributions made to the Trust. During the year ended June 30, 2020, the Trust Board determined it would withdraw an amount from the Trust that approximated the retiree subsidies paid for the current year. As a result, there was an effective contribution to the Trust from the Self-Insurance fund of \$8,000. The Trust recognized a withdrawal and the Self-Insurance Fund recognized revenue in the amount of \$270,196, consistent with the subsidy expense recognized in the Self-Insurance Fund. As the contribution and distribution amounts offset each other, a deferred outflow was not necessary for June 30, 2020.

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

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

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

Rate of Return – For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 5.89%. This return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

COUNTY OF HANOVER
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Net OPEB Asset – As of June 30, 2019, 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	\$ 4,005,096
Plan Fiduciary Net Position	<u>5,689,659</u>
Employers' Net OPEB Asset	<u>\$ 1,684,563</u>
Plan Fiduciary Net Position as a Percentage of the Total Plan Liability	142.06%

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

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2018 actuarial valuation, the Entry-Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7.0% annual investment rate of return (net of administrative expenses) and a payroll increase assumption of 2.50%. The liability is being amortized as a level percentage of projected payroll on a closed basis over eighteen years. Mortality rates were based on the RP-2000 Fully Generational Combined Table.

The assumed inflation rate is 2.5%. The long-term expected rate of return of OPEB plan investments net of inflation is 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 6.50%. 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.

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.

COUNTY OF HANOVER
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Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net pension liability for the OPEB plan for the June 30, 2019 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	3,721,427	4,005,096	4,024,932
Net OPEB Asset	(1,968,232)	(1,684,563)	(1,664,727)

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

Net Postemployment Healthcare Plan and OPEB Asset (County and School Board) - At June 30, 2020, the County reported \$527,039 and the School Board reported \$1,127,961 for their portions of the net pension OPEB asset. The net OPEB asset was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation performed as of January 1, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled back to the measurement date of June 30, 2018.

Changes in Net OPEB Asset - The related change in the Net OPEB Asset for the County and School Board for the measurement date of June 30, 2019 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, 2018	\$ 1,155,132	\$ 1,680,513	\$ (525,381)
Changes for the year:			
Service cost	51,869	-	51,869
Interest	78,355	-	78,355
Experience (Gains)	107	-	107
Employer Trust contributions	-	6,257	(6,257)
Change in assumptions	39,233	-	39,233
Net investment income	-	164,965	(164,965)
Benefit payments	(71,646)	(71,646)	-
Net changes	97,918	99,576	(1,658)
Balances at June 30, 2019	\$ 1,253,050	\$ 1,780,089	\$ (527,039)

COUNTY OF HANOVER
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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, 2018	\$ 2,472,195	\$ 3,596,611	\$ (1,124,416)
Changes for the year:			
Service cost	111,011	-	111,011
Interest	167,695	-	167,695
Experience (Gains)	229	-	229
Employer Trust contributions	-	13,391	(13,391)
Change in assumptions	83,966	-	83,966
Net investment income	-	353,055	(353,055)
Benefit payments	(153,335)	(153,335)	-
Net changes	209,566	213,111	(3,545)
Balances at June 30, 2019	\$ 2,681,761	\$ 3,809,722	\$ (1,127,961)

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, 2019, using the discount rate of 7.0%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1% point lower (6.0%) or 1% point higher (8.0%) than the current rate:

	6.0% 1% Decrease	7.0% Discount Rate	8.0% 1 % Increase
County			
Net OPEB Asset	\$ 615,789	\$ 527,039	\$ 520,833
School Board			
Net OPEB Asset	\$ 1,317,902	\$ 1,127,961	\$ 1,114,679

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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, 2020, the County recognized OPEB expense of (\$2,573). At June 30, 2020, the County reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$94	\$7,433
Changes of assumptions	34,329	-
Net difference between projected and actual earnings on OPEB plan investments	-	72,811
Change in proportion	<u>20,910</u>	<u>-</u>
Total	<u><u>\$55,333</u></u>	<u><u>\$80,244</u></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

2021	\$ (17,449)
2022	(17,449)
2023	(6,499)
2024	(2,762)
2025	7,163
Thereafter	<u>12,085</u>
Total	<u><u>\$ (24,911)</u></u>

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (School Board) – For the year ended June 30, 2020, the School Board recognized OPEB expense of (\$20,921). At June 30, 2020, the School Board reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$200	\$15,908
Changes of assumptions	73,470	-
Net difference between projected and actual earnings on OPEB plan investments	-	155,832
Change in proportion	<u>-</u>	<u>47,766</u>
Total	<u><u>\$73,670</u></u>	<u><u>\$219,506</u></u>

COUNTY OF HANOVER
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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

2021	\$ (52,762)
2022	(52,766)
2023	(29,329)
2024	(21,327)
2025	(88)
Thereafter	10,436
Total	<u>\$ (145,836)</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.

Political Subdivision HIC Program

Plan Description

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

Eligible Employees: The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.

Eligible employees of participating localities are enrolled automatically upon employment. They include Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts: The County's Retiree HIC Program provides the following benefits for eligible employees:

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

Program Notes: The monthly HIC benefit cannot exceed the individual premium amount. No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for premiums paid for other qualified health plans. And employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

COUNTY OF HANOVER
Notes to Financial Statements
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Employees Covered by Benefit Terms: As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>County</u>
Inactive members or their beneficiaries currently receiving benefits	130
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>130</u>
Active members:	<u>726</u>
Total covered employees	<u><u>856</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the Code, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County's contractually required employer contribution rate for the year ended June 30, 2020 was 0.19% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Political Subdivision HIC Program were \$84,961 and \$80,463 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net HIC OPEB liability

The County's net HIC OPEB liability was measured as of June 30, 2019. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for 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, 2018 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	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%

COUNTY OF HANOVER
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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%	5.61%	1.91%
Fixed Income	15.00%	0.89%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic normal return	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. 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.

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, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rates. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

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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, 2018	\$ 1,239,847	\$ 561,732	\$ 678,115
Changes for the year:			
Service cost	36,034	-	36,034
Interest	84,678	-	84,678
Changes of assumptions	34,499	-	34,499
Difference between expected and actual experience	(10,045)	-	(10,045)
Contributions - employer	-	80,463	(80,463)
Net investment income	-	37,527	(37,527)
Benefit payments, including refunds of employee contributions	(60,311)	(60,311)	-
Administrative expenses	-	(828)	828
Other changes	-	(45)	45
Net changes	84,855	56,806	28,049
Balances at June 30, 2019	<u>\$ 1,324,702</u>	<u>\$ 618,538</u>	<u>\$ 706,164</u>

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

The following presents the Political Subdivision HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Political subdivision's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1 % Increase (7.75%)
County Employees			
Net HIC OPEB Liability	<u>\$ 859,664</u>	<u>\$ 706,164</u>	<u>\$ 576,269</u>

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

For the year ended June 30, 2020, the County recognized HIC Program OPEB expense \$76,270. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program from the following sources:

(See schedule on following page)

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$5,071	\$8,654
Changes of assumptions	29,721	27,054
Net difference between projected and actual earnings on HIC plan investments	-	6,054
Employer contributions subsequent to the measurement date	84,961	-
Total	<u>\$119,753</u>	<u>\$41,762</u>

\$84,961 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, 2021. 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

2021	\$ (5,319)
2022	(5,321)
2023	(1,409)
2024	(1,341)
2025	1,992
Thereafter	4,428
Total	<u>\$ (6,970)</u>

Teacher Employee Health Insurance Credit Program

Plan Description:

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

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

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

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

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- 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, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the VRS Teacher Employee HIC Program were \$1,283,480 and \$1,240,096 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$16,120,747 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, 2019 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, 2018 and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC Program was 1.23144% as compared to 1.25384% at June 30, 2018.

For the year ended June 30, 2020, the School Board recognized VRS Teacher Employee HIC Program OPEB expense of \$1,268,137. 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, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

(See schedule on following page)

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$91,309
Net difference between projected and actual earnings on Teacher HIC plan investments	1,018	-
Change in assumptions	375,204	112,017
Changes in proportionate share	-	360,197
Employer contributions subsequent to the measurement date	1,283,480	-
Total	<u>\$1,659,702</u>	<u>\$563,523</u>

\$1,283,480 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, 2021. Other amounts reported as deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year ending June 30

2021	\$ (43,345)
2022	(43,362)
2023	(36,297)
2024	(38,662)
2025	(31,257)
Thereafter	5,622
Total	<u>\$ (187,301)</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, 2018, 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, 2019.

(See schedule on following page)

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	<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, 2018 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>
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%

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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, 2019, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,438,114
Plan Fiduciary Net Position	129,016
Teacher Employee net HIC OPEB Liability	<u>\$ 1,309,098</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.97%

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

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.89%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
	<u>100.00%</u>		<u>5.13%</u>
		Inflation	2.50%
		*Expected arithmetic normal return	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. 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.

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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, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

	1% Decrease (5.75%)	Discount Rate (6.75%)	1 % Increase (7.75%)
School Board's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net Pension Liability	\$ 18,041,856	\$ 16,120,747	\$ 14,488,766

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 2019 CAFR, which may be downloaded from the VRS website at varetire.org/pdf/publications/2019-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.

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

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

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

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

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

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

Minimum Benefit Amount and Cost-of-Living Adjustment: For covered members with at least 30 years of 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 \$8,463 as of June 30, 2020.

Contributions: The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. The County and School Board have elected to pay the entire 1.31% rate. The employer component of contributions (.52% rate) to the GLI Program from the County were \$363,795 and \$344,679 for the years ended June 30, 2020 and June 30, 2019, respectively. The employer component of contributions to the GLI

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Program from the Schools for the professional group were \$562,083 and \$542,821 for the years ended June 30, 2020 and June 30, 2019, respectively. The employer component of contributions to the GLI Program from the Schools for the non-professional group were \$27,716 and \$27,445 for the years ended June 30, 2020 and June 30, 2019, respectively.

GLI OPEB Liabilities: At June 30, 2020, the County reported a liability of \$5,460,292 for its proportionate share of the Net GLI OPEB Liability. The School Board reported a liability of \$8,597,335 for its professional group and \$437,084 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, 2019 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, 2018 and rolled forward to the measurement date of June 30, 2019. 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, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the County's proportion was 0.33555% as compared to 0.33281% at June 30, 2018. At June 30, 2019, the School Board professional's proportion was 0.52833% as compared to 0.53434% at June 30, 2018. At June 30, 2019, the School Board non-professional's proportion was 0.02686% as compared to 0.02712% at June 30, 2018.

GLI OPEB Expense: For the year ended June 30, 2020, the County recognized GLI OPEB expense of \$157,578. The School Board recognized a GLI OPEB expense of \$177,895 for its professional group and (\$3,149) 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, 2020, 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	\$363,142	\$70,824
Net difference between projected and actual earnings on GLI OPEB program investments	-	112,159
Change in assumptions	344,731	164,652
Changes in proportion	123,158	-
Employer contributions subsequent to the measurement date	363,795	-
Total	<u>\$1,194,826</u>	<u>\$347,635</u>

\$363,795 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, 2021. Other amounts reported as deferred

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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

2021	\$ 48,816
2022	48,821
2023	96,324
2024	132,878
2025	123,023
Thereafter	<u>33,534</u>
Total	<u>\$ 483,396</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board professional group): At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB for its professional group from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$571,774	\$111,516
Net difference between projected and actual earnings on GLI OPEB program investments	-	176,596
Change in assumptions	542,786	259,247
Changes in proportion	41,865	173,805
Employer contributions subsequent to the measurement date	<u>562,083</u>	<u>-</u>
Total	<u>\$1,718,508</u>	<u>\$721,164</u>

\$562,083 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

(See schedule on following page)

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Year ending June 30

2021	\$ 6,517
2022	6,524
2023	81,318
2024	142,905
2025	153,730
Thereafter	44,267
Total	<u>\$ 435,261</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board non-professional group): At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB for its non-professional group from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$29,069	\$5,670
Net difference between projected and actual earnings on GLI OPEB program investments	-	8,978
Change in assumptions	27,595	13,180
Changes in proportion	-	52,158
Employer contributions subsequent to the measurement date	<u>27,716</u>	<u>-</u>
Total	<u>\$84,380</u>	<u>\$79,986</u>

\$27,716 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, 2021. 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

2021	\$ (12,396)
2022	(12,396)
2023	(8,593)
2024	562
2025	7,212
Thereafter	2,289
Total	<u>\$ (23,322)</u>

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Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

* 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.

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County General Employees

Mortality Rates:

Pre-Retirement

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement

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

Post-Disablement

RP-2014 Disability Life Mortality Rates projected with Scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

County Public Safety Employees

Mortality Rates:

Pre-Retirement

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

Post-Retirement

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

Post-Disablement

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

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The actuarial assumptions used in the June 30, 2018 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%

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%

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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, 2019, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
Employers' Net GLI OPEB Liability	<u>\$1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.89%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic normal return	7.63%

* The above allocation provides a one-year return of 7.63%. 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

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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.

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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 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 (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1 % Increase (7.75%)
County's proportionate share of the GLI Program Net OPEB Liability	\$ 7,173,312	\$ 5,460,292	\$ 4,071,080
School Board professional group's proportionate share of the GLI Program Net OPEB Liability	\$ 11,294,519	\$ 8,597,335	\$ 6,409,995
School Board non-professional group's proportionate share of the GLI Program Net OPEB Liability	\$ 574,207	\$ 437,084	\$ 325,881

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2019 CAFR, which may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to VRS's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2020

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 2020, there were no tax abatement payments relating to the Speculative Building Program. No other commitments are made by the County as part of these agreements.

K. Special assessments and tax increment commitment

- **Bell Creek Community Development Authority:**

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

On September 25, 2002, the Board of Supervisors adopted an ordinance authorizing the levy of Special Assessments on abutting property within the boundaries of the District. On February 5, 2003, the Bell Creek CDA issued its \$12,135,000 Special Assessment Bonds, Series 2003A (the "2003A Bonds") and its \$3,845,000 Special Assessment Bonds, Series 2003B (the "2003B Bonds" and together with the 2003A Bonds, the "2003 Bonds"), in accordance with the provision of Article 6 of Chapter 51 of Title 15.2 of the Code, as amended. The 2003 Bonds were issued to finance the acquisition and construction of certain infrastructure improvements to benefit the District. Neither the faith and credit of the Bell Creek CDA, nor the faith and credit of the County, are pledged to the payment of the principal of or interest on the 2003 Bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2020, the total 2003 Bonds outstanding were \$1,046,000. 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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2020

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 2020, special assessments on property within the District totaled \$156,000 and payments to the Bell Creek CDA of special assessments collected totaled \$159,943.

- **Lewistown Commerce Center Community Development Authority:**

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

By ordinances adopted by the Board on May 9, 2007 and March 23, 2011, the Board authorized the levy of Special Assessments on abutting property within the bounds of the District. On October 23, 2007 the Lewistown CDA issued the Lewistown CDA \$37,675,000 Revenue Bonds, Series 2007 (2007 Bonds) in accordance with the provisions of Article 6 of Chapter 51 of Title 15.2 of the Code. The 2007 Bonds were issued to finance the acquisition of certain land and the construction of certain infrastructure improvements to benefit the District, in accordance with a Development/Acquisition Agreement dated September 1, 2007 and amended March 23, 2011. Also in March 2011, pursuant to a revised Indenture of Trust, the 2007 Bonds were exchanged for Amended 2007 Bonds to extend their maturity, revise the schedule for sinking fund redemptions, and allow interest on the bonds to be paid by the bond's debt service reserve fund through March 1, 2014, dependent upon the developer meeting agreed-upon construction milestones. At June 30, 2020, the Lewistown CDA's Amended 2007 Bonds outstanding totaled \$16,963,000. The Lewistown CDA is obligated to make all debt service payments on the Amended 2007 Bonds, in accordance with the revised Indenture of Trust. The principal of and the interest on the Amended 2007 Bonds are not deemed to constitute a pledge of the faith and credit of the County, and neither the faith nor credit of the Lewistown CDA, nor the faith and credit of the County are pledged to the payment of the principal of or interest on the Amended 2007 bonds.

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

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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2020

During fiscal year 2020, Special Assessment Tax levy on property within the district totaled \$955,814. The 2020 Special Real Estate Property Tax (Valorem) levy was \$46,702. Incremental tax collections owed to the Lewistown CDA totaled \$648,046 and are payable semiannually by February 1 and August 1 of each year.

L. Subsequent events

On September 23, 2020, the Airport closed on an interest rate reset for the outstanding Virginia Resources Authority (VRA) 2007 taxable revenue bonds. The interest rate was reduced from 5.08 percent to 1.31 percent per annum, for total debt service savings of \$119,220.

The County participated in the Virginia Public School Authority (VPSA) Series 2020B School Financing Bonds Program. The VPSA bonds were sold on October 20, 2020. The County's local bond principal is \$8,695,000 with interest rates between 2.02 and 5.05 percent, and will be used for various capital projects for the schools. The closing for the local bond occurred on November 10, 2020.

On October 20, 2020, the VPSA issued School Financing Refunding Bonds in which the Primary Government participated. The County debt service payments will remain unchanged and VPSA will issue an annual credit for the return of debt service savings. The anticipated credit savings total \$237,286.

During August 2020, the County received an additional \$9,405,000 in CARES Act funding distributed by the State of Virginia to be used for COVID-19 recovery efforts. The County has identified various projects and programs relating to COVID-19 response that meet the eligibility requirements of these funds.

**SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION**

(Unaudited)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2020

Virginia Retirement System-Pension Plan - Primary Government

Schedule of Changes in the Net Pension Liability and Related Ratios

	2020*	2019*	2018*	2017*	2016*	2015*
Total pension liability						
Service cost	\$ 7,696,287	\$ 7,331,577	\$ 7,359,194	\$ 7,195,250	\$ 7,003,117	\$ 6,872,262
Interest on total pension liability	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	232,863	182,107	(4,220,153)	(566,270)	(3,717,438)	-
Benefit payments	(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	25,678,577	16,448,884	10,682,494	14,672,749	10,924,890	14,453,892
Total pension liability - beginning	258,359,718	241,910,834	231,228,340	216,555,591	205,630,701	191,176,809
Total pension liability - ending (a)	\$284,038,295	\$ 258,359,718	\$ 241,910,834	\$ 231,228,340	\$ 216,555,591	\$ 205,630,701
Total fiduciary net position						
Contributions - employer	\$ 5,650,320	\$ 5,918,509	\$ 5,698,852	\$ 6,383,455	\$ 6,227,470	\$ 6,347,611
Contributions - employee	3,219,861	3,111,501	3,033,422	2,911,440	2,841,053	2,728,734
Net investment income	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	(8,962,753)	(7,728,076)	(7,238,603)	(6,874,514)	(6,323,001)	(5,604,586)
Administrative expense	(160,692)	(142,977)	(140,541)	(122,126)	(113,582)	(131,515)
Other	(10,525)	(15,347)	(22,390)	(1,496)	(485,907)	1,327
Net change in plan fiduciary net position	16,422,182	18,164,182	26,382,317	5,847,151	10,772,144	28,523,859
Plan fiduciary net position - beginning	247,272,649	229,108,467	202,726,150	196,878,999	186,106,855	157,582,996
Plan fiduciary net position - ending (b)	\$263,694,831	\$ 247,272,649	\$ 229,108,467	\$ 202,726,150	\$ 196,878,999	\$ 186,106,855
Net pension liability ending (a) - (b)	\$ 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	92.84%	95.71%	94.71%	87.67%	90.91%	90.51%
Covered payroll	\$ 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	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, 2020

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

Schedule of Changes in the Net Pension Asset and Related Ratios

	2020*	2019*	2018*	2017*	2016*	2015*
Total pension liability						
Service cost	\$ 527,361	\$ 526,335	\$ 563,888	\$ 704,264	\$ 717,494	\$ 761,268
Interest on total pension liability	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	(160,869)	(477,022)	(822,111)	(1,070,969)	(750,409)	-
Benefit payments	(1,178,551)	(1,166,740)	(1,066,000)	(965,702)	(947,448)	(847,310)
Net change in total pension liability	1,508,709	510,469	168,722	271,696	583,532	1,384,446
Total pension liability - beginning	24,349,495	23,839,026	23,670,304	23,398,608	22,815,076	21,430,630
Total pension liability - ending (a)	<u>\$ 25,858,204</u>	<u>\$ 24,349,495</u>	<u>\$ 23,839,026</u>	<u>\$ 23,670,304</u>	<u>\$ 23,398,608</u>	<u>\$ 22,815,076</u>
Total fiduciary net position						
Contributions - employer	\$ 82,764	\$ 195,964	\$ 202,659	\$ 437,250	\$ 507,170	\$ 595,088
Contributions - employee	250,620	245,280	250,592	280,632	325,545	325,403
Net investment income	1,816,980	1,936,203	2,913,758	418,439	1,054,611	3,133,692
Benefit Payments, including refunds of employee contributions	(1,178,551)	(1,166,740)	(1,066,000)	(965,702)	(947,448)	(847,310)
Administrative expense	(18,429)	(16,985)	(17,086)	(14,837)	(14,331)	(16,675)
Other	(1,140)	(1,713)	(2,581)	(177)	(223)	165
Net change in plan fiduciary net position	952,244	1,192,009	2,281,342	155,605	925,324	3,190,363
Plan fiduciary net position - beginning	27,597,579	26,405,570	24,124,228	23,968,623	23,043,299	19,852,936
Plan fiduciary net position - ending (b)	<u>\$ 28,549,823</u>	<u>\$ 27,597,579</u>	<u>\$ 26,405,570</u>	<u>\$ 24,124,228</u>	<u>\$ 23,968,623</u>	<u>\$ 23,043,299</u>
Net pension asset ending (a) - (b)	\$ (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	110.41%	113.34%	110.77%	101.92%	102.44%	101.00%
Covered payroll	\$ 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	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, 2020

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

	2020*	2019*	2018*	2017*
Employer's Proportion of the Net Pension Liability	1.23585%	1.25655%	1.26798%	1.26562%
Employer's Proportionate Share of the Net Pension Liability				
\$	162,644,883	\$ 147,770,000	\$ 155,936,000	\$ 177,365,000
Employer's Covered Payroll	\$ 103,292,430	\$ 101,392,249	\$ 99,817,919	\$ 96,591,415
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	157.46%	145.74%	156.22%	183.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%	74.81%	72.92%	68.28%
	2016*	2015*		
Employer's Proportion of the Net Pension Liability	1.27192%	1.26737%		
Employer's Proportionate Share of the Net Pension Liability				
\$	160,089,000	\$ 153,157,000		
Employer's Covered Payroll	\$ 94,472,208	\$ 90,933,148		
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	169.46%	168.43%		
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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:	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:	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:	2020	\$ 16,259,030	\$ 16,259,030	\$ -	\$ 106,871,061	15.21%
	2019	15,833,642	15,833,642	-	103,292,430	15.33%
	2018	16,263,667	16,263,667	-	101,392,249	16.04%
	2017	14,445,391	14,445,391	-	99,817,919	14.47%
	2016	13,472,067	13,472,067	-	96,591,415	13.95%
	2015	13,679,435	13,679,435	-	94,472,208	14.48%

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2020

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>	2020*	2019*	2018*
Total OPEB liability			
Service cost	\$ 165,789	\$ 172,531	\$ 161,244
Interest cost	250,445	241,190	230,876
Experience losses/(gains)	342	(31,678)	
Changes in Assumptions	125,400		
Benefit payments	(229,000)	(271,000)	(218,532)
Net change in total OPEB liability	312,976	111,043	173,588
Total OPEB liability - beginning	3,692,120	3,581,077	3,407,489
Total OPEB liability - ending (a)	\$ 4,005,096	\$ 3,692,120	\$ 3,581,077
Total fiduciary net position			
Contributions - employer	\$ 20,000	\$ 42,000	\$ 218,532
Net investment income	527,273	414,736	502,797
Benefit payments	(229,000)	(271,000)	(218,532)
Net change in plan fiduciary net position	318,273	185,736	502,797
Plan fiduciary net position - beginning	5,371,386	5,185,650	4,682,853
Plan fiduciary net position - ending (b)	\$ 5,689,659	\$ 5,371,386	\$ 5,185,650
Net OPEB asset ending (b) - (a)	\$ 1,684,563	\$ 1,679,266	\$ 1,604,573
Plan fiduciary net position as a percentage of the total OPEB liability	142.06%	145.48%	144.81%
Covered payroll	\$ 196,805,332	\$ 190,489,157	\$ 187,285,093
Net OPEB asset as a percentage of covered payroll	0.86%	0.88%	0.86%
Contributions as a percentage of covered payroll	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, 2020

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>	2020*	2019*	2018*
Total OPEB liability			
Service cost	\$ 51,869	\$ 53,979	\$ 53,516
Interest cost	78,355	75,460	76,628
Experience losses/(gains)	107	(9,910)	-
Change in proportionate share	-	(68,170)	-
Change in assumptions	39,233	-	-
Benefit payments	(71,646)	(84,786)	(72,531)
Net change in total OPEB liability	97,918	(33,427)	57,613
Total OPEB liability - beginning	1,155,132	1,188,559	1,130,946
Total OPEB liability - ending (a)	<u>\$ 1,253,050</u>	<u>\$ 1,155,132</u>	<u>\$ 1,188,559</u>
Total fiduciary net position			
Contributions - employer	\$ 6,257	\$ 13,140	\$ 72,531
Change in proportionate share	-	(98,714)	-
Net investment income	164,965	129,756	166,878
Benefit payments	(71,646)	(84,786)	(72,531)
Net change in plan fiduciary net position	99,576	(40,604)	166,878
Plan fiduciary net position - beginning	1,680,513	1,721,117	1,554,239
Plan fiduciary net position - ending (b)	<u>\$ 1,780,089</u>	<u>\$ 1,680,513</u>	<u>\$ 1,721,117</u>
Net OPEB asset ending (b) - (a)	\$ 527,039	\$ 525,381	\$ 532,558
Plan fiduciary net position as a percentage of the total OPEB liability	142.06%	145.48%	144.81%
Covered payroll	\$ 71,153,221	\$ 66,734,243	\$ 65,107,962
Net OPEB asset as a percentage of covered payroll	0.74%	0.79%	0.82%
Contributions as a percentage of covered payroll	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, 2020

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>	2020*	2019*	2018*
Total OPEB liability			
Service cost	\$ 111,010	\$ 115,524	\$ 100,955
Interest cost	167,696	161,498	144,551
Experience losses/(gains)	229	(21,212)	-
Change in proportionate share	-	155,731	-
Change in assumptions	83,966	-	-
Benefit payments	(153,335)	(181,458)	(136,823)
Net change in total OPEB liability	209,566	230,083	108,683
Total OPEB liability - beginning	2,472,195	2,242,112	2,133,429
Total OPEB liability - ending (a)	\$ 2,681,761	\$ 2,472,195	\$ 2,242,112
Total fiduciary net position			
Contributions - employer	\$ 13,392	\$ 28,123	\$ 136,823
Change in proportionate share	-	225,509	-
Net investment income	353,055	277,702	314,801
Benefit payments	(153,336)	(181,458)	(136,823)
Net change in plan fiduciary net position	213,111	349,876	314,801
Plan fiduciary net position - beginning	3,596,611	3,246,735	2,931,934
Plan fiduciary net position - ending (b)	\$ 3,809,722	\$ 3,596,611	\$ 3,246,735
Net OPEB asset ending (b) - (a)	\$ 1,127,961	\$ 1,124,416	\$ 1,004,623
Plan fiduciary net position as a percentage of the total OPEB liability	142.06%	145.48%	144.81%
Covered payroll	\$ 118,335,411	\$ 116,538,102	\$ 114,872,079
Net OPEB asset as a percentage of covered payroll	0.95%	0.96%	0.87%
Contributions as a percentage of covered payroll	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, 2020

Hanover County Retiree Medical Benefits Trust

Schedule of Investment Returns

	Fiscal Year	Rate
Annual money-weighted rate of return, net of investment expense	6/30/2020	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%
	6/30/2011	21.48%

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

Schedule of Employer Contributions

County

Date	Contractually Required Contribution (a)	Contribution in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
6/30/2020	\$ -	\$ 2,503	(2,503)	\$ 73,542,941	0.00%
6/30/2019	-	6,257	(6,257)	71,153,221	0.00%
6/30/2018	-	13,140	(13,140)	66,734,243	0.02%

School Board

Date	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Employer's Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
6/30/2020	\$ -	\$ 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, 2020

Virginia Retirement System-Net OPEB HIC Plan - Primary Government

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

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

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

	2020*	2019*	2018*
Employer's Proportion of the Net OPEB Liability	1.23144%	1.25384%	1.26516%
Employer's Proportionate Share of the Net OPEB Liability	\$ 16,120,747	\$ 15,919,000	\$ 16,050,000
Employer's Covered Payroll	\$ 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	15.61%	15.70%	16.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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, 2020

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)
6/30/2020	\$ 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)
6/30/2020	\$ 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%

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

(continued)

Schedules of Required Supplementary Information (Unaudited)
June 30, 2020

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	2020*	2019*	2018*
County's Proportion of the Net GLI OPEB Liability	0.33555%	0.33281%	0.32895%
County's Proportionate Share of the Net GLI OPEB Liability	\$ 5,460,292	\$ 5,054,000	\$ 4,950,000
Covered Payroll	\$ 65,738,841	\$ 63,272,936	\$ 60,564,521
County's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.31%	7.99%	8.17%
School Board professional group's share	2020*	2019*	2018*
School Board's Proportion of the Net GLI OPEB Liability	0.52833%	0.53434%	0.54244%
School Board's Proportionate Share of the Net GLI OPEB Liability	\$ 8,597,335	\$ 8,115,000	\$ 8,163,000
Covered Payroll	\$ 103,292,430	\$ 101,392,249	\$ 99,817,919
School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.32%	8.00%	8.18%
School Board non-professional group's share	2020*	2019*	2018*
School Board's Proportion of the Net GLI OPEB Liability	0.02686%	0.02712%	0.02825%
School Board's Proportionate Share of the Net GLI OPEB Liability	\$ 437,084	\$ 411,000	\$ 425,000
Covered Payroll	\$ 5,256,371	\$ 5,150,695	\$ 5,201,892
School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.32%	7.98%	8.17%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	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, 2020*

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)
6/30/2020	\$ 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)
6/30/2020	\$ 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)
6/30/2020	\$ 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)

**Notes to Required Supplementary Information
For the Year Ended June 30, 2020**

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

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

Changes of assumptions: The following changes in actuarial assumptions used in the June 30, 2018 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 and VRS Board action are as follows:

County General Employees	County Public Safety Employees
Update mortality table - RP-2014 projected to 2020	Update mortality table - RP-2014 projected to 2020
Lowered retirement rates at older ages and extended final retirement age from 70 to 75	Increased retirement age 50 rates and lowered retirement rates at older ages
Adjusted termination rates to better fit experience at each age and service year	Adjusted termination rates to better fit experience at each age and service year
Lowered disability rates	Adjusted disability rates to better match experience
No change in salary scale	No change in salary scale
Increased line of duty disability from 14 to 15%	Decreased line of duty disability rate from 60 to 45%
Discount rate changed from 7.00% to 6.75%	Discount rate changed from 7.00% to 6.75%

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%

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, 2020

	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	\$ 119,150,000	119,150,000	118,718,773	(431,227)
Public service corporation property taxes	6,200,000	6,200,000	6,453,531	253,531
Personal property taxes	37,830,000	37,830,000	37,975,022	145,022
Machinery and tools taxes	1,900,000	1,900,000	1,977,039	77,039
Merchants' capital taxes	1,750,000	1,750,000	1,617,379	(132,621)
Delinquent taxes	1,373,000	1,373,000	3,590,034	2,217,034
Penalties and interest	1,100,000	1,100,000	1,453,220	353,220
Total general property taxes	169,303,000	169,303,000	171,784,998	2,481,998
Other local taxes:				
Local sales and use taxes	24,125,000	24,125,000	24,952,022	827,022
Consumer utility taxes	2,030,000	2,030,000	2,069,167	39,167
Contractor license taxes	690,000	690,000	1,160,245	470,245
Franchise license taxes	580,000	580,000	507,474	(72,526)
Lodging taxes	1,270,000	1,270,000	937,845	(332,155)
Bank stock tax	930,000	930,000	1,030,391	100,391
Taxes on recordation and wills	2,443,000	2,443,000	2,988,339	545,339
Communication sales tax	4,300,000	4,300,000	4,126,787	(173,213)
Total other local taxes	36,368,000	36,368,000	37,772,270	1,404,270
Permits, privilege fees and regulatory licenses:				
General Government Administration:				
Land use application fee	-	-	1,000	1,000
Public Safety:				
Animal licenses	35,000	35,000	36,420	1,420
Building permits	715,000	715,000	780,216	65,216
Heating and air conditioning	280,000	280,000	339,644	59,644
Electrical permits	200,000	200,000	242,828	42,828
Plumbing permits	115,000	115,000	133,284	18,284
Septic tank permits	7,000	7,000	21	(6,979)
Inspection fees	170,000	170,000	122,300	(47,700)
Public Works:				
Erosion and sediment inspections	275,400	275,400	321,574	46,174
Stormwater management	5,100	5,100	7,200	2,100
Human Services:				
Well and septic inspection	5,000	5,000	25	(4,975)
Community Development:				
Planning fees	235,000	235,000	312,167	77,167
Total permits, privilege fees and regulatory licenses	2,042,500	2,042,500	2,296,679	254,179
Fines and Forfeitures:				
Public Works:				
Erosion and sediment fines	5,000	5,000	3,500	(1,500)
Judicial Administration:				
Court fines and forfeitures	765,000	765,000	640,935	(124,065)
Courthouse maintenance fees	100,000	100,000	85,274	(14,726)
Court appointed attorney fees	40,000	40,000	27,236	(12,764)
Public Safety:				
Criminal Justice Academy training fees	80,000	80,000	60,758	(19,242)
Security alarm fines	35,000	35,000	45,100	10,100
Animal control	400	400	830	430
Total fines and forfeitures	1,025,400	1,025,400	863,633	(161,767)
Revenues from use of money and property:				
Revenue from use of money	475,000	475,000	2,138,526	1,663,526
Revenue from use of property	615,150	615,150	660,501	45,351
Total revenues from use of money and property	1,090,150	1,090,150	2,799,027	1,708,877
Charges for services:				
EMS cost recovery	2,550,000	2,550,000	2,569,596	19,596
Landfill fees	575,165	616,165	646,832	30,667
Recreation fees	688,730	688,730	507,359	(181,371)
Community Services	3,588,284	3,588,284	3,029,632	(558,652)
Other	1,046,265	1,046,265	1,055,262	8,997
Total charges for services	8,448,444	8,489,444	7,808,681	(680,763)

(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, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budget Basis	Final Budget - Positive (Negative)
Miscellaneous:				
Refunds	\$ 69,625	71,275	172,338	101,063
Insurance recoveries	-	125,531	135,226	9,695
Gifts and donations	53,000	117,658	124,778	7,120
Other miscellaneous revenue	370,067	376,082	388,129	12,047
Reserve for revenue transfers	700,000	195,131	-	(195,131)
Total miscellaneous	1,192,692	885,677	820,471	(65,206)
Recovered costs:				
General Government Administration:				
Pamunkey Regional Jail Authority	444,000	444,000	444,000	-
Public Utilities Fund:				
Cost allocation	1,154,000	1,154,000	1,154,000	-
Service assessment	337,000	337,000	337,000	-
Treasurer	45,000	45,000	48,865	3,865
Commissioner of the Revenue	130,000	257,763	257,763	-
Registrar	-	-	3,669	3,669
Judicial Administration:				
Clerk of Circuit Court	18,000	18,000	15,492	(2,508)
Commonwealth's Attorney	-	-	4,202	4,202
Public Safety:				
Community Corrections	66,000	66,000	69,250	3,250
Sheriff	67,500	67,500	19,190	(48,310)
Building Inspector	1,000	1,000	1,094	94
Animal Control	7,000	7,000	1,229	(5,771)
Fire	105,000	105,000	89,273	(15,727)
Human Services:				
Social Services	30,905	30,905	18,017	(12,888)
Community Resources	5,000	5,000	5,000	-
Comprehensive Services	64,000	68,000	91,702	23,702
Community Services	150,000	150,000	141,402	(8,598)
Public Works:				
Public Works Operations	-	6,600	-	(6,600)
Solid Waste Management	250,000	250,000	251,128	1,128
Recycling Service Districts	104,160	108,218	112,779	4,561
General Servcies	3,500	3,500	1,705	(1,795)
Community Development:				
Contributions: Greater Richmond Convention Center Authority	762,000	762,000	839,425	77,425
Planning	-	-	5,200	5,200
Lewistown CDA	32,250	32,250	32,254	4
Economic Development	-	-	63,867	63,867
Total recovered costs	3,776,315	3,918,736	4,007,506	88,770
Total revenues from local sources	223,246,501	223,122,907	228,153,265	5,030,358
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Vehicle rental tax	350,000	350,000	480,725	130,725
Personal property taxes (State remittance)	15,002,000	15,002,000	15,002,745	745
Rolling Stock Tax	70,000	70,000	74,598	4,598
Total non-categorical aid	15,422,000	15,422,000	15,558,068	136,068
Categorical aid:				
Shared expenses:				
Commissioner of the Revenue	265,600	265,600	264,878	(722)
Treasurer	232,300	232,300	230,606	(1,694)
Registrar	54,000	54,000	58,547	4,547
Clerk of Circuit Court	569,600	569,600	569,084	(516)
Commonwealth's Attorney	944,500	944,500	942,317	(2,183)
Sheriff	3,582,000	3,582,000	3,563,900	(18,100)
Total shared expenses	5,648,000	5,648,000	5,629,332	(18,668)
Other categorical aid:				
Social Services	1,421,624	1,421,624	1,263,083	(158,541)
Comprehensive Services	3,271,030	3,299,030	3,261,548	(37,482)
Community Services	2,457,550	2,923,508	3,114,283	190,775
Other	1,399,460	1,521,690	1,466,092	(55,598)
Total other categorical aid	8,549,664	9,165,852	9,105,006	(60,846)
Total categorical aid	14,197,664	14,813,852	14,734,338	(79,514)
Total revenue from the Commonwealth	29,619,664	30,235,852	30,292,406	56,554

(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, 2020

	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	\$ -	1,586,718	201,894	(1,384,824)
General Government - Federal grants	20,000	20,000	15,747	(4,253)
Fire - Federal grants	484,300	744,215	725,671	(18,544)
Sheriff - Federal grants	75,000	181,084	259,469	78,385
Social Services - Federal grants	3,090,488	3,097,548	2,970,785	(126,763)
Community Resources - Federal grants	30,000	116,193	80,304	(35,889)
Commonwealth Attorney - Federal grants	126,000	126,000	125,794	(206)
Comprehensive Services - Federal grants	59,910	59,910	22,906	(37,004)
Community Services - Federal grants	446,227	643,022	549,511	(93,511)
Total revenue from the Federal government	4,331,925	6,574,690	4,952,081	(1,622,609)
Total intergovernmental	33,951,589	36,810,542	35,244,487	(1,566,055)
Total revenues	257,198,090	259,933,449	263,397,752	3,464,303
EXPENDITURES				
General government administration:				
Legislative - Board of Supervisors	618,364	658,256	609,864	48,392
General and financial administration:				
County Administrator	1,372,558	1,439,479	1,414,765	24,714
Human Resources	1,305,450	1,295,612	1,248,478	47,134
County Attorney	1,231,025	1,233,977	1,071,102	162,875
Commissioner of the Revenue	1,738,851	1,982,776	1,820,645	162,131
Assessor	1,303,960	1,306,295	1,237,670	68,625
Treasurer	1,691,062	1,716,365	1,672,357	44,008
Finance	1,971,211	1,995,711	1,937,804	57,907
Management Services	338,319	353,046	342,581	10,465
Information Technology	4,689,820	4,877,076	4,683,679	193,397
Total general and financial administration	15,642,256	16,200,337	15,429,081	771,256
Board of elections - Registrar and Electoral Board	548,716	736,366	653,828	82,538
Total general government administration	16,809,336	17,594,959	16,692,773	902,186
Judicial administration:				
Courts:				
Circuit Court	348,207	362,709	339,481	23,228
General District Court	118,815	119,244	72,316	46,928
Magistrates	3,373	3,373	3,526	(153)
Juvenile and Domestic Relations District Court	23,230	23,230	16,531	6,699
Clerk of the Circuit Court	1,545,021	1,594,142	1,536,980	57,162
Court Services	2,948,451	2,948,451	2,826,924	121,527
Total courts	4,987,097	5,051,149	4,795,758	255,391
Commonwealth's Attorney	2,120,100	2,128,336	2,098,255	30,081
Total judicial administration	7,107,197	7,179,485	6,894,013	285,472
Public safety:				
Sheriff	26,852,086	27,699,132	26,567,428	1,131,704
Fire and Rescue Services:				
Fire and Emergency Management Services	21,896,303	22,861,705	22,290,367	571,338
Total fire and rescue services	21,896,303	22,861,705	22,290,367	571,338
Correction and Detention:				
Pamunkey Regional Jail Authority	5,616,310	5,659,530	4,954,041	705,489
Juvenile Court Services	553,416	553,416	445,374	108,042
Community Corrections	587,793	676,605	591,148	85,457
Total correction and detention	6,757,519	6,889,551	5,990,563	898,988
Inspections - Building Inspections	1,686,142	1,687,372	1,591,639	95,733
Other protection:				
Emergency Communications	6,110,737	6,206,956	5,573,827	633,129
Animal Control	1,134,302	1,149,266	1,090,723	58,543
Total other protection	7,245,039	7,356,222	6,664,550	691,672
Total public safety	64,437,089	66,493,982	63,104,547	3,389,435

(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, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budget Basis	Final Budget - Positive (Negative)
Public works:				
Sanitation and waste removal:				
Public Works	\$ 1,924,597	2,017,648	1,935,988	81,660
Solid Waste Services	4,779,704	4,838,582	4,699,904	138,678
Total sanitation and waste removal	6,704,301	6,856,230	6,635,892	220,338
Maintenance of buildings, grounds and equipment:				
Facilities and Vehicle Management	4,797,205	5,226,085	4,700,245	525,840
Total maintenance of buildings, grounds and equip.	4,797,205	5,226,085	4,700,245	525,840
Total public works	11,501,506	12,082,315	11,336,137	746,178
Health and human services:				
Health	653,504	653,504	653,504	-
Human Services:				
Social Services	6,180,975	6,208,085	5,760,204	447,881
Community Resources	442,152	545,620	527,525	18,095
Comprehensive Services	5,977,000	6,187,000	5,962,700	224,300
Community Services	11,660,588	12,657,837	11,471,697	1,186,140
Tax Relief	1,900,000	1,900,000	2,047,302	(147,302)
Total human services	26,160,715	27,498,542	25,769,428	1,729,114
Total health and human services	26,814,219	28,152,046	26,422,932	1,729,114
Parks, recreation and cultural:				
Parks and Recreation	3,853,731	3,856,894	3,329,397	527,497
Pamunkey Regional Library	2,941,000	2,941,000	2,794,000	147,000.00
Total parks, recreation and cultural	6,794,731	6,797,894	6,123,397	674,497
Community development:				
Planning and Community Development:				
Planning	2,096,030	2,112,383	2,007,055	105,328
Economic Development	1,750,679	1,760,079	1,679,512	80,567
Community Support	1,830,753	2,548,284	1,616,542	931,742
Total planning and community development	5,677,462	6,420,746	5,303,109	1,117,637
Environmental mgmt. - Soil and Water Conservation District	105,994	105,994	105,994	-
Cooperative Extension Program - VPI Extension	118,610	118,610	69,806	48,804
Total community development	5,902,066	6,645,350	5,478,909	1,166,441
Education:				
School Fund	91,696,000	91,771,000	85,931,936	5,839,064
Total education	91,696,000	91,771,000	85,931,936	5,839,064
Total education	91,696,000	91,771,000	85,931,936	5,839,064
Nondepartmental:				
Reserves	2,128,647	782,547	-	782,547
Total nondepartmental	2,128,647	782,547	-	782,547
Total expenditures - budgetary basis	233,190,791	237,499,578	221,984,644	15,514,934
Less encumbrances at June 30, 2020	-	-	(885,807)	885,807
Total expenditures	233,190,791	237,499,578	221,098,837	16,400,741
Excess of revenues over expenditures	24,007,299	22,433,871	42,298,915	19,865,044
OTHER FINANCING SOURCES (USES)				
Other financing sources:				
Transfers from governmental funds:				
County Improvements Fund	-	125,025	125,025	-
Total other financing sources	-	125,025	125,025	-
Other financing uses:				
Transfers to governmental funds:				
County Improvements Fund	(7,558,000)	(7,736,289)	(7,736,289)	-
School Improvements Fund	(5,800,000)	(5,800,000)	(5,800,000)	-
Debt Service Fund	(20,106,830)	(20,106,830)	(19,663,830)	(443,000)
Total transfers to governmental funds	(33,464,830)	(33,643,119)	(33,200,119)	(443,000)
Transfers to Proprietary Fund:				
Airport Fund	(459,444)	(459,444)	(429,444)	(30,000)
Total other financing uses	(33,924,274)	(34,102,563)	(33,629,563)	(473,000)
Total other financing uses, net	(33,924,274)	(33,977,538)	(33,504,538)	(473,000)
Net change in fund balance	(9,916,975)	(11,543,667)	8,794,377	20,338,044
Fund balance - beginning	9,916,975	56,739,698	56,739,698	-
Fund balance - ending	\$ -	45,196,031	65,534,075	20,338,044

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budget Basis	Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenues from use of money and property	\$ 1,000,000	1,000,000	1,000,000	-
Charges for services	500,000	2,500,000	2,041,525	(458,475)
Recovered costs	-	156,406	185,945	29,539
Miscellaneous	200,000	200,032	-	(200,032)
Total revenue from local sources	1,700,000	3,856,438	3,227,470	(628,968)
Intergovernmental:				
Revenue from the Commonwealth	9,988,980	20,120,736	6,073,923	(14,046,813)
Revenue from the Federal government	7,977,800	24,953,930	7,056,612	(17,897,318)
Total intergovernmental	17,966,780	45,074,666	13,130,535	(31,944,131)
Total revenues	19,666,780	48,931,104	16,358,005	(32,573,099)
EXPENDITURES				
General government administration	1,695,000	10,935,233	8,441,091	2,494,142
Public safety	5,678,000	14,127,273	8,002,735	6,124,538
Public works	21,567,370	56,589,413	24,215,951	32,373,462
Parks, recreation and cultural	6,400,000	18,804,075	8,482,068	10,322,007
Community development	-	382,708	158,471	224,237
Reserve for future projects	200,000	200,000	-	200,000
Total expenditures - budgetary basis	35,540,370	101,038,702	49,300,316	51,738,386
Less encumbrances at June 30, 2020	-	-	(16,258,397)	16,258,397
Total expenditures	35,540,370	101,038,702	33,041,919	67,996,783
Excess (deficiency) of revenues over (under) expenditures	(15,873,590)	(52,107,598)	(16,683,914)	35,423,684
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in	7,558,000	7,736,289	7,736,289	-
Issuance of general obligation bonds	6,400,000	12,135,779	11,231,196	(904,583)
Premium on general obligation bonds issued	-	1,668,804	1,668,804	-
Total other financing sources	13,958,000	21,540,872	20,636,289	(904,583)
Other financing uses:				
Transfers out	-	(125,025)	(125,025)	-
Total other financing uses	-	(125,025)	(125,025)	-
Total other financing sources, net	13,958,000	21,415,847	20,511,264	(904,583)
Net change in fund balance	(1,915,590)	(30,691,751)	3,827,350	34,519,101
Fund balance - beginning	1,915,590	34,817,153	34,817,153	-
Fund balance - ending	\$ -	4,125,402	38,644,503	34,519,101

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, 2020

	Original Budget	Final Budget	Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental:				
Revenue from the Federal government	\$ -	3,730,000	-	(3,730,000)
Total revenues	-	3,730,000	-	(3,730,000)
EXPENDITURES				
Capital outlay:				
Education	5,800,000	13,214,798	8,608,638	4,606,160
Total expenditures - budgetary basis	5,800,000	13,214,798	8,608,638	4,606,160
Less encumbrances at June 30, 2020	-	-	(5,203,896)	5,203,896
Total expenditures	5,800,000	13,214,798	3,404,742	9,810,056
Excess (deficiency) of revenues over (under) expenditures	(5,800,000)	(9,484,798)	(3,404,742)	6,080,056
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in	5,800,000	5,800,000	5,800,000	-
Total other financing sources	5,800,000	5,800,000	5,800,000	-
Net change in fund balance	-	(3,684,798)	2,395,258	6,080,056
Fund balance - beginning	-	4,032,865	4,032,865	-
Fund balance - ending	\$ -	348,067	6,428,123	6,080,056

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final		(Negative)
REVENUES				
Revenue from local sources:				
Revenues from use of money and property	\$	-	336,325	336,325
Miscellaneous		-	13,300	13,300
Total revenue from local sources		-	349,625	349,625
Intergovernmental:				
Revenue from the Federal government		252,850	66,259	(186,591)
Total intergovernmental		252,850	66,259	(186,591)
Total revenues		252,850	415,884	163,034
EXPENDITURES				
Debt service:				
Principal retirement		13,820,820	13,855,812	8
Interest		6,509,260	6,211,305	262,955
Other fiscal charges		29,600	18,233	11,367
Debt issuance costs		96,000	309,924	211,076
Total expenditures		20,455,680	20,395,274	485,406
Excess (deficiency) of revenues over (under) expenditures		(20,202,830)	(19,979,390)	648,440
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in		20,106,830	19,663,830	(443,000)
Issuance of general obligation bonds		96,000	143,805	(77,195)
Issuance of general obligation refunding bonds		-	14,980,000	14,680,000
Premium on general obligation refunding bonds issued		-	2,568,142	2,568,142
Total other financing sources		20,202,830	37,355,777	16,727,947
Other financing uses:				
Payments to refunded bonds escrow agent		-	17,347,582	17,347,582
Total other financing uses		-	17,347,582	17,347,582
Total other financing sources, net		20,202,830	20,008,195	(619,635)
Net change in fund balance		-	28,805	28,805
Fund balance - beginning		-	521,034	-
Fund balance - ending	\$	-	549,839	28,805

See accompanying independent auditors' report.

AGENCY FUNDS

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

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

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

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

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

COUNTY OF HANOVER, VIRGINIA**Exhibit 17**

Agency Funds

Combining Balance Sheet

June 30, 2020

	Bell Creek Community Development Authority	Lewistown Community Development Authority	Escrow	Special Welfare	Total
ASSETS					
Pooled cash, cash equivalents and investments	\$ 69,424	369,055	6,331,545	61,564	6,831,588
Accounts receivable	75,940	1,028,440	1,333	-	1,105,713
Total assets	<u>\$ 145,364</u>	<u>1,397,495</u>	<u>6,332,878</u>	<u>61,564</u>	<u>7,937,301</u>
LIABILITIES					
Accounts payable	\$ 69,424	272,495	44,177	-	386,096
Accrued liabilities	75,940	1,125,000	-	-	1,200,940
Deposits	-	-	6,288,701	61,564	6,350,265
Total liabilities	<u>\$ 145,364</u>	<u>1,397,495</u>	<u>6,332,878</u>	<u>61,564</u>	<u>7,937,301</u>

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA

Exhibit 18

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2020

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Bell Creek Community Development Authority				
Assets:				
Pooled cash, cash equivalents and investments	\$ 76,977	162,981	170,534	69,424
Accounts receivable	81,590	156,667	162,317	75,940
Total assets	<u>\$ 158,567</u>	<u>319,648</u>	<u>332,851</u>	<u>145,364</u>
Liabilities:				
Accounts payable	\$ 77,283	156,650	164,509	69,424
Accrued liabilities	81,283	157,241	162,584	75,940
Total liabilities	<u>\$ 158,566</u>	<u>313,891</u>	<u>327,093</u>	<u>145,364</u>
Lewistown Community Development Authority				
Assets:				
Pooled cash, cash equivalents and investments	\$ 305,013	1,331,375	1,267,333	369,055
Accounts receivable	668,224	1,004,348	644,132	1,028,440
Total assets	<u>\$ 973,237</u>	<u>2,335,723</u>	<u>1,911,465</u>	<u>1,397,495</u>
Liabilities:				
Accounts payable	\$ 232,432	1,274,498	1,234,435	272,495
Accrued liabilities	740,805	1,028,821	644,626	1,125,000
Total liabilities	<u>\$ 973,237</u>	<u>2,303,319</u>	<u>1,879,061</u>	<u>1,397,495</u>
Escrow				
Assets:				
Pooled cash, cash equivalents and investments	\$ 4,844,457	8,382,381	6,895,293	6,331,545
Accounts receivable	1,149	184	-	1,333
Total assets	<u>\$ 4,845,606</u>	<u>8,382,565</u>	<u>6,895,293</u>	<u>6,332,878</u>
Liabilities:				
Accounts payable	\$ 61,115	2,057,826	2,074,764	44,177
Accrued liabilities	856,603	2,533,896	3,390,499	-
Deposits	3,927,885	6,390,025	4,029,209	6,288,701
Total liabilities	<u>\$ 4,845,603</u>	<u>10,981,747</u>	<u>9,494,472</u>	<u>6,332,878</u>
Special Welfare				
Assets:				
Pooled cash, cash equivalents and investments	\$ 56,944	77,459	72,839	61,564
Total assets	<u>\$ 56,944</u>	<u>77,459</u>	<u>72,839</u>	<u>61,564</u>
Liabilities:				
Deposits	\$ 56,944	77,443	72,823	61,564
Total liabilities	<u>\$ 56,944</u>	<u>77,443</u>	<u>72,823</u>	<u>61,564</u>
Total Agency Funds				
Assets:				
Pooled cash, cash equivalents and investments	\$ 5,283,391	9,954,196	8,405,999	6,831,588
Accounts receivable	750,963	1,161,199	806,449	1,105,713
Total assets	<u>\$ 6,034,354</u>	<u>11,115,395</u>	<u>9,212,448</u>	<u>7,937,301</u>
Liabilities:				
Accounts payable	\$ 370,830	3,488,974	3,473,708	386,096
Accrued liabilities	1,678,691	3,719,958	4,197,709	1,200,940
Deposits	3,984,829	6,467,468	4,102,032	6,350,265
Total liabilities	<u>\$ 6,034,350</u>	<u>13,676,400</u>	<u>11,773,449</u>	<u>7,937,301</u>

See accompanying independent auditors' report.

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Governmental Funds:

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

Cafeteria – Accounts for the operations of school food services.

COUNTY OF HANOVER, VIRGINIA
Discretely Presented Component Unit - School Board
Combining Balance Sheet
June 30, 2020

Exhibit 19

	Governmental Funds		
	School	Cafeteria	Totals
ASSETS			
Pooled cash, cash equivalents and investments	\$ 16,508,840	387,344	16,896,184
Accounts receivable	38,462	-	38,462
Due from other governmental units	4,388,266	192,344	4,580,610
Inventory	-	386,507	386,507
Prepaid expenses	9,069	-	9,069
Total assets	<u>\$ 20,944,637</u>	<u>966,195</u>	<u>21,910,832</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,419,316	39,816	1,459,132
Accrued liabilities	17,095,387	417,031	17,512,418
Unearned revenues	436,816	-	436,816
Total liabilities	<u>18,951,519</u>	<u>456,847</u>	<u>19,408,366</u>
Fund balances:			
Nonspendable	9,069	386,507	395,576
Restricted	51,990	-	51,990
Assigned	1,932,059	122,841	2,054,900
Total fund balances	<u>1,993,118</u>	<u>509,348</u>	<u>2,502,466</u>
Total liabilities and fund balances	<u>\$ 20,944,637</u>	<u>966,195</u>	<u>21,910,832</u>

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. \$ 117,918,814

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: (6,722,472)

GAAP requires the recognition of net pension asset, net pension liability and deferred inflows and outflows of resources related to pensions. These amounts do not use current financial resources and are not reported in the funds.

Net pension asset	2,691,619	
Net pension liability	(162,644,883)	
Pension investment experience	(3,820,790)	
Pension contributions after measurement date	16,337,633	
Change in actual and proportionate share of pension contributions, net	(3,177,926)	
Difference between expected and actual experience	(10,586,170)	
Change in assumptions, net	<u>16,480,997</u>	(144,719,520)

GAAP requires the recognition of net other postemployment benefits asset, net other postemployment benefits liability and deferred inflows and outflows of resources related to other postemployment benefits. These amounts do not use current financial resources and are not reported in the funds.

Net other postemployment benefits asset	1,127,961	
Net other postemployment benefits liability	(25,155,166)	
OPEB investment experience	(200,264)	
OPEB contributions after measurement date	1,873,279	
OPEB change in assumptions	73,470	
Change in actual and proportionate share of OPEB contributions	(592,061)	
Difference between expected and actual experience	236,516	
Change in assumptions	<u>561,141</u>	(22,075,124)

Net position of School Board Component Unit activities		<u>\$ (53,095,836)</u>
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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, 2020

	Governmental Funds		
	School	Cafeteria	Totals
REVENUES			
Revenue from local sources:			
Revenue from use of money and property	\$ 379,381	-	379,381
Charges for services - operating	659,278	3,055,320	3,714,598
Miscellaneous	712,998	48,554	761,552
Recovered costs	314,346	-	314,346
Payments from Primary Government	85,931,936	-	85,931,936
Revenue from the Commonwealth	93,098,937	83,755	93,182,692
Revenue from the Federal government	7,056,695	2,357,751	9,414,446
Total revenues	188,153,571	5,545,380	193,698,951
EXPENDITURES			
Education	187,418,789	5,239,406	192,658,195
Total expenditures	187,418,789	5,239,406	192,658,195
Excess of revenues over expenditures	734,782	305,974	1,040,756
Net change in fund balance	734,782	305,974	1,040,756
Fund balances - beginning	1,258,336	203,374	1,461,710
Fund balances - ending	\$ 1,993,118	509,348	2,502,466

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, 2020**

Net change in fund balances - total governmental funds \$ 1,040,756

The County's School Improvements Fund accounts for the construction and acquisition of School Board capital assets. As the School Improvements Fund makes capital outlay expenditures, the capital assets, and a corresponding increase in the "Payment from Hanover County," are recorded by the School Board Component Unit in the government-wide financial statements. After their completion, the cost of the capital assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,321,341
Depreciation expense	(8,041,899)

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.

5,820,309

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.

(415,885)

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.

692,222

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.

462,702

Changes in net position of School Board Component Unit activities	<u>\$ 1,879,546</u>
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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, 2020

	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	\$ 115,000	115,000	379,381	264,381
Total revenue from use of money and property	115,000	115,000	379,381	264,381
Charges for services:				
Tuition and other charges for services	879,735	879,735	659,278	(220,457)
Total charges for services	879,735	879,735	659,278	(220,457)
Miscellaneous:				
Miscellaneous	1,273,800	1,050,159	712,998	(337,161)
Total miscellaneous revenues	1,273,800	1,050,159	712,998	(337,161)
Recovered costs:				
Recovered costs	430,000	452,949	314,346	(138,603)
Total recovered costs	430,000	452,949	314,346	(138,603)
Payments from Primary Government:				
General Fund	91,696,000	91,771,000	85,931,936	(5,839,064)
Total payments from Primary Government	91,696,000	91,771,000	85,931,936	(5,839,064)
Total revenue from local sources	94,394,535	94,268,843	87,997,939	(6,270,904)
Revenue from the Commonwealth:				
Non-categorical aid:				
Non-categorical aid programs	71,392,863	71,392,863	70,430,958	(961,905)
Total non-categorical aid	71,392,863	71,392,863	70,430,958	(961,905)
Categorical aid:				
Categorical aid programs	21,402,681	21,402,681	22,667,979	1,265,298
Total categorical aid	21,402,681	21,402,681	22,667,979	1,265,298
Total revenue from the Commonwealth	92,795,544	92,795,544	93,098,937	303,393
Revenue from the Federal government:				
Categorical aid:				
Department of Education	7,002,960	8,348,208	7,056,695	(1,291,513)
Total revenue from the Federal government	7,002,960	8,348,208	7,056,695	(1,291,513)
Total revenues	194,193,039	195,412,595	188,153,571	(7,259,024)
EXPENDITURES				
Education:				
General support	10,895,511	10,173,646	9,830,610	343,036
Pupil transportation	9,438,245	9,311,644	8,644,089	667,555
Operations and maintenance	13,627,540	13,572,778	12,998,447	574,331
Instruction	159,468,946	162,730,352	156,264,631	6,465,721
Facilities	762,797	882,511	689,554	192,957
Total education	194,193,039	196,670,931	188,427,331	8,243,600
Total expenditures - budgetary basis	194,193,039	196,670,931	188,427,331	8,243,600
Less encumbrances at June 30, 2020	-	-	(1,008,542)	1,008,542
Total expenditures	194,193,039	196,670,931	187,418,789	9,252,142
Excess (deficiency) of revenues over (under) expenditures	-	(1,258,336)	734,782	1,993,118
Net change in fund balance	-	(1,258,336)	734,782	1,993,118
Fund balance - beginning	-	1,258,336	1,258,336	-
Fund balance - ending	\$ -	-	1,993,118	1,993,118

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, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Charges for services	\$ 4,580,232	4,580,232	3,055,320	(1,524,912)
Miscellaneous revenues	230,000	230,000	48,554	(181,446)
Total revenues from local sources	4,810,232	4,810,232	3,103,874	(1,706,358)
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Categorical aid:				
School food programs	75,226	75,226	83,755	8,529
Total revenues from the Commonwealth	75,226	75,226	83,755	8,529
Revenue from the Federal government:				
Categorical aid:				
USDA donated commodities	-	304,000	428,900	124,900
School food programs	2,534,000	2,230,000	1,476,160	(753,840)
Breakfast reimbursement	-	-	452,691	452,691
Total revenues from the Federal government	2,534,000	2,534,000	2,357,751	(176,249)
Total revenues	7,419,458	7,419,458	5,545,380	(1,874,078)
EXPENDITURES				
Education:				
Cafeteria	7,419,458	7,419,458	5,239,406	2,180,052
Total education	7,419,458	7,419,458	5,239,406	2,180,052
Total expenditures	7,419,458	7,419,458	5,239,406	2,180,052
Net change in fund balance	-	-	305,974	305,974
Fund balance - beginning	-	203,374	203,374	-
Fund balance - ending	\$ -	203,374	509,348	305,974

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, 2020

ASSETS

Pooled cash, cash equivalents and investments	\$ 390,952
Total assets	<u>\$ 390,952</u>

LIABILITIES AND FUND BALANCES

Unearned revenues	\$ 300,000
Total liabilities	<u>300,000</u>

Fund balances:

Unassigned	90,952
Total fund balances	<u>90,952</u>
Total liabilities and fund balances	<u>\$ 390,952</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.	\$ 1,835,000
Long-term liabilities, including bonds payable and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,835,000)</u>
Total net position of the Economic Development Authority	<u>\$ 90,952</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, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Charges for services:				
Economic development fees	\$ 88,560	88,560	88,560	-
Revenue from the Federal government	-	300,000	-	(300,000)
Total revenues	88,560	388,560	88,560	(300,000)
EXPENDITURES				
Community Development:				
Economic development	88,560	388,560	86,391	302,169
Total expenditures	88,560	388,560	86,391	302,169
Excess of revenues over expenditures	-	-	2,169	2,169
Net change in fund balance	-	-	2,169	2,169
Fund balance - beginning	-	88,783	88,783	-
Fund balance - ending	\$ -	88,783	90,952	2,169

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	167 - 173
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	174 - 177
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	178 - 179
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	180 - 181
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	182 - 184
Operating information is intended to provide information about the County's services and capital asset resources to help the reader understand how the information in the financial report relates to the services the County provides and the activities it performs.	

COUNTY OF HANOVER, VIRGINIA

Net Position by Component (Unaudited)

Last Ten Fiscal Years

*(accrual basis of accounting)***Table 1**

		<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>	<u>2018 (2)</u>	<u>2019</u>	<u>2020</u>
Governmental activities:											
Net investment in capital assets	\$	81,246,238	74,105,915	71,850,313	74,495,930	73,603,011	77,813,118	78,760,193	81,867,826	82,130,809	84,032,333
Restricted		5,594,093	5,054,300	5,034,427	7,621,816	8,444,892	8,991,060	9,405,975	8,211,782	7,883,977	8,716,897
Unrestricted		51,276,177	56,041,435	57,584,445	66,759,717	50,299,917	57,293,783	58,254,707	55,720,981	64,185,650	82,697,815
Total net position, governmental activities	\$	<u>138,116,508</u>	<u>135,201,650</u>	<u>134,469,185</u>	<u>148,877,463</u>	<u>132,347,820</u>	<u>144,097,961</u>	<u>146,420,875</u>	<u>145,800,589</u>	<u>154,200,436</u>	<u>175,447,045</u>
Business-type activities:											
Net investment in capital assets	\$	188,046,917	180,255,835	183,511,196	187,148,593	192,592,248	196,617,097	202,891,621	213,370,261	218,728,265	225,248,001
Restricted		3,454,766	3,400,179	3,431,374	3,474,707	3,524,693	3,486,303	3,587,279	3,755,185	3,887,194	4,063,710
Unrestricted		9,143,399	17,105,102	18,279,356	20,297,896	18,734,211	22,080,371	25,425,525	26,360,193	28,920,096	33,053,382
Total net position, business-type activities	\$	<u>200,645,082</u>	<u>200,761,116</u>	<u>205,221,926</u>	<u>210,921,196</u>	<u>214,851,152</u>	<u>222,183,771</u>	<u>231,904,425</u>	<u>243,485,639</u>	<u>251,535,555</u>	<u>262,365,093</u>
Primary government:											
Net investment in capital assets	\$	269,293,155	254,361,750	255,361,509	261,644,523	266,195,259	274,430,215	281,651,814	295,238,087	300,859,074	309,280,334
Restricted		9,048,859	8,454,479	8,465,801	11,096,523	11,969,585	12,477,363	12,993,254	11,966,967	11,771,171	12,780,607
Unrestricted		60,419,576	73,146,537	75,863,801	87,057,613	69,034,128	79,374,154	83,680,232	82,081,174	93,105,746	115,751,197
Total net position, Primary Government	\$	<u>338,761,590</u>	<u>335,962,766</u>	<u>339,691,111</u>	<u>359,798,659</u>	<u>347,198,972</u>	<u>366,281,732</u>	<u>378,325,300</u>	<u>389,286,228</u>	<u>405,735,991</u>	<u>437,812,138</u>

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									
	2011	2012	2013	2014	2015 (1)	2016	2017	2018 (2)	2019	2020
<u>Expenses</u>										
Governmental activities:										
General government administration	\$ 13,686,641	14,324,220	13,251,586	13,327,904	14,078,698	14,579,237	16,697,133	15,979,421	18,288,850	19,062,592
Judicial administration	4,447,352	4,338,334	4,737,986	4,671,068	4,699,748	4,968,826	6,931,360	7,981,981	7,493,514	8,030,417
Public safety	47,946,531	49,003,762	51,534,448	50,081,795	51,586,916	53,695,056	59,422,217	60,731,436	63,126,625	65,689,440
Public works	9,891,396	11,407,634	12,115,168	8,156,659	15,054,599	14,580,033	17,693,369	27,958,841	20,567,158	23,624,070
Human services	24,165,944	22,925,913	21,502,295	20,053,613	20,364,814	21,222,733	22,498,625	23,401,758	24,900,685	26,204,530
Parks, recreation and cultural	6,444,651	6,531,096	6,141,549	5,914,812	6,118,595	6,189,937	6,615,395	6,475,656	6,760,866	6,675,108
Community development	5,318,097	4,625,376	4,809,867	4,556,186	4,723,408	5,094,822	5,139,068	5,297,842	5,650,983	5,614,279
Education	86,779,122	88,976,562	88,113,912	80,080,452	82,732,244	85,215,836	89,409,847	93,998,917	98,123,845	98,169,817
Interest on long-term debt	1,536,631	1,494,308	1,966,102	8,266,750	6,005,268	6,611,846	6,132,233	5,883,953	5,787,665	5,303,168
Total governmental activities expenses	<u>200,216,365</u>	<u>203,627,205</u>	<u>204,172,913</u>	<u>195,109,239</u>	<u>205,364,290</u>	<u>212,158,326</u>	<u>230,539,247</u>	<u>247,709,805</u>	<u>250,700,191</u>	<u>258,373,421</u>
Business-type activities:										
Public utilities	24,915,456	26,264,524	26,370,084	26,704,949	26,303,713	26,302,409	26,477,038	25,936,698	28,217,686	29,236,870
Airport	696,323	759,169	641,915	649,430	736,601	627,311	625,962	658,321	733,997	863,690
Total business-type activities expenses	<u>25,611,779</u>	<u>27,023,693</u>	<u>27,011,999</u>	<u>27,354,379</u>	<u>27,040,314</u>	<u>26,929,720</u>	<u>27,103,000</u>	<u>26,595,019</u>	<u>28,951,683</u>	<u>30,100,560</u>
Total expenses, Primary Government	<u>\$ 225,828,144</u>	<u>230,650,898</u>	<u>231,184,912</u>	<u>222,463,618</u>	<u>232,404,604</u>	<u>239,088,046</u>	<u>257,642,247</u>	<u>274,304,824</u>	<u>279,651,874</u>	<u>288,473,981</u>
<u>Program Revenues</u>										
Governmental activities:										
Charges for services:										
General governmental administration	\$ 1,919,228	2,015,327	1,989,140	1,919,543	1,945,854	1,687,666	1,847,076	2,362,301	2,414,877	2,455,585
Judicial administration	1,295,959	1,121,848	1,181,522	1,131,565	1,114,869	1,049,789	1,077,473	1,068,257	1,042,023	959,741
Public safety	4,170,594	3,077,467	4,261,351	4,520,561	4,828,466	4,664,786	5,181,569	4,924,849	5,703,634	5,592,212
Public works	1,347,446	1,260,824	1,172,975	1,270,579	1,021,198	1,106,528	1,715,083	2,428,584	2,579,622	1,788,663
Human services	3,876,950	3,332,257	3,400,041	3,563,282	3,462,587	3,338,548	3,346,538	3,230,466	3,455,355	3,285,753
Parks, recreation and cultural	571,427	498,989	477,202	523,055	456,682	480,162	554,834	255,579	657,269	524,249
Community development	725,907	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
Operating grants and contributions	17,075,125	16,696,451	15,906,997	17,090,061	16,135,262	16,575,846	19,167,150	18,643,069	18,980,164	19,925,541
Capital grants and contributions	2,521,940	1,993,464	3,477,420	4,400,177	6,157,602	5,331,207	5,697,464	14,202,534	8,901,635	16,048,539
Total governmental activities program revenues	<u>33,504,576</u>	<u>31,002,557</u>	<u>32,793,308</u>	<u>35,392,232</u>	<u>36,200,116</u>	<u>35,438,621</u>	<u>39,753,794</u>	<u>48,396,115</u>	<u>44,947,061</u>	<u>51,680,103</u>
Business-type activities:										
Charges for services:										
Public utilities	21,981,551	21,715,203	22,523,614	22,727,173	23,922,093	30,524,162	30,374,748	30,091,001	31,484,081	33,137,653
Airport ⁽¹⁾	178,080	184,550	189,662	194,468	207,379	207,288	215,748	221,383	227,988	286,679
Capital grants and contributions	5,289,134	4,936,335	8,634,930	10,021,676	8,745,545	3,282,212	6,131,327	8,094,840	4,232,942	6,062,536
Total business-type activities program revenues	<u>27,448,765</u>	<u>26,836,088</u>	<u>31,348,206</u>	<u>32,943,317</u>	<u>32,875,017</u>	<u>34,013,662</u>	<u>36,721,823</u>	<u>38,407,224</u>	<u>35,945,011</u>	<u>39,516,868</u>
Total program revenues, Primary Gment	<u>\$ 60,953,341</u>	<u>57,838,645</u>	<u>64,141,514</u>	<u>68,335,549</u>	<u>69,075,133</u>	<u>69,452,283</u>	<u>76,475,617</u>	<u>86,803,339</u>	<u>80,892,072</u>	<u>91,196,971</u>
<u>Net (Expense) Revenue</u>										
Governmental activities	\$ (166,711,789)	(172,624,648)	(171,379,605)	(159,717,007)	(169,164,174)	(176,719,705)	(191,055,453)	(199,313,690)	(205,753,130)	(206,693,318)
Business-type activities	<u>1,836,986</u>	<u>(187,605)</u>	<u>4,336,207</u>	<u>5,588,938</u>	<u>5,834,703</u>	<u>7,083,942</u>	<u>9,618,823</u>	<u>11,812,205</u>	<u>6,993,328</u>	<u>9,416,308</u>
Total net expense, Primary Government	<u>\$ (164,874,803)</u>	<u>(172,812,253)</u>	<u>(167,043,398)</u>	<u>(154,128,069)</u>	<u>(163,329,471)</u>	<u>(169,635,763)</u>	<u>(181,436,630)</u>	<u>(187,501,485)</u>	<u>(198,759,802)</u>	<u>(197,277,010)</u>

(continued)

COUNTY OF HANOVER, VIRGINIA

Changes in Net Position (Unaudited)

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2

	Fiscal Year									
	2011	2012	2013	2014	2015 (1)	2016	2017	2018 (2)	2019	2020
<u>General Revenues and Other Changes in Net Position</u>										
Governmental activities:										
Taxes:										
Property taxes	\$ 129,565,022	126,263,780	125,689,871	127,974,854	130,303,062	139,280,061	143,800,396	152,312,919	161,303,287	172,139,996
Sales taxes	15,981,340	16,607,323	17,357,257	18,158,255	19,201,921	19,886,580	20,752,689	22,037,982	22,863,888	24,952,022
Utility taxes	6,939,774	6,869,415	6,871,623	6,769,285	6,770,101	6,726,388	6,639,025	6,557,712	6,156,966	6,195,954
Recordation taxes	1,556,422	1,695,512	2,428,067	1,955,691	2,165,891	2,431,061	2,403,524	2,460,540	2,561,531	2,988,339
Other	2,378,684	2,190,557	2,184,430	2,387,749	2,552,378	2,835,584	3,024,186	3,266,880	3,576,388	3,635,955
Noncategorical State aid	14,716,447	14,746,150	14,850,432	15,273,372	15,107,698	15,322,281	15,390,161	15,433,308	15,550,167	15,558,068
Grants and contributions not restricted to specific programs	1,165,499	1,215,096	1,168,838	1,283,768	1,468,137	1,416,225	1,338,897	911,867	244,755	760,510
Unrestricted investment earnings	356,297	314,846	164,364	322,311	302,518	582,027	81,738	239,848	1,948,024	2,138,527
Transfers	(190,056)	(192,889)	(67,742)	-	(90,074)	(10,361)	(52,249)	(71,018)	(52,029)	(429,444)
Total general revenues and other changes in net position, governmental activities	172,469,429	169,709,790	170,647,140	174,125,285	177,781,632	188,469,846	193,378,367	203,150,038	214,152,977	227,939,927
Business-type activities:										
Public utilities - unrestricted investment earnings	153,045	110,750	56,861	110,332	104,280	188,316	49,582	112,532	1,004,559	983,786
Transfers - Airport fund	190,056	192,889	67,742	-	90,074	10,361	52,249	71,018	52,029	429,444
Total general revenues and other changes in net position, business-type activities	343,101	303,639	124,603	110,332	194,354	198,677	101,831	183,550	1,056,588	1,413,230
Total general revenues and other changes in net position, Primary Government	\$ 172,812,530	170,013,429	170,771,743	174,235,617	177,975,986	188,668,523	193,480,198	203,333,588	215,209,565	229,353,157
<u>Change in Net Position</u>										
Governmental activities	\$ 5,757,640	(2,914,858)	(732,465)	14,408,278	8,617,458	11,750,141	2,322,914	3,836,348	8,399,847	21,246,609
Business-type activities	2,180,087	116,034	4,460,810	5,699,270	6,029,057	7,282,619	9,720,654	11,995,755	8,049,916	10,829,538
Total change in net position, Primary Government	\$ 7,937,727	(2,798,824)	3,728,345	20,107,548	14,646,515	19,032,760	12,043,568	15,832,103	16,449,763	32,076,147

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

(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)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Nonspendable	147,333	170,004	197,871	263,620	201,790	221,923	248,444	247,392	265,730	945,922
Restricted	532,845	467,104	581,242	975,241	892,123	894,106	693,755	868,647	924,397	971,724
Committed	2,500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Assigned	19,552,419	20,567,906	17,754,733	23,260,372	24,467,668	26,794,234	21,741,736	20,386,174	21,808,028	27,557,732
Unassigned	24,565,863	23,927,842	25,200,284	25,644,215	26,418,188	28,169,774	29,351,651	30,870,027	33,241,543	35,558,697
Total General Fund	47,298,460	45,632,856	44,234,130	50,643,448	52,479,769	56,580,037	52,535,586	52,872,240	56,739,698	65,534,075
All other governmental funds: ⁽²⁾										
Nonspendable	-	-	-	178,126	158,852	290,107	264,560	214,911	155,515	1,203,231
Restricted	6,103,928	4,113,255	4,878,185	26,801,595	24,100,147	23,664,172	22,321,649	11,813,267	19,619,407	20,646,953
Assigned	12,563,314	9,522,307	10,071,820	11,298,077	13,646,110	12,898,509	19,819,146	18,584,547	19,596,130	23,772,281
Total All Other Governmental Funds	18,667,242	13,635,562	14,950,005	38,277,798	37,905,109	36,852,788	42,405,355	30,612,725	39,371,052	45,622,465

- 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				
	2011	2012	2013	2014	2015
Primary Government:					
REVENUES					
General property taxes	\$ 130,806,022	126,110,780	125,716,871	127,474,854	132,279,062
Other local taxes	26,856,220	27,362,807	28,841,377	29,270,980	30,690,291
Permits, privilege fees and regulatory licenses	1,771,735	1,555,734	2,117,648	2,172,162	2,126,778
Fines and forfeitures	1,234,619	1,123,148	1,122,896	1,142,444	1,086,243
Revenues from use of money and property	663,868	730,397	519,442	710,460	796,077
Charges for services	7,734,023	7,383,203	7,738,869	9,170,473	8,015,343
Miscellaneous	728,750	720,888	765,157	960,005	1,050,022
Recovered costs	3,939,877	3,899,087	4,085,951	3,743,137	3,746,404
Intergovernmental (state and federal)	32,981,600	32,212,010	32,350,451	34,174,720	36,088,750
Total revenues	206,716,714	201,098,054	203,258,662	208,819,235	215,878,970
EXPENDITURES					
General governmental administration	13,264,877	14,078,620	13,388,389	13,610,993	15,080,859
Judicial administration	4,238,674	4,365,516	4,625,522	5,602,584	9,260,522
Public safety	52,271,337	50,485,129	49,214,788	48,819,005	52,259,053
Public works	9,048,288	10,938,918	10,512,574	10,928,408	14,300,650
Human services	26,117,943	23,259,647	21,110,782	20,337,280	20,978,177
Parks, recreation and cultural	7,567,583	6,886,334	5,611,331	5,472,274	5,748,956
Community development	5,474,907	4,659,812	4,719,372	4,565,432	4,824,351
Education expenditures, for:					
Instruction, operations and administration	67,587,462	72,974,302	72,349,963	70,939,017	71,361,872
Capital outlay	7,700,153	6,591,609	1,863,441	1,632,012	6,188,679
Debt service:					
Principal retirement	11,111,792	10,502,253	10,723,304	-	-
Interest and fiscal charges	5,546,302	5,092,904	4,992,396	-	-
Total education, Primary Government	91,945,709	95,161,068	89,929,104	72,571,029	77,550,551
Debt service:					
Principal retirement	2,065,489	2,201,996	2,541,464	13,312,349	12,581,509
Interest and fiscal charges	1,518,217	2,001,749	1,957,177	6,451,957	6,728,512
Bond issuance costs	326,444	35,649	-	307,254	246,024
Total expenditures	213,839,468	214,074,438	203,610,503	201,978,565	219,559,164
Excess (deficiency) of revenues over (under) expenditures	(7,122,754)	(12,976,384)	(351,841)	6,840,670	(3,680,194)
OTHER FINANCING SOURCES (USES)					
Transfers in	9,196,315	10,061,563	4,123,000	23,595,558	27,503,653
Transfers out	(9,530,584)	(10,254,452)	(4,190,742)	(23,595,558)	(27,593,727)
Sale of capital assets	-	-	335,300	-	-
Bonds issued	12,809,071	6,471,989	-	22,896,441	5,014,371
Refunding bonds issued	5,660,579	-	-	-	23,903,469
Payments to escrow agent	(10,844,571)	-	-	-	(23,683,940)
Support agreement	7,327,036	-	-	-	-
Total other financing sources, net	14,617,846	6,279,100	267,558	22,896,441	5,143,826
Net change in fund balances	\$ 7,495,092	(6,697,284)	(84,283)	29,737,111	1,463,632
County capital outlay (other than for education) contained in functional expenditure categories, above	\$ 13,066,182	7,641,249	3,126,556	8,426,621	9,174,311
GASB 44 debt service disclosure (Primary Government): (2)					
Noncapital expenditures	\$ 200,773,286	206,433,189	200,483,947	193,551,944	210,384,853
Debt service as a percentage of noncapital expenditures,					
Primary Government, governmental funds	10.1%	9.6%	10.1%	10.2%	9.2%
Self-imposed debt margin compliance (Total Reporting Entity): (1)					
Noncapital expenditures - total reporting entity	\$ 289,156,980	295,486,002	294,560,877	290,620,815	303,333,119
Debt service as a percent of noncapital expenditures - total reporting entity	7.0%	6.7%	6.9%	6.8%	6.4%

Notes: (1) **Self-imposed debt limit information**
The Commonwealth of Virginia does not impose a legal debt limit on the amount of long-term indebtedness the County can incur or have outstanding. The Board of Supervisors, however, has imposed limits in the County's Debt Policy. For example, the County's debt policy provides that the annual debt service will not exceed ten percent of noncapital expenditures for the governmental funds of the reporting entity as a whole. For this purpose, capital outlay consists of total expenditures of the County and School Improvements Funds (Capital Projects Funds), and noncapital expenditures consist of total expenditures of the reporting entity, exclusive of the Capital Projects Funds. This table shows how the County has met this self-imposed debt limit for each of the past ten fiscal years. Information about additional self-imposed debt limits is presented on Table 9.

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

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

Table 4

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

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

Debt Margin Information (1), (2)		
Fiscal Year 2020	Self-imposed	GASB 44
	Total	
	Reporting	Primary
	Entity	Government
	(Note 1)	(Note 2)
Total expenditures	\$ 384,753,422	277,940,772
Less:		
Capital Outlay	(36,446,661)	(23,304,108)
Noncapital expenditures	\$ 348,306,761	254,636,664
Debt service expenditures	\$ 20,395,274	20,085,350
As a % of noncapital expenditures	5.9%	7.9%

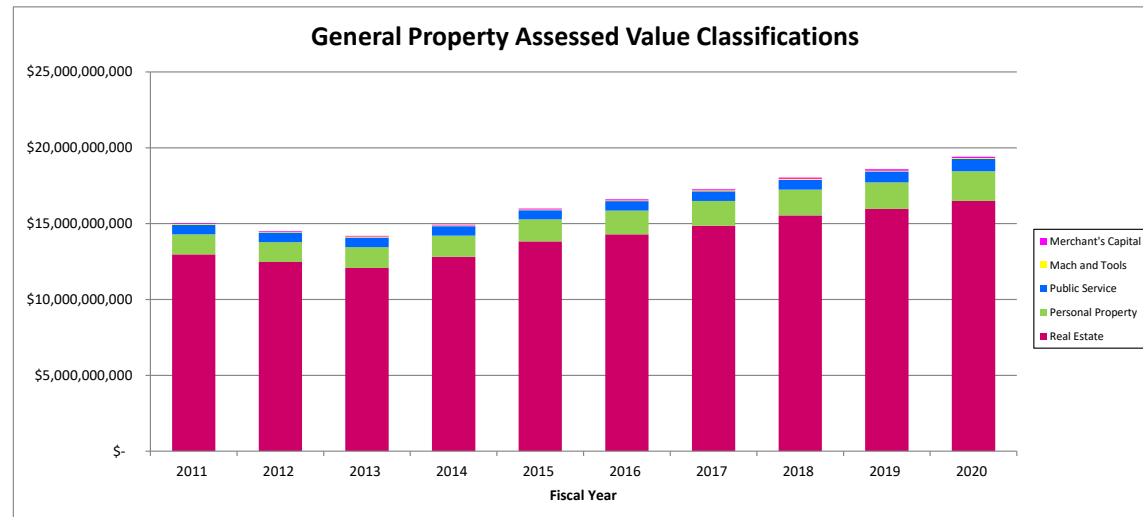
COUNTY OF HANOVER, VIRGINIA

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
2011	\$ 12,976,492,850	1,317,726,666	46,767,920	56,331,127	636,154,791	15,033,473,354	1.06	16,251,114,190	92.5%
2012	12,473,065,850	1,305,637,852	48,382,950	50,402,585	640,206,513	14,517,695,750	1.06	15,721,793,938	92.3%
2013	12,085,083,900	1,362,897,839	52,410,151	54,335,585	641,273,699	14,196,001,174	1.09	15,420,048,309	92.1%
2014	12,811,773,150	1,393,705,252	47,093,690	57,047,845	623,384,698	14,933,004,635	1.08	16,153,767,752	92.4%
2015	13,826,817,650	1,452,694,995	49,984,140	63,368,410	599,981,428	15,992,846,623	1.07	17,293,606,269	92.5%
2016	14,289,819,850	1,565,166,980	58,997,854	67,922,205	624,325,439	16,606,232,328	1.08	18,017,370,030	92.2%
2017	14,858,279,800	1,643,589,209	53,077,040	76,493,600	634,456,928	17,265,896,577	1.08	18,668,289,972	92.5%
2018	15,542,711,200	1,701,821,785	65,753,420	83,535,805	645,117,718	18,038,939,928	1.08	19,584,696,258	92.1%
2019	15,965,286,280	1,752,501,610	56,346,000	97,545,290	719,110,278	18,590,789,458	1.08	20,092,378,612	92.5%
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%
% Change	3.3%	11.8%	6.1%	-4.4%	11.5%	4.4%		4.5%	
% Ch. Since 2011	27.1%	48.7%	27.9%	65.5%	26.1%	29.1%		29.2%	
% of Total	85.0%	10.1%	0.3%	0.5%	4.1%	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



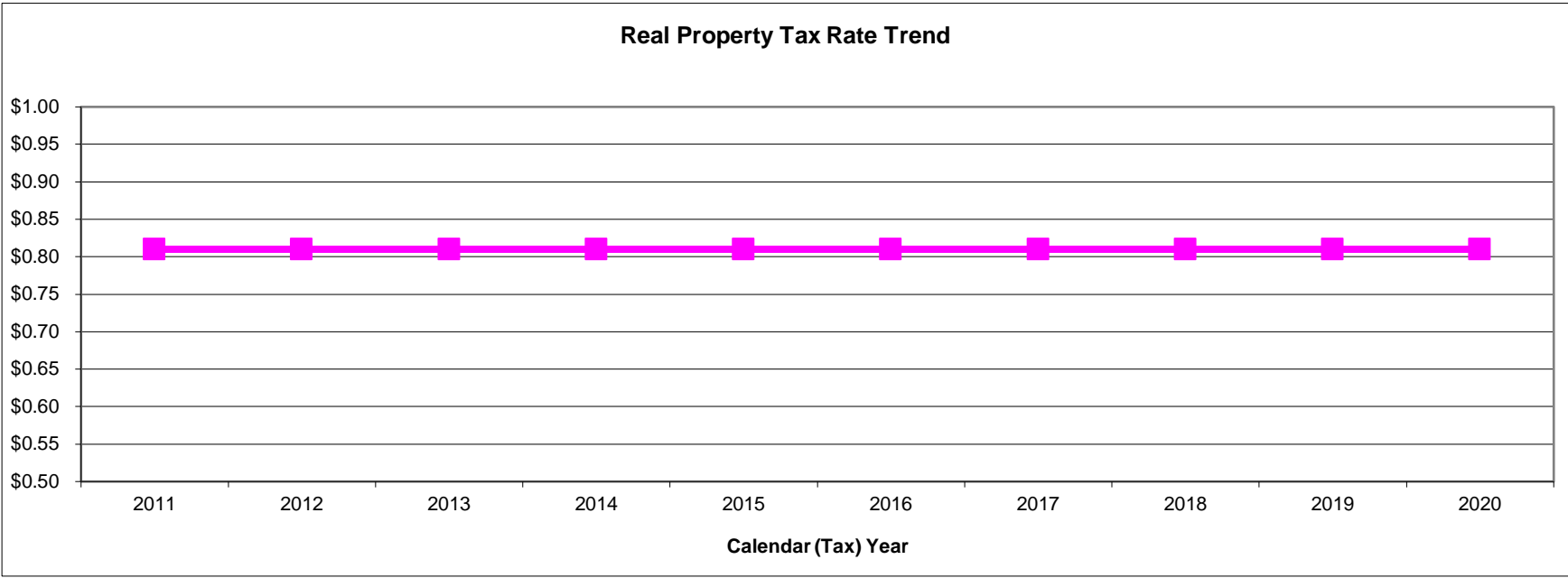
COUNTY OF HANOVER, VIRGINIA
Direct and Overlapping Property Tax Rates (Unaudited)
Last Ten Calendar (Tax) Years

Table 6

Calendar (Tax) Year (1)	County of Hanover, Virginia Direct Rates (1,2)							County Total Direct Tax Rate For each <i>Fiscal</i> 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
2011	\$ 0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.06	0.09	0.77	0.77
2012	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.06	0.09	0.77	0.77
2013	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.09	0.09	0.77	0.77
2014	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2015	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.07	0.09	0.77	0.77
2016	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2017	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2018	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2019	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.10	0.77	0.77
2020	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.10	0.10	0.77	0.77
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	0.0%	0.0%	0.0%
% Ch. Since 2011	0.0%	47.3%	0.0%	0.0%	0.0%	0.0%	0.0%	3.8%	11.1%	0.0%	0.0%

- Notes: (1) The individual tax rates are per \$100 of assessed value, which is generally determined as of January 1 of each year, and are used to determine tax payments due within the same calendar (tax) year.
- (2) Real property taxes are payable in two equal installments, on June 5 and October 5. Personal property taxes are due on February 5 of the following calendar year.
- (3) The County prepares its budgets and its Comprehensive Annual Financial Report on a fiscal year basis (July 1 through June 30), as required by Section 15.2-2500 of the Code of Virginia, and levies taxes to support County activities for the fiscal year in which the tax payments are due. Accordingly, the Total Direct Tax Rates are applicable to the fiscal year for which the taxes are levied and due. The total direct tax rates are calculated per \$100 of assessed valuation and calculated on the weighted average basis.
- (4) These overlapping rates are in addition to the County rates, but only apply to taxpayers owning property within the borders of the Town of Ashland, Virginia, which lies within the County.

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



COUNTY OF HANOVER, VIRGINIA

Table 7

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

Taxpayer	Type of Business	2020			2011		
		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	\$ 287,245,690	1	1.5%	\$ 142,837,079	2	1.0%
Doswell Limited Partnership	Power Generation Facility	254,294,528	2	1.3%	309,014,379	1	2.0%
Memorial Regional Medical Center	Hospital/medical center	127,348,800	3	0.7%	114,712,595	3	0.8%
Covenant Woods	Nursing home	103,798,765	4	0.5%	38,851,905	10	0.2%
Cedar Fair Southwest(2020)/Paramount Parks(2011)	Entertainment	92,814,023	5	0.5%	80,373,875	4	0.5%
Virginia Natural Gas	Natural gas distributor	81,744,469	6	0.4%	-	n/a	0.0%
819 Virginia, LLC	Paper Mill	48,058,212	7	0.3%	-	n/a	0.0%
Super Rite Foods (2020)/Richfood (2011)	Grocery Wholesale	47,464,003	8	0.2%	45,027,285	6	0.3%
Rappahannock Electric Coop	Electric company	41,969,845	9	0.2%	39,608,980	9	0.3%
Verizon Virginia	Telecommunications	35,837,744	10	0.2%	54,740,491	5	0.4%
Bear Island Paper Company	Paper Mill	-	n/a	0.0%	44,847,015	7	0.3%
Media General, Inc.	Newspaper publisher	-	n/a	0.0%	43,544,735	8	0.3%
		<u>\$ 1,120,576,079</u>		<u>5.8%</u>	<u>\$ 913,558,339</u>		<u>6.1%</u>
Total taxable assessed values		<u>\$ 19,412,063,689</u>			<u>\$15,033,473,354</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
2011	\$ 141,464,681	136,643,777	96.6%	4,819,446	141,463,223	100.0%
2012	138,147,691	136,569,536	98.9%	1,574,151	138,143,687	100.0%
2013	136,956,978	135,351,034	98.8%	1,597,322	136,948,356	99.8%
2014	138,899,948	137,555,596	99.0%	1,325,949	138,881,545	99.8%
2015	144,003,614	143,368,974	99.6%	602,016	143,970,990	99.6%
2016	147,705,971	144,943,605	98.1%	2,501,917	147,445,522	99.1%
2017	157,129,677	154,661,526	98.4%	2,060,748	156,722,274	98.4%
2018	164,152,649	161,148,623	99.5%	2,228,462	163,377,085	99.5%
2019	172,172,776	169,675,177	98.5%	853,339	170,528,516	99.0%
2020	183,902,348	178,043,680	96.8%	-	178,043,680	96.8%

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
2011	\$ 115,745,603	46,756,541	-	162,502,144	16,251,114,190	1.0%	100,822	1,612	-	2,712,424	7,314,184
2012	107,857,328	48,885,099	-	156,742,427	15,721,793,938	1.0%	101,586	1,543	-	2,355,572	6,681,332
2013	99,349,768	44,497,391	-	143,847,159	15,420,048,309	0.9%	102,623	1,402	-	2,256,096	5,963,481
2014	90,596,851	42,302,195	-	132,899,046	16,153,767,752	0.8%	104,124	1,276	20,849,280	2,166,620	5,250,629
2015	82,248,421	43,338,840	-	125,587,261	17,293,606,269	0.7%	105,456	1,191	20,818,270	2,077,143	4,547,777
2016	73,803,009	39,555,423	-	113,358,432	18,017,370,030	0.6%	107,152	1,058	43,782,481	1,982,667	3,844,925
2017	67,513,286	45,691,844	-	113,205,130	18,668,289,972	0.6%	108,706	1,041	43,421,982	1,883,191	3,152,074
2018	59,173,311	41,594,579	-	100,767,890	19,584,696,258	0.5%	110,250	914	42,571,482	5,887,085	2,464,221
2019	51,003,400	42,667,356	-	93,670,756	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
% Change	-15.3%	-9.9%	0.0%	-12.9%	4.5%	-16.6%	1.8%	-14.4%	21.3%	-18.9%	-14.4%
% Ch. Since 2010	-62.7%	-17.8%	0.0%	-49.8%	29.2%	-61.1%	12.4%	-55.3%	100.0%	48.2%	100.0%
Business-type Activities											
Total Primary Government											
Self-Imposed Debt Limit Information (3)											
Fiscal Year	Revenue Bonds	Support Agreement	Total Primary Government	Total Personal Income (2) (000's)	Per Capita Personal Income (2)	Total Primary Government Debt as a Percentage of Personal Income	Total Primary Government Debt Per Capita	Outstanding Debt Funded by General Governmental Expenditures (4)	Ratio of Outstanding Debt Funded by General Governmental Expenditures to Assessed Value (4)	Outstanding Debt Funded by General Governmental Expenditures per Capita (5)	Ratio of Total General Bonded Debt per Per Capita Income (6)
2011	\$ 21,887,907	10,562,075	204,978,734	4,686,635	46,484	4.4%	2,033	172,528,752	1.1%	1,711	3,496
2012	20,943,819	9,172,282	195,895,432	4,885,375	48,091	4.0%	1,928	165,779,331	1.1%	1,632	3,259
2013	19,951,453	7,792,489	179,810,678	4,957,473	48,308	3.6%	1,752	152,066,736	1.1%	1,482	2,978
2014	19,525,241	6,432,696	187,123,512	5,299,073	50,892	3.5%	1,797	161,165,575	1.1%	1,548	2,611
2015	18,970,376	5,077,903	177,078,730	5,714,014	54,184	3.1%	1,679	153,030,451	1.0%	1,451	2,318
2016	17,581,614	3,723,110	184,273,229	5,923,419	55,281	3.1%	1,720	162,968,505	0.9%	1,521	2,051
2017	16,321,357	2,375,964	171,301,519	6,156,881	56,638	2.8%	1,576	161,662,377	0.9%	1,426	1,441
2018	15,026,887	1,015,979	167,733,544	6,462,126	58,613	2.6%	1,521	151,690,678	0.8%	1,376	1,719
2019	13,677,986	310,000	168,392,492	6,525,135	58,613	2.6%	1,513	154,404,506	0.8%	1,387	1,598
2020	14,593,003	250,000	167,447,201	6,644,355	58,613	2.5%	1,477	152,604,198	0.8%	1,346	1,393
% Change	-2.9%	-75.4%	-0.2%	2.8%	0.0%	-2.9%	-2.9%	0.6%	-1.7%	-2.2%	-19.0%
% Ch. Since 2010	-57.8%	100%	-18.6%	50.1%	32.9%	-45.8%	-27.9%	-10.8%	-29.7%	-21.0%	-63.4%

Notes:

- (1) See Financial Statement Note IV-E for additional information on outstanding debt. The County's general bonded debt is direct debt.
- (2) Population estimates at June 30th for each year from Hanover County Planning Department. Per Capita Personal Income is calculated by dividing Personal Income by the population estimate for each fiscal year. Personal income data for 2011 through 2018 (the last year available) is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce. Per Capita Personal Income for 2019 and 2020 is assumed to be equal to 2018, the last year for which Personal Income data is available from the U.S. Department of Commerce. Personal Income amounts for 2019 and 2020 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 (\$2,457 for fiscal year 2020).
- (6) The County's debt policy provides that general bonded debt per Per Capita Income will not exceed \$5,000.

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

Utility - Water and Sewer Revenue Bonds						Net	Utility - Debt Covenant Coverage Ratio (1,5)		
Fiscal Year	Utility Revenues (2,7)	Less: Operating Expenses (3)	Net Available Revenues	Debt Service Requirements		Available Revenues Coverage (4)	Debt Service		Debt Covenant Coverage Test
				Principal	Interest		Senior Debt Service	Subordinate Debt Service	
2011	\$ 25,293,064	15,245,233	10,047,831	1,968,672	1,772,376	2.7	3,570,322	170,726	2.3
2012	25,048,715	16,458,146	8,590,569	1,986,020	1,559,074	2.4	3,378,974	166,120	2.1
2013	27,320,235	16,487,597	10,832,638	2,006,019	1,508,668	3.1	3,349,252	165,435	2.7
2014	28,940,235	16,732,863	12,207,372	2,296,831	1,001,088	3.7	3,297,919	-	3.2
2015	29,549,906	16,531,486	13,018,420	2,406,830	884,863	4.0	3,291,693	-	3.4
2016	30,835,377	16,545,081	14,290,296	2,418,471	593,230	4.7	3,011,701	-	4.1
2017	30,424,331	16,679,572	13,744,759	2,321,830	656,573	4.6	2,978,403	-	4.0
2018	30,203,533	16,038,366	14,165,167	2,351,830	501,997	5.0	2,853,827	-	4.3
2019	32,488,641	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
% Change			8.5%	-31.8%	-9.7%	49.4%	-27.4%	0.0%	49.4%
% Ch. Since 2011			56.0%	-38.4%	-77.4%	262.0%	-54.9%	-100.0%	259.8%

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 -	Lessee irrevocable	Debt Covenant Coverage Test	
								(used during current FY or available at FYE for debt service)	letter of credit pledged for satisfaction of debt covenant ratio		
2011	\$ 157,330	-	157,330	60,605	83,372	1.1	157,330	-	36,000	1.3	
2012	162,050	-	162,050	63,723	80,254	1.1	162,050	-	36,000	1.4	
2013	166,912	-	166,912	67,001	75,274	1.2	166,912	-	36,000	1.4	
2014	171,919	-	171,919	70,448	71,740	1.2	171,919	-	36,000	1.5	
2015	177,077	-	177,077	74,072	68,024	1.2	177,077	-	36,000	1.5	
2016	182,388	-	182,388	77,883	64,116	1.3	182,388	-	36,000	1.5	
2017	187,848	-	187,848	81,889	60,008	1.3	187,848	-	36,000	1.6	
2018	193,483	-	193,483	86,102	55,688	1.4	193,483	-	36,000	1.6	
2019	199,288	-	199,288	90,532	51,146	1.4	199,288	-	36,000	1.7	
2020	205,267	-	205,267	95,189	46,370	1.5	205,267	-	36,000	1.7	
% Change				3.0%	5.1%	-9.3%	3.1%	3.0%	0.0%	0.0%	2.6%
% Ch. Since 2011				30.5%	57.1%	-44.4%	32.7%	30.5%	0	0.0%	26.9%

Airport Revenue Bond 2019

Fiscal Year	Rent received from Airport Lessee	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Available Revenues Coverage (8)	Airport - Debt Covenant Coverage Ratio (1,8)			
				Principal	Interest		Rent Received	Restricted cash - (used during current FY or available at FYE for debt service)	Lessee irrevocable letter of credit pledged for satisfaction of debt covenant ratio	Debt Covenant Coverage Test
2020	29,257	-	29,257	-	1,490	19.6	29,257	-	162,278	128.5

- 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
- (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 lette 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
2011	100,822	\$ 4,686,635	46,484	40.8	6.0%	18,191	1,489	12.2
2012	101,586	4,885,375	48,091	41.2	5.5%	18,125	1,487	12.2
2013	102,623	4,957,473	48,308	41.5	5.1%	17,942	1,426	12.6
2014	104,124	5,299,073	50,892	41.8	4.6%	17,952	1,410	12.7
2015	105,456	5,714,014	54,184	41.9	3.9%	17,734	1,445	12.3
2016	107,152	5,923,419	55,281	42.4	3.5%	17,776	1,442	12.3
2017	108,706	6,156,881	56,638	42.6	3.3%	17,751	1,463	12.1
2018	110,250	6,462,126	58,613	42.9	2.7%	17,671	1,472	12.0
2019	111,325	6,525,135	58,613	42.9	2.4%	17,462	1,481	11.8
2020	113,359	6,644,355	58,613	42.9	6.4%	17,273	1,521	11.4
% Change	1.8%	1.8%	0.0%	0.0%	166.7%	-1.1%	2.7%	-3.7%
% Ch. Since 2011	12.4%	41.8%	26.1%	5.1%	6.7%	-5.0%	2.1%	-7.0%

Notes: (1) Population estimates at June 30th for each year from Hanover County Planning Department. Per Capita Personal Income is calculated by dividing Personal Income by the population estimate for each fiscal year. Personal income data for 2011 through 2018 (the last year available) is obtained from the U. S. Department of Commerce, Bureau of Economic Analysis. Per Capita Personal Income for 2019 and 2020 is assumed to be equal to 2018, the last year for which Personal Income data is available from the U.S. Department of Commerce, Bureau of Economic Analysis. Personal Income amounts for 2019 and 2020 are calculated by multiplying the population estimates by the Per Capita Personal Income estimates for each year.

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

(3) Virginia Employment Commission

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

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

COUNTY OF HANOVER, VIRGINIA

Table 12

Principal Employers (1) (Unaudited)

Current Year and Nine Years Ago

Employer	Type of Business	2019			2010		
		Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
Hanover County Schools	Education	2,503	1	4.2%	2,678	1	4.9%
Bon Secours Richmond Health System	Hospital/Medical Center	1,000 and over	2	3.3%	1,000 and over	2	3.7%
Amazon Fulfillment Services Inc.	Administrative and Support Services	1,000 and over	3	3.3%	n/a		
Kings Dominion	Entertainment	1,000 and over	4	3.3%	500-999	7	1.4%
County of Hanover	Government	1,188	5	2.0%	1,184	3	2.2%
RMC Events	Administrative and Support Services	500-999	6	1.3%	n/a		
Wal-Mart Stores	Retail	500-999	7	1.3%	250-499	8	0.7%
Owens & Minor Medical Inc	Physicians Equip & Supls-Mfrs	500-999	8	1.3%	n/a		
Tyson Farms	Food Manufacturing	500-999	9	1.3%	500-999	5	1.4%
Sales Mark	Professional, Scientific, and Technical Services	500-999	10	1.3%	250-499	9	0.7%
Randolph-Macon College	Education		n/a		500-999	4	1.4%
Supervalu Distribution Center (2019)/Richfood(2010)	Food Distributor		n/a		500-999	6	1.4%
Kroger	Retail		n/a		250-499	10	0.7%
Totals				22.6%			18.5%
Total County Employment (3)		59,705			54,430		

- 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 2019.
 - (2) Employment ranges for the private sector are as published by the VEC to ensure confidentiality. Percentages are based on the midpoint of the employment range.
 - (3) VEC Annual not Seasonally Adjusted Labor Force
 - (4) Due to the conversion over to a new human resource system and additional corrections by the schools, FTEs restated for FY17 for Schools Operating Fund and Food Services Fund will not match the totals listed in prior years.
 - (5) Due to the Amended FTE being used instead of the Adopted FTE, the FY18 Primary Government amount has been revised from the 6/30/18 CAFR reporting. In mid-FY18, the Board added 9 Public Safety (SAFER) and 4 Human Services.

COUNTY OF HANOVER, VIRGINIA

Table 13

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

Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Primary government:										
General governmental administration	137	132	123	130	132	133	135	137	139	145
Judicial administration	57	57	55	57	59	64	68	70	72	74
Public safety (5)	464	462	449	449	464	489	501	525	539	568
Public works (2)	60	88	83	83	83	86	86	88	88	89
Human services (5)	198	189	183	181	182	185	188	194	199	205
Parks, recreation and cultural	37	37	33	32	32	31	31	31	31	31
Community development	29	29	25	24	24	24	24	25	25	25
Public utilities	95	95	93	91	91	93	94	94	94	95
Fleet management (3)	29	-	-	-	-	-	-	-	-	-
Self insurance fund	1	1	1	1	1	1	1	1	1	1
Totals - Primary government	1,107	1,090	1,045	1,048	1,068	1,106	1,128	1,165	1,188	1,233
Component Unit:										
School Board (4)	2,544	2,532	2,462	2,438	2,456	2,466	2,482	2,491	2,503	2,523
Total:	3,651	3,622	3,507	3,486	3,524	3,572	3,610	3,656	3,691	3,756

- Notes:
- (1) Source: Hanover County Department of Finance and Management Services, Budget Division.
 - (2) Includes Airport Fund.
 - (3) In FY12, Facilities Management, General Services, and Fleet Management were merged together as General Services. Fleet Management is now part of the General Fund and no longer an Internal Service Fund.
 - (4) Due to a human resource system conversion and additional corrections identified by the schools, the FY17 School FTE amount has been revised from the 6/30/17 CAFR reporting.
 - (5) Due to the Amended FTE being used instead of the Adopted FTE, the FY18 Primary Government amount has been revised from the 6/30/18 CAFR reporting. In mid-FY18, the Board added 9 Public Safety (SAFER) and 4 Human Services.

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Primary government:										
General governmental administration										
Number of registered voters	68,968	71,832	71,010	71,828	72,268	75,126	76,303	78,089	79,426	81,643
Number of real estate transfers	2,800	3,027	3,065	3,256	3,606	4,003	4,079	3,881	4,016	4,691
State income tax returns processed	7,545	8,696	7,514	7,854	7,600	6,268	6,717	6,157	7,140	4,893
Judicial administration										
Judgments docketed	4,321	4,041	3,543	3,114	2,975	2,958	2,863	3,588	3,627	3,367
Public safety										
Sheriff incidents	46,077	38,819	37,125	37,891	34,474	38,046	36,726	37,779	39,137	40,270
Number of sworn officers	201	201	201	207	211	207	215	221	226	233
Fire/EMS incidents	13,381	14,216	13,620	15,740	15,854	13,256	13,882	14,667	14,624	17,803
Animal control incidents	6,720	6,485	6,009	6,233	5,877	5,815	4,944	4,774	5,171	5,562
Commercial building plan reviews	377	414	412	412	506	490	494	556	462	388
Residential building plan reviews	1,092	1,098	1,278	1,381	1,462	1,549	1,536	1,437	1,468	1,946
Public works										
Tons of solid waste received	37,600	36,599	32,571	32,198	44,651	48,336	60,483	66,456	72,624	51,851
Tons of solid waste recycled	18,500	20,000	21,418	15,141	11,970	14,217	10,563	6,646	1,522	2,988
Human services										
Communicable disease visits/investigations	262	405	370	268	555	679	929	891	331	973
Immunization visits (3)	1,210	312	636	471	311	391	265	284	484	526
Restaurant inspection visits (5)	894	710	911	815	939	974	1,262	1,049	900	729
Social services lobby visits	17,632	20,027	19,018	17,681	15,541	14,700	16,934	16,731	16,112	12,280
Social services New Benefit Program Customers (4)	850	792	681	786	520	687	523	560	714	711
Number of Hanover Youth Service Council (HYSC) projects	48	48	44	43	37	36	34	41	37	37
HYSC Volunteer hours reported	1,793	1,847	1,353	1,576	1,080	1,183	1,116	961	692	994
Parks, recreation and cultural										
Active Library borrowers	74,382	79,700	80,553	80,642	82,096	83,785	84,865	65,405	66,418	61,577
Internet sessions	150,295	103,700	134,980	142,545	141,492	130,315	121,065	106,354	92,385	55,886
Library reference questions answered	356,454	365,265	330,062	375,526	384,223	388,748	381,262	397,956	388,567	328,913
Community development										
Economic development services to existing/prospective businesses	311	286	253	212	479	405	444	476	461	712
Public utilities										
Water customers	20,381	20,592	19,198	19,647	19,995	20,488	20,905	21,328	21,585	21,995
Wastewater customers	18,604	18,816	18,640	19,098	19,428	19,929	20,343	20,761	21,019	21,436
Daily average water distributed (million gallons/day)	9.04	8.70	8.60	8.56	8.90	8.90	9.15	8.21	8.80	8.41
Maximum daily water capacity (million gallons/day)	19.95	19.95	19.95	19.95	19.95	19.95	25.00	25.00	25.00	25.00
Daily average wastewater treatment (million gallons/day)	6.94	6.07	5.99	6.79	5.80	7.07	6.66	6.30	7.70	6.31
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	303	310	303	297	301	313	313	313	314	313
Public safety vehicles serviced	438	421	470	476	470	519	519	519	511	527
Fleet availability	96.2%	95.4%	95.2%	96.9%	96.6%	96.6%	96.1%	96.1%	95.7%	95.5%

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

COUNTY OF HANOVER, VIRGINIA

Capital Asset Statistics by Function (1) (Unaudited)

Last Ten Fiscal Years

Table 15

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Primary government:										
General governmental administration										
Estimated square feet- all general administrative office space (3) (4)	47,436	47,436	47,571	47,762	47,762	47,762	106,222	106,222	107,767	107,767
Judicial administration										
Estimated square feet - all judicial buildings	58,460	58,460	58,460	58,460	58,460	58,460	69,933	69,933	68,951	68,951
Public safety										
Estimated square feet - all public safety buildings	213,447	213,447	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	437	469	469	495	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	17,565	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	257	260	260	260	260	257	260	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	56	91
Length of runway (ft)	5,400	5,400	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	14	15
Park acreage (2)	1,190	1,282	1,282	1,282	1,250	1,250	1,250	1,250	1,250	1,250
Public utilities										
Miles of water mains	398	412	419	425	429	434	431	436	441	448
Number of fire hydrants	2,367	2,422	2,475	2,523	2,564	2,599	2,670	2,718	2,766	2,842
Miles of sanitary sewers	369	379	383	389	394	399	396	398	403	407
Number of wastewater treatment plants	4	4	4	4	4	4	4	4	4	4
General services										
Number of vehicles maintained	1,204	1,193	1,198	1,206	1,210	1,189	1,189	1,189	1,189	1,317
School Board Component Unit:										
Number of elementary schools	15	15	15	15	15	15	15	15	15	15
Number of secondary schools	8	8	8	8	8	8	8	8	8	8
Alternative Education Facility	1	1	1	1	1	1	1	1	1	1
Number of Technology Centers	1	1	1	1	1	1	1	1	1	1

- Notes:
- (1) Source: County Departments as identified above.
 - (2) 2011 - North Anna Battlefield Park increased in acreage due to donation by Martin Marietta. Ashland Trolley Line donated to Town of Ashland.
2012 - North Anna Battlefield Park increased in acreage due to donation by Martin Marietta.
 - (3) 2017 - New Courthouse Building
 - (4) 2019 - Remodeled former Circuit Court for General Government Administration
 - (5) 2020 - Lake Hanover Nature Trail

COMPLIANCE SECTION

COUNTY OF HANOVER, VIRGINIA
Schedule of Expenditures of Federal Awards
Year to Date June 30, 2020

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalog Number		Program Clusters	YTD Federal Expenditures
DEPARTMENT OF AGRICULTURE:				
Passed Through the Commonwealth of Virginia:				
<u>Department of Agriculture and Consumer Services:</u>				
National School Lunch Program - Cafeteria (commodities)	10.555	①	\$ 428,900	
<u>Department of Education:</u>				
School Breakfast Program	10.553	②	298,733	
National School Lunch Program	10.555	①	1,177,427	
<u>COVID-19 - CARES Act:</u>				
School Breakfast Program	10.553	②	144,236	
National School Lunch Program	10.555	①	308,455	
Total Child Nutrition Cluster				\$ 2,357,751
<u>Department of Health:</u>				
Child & Adult Care Food Program	10.558			26,057
<u>Department of Social Services:</u>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		755,645	
Total SNAP Cluster				755,645
DEPARTMENT OF DEFENSE:				
Direct Payments:				
JROTC	12.000			248,262
DEPARTMENT OF JUSTICE:				
Direct Payments:				
Coronavirus Emergency Supplemental Funding Program	16.034			39,736
Public Safety Partnership & Community Policing Grants	16.710			75,188
Equitable Sharing Program	16.922			12,409
Passed Through the Commonwealth of Virginia:				
<u>Department of Criminal Justice Services:</u>				
Crime Victim Assistance (20-W9600VW18, 20-Y8854CA20)	16.575			160,794
DEPARTMENT OF TRANSPORTATION:				
Direct Payments:				
Department of Aviation:				
Airport Improvement Program	20.106			39,734
Passed Through the Commonwealth of Virginia:				
<u>Department of Transportation:</u>				
Highway Planning & Construction	20.205		6,747,146	
Total Highway Planning and Construction Cluster				6,747,146
<u>Department of Rail & Public Transportation:</u>				
Formula Grants for Rural Areas & Tribal Transit Program	20.509			9,769
Enhanced Mobility of Seniors & Individuals with Disabilities (VA-2018-024 & VA-2019-031)	20.513		35,535	
Total Transit Services Programs Cluster				35,535
<u>Department of Motor Vehicles:</u>				
State & Community Highway Safety (FSC-2020-50294-20294)	20.600		4,575	
Total Highway Safety Cluster				4,575
Alcohol Open Container Requirements (154AL-2019-59281-9281, 154AL-2020-50293-20293)	20.607			74,073
DEPARTMENT OF TREASURY:				
Passed Through the Commonwealth of Virginia:				
<u>Department of Accounts:</u>				
Coronavirus Relief Fund	21.019		419,667	
Passed Through to:				
Town of Ashland	21.019		91,693	
Total Coronavirus Relief Fund				511,360
DEPARTMENT OF EDUCATION:				
Passed Through the Commonwealth of Virginia:				
<u>Department of Education:</u>				
Adult Education - Basic Grants to States (V002A180047)	84.002			102,576
Title I Grants to Local Educational Agencies (S010A170046, S010A180046)	84.010			1,018,470
Career and Technical Education - Basic Grants to States (V048A180046)	84.048			150,715
Special Education_Grants to States (H027A170107, H027A180107)	84.027		3,070,818	
Special Education_Preschool Grants (H173A180112)	84.173		70,995	
Total Special Education Cluster (IDEA)				3,141,813
English Language Acquisition State Grants (S365A160046, S365A170046, S365A180046)	84.365			23,620
Supporting Effective Instruction State Grants (S367A170044, S367A180044)	84.367			209,853
Title IV-A Student Support and Academic Enrichment (S424A170048, S424A180048)	84.424			98,713
<u>Department of Behavioral Health & Developmental Services:</u>				
Special Education-Grants for Infants & Families (720C-04363-13D-19)	84.181			115,759

① CFDA 10.555 Total \$1,914,782

② CFDA 10.553 Total \$442,969

(continued)

COUNTY OF HANOVER, VIRGINIA
Schedule of Expenditures of Federal Awards
Year to Date June 30, 2020

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Catalog Number	Program Clusters	YTD Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Payments:			
Provider Relief Fund	93.498		97,306
Head Start (03CH3458)	93.600		1,006,599
Passed Through the Commonwealth of Virginia:			
<u>Department of Social Services:</u>			
Promoting Safe & Stable Families	93.556		21,340
Temporary Assistance for Needy Families	93.558	285,025	
Total TANF Cluster			285,025
Refugee & Entrant Assistance_State Administered Programs	93.566		766
Low-Income Home Energy Assistance	93.568		46,411
Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	55,553	
Total CCDF Cluster			55,553
Chafee Education and Training Vouchers Program (ETV)	93.599		1,162
Stephanie Tubbs Jones Child Welfare Services Program	93.645		428
Foster Care_Title IV-E	93.658		459,911
Adoption Assistance	93.659		321,518
Social Services Block Grant	93.667		242,788
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		6,816
<u>Department of Medical Assistance Services:</u>			
Children's Health Insurance Program	93.767		12,886
<u>Department of Medical Assistance Services:</u>			
Medical Assistance Program	93.778	783,811	
Total Medicaid Cluster			783,811
<u>Department of Behavioral Health and Developmental Services:</u>			
Opioid STR (530220090, 530210090, 530020090)	93.788		60,058
Block Grants for Community Mental Health Services (501290090)	93.958		114,616
Block Grants for Prevention & Treatment of Substance Abuse (501690090, 501990090)	93.959		356,339
Department of Behavioral Health and Developmental Services:			
Passed Through the Hanover Cares Coalition:			
<u>Hanover Cares Coalition</u>			
Drug-Free Communities Support Program Grants	93.276		5,271
OFFICE OF NATIONAL DRUG CONTROL POLICY			
Passed Through the Supreme Court of Virginia:			
<u>Supreme Court of Virginia</u>			
High Intensity Drug Trafficking Areas Program (HIDTA)	95.001		2,706
DEPARTMENT OF HOMELAND SECURITY:			
Direct Payments:			
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083		605,368
Passed Through the Commonwealth of Virginia:			
<u>Department of Emergency Management:</u>			
Emergency Management Performance Grants	97.042		22,997
			<u>20,469,228</u>

COUNTY OF HANOVER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

1. GENERAL

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

2. BASIS OF ACCOUNTING

The Schedule is presented using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds, as described in Note I. C. to the County's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. For the year ended June 30, 2020, 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, 2020

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	\$ 4,888,486
County Improvements	7,056,612
Total Governmental Activities	<u>11,945,098</u>
Business-type Activities:	
Non-major - Airport	39,734
Total Business-type Activities	<u>39,734</u>
Total Primary Government	<u>11,984,832</u>
Component Unit:	
School Board	8,484,396
Total Component Unit	<u>8,484,396</u>
Total Federal expenditures	<u>\$ 20,469,228</u>

4. SUB-RECIPIENT PAYMENTS

The County expended \$91,693 to a subrecipient with funding received from the Coronavirus Relief Fund (CFDA Number 21.019).

5. INDIRECT COST RATE

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

**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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 12, 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* and three instances of noncompliance with the *Specifications for Audits of Counties, Cities, and Towns*, which are described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, and 2020-003.

County's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

Richmond, Virginia
November 12, 2020

**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, 2020. 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, 2020.

Report on Internal Control over Compliance

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

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

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

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

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

Richmond, Virginia
November 12, 2020

County of Hanover, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

A. Summary of Auditor's Results

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

<u>CFDA Number</u>	<u>Name of Federal Program and Cluster</u>
10.553 and 10.555	Child Nutrition Cluster
84.010	Title I, Part A
93.778	Medical Assistance Program – Medicaid Cluster

10. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
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 (Continued)

Year Ended June 30, 2020

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

2020-001 – Virginia Initiative for Employment not Welfare Program (Repeat Area of Non-compliance – See Finding 2019-003)

Criteria: Section 63.2-611 of the Code of Virginia (the Code) established that local departments shall offer families in Virginia Initiative for Employment Not Welfare program (VIEW) case management services throughout the family's participation. Case management services shall include initial assessment of the full range of services that will be needed by each family including testing and evaluation, development of the individualized agreement of personal responsibility, and periodic reassessment of service needs and the agreement of personal responsibility. Chapter 1000.11 of the Temporary Assistance for Needy Families (TANF) Manual requires the participant to have an Activity and Service Plan that details the supportive services needed by the individual to comply with program requirements. Service transactions for the participants must be appropriate based on the individuals VIEW Participant Activity and Service Plan. Chapter 1000.05 of the TANF Manual limits those who are eligible to participate in VIEW to twenty-four (24) months of TANF assistance payments. Once 24 months of payments have been received, the client is ineligible to receive TANF payments again until 24 months from the date of the TANF case closure.

Condition: Of the nine (9) VIEW transactions selected for testing, one (1) participant received fuel card benefits beyond the expiration of the agreed-upon plan. Expenses were initially permissible for this participant on the card provided per section 1000.11 of the TANF Manual; however, the fuel card was not terminated in a timely manner resulting in an inappropriate extension of services beyond the planned end date and unauthorized expenses.

Cause: The card was not terminated in a timely manner due to County Department of Social Services (DSS) personnel oversight.

Effect: The County is not in compliance with Section 63.2-611 of the Code and non-compliance may result in action by the Commonwealth.

Questioned Cost: \$102.41

Recommendation: County DSS personnel should strengthen program oversight and controls to identify any errors. Additional training should be provided to ensure County DSS policies are being practiced as intended.

Views of Responsible Officials and Planned Corrective Actions: The County has implemented detective controls, which successfully identified extension of services beyond the planned end date. Additionally, the County continues to develop preventative controls to strengthen program oversight and continues to train employees on policies and procedures.

2020-002 – Information Security System Controls

Criteria: In accordance with Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, each Local Security Officer (LSO) should be annually reviewing all Department of Social Services employee's with access to VDSS applications (OASIS, VaCMS, ADAPT, SPIDeR, and Energy Assistance) with their appropriate supervisors to ensure that the access is properly aligned with job responsibilities.

County of Hanover, Virginia

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Condition: Of the seven (7) employees with application access selected for testing, we noted no annual review of their respective access to each system application during the fiscal year under audit.

Cause: Lack of documentation of the supervisor and LSO annual review and no process in place to ensure all employees' access to system applications are reviewed yearly.

Effect: The County is not in compliance with Section 3-15 of the Specifications and non-compliance may result in action by the Commonwealth.

Questioned Cost: Non-financial

Recommendation: The County should document the annual review process of employee access to applications and implement a process to ensure all access to applications is being reviewed yearly.

Views of Responsible Officials and Planned Corrective Actions: The County is committed to performing the annual review of VDSS applications to ensure the access is properly aligned with job responsibilities. In this instance, a change in staffing compounded with a remote work environment as a result of the COVID-19 pandemic led to training challenges for the new hire, and ultimately the delay of this review in fiscal year 2020. As a result, the County is developing written procedures to document the annual review process of employee access to applications, including validating users and access levels and removing users who no longer require access, to ensure the timeliness of this review going forward.

2020-003 – Conflict of Interest (Repeat Area of Non-compliance – See Finding 2019-002)

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 fifty-five (55) officials and employees who filed a completed Disclosure Report, we noted three (3) officials who did not submit their form and two (2) officials who took office during fiscal year 2020 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.

County of Hanover, Virginia

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

E. Status of Prior Year Findings

2019-001 – Staffing for Adequate Fire and Emergency Response (SAFER) – Non-compliant reporting – Not repeated

2019-002 – Conflict of Interest – Non-compliant filing – repeated, see 2020-003

2019-003 – Virginia Initiative for Employment not Welfare Program – Non-compliant transaction – repeated, see 2020-001

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
Jacqueline J. Gilliam, Payroll Analyst
Kelli M. Hoffner, Financial Technician
Nancy M. Mancuso, Financial Technician
Connie L. Mills, Financial Technician
Sarah J. Moss, Accountant
Donna B. Neely, Systems Administrator
Megan H. Slater, Payroll Analyst
Amy L. Sylvia, Accountant

BUDGET DIVISION

Shelly H. Wright, Budget Division Director
Mark A. Highfield, Budget Manager
W. Will Harris, Budget Systems Specialist
Tyler C. Mead, Budget Analyst

PURCHASING DIVISION

Steven K. Rusch, Purchasing Division Director
Sandra Hummerickhouse, Purchasing Officer
Trena A. Ponton, Purchasing Officer
Kristin St. Germain, Financial Technician

Hanover: People, Tradition and Spirit

Vision

A PREMIER COMMUNITY FOR PEOPLE
& BUSINESSES TO ACHIEVE THEIR FULL POTENTIAL

Mission

TO PROVIDE SUPERIOR CUSTOMER SERVICE
THROUGH CREATIVITY, INNOVATION AND
SOUND FINANCIAL PRACTICES

Values

INTEGRITY • ACCOUNTABILITY • RESPECT • INCLUSIVENESS

HANOVER COUNTY
PEOPLE, TRADITION & SPIRIT

