**NEW ISSUE - FULL BOOK-ENTRY**

**Ratings: Fitch: AAA**
**Moody's: Aaa**
**S&P: AAA**
**(See "Ratings" herein)**

*In the opinion of McGuireWoods LLP, as bond counsel to the Virginia Public School Authority ("Bond Counsel"), under current law and subject to the conditions described in "TAX MATTERS" herein, interest on the below referenced bonds (the "Series 2024 Bonds") (i) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item in calculating the alternative minimum tax on individuals. However, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. Bond Counsel is further of the opinion that interest on the Series 2024 Bonds is exempt from income taxation by the Commonwealth of Virginia and any of its political subdivisions. See "TAX MATTERS" herein regarding certain other tax considerations.*

# $73,225,000
# VIRGINIA PUBLIC SCHOOL AUTHORITY
# Special Obligation School Financing Bonds, Hanover County Series 2024

**Dated: Date of Delivery** **Due: August 1, as shown on the inside cover**

This Official Statement has been prepared by the Virginia Public School Authority (the "Authority") to provide information on the Series 2024 Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series 2024 Bonds, a prospective investor should read this Official Statement in its entirety, including all Appendices hereto.

| | |
|---|---|
| ***Purpose*** | The proceeds of the Series 2024 Bonds are being used to purchase a general obligation school bond issued by the County of Hanover, Virginia (the "County"), in the principal amount of $73,225,000 (the "Series 2024 Local School Bond"). The County will use the proceeds of the Series 2024 Bonds to (i) pay the costs of various school capital improvement projects for the County and (ii) pay the issuance costs of the Series 2024 Bonds and the Series 2024 Local School Bond. See **"SOURCES AND USES OF THE PROCEEDS OF THE SERIES 2024 BONDS."** |
| ***Issued Pursuant to*** | Resolution adopted by the Authority on March 14, 2024. See **"INTRODUCTION."** |
| ***Denomination*** | $5,000 or multiples thereof. |
| ***Security*** | The Series 2024 Bonds are secured by principal and interest payments on the Series 2024 Local School Bond, held by the Authority and pledged to the payment of the Series 2024 Bonds. The Series 2024 Bonds do not constitute a debt or a pledge of the faith and credit of the Commonwealth of Virginia. See **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS."** |
| ***Redemption*** | The Series 2024 Bonds are subject to redemption as described on the inside cover of this Official Statement. |
| ***Interest Payment Dates*** | February 1 and August 1, beginning February 1, 2025. |
| ***Registration*** | Fully registered book-entry only in the name of Cede & Co. (as nominee of The Depository Trust Company). See **APPENDIX E – BOOK-ENTRY ONLY SYSTEM.** |
| ***Bond Registrar/ Paying Agent*** | State Treasurer. |
| ***Bond Counsel*** | McGuireWoods LLP, Richmond, Virginia, as bond counsel to the Authority.<br>Kaufman & Canoles, a Professional Corporation, Richmond, Virginia, as bond counsel to the County. |
| ***Financial Advisors*** | Public Resources Advisory Group, New York, New York, as financial advisor to the Authority.<br>PFM Financial Advisors LLC, Richmond, Virginia, as financial advisor to the County. |
| ***Issuer Contact*** | Director of Debt Management, Virginia Department of the Treasury, (804) 225-2142. |
| ***Delivery Date*** | On or about September 24, 2024. |

Dated: September 10, 2024

**$73,225,000**
**VIRGINIA PUBLIC SCHOOL AUTHORITY**
**Special Obligation School Financing Bonds,**
**Hanover County Series 2024**
**(Base CUSIP† Number 92818Q)**

**MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS**

| Year of Maturity (August 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP Suffix† |
|---|---|---|---|---|---|
| 2025 | $3,665,000 | 5.000% | 2.440% | 102.144% | AW1 |
| 2026 | 3,665,000 | 5.000 | 2.370 | 104.736 | AX9 |
| 2027 | 3,665,000 | 5.000 | 2.360 | 107.239 | AY7 |
| 2028 | 3,665,000 | 5.000 | 2.380 | 109.587 | AZ4 |
| 2029 | 3,665,000 | 5.000 | 2.390 | 111.888 | BA8 |
| 2030 | 3,660,000 | 5.000 | 2.440 | 113.880 | BB6 |
| 2031 | 3,660,000 | 5.000 | 2.520 | 115.515 | BC4 |
| 2032 | 3,660,000 | 5.000 | 2.620 | 116.790 | BD2 |
| 2033 | 3,660,000 | 5.000 | 2.680 | 118.172 | BE0 |
| 2034 | 3,660,000 | 5.000 | 2.730 | 119.491 | BF7 |
| 2035 | 3,660,000 | 5.000 | 2.800* | 118.825* | BG5 |
| 2036 | 3,660,000 | 5.000 | 2.840* | 118.446* | BH3 |
| 2037 | 3,660,000 | 5.000 | 2.880* | 118.069* | BJ9 |
| 2038 | 3,660,000 | 5.000 | 2.920* | 117.694* | BK6 |
| 2039 | 3,660,000 | 5.000 | 3.000* | 116.947* | BL4 |
| 2040 | 3,660,000 | 5.000 | 3.100* | 116.021* | BM2 |
| 2041 | 3,660,000 | 5.000 | 3.190* | 115.195* | BN0 |
| 2042 | 3,660,000 | 5.000 | 3.250* | 114.649* | BP5 |
| 2043 | 3,660,000 | 5.000 | 3.310* | 114.105* | BQ3 |
| 2044 | 3,660,000 | 5.000 | 3.360* | 113.655* | BR1 |

*Yield and Price to first optional redemption date of August 1, 2034.

## OPTIONAL REDEMPTION

The Series 2024 Bonds due on or after August 1, 2035, may be redeemed prior to their respective maturities at the option of the Authority, in whole or in part, on any date beginning August 1, 2034, at a redemption price of par, together with interest accrued to the date fixed for redemption.

## STATE OFFICIALS

**GOVERNOR**
GLENN YOUNGKIN

**LIEUTENANT GOVERNOR**
WINSOME EARLE-SEARS

**ATTORNEY GENERAL**
JASON S. MIYARES

**SECRETARY OF FINANCE**
STEPHEN E. CUMMINGS

**TREASURER**
DAVID L. RICHARDSON

**COMPTROLLER**
SCOTT L. ADAMS

**SUPERINTENDENT**
**OF PUBLIC INSTRUCTION**
DR. LISA COONS

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## VIRGINIA PUBLIC SCHOOL AUTHORITY BOARD OF COMMISSIONERS

**CHAIR**
JOHN R. RILEY, JR.

**VICE CHAIRMAN**
MICHAEL NGUYEN

**TREASURER & SECRETARY**
DAVID L. RICHARDSON

MARIA J. PERROTTE

HON. CARDELL C. PATILLO JR.

SCOTT L. ADAMS

KAREN SPENCE

DR. LISA COONS

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## AUTHORITY STAFF

**AUTHORITY ASSISTANT SECRETARY/ASSISTANT TREASURER**
**Department of the Treasury**
**Director of Debt Management**
BRADLEY L. JONES

**AUTHORITY ASSISTANT SECRETARY/ASSISTANT TREASURER**
**Department of the Treasury**
**Public Finance Manager**
JAMES D. MAHONE

**Department of the Treasury**
**Senior Public Finance Analyst**
MELISSA W. PALMER

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### AUTHORITY FINANCIAL ADVISOR

**PUBLIC RESOURCES ADVISORY GROUP**
New York, New York

### AUTHORITY BOND COUNSEL

**MCGUIREWOODS LLP**
Richmond, Virginia

**The Series 2024 Bonds are exempt from registration under the Securities Act of 1933, as amended. The Series 2024 Bonds are also exempt from registration under the securities laws of the Commonwealth of Virginia.**

**No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Authority, the County or the underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or sale of the Series 2024 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the Authority, the County or the underwriters or holders of any of the Series 2024 Bonds.**

**Certain statements included in this Official Statement constitute "forward-looking statements" within the meaning of Section 27a of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any results, performances or achievements express or implied by such forward-looking statements. Except as specifically set forth herein, neither the Authority nor the County plans to issue any updates or revisions to those forward-looking statements due to changes in its expectations or subsequent events, conditions or circumstances on which such statements are based.**

**The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Authority or the County since the date hereof.**

**The underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Series 2024 Bonds, including transactions to (i) overallot in arranging the sales of the Series 2024 Bonds and (ii) make purchases and sales of the Series 2024 Bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the underwriters may determine.**

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**of the**
**VIRGINIA PUBLIC SCHOOL AUTHORITY**
**for its**
**$73,225,000**
**Special Obligation School Financing Bonds,**
**Hanover County Series 2024**

## INTRODUCTION

The purpose of this Official Statement is to provide information in connection with the issuance by the Virginia Public School Authority (the "Authority") of its $73,225,000 Special Obligation School Financing Bonds, Hanover County Series 2024 (the "Series 2024 Bonds"), and the issuance by the County of Hanover, Virginia (the "County") of its $73,225,000 general obligation school bond (the "Local School Bond"), which the Authority will purchase with the proceeds of the Series 2024 Bonds. The Authority is an instrumentality of the Commonwealth of Virginia (the "Commonwealth"), created by Chapter 11, Title 22.1, Code of Virginia, 1950, as amended (the "VPSA Act"). See **"THE AUTHORITY."**

The Series 2024 Bonds are being issued by the Authority, at the request of the County, pursuant to the VPSA Act and a bond resolution adopted on March 14, 2024 (the "Resolution"), by the Board of Commissioners of the Authority (the "Board"). The Authority's purpose in issuing the Series 2024 Bonds is to provide funds for the purchase by the Authority of the Local School Bond to be issued by the County. The County will use the proceeds received from the Authority to (i) pay the costs of various capital improvements for the County's public school system and (ii) pay the issuance costs of the Series 2024 Bonds and the Local School Bond.

The Series 2024 Bonds are payable solely from payments of principal of and interest on the Local School Bond made by the County. The Local School Bond is a general obligation of the County to the payment of which its full faith and credit and taxing power are irrevocably pledged. See **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS."** The Local School Bond is being issued pursuant to a resolution adopted by the Board of County Supervisors (the "Board of Supervisors") on July 24, 2024, pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia, 1950, as amended.

Appendix A to this Official Statement, furnished by the County, contains demographic, statistical and financial information regarding the County.

Appendix B to this Official Statement, furnished by the County, contains the Annual Comprehensive Financial Report of the County for its fiscal year ended June 30, 2023. PBMares, LLP, the County's independent auditor, has not been engaged to perform and has not performed, since the date of its report included in Appendix B, any procedures on the financial statements addressed in that report. PBMares, LLP also has not performed any procedures relating to this Official Statement.

As described under the heading "FINANCIAL ADVISORS," Public Resources Advisory Group ("PRAG") is serving as financial advisor to the Authority in connection with the Series 2024 Bonds. Questions relating to the Authority should be directed to PRAG at (212) 566-7800. PFM Financial Advisors LLC is serving as financial advisor to the County in connection with the Series 2024 Bonds. Questions relating to the County should be directed to PFM Financial Advisors LLC at (571) 527-5134.

The Authority has issued other bonds on behalf of the County, including its Special Obligation School Financing Bonds, Hanover County Series 2022 (the "Other Hanover County Special Obligation Bonds"). The Other Hanover County Special Obligation Bonds are currently outstanding pursuant to a bond resolution adopted March 16, 2022 (as amended and supplemented from time to time, the "Existing Hanover County Resolution"). The Authority has also issued other bonds pursuant to the VPSA Act for the benefit of the County and other localities, which are currently outstanding, pursuant to other resolutions and indentures (collectively with the Existing Hanover County Resolution, the "Existing Resolutions").

The funds and accounts and the revenues pledged under the Existing Resolutions are not pledged to the Series 2024 Bonds, and the Local School Bond is not pledged to bonds issued under the Existing Resolutions. In particular, the funds, accounts and revenues pledged under the Existing Hanover County Resolution are not pledged to the Series 2024 Bonds, and the local school bond purchased with the proceeds of the Other Hanover County Special Obligation Bonds are not pledged to the payment of the Series 2024 Bonds. The Existing Hanover County Resolution and the Resolution are not cross-defaulted.

## SOURCES AND USES OF THE PROCEEDS OF THE SERIES 2024 BONDS

The proceeds of the Series 2024 Bonds are expected to be applied as follows:

| | |
|---|---|
| **SOURCES** | |
| Par Amount of Series 2024 Bonds | $73,225,000.00 |
| Net Original Issue Premium | 10,361,336.50 |
| Total | $83,586,336.50 |
| **USES** | |
| Deposit to Hanover County Purchase Fund | $83,087,000.00 |
| Underwriter's Discount | 168,369.61 |
| Other Costs of Issuance | 330,966.89 |
| Total | $83,586,336.50 |

## PLAN OF FINANCE

The Authority's purpose in issuing the Series 2024 Bonds is to provide funds for the purchase by the Authority of the Local School Bond to be issued by the County. The County will use the proceeds of the Series 2024 Bonds received from the Authority to (i) pay the costs of various capital improvements for the County's public school system and (ii) pay the issuance costs of the Series 2024 Bonds and the Local School Bond.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS

### General

The Resolution provides that the Series 2024 Bonds are limited and special obligations of the Authority, secured solely by and payable solely from payments of principal of and interest on the Local School Bond, excluding such amounts used to pay the Authority's administrative fee related to the Local School Bond as described under the heading **"SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Flow of Funds"** herein.

Interest on the Local School Bond is due on the January 15 and the July 15 immediately preceding the corresponding February 1 and August 1 interest payment dates of the Series 2024 Bonds. Principal on the Local School Bond is payable on the July 15 immediately preceding the corresponding August 1 principal payment date of the Series 2024 Bonds. Under the Resolution, the Authority has assigned, for the benefit of the holders of the Series 2024 Bonds, and any refunding bonds issued under the Resolution, its rights to receive all payments of principal and interest on the Local School Bond to the State Treasurer acting as paying agent for the Series 2024 Bonds. The Authority has agreed that all such payments of principal and interest on the Local School Bond shall be made directly to the State Treasurer, acting as paying agent for the Series 2024 Bonds, who is directed to apply such payments to the corresponding debt service payments due on the Series 2024 Bonds and any refunding bonds issued under the Resolution.

**The Series 2024 Bonds are not a general obligation of the Authority and are not secured by or payable from any of the funds and accounts or the revenues pledged under the Existing Resolutions. The Series 2024 Bonds do not constitute a debt of the Commonwealth or a pledge of the faith and credit of the Commonwealth. Under the Resolution, the Authority must demonstrate, prior to issuance, that the payments under the Local School Bond are sufficient to make the corresponding payments on the Series 2024 Bonds.**

**Local School Bond**

The Local School Bond is a general obligation of the County to the payment of which its full faith and credit are irrevocably pledged. The Board of Supervisors shall, in each year while the Local School Bond is outstanding, levy and collect *ad valorem* taxes upon all property in the County subject to taxation by the County in an amount sufficient to pay the principal of, premium, if any, and interest on the Local School Bond when due, which tax shall be without limitation as to rate or amount and in addition to all other taxes authorized to be levied in the County. Appendix A to this Official Statement, furnished by the County, contains certain demographic, statistical and financial information regarding the County. Appendix B to this Official Statement, furnished by the County, contains the Annual Comprehensive Financial Report of the County for its fiscal year ended June 30, 2023.

**State Aid Intercept**

A Virginia statute (Section 15.2-2659 of the Code of Virginia, 1950, as amended) (the "State Aid Intercept Provision") provides a mechanism for the application to overdue debt service on the Local School Bond of appropriations by the General Assembly to the County. The State Aid Intercept Provision requires the Governor of the Commonwealth (the "Governor"), upon proof of default in the payment of debt service on any general obligation bond (such as the Local School Bond) by any local government (such as the County), to direct the Comptroller of the Commonwealth to withhold certain payments to the local government until such default is cured. These payments include funds appropriated by the General Assembly to the local government for any and all purposes. For as long as the default continues, the State Aid Intercept Provision directs the Governor to require the Comptroller to pay from such appropriation to the holders of such general obligation bonds or their paying agent as much as is necessary to cover the principal and interest due on such general obligation bonds. The State Aid Intercept Provision further provides for notice of the default and of the availability of intercepted funds with the paying agent or with the Comptroller by publication and by mail to the registered owners of such general obligation bonds. Executive Order Number Eighty-Eight (01) delegates to the State Treasurer the responsibility to receive on the Governor's behalf proof of default in the payments of debt service on any general obligation bond. If such nonpayment is confirmed, the State Treasurer is to direct the Comptroller to withhold payments of Commonwealth funds to the locality and to pay them to the Authority.

It is the policy of the State Treasurer and the Comptroller that the bond payments be made on the same day as, or at least within 24 hours of, proper notification. However, to date, the State Aid Intercept Provision has never been utilized, and there can be no assurance that the benefits of the provisions available to the Authority could be realized in the event of a nonpayment by the County.

The State Aid Intercept Provision applies to all general obligation bonds of the County, including the Local School Bond. State aid that is payable to local governments and that is subject to interception pursuant to the State Aid Intercept Provision is derived primarily from the Commonwealth's General Fund, with the remaining aid being payable from the Highway Maintenance and Construction Fund of the Virginia Department of Transportation and certain other funds. The primary sources of revenue for the Commonwealth's General Fund are individual and corporate income tax revenues, sales and use tax revenues, other tax revenues, interest, dividends and rents. Although the State Aid Intercept Provision has not been tested in a Virginia court, the Attorney General of the Commonwealth has opined that funds appropriated and payable by the Commonwealth to local governments for any and all purposes are subject to such withholding under the State Aid Intercept Provision.

The Authority has covenanted in the Resolution that it will enforce the State Aid Intercept Provision to obtain payment of any principal of and interest due and unpaid on the Local School Bond.

In the fiscal year ended June 30, 2023, total direct appropriations paid by the Commonwealth to the County amounted to $151,109,663.* As of August 1, 2024, the County had approximately $123,392,199** of obligations outstanding that were subject to the State Aid Intercept Provision. The County expects that the Local School Bond will be the only "new money" obligation that the County issues in the fiscal year ending June 30, 2025, that is subject to the State Aid Intercept Provision except for the expected issuance described under the heading **"FUTURE**

* *Source*: Auditor of Public Accounts, Comparative Report of Local Government Expenditures.
** *Source:* Finance Department, Hanover County, Virginia.

**FINANCINGS."** If any Refunding Bonds are issued under the Resolution, a conforming amendment will be made to the Local School Bond.

**Additional Bonds**

Except for refunding bonds (as more particularly described below, "Refunding Bonds") and as set forth in the following paragraph, the Resolution does not authorize the issuance of any additional series of bonds. The Authority is permitted under the Resolution to issue one or more series of Refunding Bonds, on more than one occasion, to refund, redeem and defease, as applicable, any Series 2024 Bonds, outstanding refunding bonds under the Resolution, any bonds outstanding under the Existing Hanover County Resolution, or any combination thereof.

The Series 2024 Bonds are the only "new money" bonds that can be issued under the Resolution. The Authority has covenanted in the Resolution that it will not issue any other bonds payable from, or with a lien or other claim on, the Local School Bond except as provided in the Resolution. Before any series of Refunding Bonds are issued under the Resolution, the Authority must demonstrate that the payments from the Local School Bond (as it may be amended) are sufficient to pay when due the payments on the bonds outstanding under the Resolution. The Authority may, however, pursuant to other resolutions, issue bonds to purchase additional general obligation bonds of the County or to refund the Series 2024 Bonds, or both. See **"SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Authorization for Additional Series of Refunding Bonds."** Notwithstanding the forgoing, the Resolution provides that additional bonds may be issued by the Authority (the "Additional VPSA Bonds") for the purpose of purchasing an additional general obligation school bond of the County (the "Additional Local School Bond") other than the Local School Bond, which Additional Local School Bond shall be pledged to the payment of the Additional VPSA Bonds. Any Additional VPSA Bonds shall be issued under a separate resolution to the Resolution, in substantially the form of the Resolution. In the Resolution, the Board delegated approval of such separate resolution for Additional VPSA Bonds to the Treasurer or any Assistant Treasurer of the Authority; provided that the aggregate principal amount of the Series 2024 Bonds and any Additional VPSA Bonds shall not exceed $150,000,000.

## DESCRIPTION OF THE SERIES 2024 BONDS

**General**

The Series 2024 Bonds will be dated the date of delivery, will bear interest from their date payable semiannually on each February 1 and August 1, commencing on February 1, 2025, at the respective rates, and will mature, subject to prior redemption, on August 1, in each of the years, as set forth on the inside cover of this Official Statement. The record date for the Series 2024 Bonds will be the January 15 or July 15, as applicable (whether or not a business day), preceding the applicable interest payment date. The Series 2024 Bonds will be issued as fully-registered bonds, and beneficial ownership interests therein will be available to the public in book-entry form in denominations of $5,000 or any whole multiple thereof. Interest on the Series 2024 Bonds is computed on the basis of a year of 360 days with 12 months of 30 days each.

**Optional Redemption**

The Authority may, at its option, redeem certain of the Series 2024 Bonds prior to maturity as described on the inside cover of this Official Statement.

The Local School Bond is not subject to redemption prior to maturity without the consent of the Authority.

If less than all of the Series 2024 Bonds of any one maturity are called for redemption and the book-entry-only system with DTC has been discontinued, the particular Series 2024 Bonds or portions thereof to be redeemed will be selected by the Authority by lot or by such other method as the Authority in its sole discretion deems fair and appropriate. For a description of the selection of particular Series 2024 Bonds or portions thereof to be redeemed if less than all of the Series 2024 Bonds of any one maturity are called for redemption and the book-entry-only system is continuing, see **APPENDIX E – BOOK-ENTRY ONLY SYSTEM**.

**Notice of Redemption**

Notice of redemption is to be given not more than 60 nor less than 30 days before the date fixed for redemption by first class mail to the registered owner or owners of the Series 2024 Bonds or portions thereof to be redeemed; provided, however, that any defect in such notice or the failure so to mail any such notice to any owners of any Series 2024 Bonds will not affect the validity of the proceedings for the redemption of any other Series 2024 Bonds. **During the period that DTC or the DTC partnership nominee is the registered holder of the Series 2024 Bonds, the Bond Registrar will not be responsible for mailing notices of redemption to the beneficial owners of the Series 2024 Bonds.** See **APPENDIX E – BOOK-ENTRY ONLY SYSTEM**. Each such notice will set forth the Series 2024 Bonds or portions thereof to be redeemed, the date fixed for redemption, the redemption price to be paid, and if less than all the Series 2024 Bonds will be called for redemption, the maturities of the Series 2024 Bonds to be redeemed and shall otherwise comply with Securities Exchange Act of 1934 Release No. 34-23856, dated December 3, 1986. If any Series 2024 Bond is to be redeemed in part only, the notice of redemption will state also that on or after the date fixed for redemption, upon surrender of such Series 2024 Bond, a new Series 2024 Bond in an authorized denomination and in principal amount equal to the unredeemed portion of such Series 2024 Bond and of the same maturity will be issued.

Any notice of optional redemption of the Series 2024 Bonds may state that it is conditioned upon there being available an amount of money sufficient to pay the redemption price, consisting of par plus interest accrued and unpaid to the date fixed for redemption, and any conditional notice so given may be rescinded at any time before the payment of the redemption price if any such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit by the State Treasurer, the corresponding notice of redemption shall be deemed to be revoked prior to the date fixed for redemption.

If the Authority gives a conditional notice of redemption and money sufficient to pay the redemption price and interest, if any, accrued to the date fixed for redemption of the affected Series 2024 Bonds shall have been set aside in escrow with the State Treasurer or other Depository for the purpose of paying such Series 2024 Bonds or if the Authority gives an unconditional notice of redemption, then on the date fixed for redemption the Series 2024 Bonds will become due and payable. In either case, if on the date fixed for redemption the State Treasurer or other Depository holds sufficient money to pay the Series 2024 Bonds called for redemption, thereafter no interest will accrue on those Series 2024 Bonds, and such Series 2024 Bonds shall cease to be entitled to any benefits or security or to be deemed outstanding under the Resolution, and the owners of such Series 2024 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest, if any, to the date fixed for redemption, and, to the extent provided in the Resolution, to receive the Series 2024 Bonds for any unredeemed portions of the Series 2024 Bonds.

## THE AUTHORITY

The Authority's Board of Commissioners consists of the State Treasurer, the State Comptroller, the Superintendent of Public Instruction and five additional members appointed by the Governor, subject to confirmation by the General Assembly, who serve at the pleasure of the Governor for terms of six years. The Governor appoints one of the appointed members of the Board as chair, who serves as chief executive officer of the Authority. The Board elects, from its membership, a vice-chair, treasurer and secretary.

The members of the Board of Commissioners of the Authority are:

JOHN R. RILEY, JR., *Chair*; President, Riley Consulting LLC; term expires June 30, 2028; Residence: Spotsylvania County, Virginia.

MICHAEL NGUYEN, *Vice Chair*; Chief Investment Debt Officer, City of Richmond, Virginia; term expires June 30, 2026; Residence: Chesterfield County, Virginia.

DAVID L. RICHARDSON, *Treasurer and Secretary* by virtue of being the State Treasurer of Virginia; serves at the pleasure of the Governor; Residence: Richmond, Virginia.

MARIA J. PERROTTE, *Member*; Retired Chief Financial Officer of Stafford County, Virginia; term expires June 30, 2028; Residence: King George County, Virginia.

KAREN SPENCE, *Member*; Comptroller of Arlington County, Virginia; term expires June 30, 2030; Residence: Fairfax County, Virginia.

THE HONORABLE CARDELL C. PATILLO, JR., *Member*; Portsmouth School Board; Youth and Young Adult Pastor, Grove Baptist Church; term expires June 30, 2026; Residence: Portsmouth, Virginia.

DR. LISA COONS, *Member* by virtue of being the Superintendent of Public Instruction of Virginia; serves at the pleasure of the Governor; Residence: Richmond, Virginia.

SCOTT L. ADAMS, *Member* by virtue of being the Comptroller of Virginia; serves at the pleasure of the Governor; Residence: Fairfax County, Virginia.

**Staff of the Authority**

The office of the State Treasurer provides staff and administrative support for the Authority. The Authority's mailing address is P.O. Box 1879, Richmond, Virginia 23218-1879. The telephone number of the office of the State Treasurer is (804) 225-2142. Selected members of the Authority's staff include the following:

Bradley L. Jones has served as Director of Debt Management since April 2021 and previously held other positions within the Treasury Department and with the Virginia Resources Authority. Mr. Jones has a bachelor's degree in economics from Hampden-Sydney College and a master's degree in business administration from Virginia Commonwealth University.

James D. Mahone has served as Public Finance Manager since 2015 and previously held positions with Regions Bank, Wachovia Bank and First Union National Bank. Mr. Mahone has a bachelor's degree in finance from James Madison University.

Melissa W. Palmer has served as a Senior Public Finance Analyst since 2006 and previously held other positions within the Treasury Department and the Virginia Department of Medical Assistance Services. Ms. Palmer has a bachelor's degree in finance from the College of William and Mary and a master's degree in public administration from Virginia Commonwealth University.

**Powers of the Authority**

Under the provisions of the VPSA Act, the Authority is empowered, among other things, to (1) manage and administer all moneys and obligations that may be set aside and transferred to it by the General Assembly of Virginia from the principal of a special trust fund established under the Constitution of Virginia and dedicated to the support of public education in Virginia (the "Literary Fund"), for public school purposes; (2) purchase, with any of its funds available for such purpose, at public or private sale and for such price and on such terms as it shall determine, general obligation school bonds of cities, counties and towns in the Commonwealth, or to make loans or grants to local school boards; and (3) issue, for the purpose of providing funds for the purchase of general obligation school notes or the making of loans or grants to local school boards, its bonds or other obligations payable solely from its funds including, but without limitation, (a) payments of principal of and interest on the general obligation school bonds purchased by the Authority or such loans made by the Authority, (b) sale proceeds of such general obligation school bonds, (c) payments of principal of and interest on obligations transferred to the Authority from the Literary Fund ("Literary Fund Obligations"), (d) sale proceeds of such Literary Fund Obligations, (e) any moneys transferred to the Authority from the Literary Fund, (f) payments of principal of and interest on loans made to local school boards, and (g) any funds authorized by the General Assembly for such purpose from the Literary Fund or otherwise appropriated by the General Assembly.

The validity of the original VPSA Act was upheld by the Supreme Court of Virginia in 1962 in *Button v. Day*, 203 Va. 687, 127 S.E.2d 122.

## SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following statements are brief summaries of certain provisions of the Resolution. Such statements do not purport to be complete and reference is made to the Resolution, copies of which are available for inspection upon request to the Secretary of the Authority.

### Definitions of Certain Terms

The following are the definitions of certain terms contained in the Resolution and used in this Official Statement:

"Amortization Requirements" as applied to the term bonds of each maturity of each Series for any bond year, means the principal amount or amounts fixed by, or computed in accordance with the terms of, a Series Certificate for the retirement of such term bonds by purchase or redemption, as contemplated by the Resolution, on the Principal Payment Date or Dates established by such Series Certificate.

"Depository" means one or more other banks or trust companies duly authorized to engage in the banking business and meeting the requirements of the Resolution and designated by certificate of the Authority or by the State Treasurer as a depository of moneys under the provisions of the Resolution.

"Interest Payment Date" means each of the dates specified in a Series Certificate.

"Principal Payment Date" means the date or dates fixed for the Bonds by a Series Certificate upon which the principal of any Bond is stated to mature or upon which the principal of any term Bond is subject to redemption in satisfaction of an Amortization Requirement.

"Series Certificate" means a certificate of the Authority, supplemental to the Resolution, fixing the details of each of the Series of the Bonds in accordance with the provisions of the Resolution.

Additionally, for purposes of this section, "Bonds" means the Series 2024 Bonds and any Refunding Bonds issued under the Resolution.

### Establishment of Funds

The Resolution provides for the creation of the "Virginia Public School Authority Hanover County Purchase Fund" (the "Hanover County Purchase Fund"); the "Virginia Public School Authority Hanover County Income Fund" (the "Hanover County Income Fund"); and the "Virginia Public School Authority Hanover County Bond Fund" (the "Hanover County Bond Fund").

### Purchase Fund

The proceeds of the Series 2024 Bonds issued under the Resolution shall be deposited in the Hanover County Purchase Fund.

Subject to the terms of a Bond Sale Agreement between the Authority and the County, the moneys in the Hanover County Purchase Fund are to be applied by the Treasurer of the Authority to the purchase of the Local School Bond (including amendments, if any, to the Local School Bond related to a separate series of Refunding Bonds), subject to the provisions of the VPSA Act and the rules and regulations of the Authority. The Local School Bond so purchased must constitute a valid and binding general obligation of the County to the payment of which its full faith and credit are pledged, and all taxable property within the boundaries of the County must be subject to the levy of an *ad valorem* tax, without limitation on rate or amount, for the payment of such Local School Bond and the interest thereon. The Local School Bond must be in, or be convertible into, marketable form and must be accompanied by the approving opinion of a firm of nationally recognized municipal bond attorneys acceptable to the Authority.

The Local School Bond (including amendments, if any, to the Local School Bond related to a separate series of Refunding Bonds) purchased with funds held in the Hanover County Purchase Fund shall be deemed at all times to be part of said fund and pledged to the payment of the principal of and interest on the Bonds issued under the Resolution. The Board may authorize and direct the Treasurer of the Authority to sell (with or without consideration) or otherwise dispose of all or any portion of the Local School Bond; provided, however, neither the Local School Bond nor any portion thereof may be sold or otherwise disposed of unless and to the extent the sale is required to make up a deficiency in the Hanover County Bond Fund or unless, following such sale or other disposition, in each Bond Year thereafter the principal of and interest on the Local School Bond scheduled to become due and payable in each such Bond Year shall equal or exceed the principal and interest coming due in such Bond Year on account of all Bonds issued under the Resolution then outstanding. If any Refunding Bonds are issued, the Authority will pay a portion of the purchase price to an escrow fund or funds established pursuant to a Supplemental Refunding Series Resolution. The amount the Authority pays to the escrow fund or funds will be equal to the price of the escrow securities and initial cash balance required to defease the bonds being refunded.

Any proceeds from such a sale or other disposition may be used for the lawful purposes of the Authority; any accrued interest realized in such a sale shall be deposited to the credit of the Hanover County Income Fund.

The Board may from time to time authorize and direct the Treasurer of the Authority to transfer from the Hanover County Purchase Fund to the Hanover County Bond Fund all or any portion of the moneys held in the Hanover County Purchase Fund in order to pay interest on the Bonds issued under the Resolution, to redeem the Bonds issued under the Resolution or to make up any deficiency in the Hanover County Bond Fund.

**Flow of Funds**

The State Treasurer shall collect and deposit in the Hanover County Income Fund the principal and interest payments on the Local School Bond held in the Hanover County Purchase Fund, which include amounts necessary to pay the Authority's administrative fee referenced in subsection (b) below, as the same become due and payable.

The Authority has covenanted that on or before the business day that a withdrawal from the Hanover County Income Fund is required to accomplish the payments and transfers required under the Resolution (each, a "Deposit Day"), the State Treasurer shall, if applicable, withdraw from the Hanover County Income Fund an amount equal to the amount of all moneys held for the credit of the Hanover County Income Fund on such Deposit Day, and set aside:

(a) *first:* to the credit of the Hanover County Bond Fund such amount thereof (or the entire sum so withdrawn if less than the required amount) as may be required to make the amount then to the credit of the Hanover County Bond Fund equal to the interest that shall become due on the next Interest Payment Date and the principal that shall become due on the next Principal Payment Date; provided, however, that in making such transfers, the State Treasurer may take into account any accrued interest deposited from the proceeds of the Bonds;

(b) *second:* to the credit of the General Fund of the Authority an amount equal to the Authority's administrative fee related to the Local School Bond for the applicable Interest Payment Date; and

(c) *third:* to the credit of the County, the balance, if any, remaining after making the deposits under clauses (a) and (b) above.

The payments and deposits required pursuant to the Resolution shall be cumulative, and the amount of any deficiency in any month shall be added to the amount otherwise required to be paid or deposited in each month thereafter until such time as such deficiency shall have been made up.

**Hanover County Bond Fund**

Except as otherwise provided in the Resolution, moneys in the Hanover County Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds. The State Treasurer shall on each Interest Payment Date withdraw from such moneys and transfer to the Bond Registrar or Paying Agent, who shall remit by mail to each registered owner, the amounts required for paying the interest on such Bonds on such date, and on each Principal Payment Date, the State Treasurer shall withdraw from such moneys and transfer to the Bond Registrar or Paying Agent, who shall set aside in trust, the amounts required for paying the principal of the Bonds due on such date.

**General Authorization of the Series 2024 Bonds**

The Authority's issuance of the Series 2024 Bonds under the Resolution for the purpose of providing funds to purchase the Local School Bond is subject to receipt of the following documents by the Treasurer of the Authority:

(a) a signed copy of a Series Certificate;

(b) a certificate, signed by the Chairman of the Authority, stating that the Authority is not then in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution or in the VPSA Act;

(c) an opinion of the Attorney General or an Assistant Attorney General of the Commonwealth stating that the signer is of the opinion that the issuance of such Series 2024 Bonds has been duly authorized, that all conditions precedent to the delivery of such Series 2024 Bonds have been fulfilled; and

(d) an opinion of nationally recognized bond counsel, subject only to customary exceptions, to the effect that the Local School Bond to be purchased from the proceeds of the Series 2024 Bonds is a valid and binding general obligation of the County to the payment of which its full faith and credit and unlimited taxing power are pledged.

Further, the Treasurer of the Authority shall not deliver the Series 2024 Bonds unless the Authority shall demonstrate that the payments under the Local School Bond are sufficient to pay when due the payments on the Series 2024 Bonds.

**Authorization for Additional Series of Refunding Bonds**

The Authority's issuance of any Refunding Bonds under the Resolution for the purpose of providing funds to refund, redeem and defease, as applicable, any Series 2024 Bonds, other outstanding Refunding Bonds or any bonds outstanding under the Existing Hanover County Resolution (or any combination thereof) is subject to receipt of the following documents by the Treasurer of the Authority:

(a) a signed copy of a Series Certificate and resolution authorizing the sale of Refunding Bonds by the Authority;

(b) a certificate, signed by the Chairman of the Authority, stating that the Authority is not then in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution or in the VPSA Act; and

(c) an opinion of the Attorney General or an Assistant Attorney General of the Commonwealth stating that the signer is of the opinion that the issuance of such Refunding Bonds has been duly authorized and that all conditions precedent to the delivery of such Refunding Bonds have been fulfilled.

Further, the Treasurer of the Authority shall not deliver such Refunding Bonds unless (I) either (A) there are sufficient moneys available to the Treasurer to pay the principal of and the redemption premium, if any, on the Bonds to be refunded and the unpaid interest that will become due and payable on and prior to the date fixed for redemption or payment, or the portion of Bonds, redemption premium and interest to be redeemed, acquired or paid, or (B) the State Treasurer or an escrow agent shall hold non-callable Defeasance Obligations the principal of and the interest on which when due and payable will provide sufficient moneys to pay the principal of, the redemption premium, if any, on and the unpaid interest that will become due and payable on and prior to the date fixed for redemption or payment of the portion of Bonds, redemption premium and interest to be redeemed, acquired or paid, and (II) the Authority shall demonstrate that the payments under the Local School Bond are sufficient to pay when due the payments on the Bonds outstanding after the issuance of the Refunding Bonds.

**Parity of Bonds**

Any outstanding Series 2024 Bond is secured on parity with all other outstanding Series 2024 Bonds and any subsequently-issued Refunding Bonds (collectively, the "Bonds"). If at any time the moneys in the Hanover County Bond Fund shall not be sufficient to pay the interest on or the principal of such Bonds, such moneys, together with any moneys then available or thereafter becoming available for such purpose, shall be applied as follows:

(a) If the principal of all such Bonds shall not have become due and payable, all such moneys shall be applied in the following order:

*first:* to the payment to the persons entitled thereto of all installments of interest then due and payable in the order in which such installments become due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds;

*second:* to the payment to persons entitled thereto of the unpaid principal of any of such Bonds that shall have become due and payable (other than bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Resolution), in the order of their due dates, with interest on the principal amount of such Bonds at the respective rates specified therein from the respective dates upon which such Bonds became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

*third:* to the payment of the interest on and the principal of such Bonds, to the purchase and retirement of such Bonds and to the redemption of such Bonds, all in accordance with the provisions of the Resolution.

(b) If the principal of all such Bonds shall have become due and payable, all such moneys shall be applied in the following order:

*first*: to the payment of the persons entitled thereto of all installments of interest due and payable on or prior to maturity, if any, in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Bonds, and then to the payment of any interest due and payable after maturity on such Bonds, ratably, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds; and

*second*: to the payment of the principal of such Bonds, ratably, to the persons entitled thereto, without preference or priority of any Bond over any other Bond.

Whenever moneys are to be applied by the State Treasurer pursuant to the provisions described above, such moneys shall be applied by the State Treasurer at such times, and from time to time, as the State Treasurer in the State Treasurer's sole discretion shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available in the future for such application; the deposit of such moneys with the Bond Registrar or any Paying Agent, or otherwise setting aside such moneys, in trust for the proper purpose shall constitute proper application by the State Treasurer; and the State Treasurer shall incur no liability whatsoever to the Authority, to any bondowner or to any other person for any delay in applying any such moneys, so long as the State Treasurer acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the State Treasurer.

**Reports and Audits**

The Authority covenants to keep accurate records and accounts of the funds collected and of the application of such funds. Such records and accounts are open at all reasonable times to the inspection of the bondowners and their agents and representatives.

**Investments**

Moneys held in the funds and accounts established by the Resolution shall be continuously invested and reinvested at the direction of the Authority in the following investments ("Investment Obligations"):

(a) (i) direct obligations of, or obligations the payment of the principal of and the interest on which is unconditionally guaranteed by, the U.S., and, if permitted by law, evidences of indirect ownership of such obligations, (ii) obligations of state and local municipal bond issuers the payment of which shall be secured by non-callable obligations described in (i) above deposited with an escrow agent or trustee, and (iii) obligations issued by agencies controlled or supervised by the U.S. the obligations of which are (A) guaranteed by the U.S. or (B) rated in the highest rating category by Fitch Ratings, Moody's Investors Service and S&P Global Ratings, and

(b) repurchase agreements for obligations described in (a) above, certificates of deposit, banker's acceptances, commercial paper, insured and uninsured obligations of state or local government municipal bond issuers satisfying the requirements of the Resolution and any other obligation constituting a legal investment for instrumentalities of the Commonwealth.

Moneys in the Hanover County Purchase Fund, the Hanover County Income Fund and the Hanover County Bond Fund shall, as nearly as may be practicable, be invested and reinvested in Investment Obligations that shall mature, or that shall be subject to redemption at the option of the holder thereof, not later than the respective dates when the moneys will be required. Moneys held for the credit of all funds shall be invested and reinvested in such Investment Obligations as the State Treasurer shall determine.

Investment Obligations so purchased shall be deemed at all times to be a part of the fund to which the money with which they were purchased was credited, and the interest accruing thereon and any profit realized or any loss resulting from the investment of money shall be credited to, or charged against, the respective fund or account. The State Treasurer and any bank in which funds or accounts are deposited (a "Depository") shall sell at the best price obtainable or present for redemption or payment any such Investment Obligations whenever it shall be necessary to do so in order to provide money to make any payment or transfer of money from any such fund or account. The State Treasurer and any Depository shall not be liable or responsible for any loss resulting from any such investment.

Whenever a payment or transfer of moneys between two or more of the funds or accounts established under the Resolution is permitted or required, such payment or transfer may be made in whole or in part by transfer of one or more Investment Obligations at a value determined in accordance with the provisions of the Resolution, provided that Investment Obligations are those in which moneys of the receiving fund could be invested at the date of such transfer.

**Modification of the Resolution**

The Authority, from time to time, and without the consent of bondowners, may adopt supplemental resolutions for purposes set forth in the Resolution. Such purposes include curing ambiguities, formal defects and omissions in the Resolution and any other change that, in the opinion of the Authority, would not materially adversely affect the security for the Bonds. The Authority, from time to time, and without the consent of bondowners, may also adopt supplemental resolutions to provide for the issuance of Refunding Bonds in accordance with the terms of the Resolution.

The owners of not less than a majority in aggregate principal amount of the Bonds then outstanding may, from time to time, consent to resolutions supplemental to the Resolution for the purpose of modifying any of the terms or provisions contained in the Resolution or in any Series Certificate or other supplemental resolution; provided, however, that nothing contained in the Resolution shall permit, or be construed as permitting, without the consent of all of the affected bondowners (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, (iii) the creation of a lien upon or a pledge of funds other than the liens and pledges created or permitted by the Resolution, (iv) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (v) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental resolution. The Secretary of the Authority shall cause notice of the proposed adoption of any such supplemental resolution to be mailed, postage prepaid, to all owners of Bonds at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that copies thereof are on file at the office of the State Treasurer for inspection by all bondowners. The Authority shall not, however, be subject to any liability to any bondowner by reason of its failure to mail the notice, and any such failure shall not affect the validity of such supplemental resolution after it has been consented to and approved. No such supplemental resolution shall become effective unless the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding shall file with the Secretary of the Authority instruments consenting to and approving the adoption of the supplemental resolution in the form thereof referred to in the notice.

**Defeasance**

When (a) the Bonds secured by the Resolution shall have become due and payable in accordance with their terms or otherwise as provided in the Resolution, the whole amount of the principal and the interest so due and payable upon all Bonds shall be paid, (b) if the Bonds shall not have become due and payable in accordance with their terms, the Bond Registrar shall hold sufficient money or Investment Obligations that comply with the requirements of the VPSA Act for the defeasance of bonds ("Defeasance Obligations"), or a combination of money and Defeasance Obligations, the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest on, all Bonds then outstanding to the maturity date or dates of such Bonds and (c) sufficient funds shall also have been provided or provision made for paying all other obligations payable under the Resolution by the Authority, then and in that case the right, title and interest of the Bond Registrar and the bondowners in the funds mentioned in the Resolution shall thereupon cease, determine and become void and, on demand of the Authority and upon being furnished with an opinion, in form and substance satisfactory to the Bond Registrar, of bond counsel to the Authority, to the effect that all conditions precedent to the release of the Resolution have been satisfied, the Bond Registrar shall release the Resolution and shall execute such documents to evidence such release as may reasonably be required by the Authority and shall turn over to the Authority any surplus in, and all balances remaining in, all such funds established pursuant to the Resolution.

All money and Defeasance Obligations held by the Bond Registrar for the purposes described above shall be held in trust and applied to the payment, when due, of the obligations payable therewith. If the Authority shall pay or cause to be paid to the owners of less than all of the outstanding Bonds the principal of and interest on such Bonds, or such portions thereof, which is and shall thereafter become due and payable upon such Bonds, or such portions thereof, such Bonds, or such portions thereof, shall cease to be entitled to any lien, benefit or security under the Resolution.

Any outstanding Bond (or any portion thereof) shall be deemed to have been paid for the purposes of subsection (a) or (b) above when (i) there shall have been deposited with the Bond Registrar or any other Depository either moneys in an amount which, or Defeasance Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys in an amount which, together with the moneys, if any, deposited with or held by the Bond Registrar or any Depository or Paying Agent and available therefor, shall be sufficient to pay when due the principal of and interest due and to become due on such Bond (or portion thereof) on or prior to the maturity date thereof, (ii) in the event such Bond is not to mature within the next succeeding sixty (60) days, the Authority shall have given the Bond Registrar irrevocable instructions to give notice to the owner of such

Bond (or portion thereof) stating that moneys or Defeasance Obligations have been deposited with the Bond Registrar or any other Depository as provided in the Resolution and that such Bond (or portion thereof) is deemed to have been paid in accordance with the Resolution and stating the maturity date upon which moneys are to be available for the payment of the principal thereof and interest thereon and (iii) provisions satisfactory to the Bond Registrar shall have been made for the payment of the Bond Registrar's fees and expenses, and any Paying Agent's or other Depository's fees and all fees and expenses payable by the Authority in connection with the defeasance of such Bond.

## TAX MATTERS

### Opinion of Bond Counsel – Federal Income Tax Status of Interest

The opinion of McGuireWoods LLP, Richmond, Virginia, bond counsel to the Authority ("Bond Counsel") regarding the federal income tax status of the interest on the Series 2024 Bonds will state that, under current law and assuming continuing compliance with the Covenants (as hereinafter defined), interest on the Series 2024 Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. However, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. See "Proposed Form of Opinion of Bond Counsel" in Appendix D hereto.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the excludability of interest on the Series 2024 Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the Authority, the County or of the School Board of the County (the "School Board") or about the effect of future changes in the Code, the applicable regulations, or the interpretation or the enforcement thereof by the Internal Revenue Service (the "IRS") and the courts.

Although Bond Counsel is of the opinion that interest on the Series 2024 Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2024 Bonds may otherwise affect the federal tax liability of an owner of the Series 2024 Bonds. The nature and extent of these other federal tax consequences depend on the owner's particular tax status and levels of other income or deductions. Bond Counsel will express no opinion regarding any such other tax consequences and prospective purchasers of the Series 2024 Bonds should consult their own tax advisors with respect thereto.

### Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the federal income tax treatment of interest on the Series 2024 Bonds, Bond Counsel is relying upon (i) certifications of representatives of the Authority, the County, the School Board, the underwriters and other persons as to facts material to the opinion, which Bond Counsel has not independently verified, and (ii) an opinion from another firm of municipal bond attorneys serving as bond counsel to the County regarding the application of the proceeds of the Series 2024 Bonds and the ownership, use and operation of the property financed thereby by the County and the School Board.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the Authority, the County and the School Board. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2024 Bonds in order for interest on the Series 2024 Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Series 2024 Bonds and the use of the property financed or refinanced by the Series 2024 Bonds, limitations on the source of the payment of and the security for the Series 2024 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2024 Bonds to the United States Treasury. The tax compliance agreement for the Series 2024 Bonds contains covenants (the "Covenants") under which the Authority, the County and the School Board have agreed to comply with such requirements. Failure by the Authority, the County or the School Board to comply with the Covenants could cause interest on the Series 2024 Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. If such a failure were to occur, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2024 Bonds from becoming includable in gross income for Federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2024 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the tax compliance agreement, including the Covenants, may be changed and certain actions may be taken or omitted subject to the terms and conditions set forth in such agreement. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Series 2024 Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

**Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2024 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Series 2024 Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Series 2024 Bonds.

Prospective purchasers of the Series 2024 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, banks and other financial institutions, certain insurance companies, dealers in tax-exempt obligations, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial securitization trust, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

**Original Issue Discount**

Series 2024 Bonds purchased in the initial public offering with yields higher than their applicable interest rates, as shown on the inside cover page hereof, have been sold with "original issue discount." Each such Series 2024 Bond is referred to below as an "OID Bond." The excess of (i) the stated amount payable at the maturity (excluding qualified stated interest) of any OID Bond over (ii) the issue price of the OID Bond as determined under Section 1273 of the Code (which may differ from the price shown on the inside front cover page of this Official Statement) constitutes the amount of original issue discount, which is treated in the same manner as interest on the Series 2024 Bonds for federal income tax purposes.

The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest. In the case of an original owner of an OID Bond, the amount of original issue discount that is treated as having accrued on such OID Bond is added to the owner's adjusted basis in determining, for federal income tax purposes, gain or loss upon the disposition of the OID Bond (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued original issue discount will be excludable from the gross income of the owner for federal income tax purposes.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial public offering may be determined according to rules that differ from those described above.

In addition, original issue discount that accrues in each year to an owner of an OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed in this section. Consequently, the owner of an OID Bond should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although such owner has not received cash attributable to such original issue discount in such year.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the original issue discount accrued upon sale or redemption of such OID Bonds (including OID Bonds not purchased in the initial public offering) and with respect to the state and local tax consequences of owning OID Bonds.

**Original Issue Premium**

Series 2024 Bonds purchased in the initial public offering with yields lower than their applicable interest rates, as shown on the inside cover page hereof, have been sold with "bond premium." Each such Series 2024 Bond is referred to below as an "OIP Bond." The excess of (i) the owner's basis in the OIP Bond immediately after acquisition over (ii) the amount payable at maturity (excluding qualified stated interest) as determined under Section 171 of the Code constitutes the amount of the bond premium. Under the Code, the bond premium is amortized based on the owner's yield over the remaining term of the OIP Bond (or, in the case of certain callable OIP Bonds, to an earlier call date that results in a lowest yield on the OIP Bond). The owner of an OIP Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period against the bond premium allocable to that period. No deduction is allowed for such amortization of bond premium even though the owner is required to decrease the adjusted basis in the owner's OIP Bond by the amount of the amortizable bond premium, which will result in an increase in the gain (or decrease in the loss) recognized for federal income tax purposes upon a sale or disposition of the OIP Bond prior to its maturity.

Prospective purchasers of any OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and amortization of bond premium on, such OIP Bonds.

**Information Reporting and Backup Withholding**

Prospective purchasers should be aware that the interest on the Series 2024 Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2024 Bonds may be subject to backup withholding if the interest is paid to an owner who or which (i) is not an "exempt recipient" and (ii) (A) fails to furnish an accurate U.S. taxpayer identification number in the manner required, (B) has been notified of a failure to report all interest and dividends required to be shown on federal income tax returns or (C) fails to certify under penalty of perjury that the owner is not subject to withholding. Individuals generally are not exempt recipients, although corporations and other entities generally are.

The reporting and backup withholding requirements do not in and of themselves affect the excludability of interest on the Series 2024 Bonds from gross income for federal income tax purposes, and amounts withheld under the backup withholding rules may be refunded or credited against the owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

**Internal Revenue Service Audits**

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2024 Bonds, the IRS will, under its current procedures, treat the Authority as the taxpayer. As such, the beneficial owners of the Series 2024 Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Series 2024 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Series 2024 Bonds.

**Opinion of Bond Counsel – Virginia Income Tax Consequences**

Bond Counsel will also opine that, under current law, interest on the Series 2024 Bonds is exempt from income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the Series 2024 Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Series 2024 Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the Series 2024 Bonds should consult their own tax advisors regarding such other Virginia tax consequences or the tax status of interest on the Series 2024 Bonds in a particular state or local jurisdiction other than the Commonwealth.

**Changes in Federal and State Tax Law and Regulations**

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes.

The U.S. Department of the Treasury and the IRS and state regulatory authorities are continuously drafting regulations and other guidance to interpret and apply the provisions of the Code and state law. Proceedings affecting tax-exempt obligations may be filed in federal or state courts at any time. Such guidance and the outcome of such court proceedings could modify the federal or state tax treatment of tax-exempt obligations.

There can be no assurance that legislation proposed or enacted after the date of issue of the Series 2024 Bonds, regulatory interpretation of the Code or state laws or actions by a court involving either the Series 2024 Bonds or other tax-exempt obligations will not have an adverse effect on the Series 2024 Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Series 2024 Bonds.

Prospective purchasers of the Series 2024 Bonds should consult their own tax advisors regarding the potential consequences of any such proposed or pending federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

## RATINGS

As noted on the cover page of this Official Statement, Fitch Ratings, Moody's Investors Service and S&P Global Ratings have given the Series 2024 Bonds ratings of "AAA," "Aaa" and "AAA", respectively.

Such ratings reflect only the respective views of such organizations and an explanation of the significance of such ratings may be obtained only from the respective rating agencies. The ratings are not a recommendation to buy, sell or hold any Series 2024 Bond. The Authority and the County furnished to such rating agencies certain information regarding their respective policies, practices and finances, including information that is not included in this Official Statement. There is no assurance that such policies, practices and finances or such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by any rating agency, if, in the judgment thereof, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the market price or marketability of the Series 2024 Bonds.

## FUTURE FINANCINGS

The Authority expects to issue additional bonds pursuant to its bond resolution adopted by the Board on October 23, 1997, as amended and restated, and as supplemented (the "1997 Resolution"), in the fall of 2024 and in the spring of 2025 for the purpose of purchasing general obligation school bonds to fund public school projects. Subject to market conditions, however, the Authority may undertake, at any time, the refunding for debt service savings and other purposes of any of its outstanding obligations, including bonds issued under the 1997 Resolution.

The Authority also expects to issue its School Technology and Security Notes (the "2025 Notes") in the spring of 2025. The 2025 Notes will be limited obligations of the Authority payable from appropriations to be made by the Virginia General Assembly from the Literary Fund and to the extent necessary from a "sum sufficient appropriation" from the General Fund of the Commonwealth in the event that "available moneys in the Literary Fund" are less than the appropriations for debt service due on the 2025 Notes.

The Authority also expects to issue certain Additional VPSA Bonds under its Stand Alone Security Structure in the spring of 2025 to provide funds for the purchase by the Authority of an Additional Local School Bond expected to be issued by the County for the purpose of paying the costs of various capital improvements for the County's public school system. If requested by local governments, the Authority will issue additional special obligation school financing bonds under its Stand Alone Security Structure.

The bonds and notes described in this section are secured separately from the Series 2024 Bonds and any Refunding Bonds issued under the Resolution. Market conditions permitting, however, the Authority may issue Refunding Bonds under the Resolution to provide for the refunding of the Other Hanover County Special Obligation Bonds to achieve debt service savings. Such Refunding Bonds would be secured equally and ratably under the Resolution with the Series 2024 Bonds. See **"INTRODUCTION."**

## LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Series 2024 Bonds are subject to the approving opinion of McGuireWoods LLP, Richmond, Virginia, as bond counsel to the Authority. Such opinion, substantially in the form set forth in Appendix D to this Official Statement, will be furnished at no expense to the initial purchaser of the Series 2024 Bonds upon delivery thereof. Certain legal matters will be passed upon for the Authority by the Office of the Attorney General of Virginia.

Certain legal matters relating to the authorization and validity of the Local School Bond are subject to the approving opinion of Kaufman & Canoles, a Professional Corporation, Richmond, Virginia, as bond counsel to the County. Certain legal matters will be passed on for the County by the County Attorney.

## LEGALITY FOR INVESTMENT

The VPSA Act provides that the Series 2024 Bonds are securities in which all public officers and bodies of the Commonwealth, counties, cities, towns, municipal subdivisions, insurance companies and associations, savings banks and savings institutions, including savings and loan associations, trust companies, beneficial and benevolent associations, administrators, guardians, executors, trustees and other fiduciaries in the Commonwealth may properly and legally invest funds under their control.

## LITIGATION

The Authority is not party to any litigation. The Authority has no knowledge of any pending or threatened litigation to restrain or enjoin the issuance, sale or delivery of the Series 2024 Bonds or the entering by the Authority into the transactions contemplated by this Official Statement, or wherein an unfavorable decision would have a material adverse impact upon the operations or financial condition of the Authority.

The Authority is advised by the County Attorney that there is no litigation pending or, to the County Attorney's knowledge, threatened, against the County that in any way questions or affects the validity of the Local School Bond, or the right of the County to levy and collect *ad valorem* taxes, without limitation as to rate or amount, for the payment of the Local School Bond and the interest thereon. The County is contingently liable with respect to certain lawsuits and other claims, which have arisen in the ordinary course of its operations. It is the opinion of the County's management and the County Attorney that any losses that may ultimately be incurred as a result of these claims, whether considered individually or in the aggregate, will not have a material adverse effect on the County's ability to meet its financial obligations. See **APPENDIX B – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE COUNTY**.

## FINANCIAL ADVISORS

### The Authority

PRAG is employed as a financial advisor to the Authority in connection with the issuance of the Series 2024 Bonds. The financial advisor's fee for services rendered with respect to the sale of the Series 2024 Bonds is contingent upon the issuance and delivery of the Series 2024 Bonds. PRAG, in its capacity as financial advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents provided, agreed to or made by others with respect to the federal income tax status of the Series 2024 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

PRAG, as the financial advisor to the Authority, has provided the following sentence for inclusion in this Official Statement. Although PRAG has assisted in the preparation of this Official Statement, PRAG is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

**The County**

PFM Financial Advisors LLC ("PFM"), Richmond, Virginia, is serving as Financial Advisor to the County and has provided the following sentence for inclusion in this Official Statement. Although PFM has assisted in the preparation of this Official Statement, PFM is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## CONTINUING DISCLOSURE

This offering is subject to the continuing disclosure requirements of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended from time to time ("Rule 15c2-12"). The County will undertake pursuant to a Continuing Disclosure Agreement, the form of which is attached as Appendix C, to provide to the Municipal Securities Rulemaking Board (the "MSRB"), through the MSRB's Electronic Municipal Market Access system ("EMMA") or any successor thereto, certain financial information and operating data on or before March 31 following the end of any fiscal year and notice of the events specified in Rule 15c2-12. **The Authority will not undertake any continuing disclosure obligation regarding the Series 2024 Bonds.**

The obligation of the County described above requires it to provide only limited information at specific times, and the information provided may not be all the information necessary to value the Series 2024 Bonds at any particular time. The County may from time to time disclose certain information and data in addition to that required by the continuing disclosure covenant described above. If the County chooses to provide any additional information, the County will have no obligation to continue to update such information or to include it in any future disclosure filing.

These covenants have been made in order to assist the underwriters in complying with Rule 15c2-12. See **APPENDIX C - CONTINUING DISCLOSURE AGREEMENT**.

Except as described under this caption, in the five years preceding the date hereof the County has complied in all material respects with its previous undertakings under Rule 15c2-12.

## RELATIONSHIP OF PARTIES

PFM, financial advisor to the County, serves as financial advisor to the Authority, from time to time, in matters unrelated to the Series 2024 Bonds.

David L. Richardson, Treasurer and Secretary of the Authority, is a retired former partner of McGuireWoods LLP, which is serving as bond counsel to the Authority.

## SALE AT COMPETITIVE BIDDING

The Series 2024 Bonds were awarded pursuant to electronic competitive bidding held via BiDCOMP/PARITY on Tuesday, September 10, 2024 to Truist Securities, Inc. (the "Underwriter") at a price to the Authority that results in an Underwriter's discount of $168,369.61 from the initial public offering prices derived from the prices shown on the inside cover page. The Underwriter has supplied the information as to the prices and yields shown on the inside cover page. The Underwriter may offer to sell the Series 2024 Bonds to certain dealers and others at prices lower or yields higher than such initial public offering prices.

## CERTIFICATE CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Series 2024 Bonds, the County Administrator of the County will certify that, to the best of the County Administrator's knowledge, the information contained in Appendix A and Appendix B to this Official Statement did not as of its date, and does not as of the date of delivery of the Series 2024 Bonds, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. Such certificate will also state, however, that the County Administrator of the County did not independently verify the information indicated in Appendix A and Appendix B to this Official Statement as having been obtained or derived from sources other than the County and its officers but that he has no reason to believe that such information contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. In addition, the County Attorney will certify that there is no litigation pending or, to the County Attorney's knowledge, threatened against the County that in any way questions or affects the validity of the Local School Bond or the right of the County to levy and collect *ad valorem* taxes, without limitation as to rate or amount, for the payment of the Local School Bond and the interest thereon. See **"LITIGATION."**

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## MISCELLANEOUS

The foregoing summaries of certain provisions of the VPSA Act, the Resolution and the Local School Bond do not purport to be complete statements of such provisions and are made subject to the detailed provisions thereof to which reference is hereby made. Copies of the VPSA Act and the Resolution are available for inspection upon request to the Authority.

Any statements in this Official Statement involving matters of opinion whether or not expressly so stated are intended as such and not as representations of fact. Capitalized terms used in this Official Statement but not otherwise defined shall have the meanings assigned to them in the Resolution.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

The Authority has deemed this Official Statement final as of its date within the meaning of Rule 15c2-12.

**VIRGINIA PUBLIC SCHOOL AUTHORITY**

By: *<u>/s/ John R. Riley, Jr.</u>*
Chair

By: *<u>/s/ David L. Richardson</u>*
Treasurer

**APPENDIX A**

# CERTAIN INFORMATION REGARDING THE COUNTY

**APPENDIX A**

TABLE OF CONTENTS

## COUNTY OF HANOVER, VIRGINIA

This Appendix A contains information on the operations of the County of Hanover, Virginia (the "County"). Certain financial information with respect to the County is included in this Appendix A. This information should be read in connection with the County's financial statements for the fiscal year ended June 30, 2023, included in Appendix B, and which together with the notes thereto should be read in their entirety. Reference should also be made to the sections in the Official Statement entitled **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS"** for a description of the security for the Bonds.

## GENERAL

The County was formed on November 26, 1720, from land that was originally part of New Kent County. The County is located in central Virginia, approximately 15 miles north of Richmond, Virginia, and 70 miles south of Washington, D.C., and consists of approximately 471 square miles. The County is governed by a seven-member Board of Supervisors (the "Board"), each member of which is elected from a magisterial district. The Board selects a county administrator (the "County Administrator") who serves as the County's chief administrative officer, primarily supervising the management of the various governmental agencies of the County.

Through the efforts of comprehensive planning, much of the County is rural with suburban development located primarily around the interstate road corridors. The County has experienced continued growth in the areas of residential real estate, commerce, and industry. The estimated population of the County as of June 2023 is 115,428. The Town of Ashland, Virginia ("Ashland"), incorporated in 1858, is located within the County. Property in Ashland is subject to both Ashland and County taxation, and the County provides certain services to the residents of Ashland. Ashland may incur bonded indebtedness without the prior approval of the County. Such indebtedness is not debt of the County and is not secured by the County's taxing authority. Such indebtedness is overlapping indebtedness for Ashland residents.

## COUNTY GOVERNMENT

### The Board of Supervisors and the County Administrator

The County is governed by the Board, the members of which each serve a four-year term. The Board has overall administrative and legislative responsibilities including levying County taxes, appropriating funds, approving and enforcing the County's Comprehensive Plan, which governs land use, making and enforcing ordinances, and establishing County policies and procedures. A Chairman and Vice-Chairman are selected by the Board on an annual basis from among the members of the Board. The County Administrator serves at the pleasure of the Board and directs the operations of the County government in accordance with the policies established by the Board, the Commonwealth of Virginia (the "Commonwealth") and federal law. The Board also appoints other officials to manage governmental agencies, serve as agency staff, and serve on County boards. Such appointments are often based upon the recommendation of the County Administrator.

**The School Board**

The operation of public schools in the County is vested in a seven-member Hanover County School Board (the "School Board"), the members of which are appointed by the Board. The local share of the cost of operating public schools in the County is paid for with an appropriation by the Board from the County's General Fund, as hereinafter defined. Operations of the School Board, however, are independent of the Board and the County administration as prescribed by Virginia law. A superintendent (the "Superintendent") is appointed by the School Board to administer the operations of the County's public schools.

**County Officials**

In addition to the Board, other elected officials include five constitutional officers: the Sheriff, the Clerk of the Circuit Court, the Commonwealth's Attorney, the Treasurer, and the Commissioner of the Revenue. The judges of the Circuit Court, the General District Court, and the Juvenile and Domestic Relations District Court are appointed by the General Assembly of the Commonwealth.

The following are resumes of certain officials of the County:

**John A. Budesky** was appointed the County Administrator by the Board on March 25, 2020. He had previously been Goochland's County Administrator. Prior to his service in Goochland, Mr. Budesky had been Deputy County Administrator in the County from 2013 to 2016. Mr. Budesky's earlier public employment included service as City Manager of the City of Manassas; Executive Director of the Virginia Workers' Compensation Commission; and County Administrator in New Kent County, Virginia. He started his local government management career in 1997 in Hagerstown, Maryland, serving as a county department head and then as assistant city manager. Mr. Budesky has also operated a private consulting company specializing in strategic planning, team building, and community relations. He won the Wallerstein Scholarship that is administered by the Weldon Cooper Center for Public Service, with the University of Virginia and the Virginia Municipal League. He also serves as an Instructor in the Virginia Tech Master of Public Administration Local Government Certificate program. Mr. Budesky is the past Chair of the Greater Richmond Convention Center Board, a member of the Virginia Local Government Managers Association Board of Directors, a former Chair of the James River Juvenile Correction Center Board of Directors, a former member of the YMCA Board of Directors, and is currently an Alternate Member of the Board of Directors for the Greater Richmond Partnership. He is a member of the Virginia Local Government Management Association, the International City/County Management Association, LEAD Virginia, is a member of the Leadership Metro Richmond ("LMR") Class of 2007 and provided past service on the LMR Board of Directors and has actively engaged in a number of schools based and community service organizations. He obtained his Bachelor of Arts degree, majoring in criminal justice, from Edinboro University of Pennsylvania, holds a Graduate Certificate in Public Management from Shenandoah University, and a Management Certificate from the University of Maryland. He obtained his Master of Public Administration from Virginia Tech and has been a Credentialed Manager through the International City/County Management Association.

**Jay A. Brown** was appointed Deputy County Administrator effective June 16, 2021. Dr. Brown has nearly twenty years of local government experience in the areas of budget, finance, human resources, procurement, and strategic planning. For the past sixteen years he has served in senior level, executive positions in both urban and rural localities. Prior to his appointment, he served as the Director of the Department of Budget and Strategic Planning for the City of Richmond, Virginia. He was responsible for the balancing and development of the City of Richmond's nearly $2 billion total budget and $780+ million operating budget. Prior to that position, he served as the Deputy Director for the Department of Budget and Strategic Planning. Dr. Brown also served as the Assistant County Administrator and Director of Finance for Charles City County, Virginia, where he directly supervised the locality's administrative and financial functions, which included budget, finance, procurement, risk management, and human resources. Dr. Brown earned his bachelor's degree in political science from Hampton University, master's degree in public administration from Virginia Polytechnic Institute and State University, and Doctorate in Public Policy and Administration from Virginia Commonwealth University. He is also a graduate of the Senior Executive Institute held at the University of Virginia and attended and completed the Bloomberg/Harvard City Leadership Initiative in New York.

**Dennis A. Walter** was appointed in May 2019 to serve as the County Attorney. Prior to his appointment, Mr. Walter served in the County Attorney's Office from 2001 through 2014 as an Assistant County Attorney, and from 2014 to 2019 as a Deputy County Attorney. Before working at the Hanover County Attorney's Office, Mr. Walter was an Assistant Corporation Counsel with the New York City Law Department from 1996 to 1999 and was a Staff Attorney with the Virginia Division of Legislative Services from 1999 to 2001. Mr. Walter received his Bachelor of Arts from Providence College in 1993 and his law degree from the St. John's University School of Law in 1996. Mr. Walter was admitted to the Virginia State Bar in 2000.

**Amanda L. Six** was appointed Director of Finance and Management Services in May 2022. Ms. Six has 16 years of governmental finance experience and for the six years prior to starting in this role was the Director of Finance for Hanover County Public Schools. Ms. Six previously served as the Director of Finance in King William County, the Budget Manager for the City of Fredericksburg, a Budget Management Analyst for the County. Ms. Six graduated from Virginia Polytechnic Institute and State University where she earned a bachelor's degree in agriculture and applied economics and Virginia Commonwealth University where she obtained her master's in public administration. Ms. Six has attended the Weldon Cooper Center for Public Policy's LEAD program as well as the Government Finance Officers Association Leadership Academy and is currently a member of the third cohort of the Virgina Municipal Women's Leadership Institute.

**Brandon Turner** was appointed Director of Economic Development in June 2023. Mr. Turner helps to implement local economic development policy within the County and has over 16 years of direct economic development experience, in both regional and local development to attract capital investment to the County. Mr. Turner joined the County in 2018, previously having served as the Deputy Director of Economic Development. Prior to his work with the County, Mr. Turner served as an economic development specialist for the City of Roanoke, Virginia. Mr. Turner is a 2005 graduate of Radford University and he received his MBA from Lynchburg College in 2008. He is currently a member of the Virginia Economic Developers Association, Hanover King William Habitat for Humanity, and is Chair of the Dominion Energy Innovation Center Board.

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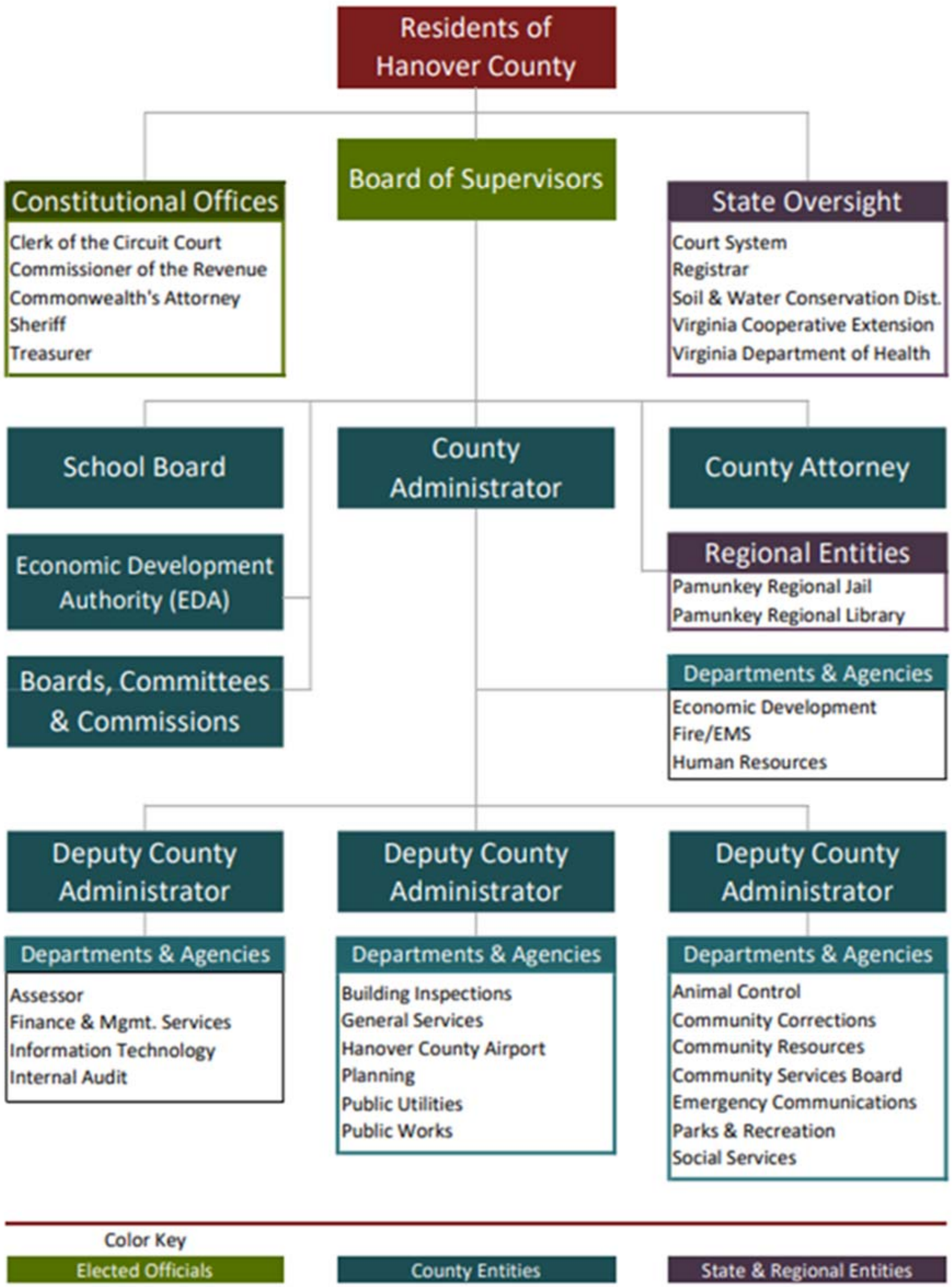
## County Organizational Chart



## LOCAL GOVERNMENT SERVICES

The County provides a full range of services, including general government administration, judicial administration, public safety, public works, human services, education, community development, public utilities, and parks, recreation and cultural activities. See "Hanover County Government Organizational Chart" on the previous page.

The Annual Comprehensive Financial Report and the Adopted Budget Document are issued based upon the activities managed by the County. Management of such activities is determined by financial interdependency, selection of governing authority, designation of management, ability to influence operations significantly, and accountability for fiscal matters. Activities meeting the preceding criteria include, but are not limited to, general operations and support services of the County, activities of the Economic Development Authority of Hanover County, school operations, water and sewer operations, and community services activities.

### General Government Administration

The offices of the Board, County Administrator, County Attorney, Commissioner of the Revenue, Treasurer, Assessor, Registrar, and the departments of Human Resources, Finance and Management Services, Internal Audit, and Information Technology constitute the general government administration of the County. The officers, 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. See "COUNTY GOVERNMENT -- The Board of Supervisors and the County Administrator" for information related to the Board and the County Administrator.

The County Attorney's Office represents the County in all civil cases involving the County and is responsible for advising the Board and all other boards, departments, agencies, constitutional offices, and employees of the County regarding legal issues. The office drafts or reviews proposed County ordinances, supervises work performed by outside legal counsel, maintains and updates the County Code, and drafts and reviews deeds, leases, contracts, bonds, and other legal documents involving the County.

The Office of the Commissioner of the Revenue is divided into three sections. The Real Estate section maintains information concerning land transfers and wills and prepares new subdivision maps. The Personal Property section maintains information concerning the assessment of vehicles, boats, motor homes, trailers, and airplanes. The Business Property section maintains information concerning the assessment of business property, machinery and tools, merchant's capital, transient occupancy, and contractor's business license.

The Treasurer's Office is responsible for collecting taxes and certain other revenues for the County. The office receives funds through the various local levies, state and federal reimbursements, and grants. The office is also responsible for investing monies received and represents the County in its banking activity.

The Assessor's Office is responsible for all assessments of real property located within the County for *ad valorem* tax purposes. The office is on an annual assessment cycle for all existing real property and new construction.

The Human Resources Department provides services to Hanover County employees, constitutional officers, the Circuit Court, the Department of Social Services, the Pamunkey Regional Library, the Pamunkey Regional Jail, and the public. Primary areas of responsibility include classification and compensation, benefit administration, recruitment, training and policy development.

The Department of Finance and Management Services is responsible for the financial management and financial planning of the County and schools in compliance with applicable laws and regulations. The department establishes and maintains control over the County's financing activities, provides accurate and timely information for all County and School Board departments, manages disbursement and payroll operations, develops and monitors compliance with the annual budget, produces the County's interim financial reports and annual audited financial reports, and recommends financial policies to the County Administrator and the Board. The department's procurement responsibilities include review and preparation of specifications, commodity bidding, solicitation and review of professional and non-professional service proposals, purchase authorization, construction bidding, and disposal of County real and personal property.

The Internal Audit Department performs audits of County and school activities, with reports of results and recommendations made to County officials. The department works closely with the Board and County Administration to ensure that the County provides quality service to the public through functions that are performed efficiently and effectively, and in compliance with applicable laws and regulations.

The Department of Information Technology (IT) provides computer support services to the County and associated local government agencies. The department primarily aids in developing, operating, and maintaining the various computer systems. These systems include the Financial Management System, the Payroll System, the Tax Assessment and Billing Systems, the Computer Aided Dispatch for Public Safety Services, the Record Management Systems for the Sheriff and the Pamunkey Regional Jail, the Utility Billing System, Building Permits Systems, Plan Tracking System, and code enforcement. In addition, IT provides the administrative oversight for the Geographic Information System Division, which is responsible for developing, maintaining, and distributing geographic related data sets and applications. The Division supports operation of the Enhanced 911 emergency service response system by providing street names and address information for locating businesses and residences in the County.

**Judicial Administration**

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 Circuit Court has authority for both civil and criminal cases and has appellate jurisdiction over all appeals from the General District and Juvenile and Domestic Relations Courts. The General District Court may hear civil cases involving $25,000 or less, or civil cases involving an injury to person or wrongful death involving $50,000 or less and conducts preliminary hearings for felony cases. The Juvenile and Domestic Relations Court hears civil and criminal cases that involve family members. The Clerk of the Circuit Court maintains the County's deed books and records all wills, adoptions, divorces, liens, and other legal records. Most of the employees of the Court system, excluding the Commonwealth's Attorney and the Circuit Court Clerk's Office, are Commonwealth of Virginia employees with County funding provided for some operational functions.

The Court Services division of the Sheriff's Office is responsible for the security of the Court, its officers, visitors, and prisoners. Court Services performs the "paper process" services of the Courts and Sheriff's Office. This includes delivery of all warrants, Department of Motor Vehicle notices, subpoenas/summons, jury actions, bills of complaint, detinue actions, levies, and other notices.

**Public Safety**

The public safety operations of the County include the Sheriff's Office, the Pamunkey Regional Jail, the Juvenile Court Services, Community Corrections, the Emergency Communications Department, the Fire/EMS Department, the Animal Control Department, and the Building Inspections Office.

Law enforcement in the County is provided by the Hanover County Sheriff's Office. This office is divided into three sections, which include Administrative Support Operations, Investigative Operations, and Uniform Patrol Operations. Each unit is responsible for varied areas of law enforcement. The Sheriff's Office provides preventive patrol through community policing, responds to calls for service, arrests suspected offenders, promotes traffic safety, combats drug related activities, and conducts criminal investigations. Under each unit there are many specialized teams that provide services to the residents of the County. These include the Accident Investigation Team, Canine Unit, High Risk Entry Team, Hostage Negotiation Team, Search and Rescue, and Underwater Forensic Team.

The County is a participating jurisdiction in the Pamunkey Regional Jail Authority, which provides a safe and secure detention facility for the Counties of Hanover and Caroline as well as the Town of Ashland. This facility contains 519 beds, consisting of 451 general purpose beds, a 24 bed work release center, a 6 bed infirmary and 38 special management cells. The jail strives to integrate social services, substance abuse and mental health counseling, and education programs with the custody and control of inmates. The County's inmate population for fiscal year 2023 was 163. The County pays a per diem per inmate for utilizing this facility. The County has benefited from the economies of scale in participating in a regional jail as well as the ability of the jail to maximize occupancy with bed rental agreements with non-participating jurisdictions.

Through the Juvenile Court Services, the County is also a participating jurisdiction with seventeen other localities in the Middle Peninsula Juvenile Detention Commission for which the County pays a per diem rate to house juvenile offenders.

The Emergency Communications Department is the emergency 911 answering point and dispatching center for the County and the Town of Ashland. The center operates 24 hours a day, 365 days a year. The department receives and dispatches emergency calls, tracks unit activity, and manages the County's radio system.

The Fire/EMS Department provides emergency fire and medical services to residents, businesses and visitors in Hanover County. They utilize sixteen fire and EMS stations staffed by a combination of approximately 240 career and support staff and approximately 110 volunteer personnel who provide fire suppression and other emergency medical services to all communities within the County. Fire administration provides fire code inspections, fire and arson investigations, hazardous materials coordination, response and training, computer-aided records management programs, apparatus and facility maintenance programs, and personnel supervision and management.

The Animal Control Department operates the Animal Shelter, enforces all animal related laws, responds to citizen complaints, quarantines, and investigates reports of rabies.

The Building Inspections Office assures that all buildings constructed in the County conform to health and safety requirements mandated by the Virginia Uniform Statewide Building Code. The office enforces the Code's requirements by reviewing the construction plans and specifications of buildings and by making on-site inspections.

## Public Works

The Department of Public Works administers capital projects of the County, maintains the stormwater management program, administers the state-sponsored erosion and sediment control law, and oversees refuse collection, recycling service district operations, the Cannery and the Hanover County Municipal Airport. The department also administers the flood plan management ordinance and monitors Chesapeake Bay Act compliance.

The Public Works Operations Division operates the County's six convenience stations for users to dispose of refuse and for recycling collections. The County uses a centralized transfer station to collect refuse, which is then hauled to private landfills. The County closed its landfill in 2003 and transitioned to contracting with a private hauler to dispose of the County's solid waste.

The General Services Department provides property management of all County-owned non-school related properties. The department is responsible for planning, budgeting, and operating the preventive maintenance program and alterations of buildings and related mechanical, electrical, telecommunications, and plumbing systems. The department provides preventative maintenance and repair services for County and School vehicles and motorized equipment and administers County vehicle registrations, prepares equipment specifications, vehicle acquisition and disposal, and vehicle replacement. Risk assessments, safety practice enhancements, and OSHA compliance for the County and Schools are addressed by the department.

## Human Services

The Health Department is a State agency and provides a wide range of clinical, environmental, educational and surveillance services. The County serves as the administrative headquarters for the Regional Health District of Hanover, Goochland, New Kent and Charles City Counties. Personnel of the Health Department are employees of the Commonwealth and provide services pursuant to regulations of the Commonwealth.

The Department of Social Services determines eligibility for public assistance programs which are mandated by federal and state law. The department administers such programs as Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, and Medicaid. The department offers programs for child and adult protection, foster care, employment, child day care, energy assistance, and referrals for housing, food, utilities, and medication assistance.

The Community Services Board provides prevention, treatment, employment and support services for Hanover residents and their families related to mental health, substance abuse and developmental disabilities. In addition, it provides adult services, group home services, and supervised living services.

The Community Resources Department mobilizes and maximizes volunteer and community resources. This department also provides administrative oversight of the Court Appointed Special Advocate program, Winterization Program, Volunteer Home Repair Referral Program, Hanover Youth Services Council, Hanover's Promise – The Alliance for Youth, Volunteer Home Repair Referral Program, and the Youth Services Council.

The Comprehensive Services Act Office follows the state-wide practice model to support Hanover's high-risk youth and their families. Liaisons from several County departments and schools collaborate to develop service plans to assist these families in need, with an emphasis on family-focused, community-based services.

## Education

The operation of the Hanover County Public Schools is directed by the School Board, the members of which are appointed for staggered four-year terms by the Board. The School Board functions independently of the County, and the Superintendent serves as its administrative officer. As the School Board cannot levy taxes under Virginia law, the School Board is required to prepare and submit an annual budget for approval by the Board. The operating costs of the school budget are primarily provided by an appropriation from the County's General Fund and receipt of State and Federal funding. The costs of constructing school facilities are funded by appropriations from developer cash proffers, cash reserves, lease-revenue financing, or County general obligation bonds issued through the Virginia Public School Authority, County referendum, or the State Literary Fund loan program.

The County's public schools provide a comprehensive program of education, including college and career preparation, vocational and technical education, special education, adult education, and basic and general interest educational programs. Facilities currently include four high schools, four middle schools, 14 elementary schools, a career and technical school, and an alternative education center. Upon completion of the project financed by the Series 2024 Bonds (see the section entitled **"PLAN OF FINANCE"** in the Official Statement for more information on the financed project), the County's public school facilities will include the replacement of Battlefield Park Elementary School and Beaverdam Elementary School.

The following charts summarize historical and projected enrollment with number of schools and employees by category. Like other school communities in the Commonwealth and the region, our student enrollment experienced a moderate decline during the recent economic recession. The decline has generally stabilized, and enrollment is projected to remain constant or have marginal increases over the next five years. The County expects the trend to continue to remain positive, based upon the County's residential development potential as prescribed by the current comprehensive plan.

**Current and Past School Enrollment with Number of Schools**

| | **School Year 2019-20** | **School Year 2020-21** | **School Year 2021-22** | **School Year 2022-23** | **School Year 2023-24** |
|---|---|---|---|---|---|
| Enrollment: | | | | | |
| Elementary | 7,317 | 6,643 | 7,015 | 7,196 | 7,159 |
| Secondary | 9,956 | 9,703 | 9,621 | 9,547 | 9,385 |
| Total | 17,273 | 16,346 | 16,636 | 16,743 | 16,544 |
| Number of Schools: | | | | | |
| Elementary | 15 | 15 | 15 | 15 | 15 |
| Secondary | 8 | 8 | 8 | 8 | 8 |
| Other | 2 | 2 | 2 | 2 | 2 |
| Total | 25 | 25 | 25 | 25 | 25 |

*Sources*: Hanover County Public Schools FY2025 Adopted Budget Document and Hanover County June 30, 2023 Annual Comprehensive Financial Report.

**Projected School Enrollment with Projected Number of Schools**
**(Based upon demographic analysis)**

| | School Year 2024-25 | School Year 2025-26 | School Year 2026-27 | School Year 2027-28 | School Year 2028-29 |
|---|---|---|---|---|---|
| Enrollment: | | | | | |
| Elementary | 7,256 | 7,390 | 7,656 | 7,820 | 8,120 |
| Secondary | 9,362 | 9,383 | 9,398 | 9,553 | 9,658 |
| Total | 16,618 | 16,773 | 17,054 | 17,373 | 17,778 |

| | School Year 2024-25 | School Year 2025-26 | School Year 2026-27 | School Year 2027-28 | School Year 2028-29 |
|---|---|---|---|---|---|
| Number of Schools: | | | | | |
| Elementary | 14 | 14 | 14 | 14 | 14 |
| Secondary | 8 | 8 | 8 | 8 | 8 |
| Other | 2 | 2 | 2 | 2 | 2 |
| Total | 25 | 25 | 25 | 25 | 25 |

*Source*: Hanover County Public Schools FY2025 Adopted Budget Document and the County.

**School Employees by Category**

| | FY23 Budget | FY24 Budget | FY25 Budget |
|---|---|---|---|
| General Support | 70.00 | 77.50 | 76.71 |
| Technology | 66.00 | 67.00 | 67.00 |
| Pupil Transportation | 155.50 | 151.40 | 174.71 |
| Operations & Maintenance | 137.75 | 138.00 | 139.00 |
| Instruction | 1,975.16 | 2,033.30 | 2,082.16 |
| Total FTEs | 2,404.41 | 2,467.20 | 2,539.58 |

*Source*: Hanover County Public Schools.

**Parks, Recreation and Cultural**

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 grounds maintenance for County and school properties. The Recreation Advisory Commission serves as a liaison between the residents of the County and the Board. The existing parks are Hanover Wayside, Poor Farm, North Anna Battlefield, Pole Green, Courthouse, Cold Harbor Battlefield, Montpelier, Washington Lacy, and Taylor Park. In addition, the public-school athletic fields are used by Parks and Recreation.

The Pamunkey Regional Library (the "Library") is governed by the Board of Trustees appointed by the Boards of participating counties and provides public library service to the County through six branch libraries, the bookmobile and remote access to the library collection through the library's web site. The library maintains an organized collection of materials for all ages including books, magazines, newspapers, recordings, talking books, videos and electronic databases. The library provides free Internet access and word processing workstations. The library's trained staff helps the public identify, locate and use the materials through reference, reader's advisory service and library programs. In addition, the County serves as the administrative headquarters for the regional library district of Hanover, Goochland and King William counties.

**Community Development**

The Planning Department is responsible for recommendations to the Planning Commission and Board relating to the Comprehensive Plan and for the acceptance, review, and disposition of all land use and subdivision applications, exclusive of variances. The department is also responsible for the acceptance, review, tracking, and coordination of County response to and the approval of site plan and subdivision applications. The zoning function includes administering and enforcing the Zoning Ordinance and review and approval of building permits, as well as processing variances and appeals. The department advises the Board, the Planning Commission, and the Board of Zoning Appeals in establishing and implementing development policies for the County.

The Economic Development Authority of Hanover County (the "Authority") consists of seven members appointed by the respective Board members in each magisterial district of the County. Bonds and notes issued by the Authority are limited obligations of the Authority, which are payable solely from revenues derived from the projects funded by respective Authority bond issues. The Authority's obligations do not constitute a debt or a pledge of the faith and credit of the County or the Authority.

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 main purpose of this service is to provide an expanding tax base and employment for Hanover citizens, in compliance with the Economic Development Strategic Plan, while further enhancing the overall standard of living.

The County supports other community development programs that are designed to improve the quality of life for residents of the County. The Hanover Unit of the Virginia Cooperative Extension Service provides educational programs to the residents of the County in agricultural production, commercial horticulture, home horticulture, community resource development, nutrition, budgeting, disaster management, and youth development. The Soil and Water Conservation District assists County landowners and the Public Works Department with conservation problems and site inspections for erosion and sediment control for agricultural and similar operations.

**Public Utilities**

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 and includes Ashland), the Doswell area, the Route 33 area, and the Hanover Courthouse area. The County provides utility service to approximately 23,300 water and 22,700 wastewater customers.

The County operates the system as a self-supporting enterprise fund, whereby the operations and capital expenditures are funded with revenues generated from customer user fees and one-time fees paid for capacity at the time of connection to the system. General Fund tax dollars are not used to finance the operating or capital expenses of the system. The Utility Enterprise Fund also reimburses the General Fund for services provided to support Public Utilities, including a service charge as a payment in lieu of taxes for public safety services provided.

Public Utilities develops overall plans for the system in support of the Comprehensive Plan, to ensure operational reliability and to remain in compliance with local, State, and Federal regulations. Public Utilities operates the system with County personnel and maintains the System with a combination of County personnel and contractors. Public Utilities personnel also read meters, prepare bills, and maintain customer accounts. The activities extend to providing assistance to other utility purveyors within the County, support for economic development initiatives, and actively participating in regional approaches to provide water and wastewater services.

The County currently has 25.0 million gallons per day ("mgd") of water capacity. The daily average amount of water distributed was 9.03 mgd and the daily average wastewater treated was 6.39 mgd for the fiscal year ended June 30, 2023. Capital improvements to add an additional 2.0 mgd of capacity to the Totopotomy Wastewater Treatment Plant were completed in September 2010, which increased the County's total wastewater capacity to 15.5 mgd.

**County Employees by Function**

The following table provides the number of County employees by function during the two most recent fiscal years and the budgeted number for fiscal year 2024.

| | **Fiscal Year 2022** | **Fiscal Year 2023** | **Fiscal Year 2024 (Budget)** |
|---|---|---|---|
| General Government Administration | 148 | 154 | 157 |
| Judicial Administration | 77 | 81 | 82 |
| Public Safety | 575 | 591 | 595 |
| Public Works | 88 | 91 | 94 |
| Human Services | 212 | 221 | 222 |
| Parks, Recreation and Cultural | 32 | 33 | 35 |
| Community Development | 25 | 27 | 27 |
| Public Utilities | 95 | 95 | 95 |
| Self-Insurance Fund | 1 | 1 | 1 |
| Total Full Time Employees | 1,253 | 1,294 | 1,308 |

*Source*: Hanover County June 30, 2023 Annual Comprehensive Financial Report and Hanover County FY2024 Adopted Budget Document.

## DEMOGRAPHIC AND ECONOMIC FACTORS

### Transportation

Based on its proximity to Richmond and its rural character, the County has been an attractive location for businesses relocating or expanding and for real estate developers interested in the opportunities in residential 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 east and west portions of the County together and represents the northern "loop" around the metropolitan Richmond area. Interstate 64, the primary east-west corridor in the State, is just south of the County. U.S. Routes 1 and 301 are north/south primary roads: Route 1 runs parallel to I-95 and Route 301 runs northward towards Annapolis, Maryland. Maintenance of the primary and secondary roads of the County is under the jurisdiction of the Virginia Department of Transportation. Railroad service is provided by CSX Corporation, Buckingham Branch Railroad, and Amtrak, which has a passenger station located in Ashland.

Airline transportation needs for the area are served by the Richmond International Airport (RIC), located in Henrico County (adjacent county to Hanover). The Hanover County Municipal Airport, located in the County is operated primarily for corporate business and private general aviation aircraft. The Capital Region Airport Commission (the "Commission"), which operates RIC, is composed of the City of Richmond and the Counties of Hanover, Henrico, and Chesterfield. It has a 14-member board of directors appointed by the respective member's governing bodies. The City of Richmond and the Counties of Henrico and Chesterfield each appoint four members while the County appoints two. The Commission generates its revenues from service charges paid by users of the airport facilities to recover the cost of maintaining, repairing, and operating the facility.

The Hanover County Municipal Airport is an approximate 260-acre facility located within the County's major industrial park near Interstate 95. It is a general aviation reliever airport for Richmond International and has over a mile of runway with full length parallel taxiway. The airport facilities on the west side are leased under a fixed base operator's contract. Services provided at the facility include flight instruction, aircraft fueling, aircraft charters, aircraft repairs and rentals, and hangar storage. A new east side ramp apron and partial parallel taxiway has been constructed. Corporate hangar construction is underway as well as design for a new terminal building. The current runway is a 5,400 foot long by 100 foot wide runway. Approximately 100 aircraft are based at the facility and the facility records over 32,000 landings and departures annually. The current master plan includes upgrading the facility mainly with funding through Federal and State grants for safer operations and aesthetic benefits, and construction of new hanger sites, maintenance facilities, car parking, a terminal building, a ramp apron and a second full length parallel taxiway on the east side of the current runway. In 2022, the Hanover County Municipal Airport expanded by approximately 7,000 square feet through the addition of a new terminal building.

### Population

The County's population increase from the census of 2010 to the 2020 estimate is 9.38%, an average of 0.85% annually. This increase is comparable to or higher than those for the Richmond Metropolitan Statistical Area ("Richmond MSA") and the Commonwealth, respectively. The Richmond MSA includes the Counties of Hanover, Henrico, Chesterfield, Charles City, Goochland, New Kent, Powhatan, Dinwiddie, and Prince George; and the Cities of Richmond, Petersburg, Colonial Heights, and Hopewell.

**Population and Rates of Change**

| | Hanover County | | Richmond-Petersburg (MSA) | | Commonwealth of Virginia | |
|---|---|---|---|---|---|---|
| **Year** | **Population** | **% Change** | **Population** | **% Change** | **Population** | **% Change** |
| 1960 | 27,550 | --- | 568,678 | --- | 3,966,949 | --- |
| 1970 | 37,479 | 36.0% | 676,358 | 18.9% | 4,651,448 | 17.3% |
| 1980 | 50,398 | 34.5 | 761,311 | 12.6 | 5,346,818 | 14.9 |
| 1990 | 63,306 | 25.6 | 865,640 | 13.7 | 6,187,358 | 15.7 |
| 2000 | 86,320 | 36.4 | 1,100,089 | 27.1 | 7,078,515 | 14.4 |
| 2010 | 99,863 | 15.7 | 1,188,246 | 8.0 | 8,001,024 | 13.0 |
| 2019 | 107,928 | 0.5 | 1,291,900 | 0.8 | 8,535,519 | 0.2 |
| 2020* | 109,979 | 1.2 | 1,314,434 | 1.7 | 8,644,727 | 1.3 |
| 2021 | 110,903 | 1.5 | 1,326,307 | 0.9 | 8,655,608 | 0.1 |
| 2022 | 112,409 | 1.4 | 1,338,238 | 0.9 | 8,696,955 | 0.5 |
| 2023 | 113,026 | 0.6 | 1,349,732 | 0.9 | 8,729,032 | 0.4 |

*Sources*: U.S. Department of Commerce, Bureau of Census: 1960, 1970, 1980, 1990, 2000 and 2010 estimates, and 2017-2021 Richmond MSA estimates; Weldon Cooper Center for Public Service, University of Virginia ("Weldon Cooper Center") for 2017-2023 Hanover and Commonwealth of Virginia estimates.
* Weldon Cooper Center estimates revised based on April 1, 2020 Census data; other figures presented are estimated as of July 1 in the respective year.

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**Age Distribution**

| Age | Hanover County Population | Hanover County % of Total | Commonwealth of Virginia Population | Commonwealth of Virginia % of Total |
|---|---|---|---|---|
| Under 5 years | 5,283 | 4.88% | 503,465 | 5.86% |
| 5 to 9 years | 6,452 | 5.96 | 518,139 | 6.03 |
| 10 to 14 years | 7,087 | 6.55 | 527,084 | 6.14 |
| 15 to 19 years | 7,280 | 6.72 | 542,556 | 6.32 |
| 20 to 24 years | 6,343 | 5.86 | 574,562 | 6.69 |
| 25 to 29 years | 5,463 | 5.05 | 600,352 | 6.99 |
| 30 to 34 years | 5,808 | 5.36 | 595,125 | 6.93 |
| 35 to 39 years | 6,792 | 6.27 | 584,382 | 6.80 |
| 40 to 44 years | 6,582 | 6.08 | 542,709 | 6.32 |
| 45 to 49 years | 6,934 | 6.40 | 535,696 | 6.24 |
| 50 to 54 years | 7,614 | 7.03 | 548,618 | 6.39 |
| 55 to 59 years | 8,514 | 7.86 | 579,969 | 6.75 |
| 60 to 64 years | 7,823 | 7.23 | 536,862 | 6.25 |
| 65 to 69 years | 6,514 | 6.02 | 451,144 | 5.25 |
| 70 to 74 years | 5,493 | 5.07 | 376,422 | 4.38 |
| 75 to 79 years | 3,841 | 3.55 | 256,621 | 2.99 |
| 80 to 84 years | 2,264 | 2.09 | 160,221 | 1.87 |
| 85 years and over | 2,175 | 2.01 | 156,636 | 1.82 |
| Total | 108,262 | 100% | 8,590,563 | 100% |
| | | | | |
| Under 18 years | 23,357 | 21.57 | 1,866,420 | 21.73 |
| 18 to 64 years | 64,618 | 59.69 | 5,323,099 | 61.96 |
| 18 years and over | 84,905 | 78.43 | 6,724,143 | 78.27 |
| 65 years and over | 20,287 | 18.74 | 1,401,044 | 16.31 |
| | | | | |
| Median Age | 42.7 years | | 38.7 years | |

*Source*: Weldon Cooper Center estimates as of July 1, 2020 (estimates not revised based on the 2020 Decennial Census data).

**Employment**

The County continues to attract and maintain various sectors of employment. Historically, the County's major employment sectors have been in services, retail and wholesale trade, and healthcare and social assistance. The County has benefited from the stability each of these sectors has maintained in terms of each sector's percentage of total employment. This stability has contributed to consistently low levels of unemployment in the County over a long period.

**Employment by Type**

| | Employment | % of Total |
|---|---|---|
| Mining, Quarrying, and Oil and Gas Extraction | 56 | 0.1% |
| Utilities | 113 | 0.2 |
| Construction | 6,352 | 11.3 |
| Manufacturing | 3,685 | 6.5 |
| Wholesale Trade | 5,084 | 9.0 |
| Retail Trade | 7,523 | 13.4 |
| Transportation and Warehousing | 6,050 | 10.7 |
| Information | 636 | 1.1 |
| Finance and Insurance | 768 | 1.4 |
| Real Estate and Rental and Leasing | 702 | 1.2 |
| Professional, Scientific, and Technical Services | 2,530 | 4.5 |
| Management of Companies and Enterprises | 812 | 1.4 |
| Administrative and Support and Waste Management | 3,756 | 6.7 |
| Educational Services | 4,075 | 7.2 |
| Health Care and Social Assistance | 6,466 | 11.5 |
| Accommodation and Food Services | 4,004 | 7.1 |
| Other Services (except Public Administration) | 1,672 | 3.0 |
| Public Administration | 1,871 | 3.3 |
| Unclassified | 128 | 0.2 |
| Total | 56,283 | 100.0% |

*Source*: Virginia Employment Commission, Economic Information & Analytics, Quarterly Census of Employment and Wages (QCEW), 2023 (Annual Average Employment).

**Employment Growth and Unemployment Rates**

The County has consistently maintained favorable unemployment rates when compared to state and federal unemployment statistics and, with moderate decline during the recession, has typically experienced steady continuous growth in both employment within the County and in the number of County residents employed. The County's unemployment rate has consistently been the lowest in the region and one of the lowest in the state for many years. The Virginia Employment Commission reported that the unemployment rate in Hanover County has decreased from 4.4% to 2.5% from 2014 to 2023. This decrease in unemployment illustrates that the County provides new employment opportunities to its residents through new and existing business expansion and it attracts new residents due to its high quality of life factors. The County's 2.5% unemployment rate in 2023 is less than the overall unemployment rates in 2023 for Virginia, which was 2.9%, and the U.S., which was 3.6%.

| Calendar Year | Labor Force | Employed | Unemployment Rates: Hanover County | Commonwealth of Virginia | United States |
|---|---|---|---|---|---|
| 2014 | 55,756 | 53,209 | 4.6% | 5.2% | 6.2% |
| 2015 | 56,222 | 54,043 | 3.9 | 4.5 | 5.3 |
| 2016 | 57,089 | 55,067 | 3.5 | 4.1 | 4.9 |
| 2017 | 58,091 | 56,166 | 3.3 | 3.7 | 4.4 |
| 2018 | 58,367 | 56,844 | 2.6 | 3.0 | 3.9 |
| 2019 | 60,155 | 58,713 | 2.4 | 2.8 | 3.7 |
| 2020 | 58,056 | 55,260 | 4.8 | 6.2 | 8.1 |
| 2021 | 57,744 | 56,038 | 3.0 | 3.9 | 5.3 |
| 2022 | 60,044 | 58,623 | 2.4 | 2.8 | 3.6 |
| 2023 | 62,020 | 60,464 | 2.5 | 2.9 | 3.6 |

*Source: Virginia Employment Commission, Economic Information & Analytics, Local Area Unemployment Statistics*; US Department of Labor, Bureau of Labor Statistics, *Quarterly Census of Employment and Wages*.

**Major Employers**

The following table illustrates the variety of larger employers in the County as of calendar year 2022.

| Employer | Product or Service | Estimated Full-Time Equivalent Employment |
|---|---|---|
| Hanover County Schools | Educational Services | 2,520 |
| Amazon Fulfillment Services Inc. | Administrative and Support Services | 1,000 and over |
| Bon Secours Richmond Health System | Hospitals | 1,000 and over |
| Kings Dominion (Paramount Parks Inc.) | Amusement, Gambling and Recreation Industries | 1,000 and over |
| County of Hanover | Executive, Legislative & Other General Government Support | 1,253 |
| Rmc Events | Administrative and Support Services | 500-999 |
| Supervalu Distribution Center | Merchant Wholesalers, Nondurable Goods | 500-999 |
| Wal-Mart Stores | General Merchandise Stores | 500-999 |
| Tyson Farms | Food Manufacturing | 500-999 |
| Owens & Minor Medical Inc. | Management of Companies Enterprises | 500-999 |
| Accosta Sales & Marketing | Wholesale Electronic Markets and Agents and Brokers | n/a |
| Sales Mark | Wholesale Electronic Markets and Agents and Brokers | n/a |
| Randolph-Macon College | Educational Services | n/a |

*Source:* Hanover County June 30, 2023 Annual Comprehensive Financial Report.

**Commercial and Industrial Development**

The diversity of the County's industrial base is evidenced by an array of companies that are involved in the business of distribution, manufacturing, processing, and assembly work. In addition, the County continues to be attractive to foreign investors, with companies and holdings from Japan, England, Canada, Germany, and Italy located in the County.

**Per Capita Personal Income**

Per capita personal income measures the total income divided by total persons in the locality. In 2022, Hanover was 10.45% above the United States per capita income and 4.8% above the Commonwealth. The U.S. Census Bureau's 2022 American Community Survey Estimates placed Hanover County's poverty rate at 5.2%, which was one of the lowest in the Commonwealth outside of the northern Virginia region.

**Per Capita Personal Income**

| Calendar Year | Hanover County | Commonwealth of Virginia | United States |
|---|---|---|---|
| 2013 | $48,636 | $48,198 | $44,401 |
| 2014 | 51,355 | 49,764 | 46,287 |
| 2015 | 54,116 | 51,620 | 48,060 |
| 2016 | 55,818 | 52,659 | 48,971 |
| 2017 | 57,186 | 54,380 | 51,004 |
| 2018 | 58,474 | 56,133 | 53,309 |
| 2019 | 60,976 | 58,368 | 55,547 |
| 2020 | 65,092 | 61,474 | 59,153 |
| 2021 | 69,263 | 66,838 | 64,430 |
| 2022 | 72,302 | 68,985 | 65,470 |

*Source*: Bureau of Economic Analysis.

**Median Household Income**

Per the U. S. Census Bureau's estimates, the County's Median Household Income in 2022 was $104,678, 19.98% higher that the Commonwealth of Virginia's estimate for that period of $87,249 and 39.29% higher than the United States' estimate of $75,149.

**Retail Sales**

The following table indicates that overall retail sales in the County have risen in each year of the last 10 years, reflecting increased income levels and an increase in commercial sales. Overall taxable sales increased from a total of $1,713,000,372.86 in 2014 to $2,640,018,140.40 in 2022, or 54.12%. The County's taxable sales reflects the strong presence of taxable sales to non-County residents due most notably to the Kings Dominion amusement park. The County's taxable sales show steady increases, indicative of a positive trend in the County's growing economy.

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**Taxable Sales**

| Calendar Year | Taxable Sales ($000) | % Increase |
|---|---|---|
| 2012 | $1,585,051 | 6.5% |
| 2013 | 1,653,987 | 4.3 |
| 2014 | 1,713,000 | 3.6 |
| 2015 | 1,793,205 | 4.7 |
| 2016 | 1,864,649 | 4.0 |
| 2017 | 1,915,809 | 2.7 |
| 2018 | 2,013,592 | 5.1 |
| 2019 | 2,082,074 | 3.4 |
| 2020 | 2,148,473 | 3.2 |
| 2021 | 2,442,242 | 13.7 |
| 2022 | 2,640,018 | 8.1 |

*Source*: Commonwealth of Virginia, Department of Taxation.

**Infrastructure**

Virginia Natural Gas has a 24-inch diameter natural gas pipeline through the County. This interstate pipeline generally parallels Interstate 95 (north/south) on its eastern side and Interstate 295 (east/west) on its northern side and consists of 150 miles of pipe.

**Tourism**

As the home of one of this nation's early leaders, Patrick Henry, the County has a rich history and a proud heritage. The landscape is marked by numerous historic sites and homes. In addition, two national battlefields are maintained and operated year round. The entertainment that is provided at Kings Dominion, a 400-acre amusement park featuring over 200 rides, shows and attractions, has also increased the level of activity in the convention and tourism industries in the County. Not only is the County known for its own tourist sites, but it is attractive as a central point of origin from which many of the area's historical, amusement and entertainment options can be visited.

The County is a participating jurisdiction in the Greater Richmond Convention Center Authority ("GRCCA") with the Counties of Chesterfield and Henrico and the City of Richmond. The primary purpose of GRCCA is to finance and operate the Richmond Convention Center. The Authority is funded through the state lodging tax generated in each participating locality with any surplus of revenues over expenditures remitted pro-rata back to the respective localities.

**Housing**

The following tables show the types and characteristics of housing available in the County. The County has consistently had one of the highest owner-occupied rates in the region, which illustrates the fiscal strength and desires of its residents in purchasing high-valued, owner-occupied dwellings. Additionally, the median value of owner-occupied dwellings increased and maintained above the state's average.

**Occupancy Statistics**

| Type of Unit | Calendar Year 2000 | Calendar Year 2010 | Calendar Year 2020 | Calendar Year 2022 |
|---|---|---|---|---|
| Owner Occupied | 26,233 | 31,527 | 32,519 | 36,696 |
| Renter Occupied | 4,888 | 4,920 | 6,707 | 6,578 |
| All Occupied Units* | 31,121 | 36,447 | 39,226 | 43,274 |
| Vacant Units | 1,075 | 1,974 | 2,653 | 1,481 |
| All Housing Units* | 32,196 | 38,421 | 41,879 | 44,755 |
| Homeowner Vacancy Rate | 1.0% | 1.7% | 1.6% | 0.8% |
| Rental Vacancy Rate | 4.9% | 3.5% | 4.9% | N/A |
| Persons Per Owner-Occupied Unit | 2.78 | 2.82 | 2.69 | 2.63 |
| Persons Per Renter-Occupied Unit | 2.32 | 2.04 | 2.57 | 2.14 |
| Median Value of Owner Occupied Units: | | | | |
| Hanover | $143,300 | $275,000 | $288,800 | $372,600 |
| Commonwealth of Virginia | $125,400 | $249,100 | $282,800 | $365,700 |

**Types of Units**

| Type of Unit | Calendar Year 2000 | Calendar Year 2010 | Calendar Year 2020 | Calendar Year 2022 |
|---|---|---|---|---|
| 1 Unit | 28,831 | 34,195 | 37,694 | 39,742 |
| 2-4 Units | 422 | 692 | 549 | 224 |
| 5 or more (other) | 2,943 | 3,535 | 2,741 | 3,536 |
| Total Units** | 32,196 | 38,421 | 41,879 | 44,755 |

*Source*: U. S. Department of Commerce, Bureau of the Census (2022).
* Totals may not foot due to rounding.
** Total units do not foot due to the inclusion of mobile homes and boat, RV, van, and other miscellaneous structures.

**Building Permit Activity**

Selected data follows to illustrate the level of new construction in the County. As noted in the table, residential construction is fueling the increase in residential construction values. Permits include renovations and other improvements in addition to new construction.

**Building Permit Activity**

| | Commercial Construction | | Residential Construction | |
|---|---|---|---|---|
| Fiscal Year | Number of Permits | Value | Number of Permits | Value |
| 2015 | 443 | $60,037,403 | 1,345 | $124,060,322 |
| 2016 | 456 | 49,471,558 | 1,447 | 128,658,913 |
| 2017 | 435 | 49,709,677 | 1,406 | 121,103,798 |
| 2018 | 473 | 51,406,791 | 1,394 | 148,306,128 |
| 2019 | 406 | 95,425,115 | 1,405 | 130,544,421 |
| 2020 | 232 | 61,423,716 | 1,695 | 172,771,440 |
| 2021 | 284 | 63,159,287 | 1,981 | 235,280,560 |
| 2022 | 345 | 289,769,176 | 1,777 | 246,936,531 |
| 2023 | 279 | 158,890,086 | 1,440 | 167,013,916 |
| 2024 | 275 | 118,921,998 | 1,504 | 180,979,049 |

*Source*: Hanover County Building Inspections Office.

**Tax Base Data**

The County has taxing powers subject to statewide restrictions and tax limits. The data on the following pages are presented to illustrate the trends and characteristics of the assessed value of real and personal property and tax revenue collections which are major sources of County derived revenue. The County's revenues continue to slowly grow primarily due to higher real property assessed valuations. The County has positioned itself to maintain a balance between residential and commercial/residential development to ensure that County services and infrastructure can be maintained at the current service levels without placing pressure upon the tax rates.

**Assessed Value of Taxable Property**

| FY | Real Estate | Personal Property | Machinery And Tools | Merchants' Capital | Public Service Companies | Total |
|---|---|---|---|---|---|---|
| 2014 | $12,811,773,150 | $1,393,705,252 | $47,093,690 | $57,047,845 | $623,384,698 | $14,933,004,635 |
| 2015 | 13,826,817,650 | 1,452,694,995 | 49,984,140 | 63,368,410 | 599,981,428 | 15,992,846,623 |
| 2016 | 14,289,819,850 | 1,565,166,980 | 58,997,854 | 67,922,205 | 624,325,439 | 16,606,232,328 |
| 2017 | 14,858,279,800 | 1,643,589,209 | 53,077,040 | 76,493,600 | 634,456,928 | 17,265,896,328 |
| 2018 | 15,542,711,200 | 1,701,821,785 | 65,753,420 | 83,535,805 | 645,117,718 | 18,038,939,928 |
| 2019 | 15,965,286,280 | 1,752,501,610 | 56,346,000 | 97,545,290 | 719,110,278 | 18,590,789,458 |
| 2020 | 16,496,913,758 | 1,959,943,148 | 59,799,172 | 93,248,378 | 802,159,233 | 19,412,063,689 |
| 2021 | 17,416,489,765 | 1,917,675,620 | 53,732,494 | 94,767,642 | 777,923,246 | 20,260,588,768 |
| 2022 | 18,710,186,500 | 2,175,294,863 | 54,838,973 | 92,777,375 | 748,433,647 | 21,781,531,358 |
| 2023 | 20,172,652,855 | 2,365,597,218 | 51,005,936 | 103,280,353 | 771,913,991 | 23,464,450,353 |

*Source*: Hanover County June 30, 2023 Annual Comprehensive Financial Report; County of Hanover, Virginia Treasurer's Office and Commissioner of Revenue's Office.

**Tax Rates Per $100 Assessed Value**

The County has generally set goals to not raise tax rates for maintenance of service levels, but rather target rate increases for material enhancement of services or to meet higher service demands by the residents. The stable rate structure gives the County flexibility in the future. Direct tax rates to County residents and businesses are presented in the following chart.

| Calendar Year | Real Estate | Personal Property | Machinery And Tools | Power Generating Equipment | Merchants Capital |
|---|---|---|---|---|---|
| 2014 | $0.81 | $3.57 | $3.57 | $0.81 | $1.90 |
| 2015 | 0.81 | 3.57 | 3.57 | 0.81 | 1.90 |
| 2016 | 0.81 | 3.57 | 3.57 | 0.81 | 1.90 |
| 2017 | 0.81 | 3.57 | 3.57 | 0.81 | 1.90 |
| 2018 | 0.81 | 3.57 | 3.57 | 0.81 | 1.90 |
| 2019 | 0.81 | 3.57 | 3.57 | 0.81 | 1.90 |
| 2020 | 0.81 | 3.57 | 3.57 | 0.81 | 1.90 |
| 2021 | 0.81 | 3.57 | 3.57 | 0.81 | 1.90 |
| 2022 | 0.81 | 3.57 | 3.57 | 0.81 | 1.90 |
| 2023 | 0.81 | 3.57 | 3.57 | 0.81 | 1.90 |

*Source:* Hanover County June 30, 2023 Annual Comprehensive Financial Report; Hanover County Commissioner of the Revenue's Office.

Notes (1) All rates illustrated are per $100 of assessed value.

**Property Tax Levies and Collections**

As illustrated by the following table, the County has consistently maintained a high collection rate with outstanding delinquent taxes representing a very small percentage of the total tax levy. The County has benefited from a strong and multi-faceted tax collection program as well as from having diligent and prompt paying residential and commercial taxpayers.

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## Property Tax Levies and Collections

| Fiscal Year[3] | General Property Tax Levied for the Fiscal Year [1,2] | Collected within the Fiscal Year of the Levy: Amount | Collected within the Fiscal Year of the Levy: Percentage Of Levy | Collections in Subsequent Years | Total Collections to Date: Amount | Total Collections to Date: Percentage of Levy |
|---|---|---|---|---|---|---|
| 2014 | $138,899,948 | $137,555,596 | 99.0% | $1,340,768 | $138,896,364 | 99.8% |
| 2015 | 144,003,614 | 143,368,974 | 99.6 | 630,676 | 143,999,650 | 99.6 |
| 2016 | 147,705,971 | 144,943,605 | 98.1 | 2,753,186 | 147,696,791 | 99.1 |
| 2017 | 157,129,677 | 154,661,526 | 98.4 | 2,448,914 | 157,110,440 | 98.4 |
| 2018 | 164,152,649 | 161,148,623 | 99.5 | 2,978,112 | 164,126,735 | 99.5 |
| 2019 | 172,172,776 | 169,675,177 | 98.5 | 2,195,998 | 171,871,175 | 99.0 |
| 2020 | 183,902,348 | 178,043,680 | 96.8 | 5,510,994 | 183,554,674 | 96.8 |
| 2021 | 191,901,902 | 186,702,001 | 97.3 | 4,592,726 | 191,294,727 | 97.3 |
| 2022 | 207,262,970 | 200,785,085 | 96.9 | 5,022,896 | 205,807,981 | 99.3 |
| 2023 | 226,734,840 | 220,573,665 | 97.3 | - | 220,573,665 | 97.3 |

*Source:* Hanover County June 30, 2023 Annual Comprehensive Financial Report; County of Hanover, Virginia Treasurer's Office

Notes (1) Source: Hanover County, 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 of behalf of the Bell Creek and Lewistown Community Development Authorities and curbside recycling districts.

### Ten Largest Taxpayers - Fiscal Year 2023

As with the preceding table on major employers, the ten largest taxpayers also reflect the diversity and strength of the County's major commercial, industrial and public service tax base.

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| Taxpayer | Type of Business | 2023 Assessed Valuation | Percentage of Total Assessed Valuation |
|---|---|---|---|
| Virginia Electric & Power Co. | Electric Company | $306,619,928 | 1.3% |
| Doswell Limited Partnership | Power Generation Facility | 223,586,736 | 1.0% |
| Memorial Regional Medical Center | Hospital/Medical Center | 168,446,000 | 0.7% |
| Covenant Woods | Nursing Home | 116,418,133 | 0.5% |
| Virginia Natural Gas | Natural Gas Distributor | 92,592,840 | 0.4% |
| Cedar Fair Southwest | Entertainment | 87,623,962 | 0.4% |
| Hickory Hill Road LLC | Real estate holding company | 73,901,200 | 0.3% |
| UNFI Distribution Company | Grocery wholesaler | 49,696,786 | 0.2% |
| Rappahannock Electric Coop | Electric Company | 44,100,997 | 0.2% |
| Cascades Holding US Inc | Paper mill | 41,425,182 | 0.2% |
| Verizon Virginia | Telecommunications | - | - |
| | | $1,204,411,764 | 5.2% |

*Source:* Hanover County June 30, 2023 Annual Comprehensive Financial Report; Hanover County Commissioner of the Revenue.

**Debt Administration**

All general obligation bonds of the County are secured by the full faith and credit of the County. The County's general obligation bonds which have been publicly sold are rated Aaa by Moody's Investors Service, Inc., AAA by Standard & Poor's Public Finance Ratings, and AAA by Fitch Ratings. An explanation of the significance of such ratings may be obtained from the rating agencies furnishing them. The County has complied with all revenue bond covenants and has never defaulted on any of its general obligation indebtedness. The process of debt funding begins with the Five-Year Capital Improvements Program, which is updated each year in conjunction with the budget, with only the first year of the program subject to appropriation. Under the program, the Board not only decides which projects are to be funded in which year, but also approves a means of financing them. The debt service of the Capital Improvements Program is designed to have minimal impact on the General Fund balance and to avoid wide fluctuations of annual debt service requirements.

The County is empowered to issue long-term debt for any project which would serve the residents of the County. The Commonwealth of Virginia does not have a statutory limitation on the amount of general obligation debt the County may incur. Any issuance of general obligation bonded debt, except State Literary Fund loans and Virginia Public School Authority bonds, must be approved by a voting majority of the qualified voters through a public referendum. Revenue bonds, which are secured solely by the revenues of a system or project for which the bonds are issued, may be issued by the adoption of a resolution by the Board and generally do not require a public referendum.

Bonds and notes issued by the Economic Development Authority under the Industrial Development and Revenue Bond Act are limited obligations of the Authority to be repaid solely from the revenues and receipts derived from the projects funded with the bonds and notes.

Detailed below is an estimate of long-term liability transactions of the County as of June 30, 2022, and June 30, 2023.

| | 2022 | 2023 |
|---|---|---|
| **General Governmental Activities:** | | |
| Bonds Payable: | | |
| Bonds Payable – County and School Board | $131,616,594 | $166,620,705 |
| Total Bonds Payable | $131,616,594 | $166,620,705 |
| | | |
| Notes Payable | 2,150,880 | 1,211,768 |
| Lease Obligations | 1,959,424 | 1,843,656 |
| Subscription Obligations | 2,000,937 | 1,278,675 |
| Compensated Absences | 10,722,503 | 11,042,435 |
| Liability for Landfill Closure | 1,484,973 | 1,464,857 |
| Support Agreement | 1,183,832 | 1,055,853 |
| Net Pension Liability | - | 14,848,748 |
| Net Other Post-Employment Benefit Obligations | 4,239,061 | 4,406,882 |
| Total Governmental Activities | $155,358,204 | $203,773,579 |

| | 2022 | 2023 |
|---|---|---|
| **Business-Type Activities:** | | |
| Bonds Payable: | | |
| Revenue Bonds | $11,463,030 | $9,775,062 |
| Total Bonds Payable | $11,463,030 | $9,775,062 |
| | | |
| Lease Obligations | 10,159 | 6,336 |
| Subscription Obligations | 369,313 | 438,094 |
| Compensated Absences | 865,803 | 941,799 |
| Deposits | 507,778 | 517,877 |
| Capacity Fee Credits | 99,210 | 91,226 |
| Support Agreement | 130,000 | 65,000 |
| Net Pension Liability | - | 1,056,080 |
| Net Other Post-Employment Benefit Obligations | 305,387 | 313,429 |
| Total Business-Type Activities | $13,750,680 | $13,204,903 |

*Source:* Hanover County Department of Finance.

On May 21, 2014, the County issued its $19,950,000 Series 2014A bond through the Virginia Resources Authority (VRA). The bond was issued to finance the construction of a new courthouse facility.

On August 19, 2015, the County issued its $21,505,000 Series 2015B bond through the VRA. The bond was issued to finance the completion of a new courthouse facility and renovations of existing buildings.

On July 26, 2017, the Virginia Public School Authority (VPSA) issued School Financing Refunding Bonds in which the County 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 2023 through fiscal year 2032. The total credit savings from this refunding transaction total $220,594.

On November 6, 2018 the County issued VPSA School Financing Bonds Series 2018. The County's local bond original principal amount was $4,680,000 with interest rates between 3.675 and 5.05 percent. The bonds financed various capital projects for the schools.

On November 14, 2018 the County issued VRA Series 2018C Virginia Pooled Financing Program bonds. The County's local bond original principal amount was $10,945,000 with interest rates between 4.125 and 5.125 percent. The bonds financed parks, recreation and cultural capital projects.

On November 20, 2019 the County issued its local bond in an original principal amount of $11,375,000 to VRA as part of its Series 2019C Virginia Pooled Financing Program. The bonds financed government building renovation projects as well as parks, recreation and cultural capital projects.

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

On November 10, 2020, VPSA issued School Financing Refunding Bonds in which the County 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 2023 through fiscal year 2026. The total credit savings from this refunding transaction total $237,286.

On September 28, 2022, the County issued its $41,285,000 General Obligation School Bond, Series 2022 with coupon interest rates between 4.00 and 5.00 percent to finance capital projects for school improvements.

As shown on the following table, the County has maintained favorable ratios of net general bonded debt to estimated actual value of taxable property per capita, and net general bonded debt service to general government expenditures. The County's adopted debt policy requires compliance in the current year and in the adopted Five Year Financial Plan. Current adopted debt policy ratios are:

- Ratio of outstanding debt funded by general government expenditures to assessed value will not exceed 2.5%;

- Outstanding debt funded by general government expenditures per capita will not exceed $1,900 as of June 30, 2007, growing annually at 2% ($2,607 as of June 30, 2023); and

- Debt service as a percentage of general government expenditures will not exceed 10%.

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| FY | General Bonded Debt | Percent of General Bonded Debt to Estimated Actual Value of Taxable Property | General Bonded Debt per Capita | Ratio of Debt Service to General Government Expenditures | Outstanding Debt Funded by General Governmental Expenditures per Capita |
|---|---|---|---|---|---|
| 2014 | $132,899,046 | 0.8% | $1,294 | 6.8% | $1,569 |
| 2015 | 125,587,261 | 0.7 | 1,207 | 6.4 | 1,471 |
| 2016 | 113,358,432 | 0.6 | 1,088 | 6.3 | 1,564 |
| 2017 | 113,205,130 | 0.6 | 1,064 | 6.1 | 1,480 |
| 2018 | 100,767,890 | 0.5 | 939 | 5.9 | 1,413 |
| 2019 | 93,670,756 | 0.5 | 868 | 5.8 | 1,431 |
| 2020 | 81,623,510 | 0.4 | 747 | 5.8 | 1,397 |
| 2021 | 81,343,736 | 0.4 | 705 | 5.1 | 1,314 |
| 2022 | 70,837,022 | 0.3 | 620 | 4.8 | 1,182 |
| 2023 | 96,964,251 | 0.4 | 840 | 4.6 | 1,331 |

*Source*: Hanover County June 30, 2023 Annual Comprehensive Financial Report.

The annual requirement to amortize to maturity long-term liabilities, as of June 30, 2023, is shown in the following table (principal payments are shown net of amortized premium):

| | Governmental Activities | | Revenue Bonds* | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| Year ending June 30 | | | | |
| 2024 | $ 9,540,672 | $ 4,245,294 | $ 1,544,982 | $ 331,268 |
| 2025 | 9,569,891 | 3,782,503 | 1,629,673 | 257,901 |
| 2026 | 9,584,578 | 3,317,693 | 699,489 | 206,319 |
| 2027 | 8,088,132 | 2,897,702 | 719,432 | 179,636 |
| 2028 | 7,330,978 | 2,522,658 | 681,025 | 153,475 |
| 2029-2033 | 24,335,000 | 8,440,086 | 2,736,339 | 389,356 |
| 2034-2038 | 16,675,000 | 4,061,590 | 695,887 | 115,506 |
| 2039-2043 | 11,840,000 | 1,089,143 | 311,664 | 12,892 |
| Total | $96,964,251 | $30,356,669 | $ 9,018,491 | $ 1,646,353 |

*Source:* Hanover County June 30, 2023 Annual Comprehensive Financial Report.
* Includes Water and Sewer Revenue Bonds and Taxable Airport Revenue Bond.

It is the County's practice to structure debt issuances to have a strong pay down of principal over the following ten years as a percentage of total future principal payments to mitigate high principal payments in future years. As of June 30, 2023, the County is expected to pay down approximately 60.2% of outstanding tax supported debt within ten years.

## CERTAIN FINANCIAL PROCEDURES

### Accounting System and Budgetary Control

The County's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues recorded when available and measurable, and expenditures recorded when the services or goods are received and the liabilities incurred. Certain revenues such as property taxes, sales taxes, and intergovernmental revenues, when measurable and available, are accrued in the general governmental operations. Accounting records for the County's proprietary funds are maintained on the accrual basis.

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

Administrative budgetary control is maintained within the activity at the line item level of expenditure by the encumbrance of estimated purchase orders prior to their release to vendors. Purchase orders or contracts which result in an over commitment of the department's budgetary authority are not released until additional appropriations have been made available. Open encumbrances at fiscal year-end are reported as assignments of fund balances and reappropriated in the succeeding fiscal year.

### Basis of Presentation - Fund Accounting

The accounts of the County are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equities, revenues and expenditures or expenses, as appropriate. The various funds are summarized by fund type in the general purpose financial statements. The following fund types and account groups are used by the County:

Governmental Fund Types - Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related liabilities (except those accounted for in proprietary and fiduciary funds) are reported through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The County's governmental fund types are:

> General Fund - The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or other contractual agreement to another fund are accounted for in this fund. From this fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds.
>
> Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are legally restricted to expenditure for specified purposes. The County has established Special Revenue Funds to account for the activities of the primary and secondary education, including textbook and cafeteria funds, and the Economic Development Authority.
>
> Capital Improvement Funds - Capital Improvement Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by

proprietary funds. Capital Improvement Funds consist of the County Improvements and School Improvements Funds.

Debt Service Fund – The Debt Service Fund is used to account for financial resources to be used for the payment of principal, interest and fees associated with County and School indebtedness.

Proprietary Fund Type - Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The County's proprietary fund type includes the Enterprise Funds, which are used to account for the acquisition, operation, and maintenance of governmental facilities and services, which are primarily supported by user charges. The operation of the Department of Public Utilities and Airport are accounted for and reported in the Enterprise Funds. Also included in the proprietary fund type are the Internal Service Funds, including the Self-Insurance Fund which provides for the fiscal management of County and School healthcare plan.

Fiduciary Fund Type - Fiduciary Funds are used to account for assets held by the County as an agent or custodian for individuals, private organizations, and other governments. The County's fiduciary funds consist of the Retiree Medical Benefits Trust Fund and Agency Funds.

Agency Funds - Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds include two Community Development Authority Funds: the Bell Creek CDA and the Lewistown CDA funds, the Special Welfare Fund, and the Escrow Fund.

**Annual Financial Statements**

The County is required under Virginia law to have an annual audit of its financial records performed by an independent certified public accountant. The most recently completed examination, which was for the fiscal year ended June 30, 2023, was performed by PB Mares, LLP, Harrisonburg, Virginia, and is included in Appendix B "Audited Financial Statements for the Fiscal Year Ended June 30, 2023." The County has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its Annual Comprehensive Financial Report for the year ended June 30, 2023, and has received this award each fiscal year since 1985.

The County's annual financial statements are available for inspection at the office of the Director of Finance and Management Services, Hanover Government Complex, 7507 Library Drive, Post Office Box 470, Hanover, Virginia 23069 (804-365-6015) and on its website at https://www.hanovercounty.gov/251/Finance-Management-Services.

**Budgetary Procedure**

Virginia law requires the County to adopt a balanced budget in each fiscal year. Prior to the beginning of each fiscal year, the Board adopts a fiscal plan consisting of contemplated expenditures and estimated revenues for such fiscal year. On the basis of the approved fiscal plan, the Board appropriates funds for the expenditures and establishes tax rates sufficient to produce the revenues contemplated in the fiscal plan.

The annual budgeting process for a fiscal year begins in the second quarter of the previous fiscal year with the issuance of pertinent guidelines by the County Administrator to all department heads and other key officials. All officials submit their requests during the second quarter after which meetings are held with the County Administrator and his staff to discuss these requests.

The County Administrator then submits his recommended budget plan to the Board in late-February including such tax rates as are necessary to generate the revenues needed to meet expenditures reflected in this proposed budget. The Board holds a public hearing and work sessions as necessary before deliberating on a final adopted budget. Final tax rates are then adopted to provide the necessary revenues for annual appropriations from this adopted budget.

During the second half of the fiscal year, quarterly financial reports are prepared by the Department of Finance and Management Services and presented to the Board. These reports provide summarized reports of revenues and expenditures for the County's major operating funds along with year-end projections. A written analysis is also included highlighting any major considerations which need to be addressed regarding revenues, expenditures, and cash flow.

The County has been awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association of the United States and Canada for the 2023-24 Adopted Budget and has received such an award for each fiscal year since 1990. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device.

The County's annual adopted budgets are available for inspection at the office of the Director of Finance and Management Services, Hanover Government Complex, 7507 Library Drive, Post Office Box 470, Hanover, Virginia 23069 (804-365-6015) and on our website at https://www.hanovercounty.gov/251/Finance-Management-Services.

**Cybersecurity**

The County, like many other municipalities and enterprise organizations, relies on a technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware, ransomware, and other such attacks on computer or other sensitive digital systems and networks. There can be no assurance that any security and operational control measures implemented by the County will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attack could impact operations and/or digital networks and the costs of remedying any such damage could be significant. To transfer and share these risks, the County has purchased a $1 million Cyber liability insurance policy that covers a broad range of impacts, including privacy liability, network liability, internet media liability and data breach costs. The County's Department of Information Technology includes cyber security in their daily operations, focusing on system-wide hardware and software mitigation solutions, protected and replicated back-ups, system redundancy of mission critical public safety systems, as well as highly available solutions for critical records and system processes. In addition to following the above best practices for our centralized systems, the County has a very well-developed patch management program of all our systems including end user devices; prohibits users from running as local administrator on their systems, and practices e-mail hygiene to include attachment filtering of specific file types, along with SPAM and virus filtering. The County has an Annual End User Security Awareness Training program in place that focuses on common human errors, as well as current and emerging threats a user may face on a daily basis.

## GENERAL FUND REVENUES, EXPENDITURES AND TRANSFERS

The General Fund is maintained by the County to account for revenue derived from County-wide *ad valorem* taxes, other local taxes, licenses, fees, permits, charges for services, certain revenue from the federal and state governments, and interest earned on invested cash balances. General Fund expenditures and transfers include the costs of general County government, payments to the School Fund to fund the local share of operating the public school system, and transfers to the capital improvements funds and the debt service fund.

The following is a discussion of the General Fund revenue structure and major classifications of General Fund disbursements. See Appendix B "Audited Financial Statements for the Fiscal Year Ended June 30, 2023" for a statement of General Fund revenues and expenditures for the fiscal year ended June 30, 2023.

**Revenues**

General Property Taxes - An annual *ad valorem* tax is levied by the County on the assessed value of real and tangible property located within the County. The ratio of the assessed value of property to its appraised value is currently 100% for real property and varies for the several classes of personal property but generally is 100%. In 1999, the State began a phased reduction of personal property taxes on the first $20,000 in value of private vehicles. Initially, the reduction was held to 70% of the tax, with the foregone revenue reimbursed to localities from the State. Beginning in fiscal year 2007, the State capped its reimbursement to localities at $950 million with the County receiving 1.58% of the total State reimbursement, which equals $15.0 million. Real property taxes are due on June 5 and October 5, while personal property taxes are due on February 5 of the calendar year subsequent to assessment. There is no limit at the present time on the property tax rates which may be established by the County. In the most recent audited financial statements for the fiscal year ended June 30, 2023, general property taxes increased by 10.13% in comparison to fiscal year 2022, and represented 59.56% of General Fund revenues.

Other Local Taxes - The County levies various other local taxes, including a 1% local sales tax (collected by the Commonwealth and remitted to the County), a tax on consumer utility bills, property transfer recordation tax, and various business, professional, and occupational licenses. These receipts represented approximately 16.72% of total General Fund revenues in the fiscal year ended June 30, 2023.

Revenues from the State and U. S. Federal Government - The County is reimbursed by the Commonwealth for a portion of shared expenses including certain expenditures for social services, the Sheriff's Office, Courts, Commonwealth's Attorney, and other constitutional officers. Additionally, the County receives the state's share of personal property tax obligations. Revenues from this intergovernmental category represented approximately 15.68% of total General Fund revenues in the fiscal year ended June 30, 2023. The County also receives a significant amount of additional State Aid in support of public school operations, which are credited directly to the School Operating, Cafeteria, and Textbook Funds. These revenues, therefore, do not appear as part of the General Fund.

Other Revenues and Other Sources - Other sources of revenue for the General Fund represent 8.04% of total General Fund revenues and are composed primarily of service charges and fees as well as interest on investments.

**Expenditures and Transfers**

The following is a discussion of the major classification of General Fund expenditures and transfers.

Payments to School Fund - The County's General Fund pays the School Fund the County's share of the cost of operating public schools. These payments represented 37.17% of total disbursements for the General Fund in the fiscal year ended June 30, 2023 and 44.79% of total revenues of the School Fund. The principal sources of other revenues credited directly to these School operating funds are revenue from the Commonwealth and federal government and revenue derived locally from charges to students.

Costs of General County Government - The County pays from the General Fund the costs of general County government. These costs include expenditures for general government administration, judicial administration, public safety, public works, human services, community development, and parks, recreation, and cultural. This classification represented 59.34% of total General Fund disbursements in the fiscal year ended June 30, 2023.

Transfer to County Improvements Fund - The County transfers from the General Fund to the County Improvements Fund amounts sufficient to fund various capital projects, such amounts being included within the costs of general county government described above. Transfers to the County Improvements Fund represented 8.99% of total General Fund disbursements in the fiscal year ended June 30, 2023.

Transfer to School Improvements Fund – The County transfers from the General Fund to the School Improvements Fund amounts sufficient to fund various capital projects. Transfers to the School Improvements Fund represented 6.07% of total General Fund disbursements in the fiscal year ended June 30, 2023.

Transfer to Debt Service Fund – The County transfers from the General Fund to the Debt Service Fund amounts sufficient for the payment of interest and principal on long-term debt for County and School obligations. This classification represented 5.57% of the total General Fund disbursements in the fiscal year ended June 30, 2023.

**Five-Year Summary of General Fund Revenues and Expenditures**

The County has traditionally used the General Fund's current fiscal year excess of revenues over expenditures to exceed its minimum fund balance policy requirement, fund capital programs, designate funds for future capital improvement needs and meet operational needs of the subsequent fiscal year. The County's adopted General Fund balance policy is structured to provide a minimum unassigned balance of 10% of the General Fund's total revenues. Traditionally, the County has been above this threshold, with the General Fund unassigned fund balance at 13.5% of revenues at the end of fiscal year 2023.

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**Five-Year Summary of General Fund Revenues and Expenditures**

| | Fiscal Year 2019 | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 | Fiscal Year 2023 |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| General property taxes | $ 160,914,283 | $ 171,784,998 | $ 180,507,626 | $ 196,221,864 | $ 216,108,267 |
| Other local taxes | 35,158,773 | 37,772,270 | 40,440,270 | 44,819,904 | 46,278,681 |
| Permits, fees and licenses | 2,440,338 | 2,296,678 | 2,754,554 | 4,026,979 | 3,101,061 |
| Fines and forfeitures | 986,439 | 863,633 | 918,173 | 735,721 | 789,528 |
| Use of money & property | 2,490,222 | 2,799,027 | 810,692 | (790,954) | 5,663,608 |
| Charges for services | 8,861,068 | 7,808,681 | 7,644,844 | 9,309,589 | 9,831,315 |
| Miscellaneous | 1,083,593 | 820,471 | 1,314,224 | 1,458,310 | 1,801,943 |
| Recovered Costs | 3,916,470 | 4,007,506 | 4,345,703 | 4,404,375 | 4,970,698 |
| Intergovernmental | 34,085,229 | 35,244,488 | 41,887,493 | 38,581,447 | 39,185,350 |
| Total Revenues | $ 249,936,415 | $263,397,752 | $ 280,623,579 | $ 298,767,235 | $ 327,730,451 |
| Expenditures: | | | | | |
| General Government Administration | $ 15,797,732 | $ 16,579,154 | $ 17,252,684 | $ 18,434,372 | $ 19,825,174 |
| Judicial Administration | 6,463,712 | 6,829,972 | 7,032,712 | 7,636,770 | 8,316,427 |
| Public Safety | 60,175,267 | 62,635,624 | 66,428,825 | 71,921,079 | 74,684,917 |
| Public Works | 11,554,341 | 11,193,048 | 11,919,756 | 12,115,999 | 13,476,838 |
| Human Services | 25,496,769 | 26,364,325 | 27,806,894 | 29,222,176 | 31,778,794 |
| Parks, Rec & Cultural | 6,233,768 | 6,123,397 | 5,923,615 | 6,422,913 | 7,336,596 |
| Community Development | 5,571,168 | 5,441,381 | 7,257,418 | 6,416,093 | 8,530,063 |
| Education | 82,871,239 | 85,931,936 | 84,263,313 | 93,874,859 | 97,391,654 |
| Debt Service | | | | | 653,620 |
| Total Expenditures* | $ 214,163,996 | $ 221,098,837 | $ 227,885,217 | $ 246,044,261 | $ 261,994,083 |
| Transfers: | | | | | |
| County Capital Fund | $ 7,470,316 | $ 7,611,264 | $ 8,086,178 | 16,279,577 | 30,258,020 |
| School Capital Fund | 5,000,000 | 5,800,000 | 3,000,000 | 3,000,000 | 9,123,047 |
| Debt Service Fund | 19,382,616 | 19,663,830 | 18,661,920 | 18,792,770 | 17,746,920 |
| Airport Fund | 52,029 | 429,444 | 168,676 | 113,967 | 128,500 |
| Total Transfers | $ 31,904,961 | $ 33,504,538 | $ 29,916,774 | 38,186,314 | 57,538,487 |
| Excess Revenues over Expenditures and Transfers | $ 3,867,458 | $ 8,794,377 | $ 22,821,588 | $ 14,536,660 | $ 8,197,881 |

*Source*: Hanover County Department of Finance.

***Preliminary Fiscal Year 2024 Results.*** Preliminary total fiscal year 2024 revenues are estimated at approximately $20.6 million above the appropriated budget. The majority of surplus revenue is derived from higher than projected tax levies in general property taxes due to rapidly changing real estate and vehicle markets, and higher than projected investment income. Preliminary total fiscal year 2024 expenditures are estimated at approximately 94.5% of the appropriated budget, due to personnel savings, operational savings as well as return from the School Board which will be assigned for future capital needs.

## DEFINED BENEFIT PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS

### Defined Benefit Pension Plan

The County and School Board non-professional employees participate in an agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System (VRS) for County employees and School Board non-professional employees. 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.

In addition, the School Board contributes to a cost-sharing multiple-employer defined benefit pension plan administered by VRS for the School Board professional employee group. VRS establishes a separate annual contribution requirement for the School Board's professional employees who participate in the VRS statewide teacher cost-sharing pool.

**Schedule of Employer Contributions**

| Date | Contractually Required Contribution of Employer (1) | Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| **Primary Government:** | | | | | |
| 2023 | $ 9,058,225 | $ 9,058,225 | $ - | $ 78,136,354 | 11.59% |
| 2022 | 7,366,936 | 7,366,936 | - | 73,191,300 | 10.07% |
| 2021 | 6,987,056 | 6,987,056 | - | 69,319,445 | 10.08% |
| **Component Unit - School Non-Professional:** | | | | | |
| 2023 | $ - | $ - | $ - | $ 5,728,644 | 0.00% |
| 2022 | 45,421 | 45,421 | - | 5,030,853 | 0.90% |
| 2021 | 48,374 | 48,374 | - | 5,076,697 | 0.95% |
| **Component Unit - School Professional:** | | | | | |
| 2023 | $ 19,248,273 | $ 19,248,273 | $ - | $ 120,868,625 | 15.92% |
| 2022 | 18,107,471 | 18,107,471 | - | 113,162,890 | 16.00% |
| 2021 | 16,890,538 | 16,890,538 | - | 105,176,978 | 16.06% |

*Source*: Hanover County June 30, 2023 Annual Comprehensive Financial Report.

### Other Postemployment Benefits

#### *VRS 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 Health Insurance Credit Program and Teacher Employee Health Insurance Credit Program were 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 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 required employer contribution rate for County employees is established annually by the VRS, by separate actuarial valuation.

The VRS Teacher Employee HIC Program is a multiple-employer, cost-sharing plan. The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. VRS establishes a separate annual contribution requirement for the School Board's professional employees who participate in the VRS statewide teacher cost-sharing pool.

**Schedule of Employer Contributions**

| Date | Contractually Required Contribution (a) | Contributions in Relation to Contractually Required Contribution (b) | Contribution Deficiency (Excess) (a - b) | Employer's Covered Payroll (c) | Contributions as a % of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| *County* | | | | | |
| 6/30/2023 | $ 96,580 | $ 96,580 | - | $ 50,827,881 | 0.19% |
| 6/30/2022 | 89,145 | 89,145 | - | 46,918,647 | 0.19% |
| 6/30/2021 | 84,384 | 84,384 | - | 44,410,120 | 0.19% |
| *School Board Professional* | | | | | |
| 6/30/2023 | $ 1,462,471 | $ 1,462,471 | - | $ 120,868,625 | 1.21% |
| 6/30/2022 | 1,274,871 | 1,274,871 | - | 113,200,538 | 1.13% |
| 6/30/2021 | 1,272,917 | 1,272,917 | - | 105,204,144 | 1.21% |
| *School Board Non-Professional* | | | | | |
| 6/30/2023 | $ 53,847 | $ 53,847 | - | $ 5,728,644 | 0.94% |
| 6/30/2022 | 36,717 | 36,717 | - | 5,029,826 | 0.73% |
| 6/30/2021 | 36,881 | 36,881 | - | 5,052,181 | 0.73% |

*Source*: Hanover County June 30, 2023 Annual Comprehensive Financial Report.

### *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, 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. 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.

## Schedule of Employer Contributions

| Date | Contractually Required Contribution (a) | Contributions in Relation to Contractually Required Contribution (b) | Contribution Deficiency (Excess) (a - b) | Employer's Covered Payroll (c) | Contributions as a % of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| *County* | | | | | |
| 6/30/2023 | $ 419,701 | $ 419,701 | - | $ 78,297,971 | 0.54% |
| 6/30/2022 | 393,383 | 393,383 | - | 73,440,688 | 0.54% |
| 6/30/2021 | 372,221 | 372,221 | - | 69,319,445 | 0.54% |
| *Schools Professional* | | | | | |
| 6/30/2023 | $ 649,395 | $ 649,395 | - | $ 121,148,161 | 0.54% |
| 6/30/2022 | 608,979 | 608,979 | - | 113,615,624 | 0.54% |
| 6/30/2021 | 567,626 | 567,626 | - | 105,176,978 | 0.54% |
| *Schools Non-Professional* | | | | | |
| 6/30/2023 | $ 31,073 | $ 31,073 | - | $ 5,797,479 | 0.54% |
| 6/30/2022 | 27,186 | 27,186 | - | 5,073,636 | 0.54% |
| 6/30/2021 | 27,261 | 27,261 | - | 5,076,697 | 0.54% |

*Source*: Hanover County June 30, 2023 Annual Comprehensive Financial Report.

### *Retiree Medical Benefits Plan and Trust*

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 of Virginia 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 County, School Board, 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 of Virginia assigns the authority to administer the Plan, and to establish and amend the benefit provisions of the Plan, to the Hanover County Board of Supervisors (Board). As such, the Board of Supervisors approves appropriations to fund the Trust, and enters into agreements with the School Board and the 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. The Board of Supervisors 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.

**Schedule of Changes in the Net OPEB Asset and Related Ratios - 2023***

| *As of June 30 of the Measurement Year* | Total | County | School Board |
|---|---|---|---|
| **Total OPEB liability** | | | |
| Service cost | $ 115,478 | $ 72,810 | $ 106,646 |
| Interest cost | 186,899 | 104,341 | 152,831 |
| Experience losses/(gains) | 29,760 | (461,228) | (675,570) |
| Change in benefit terms | - | - | - |
| Change in proportionate share | - | 208,118 | (373,477) |
| Change in assumptions | - | (168,019) | (246,102) |
| Benefit payments | (219,225) | (83,662) | (122,542) |
| Net change in total OPEB liability | 112,912 | (327,640) | (1,158,214) |
| Total OPEB liability - beginning | 2,968,213 | 1,467,731 | 2,828,131 |
| Total OPEB liability - ending (a) | $ 3,081,125 | $ 1,140,091 | $ 1,669,917 |
| | | | |
| **Total fiduciary net position** | | | |
| Contributions - employer | $ 219,225 | $ 83,662 | $ 122,543 |
| Change in proportionate share | - | 350,817 | (629,558) |
| Net investment income | 546,216 | (406,687) | (595,683) |
| Benefit payments | (219,225) | (83,662) | (122,542) |
| Net change in plan fiduciary net position | 546,216 | (55,870) | (1,225,240) |
| Plan fiduciary net position - beginning | 6,295,840 | 2,474,102 | 4,767,280 |
| Plan fiduciary net position - ending (b) | $ 6,842,056 | $ 2,418,232 | $ 3,542,040 |
| | | | |
| **Net OPEB asset ending (b) - (a)** | $ 3,760,931 | $ 1,278,141 | $ 1,872,123 |

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

*Source*: Hanover County June 30, 2023 Annual Comprehensive Financial Report.

**Schedule of Employer Contributions**

| Date | Contractually Required Contribution (a) | Contributions in Relation to Contractually Required Contribution (b) | Contribution Deficiency (Excess) (a - b) | Employer's Covered Payroll (c) | Contributions as a % of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| *County* | | | | | |
| 6/30/2023 | $ - | $ - | - | $ 82,979,423 | 0.00% |
| 6/30/2022 | - | - | - | 78,175,198 | 0.00% |
| 6/30/2021 | - | - | - | 75,822,649 | 0.00% |
| *School Board* | | | | | |
| 6/30/2023 | $ - | $ - | - | $ 133,273,321 | 0.00% |
| 6/30/2022 | - | - | - | 124,363,364 | 0.00% |
| 6/30/2021 | - | - | - | 120,318,942 | 0.00% |

*Source*: Hanover County June 30, 2023 Annual Comprehensive Financial Report.

## ADOPTED FISCAL YEAR 2024 AND 2025 ANNUAL BUDGETS

The following table presents the County's adopted fiscal year 2024 and 2025 budgets. The fiscal year 2024 budget was adopted on April 12, 2023, and the fiscal year 2025 budget was adopted on April 10, 2024. This table includes governmental funds, special revenue funds, fiduciary funds and proprietary funds.

**Annual Budgets for All Hanover County Funds**

| | Fiscal Year 2024 | Fiscal Year 2025 |
|---|---|---|
| Revenues: | | |
| General Property Taxes | $ 232,732,000 | $ 260,742,000 |
| Other Local Taxes | 63,799,000 | 63,369,000 |
| Permits Fines & Use of Money | 5,268,976 | 6,984,008 |
| Charges for Services | 93,097,222 | 95,366,372 |
| Recovered costs and miscellaneous | 13,782,216 | 18,430,355 |
| Intergovernmental | 177,659,598 | 189,360,943 |
| Long-term debt | 61,915,000 | 95,177,790 |
| Use of fund balance/prior year surplus | 30,849,303 | 44,710,151 |
| Total revenues | $ 679,103,315 | $ 774,140,619 |

| | Fiscal Year 2024 | Fiscal Year 2025 |
|---|---|---|
| Expenditures: | | |
| Salaries & fringe benefits | $ 351,857,397 | $ 377,296,788 |
| Operating | 158,697,876 | 166,758,567 |
| Capital Outlay | 145,737,541 | 201,082,249 |
| Debt Service | 22,810,501 | 29,003,015 |
| Total expenditures | $ 679,103,315 | $ 774,140,619 |

*Source*: Hanover County FY2025 Adopted Budget Document.

## THE CAPITAL IMPROVEMENTS PROGRAM

The Five-Year Capital Improvements Program ("CIP") identifies short and long-term County facilities needs as a mechanism for establishing priorities for orderly development. On April 10, 2024, the Board adopted the CIP for Fiscal Years 2025 through 2029. The 2025 year of the program shown in the following table is essentially the capital budget for that year as adopted by the Board, while the CIP for the remaining four years serves as a planning guide for public facilities.

The primary sources of funds for the CIP are general government tax revenues, proffers, general obligation bonds, revenue bonds, Virginia Literary Fund Loans, local utility revenues, and State and Federal aid.

### Capital Improvements Program

| | Fiscal Year 2025 | Fiscal Year 2026 | Fiscal Year 2027 | Fiscal Year 2028 | Fiscal Year 2029 |
|---|---|---|---|---|---|
| Summary by Fund: | | | | | |
| Airport CIP Fund | $ 200,000 | $ 837,500 | $ 8,349,868 | $ 200,000 | $ 762,500 |
| County Improvements Fund | 84,937,895 | 94,980,609 | 47,321,101 | 42,000,800 | 27,388,000 |
| Public Utilities CIP Fund | 22,561,641 | 14,191,487 | 18,281,194 | 39,964,747 | 14,482,128 |
| School Improvements Funds | 86,974,000 | 5,761,250 | 13,583,750 | 48,790,000 | 9,487,388 |
| Total by Function | $194,673,536 | $115,770,846 | $87,535,913 | $130,955,547 | $52,120,016 |
| Summary of Funding Sources: | | | | | |
| Intergovernmental | $ 22,150,497 | $ 12,706,362 | $ 28,899,792 | $ 2,061,000 | $ 2,612,250 |
| Local Revenue | 18,574,810 | 16,241,497 | 16,024,000 | 16,124,000 | 16,275,000 |
| Long-term Debt | 93,769,000 | 52,000,000 | 8,756,000 | 58,655,000 | 4,650,000 |
| Transfers In | 52,290,241 | 34,822,987 | 33,856,121 | 54,115,547 | 28,582,766 |
| Use of Planned Surpluses | 7,888,988 | - | - | - | - |
| Total Funding Sources | $194,673,536 | $115,770,846 | $87,535,913 | $130,955,547 | $52,120,016 |

*Source*: Hanover County FY2025 Adopted Budget Document.

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**APPENDIX B**

## ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE COUNTY

The appended General Purpose Financial Statements were reproduced from the County's audited financial statements included in its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

Additional information relative to the County's financial operations and long-term debt is presented in Appendix A of this Official Statement.

In order to preserve cross-references within this Appendix, this Appendix has not been repaginated and, accordingly, retains the original pagination.

**PBMares, LLP, the County's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. PBMares, LLP, also has not performed any procedures relating to this Official Statement.**

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PBMares
CPAs and Consultants

# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia (County), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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

### *Other Matter*

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

### *Responsibilities of Management for the Financial Statements*

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require the Management’s Discussion and Analysis and the required supplementary information on pages 17-27 and 131-143, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedules listed in the table of contents as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying schedules listed in the table of contents as other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 30, 2023

# County of Hanover, Virginia
# Management's Discussion and Analysis
### (Unaudited)

As management of the County of Hanover, Virginia (the County), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the County as of and for the fiscal year ended June 30, 2023. We encourage readers to consider this discussion and analysis in conjunction with our letter of transmittal in the Introductory Section of this report and the County's basic financial statements, which follow this discussion and analysis.

## Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2023 by $633.7 million (*net position*). Of this amount, $220.2 million (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by $80.1 million, of which the governmental activities increased by $64.6 million and business-type activities increased by $15.5 million.
- As of the close of fiscal year 2023, the County's governmental funds reported combined ending fund balances of $247.9 million, an increase of $73.4 million from prior year. Of the $247.9 million total, 63.4% ($157.1 million) is available for spending in compliance with County policies (sum of *committed*, *assigned* and *unassigned fund balances*), while *nonspendable and restricted fund balances* were 36.6% or $90.8 million of the total.
- The General Fund's unassigned fund balance was 13.5% of total General Fund revenues, which reflects an increase of $3.7 million to $44.2 million at June 30, 2023. This balance continues to meet and exceed the County's unassigned fund balance policy minimum of 10% of total General Fund revenues. In addition, the General Fund's assigned fund balance increased $4.7 million to $65.3 million at June 30, 2023. The $4.7 million increase is the net of increases and decreases to amounts assigned for various purposes, including education, public works, economic development, the subsequent fiscal year's adopted budget, the subsequent five-year financial plan, capital projects, and other County services.
- The County's total debt increased by $28.1 million (20.9%) to $162.6 million during fiscal year 2023. The increase is due to the issuance of VPSA general obligation bonds for school construction and improvement projects in the amount of $41.3 million, offset by principal payments on existing debt of $13.2 million.

## Overview of the Financial Statements

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

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

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

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

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

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

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

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

During fiscal year 2023, the County maintained four individual governmental funds. Information is presented separately in the governmental funds' financial statements for the General Fund, the County Improvements Fund, the Debt Service Fund, and the School Improvements Fund; all four of which are considered to be *major funds*. The County did not maintain any *nonmajor* governmental funds as of and for the year ended June 30, 2023. The governmental fund financial statements can be found at Exhibits 3 through 6 of this report.

The County maintains two different types of ***Proprietary Funds***: enterprise and internal service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its public utilities fund and its airport fund (a major fund). *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County’s various functions. The County uses an internal service fund to account for its employee healthcare benefit activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

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

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

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

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

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

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

# Financial Analysis of the County as a Whole

## Statement of Net Position

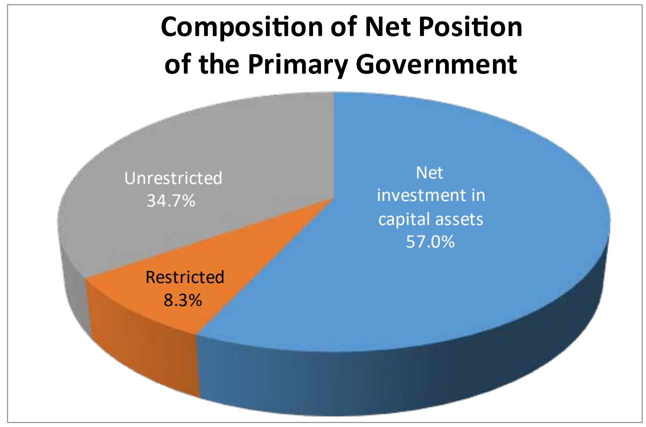
Table 1 summarizes the Statements of Net Position for the Primary Government as of June 30, 2023 and 2022:

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

Changes in net position is a useful indicator of a County's financial position. Of interest, the County's assets and deferred outflows exceeded liabilities and deferred inflows by $633.7 million at the close of fiscal year 2023, representing an increase of $80.1 million from the net position at June 30, 2022.

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

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




### Statement of Activities

Table 2 summarizes the Statements of Activities of the Primary Government for the fiscal years ended June 30, 2023 and 2022:

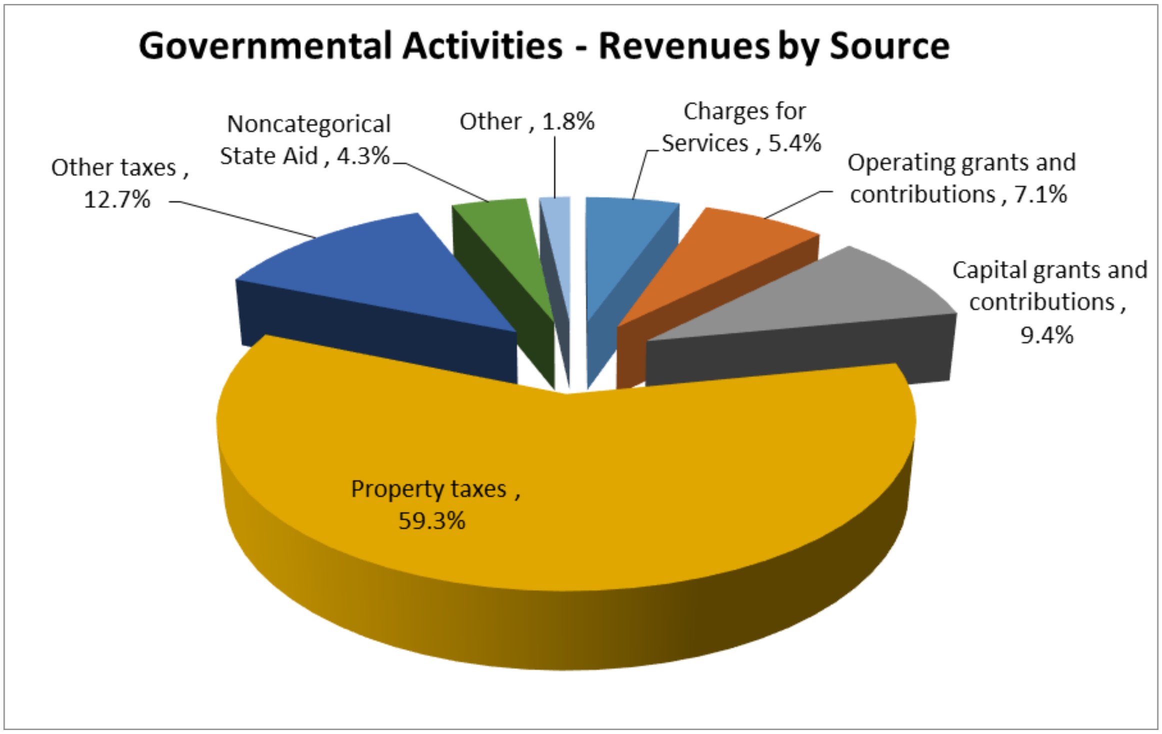
**Table 2** — County of Hanover, Virginia — Summary of Changes in Net Position ($ in millions)

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

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

**Governmental Activities:** The increase in net position attributable to the County's governmental activities totaled $64.6 million for fiscal year 2023. Generally, net position changes are the result of the difference between revenues and expenses. Fiscal year 2023 revenues of $363.3 million represent an increase of $40.0 million, or 12.4% in comparison to the prior year, while expenses and transfers of $332.6 million represent an increase of $27.3 million, or 10.0% compared to the prior year.

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




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

Also in fiscal year 2023, $79.6 million, or 21.9% of total revenues, consisted of program revenues, including $19.6 million in charges for services, $25.8 million of operating grants and contributions, and $34.2 million of capital grants and contributions. General revenues, including $15.6 million of noncategorical state aid and $1.5 million of unrestricted grants and contributions and unrestricted investment earnings of $4.9 million, accounted for the remaining revenues.

As shown in Table 2 and Table 3, the total expenses of all the County's governmental activities for fiscal year 2023 were $298.7 million, which represents an increase of $27.3 million, or 10.1% higher than fiscal year 2022. Increases in expenses for general government administration, judicial administration, public safety, public works, human services, parks, recreation and cultural, education, and interest expenses were $3.1 million, $1.1 million, $4.7 million, $10.2 million, $3.0 million, $1.1 million, $2.1 million, $2.7 million, and $1.2 million respectively. As the following chart indicates, education continues to be one of the County's largest programs and highest priority, with education expenses totaling $112.1 million in fiscal year 2023. Public safety and human services are also strategic focus areas with expenses totaling $78.9 million and $31.1 million, respectively in fiscal year 2023.

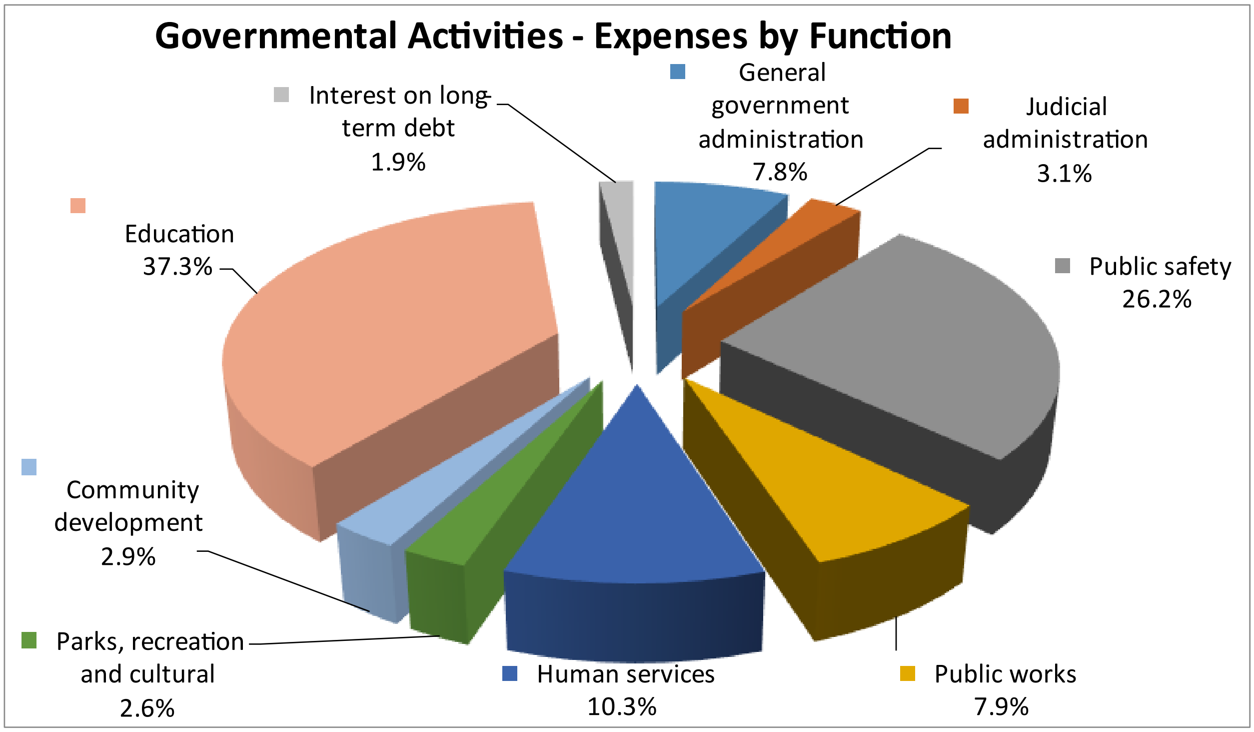



Table 3 presents the total cost of the County's governmental activities by function, as well as the net cost of each function (total cost less fees generated by each function and program-specific intergovernmental aid) for the fiscal year ended June 30, 2023 and 2022:

**Table 3** — **Net Cost of Hanover County's Governmental Activities**
**For the Fiscal Years Ended June 30**
**($ in millions)**

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

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

**Business-type Activities:** Table 2 also summarizes the business-type activities. The County's business-type activities consist of its Public Utilities water and wastewater treatment services and its airport activities. The increase in the net position attributable to the County's business-type activities totaled $15.5 million for fiscal year 2023.

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

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

## Financial Analysis of the County's Funds

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

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

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

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

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

The fund balance in the School Improvements Fund (Exhibit 4) increased by $41.7 million to $48.2 million during fiscal year 2023, primarily due to the issuance of general obligation bonds during the year of $40.9 million. The fund balance in the Debt Service Fund (Exhibit 4) increased by $1.24 million to $2.05 million fiscal year 2023. The Debt Service Fund recognized investment income from unspent bond proceeds and savings from interest on debt and fiscal charges, contributing to this increase in fund balance.

***Proprietary funds:*** The County's proprietary funds financial statements provide the same type of information presented in the business-type activities on the government-wide financial statements, as their basis of accounting is the same, but in more detail. Factors relating to the financial position and results of operations of the County's Public Utilities System and Airport have been addressed in the discussion of the County's business-type activities.

## General Fund Budgetary Highlights

General Fund budget amendments resulted in an increase of $23.0 million, or 7.2% between the originally-adopted fiscal year 2023 budget appropriation for expenditures and transfers out and the final budget, with $2.8 million of the increase resulting from reappropriation of fiscal year 2022 budget commitments for completion of ongoing projects in fiscal year 2023, and $10.7 million of increases in transfers to the County Improvements Fund and School Improvements Fund for capital projects. Encumbered balances account for 72.6% of the total reappropriation.

## Capital Assets and Debt Administration

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

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

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

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

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

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

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

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

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

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

## Economic Factors and Next Year's Budgets and Rates

During fiscal year 2023, Hanover County experienced positive trends in its economic indicators. The County's revenues continue to slowly grow primarily due to higher real property assessed valuations. Total value of taxable property increased 7.5% in calendar year 2022 and 7.7% in calendar year 2023. Throughout fiscal year 2023, the County's unemployment rate remained relatively consistent. In June 2023, the County's unemployment rate was 2.6%, which remains favorable in comparison to the Commonwealth's average unemployment rate of 2.8% and the national average rate of 3.8%.

Fiscal year 2023 showed positive revenue returns compared to budget. The County anticipates continued economic recovery from the pandemic, as is reflected in the fiscal 2023 budget. Real estate taxes and personal property taxes are budgeted to increase 13.4% and 12.9%, respectively from the 2023 to the 2024 budget. Including the use of $14.7 million of prior year fund balance, the County's adopted fiscal year 2024 General Fund budget was set at $354.8 million, an increase of $33.2 million or 10.3% in comparison to the fiscal year 2023 total of $321.6 million. The County closely monitors and forecasts its revenues on a continual basis, and incorporates any significant changes in its current and subsequent fiscal year's budget plans in order to mitigate their impact and maintain the County's sound financial condition.

The County recognizes the value of properly illustrating year-end assignments of fund balance. Accordingly, at June 30, 2023 the County has assigned $14.7 million of fund balance in its General Fund to fund a portion of the fiscal year 2024 adopted General Fund budget. In this manner, the County is able to utilize and reinvest all or portions of positive budget-to-actual variances at the end of the current fiscal year as a source of funding for the succeeding fiscal year's budget, while also meeting the County's fund balance policy and assigning amounts as deemed necessary to meet future needs. Accordingly, the County has assigned $8.9 million to fund future school budgets, $28.0 million to fund capital projects, $5.0 million for economic stability reserves, and $8.7 million to fund other specific purposes. All commitments and assignments of fund balance are illustrated in Note V.B to the accompanying financial statements.

County general property tax rates remained unchanged for calendar year 2023. In fiscal year 2023, Public Utilities' water and sewer user fees increased by 3% for both water and sewer.

## Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's financial condition and operations. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Director of Finance and Management Services, County of Hanover, P.O. Box 470, Hanover, VA 23069.

# BASIC FINANCIAL STATEMENTS

**COUNTY OF HANOVER, VIRGINIA** **Exhibit 1**

Statement of Net Position

June 30, 2023

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

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

**COUNTY OF HANOVER, VIRGINIA** **Exhibit 1**

Statement of Net Position

June 30, 2023

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

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

**COUNTY OF HANOVER, VIRGINIA** **Exhibit 2**

Statement of Activities

For the Year Ended June 30, 2023

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

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

**COUNTY OF HANOVER, VIRGINIA** **Exhibit 3**

Governmental Funds
Balance Sheet
June 30, 2023

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

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

| | | |
|---|---|---|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | $ 241,397,153 |
| Right to use assets in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 3,115,681 |
| Receivables on the Statement of Net Position that do not provide current financial resources are not reported in the funds. | | 885,404 |
| Revenues in the Statement of Activities that are unavailable in the funds are reported as deferred revenues in the funds (e.g., past due taxes). | | 5,894,614 |
| The Self-Insurance Fund is an Internal Service Fund used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Self-Insurance Fund are included in governmental activities in the Statement of Net Position. | | 32,448,470 |
| Long-term liabilities, including bonds payable and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds. | | (187,300,027) |
| Deferred loss on refunding does not provide current financial resources and, therefore, is not reported in the funds. | | 837,880 |
| GAAP require the recognition of net pension asset and deferred flows of resources related to pensions. These amounts do not use current financial resources and are not reported in the funds. | | |
| Net pension liability | (14,848,748) | |
| Pension investment experience | (8,855,742) | |
| Difference between expected and actual experience | (428,917) | |
| Pension contributions after measurement date | 8,456,759 | |
| Change in assumptions | 6,077,943 | |
| | | (9,598,705) |
| GAAP require the recongnition of net other postemployment benefits asset, net other postemployment benefits liabilities, and deferred flows of resources related to other postemployment benefits. These amounts do not use current financial resources and are not reported in the funds. | | |
| Net other postemployment benefits asset | 1,193,272 | |
| Net other postemployment benefits liability | (4,406,882) | |
| OPEB investment experience | (875,030) | |
| Difference between expected and actual experience | 248,044 | |
| OPEB contributions after measurement date | 78,612 | |
| GLI and HIC contributions after measurement date | 482,000 | |
| Change in assumptions | (198,185) | |
| Change in proportion | (46,960) | |
| | | (3,525,129) |
| Total net position of governmental activities | | $ 332,039,683 |

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

**COUNTY OF HANOVER, VIRGINIA** **Exhibit 4**
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

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

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

**COUNTY OF HANOVER, VIRGINIA** **Exhibit 5**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2023

| | | |
|---|---|---|
| Net change in fund balance - total governmental funds | $ | 73,382,578 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. | | |
| Capital Outlays | | 30,242,399 |
| Depreciation and amortization expense | | (19,695,341) |
| The net effect of various miscellaneous transactions involving capital assets, such as sales, trade-ins, transfers and donations that decreased net position. | | (525,622) |
| 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. | | 8,021,360 |
| Lease obligations are reported on the government-wide statement of net position and are not reported in the funds. As the governmental funds make rental payments for these obligations, the related interest expense and amortization expense are reported in the government-wide statement of activities for the duration of the lease term. | | |
| Principal payments on leases | | 253,274 |
| Subscription based information techology agreement obligations are reported on the government-wide statement of net position and are not reported in the funds. As the governmental funds make payments for these obligations, the related interest expense and amortization expense are reported in the government-wide statement of activites for the duration of the subscription term. | | |
| Principal payments on subscriptions | | 898,544 |
| 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). | | (72,550) |
| Revenues in the Statement of Activities that are unavailable in the funds are reported as deferred revenues in the funds (e.g., past due taxes). | | 549,882 |
| 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 | | (46,897,893) |
| Repayment of Debt Principal | | 11,595,311 |
| 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. | | 81,589 |
| 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. | | 1,095,927 |
| 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. | | 674,613 |
| 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. | | 4,970,991 |
| Change in net position of governmental activities | $ | 64,575,062 |

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

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

General Fund

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

For the Year Ended June 30, 2023

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

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

Proprietary Funds
Statement of Net Position
June 30, 2023

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

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

**COUNTY OF HANOVER, VIRGINIA** **Exhibit 8**

Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2023

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

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

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

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2023

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

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

**COUNTY OF HANOVER, VIRGINIA** **Exhibit 10**

Statement of Fiduciary Net Position

June 30, 2023

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

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

**COUNTY OF HANOVER, VIRGINIA** **Exhibit 11**

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2023

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

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

## I. Summary of significant accounting policies

### A. Reporting entity

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

**Discretely Presented Component Units**

- **School Board:** The County provides education through its own public school system administered by the Hanover County School Board (the School Board or the Schools). The School Board has been classified as a discretely presented component unit in the financial reporting entity because it is legally separate, but financially dependent through appropriations. The Board of Supervisors administers the School Board's appropriation of funds at the category level, approves transfers between categories, authorizes school debt issuances and appoints School Board members. Financial statements of the School Board are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The School Board does not issue separate financial statements.

- **Economic Development Authority:** The Economic Development Authority of Hanover County, Virginia (the EDA) was established by ordinance of the Board pursuant to the Industrial Development and Revenue Bond Act (Chapter 33, Title 15.1, *Code of Virginia* (the Code) of 1950, as amended) so that such authorities may acquire, own, lease and dispose of properties to the end that such authorities may be able to promote industry and develop trade by inducing manufacturing, industrial, governmental and commercial enterprises to locate in or remain in the Commonwealth. Included in the discretely presented component unit EDA are the activities of economic development services. The County appoints the seven board members of the EDA representing each of the seven magisterial districts of the County. By statute, the EDA has the power to cause the issuance of tax-exempt industrial revenue bonds to qualifying enterprises wishing to utilize that form of financing. The County is involved in the day-to-day operations of the EDA, the determination of its operating budget and annual service fee rates and the approval of prospective private activity bond issues. Financial statements of the EDA are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The EDA does not issue separate financial statements.

### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the Primary Government and its component units, exclusive of fiduciary activities. For the most part, the effect of interfund activity has been removed from these financial statements. *Governmental activities,* which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

Other items associated with the current fiscal period, including other local taxes, licenses, certain charges for services, interest associated with the current fiscal period and direct Federal interest subsidies on bonded indebtedness for which applications have been timely submitted are all considered to be susceptible to accrual and so are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available and are recorded as revenues when cash is received.

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

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

Additionally, the County reports the following fund categories:

> *Internal service fund* accounts for self-insurance activities of the County related to employee health insurance, including clinic operations and wellness initiatives.
>
> *Fiduciary funds* consist of the *Retiree Medical Benefits Trust Fund* and *Custodial Funds*. The custodial funds include the *Bell Creek Community Development Authority Fund, the Lewistown Community Development Authority Fund,* and the *Escrow, Special Welfare, and Commonwealth* funds.

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

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

**D. Assets, liabilities, and net position or equity**

***1. Deposits and investments***

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

***2. Receivables and payables***

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

Accounts receivable and property tax receivables are shown net of an allowance for uncollectibles. The accounts receivable allowance for uncollectibles is calculated utilizing a percentage of aged receivables method. The property tax receivable allowance is calculated consistent with criteria established by the Auditor of Public Accounts of the Commonwealth of Virginia (APA), which uses historical collection data, specific account analysis and management's judgment.

The County levies real estate taxes on all real estate within its boundaries, except that exempted by statute. The real estate in the County is assessed each year as of January 1 on the estimated market value of the property. On January 1, the real estate taxes become an enforceable lien on the property. For real estate assessed on January 1, payment is due in two equal installments on June 5 and October 5. The real estate taxes reported as revenue are the second installment (October 5) of the levy on assessed value at January 1, 2022, and the first installment (June 5) of the levy on assessed value at January 1, 2023.

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

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

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

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

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

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

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

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

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

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

The estimated useful lives of capital assets are as follows:

| Assets | Years |
|---|---|
| Buildings | 40 |
| Building improvements | 20 |
| Infrastructure | 30 |
| Durable Equipment | 20 |
| Vehicles, trucks, fire trucks | 5-15 |
| Right-to-Use leases | 3-30 |
| School Buses | 12 |
| Heavy Equipment | 10 |
| Office equipment | 5 |
| Computer equipment | 5 |
| Right-to-use subscriptions | 2-20 |

***6. Compensated absences***

It is the County's policy to permit eligible employees to accumulate earned but unused vacation, compensatory time and sick pay benefits, subject to certain limitations. A liability for unused vacation pay and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of the liability is estimated based on historical leave usage. A liability for those amounts is reported in governmental funds only to the extent the liability has matured: for example, as a result of employee resignations or retirements. Sick leave is accrued under the vesting method, which estimates the expected eligibility of all employees to receive termination payments.

***7. Long-term obligations***

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

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

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

***8. Net position / Fund balances***

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

Fund balances in governmental funds are classified as follows:

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

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

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

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

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

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

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

***9. Deferred Outflows/Inflows of Resources***

The Statement of Net Position reports a separate section for deferred outflows of resources in addition to assets. The County reports deferred outflows of resources for deferred charges on refunding and amounts related to pensions and other postemployment benefits (OPEB) in the government-wide Statement of Net Position in this category. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and recognized over the shorter of the life of the refunded or the refunding debt. Deferred outflows for pensions and OPEB may result from changes in actuarial assumptions, pension and OPEB Trust investment returns that exceed projected earnings, change in the proportionate share of the total liability, actual economic experience that is different than estimated, and pension contributions made subsequent to the measurement date. Changes in deferred outflows of resources, except contributions subsequent to the measurement date, are deferred and recognized over the remaining service life of all plan participants, with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period.

The Statement of Net Position reports a separate section for deferred inflows of resources in addition to liabilities. Deferred inflows of resources in the governmental funds' Balance Sheet represent unavailable revenue for amounts billed and not collected. Deferred inflows of resources in the government-wide Statement of Net Position represent unearned revenues for amounts received in advance of meeting timing requirements or amounts collected in advance of the fiscal year to which they apply.

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

***10. Pension Plans***

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

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

***11. Retiree Medical Benefits Plan and Trust***

The County has established the Hanover County Retiree Medical Benefits Plan a multiple-employer defined benefit plan and related Trust to provide health insurance benefits to the employees and retired employees of the County and other participating employers including the Hanover County School Board, the Pamunkey Regional Library, and the Pamunkey Regional Jail Authority. The Hanover County

Finance Board was established pursuant to the Code §15.2-1547 is responsible for the oversight of the Hanover Retiree Medical Benefits Trust, established pursuant to the Code §15.2-1544, which provides the authority under which benefit terms are established or may be amended. The related Medical Trust OPEB asset, deferred outflows of resources and deferred inflows of resources related to the Medical Trust OPEB Plan, and Medical Trust OPEB expense have been measured and reported in accordance with GAAP as prepared by the County's external actuary. Additionally, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***12. Health Insurance Credit Program***

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

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

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

***13. Group Life Insurance***

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

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

**E. Accounting Pronouncements**

***1. New Accounting Pronouncements***

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

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

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

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information. The County has adopted this Statement in the fiscal year ending June 30, 2023. Details can be found in footnote IV. F.

***2. Future Accounting Pronouncements***

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

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No, 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The County will analyze the Statement's impact on the entity's financial statements and disclosures for adoption in the fiscal year ending June 30, 2024.

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

## II. Reconciliation of government-wide and fund financial statements

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

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

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

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

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

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

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

## III. Stewardship, compliance, and accountability

### A. Budgetary information

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

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

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

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

## IV. Detailed notes on all funds

### A. Deposits and investments

As of June 30, 2023, the County's pooled cash and investments includes $11,784,658 reported by the School Board Component Unit, $1,816,669 reported by the Economic Development Authority and $3,075,799 held on behalf of custodial funds. The Student Activity Funds reported $3,689,578 of deposits. Total pooled cash and investments for the County and amounts separately invested by the Retiree Medical Benefits Trust's Finance Board as of June 30, 2023, were as follows:

(See schedule on following page)

| Investment Type | Fair Value | Credit Quality Rating AAA/AAAm | AA | A | N/R | N/A |
|---|---|---|---|---|---|---|
| Pooled Investments: | | | | | | |
| Cash on hand | $ 4,125 | - | - | - | - | 4,125 |
| Cash deposits | 41,372,060 | - | - | - | - | 41,372,060 |
| Demand and time deposits | 2,942,682 | - | 860,783 | 2,081,899 | - | - |
| Money market mutual funds (AAAm ratings) | 112,779,246 | 112,779,246 | - | - | - | - |
| U.S. government and agency bonds | 51,223,553 | 2,920,464 | 48,303,089 | - | - | - |
| Corporate notes and bonds | 16,741,021 | 651,926 | 13,499,389 | 2,589,706 | - | - |
| Commercial paper | - | - | - | - | - | - |
| LGIP Funds | 133,696,216 | 133,696,216 | - | - | - | - |
| Municipal bonds | 676,329 | 317,573 | 358,756 | - | - | - |
| Total pooled deposits and investments | $ 359,435,232 | 250,365,425 | 63,022,017 | 4,671,605 | - | 41,376,185 |

| Student Activity Funds: | Fair Value | Fund Credit Quality Rating AAAm | N/R | N/A |
|---|---|---|---|---|
| Cash deposits | $ 3,689,578 | - | - | 3,689,578 |
| Total Student Activity Funds deposits | $ 3,689,578 | - | - | 3,689,578 |

| Retiree Medical Benefits Trust: | Fair Value | Fund Credit Quality Rating AAAm | N/R | N/A |
|---|---|---|---|---|
| Mutual funds: | | | | |
| Money market | $ 42,357 | 42,357 | - | - |
| Domestic equity | 2,993,816 | - | - | 2,993,816 |
| International equity | 1,528,068 | - | - | 1,528,068 |
| Fixed income | 2,273,308 | - | - | 2,273,308 |
| Total trust investments | $ 6,837,549 | 42,357 | - | 6,795,192 |

Deposits: Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et seq. of the Code. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon the choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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

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

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

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

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

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

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

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

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

The County's portfolio categorizes its fair value measurements with the fair value hierarchy established by GAAP, based on valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are inputs (other than quoted market prices included within Level 1) that are observable for the asset either directly or indirectly. Level 2 observable inputs can be either prices for similar assets in active markets or prices for identical assets in non-active markets. As of June 30, 2023, deposits and fixed income investments managed by the Treasurer are summarized at fair value and maturity as follows:

(See schedule on following page)

| Investment Type | Fair Value | Investment Maturities (in Years) Less than 1 | 1 to 3 | More than 3 |
|---|---|---|---|---|
| Pooled Investments | | | | |
| Cash on hand | $ 4,125 | 4,125 | - | - |
| Cash deposits | 41,372,060 | 41,370,690 | - | 1,370 |
| Demand and time deposits | 2,942,682 | 2,081,899 | 860,783 | - |
| Money market mutual funds | 112,779,246 | 112,779,246 | - | - |
| U.S. Government and agency bonds | 51,223,553 | 15,178,364 | 33,464,358 | 2,580,831 |
| Corporate notes and bonds | 16,741,021 | 346,160 | 16,394,861 | - |
| LGIP Funds | 133,696,216 | 133,696,216 | - | - |
| Municipal bonds | 676,329 | - | 358,755 | 317,574 |
| Total pooled deposits and investments | $ 359,435,232 | 305,456,700 | 51,078,757 | 2,899,775 |

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

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

Credit Risk: As required by State statute, the County Policy requires that commercial paper have a short-term debt rating of no less than A-1 (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's and Fitch Ratings, and that its maturity may not exceed 270 days and the issuing corporation, or its guarantor must have a net worth of at least $50 million and the issuer's net income must average $3 million for the five previous years.

Corporate notes must have a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. The final maturity shall not exceed a period of 5 years from the time of purchase. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. Negotiable Certificates of Deposit and Bank Deposit Notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service.

The County's rated pooled debt investments as of June 30, 2023 were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization. Deposits and investments not exposed to credit quality risk, as defined by GAAP, are designated as not applicable (N/A) in the credit rating column, and those that are not rated are designated as N/R.

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

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

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

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

The Trust Policy also establishes guidelines for Trust portfolio holdings. Fixed income securities of any one issuer with the exception of the U.S. government and its agencies may not exceed five percent of the total bond portfolio at the time of purchase. The Trust Policy also limits equity holdings of any one issuer to five percent of the total market value of the stock portfolio, requires that no more than twenty-five percent of the total market value of the stock portfolio may be invested in any one industry category, and establishes standards and limits on any non-U.S. equity allocation. The Trust may also invest in mutual funds that are compliant with the Investment Company Act of 1940, with investment objectives and policies consistent, to the extent practical, with the standards and limitations for equity and fixed-income investments contained in the Trust Policy.

Custodial Credit Risk – Deposits: For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. The County's deposits at June 30, 2023 were fully insured under the Virginia Security for Public Deposits Act and are therefore not considered to be subject to custodial credit risk.

Custodial Credit Risk – Investments: For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the reporting entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County Policy requires that all investment securities purchased for the County be held by the County or by the County's designated custodian. If held by a custodian, the securities must be in the County's or in the custodian's nominee name and identifiable on the custodian's books as belonging to the County and the custodian must be a third-party, not a counterparty to the investment transaction. As of June 30, 2023, all of the County's pooled investments were held by the trust department of the County's custodial bank in the County's name. Additionally, all Trust investments were held by the trust department of the Trust's custodial bank in the Trust's name as of June 30, 2023.

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

| Pooled Investments: | Total | 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) |
|---|---|---|---|---|
| Investments by fair value level | | | | |
| U.S. Treasury bonds and notes | $ 43,264,576 | 40,344,112 | 2,920,464 | - |
| U.S. agency securities | 7,958,977 | - | 7,958,977 | - |
| Corporate notes and bonds | 16,741,021 | - | 16,741,021 | - |
| Municipal Bonds | 676,329 | - | 676,329 | - |
| Total investments by fair value | 68,640,903 | 40,344,112 | 28,296,791 | - |
| Investments measured at amortized cost | | | | |
| Demand and time deposits | $ 2,942,682 | | | |
| Money market mutual funds | 112,779,246 | | | |
| LGIP funds | 133,696,216 | | | |
| Total investments by amortized cost | $ 249,418,144 | | | |
| Cash | | | | |
| Cash on hand | $ 4,125 | | | |
| Cash deposits | 41,372,060 | | | |
| Total cash | $ 41,376,185 | | | |
| Total pooled deposits and investments | $ 359,435,232 | | | |

| Student Activity Funds: | Total |
|---|---|
| Cash | |
| Cash deposits | 3,689,578 |
| Total cash | $ 3,689,578 |

| Retiree Medical Benefits Trust: | Total | 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) |
|---|---|---|---|---|
| Investments by fair value level | | | | |
| Fixed income | $ 2,273,308 | - | 2,273,308 | - |
| Domestic equity | 2,993,816 | - | 2,993,816 | - |
| International equity | 1,528,068 | - | 1,528,068 | - |
| Total investments by fair value | $ 6,795,192 | - | 6,795,192 | - |
| Investments measured at amortized cost | | | | |
| Money market mutual fund | $ 42,357 | | | |
| Total pooled deposits and investments | $ 6,837,549 | | | |

## B. Receivables

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

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

The governmental funds' financial statements report *unearned revenues* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The government-wide financial statements report *unearned revenues* in connection with assets which have not yet been earned, including advance health insurance premiums received in the Self-Insurance Fund. Prepaid taxes, taxes receivable that were levied to finance expenditures of the next fiscal year, and the second installment of the 2023 real property tax levy, due on October 5, 2023, are reported as *deferred inflows of resources* at June 30, 2023 in the government-wide financial statements and in the governmental fund financial statements. At June 30, 2023, the various components of governmental activities' *deferred inflows of resources* and *unearned revenues* were as follows:

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

<u>Lease Receivable</u>

The County leases communication space at various sites for cell tower usage. The primary lessees are telecommunication companies, who have entered into five-year leases with the County and have five-year renewal options to extend the total lease to twenty-five years with rental income increasing at the same intervals. A neighboring locality also leases one tower site for their usage with similar five-year extension options. The discount rate used to determine the receivable amount was the average majority prime rate charged by banks on short-term loans, quoted on an investment basis. Lessees are permitted full access to the sites to operate and maintain their equipment as needed. There are no options to purchase the sites at the end of the lease. It is anticipated that the lessees will renew their leases each year, and as such, the County has determined the full amount to be paid over the life of the lease term and the amount to be paid each year.

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

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

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

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

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

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

## C. Capital assets

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

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

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

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

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

Capital assets activity for the School Board Component Unit for the year ended June 30, 2023 was as follows:

| School Board Component Unit activities: | Balance July 1 | Increases | Decreases | Adjustment Assets Held In Tenancy in Common | Balance June 30 |
|---|---|---|---|---|---|
| Capital assets, not being depreciated or amortized: | | | | | |
| Land | $ 7,400,682 | - | - | - | 7,400,682 |
| Construction in progress | 3,830,576 | 14,815,872 | (6,473,794) | - | 12,172,654 |
| Total capital assets, not being depreciated or amortized | 11,231,258 | 14,815,872 | (6,473,794) | - | 19,573,336 |
| Capital assets, being depreciated and amortized: | | | | | |
| Buildings | 175,494,582 | - | - | (21,461,470) | 154,033,112 |
| Improvements other than buildings | 35,884,739 | 4,987,764 | - | - | 40,872,503 |
| Machinery and equipment | 36,385,107 | 1,845,541 | (2,032,619) | 4,033,446 | 40,231,475 |
| Right to use assets | 2,270,644 | 473,602 | (289,984) | - | 2,454,262 |
| Total capital assets, being depreciated and amortized | 250,035,072 | 7,306,907 | (2,322,603) | (17,428,024) | 237,591,352 |
| Less accumulated depreciation and amortization for: | | | | | |
| Buildings | (103,288,171) | (4,234,596) | - | 12,631,250 | (94,891,517) |
| Improvements other than buildings | (9,940,547) | (1,794,417) | - | - | (11,734,964) |
| Machinery and equipment | (26,966,591) | (2,550,558) | 1,914,562 | (3,224,586) | (30,827,173) |
| Right to use assets | (331,703) | (742,880) | 246,779 | - | (827,804) |
| Total accumulated depreciation and amortization | (140,527,012) | (9,322,451) | 2,161,341 | 9,406,664 | (138,281,458) |
| Total capital assets, being depreciated and amortized, net | 109,508,060 | (2,015,544) | (161,262) | (8,021,360) | 99,309,894 |
| **School Board Component Unit capital assets, net** | $ 120,739,318 | 12,800,328 | (6,635,056) | (8,021,360) | 118,883,230 |

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

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

| | |
|---|---|
| **Primary Government:** | |
| Governmental activities: | |
| General governmental administration | $ 1,933,737 |
| Judicial administration | 1,022,072 |
| Public safety | 8,004,944 |
| Public works | 3,097,136 |
| Human services | 226,606 |
| Parks, recreation and cultural | 1,079,774 |
| Community development | 249,941 |
| Education | 4,081,131 |
| Total - governmental activities | 19,695,341 |
| Business-type activities: | |
| Public Utilities | 10,869,995 |
| Airport | 813,710 |
| Total - business-type activities | 11,683,705 |
| **Total depreciation and amortization expense - Primary Government** | $ 31,379,046 |
| **School Board Component Unit:** | |
| Education | $ 9,322,451 |
| Total depreciation and amortization expense - School Board Component Unit | $ 9,322,451 |

*Tenancy in Common* – State legislation passed in 2002 granted the County a tenancy in common with the School Board when the County incurs a financial obligation for school property, which is payable over more than one fiscal year. For financial reporting purposes, School property for which the County is financially obligated is reported by the County in the amount of outstanding obligations. At June 30, 2023, the County had outstanding financial obligations related to the acquisition and construction of school property totaling $56,998,266. Accordingly, school buildings and equipment with a net book value of that amount are reported in the governmental activities of the Primary Government at June 30, 2023. During fiscal year 2023, the County's financial obligations related to school buildings and equipment increased by a net amount of $4,749,089, and accordingly, the net book value of school buildings and equipment reported by the Primary Government increased, and the net book value of buildings and equipment reported by the School Board Component Unit increased by the same amount. Depreciation expense on school buildings and equipment is allocated to the Primary Government and the School Board Component Unit in proportion to the relative cost of the buildings reported by each entity. Accordingly, depreciation of School Board Component Unit capital assets totaled $12,660,702 in fiscal year 2023, of which $4,081,131 is reported by the Primary Government and $8,579,571 is reported by the School Component Unit.

**D. Interfund transfers**

The primary purpose of interfund transfers is to provide funding for operations and capital projects. Transfers from the General Fund are to move funds that are collected in the General Fund to the County and School Improvements Funds to finance capital projects. General Fund transfers to the Debt Service Fund are to fund annual debt service payments on County and School obligations. General Fund transfers to the Airport Fund are to finance capital projects and support operations. Interfund transfers for the year ended June 30, 2023 are as follows:

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

**E. Unearned revenues**

The County has reported unearned revenues of $21.7 million on the Statement of Net Position as of June 30, 2023. Of this amount, $1.4 million is related to revenues received in June 2023 to be recognized for activity occurring in July 2023, and $2.8 million is state categorical aid received in fiscal year 2023 for school improvement projects. The remaining $17.5 million is related to the American Rescue Plan Act of 2021 (ARPA), which were received in May 2021 and must be used for directed uses that include supporting the public health response to COVID-19, supporting small businesses, and improving water, sewer, and broadband infrastructure. Related costs must be incurred by December 31, 2024.

## F. Noncurrent liabilities

The following is a summary of changes in the government-wide noncurrent liabilities of the Primary Government and the School Board Component Unit for the year ended June 30, 2023:

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

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

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

Liability for landfill closure

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

Capacity fee credits

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

General obligation bonds

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

On July 26, 2017, the Virginia Public School Authority issued School Financing Refunding Bonds in which the Primary Government was a participant. The County debt service payments will remain unchanged and the VPSA will issue an annual credit for the return of debt services savings each year from fiscal year 2019 through fiscal year 2032. The credit received in fiscal year 2022 was $17,050 and the total credit savings from this refunding transaction total $220,594. As the County’s local bond was not refunded, there is no defeased debt and no deferred gain or loss recognized in the transaction.

On November 10, 2020, the Virginia Public School Authority issued School Financing Refunding Bonds in which the Primary Government was a participant. The County debt service payments will remain unchanged and the VPSA will issue an annual credit for the return of debt services savings each year from fiscal year 2022 through fiscal year 2026. The credit received in fiscal year 2022 was $9,811 and the credit savings from this refunding transaction total $237,286. As the County's local bond was not refunded, there is no defeased debt and no deferred gain or loss recognized in the transaction.

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

Revenue bonds

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

The County has pledged the sum of its future Public Utilities Fund Operating Income or Loss, prior to depreciation expense, and its Public Utilities Fund Nonoperating Revenues (together "Net Available Revenues") in the approximate amount of $14.5 million as of June 30, 2023, to secure the total remaining debt service requirements of the then-outstanding Public Utilities Water and Sewer Revenue Bonds (Bonds), which have financed various Public Utilities improvements. Based on an estimate of the average net available revenues over the ten-year period ended June 30, 2023 of approximately $14.5 million annually, it is estimated that approximately 5.1 percent of future Utility net available revenues are pledged through fiscal 2032, and will expire in that fiscal year with the final maturity of the current Bonds. However, future water and sewer revenue bonds, which may be issued to finance future utility improvements, will likely contain similar pledges, and future annual net available revenues may differ significantly from the average used in this estimate. In the event of default, the lender may provide prompt, written notice declaring the entire unpaid balance as due and payable. The lender also has the option of applying to the State Aid Intercept Program and request that the Commonwealth withholds its payments to the County to be applied to the defaulted amount as a cure for nonpayment. During fiscal year 2023, pledged net available revenues totaled $14,710,678 and the water and sewer revenue bond debt service requirement was $1,605,072.

The County has also pledged future lease rental income from the airport's fixed base operator (FBO), or successor FBOs, of $571,323 as of June 30, 2023, to secure the then-remaining debt service requirements on the Airport VRA Series 2007 revenue bond (Bond), which financed airport improvements completed in fiscal 2008. This pledge obligates substantially all future FBO rental income through July 1, 2027 and will expire on that date with the final maturity of the Bond. However, future annual net available revenues may differ significantly from the average used in this estimate. In the event of default, the lender may provide prompt, written notice declaring the entire unpaid balance as due and payable. The lender also has the option of applying to the State Aid Intercept Program and request that the Commonwealth withholds its payments to the County to be applied to the defaulted amount as a cure for nonpayment. During fiscal year 2023, pledged rental receipts totaled $269,090 and the debt service requirement was $126,961.

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

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

Airport Revolving Loan

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

The County's pledged future lease rental income is $2,758,733 as of June 30, 2023, to secure the then-remaining debt service requirements on the Airport VRA Series 2019 revenue bond. This pledge obligates substantially all future rental income through February 1, 2040 and expires on the final maturity of the bond. However, future annual Net Available Revenues may differ significantly from the average used in this estimate. During fiscal year 2023, pledged rental receipts totaled $176,666 and the debt service requirement was $162,279.

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

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

County General Obligation Bonds and Revenue Bonds

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

(See schedule on following page)

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

Principal and interest to maturity for the County's governmental activities general obligation bonds and business-type activities revenue bonds outstanding at June 30, 2023, are as follows:

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

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

Infrastructure and State Moral Obligation Revenue Bonds

On May 21, 2014, the Primary Government issued a $19,950,000 Series 2014A subfund revenue bond through the Virginia Resources Authority (VRA) with interest rates between 2.74% and 4.83%. In return for issuing the 2014 VRA Bond, VRA provided the County with a portion of the proceeds realized from its May 2014 pooled financing bond transaction. Amounts required for debt service are deposited into a special fund within the Debt Service Fund and are pledged to secure the local bonds. The obligation for these bonds is to be liquidated by the Debt Service Fund and is subject to annual appropriation. The 2014 VRA Bond was issued to finance the construction of a new courthouse facility.

On August 19, 2015, the Primary Government issued a $21,505,000 Series 2015B subfund revenue bond through the VRA with interest rates between 31.25% and 5.125%. In return for issuing the 2015 VRA Bond, VRA provided the County with a portion of the proceeds realized from its August 2015 pooled financing bond transaction. Amounts required for debt service are deposited into a special fund within the Debt Service Fund and are pledged to secure the local bonds. The obligation for these bonds is to be liquidated by the Debt Service Fund and is subject to annual appropriation. The 2015 VRA Bond was issued to finance the completion of a new courthouse facility and renovations of existing buildings.

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

On November 20, 2019, the Primary Government issued a $11,375,000 Series 2019C subfund revenue bond through the VRA with interest rates between 2.966% and 5.125%. In return for issuing the 2019

VRA Bond, VRA provided the County with a portion of the proceeds realized from its fall 2019 pooled financing bond transaction. Amounts required for debt service are deposited into a special fund within the Debt Service Fund and are pledged to secure the local bonds. The obligation for these bonds is to be liquidated by the Debt Service Fund and is subject to annual appropriation. The 2019 VRA Bond was issued to finance building renovations, parks, recreation and cultural capital projects.

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

Principal and interest to maturity for the Infrastructure and State Moral Obligation Revenue Bonds outstanding at June 30, 2023 are as follows:

| | Governmental Activities | | |
|---|---|---|---|
| Fiscal Year | Principal | Interest | Total |
| 2024 | $ 2,110,000 | 2,277,994 | 4,387,994 |
| 2025 | 2,155,000 | 2,173,753 | 4,328,753 |
| 2026 | 2,210,000 | 2,065,275 | 4,275,275 |
| 2027 | 2,260,000 | 1,953,231 | 4,213,231 |
| 2028 | 2,310,000 | 1,840,476 | 4,150,476 |
| 2029-2033 | 12,265,000 | 7,649,405 | 19,914,405 |
| 2034-2038 | 13,645,000 | 5,028,738 | 18,673,738 |
| 2039-2043 | 11,590,000 | 2,429,714 | 14,019,714 |
| 2044-2048 | 5,845,000 | 350,373 | 6,195,373 |
| Totals | $ 54,390,000 | 25,768,959 | 80,158,959 |

Conduit Debt Obligations

The EDA is empowered by the Commonwealth of Virginia to issue Industrial Revenue Bonds (IRBs) on behalf of businesses relocating to or expanding their operations within the County. Principal and interest on the IRBs are paid entirely by the businesses. Neither the EDA nor the County guarantees the repayment of principal or interest to the bondholders, and the debt is not a pledge of the faith and credit of the EDA or the County. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2023, the principal amounts outstanding on these IRBs totaled approximately $84.2 million.

Support Agreement

On March 23, 2011, the EDA issued Revenue and Refunding Bonds, Series 2011 (EDA Bonds) with interest rates between 2.0% and 5.0% in the amount of $17,260,000, of which $2,205,000 consisted of new debt for the acquisition and build-out of a building to be used by the Community Services Board, the Social Services Department, and the Registrar's Office and $15,055,000 was used to refund existing County general obligation school bonds and water and sewer revenue bonds. The original issue premium of $681,656 is amortized over the life of the bonds. On March 1, 2011, the County and the EDA entered into a Support Agreement, which obligates the County to make support payments on behalf of the EDA on a periodic basis in an amount equal to the debt service on the bonds. The EDA Bonds are limited obligations of the EDA, payable solely from payments made by the County, pursuant to the Support Agreement. Neither the EDA Bonds nor the Support Agreement are general obligation debt of the County and payments made pursuant to the Support Agreement are subject to annual appropriation by the Board. Support principal and interest payments of $248,075 were paid by the County during the fiscal year ended June 30, 2022.

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

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

Notes Payable

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

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

The balance of capital assets, net of accumulated depreciation, and the principal and interest payments as of June 30, 2023, are as follows:

(See schedule on following page)

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

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

Defeasance of debt

In prior years, the County defeased certain outstanding bonds by placing the proceeds of newly issued bonds in irrevocable escrow funds to provide for all future debt service payments on the old bonds. Accordingly, the escrow fund assets and the liabilities for the defeased bonds are not included in the accompanying financial statements. At June 30, 2023, the County had general obligation bonds that were outstanding but considered defeased totaling $1,145,000 and Public Utilities had revenue bonds that were outstanding, but considered defeased totaling $7,660,000.

Lease Obligations

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

The leased assets are presented as right-to-use assets on the Statement of Net Position and in footnote IV.C. for Capital assets and the lease obligations are outlined in footnote IV.F. for Noncurrent liabilities. As stated rates were unavailable in the lease agreements, the discount rate used to determine the liability amount was the County's incremental borrowing rate at the beginning of the lease term. The value of the underlying assets and the annual requirements to maturity relating to leases at June 30, 2023 are as follows:

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

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

Subscription Obligations

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

Subscription assets are presented as right-to-use assets on the Statement of Net Position and in footnote IV.C. for Capital assets and the lease obligations are outlined in footnote IV.F. for Noncurrent liabilities. As stated rates were unavailable in the subscription agreements, the discount rate used to determine the liability amount was the County’s incremental borrowing rate at the beginning of the subscription term. The value of the underlying assets and the annual requirements to maturity relating to subscriptions at June 30, 2023 are as follows:

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

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

## V. Other information

### A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries insurance through commercial carriers or through the Virginia Municipal Liability Pool. The County carries commercial insurance for all risks of loss including property, theft, auto liability, general liability, line of duty, cyber and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the past three years. There was no reduction in insurance coverage during fiscal year 2022. All claims are paid in accordance with policy coverage in effect at the time. In addition, the County provides various surety bond coverage as required under regulations, generally at industry-recommended levels.

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

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

| Fiscal Year | Payable (Prepaid) Beginning of Year | Claims and Other Charges Processed | Claims and Benefit Payments | Payable (Prepaid) End of Year | Incurred But Not Reported |
|---|---|---|---|---|---|
| 2022 | $ - | 40,666,987 | 40,666,987 | - | 1,865,770 |
| 2023 | $ - | 41,018,375 | 41,018,375 | - | 2,512,279 |

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

### B. Fund Balance Classifications

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

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

## C. Commitments and contingent liabilities

Other commitments

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

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

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

Encumbrances

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

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

Contingent liabilities

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

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

**D. Joint ventures**

**Capital Region Airport Commission:** The Capital Region Airport Commission (Airport Commission) was established in 1975 by an Act of the Virginia General Assembly. The Airport Commission owns and operates Richmond International Airport (Airport). The Airport Commission is governed by 14 Commissioners, with four members each being appointed by the City of Richmond, County of Henrico and County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The Airport Commission generates its revenues from service charges to users of the Airport facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Airport Commission submit an annual budget showing estimated revenues and estimated expenditures to the governing bodies of the localities for their approval. After approval of the proposed budget by the governing bodies, if the Airport Commission's budget contains estimated expenditures that exceed estimated revenues, the governing bodies are required to fund the deficit in proportion to their pro rata financial basis in the Airport Commission. The pro rata basis is to be determined by the percentage of the population of each locality to the combined total population of all participating localities according to the most recent census, with Hanover County's pro rata share approximating 10.6%. If actual revenues are less than estimated revenues identified in the budget (resulting in a deficit), the localities may, at their discretion, appropriate funds necessary to fund the deficit. To date, the County has not been required to fund any deficit. Complete financial statements for the Airport Commission can be obtained from the Chief Financial Officer, 1 Richard E. Byrd Terminal Drive, Suite A, Richmond International Airport, Richmond, VA 23250-2400.

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

The GRCCA was created for the purpose of acquiring, constructing, equipping, maintaining, and operating a regional convention center facility. In August 1996, each locality designated future revenue from the transient occupancy tax for expansion of the convention center. The GRCCA issued $158,415,000 in Hotel Tax Revenue Bonds, which are secured by an eight percent transient occupancy tax imposed and collected by the localities. The County made an expenditure of $1,448,044 for transient occupancy tax to the GRCCA during fiscal year 2023. Complete financial statements for the GRCCA can be obtained from Chesterfield County, Accounting Department, 9901 Lori Road, Chesterfield, Virginia 23832.

**Dominion Energy Innovation Center:** The Dominion Energy Innovation Center (DEIC), formally known as Dominion Resources GreenTech Incubator, a Virginia non-profit, non-stock corporation, was created in 2009, under authority granted by the Virginia General Assembly to the Virginia Biotechnology Research Partnership Authority, pursuant to an Agreement between the County, the Town of Ashland (Town), their respective economic development authorities, the Virginia Biotechnology Research Partnership Authority (Authority) and the Virginia Biosciences Development Center, Inc. The DEIC's governing structure consists of a Board of Directors of up to seven members, including the executive director of the Authority, a representative designated by each of Hanover County and the Town and up to four additional representatives as initially determined by the Authority, selected from a representative of the lead corporate sponsor, a representative of the other sponsors, and other outside directors.

The DEIC was created to encourage new business formation primarily in the areas of clean, "green" and energy conservation technologies within the County, by incubating member companies via the provision of affordable facilities, assistance with strategic business planning, access to business advisory boards, introduction to potential sources of investment capital, and other benefits. Under the Agreement and subject to annual appropriation, beginning in fiscal year 2010, the County and EDA have agreed to provide $80,000, prorated annually for each of the first five years, to cover start-up costs and have also agreed to contribute amounts necessary to cover the costs of materials and labor for tenant improvements in the space leased by DEIC. In fiscal year 2015, the County renewed its commitment to this partnership for another three years. The Participants are committed to ensuring the long-term financial viability of DEIC, without the requirement for major cash subsidies after the first five years of operation. During fiscal year 2023, the EDA contributed $18,000. Neither the County nor EDA have any ongoing financial interest in DEIC. Annual audited financial statements are available from DEIC at 201 Duncan Street, Ashland, VA 23005.

**CodeRVA Regional High School:** CodeRVA Regional High School (CodeRVA) was established pursuant to Section 22.1-26 of the *Code of Virginia* and Regulation of the Virginia Board of Education. CodeRVA provides an innovative program of studies for students from fifteen participating school divisions to graduate with a high school diploma and opportunities for extended internships, industry credentialing, and completion of an associate's degree in computer science. The governing structure consists of one member elected or appointed from the Hanover County Public Schools Board and each of the other partnering school boards. The CodeRVA school board powers and duties include adopting bylaws and policies, establishing and managing business property, affairs and operations, and approving CodeRVA's annual budget. Each participating school board is required to commit to a minimum number of allocated student slots and are required to pay the tuition of the minimum number of slots. Tuition payments are payable July 15 of the new fiscal year. During the fiscal year 2023, the School Board paid tuition in the amount of $337,600. Additional information is available from CodeRVA Regional High School at 1405 Cummings Drive, Suite 10, Richmond, VA 23220.

### E. Jointly governed organizations

**<u>Pamunkey Regional Library</u>:** The Pamunkey Regional Library (Library) is a political subdivision of the Commonwealth of Virginia and is governed by a separate Board of Trustees, appointed for specific terms of office by the Boards of Supervisors of the counties to which it provides library services, including the Counties of Hanover, Goochland, King William, and King and Queen. Management and accountability for fiscal matters rest with the Library's Board, of which the County appoints four of the ten members. The Library receives contributions from the participating counties, but invests its own funds and formulates and approves its own budget. The County does not bear any direct or indirect liabilities for the operation of the Library, and has no equity interest in it. In fiscal year 2023, the County contributed a total of $3,525,795 to the Library's operations. Complete financial statements for the Library can be obtained from the Director's office at 7443 Lee Davis Road, Suite 300, Mechanicsville, Virginia 23111.

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

The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the County is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail Authority. The County, which typically provides a majority of the inmates to the facility, made per diem contributions totaling $4,963,993 in fiscal year 2023. Complete financial statements for the Jail Authority can be obtained from the Jail Superintendent's office at P.O. Box 510, Hanover, Virginia 23069.

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

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

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

**Central Virginia Waste Management Authority:** The Central Virginia Waste Management Authority (Waste Authority) was established under the provisions of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George; the Cities of Colonial Heights, Hopewell, Petersburg and Richmond; and the Town of Ashland. The 19 member board is comprised of no less than one and no more than three members from each of the participating jurisdictions, determined on a population basis. The County has two representatives serving on the Waste Authority's Board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Twenty-two subdivisions in the County participate in the Waste Authority's curbside recycling program. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest in the Waste Authority. The County's fiscal year 2023 payments to the Waste Authority totaled $466,612. Complete financial statements can be obtained from the Waste Authority at 2100 West Laburnum Avenue, Suite 105, Richmond, Virginia 23227.

**Greater Richmond Partnership:** The Greater Richmond Partnership, Inc. (GRP) serves the Counties of Chesterfield, Hanover and Henrico, and the City of Richmond by seeking to enhance economic development in the participating localities. The County has two representatives serving on GRP's Board of Directors. During fiscal year 2023, the County made payments to the GRP totaling $385,000. Complete financial statements can be obtained from GRP's office at 800 E. Canal Street, Ste. 925, Richmond, Virginia 23219.

**Richmond Region Tourism:** The Richmond Metropolitan Convention and Visitors Bureau (RMCVB) serves the Counties of Chesterfield, Hanover, Henrico, New Kent, Town of Ashland, and the Cities of Richmond and Colonial Heights by promoting conventions and tourism in the participating localities. The County has two representatives serving on RMCVB's Board of Directors, and made fiscal year 2023 contributions to RMCVB totaling $193,927. Complete financial statements can be obtained from the RMCVB's office at 401 North 3rd Street, Richmond, Virginia 23219.

**PlanRVA The Regional Commission**: The PlanRVA the Regional Commission, formally known as the Richmond Regional Planning District Commission, is a regional planning agency serving the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The primary functions of the Commission are to promote regional cooperation; coordinate the activities and policies of member local governments; resolve service delivery problems involving more than one government within the region and provide planning assistance to local governments. In accordance with its Charter, the PlanRVA promotes the orderly physical, social and economic development of the region through planning and encouraging local governments to plan for the future. The County paid member dues to PlanRVA totaling $61,448 in fiscal year 2023. Complete financial statements can be obtained from PlanRVA at 424 Hull Street, Suite 300, Richmond, Virginia 23234.

**F. Defined benefit pension plans – Virginia Retirement System**

***Pension Plans***

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

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

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

Pension Plan Data - Information about the VRS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Financial Report (Annual Report) and GASB 68 Report. A copy of the 2022 VRS Annual Report and GAAP Pension Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

***VRS Plan Description***

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

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

***VRS Plan 1 and Plan 2***

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

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

<u>Contributions:</u> 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.

<u>Creditable Service:</u> 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.

<u>Vesting:</u> 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.

<u>Benefit Calculations:</u> The Basic Benefit is calculated based on a formula using the member's average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this Basic Benefit if the member retiring with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

For Plan 1, a member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. The Plan 1 retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%, and the multiplier for hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. The Board elected to provide the higher retirement multiplier (1.85%) to all eligible employees in hazardous duty positions as described in the Code Section 51.1-138.

Under Plan 1, the normal retirement age is 65, with a provision of age 60 for hazardous duty members. The earliest unreduced retirement can occur at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. For hazardous duty employees, the earliest unreduced eligibility is at age 60 with at least five years of credible service or age 50 with at least 25 years of credible service. The earliest reduced retirement can occur at age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees can receive a reduced retirement benefit as early as age 50 with at least five years of credible service.

For Plan 2, a member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. The service retirement multiplier factor is the same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier for non-hazardous duty employees is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. The retirement multiplier for Sheriffs and regional jail superintendents is 1.85%, the same as Plan 1. The retirement multiplier for hazardous duty employees is 1.70% or 1.85% as elected by the employer, the same as under Plan 1.

Under Plan 2, the normal retirement age is consistent with the normal Social Security retirement age. The earliest unreduced retirement can occur at normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. The earliest reduced retirement can occur at Age 60 with at least five years (60 months) of creditable service.

<u>Cost-of-Living Adjustment (COLA) in Retirement:</u> 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.

<u>Disability Coverage:</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% under Plan 1 and 1.65% under Plan 2 on all service, regardless of when it was earned, purchased or granted.

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

purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

***Hybrid Plan***

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

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

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

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

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

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

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

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

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

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

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

Distribution is not required, except as governed by law.

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

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

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

The normal retirement age is consistent with the normal Social Security retirement age, with a provision that members are eligible to receive distributions upon leaving employment, subject to restrictions. The earliest member unreduced retirement can occur at normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Members may retire as early as age 60 with at least five years (60 months) of creditable service. The COLA in retirement terms is consistent with the provisions noted for Plan 2.

Disability Coverage: Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (the VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under the VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service: Considerations are the same as noted under Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

***Agent Multiple-Employer Plan***

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

(See schedule on following page)

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

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

The contractually required employer contribution rates for the County and for the School Board's non-professional employee group for the fiscal year ended June 30, 2023 were 11.59% and 0.0%, respectively, of their annual covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $9,058,225 and $7,366,936 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions from the School Board's non-professional group were $0 and $45,421 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability and Asset
The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GAAP, less that employer's fiduciary net position. At June 30, 2023, the County reported a net pension liability of $15,904,828 and the School Board's non-professional group reported a net pension asset of $5,777,600. The total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions – General and Public Safety Employees
The total pension liability was measured as of June 30, 2021 for general employees of the County, School Board non-professional group, and the County public safety employees, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

(See schedule on following page)

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

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

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

## Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY12 or 100% of the actuarially determined employer rate from the June 30, 2021, actuarial valuations, whichever is greater. From July 1, 2022 on, participating employers and employees are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability/(Asset) (County)

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

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

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

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

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

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

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

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

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

$9,058,225 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in future reporting periods as follows:

| Year ended June 30 | |
|---|---|
| 2024 | $ (32,995) |
| 2025 | (1,666,085) |
| 2026 | (6,400,498) |
| 2027 | 4,664,791 |
| 2028 | - |
| Thereafter | - |
| Total | $ (3,434,787) |

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (School Board non-professional group)

For the year ended June 30, 2023, the School Board non-professional group recognized pension expense of ($851,656). At June 30, 2023, the School Board non-professional group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ - | $431,710 |
| Changes of assumptions | 35,912 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,018,107 |
| Total | $35,912 | $1,449,817 |

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

| Year ending June 30 | |
|---|---|
| 2024 | $ (787,602) |
| 2025 | (408,719) |
| 2026 | (679,320) |
| 2027 | 461,736 |
| 2028 | - |
| Thereafter | - |
| Total | $ (1,413,905) |

***Cost-Sharing Multiple-Employer Plan***

Contributions

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

Each school division's contractually required contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were $19,248,273 and $18,107,471 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

Net Pension Liability

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

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

For the year ended June 30, 2023, the School Board's professional group recognized pension expense of $4,791,668. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation. At June 30, 2023, the School Board's professional group reported deferred outflows of resources and deferred inflows of resources related to pensions form the following sources:

(See schedule on following page)

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

$19,248,273 reported as deferred outflows of resources related to pensions resulting from the School Board's professional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year ending June 30**

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

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

(See schedule on following page)

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

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

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

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GAAP, less the System's fiduciary net position. As of June 30, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | Teacher Employee Retirement Plan |
|---|---|
| Total Pension Liability | $ 54,732,329 |
| Plan Fiduciary Net Position | 45,211,731 |
| Employers' Net Pension Liability | $ 9,520,598 |
| | |
| Plan Fiduciary Net Position as a Percentage of the Total Plan Liability | 82.61% |

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

Long-Term Expected Rate of Return

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the employer for the cost-sharing plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

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

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

### *a. Summary of significant accounting policies*

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

Valuation of investments – All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2023. Securities without an established market are reported at estimated fair value.

### *b. Plan description, contribution and funding information*

Membership - The Plan covers all employees of the reporting entity and its Affiliates (Employers) who retire and meet certain eligibility requirements. For the most recent biennial actuarial valuation dated as of June 30, 2022, the Plan membership at February 1, 2023 consisted of the following:

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

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

Retirees under the Plan may select from the health care plans offered to active employees and pay the health insurance premium rate established annually based on biennial actuarial analysis of the claims cost of the retiree group, net of the applicable subsidy established by the Plan. Depending upon the health care plan selected, the net retiree premium amounts range from $481 to $1,290 per month for those electing retiree-only coverage, and from $1,363 to $3,869 per month for family coverage. Costs of administering the Plan will be borne by the Trust or by the Employers.

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

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

Each year the Trust Board determines whether there should be any withdrawals or contributions made to the Trust. During the year ended June 30, 2023, the Trust Board did not make any withdrawals or contributions to the Trust.

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

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

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

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

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

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

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

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

In the February 1, 2023 actuarial valuation, the Entry-Age Normal Actuarial Cost Method was used calculated on an individual basis with level percentage of payroll. The actuarial assumptions included a 6.5% annual investment rate of return (net of administrative expenses) and a payroll increase assumption of 2.50%. The liability is being amortized as a level percentage of projected payroll on a closed basis over fourteen years.

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

The assumed inflation rate is 2.5%. The long-term expected rate of return of OPEB plan investments net of inflation is 4.70% on Domestic Equities, 6.00% on International Developed Equities, International Emerging Market Equities, 5.40% on International Emergency Markets Equities, 2.00% on Core Fixed, 3.00% on Investment Grade Corporate Debt, 4.40% on Emerging Market Debt, and 5.00% on High Yield Investments.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.5%. This is the expected rate of return on trust assets. During its February 2020 meeting, the OPEB Trust Board established this 6.5% rate (not adjusted for inflation) as the long-term target rate for the Plan over a rolling five-year period. Previously the discount rate was 7.0%, unchanged since the Plan's inception. The OPEB Trust Board reviews annual feasibility studies performed by the Plan's investment consultant to consider the ongoing appropriateness of the target rate and whether a change should be considered. No changes were made to the 6.5% rate in the year ended June 30, 2023.

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

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate - The following presents the total OPEB liability and net pension asset for the OPEB plan for the June 30, 2023 valuation using the discount rate of 6.5%, as well as what their net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

(See schedule on following page)

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

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

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

Changes in Net OPEB Asset **-** The related change in the Net OPEB Asset for the County and School Board for the measurement date of June 30, 2023 are outlined as follows:

*Changes in Net OPEB Asset (County)*

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

*Changes in Net OPEB Asset (School Board)*

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

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate - The following presents the net OPEB asset of the County and School Board at June 30, 2023 (with a measurement date of June 30, 2022, using the discount rate of 6.5%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1% point lower (5.5%) or 1% point higher (7.5%) than the current rate:

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

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (County) – For the year ended June 30, 2023, the County recognized OPEB expense of ($150,117), including ($140,149) for the Primary Government, ($9,803) for public utilities, and ($165) for the airport. At June 30, 2022, the County reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $66 | $554,514 |
| Changes of assumptions | 24,083 | 144,017 |
| Net difference between projected and actual earnings on OPEB plan investments | 125,535 | - |
| Change in proportion | 10,455 | 114,773 |
| Employer contributions subsequent to the measurement date | 84,204 | - |
| Total | $244,343 | $813,304 |

$84,204 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the County portion of the OPEB plan will be recognized in the County OPEB expense in the future reporting periods as follows:

| Year ending June 30 | |
|---|---|
| 2024 | $ (139,057) |
| 2025 | (126,875) |
| 2026 | (128,444) |
| 2027 | (17,851) |
| 2028 | (141,945) |
| Thereafter | (98,993) |
| Total | $ (653,165) |

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (School Board) – For the year ended June 30, 2023, the School Board recognized OPEB expense of ($174,260). At June 30, 2023, the School Board reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $95 | $812,213 |
| Changes of assumptions | 35,276 | 210,944 |
| Net difference between projected and actual earnings on OPEB plan investments | 183,876 | - |
| Change in proportion | 154,969 | 23,880 |
| Employer contributions subsequent to the measurement date | 123,336 | - |
| Total | $497,552 | $1,047,037 |

$123,336 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2024. Amounts reported as deferred inflows of resources related to the School Board portion of the OPEB plan will be recognized in the School Board OPEB expense in the future reporting periods as follows:

| Year ending June 30 | |
|---|---|
| 2024 | $ (158,063) |
| 2025 | (140,214) |
| 2026 | (142,510) |
| 2027 | 32,535 |
| 2028 | (149,234) |
| Thereafter | (115,335) |
| Total | $ (672,821) |

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

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

***Political Subdivision HIC Program***

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

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

Benefit Amounts: The Political Subdivision HIC Program provides the following benefits for eligible employees:

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

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

Employees Covered by Benefit Terms: As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

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

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the Code, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County's contractually required employer contribution rate for the year ended June 30, 2023 was 0.19% of covered employee compensation. The School Board's contractually required employer contribution rate for its non-professional employees for the year ended June 30, 2023 was 0.94% of covered employee compensation. These rate were based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Political Subdivision HIC Program were $96,580 and $89,145 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions from the School Board to the Political Subdivision HIC Program were $53,847 and $36,717 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net HIC OPEB liability

The net HIC OPEB liability for the County and School Board non-professional group was measured as of June 30, 2022. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

(See schedule on following page)

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

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

*Changes in Net OPEB - HIC Liability (County Employees)*

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

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

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

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

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

| | **1% Decrease (5.75%)** | **Discount Rate (6.75%)** | **1 % Increase (7.75%)** |
|---|---|---|---|
| County Employees | | | |
| Net HIC OPEB Liability | $ 827,806 | $ 655,041 | $ 509,201 |
| School Board Non-Professional Employees | | | |
| Net HIC OPEB Liability | $ 668,925 | $ 608,462 | $ 556,306 |

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

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

(See schedule on following page)

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

$96,580 reported as deferred outflows of resources related to the HIC OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

(See schedule on following page)

**Year ended June 30**

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

<u>HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB (School Board non-professional group)</u>
For the year ended June 30, 2023, the School Board recognized HIC Program OPEB expense $67,328. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $30,566 |
| Change in assumptions | 115,278 | - |
| Net difference between projected and actual earnings on HIC plan investments | 1,277 | - |
| Employer contributions subsequent to the measurement date | 53,847 | - |
| Total | $170,402 | $30,566 |

$53,847 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

**Year ended June 30**

| | | |
|---|---|---|
| 2024 | $ | 26,554 |
| 2025 | | 26,554 |
| 2026 | | 24,487 |
| 2027 | | 8,394 |
| 2028 | | - |
| Thereafter | | - |
| Total | $ | 85,989 |

***Teacher Employee Health Insurance Credit Program***

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

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

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

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

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

HIC Program Notes: The monthly health insurance credit benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Contributions: The contribution requirement for active employees is governed by §51.1-1401(E) of the Code, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the VRS Teacher Employee HIC Program were $1,462,471 and $1,369,725 for the years ended June 30, 2023 and June 30, 2022, respectively.

Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee HIC Program OPEB
At June 30, 2023, the School Board reported a liability of $15,170,669 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2022 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was

determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The School Board's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the School Board's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion of the VRS Teacher Employee HIC Program was 1.21458% as compared to 1.18956% at June 30, 2021.

For the year ended June 30, 2023, the School Board recognized VRS Teacher Employee HIC Program OPEB expense of $1,119,186. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $618,380 |
| Net difference between projected and actual earnings on Teacher HIC plan investments | - | 15,227 |
| Change in assumptions | 443,213 | 38,741 |
| Changes in proportionate share | - | 279,412 |
| Employer contributions subsequent to the measurement date | 1,462,471 | - |
| Total | $1,905,684 | $951,760 |

$1,462,471 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

| Year ending June 30 | |
|---|---|
| 2024 | $ (139,522) |
| 2025 | (132,212) |
| 2026 | (120,048) |
| 2027 | (44,410) |
| 2028 | (61,980) |
| Thereafter | (10,375) |
| Total | $ (508,547) |

Actuarial Assumptions: The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

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

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

Net Teacher Employee HIC OPEB Liability: The Net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

| | Teacher Employee HIC OPEB Plan |
|---|---|
| Total Teacher Employee HIC OPEB Liability | $ 1,470,891 |
| Plan Fiduciary Net Position | 221,845 |
| Teacher Employee net HIC OPEB Liability | $ 1,249,046 |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | 15.08% |

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

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

(See schedule on following page)

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

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

Discount Rate: The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

| | **1% Decrease (5.75%)** | **Discount Rate (6.75%)** | **1 % Increase (7.75%)** |
|---|---|---|---|
| School Board's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net Pension Liability | $ 17,097,518 | $ 15,170,669 | $ 13,537,328 |

Teacher Employee HIC OPEB Fiduciary Net Position: Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2022 annual report, which may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## I. Group Life Insurance Program - Virginia Retirement System

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

***Group Life Insurance Program***

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

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

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

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

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

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

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

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

Minimum Benefit Amount and Cost-of-Living Adjustment: For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,984 as of June 30, 2023.

Contributions: The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. The County and School Board have elected to pay the entire 1.34% rate. The employer component of contributions (.54% rate) to the GLI Program from the County were $419,701 and $393,383 for the years ended June 30, 2023 and June 30, 2022, respectively. The employer component of contributions to the GLI Program from the Schools for the professional group were $649,395 and $608,979 for the years ended June 30, 2023 and June 30, 2022, respectively. The employer component of contributions to the GLI Program from the Schools for the non-professional group were $31,073 and $27,186 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (County): At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $321,918 | $163,089 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 254,020 |
| Change in assumptions | 151,628 | 395,974 |
| Changes in proportion | 64,920 | 10,901 |
| Employer contributions subsequent to the measurement date | 419,701 | - |
| Total | $958,167 | $823,984 |

$419,701 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's employer portion of contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year ending June 30 | |
|---|---|
| 2024 | $ (40,741) |
| 2025 | (50,583) |
| 2026 | (197,706) |
| 2027 | 30,950 |
| 2028 | (27,438) |
| Thereafter | - |
| Total | $ (285,518) |

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board professional group): At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB for its professional group from the following sources:

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

$649,395 reported as deferred outflows of resources related to the GLI OPEB resulting from the School Board professional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year ending June 30 | |
|---|---|
| 2024 | $ (151,966) |
| 2025 | (141,175) |
| 2026 | (337,568) |
| 2027 | 43,936 |
| 2028 | (25,311) |
| Thereafter | - |
| Total | $ (612,084) |

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (School Board non-professional group): At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB for its non-professional group from the following sources:

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

$31,073 reported as deferred outflows of resources related to the GLI OPEB resulting from the School Board non-professional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year ending June 30 | |
|---|---|
| 2024 | $ (21,552) |
| 2025 | (14,922) |
| 2026 | (22,937) |
| 2027 | (4,777) |
| 2028 | (5,156) |
| Thereafter | - |
| Total | $ (69,344) |

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

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

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

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

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

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

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

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

Net GLI OPEB Liability

The Net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

| | **Group Life Insurance OPEB Program** |
|---|---|
| Total GLI OPEB Liability | $3,672,085 |
| Plan Fiduciary Net Position | 2,4467,989 |
| Employers' Net GLI OPEB Liability | $1,204,096 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 67.21% |

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

Long-Term Expected Rate of Return

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

(See schedule on following page)

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the County and School Board's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate as shown on the following page:

| | 1% Decrease (5.75%) | Discount Rate (6.75%) | 1 % Increase (7.75%) |
|---|---|---|---|
| County's proportionate share of the GLI Program Net OPEB Liability | $ 5,915,444 | $ 4,065,270 | $ 2,570,077 |
| School Board professional group's proportionate share of the GLI Program Net OPEB Liability | $ 9,151,400 | $ 6,289,116 | $ 3,975,999 |
| School Board non-professional group's proportionate share of the GLI Program Net OPEB Liability | $ 408,590 | $ 280,795 | $ 177,520 |

Group Life Insurance Program Fiduciary Net Position

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

## J. Tax abatements

**Speculative Building Strategy**

Hanover County and the Hanover County Economic Development Authority have adopted a strategy granting a partial real property tax incentive for certain new commercial or industrial structures to encourage development within the County. This strategy is established under the authority of the Board of Supervisors, which approves agreements individually based on the County's speculative building guidelines. Upon approval, the applicant must obtain a land disturbance permit and building permit. At the beginning of each calendar year after issuance of a building permit, the applicant shall notify the County of the amount of real property tax paid for the previous calendar year. The County agrees to disburse funds to the applicant in an amount equal to the real property incremental tax increase. The obligation of the County to disburse funds shall be reduced proportionately by the percentage of floor area leased by the applicant. The agreement may terminate upon the earliest of several conditions, including the sale of the property to another party, the date upon which the entire building is leased by the applicant, or a set time period from the date of the issuance of an early land disturbance permit. Because real property taxes are not abated until after improvements have been made, there are no provisions for recapturing abated taxes. In fiscal year 2023, there were no tax abatement payments relating to the Speculative Building Program. No other commitments are made by the County as part of these agreements.

**Commonwealth's Development Opportunity Fund**

The County participates in grants through the Commonwealth's Development Opportunity Fund (COF) under the authority provided by the Code of Virginia §2.2-115, whereby the County enters into agreements with the Economic Development Authority, the Virginia Economic Development Partnership Authority and an individual business taxpayer, to encourage growth that provides significant economic benefits to the County in terms of capital investment and job creation. As part of the grant's local matching requirements, the County agrees to rebate a portion of the increase in real property and(or) personal property taxes, provided the taxpayer meets certain performance measures, which typically include a minimum capital investment and the creation of a minimum number of full-time jobs sustained over a certain period of time. Each performance agreement specifies the duration of the tax abatement period and other terms or conditions that may apply to the agreement. The County received $1,950,000 in COF grants in connection with the performance agreement with 819 Virginia, LLC dated July 25, 2018, with a performance date of March 31, 2023, and $2,350,000 in COF grants in connection with the performance agreement with Wegmans Food Markets Inc. dated December 11, 2019, with a performance date of December 31, 2026. The County expects to remit this COF award of $1,950,000 to 819 Virginia, LLC in fiscal year 2024, upon verification that the performance measures have been satisfied, at which point the County will determine the amount of local tax rebate based on capital investments in real property and tangible personal property. There were no tax rebates paid in fiscal year 2023.

## K. Special assessments and tax increment commitment

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

On September 25, 2002, the Board of Supervisors adopted an ordinance authorizing the levy of Special Assessments on abutting property within the boundaries of the District. On February 5, 2003, the Bell Creek CDA issued its $12,135,000 Special Assessment Bonds, Series 2003A (the "2003A Bonds") and its $3,845,000 Special Assessment Bonds, Series 2003B (the "2003B Bonds" and together with the 2003A Bonds, the "2003 Bonds"), in accordance with the provision of Article 6 of Chapter 51 of Title 15.2 of the Code, as amended. The 2003 Bonds were issued to finance the acquisition and construction of certain infrastructure improvements to benefit the District. Neither the faith and credit of the Bell Creek CDA, nor the faith and credit of the County, are pledged to the payment of the principal of or interest on the 2003 Bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2023, the total 2003 Bonds outstanding were $821,270. The Bell Creek CDA is obligated to make all debt service payments on the 2003 Bonds.

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

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

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

  By ordinances adopted by the Board on May 9, 2007 and March 23, 2011, the Board authorized the levy of Special Assessments on abutting property within the bounds of the District. On October 23, 2007, the Lewistown CDA issued $37,675,000 of Revenue Bonds, Series 2007 (2007 Bonds) in accordance with the provisions of Article 6 of Chapter 51 of Title 15.2 of the Code. The 2007 Bonds were issued to finance the acquisition of certain land and the construction of certain infrastructure improvements to benefit the District, in accordance with a Development/Acquisition Agreement dated September 1, 2007. In August 2014, the 2007 Bonds were redeemed in full as the Lewistown CDA restructured and replaced the Series 2007 Bonds. The 2014 Bonds, issued in three series, replaced the original 2007 Bonds and modified the pledged revenue, collection of incremental taxes from the County, and modified the maturity dates, with Series A and B maturing March 1, 2044 and Series C maturing on March 1, 2054. The Lewistown CDA's most recently issued financial statements indicate that the Amended 2014

Bonds outstanding totaled $41,135,015 as of June 30, 2023. The Lewistown CDA is obligated to make all debt service payments on the Amended 2014 Bonds, in accordance with the revised Indenture of Trust. The principal of and the interest on the Amended 2014 Bonds are not deemed to constitute a pledge of the faith and credit of the County, and neither the faith nor credit of the Lewistown CDA, nor the faith and credit of the County are pledged to the payment of the principal of or interest on the Amended 2014 bonds.

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

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

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

# SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

## (Unaudited)

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

**Virginia Retirement System-Pension Plan - Primary Government**

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

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

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

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

(continued)

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

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

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

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

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

(continued)

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

| | 2023* | 2022* | 2021* | 2020* | 2019* |
|---|---|---|---|---|---|
| Employer's Proportion of the Net Pension Liability | 1.21948% | 1.19449% | 1.22369% | 1.23585% | 1.25655% |
| Employer's Proportionate Share of the Net Pension Liability | $ 116,101,797 | $ 92,729,422 | $ 178,079,031 | $ 162,644,883 | $ 147,770,000 |
| Employer's Covered Payroll | $ 113,162,890 | $ 105,176,978 | $ 106,871,061 | $ 103,292,430 | $ 101,392,249 |
| Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 102.60% | 88.17% | 166.63% | 157.46% | 145.74% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 82.61% | 85.46% | 71.47% | 73.51% | 74.81% |

| | 2018* | 2017* | 2016* | 2015* |
|---|---|---|---|---|
| Employer's Proportion of the Net Pension Liability | 1.26798% | 1.26562% | 1.27192% | 1.26737% |
| Employer's Proportionate Share of the Net Pension Liability | $ 155,936,000 | $ 177,365,000 | $ 160,089,000 | $ 153,157,000 |
| Employer's Covered Payroll | $ 99,817,919 | $ 96,591,415 | $ 94,472,208 | $ 90,933,148 |
| Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 156.22% | 183.62% | 169.46% | 168.43% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 72.92% | 68.28% | 70.68% | 70.88% |

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

### VRS Retirement Plan - Schedule of Employer Contributions

| | Date* | Contractually Required Contribution of Employer (1) | Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|---|
| **Primary Government:** | 2023 | $ 9,058,225 | $ 9,058,225 | $ - | $ 78,136,354 | 11.59% |
| | 2022 | 7,366,936 | 7,366,936 | - | 73,191,300 | 10.07% |
| | 2021 | 6,987,056 | 6,987,056 | - | 69,319,445 | 10.08% |
| | 2020 | 5,906,015 | 5,906,015 | - | 69,250,382 | 8.53% |
| | 2019 | 5,650,643 | 5,650,643 | - | 65,738,841 | 8.60% |
| | 2018 | 5,919,004 | 5,919,004 | - | 63,272,936 | 9.35% |
| | 2017 | 5,698,852 | 5,698,852 | - | 60,564,521 | 9.41% |
| | 2016 | 6,383,455 | 6,383,455 | - | 58,128,921 | 10.98% |
| | 2015 | 6,227,470 | 6,227,470 | - | 56,469,989 | 11.03% |
| **School Non-Professional:** | 2023 | $ - | $ - | $ - | $ 5,728,644 | 0.00% |
| | 2022 | 45,421 | 45,421 | - | 5,030,853 | 0.90% |
| | 2021 | 48,374 | 48,374 | - | 5,076,697 | 0.95% |
| | 2020 | 78,603 | 78,603 | - | 5,337,485 | 1.47% |
| | 2019 | 82,764 | 82,764 | - | 5,256,371 | 1.57% |
| | 2018 | 195,963 | 195,963 | - | 5,150,695 | 3.80% |
| | 2017 | 202,659 | 202,659 | - | 5,201,892 | 3.90% |
| | 2016 | 437,250 | 437,250 | - | 5,775,545 | 7.57% |
| | 2015 | 507,170 | 507,170 | - | 6,613,413 | 7.67% |
| **School Professional:** | 2023 | $ 19,248,273 | $ 19,248,273 | $ - | $ 120,868,625 | 15.92% |
| | 2022 | 18,107,471 | 18,107,471 | - | 113,162,890 | 16.00% |
| | 2021 | 16,890,538 | 16,890,538 | - | 105,176,978 | 16.06% |
| | 2020 | 16,259,030 | 16,259,030 | - | 106,871,061 | 15.21% |
| | 2019 | 15,833,642 | 15,833,642 | - | 103,292,430 | 15.33% |
| | 2018 | 16,263,667 | 16,263,667 | - | 101,392,249 | 16.04% |
| | 2017 | 14,445,391 | 14,445,391 | - | 99,817,919 | 14.47% |
| | 2016 | 13,472,067 | 13,472,067 | - | 96,591,415 | 13.95% |
| | 2015 | 13,679,435 | 13,679,435 | - | 94,472,208 | 14.48% |

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

(continued)

## Hanover County, Virginia Retiree Medical Benefits Plan

### Schedule of Changes in the Net OPEB Asset and Related Ratios

| *As of June 30 of the Fiscal Year* | 2023* | 2022* | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|
| **Total OPEB liability** | | | | | | | |
| Service cost | $ 115,478 | $ 189,559 | $ 281,713 | $ 178,821 | $ 165,789 | $ 172,531 | $ 161,244 |
| Interest cost | 186,899 | 271,651 | 348,422 | 251,394 | 250,445 | 241,190 | 230,876 |
| Experience losses/(gains) | 29,760 | (1,200,800) | (181,395) | (436,754) | 342 | (31,678) | - |
| Change in benefit terms | - | - | (1,413,809) | 1,845,584 | - | - | - |
| Changes in Assumptions | - | (437,437) | - | - | 125,400 | - | - |
| Benefit payments | (219,225) | (217,814) | (245,822) | (270,196) | (229,000) | (271,000) | (218,532) |
| **Net change in total OPEB liability** | 112,912 | (1,394,841) | (1,210,891) | 1,568,849 | 312,976 | 111,043 | 173,588 |
| **Total OPEB liability - beginning** | 2,968,213 | 4,363,054 | 5,573,945 | 4,005,096 | 3,692,120 | 3,581,077 | 3,407,489 |
| **Total OPEB liability - ending (a)** | $ 3,081,125 | $ 2,968,213 | $ 4,363,054 | $ 5,573,945 | $ 4,005,096 | $ 3,692,120 | $ 3,581,077 |
| **Total fiduciary net position** | | | | | | | |
| Contributions - employer | $ 219,225 | $ 217,814 | $ - | $ 8,000 | $ 20,000 | $ 42,000 | $ 218,532 |
| Net investment income | 546,216 | (1,058,804) | 1,832,142 | 340,861 | 527,273 | 414,736 | 502,797 |
| Benefit payments | (219,225) | (217,814) | (245,822) | (270,196) | (229,000) | (271,000) | (218,532) |
| **Net change in plan fiduciary net position** | 546,216 | (1,058,804) | 1,586,320 | 78,665 | 318,273 | 185,736 | 502,797 |
| **Plan fiduciary net position - beginning** | 6,295,840 | 7,354,644 | 5,768,324 | 5,689,659 | 5,371,386 | 5,185,650 | 4,682,853 |
| **Plan fiduciary net position - ending (b)** | $ 6,842,056 | $ 6,295,840 | $ 7,354,644 | $ 5,768,324 | $ 5,689,659 | $ 5,371,386 | $ 5,185,650 |
| **Net OPEB asset ending (b) - (a)** | $ 3,760,931 | $ 3,327,627 | $ 2,991,590 | $ 194,379 | $ 1,684,563 | $ 1,679,266 | $ 1,604,573 |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 222.06% | 212.11% | 168.57% | 103.49% | 142.06% | 145.48% | 144.81% |
| **Covered payroll** | $ 225,296,732 | $ 210,768,335 | $ 203,300,396 | $ 200,751,445 | $ 196,805,332 | $ 190,489,157 | $ 187,285,093 |
| **Net OPEB asset as a percentage of covered payroll** | 1.67% | 1.58% | 1.47% | 0.10% | 0.86% | 0.88% | 0.86% |
| **Contributions as a percentage of covered payroll** | 0.10% | 0.10% | 0.00% | 0.00% | 0.01% | 0.02% | 0.12% |

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

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

(continued)

## Hanover County, Virginia Retiree Medical Benefits Plan - County Portion

### Schedule of Changes in the Net OPEB Asset and Related Ratios

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

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

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

(continued)

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

### Schedule of Changes in the Net OPEB Asset and Related Ratios

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

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

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

(continued)

*Hanover County Retiree Medical Benefits Trust*

## Schedule of Investment Returns

| | Fiscal Year | Rate |
|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 6/30/2023 | 9.21% |
| | 6/30/2022 | -13.98% |
| | 6/30/2021 | 28.25% |
| | 6/30/2020 | 5.89% |
| | 6/30/2019 | 6.41% |
| | 6/30/2018 | 8.91% |
| | 6/30/2017 | 11.35% |
| | 6/30/2016 | 1.68% |
| | 6/30/2015 | 2.71% |
| | 6/30/2014 | 17.48% |

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

## Schedule of Employer Contributions

*County*

| Date | Contractually Required Contribution (a) | Contribution in Relation to Contractually Required Contribution (b) | Contribution Deficiency (Excess) (a - b) | Employer's Covered Payroll (c) | Contributions as a % of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 6/30/2023 | $ - | $ - | - | $ 82,979,423 | 0.00% |
| 6/30/2022 | - | - | - | 78,175,198 | 0.00% |
| 6/30/2021 | - | - | - | 75,822,649 | 0.00% |
| 6/30/2020 | - | 2,503 | (2,503) | 73,542,941 | 0.00% |
| 6/30/2019 | - | 6,257 | (6,257) | 71,153,221 | 0.00% |
| 6/30/2018 | - | 13,140 | (13,140) | 66,734,243 | 0.02% |

*School Board*

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

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

(continued)

## Virginia Retirement System-Net OPEB HIC Plan - Primary Government

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

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

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

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

(continued)

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

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

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

*Schedule is intended to show information for 10 years. Since 2021 is the first fiscal year for presentation, no earlier data is available. However, additional years will be included as they become available.*

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

(continued)

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

| | 2023* | 2022* | 2021* | 2020* |
|---|---|---|---|---|
| Employer's Proportion of the Net OPEB Liability | 1.21458% | 1.18956% | 1.21953% | 1.23144% |
| Employer's Proportionate Share of the Net OPEB Liability | $ 15,170,669 | $ 15,268,825 | $ 15,908,970 | $ 16,120,747 |
| Employer's Covered Payroll | $ 113,200,538 | $ 105,204,144 | $ 106,913,212 | $ 103,288,960 |
| Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 13.40% | 14.51% | 14.88% | 15.61% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 15.08% | 13.15% | 9.95% | 8.97% |

| | 2019* | 2018* |
|---|---|---|
| Employer's Proportion of the Net OPEB Liability | 1.25384% | 1.26516% |
| Employer's Proportionate Share of the Net OPEB Liability | $ 15,919,000 | $ 16,050,000 |
| Employer's Covered Payroll | $ 101,392,249 | $ 99,817,919 |
| Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 15.70% | 16.08% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 8.08% | 7.04% |

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

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

(continued)

## Virginia Retirement System-Net GLI OPEB Plan

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

| **County's share** | **2023*** | **2022*** | **2021*** | **2020*** | **2019*** |
|---|---|---|---|---|---|
| County's Proportion of the Net GLI OPEB Liability | 0.33762% | 0.33635% | 0.33740% | 0.33555% | 0.33281% |
| County's Proportionate Share of the Net GLI OPEB Liability | $ 4,065,270 | $ 3,916,027 | $ 5,630,654 | $ 5,460,292 | $ 5,054,000 |
| Covered Payroll | $ 73,440,688 | $ 69,319,445 | $ 69,250,382 | $ 65,738,841 | $ 63,272,936 |
| County's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 5.54% | 5.65% | 8.13% | 8.31% | 7.99% |

| | **2018*** |
|---|---|
| County's Proportion of the Net GLI OPEB Liability | |
| County's Proportionate Share of the Net GLI OPEB Liability | 0.32895% |
| Covered Payroll | $ 4,950,000 |
| County's Proportionate Share of the Net GLI OPEB Liability as | $ 60,564,521 |
| a Percentage of its Covered Payroll | |
| | 8.17% |

| **School Board professional group's share** | **2023*** | **2022*** | **2021*** | **2020*** | **2019*** |
|---|---|---|---|---|---|
| School Board's Proportion of the Net GLI OPEB Liability | 0.52231% | 0.51295% | 0.52100% | 0.52833% | 0.53434% |
| School Board's Proportionate Share of the Net GLI OPEB Liability | $ 6,289,116 | $ 5,972,130 | $ 8,694,637 | $ 8,597,335 | $ 8,115,000 |
| Covered Payroll | $ 113,615,624 | $ 105,176,978 | $ 106,871,061 | $ 103,292,430 | $ 101,392,249 |
| School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 5.54% | 5.68% | 8.14% | 8.32% | 8.00% |

| | **2018*** |
|---|---|
| School Board's Proportion of the Net GLI OPEB Liability | 0.54244% |
| School Board's Proportionate Share of the Net GLI OPEB Liability | $ 8,163,000 |
| Covered Payroll | $ 99,817,919 |
| School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 8.18% |

| **School Board non-professional group's share** | **2023*** | **2022*** | **2021*** | **2020*** | **2019*** |
|---|---|---|---|---|---|
| School Board's Proportion of the Net GLI OPEB Liability | 0.02332% | 0.02464% | 0.02594% | 0.02686% | 0.02712% |
| School Board's Proportionate Share of the Net GLI OPEB Liability | $ 280,795 | $ 286,877 | $ 432,897 | $ 437,084 | $ 411,000 |
| Covered Payroll | $ 5,073,636 | $ 5,076,697 | $ 5,337,485 | $ 5,256,371 | $ 5,150,695 |
| School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 5.53% | 5.65% | 8.11% | 8.32% | 7.98% |

| | **2018*** |
|---|---|
| School Board's Proportion of the Net GLI OPEB Liability | 0.02825% |
| School Board's Proportionate Share of the Net GLI OPEB Liability | $ 425,000 |
| Covered Payroll | $ 5,201,892 |
| School Board's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 8.17% |

| | **2023*** | **2022*** | **2021*** | **2020*** | **2019*** |
|---|---|---|---|---|---|
| **Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability** | 67.21% | 67.45% | 52.64% | 52.00% | 51.22% |

| | **2018*** |
|---|---|
| **Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability** | 48.86% |

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

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

(continued)

*Virginia Retirement System-Health Insurance Credit Program*

*County*

## Schedule of Employer Contributions

| Date | Contractually Required Contribution (a) | Contribution in Relation to Contractually Required Contribution (b) | Contribution Deficiency (Excess) (a - b) | Employer's Covered Payroll (c) | Contributions as a % of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 6/30/2023 | $ 96,580 | $ 96,580 | - | $ 50,827,881 | 0.19% |
| 6/30/2022 | 89,145 | 89,145 | - | 46,918,647 | 0.19% |
| 6/30/2021 | 84,384 | 84,384 | - | 44,410,120 | 0.19% |
| 6/30/2020 | 84,961 | 84,961 | - | 44,834,721 | 0.19% |
| 6/30/2019 | 80,463 | 80,463 | - | 42,350,786 | 0.19% |
| 6/30/2018 | 86,037 | 86,037 | - | 40,978,883 | 0.21% |
| 6/30/2017 | 81,864 | 81,864 | - | 38,987,994 | 0.21% |
| 6/30/2016 | 78,845 | 78,845 | - | 37,911,409 | 0.21% |
| 6/30/2015 | 77,293 | 77,293 | - | 36,028,121 | 0.21% |

*School Board Professional*

| Date | Contractually Required Contribution (a) | Contribution in Relation to Contractually Required Contribution (b) | Contribution Deficiency (Excess) (a - b) | Employer's Covered Payroll (c) | Contributions as a % of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 6/30/2023 | $ 1,462,471 | $ 1,462,471 | - | $ 120,868,625 | 1.21% |
| 6/30/2022 | 1,274,871 | 1,274,871 | - | 113,200,538 | 1.13% |
| 6/30/2021 | 1,272,917 | 1,272,917 | - | 105,204,144 | 1.21% |
| 6/30/2020 | 1,283,480 | 1,283,480 | - | 106,913,212 | 1.20% |
| 6/30/2019 | 1,240,096 | 1,240,096 | - | 103,288,960 | 1.20% |
| 6/30/2018 | 1,248,193 | 1,248,193 | - | 101,392,249 | 1.23% |
| 6/30/2017 | 1,109,570 | 1,109,570 | - | 99,817,919 | 1.11% |
| 6/30/2016 | 1,022,883 | 1,022,883 | - | 96,591,415 | 1.06% |
| 6/30/2015 | 1,003,397 | 1,003,397 | - | 94,472,208 | 1.06% |

*School Board Non-Professional*

| Date | Contractually Required Contribution (a) | Contribution in Relation to Contractually Required Contribution (b) | Contribution Deficiency (Excess) (a - b) | Employer's Covered Payroll (c) | Contributions as a % of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 6/30/2023 | $ 53,847 | $ 53,847 | - | $ 5,728,644 | 0.94% |
| 6/30/2022 | 36,717 | 36,717 | - | 5,029,826 | 0.73% |
| 6/30/2021 | 36,881 | 36,881 | - | 5,052,181 | 0.73% |

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

(continued)

## Virginia Retirement System - Group Life Insurance Program

### Schedule of Employer Contributions*

*County*

| Date | Contractually Required Contribution (a) | Contribution in Relation to Contractually Required Contribution (b) | Contribution Deficiency (Excess) (a - b) | Employer's Covered Payroll (c) | Contributions as a % of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 6/30/2023 | $ 419,701 | $ 419,701 | - | $ 78,297,971 | 0.54% |
| 6/30/2022 | 393,383 | 393,383 | - | 73,440,688 | 0.54% |
| 6/30/2021 | 372,221 | 372,221 | - | 69,319,445 | 0.54% |
| 6/30/2020 | 363,795 | 363,795 | - | 69,250,382 | 0.53% |
| 6/30/2019 | 334,679 | 344,679 | - | 65,738,841 | 0.51% |
| 6/30/2018 | 331,609 | 331,609 | - | 63,272,936 | 0.52% |
| 6/30/2017 | 317,970 | 317,970 | - | 60,564,521 | 0.53% |
| 6/30/2016 | 278,174 | 278,174 | - | 58,128,921 | 0.48% |
| 6/30/2015 | 271,056 | 271,056 | - | 56,469,989 | 0.48% |

*Schools Professional*

| Date | Contractually Required Contribution (a) | Contribution in Relation to Contractually Required Contribution (b) | Contribution Deficiency (Excess) (a - b) | Employer's Covered Payroll (c) | Contributions as a % of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 6/30/2023 | $ 649,395 | $ 649,395 | - | $ 121,148,161 | 0.54% |
| 6/30/2022 | 608,979 | 608,979 | - | 113,615,624 | 0.54% |
| 6/30/2021 | 567,626 | 567,626 | - | 105,176,978 | 0.54% |
| 6/30/2020 | 562,083 | 562,083 | - | 106,871,061 | 0.53% |
| 6/30/2019 | 542,821 | 542,821 | - | 103,292,430 | 0.53% |
| 6/30/2018 | 532,831 | 532,831 | - | 101,392,249 | 0.53% |
| 6/30/2017 | 524,832 | 524,832 | - | 99,817,919 | 0.53% |
| 6/30/2016 | 460,192 | 460,192 | - | 96,591,415 | 0.48% |
| 6/30/2015 | 451,796 | 451,796 | - | 94,472,208 | 0.48% |

*Schools Non-Professional*

| Date | Contractually Required Contribution (a) | Contribution in Relation to Contractually Required Contribution (b) | Contribution Deficiency (Excess) (a - b) | Employer's Covered Payroll (c) | Contributions as a % of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 6/30/2023 | $ 31,073 | $ 31,073 | - | $ 5,797,479 | 0.54% |
| 6/30/2022 | 27,186 | 27,186 | - | 5,073,636 | 0.54% |
| 6/30/2021 | 27,261 | 27,261 | - | 5,076,697 | 0.54% |
| 6/30/2020 | 27,716 | 27,716 | - | 5,337,485 | 0.52% |
| 6/30/2019 | 27,445 | 27,445 | - | 5,256,371 | 0.52% |
| 6/30/2018 | 27,039 | 27,039 | - | 5,150,695 | 0.52% |
| 6/30/2017 | 27,271 | 27,271 | - | 5,201,892 | 0.52% |
| 6/30/2016 | 27,510 | 27,510 | - | 5,775,545 | 0.48% |
| 6/30/2015 | 31,524 | 31,524 | - | 6,613,413 | 0.48% |

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

APPENDIX C

# CONTINUING DISCLOSURE AGREEMENT

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## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement"), dated as of September 24, 2024, is executed and delivered by the County of Hanover, Virginia (the "County") in connection with the issuance by the Virginia Public School Authority (the "Authority"), of $73,225,000 principal amount of the Authority's Special Obligation School Financing Bonds, Hanover County Series 2024 (the "VPSA Bonds"), dated September 24, 2024, and pursuant to a resolution adopted by the Board of County Supervisors of the County on July 24, 2024 (the "Resolution"). The proceeds of the VPSA Bonds are being used by the Authority to purchase the General Obligation School Bond of the County pursuant to a bond sale agreement between the Authority and the County (the "Bond Sale Agreement"). Capitalized terms used in this Agreement shall have the respective meanings specified above or in Article I hereof. Pursuant to the Bond Sale Agreement and the Resolution, the County hereby agrees as follows:

### ARTICLE I
### DEFINITIONS

**1.1** **<u>Definitions</u>**. The following terms used in this Agreement shall have the following respective meanings:

"**Annual Financial Information**" means, collectively, (1) the financial information and operating data with respect to the County for each fiscal year of the type described in Appendix A to the Official Statement relating to the VPSA Bonds, dated September 10, 2024 in the subsections captioned "Tax Base Data," "Tax Rates Per $100 Assessed Value," "Property Tax Levies and Collections," and "Ten Largest Taxpayers" in the section entitled "DEMOGRAPHIC AND ECONOMIC FACTORS" and "GENERAL FUND REVENUES, EXPENDITURES AND TRANSFERS – Five-Year Summary of General Fund Revenues and Expenditures," and (2) information regarding any amendments to this Agreement required pursuant to Sections 4.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (1) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. Where such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

**"Audited Financial Statements"** means the annual financial statements, if any, of the County, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP for governmental units as prescribed by GASB; provided, however, that the County may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to EMMA, and shall include a reference to the specific federal or State law or regulation describing such accounting basis.

**"Counsel"** means a nationally recognized bond counsel or counsel expert in federal securities laws, acceptable to the County.

**"EMMA"** means the MSRB's Electronic Municipal Market Access system, the current Internet address of which is http://emma.msrb.org, and any successor thereto.

**"Event Notice"** means a notice of a Notice Event.

**"Financial Obligation"** means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

**"GAAP"** means generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB").

**"Notice Event"** means any of the following events with respect to the VPSA Bonds, whether relating to the County or otherwise:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults, if material;
(c) unscheduled draws on debt service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to or other material events affecting the tax-exempt status of the security;
(g) modifications to rights of security holders, if material;
(h) bond calls, if material, and tender offers;
(i) defeasances;
(j) release, substitution, or sale of property securing repayment of the securities, if material;
(k) rating changes;
(l) bankruptcy, insolvency, receivership or similar event of the County; which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets of business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County;
(m) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating any such actions, other than pursuant to its terms, if material;
(n) appointment of a successor or additional paying agent or the change of name of a paying agent, if material;
(o) incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders, if material; and
(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

**"MSRB"** means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

**"Official Statement"** means the "final official statement" with respect to the VPSA Bonds as defined in paragraph (f)(3) of the Rule.

**"Rule"** means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

**"SEC"** means the United States Securities and Exchange Commission.

**"State"** means the Commonwealth of Virginia.

**"Unaudited Financial Statements"** has the same meaning as Audited Financial Statements, except the same shall not have been audited.

**"Underwriters"** means any of the original underwriters of the VPSA Bonds required to comply with the Rule in connection with the offering of such VPSA Bonds.

## ARTICLE II
## THE UNDERTAKING

**2.1** **Purpose**. This Agreement shall constitute a written undertaking for the benefit of the holders of the VPSA Bonds, and is being executed and delivered solely to assist the Underwriters in complying with paragraph (b)(5) of the Rule.

**2.2** **Annual Financial Information**.

(a) The County shall provide Annual Financial Information for the County with respect to each fiscal year of the County, on or before the March 31 after the end of such fiscal year (commencing with its fiscal year ended June 30, 2024) to the MSRB.

(b) The County shall provide, in a timely manner, notice of any failure of the County to provide the Annual Financial Information by the date specified in subsection (a) above to EMMA.

**2.3** **Audited Financial Statements**. If not provided in conjunction with the Annual Financial Information by the dates required by Section 2.2(a) hereof, the County shall provide Audited Financial Statements, when and if available, to the MSRB.

**2.4** **Notices of Notice Events**.

(a) If a Notice Event occurs, the County shall provide, within 10 business days of the occurrence of the Notice Event, an Event Notice to the MSRB.

(b) Upon any legal defeasance of the VPSA Bonds, the County shall cause to be provided notice of such defeasance to the MSRB, which notice shall state whether the VPSA Bonds to be defeased have been defeased to maturity or to a date fixed for redemption and the timing of such maturity or redemption.

**2.5** **Additional Disclosure Obligations**. The County acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and SEC Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the County, and that under some circumstance compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the County under such laws.

**2.6** **Additional Information**. Nothing in this Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or Event Notice, in addition to that which is required by this Agreement. If the County chooses to include any information in any Annual Financial Information or Event Notice, in addition to that which is specifically required by this Agreement, the County shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information or Event Notice.

**2.7** **No Previous Non-Compliance**. The County represents that, except as set forth in the Official Statement dated September 10, 2024, relating to the VPSA Bonds, it has not failed, in the five years preceding the date hereof, to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

## ARTICLE III
## OPERATING RULES

**3.1** **Reference to Other Documents**. It shall be sufficient for purposes of Section 2.2 hereof if the County provides Annual Financial Information by specific reference to documents (i) either (1) provided to EMMA, or (2) filed with the SEC, or (ii) if such a document is an Official Statement, available from EMMA.

**3.2** **Submission of Information**. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time. The County shall provide such information (or cause such information to be provided) to the MSRB in an electronic format as prescribed by the MSRB and with the identifying information as prescribed by the MSRB.

**3.3** **Event Notices**. Each Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the VPSA Bonds.

**3.4** **Transmission of Information and Notices**. Unless otherwise required by law and, in the County's sole determination, subject to technical and economic feasibility, the County shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the County's information and notices.

## ARTICLE IV
## TERMINATION, AMENDMENT AND ENFORCEMENT

**4.1** **Termination**.

(a) The County's obligations under this Agreement shall terminate upon legal defeasance, prior redemption or payment in full of all of the VPSA Bonds.

(b) This Agreement or any provision hereof shall be null and void in the event that the County (1) receives an opinion of Counsel, addressed to the County, to the effect that those portions of the Rule which require the provisions of this Agreement or any of such provisions do not or no longer apply to the VPSA Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to EMMA.

**4.2** **Amendment**.

(a) This Agreement may be amended, by written agreement of the County Administrator of the County, without the consent of the holders of the VPSA Bonds, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the County or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the County shall have received an opinion of Counsel addressed to the County, to the same effect as set forth in clause (2) above and further to the effect that the amendment does not materially impair the interests of the holders of the VPSA Bonds, and (4) the County delivers copies of such opinion and amendment to EMMA.

(b) In addition to subsection (a) above, this Agreement may be amended and any provision of this Agreement may be waived, without the consent of the holders of the VPSA Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Agreement, (2) the County shall have received an opinion of Counsel to the effect that performance by the County under this Agreement as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule, and (3) the County shall have delivered copies of such opinion and amendment to EMMA.

(c) To the extent any amendment to this Agreement results in a change in the types of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made shall present, to the extent practicable, a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of any such amendment shall be provided by the County to EMMA.

**4.3 Benefit; Third-Party Beneficiaries; Enforcement**.

(a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the VPSA Bonds. Beneficial owners of the VPSA Bonds shall be third-party beneficiaries of this Agreement.

(b) Except as provided in this subparagraph (b), the provisions of this Agreement shall create no rights in any person or entity. The obligations of the County to comply with the provisions of this Agreement shall be enforceable by the holders of the VPSA Bonds, including beneficial owners thereof. The rights of the holders of VPSA Bonds to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the County's obligations under this Agreement and the Resolution. In consideration of the third-party beneficiary status of beneficial owners of VPSA Bonds pursuant to subsection (a) of this Section 4.3, beneficial owners shall be deemed to be holders of VPSA Bonds for purposes of this subsection (b).

(c) Any failure by the County to perform in accordance with this Agreement shall not constitute a default under the Resolution and any rights and remedies provided by the Resolution upon the occurrence of a default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the date first above written.

**COUNTY OF HANOVER, VIRGINIA**

By: ________________________________
Title: County Administrator

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APPENDIX D

# PROPOSED FORM OF OPINION OF BOND COUNSEL

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*Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel, regarding the Series 2024 Bonds. It is preliminary and subject to change prior to the delivery of the Series 2024 Bonds.*

[Letterhead of McGuireWoods LLP]

September 24, 2024

Virginia Public School Authority
Richmond, Virginia

**VIRGINIA PUBLIC SCHOOL AUTHORITY**

**$73,225,000**
**Special Obligation School Financing Bonds,**
**Hanover County Series 2024**

Ladies and Gentlemen:

We have served as bond counsel to the Virginia Public School Authority ("VPSA") in connection with the issuance of VPSA's $73,225,000 Special Obligation School Financing Bonds, Hanover County Series 2024 (the "Series 2024 Bonds") dated the date of their delivery. The Series 2024 Bonds have been issued under (i) Chapter 11, Title 22.1, Code of Virginia, 1950, as amended (the "VPSA Act"), and (ii) a bond resolution adopted by VPSA's Board of Commissioners on March 14, 2024 (the "Resolution"). We refer you to the Series 2024 Bonds and the Resolution for a description of the purposes for which the Series 2024 Bonds are issued, the terms of the Series 2024 Bonds and the security for the Series 2024 Bonds. Unless otherwise defined, each capitalized term used in this opinion letter has the meaning given it in the Resolution.

In connection with this opinion letter, we have examined the Constitution of Virginia and the applicable laws of both the United States and the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Internal Revenue Code of 1986, as amended (the "Code") and the VPSA Act, and such certified proceedings and other documents of VPSA as we deem necessary to render the opinions contained herein.

As to questions of fact material to this opinion letter, we have relied upon and are assuming the accuracy of (i) certifications and representations of VPSA, VPSA officers and other public officials and certain other third parties contained in certificates and other documents delivered at closing, including without limitation, certifications as to the use of proceeds of the Series 2024 Bonds, without undertaking to verify any of them by independent investigation, and (ii) other certifications of public officials furnished to us, including certifications made on behalf of the County of Hanover, Virginia (the "County") and the School Board of the County of Hanover, Virginia (the "School Board").

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this transaction have been duly authorized, executed, and delivered by all parties to them other than VPSA, and we have further assumed the due organization, existence, and powers of all parties other than VPSA.

Based on the foregoing, we are of the opinion that, under current law:

(1) VPSA is a public body corporate and an agency and instrumentality of the Commonwealth duly created by and existing pursuant to the VPSA Act.

(2) The Resolution has been duly adopted by VPSA.

(3) VPSA has the requisite authority and power under the VPSA Act to adopt the Resolution, to issue and sell the Series 2024 Bonds and to apply the proceeds from the issuance and sale of the Series 2024 Bonds as set forth in the Resolution. All conditions precedent to the issuance of the Series 2024 Bonds as set forth in the VPSA Act and the Resolution have been fulfilled.

(4) The Series 2024 Bonds have been duly authorized, executed, and delivered in accordance with the VPSA Act and the Resolution and constitute valid and binding limited obligations of VPSA.

(5) The Series 2024 Bonds issued under the Resolution for the purpose of providing funds for the purchase of a general obligation school bond of the County (the "Local School Bond"), are payable from certain funds of VPSA pledged to their payment, including (i) payments derived from the Local School Bond of principal, interest and redemption premium, if any, components credited to the Virginia Public School Authority Hanover County – Purchase Fund (the "Purchase Fund"), (ii) the proceeds of the sale of the Local School Bond and (iii) payments of monies derived from operation of the "State Aid Intercept Provision" contained in Section 15.2-2659, Code of Virginia of 1950, as amended, in the event of default in payment of debt service on the Local School Bond. The Series 2024 Bonds do not constitute a debt of the Commonwealth or a pledge of the faith and credit of the Commonwealth, and neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision thereof is or shall be pledged to the payment of the principal of, premium, if any, or interest on the Series 2024 Bonds.

(6) Interest on the Series 2024 Bonds (i) is excludable from gross income for federal income tax purposes under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. However, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Series 2024 Bonds.

In rendering this opinion letter, we are (i) relying on an opinion from another firm of municipal bond attorneys serving as bond counsel to the County regarding the application of the proceeds of the Series 2024 Bonds and the ownership, use and operation of the property financed thereby by the County, and (ii) assuming continuing compliance with the Covenants (as defined below) by VPSA, the County and the School Board, so that interest on the Series 2024 Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Code. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2024 Bonds in order for interest on the Series 2024 Bonds to be and remain excludable from gross income for purposes of federal income taxation under Section 103 of the Code. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Series 2024 Bonds and the use of the property financed or refinanced by the Series 2024 Bonds, limitations on the source of the payment of and the security for the Series 2024 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2024 Bonds to the United States Department of the Treasury. The tax certificates and related documents for the Series 2024 Bonds (collectively, the "Tax Certificates") delivered at closing by the VPSA, the County and the School Board contain covenants (the "Covenants") with which each has agreed to comply. Any failure to comply with the Covenants could cause interest on the Series 2024 Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2024 Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2024 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion concerning any effect on the excludability of interest on the Series 2024 Bonds from gross income for federal income tax purposes under Section

103 of the Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

(7) In accordance with Section 22.1-172 of the VPSA Act, the Series 2024 Bonds, their transfer and the income from them, including any profit made on their sale, are exempt from taxation by the Commonwealth and any municipality, county or other political subdivision thereof. We express no opinion regarding (i) other tax consequences arising with respect to the Series 2024 Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Series 2024 Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth and its political subdivisions.

The rights of the owners of the Series 2024 Bonds and the enforceability of VPSA's obligations under the Series 2024 Bonds and the Resolution may be limited or otherwise affected by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or equity. Additional bonds may be issued under the Resolution on parity with the Series 2024 Bonds upon the terms and conditions set forth in the Resolution.

Our services as bond counsel to VPSA have been limited to rendering the foregoing opinions based on our review of such legal proceedings as we deem necessary to opine on the validity of the Series 2024 Bonds, the enforceability of the Resolution and the tax status of the interest on the Series 2024 Bonds. None of the foregoing opinions is in any respect an opinion as to VPSA's business or financial resources or its ability to provide for the payment of the Series 2024 Bonds or the accuracy or completeness of any information, including VPSA's Preliminary Official Statement dated September 3, 2024, and Official Statement dated September 10, 2024, that anyone may have relied upon in making the decision to purchase the Series 2024 Bonds.

This opinion letter is given as of the date hereof, and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

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APPENDIX E

# BOOK-ENTRY ONLY SYSTEM

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## BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC") will act as securities depository for the Series 2024 Bonds. The Series 2024 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2024 Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of United States ("U.S.") and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P rating of AA+. The DTC Rules applicable to its Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2024 Bond (the "Beneficial Owner") is in turn to be recorded on the records of Direct Participants and Indirect Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from Direct Participants or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024 Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2024 Bonds, except in the event that use of the book-entry system for the Series 2024 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2024 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy (an "Omnibus Proxy") to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2024 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2024 Bonds are required to be printed and delivered to DTC.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2024 Bonds will be printed and delivered.

**Neither the Authority, the County, nor the underwriters will have any responsibility or obligation to Direct Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant, or any Indirect Participant, (ii) the payment by DTC or any Direct Participant or Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the Series 2024 Bonds, (iii) any notice which is permitted or required to be given to bondholders, (iv) any consent given by DTC or other action taken by DTC as bondholder, or (v) the selection by DTC or any Direct Participant or Indirect Participant of any Beneficial Owners to receive payment in the event of a partial redemption of the Series 2024 Bonds.**

**So long as Cede & Co. is the registered owner of the Series 2024 Bonds, as nominee of DTC, references in this Official Statement to the Owner or Owners of the Series 2024 Bonds or Owners shall mean Cede & Co. and shall not mean the Beneficial Owners.**

The Authority may enter into amendments to its agreement with DTC or any successor depository without the consent of the Beneficial Owners.