

The Comprehensive Annual Financial Report

Hanover County, Virginia

For the year ended June 30, 2015

People, Tradition & Spirit



COUNTY OF HANOVER, VIRGINIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2015



Hanover: People, Tradition, and Spirit

This document was prepared by the Department of Finance and Management Services, County of Hanover, Virginia, Post Office Box 470, 7496 County Complex Road, Hanover, Virginia 23069-0470. For additional information, contact Kathleen T. Seay, CPA, CISA, Director of Finance and Management Services, at (804) 365-6015 or by e-mail at fms@co.hanover.va.us. For information about the County, including the WEB-based version of this and other financial documents, refer to the County's web page at www.hanovercounty.gov.



COUNTY OF HANOVER, VIRGINIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION (Unaudited)	
Letter of Transmittal	1
GFOA Certificate of Achievement	12
Organizational Chart	13
Directory of Principal Officials.....	14
FINANCIAL SECTION	
Independent Auditors' Report.....	17
Management's Discussion and Analysis (MD&A) (Unaudited)	20
Basic Financial Statements	
Government-wide Financial Statements	
Exhibit 1 Statement of Net Position	32
Exhibit 2 Statement of Activities.....	33
Fund Financial Statements	
Exhibit 3 Balance Sheet - Governmental Funds.....	34
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	35
Exhibit 5 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	36
Exhibit 6 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budget Basis - General Fund	37
Exhibit 7 Statement of Net Position - Proprietary Funds.....	38
Exhibit 8 Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	39
Exhibit 9 Statement of Cash Flows - Proprietary Funds.....	40
Exhibit 10 Statement of Fiduciary Net Position	41
Exhibit 11 Statement of Changes in Fiduciary Net Position - Retiree Medical Benefits Trust Fund	42
Notes to Financial Statements.....	43

TABLE OF CONTENTS (continued)

Schedules of Required Supplementary Information other than MD&A (Unaudited)

Exhibit 12 Schedules of Required Supplementary Information 103

Other Supplementary Information

Individual Fund Statements and Schedules

Exhibit 13 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis – General Fund..... 109

Exhibit 14 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis – County Improvements Fund..... 115

Exhibit 15 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis – School Improvements Fund 117

Exhibit 16 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis – Debt Service Fund..... 119

Fiduciary Funds

Exhibit 17 Combining Balance Sheet - Agency Funds 121

Exhibit 18 Combining Statement of Changes in Assets and Liabilities - Agency Funds..... 122

Discretely Presented Component Unit - School Board

Exhibit 19 Combining Balance Sheet 124

Exhibit 20 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 125

Exhibit 21 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Discretely Presented School Board Component Unit to the Statement of Activities..... 126

Exhibit 22 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budget Basis – School Fund – School Board 127

Exhibit 23 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budget Basis – Cafeteria Fund – School Board 128

Discretely Presented Component Unit - Economic Development Authority

Exhibit 24 Balance Sheet..... 130

Exhibit 25 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budget and GAAP Basis..... 131

TABLE OF CONTENTS (continued)

STATISTICAL SECTION (Unaudited)

Financial Trends Information

Table 1	Net Position by Component, Last Ten Fiscal Years	133
Table 2	Changes in Net Position, Last Ten Fiscal Years	134
Table 3	Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	136
Table 4	Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	138

Revenue Capacity Information

Table 5	Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years.....	140
Table 6	Direct and Overlapping Property Tax Rates, Last Ten Calendar (Tax) Years	141
Table 7	Principal Property Tax Payers, Current Year and Nine Years Ago	142
Table 8	Property Tax Levies and Collections, Last Ten Fiscal Years	143

Debt Capacity Information

Table 9	Ratios of Outstanding Debt by Type, Self-Imposed Debt Limit Information, Last Ten Fiscal Years.....	144
Table 10	Pledged Revenue Coverage, Last Ten Fiscal Years.....	145

Demographic and Economic Information

Table 11	Demographic Statistics, Last Ten Fiscal Years.....	146
Table 12	Principal Employers, Current Year and Nine Years Ago	147

Operating Information

Table 13	Full-time Equivalent Government Employees by Function, Last Ten Fiscal Years	148
Table 14	Operating Indicators by Function, Last Ten Fiscal Years.....	149
Table 15	Capital Asset Statistics by Function, Last Ten Fiscal Years.....	150

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	152
Notes to Schedule of Expenditures of Federal Awards.....	154
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	156
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133, <i>Audits of States, Local Governments and Non-Profit Organizations</i>	158
Schedule of Findings and Questioned Costs	160

INTRODUCTORY SECTION

BOARD OF SUPERVISORS

WAYNE T. HAZZARD, CHAIRMAN
SOUTH ANNA DISTRICT

AUBREY M. STANLEY, VICE-CHAIRMAN
BEAVERDAM DISTRICT

SEAN M. DAVIS
HENRY DISTRICT

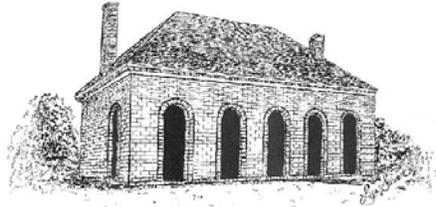
ANGELA KELLY-WIECEK
CHICKAHOMINY DISTRICT

W. CANOVA PETERSON
MECHANICSVILLE DISTRICT

G. E. "ED" VIA, III
ASHLAND DISTRICT

ELTON J. WADE, SR.
COLD HARBOR DISTRICT

CECIL R. HARRIS, JR.
COUNTY ADMINISTRATOR



HANOVER COURTHOUSE

HANOVER COUNTY

ESTABLISHED IN 1720

FINANCE AND MANAGEMENT SERVICES DEPARTMENT

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November 9, 2015

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

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the County of Hanover (the County) for the fiscal year ended June 30, 2015. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This CAFR has been prepared by the County's Department of Finance and Management Services in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA).

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

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

Hanover: People, Tradition and Spirit

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

The independent auditors concluded, based upon the audit evidence they obtained, that there was a reasonable basis for forming and expressing unmodified opinions that the County's financial statements as of and for the fiscal year ended June 30, 2015 are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report on the financial statements is presented as the first component of the Financial Section of this financial report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also report on the County's compliance with federal requirements for each major program as well as on internal control over compliance as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The independent auditors' report on the Single Audit for the County is available in the Compliance Section of this financial report.

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

Profile of the County

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

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

Located in central Virginia, Hanover County is a 90-minute drive south of the nation's capital, Washington D.C., and 15 minutes north of the Commonwealth's capital, Richmond. Hanover County is more than 470 square miles in area, and is strategically located in the northern Greater Richmond Region, which also includes the City of Richmond and the counties of Chesterfield and Henrico. Hanover is bordered by the counties of Caroline, King William, New Kent, Henrico, Goochland, Spotsylvania and Louisa and by the Pamunkey, North Anna and

Chickahominy Rivers. The South Anna River is also located in the County. Home of the internationally renowned Hanover tomato, the County offers an appealing blend of both historic houses and the latest new home developments, a nationally recognized suburban school system, and a resilient economy with a balance between residential, commercial, industrial and agricultural tax bases.



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

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

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

The Department of Social Services determines eligibility for public assistance programs, which are mandated by Federal and State law. The Community Services Board provides mental health, mental retardation, and substance abuse services. In addition, it provides adult services and supervised living services. Hanover is served by the Regional Health District of Hanover, Goochland, New Kent, and Charles City. Also included within human services expenditures is tax relief provided under the Tax Relief for the Elderly and Disabled Program and expenditures for services required by the Children's Services Act.

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

The Planning Department is responsible for the Comprehensive Plan, demographics, and the acceptance, review, and disposition of all land use and subdivision applications. The services of the Economic Development Department are designed to attract, retain, generate, and facilitate expansion of high quality business and industry resulting in a stable and diverse local economy and an improved standard of living for the residents of the County.

The County's Department of Public Utilities operates and maintains public water and sanitary sewer systems in the "Suburban Service Area" (the crescent-shaped area north of the Chickahominy River, generally between Route 1 and Creighton Road including the Town of Ashland), the Doswell area, the Route 33 area, and the Hanover Courthouse area. The County provides utility service to approximately 19,995 water and 19,428 wastewater customers.

The County provides education through its public school system administered by the Hanover County School Board (School Board) and promotes industry and commerce through the Economic Development Authority of Hanover County, Virginia (the EDA). In accordance with GASB pronouncements, these agencies have been classified as discretely presented component units in the accompanying financial statements because they are legally separate entities for which the County is financially accountable. The School Board administers the County's schools and administers its own appropriations within the categories defined by the *Code of Virginia*, but is fiscally dependent upon the County because the Board of Supervisors approves the budget, levies the necessary taxes to finance operations and issues debt to finance school capital projects. The Board of Supervisors also approves transfers between education funds, and appoints School Board members. The EDA has the power to issue tax-exempt industrial development revenue bonds on behalf of qualifying enterprises wishing to utilize that form of financing, as well as to finance County facilities. Those bonds do not constitute a debt or pledge of the faith and credit of the County or the EDA, but represent limited obligations of the EDA payable solely from the revenue and receipts derived from the projects funded with the proceeds.

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

The County's adopted budget policy also requires Board of Supervisors approval of any budget transfer between departments and all requests for supplemental appropriations. The School Board is authorized to transfer budgeted amounts within the school funds, with any transfer that increases total revenues requiring subsequent Board of Supervisors approval. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented at Exhibit 6 as part of the basic financial statements. A more detailed General Fund budget-to-actual comparison by department is presented at Exhibit 13, and budget-to-actual comparisons for other governmental funds with appropriated annual budgets are presented in the Supplementary Information subsection of this report.

Factors Affecting Financial Condition

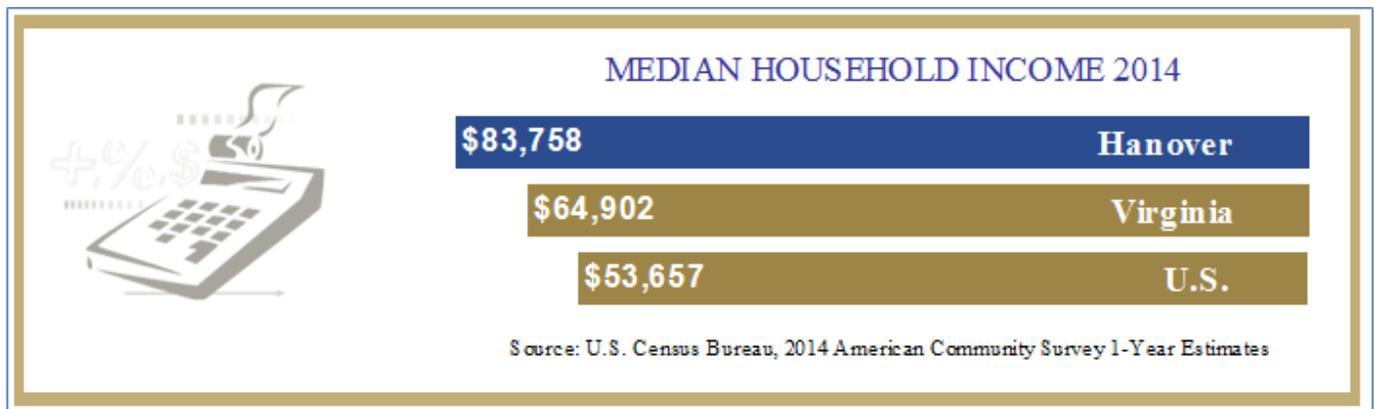
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates. Hanover County's municipal bond rating continues to be AAA from the rating agencies, Fitch, Moodys and Standard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

Local Economy:

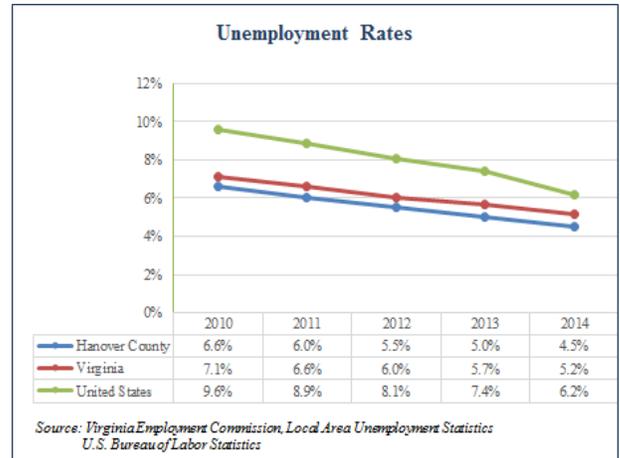
Based on its strategic location in the northern Greater Richmond region of the mid-Atlantic and its suburban/rural character, the County is an attractive location for businesses relocating or expanding and for developers interested in the opportunities in the area's residential and commercial markets.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

Hanover County has remained in a favorable financial position due in large part to the financial strength and diversification of the County's business community, its low reliance on federal jobs or procurement, and the County's close proximity to the Richmond Metropolitan Statistical Area's (MSA) economic base.

For example, as the following chart illustrates, based on the most recent estimates available, Hanover enjoys a high per capita income and a median household income higher than the national and State averages. Comparatively, Hanover's per capita income of \$49,368 is 7.0% above the Richmond MSA per capita income of \$46,118 and consistent with the Commonwealth's \$48,838, while its median (mid-point) household income (shown below) is 29.1% above the Commonwealth's and 56.1% above the national average. In addition, the U.S. Census Bureau's estimate of Hanover's mean (average) household income of \$97,467 in 2014 is 10.2% above the Commonwealth's \$88,457 and 28.9% higher than the United States' of \$75,591. Per the Virginia Employment Commission, Hanover also has a low reliance on federal jobs, with only 151 federal employees residing within the County.



The County also continues to attract and maintain diverse sectors of employment. Historically, the County's major employment sectors have been in retail, healthcare and construction. The County has benefited from the general stability each of these sectors has maintained in terms of each sector's percentage of total employment. As illustrated in the chart, this has contributed to comparably lower levels of unemployment than that of Virginia and the United States over the past five years.



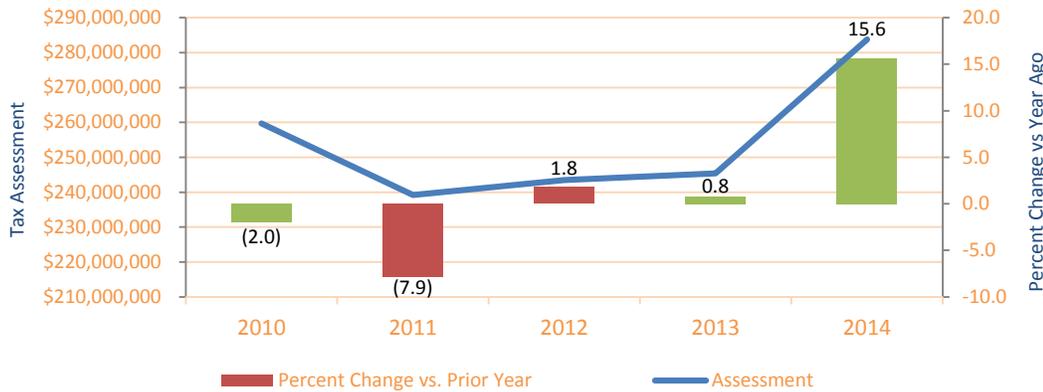
As of the fourth quarter of calendar year 2014, Hanover County has 3,435 business establishments with employment of 48,149. Hanover manages outreach efforts to local businesses principally through the Business First program. This year, 103 businesses were interviewed. The overall feedback from interviews was positive with most businesses beginning to see sales increasing to pre-recession levels. Thirty-three of the companies interviewed indicated they are currently undergoing or planning for some form of expansion within the year. The commercial growth in Hanover is reflected in the subsequent charts of new commercial construction and business personal property values:

New Construction Commercial Permit Value



Source: Hanover County Building Inspector's Office. Data based on calendar year.

Business Personal Property Tax Assessment



Source: Hanover County Commissioner of Revenue - Personal Property Statistics. Data based on calendar year.

Economic Development Update:

Hanover County competes regionally, statewide, nationally and internationally for new business investment, to include the expansion of existing businesses and new business investment that is recruited to the County. The Board of Supervisors adopted the 2015 Economic Development Strategic Plan, which encourages and supports growth of existing and new businesses. This plan outlines the County's four major economic development goals, which are: expansion of the tax base, economic stability, job retention, and job creation. This plan identifies target industries, the utilization of incentives, and development initiatives and infrastructure enhancements that will provide an environment in which businesses can thrive.

Business attraction efforts with the Greater Richmond Partnership were successful with the addition of Mavalério, a Brazil-based manufacturer of confections for the baking industry. The company will invest \$5 million to add a new production facility and U.S. headquarters in Hanover County. The company plans to move into a 38,000-square-foot space at the Northlake Business Park. The investment is expected to create 55 new jobs.

A coalition of community partners — SummitIG, Richweb, VA Skywire, Pixel Factory and Bank of Virginia — are launching Virginia's newest nonprofit Internet exchange point (IX) located at Pixel Factory Data Center in Hanover County. Establishing the Richmond Virginia Internet Exchange (RVA-IX) represents another key step toward creating a more robust Internet for the Richmond region. It keeps the Richmond area traffic local and improves local internet performance. The RVA-IX not only establishes a neutral point of presence for Richmond, but it also acts as an anchor to attract organizations outside of Virginia to establish a presence in Richmond.

A new sports training facility in Hanover County is in the business of taking athletes to the next level. Sports Reality trains athletes and teams to improve strength, speed, agility, position skills and discipline. Sports Reality's 50,000-square-foot building location off Route 301 provides easy access to I-95 and I-64 making it convenient to athletes from surrounding areas. There are few facilities like it in the mid-Atlantic region, and it is the only of its kind within a three-hour drive.

"We're fortunate to have a sports training facility in Hanover that is unlike any in the area," said Wayne Hazzard, chairman of the Hanover County Board of Supervisors. "It not only provides a wonderful opportunity for our local athletes, but it also allows us to showcase our active community to athletes visiting and training at the Sports Reality complex."

The Hanover County Board of Supervisors voted this year to restructure the fees associated with commercial zoning applications and site plan review applications to eliminate the cost per acre calculation with a flat cost.

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

As shown in the following chart, another factor illustrating the resiliency of the County’s economic base is the level of retail sales maintained in the County over a five year period on a per capita basis, with all five years reflecting annual growth. The County’s taxable sales have increased in each year.

Hanover County			
Year	Taxable Sales (\$000)	% Increase (Decrease)	Per Capita Taxable Sales
2010	\$ 1,459,792	1.5%	\$ 14,539
2011	1,487,657	1.9%	14,755
2012	1,585,051	6.5%	15,603
2013	1,653,987	4.3%	16,117
2014	1,713,000	3.6%	16,244

Source: Commonwealth of Virginia, Department of Taxation

Long-Term Financial Planning:

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

- Capital Improvements Program (CIP): The CIP is the County’s plan for investing in facilities, equipment, and vehicles over the next five years, and includes those items with a unit cost greater than \$50,000. The fiscal year 2016 capital budget for County, School and Public Utility projects is \$25 million. The County’s budget policies recommend the use of “pay-as-you-go” CIP funding of 10% or more, to recognize the need to balance the use of debt with the use of other resources for funding. The fiscal year 2015 CIP includes 100% of “pay-as-you-go” funding (from non-debt sources).
- Five-Year Financial Plan: The County’s Five-Year Financial Plan represents the County’s effort to quantify the fiscal impacts of future needs, matched with a projection of General Fund resources available to meet those needs. Each year this plan is adopted by the Board of Supervisors, thereby indicating to the public the County’s expected tax rates, operating costs, capital improvements, debt service requirements, school allocations and service level plans. The plan is illustrated with detailed assumptions in the overview section of the budget document. Generally, the plan seeks to maintain or enhance all current budgetary objectives and Board-adopted initiatives.

Relevant Financial Policies:

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



Major Initiatives and Accomplishments:

In FY15, a contract was awarded and construction began on a new \$41 million courthouse facility to meet public safety needs. The County’s current courthouses were built 40 years ago and the space shortage which had been an issue for years was intensified when Hanover gained two additional courts in July 2013. This new courthouse will include a number of security improvements along with six courtrooms and office space for the Commonwealth’s Attorney and Clerk of the Circuit Court and other related offices. Projected completion date is the late fall of 2016 and the new courthouse is slated to become operational no later than January 1, 2017.

Another major financial investment is being made by the Board of Supervisors in the area of capital improvements to the schools. Over the next five years, about \$28.5 million in capital improvements are planned, benefitting all County school facilities. These improvements will include technology enhancements, painting, roof repairs and replacements and HVAC repairs and upgrades. A world-class education system continues to be one of the County’s top priorities. The FY16 County budget provides for the highest per-pupil spending in the history of the school division. For four consecutive years, Hanover has ranked first among Virginia school divisions with more than 10,000 students in the percentage of expenditures dedicated to instruction. Hanover finished 2014 ranked first in Virginia in on-time cohort graduation rate (96.2%) and had the lowest dropout rate (2.2%). Hanover was the first school district in Virginia to receive the U.S. Senate Productivity Award for Continuing Excellence and has 10 National Blue Ribbon Schools Awards from the U.S. Department of Education. Hanover high schools are among only two percent of U.S. high schools which offer AP (Advanced Placement), IB (International Baccalaureate) and dual enrollment options to their students.

Another focus is on protecting the environment and meeting Chesapeake Bay preservation requirements. The Department of Public Works developed innovative solutions to address the Chesapeake Bay water quality standards and developed new ordinances to ensure Hanover remains in compliance with Virginia's and the EPA's stormwater regulations. Implementation of the new stormwater mandates on development projects began in July 2014; the FY16 Five-Year Financial Plan and CIP included a funding strategy focused on projects that meet regulatory requirements using local funds to match state grant funds thereby avoiding an increase in local taxes. These projects will enable the County to meet the first five years of Chesapeake Bay-related requirements. The Department of Public Utilities also invested approximately \$6 million in a nutrient improvement project at the Totopotomoy Wastewater Treatment Plant, Hanover's largest and most complex wastewater treatment plant. This project enables Hanover to meet its decreased nutrient allocation under the State's Nutrient General Permit, which goes into effect January 1, 2016. Additional projects will be needed to improve treatment technology at all of Hanover's wastewater treatment plants as flows increase in the future as growth occurs to maintain compliance with this allocation.

Awards and Acknowledgements

Hanover County continued to be recognized for excellence in operational and fiscal management during fiscal year 2015. The County's adopted mission (seen in the graphic below) is exemplified by the awards and acknowledgements noted in this section.



Sheriff's Office

The Hanover County Sheriff's Office underwent an intensive inspection to verify its ongoing compliance with internationally recognized law enforcement standards. Assessors from the Commission on Accreditation for Law Enforcement Agencies (CALEA) reviewed the Sheriff's Office over the course of four days and reported that the Hanover County Sheriff's Office was 100% in compliance with 410 standards that were applicable to the Sheriff's Office. Final approval will take place in Miami, Florida, in November 2015. The Sheriff's Office first achieved international accreditation in 2003 and is dually accredited through CALEA and the Virginia Law Enforcement Professional Standards Commission (VLEPSC). Participating in both processes is voluntary.

Fire/EMS

Hanover County Fire-EMS was selected for the Governor's Award for Excellence in Virginia's Fire Service for the department's state and national leadership related to tactical fire suppression.

Public Works

The Department of Public Works received a Certificate of Appreciation for their involvement in the Virginia MS4 Forum. The forum focused on stormwater issues and was hosted by the Environmental Protection Agency and the Department of Environmental Quality as a training opportunity for localities across the state. The two-day conference consisted of classroom sessions and mock field inspections at Hanover sites. The Mechanicsville Convenience Center was used as an example for the proper approach to pollution prevention and good housekeeping.

Public Utilities

All four of Hanover County's wastewater treatment plants were awarded the prestigious National Association of Clean Water Agency's Peak Performance Award. This award recognizes outstanding compliance with National Pollutant Discharge Elimination System permit requirements. The Department of Public Utilities also received a 2015 Virginia Association of Counties' (VACo) Achievement Award for its in-house development of a database to better manage its backflow prevention program. The new database decreases the amount of time needed to prepare monthly notices and gives staff immediate access to information. This makes managing the program more efficient and allows staff to quickly respond to inquiries from customers.

Finance and Management Services

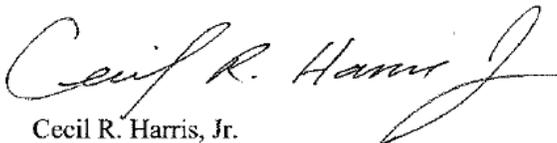
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Hanover County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. The County has received this prestigious award each fiscal year since 1985 (now 30 consecutive years). The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. Hanover County's CAFR was judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR. The GFOA is a non-profit professional association serving approximately 17,500 government finance professionals throughout North America.

The GFOA awarded a Distinguished Budget Presentation Award to Hanover County for its FY15 budget. The County has received this prestigious award each fiscal year since 1990 (now 25 consecutive years). This award reflects the commitment of the governing body and staff to meeting the highest principles of governmental budgeting. In order to receive the budget award, Hanover County had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well an entity's budget serves as a policy document; a financial plan; an operations guide; and a communications device.

The County utilizes its website www.hanovercounty.gov for presentation of the CAFR and budget document. The budget document serves as the best source of information for the County's current and five-year financial plan, new initiatives, capital improvements program and changes in service levels. In addition, the website provides many other topics of interest to County residents and service providers, and provides an excellent forum to recognize outstanding employees and their accomplishments. While many of those accomplishments could also be highlighted in this report, the remainder of this financial report will focus on the County's fiscal year 2015 results of operations and on an analysis of the financial statements.

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

Respectfully submitted,


Cecil R. Harris, Jr.
County Administrator


Kathleen T. Seay, CPA, CISA
Director of Finance and Management Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of Hanover
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

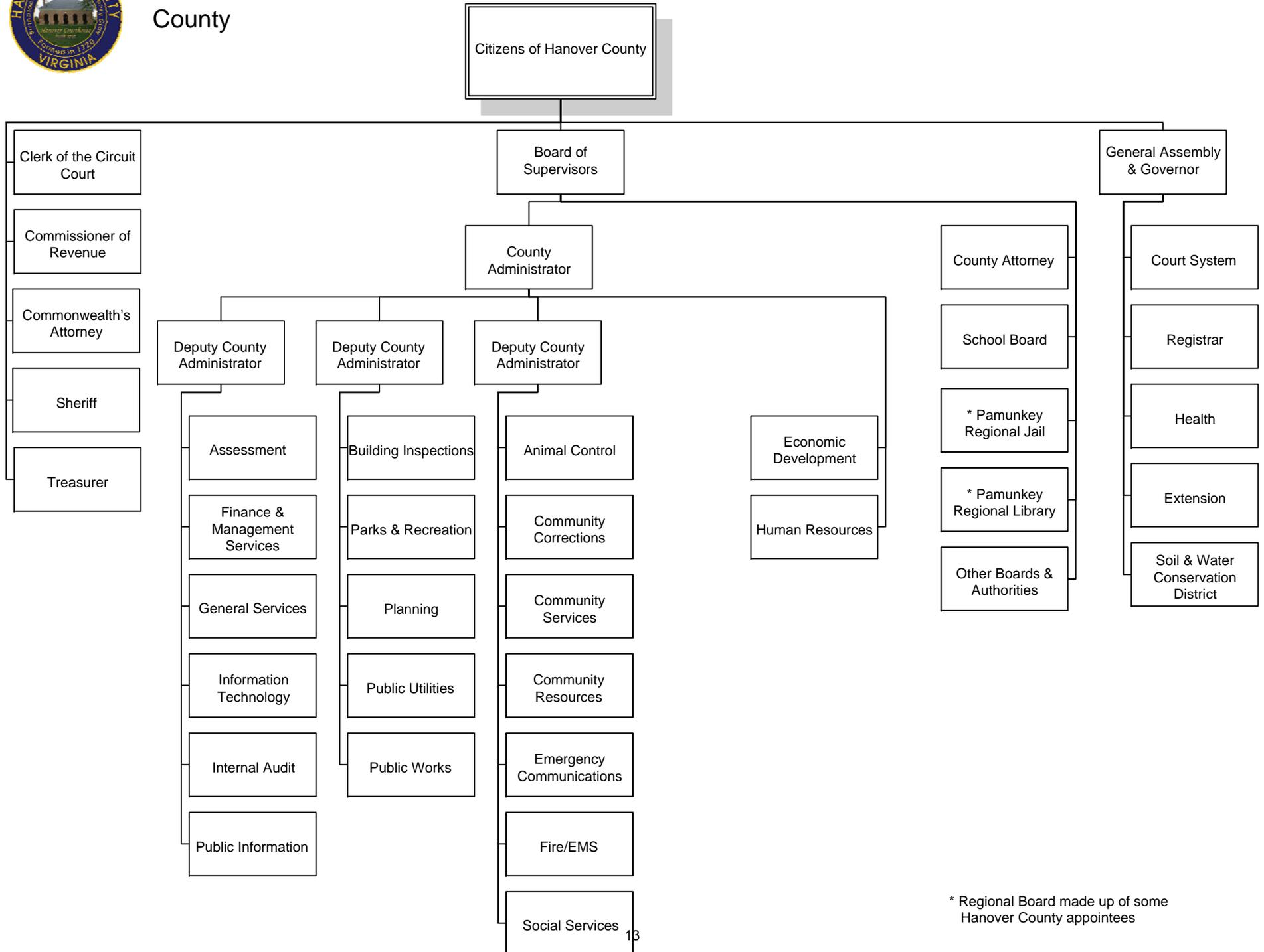
June 30, 2014

Executive Director/CEO



Hanover County

Organizational Chart June 30, 2015



* Regional Board made up of some Hanover County appointees

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2015

Board of Supervisors

Wayne T. Hazzard, Chair
Aubrey M. Stanley, Vice Chair
G. Ed Via, III
Angela Kelly-Wiecek
Elton J. Wade, Sr.
Sean Davis
W. Canova Peterson

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

Constitutional Officers

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

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

County Administrative Officials

Cecil R. Harris, Jr.
Sterling E. Rives, III
John A. Budesky
Frank W. Harksen, Jr.
James P. Taylor
Kathleen T. Seay

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

School Board

Robert L. Hundley, Jr., Chair
Henry (Hank) C. Lowry, Jr., Vice Chair
John F. Axselle, III
Norman K. Sulser
Earl J. Hunter, Jr.
Roger S. Bourassa
Susan (Sue) P. Dibble

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

School Administrative Officials

Dr. Jamelle S. Wilson
T. David Myers
Dr. Michael B. Gill
Joni L. Shelton
Lynn G. Bragga

Superintendent of Schools
Asst. Superintendent for Business and Operations
Asst. Superintendent of Instructional Leadership
Acting Asst. Superintendent of Human Resources
Director of Budget & Financial Reporting



FINANCIAL SECTION



KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia (the County) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note I.D.9 to the financial statements, in fiscal year 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which provide new accounting guidance that addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management’s Discussion and Analysis on pages 20 through 30, and the Schedules of Required Supplementary Information, including the Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios, Schedule of School Professional’s Share of Net Pension Liability, Schedule of Employer Contributions, and Schedules of Funding Progress, on pages 103 through 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County’s basic financial statements. The accompanying supplementary information listed as Other Supplementary Information in the Financial Section in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, listed in the Compliance



Section in the table of contents, and the Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015 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 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 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.

KPMG LLP

November 9, 2015

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 for the fiscal year ended June 30, 2015. 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 2015 by \$347.2 million (*net position*). Of this amount, \$69.0 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 \$14.6 million, of which the governmental activities increased by \$8.6 million and business-type activities increased by \$6.0 million.
- As of the close of fiscal year 2015, the County's governmental funds reported combined ending fund balances of \$90.4 million, an increase of \$1.5 million from prior year. Of the \$90.4 million total, 72.0% (\$65.0 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 28.0% or \$25.4 million of the total.
- The General Fund's unassigned fund balance was consistent at 12.6% of total General Fund revenues, but increased \$0.8 million to \$26.4 million at June 30, 2015. 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 \$1.2 million to \$24.5 million at June 30, 2015. The \$1.2 million increase is the net of increases and decreases to amounts assigned for various purposes, including education, public works, economic development, the subsequent fiscal year's adopted budget, the subsequent five-year financial plan, capital projects, and other County services.
- The County's total debt decreased by \$10.0 million (5.3%) to \$177.1 million during fiscal year 2015 due to principal payments on and refunding of existing debt.

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 the airport.

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.

In fiscal year 2015, the County implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68," hereafter referred to as "GASB Statement No. 68" or "GASB 68." The objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense. The Statement requires the liability of employers for defined benefit pensions to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. Accordingly, the County recorded the impact of the related net pension liability on net position, deferred outflows of resources, deferred inflows of resources, and pension expense. The accounting treatment to restate the beginning net position for the adoption of GASB 68 resulted in a reduction of \$25.1 million for governmental activities, \$2.1 million for business-type activities and \$172.1 million for the School Board component unit. Governmental activities report a net pension liability of \$18.0 million at June 30, 2015, deferred inflows of resources relating to pensions of \$10.4 million, and deferred outflows of resources related to pensions of \$5.7 million. Business-type activities report net pension liability of \$1.5 million, deferred inflows of resources related to pensions of \$0.9 million, and deferred outflows of resources related to pensions of \$0.5 million. The School Board component unit reports a net pension asset of \$0.2 million, net pension liability of \$153.2 million, deferred inflows of resources related to pensions of \$30.1 million and deferred outflows of resources related to pensions of \$14.2 million. For further information regarding the County's adoption of the new pension standard, refer to Notes I.D.9 and V.F. of the accompanying notes to the financial statements.

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 2015, the County maintained four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances 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, 2015. The governmental fund financial statements can be found at Exhibits 3 through 6 of this report.

The County maintains two different types of **Proprietary Funds**: enterprise and internal service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its public utilities fund and its airport fund (a nonmajor fund). *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its healthcare and other postemployment benefit self-insurance 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. Data for the internal service fund can also be found at Exhibits 7 through 9 of this report.

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

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

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

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

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

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, 2015 and 2014:

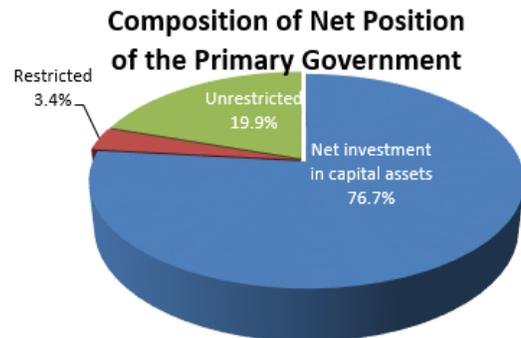
Table 1	County of Hanover, Virginia Summary of Net Position (\$ in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015 (1)	2014	2015 (1)	2014	2015 (1)	2014
Current and other assets	\$ 171.1	164.5	27.2	27.3	198.3	191.8
Capital assets	210.5	215.8	215.7	212.8	426.1	428.6
Total assets	381.6	380.3	242.9	240.1	624.5	620.4
Deferred outflows of resources	8.4	1.2	1.6	0.6	10.0	1.8
Long-term liabilities outstanding	183.1	171.8	26.8	27.3	209.9	199.1
Other liabilities	15.2	13.7	1.9	2.5	17.1	16.2
Total liabilities	198.3	185.5	28.7	29.8	227.0	215.3
Deferred inflows of resources	59.4	47.1	0.9	-	60.3	47.1
Net position:						
Net investment in capital assets	73.6	74.5	192.6	187.2	266.2	261.7
Restricted	8.4	7.6	3.6	3.4	12.0	11.0
Unrestricted	50.3	66.8	18.7	20.3	69.0	87.1
Total net position	\$ 132.3	148.9	214.9	210.9	347.2	359.8

(1) The County implemented GASB Statement Nos. 68 and 71 in fiscal year 2015. See Notes I.D.9 and V. F of the notes to the financial statements for more information. Fiscal year 2014 was not restated herein.

Changes in net position is a useful indicator of a County's financial position. Of interest, the County's assets exceeded liabilities by \$347.2 million at the close of fiscal year 2015, representing a decrease of \$12.6 million from the net position at June 30, 2014.

As the following graph shows, by far the largest portion of the County's total net position (\$266.2 million, 76.7% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and intangibles); less any related debt and deferred loss on refunding used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens, like water and wastewater services, schools, libraries, law enforcement, and fire and emergency medical services. Consequently, these assets are *not* available for future spending, as capital assets are generally not sold or otherwise disposed of during their useful life.

As also shown, an additional portion of the County's total net position (\$12.0 million, 3.4% 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 (\$69.0 million, 19.9% 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, 2015 and 2014:

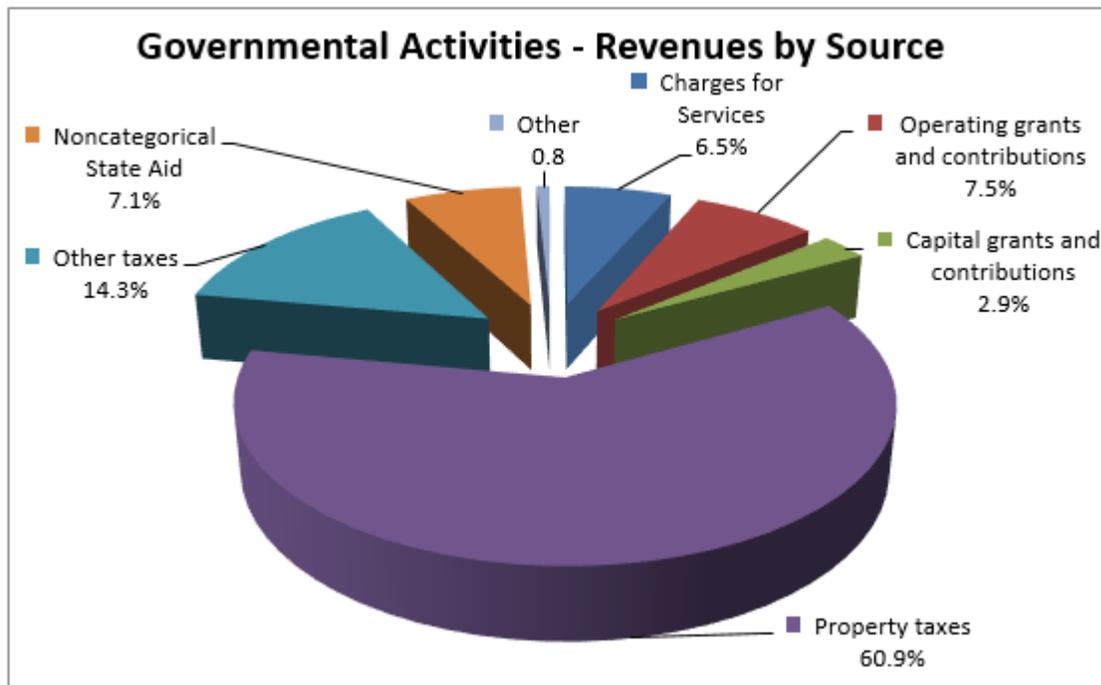
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015 (1)	2014	2015 (1)	2014	2015 (1)	2014
Revenues:						
Program revenues:						
Charges for services	\$ 13.9	13.9	24.1	22.9	38.0	36.8
Operating grants and contributions	16.1	17.1	-	-	16.1	17.1
Capital grants and contributions	6.2	4.4	8.7	10.0	14.9	14.4
General revenues:						
Property taxes	130.3	128.0	-	-	130.3	128.0
Other taxes	30.7	29.2	-	-	30.7	29.2
Noncategorical State aid	15.1	15.3	-	-	15.1	15.3
Grants and contributions	1.5	1.3	-	-	1.5	1.3
Other	0.3	0.3	0.1	0.1	0.4	0.4
Total revenues	214.1	209.5	32.9	33.0	247.0	242.5
Expenses:						
General government	14.1	13.3	-	-	14.1	13.3
Judicial administration	4.7	4.7	-	-	4.7	4.7
Public safety	51.6	50.1	-	-	51.6	50.1
Public works	15.1	8.2	-	-	15.1	8.2
Human services	20.4	20.0	-	-	20.4	20.0
Parks, recreation and cultural	6.1	5.9	-	-	6.1	5.9
Community development	4.7	4.6	-	-	4.7	4.6
Education	82.7	80.1	-	-	82.7	80.1
Interest on long-term debt *	6.0	8.3	-	-	6.0	8.3
Public utilities	-	-	26.3	26.7	26.3	26.7
Airport	-	-	0.7	0.6	0.7	0.6
Total expenses	205.4	195.1	27.0	27.3	232.4	222.4
(Decrease) Increase in net assets before transfers	8.7	14.4	5.9	5.7	14.6	20.1
Transfers	(0.1)	-	0.1	-	-	-
(Decrease) Increase in net position	8.6	14.4	6.0	5.7	14.6	20.1
Total net position - beginning of year - as restated (1)	123.7	134.5	208.8	205.2	332.5	339.7
Total net position - end of year	\$ 132.3	148.9	214.8	210.9	347.1	359.8

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

- (1) The County implemented GASB Statement Nos. 68 and 71 in fiscal year 2015. See Notes I.D.9 and V. F of the notes to the financial statements for more information. Fiscal year 2014 was not restated herein.

Governmental Activities: The increase in net position attributable to the County’s governmental activities totaled \$8.6 million for fiscal year 2015. Generally, net position changes are the result of the difference between revenues and expenses. Fiscal year 2015 revenues of \$214.1 million represent an increase of \$4.6 million, or 2.2% in comparison to the prior year, while expenses and transfers of \$205.5 million represent an increase of \$10.4 million, or 5.3% compared to the prior year.

The following chart illustrates the County’s fiscal year 2015 governmental revenues by source as a percentage of total governmental revenues:



Taxes are the largest source of County revenues, totaling \$161.0 million for fiscal year 2015, an increase of \$3.8 million, or 2.4%, in comparison to fiscal year 2014. An increase in general property taxes of \$2.3 million, or 1.8% was largely attributable to higher than projected real property tax revenue resulting from increased assessed values. Sales tax revenue increased by \$1.0 million, or 5.5%. General property taxes totaled \$130.3 million for fiscal year 2015, and represent 80.9% of total taxes and 60.9% of all revenues.

Also in fiscal year 2015, \$36.2 million, or 16.9% of total revenues, consisted of program revenues, including \$13.9 million in charges for services, \$16.1 million of operating grants and contributions, and \$6.2 million of capital grants and contributions. General revenues, including \$15.1 million of noncategorical state aid and \$1.8 million of unrestricted grants and contributions and unrestricted investment earnings, accounted for the remaining revenues.

As shown in Table 2 and Table 3, the total expenses of all the County’s governmental activities for fiscal year 2015 were \$205.4 million, which represents an increase of \$10.3 million, or 5.3% higher than fiscal year 2014. Increases in expenses for general government, public safety, public works, human services, parks, recreation and cultural, community development, and education expenses of \$0.8 million, \$1.5 million, \$6.9 million, \$0.4 million, \$0.2 million, \$0.1 million, and \$2.6 million, respectively, were offset by decreases in interest expense on long term debt of \$2.3 million. As the following chart indicates, education continues to be one of the County’s largest programs and highest priorities, with education expenses totaling \$82.7 million in fiscal year 2015. Public safety and human services are also strategic

focus areas and the County’s second and third largest expenses, totaling \$51.6 million and \$20.4 million, respectively in fiscal year 2015.

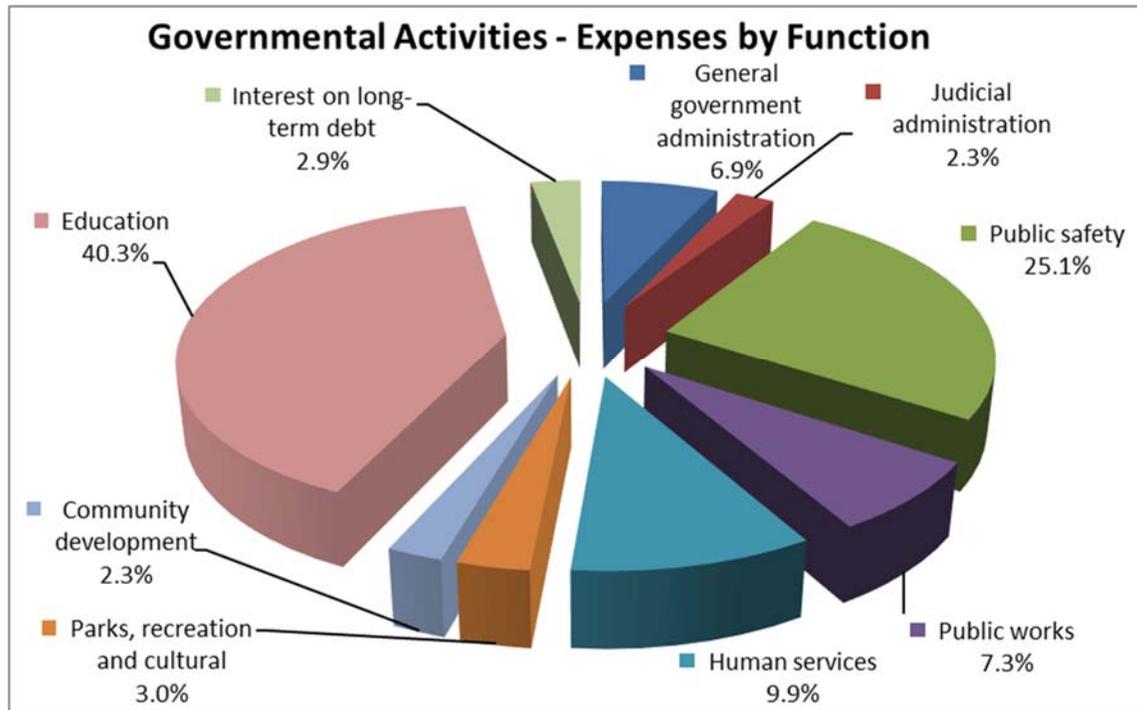


Table 3 presents the total cost of the County’s governmental activities by function, as well as the net cost of each function (total cost less fees generated by each function and program-specific intergovernmental aid) for the fiscal year ended June 30, 2015 and 2014:

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2015 (1)	2014	2015 (1)	2014
General government	\$ 14.1	\$ 13.3	\$ 11.4	\$ 9.9
Judicial administration	4.7	4.7	2.0	2.0
Public safety	51.6	50.1	41.5	39.8
Public works	15.1	8.2	11.9	4.1
Human services	20.4	20.0	8.1	8.2
Parks, recreation and cultural	6.1	5.9	2.1	3.9
Community development	4.7	4.6	3.6	3.6
Education	82.7	80.1	82.7	80.0
Interest on long-term debt	6.0	8.3	5.8	8.3
Total	\$ 205.4	\$ 195.1	\$ 169.1	\$ 159.7

A portion of the \$205.4 million cost of the County’s governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of \$13.9 million), and other governments and organizations that subsidized certain programs (i.e., operating and capital grants and contributions of \$22.3 million). These combined program revenues of \$36.2 million reduced the total fiscal year 2015 cost of services from \$205.4 million to the net cost of services of \$169.1 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 \$6.0 million for fiscal year 2015.

Public Utilities revenues totaled \$32.6 million, of which \$23.9 million, or 73.5%, was generated from charges for services and user fees. Nonoperating capacity fee revenue decreased to \$4.9 million from \$6.0 million last year, due to a decrease in projects. Public Utilities expenses totaled \$26.3 million in fiscal year 2015, compared to \$26.7 million for fiscal year 2014, a decrease of \$0.4 million, or 1.5%.

Airport operating revenues totaled \$207,379 in fiscal year 2015, compared to \$194,419 last year, primarily due to increased rental revenue on existing airport facilities. The Airport's nonoperating revenues totaled \$102,558 in fiscal year 2015, compared to \$394,728 in fiscal year 2014, primarily due a net loss on sale of property. Airport nonoperating expenses were \$68,024 and \$71,740 in fiscal years 2015 and 2014, 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 2015, the County's governmental funds reported combined ending fund balances of \$90.4 million (Exhibit 3), as compared to \$88.9 million at June 30, 2014, an increase of \$1.5 million. Of the \$90.4 million fiscal year 2015 fund balance, \$0.4 million is classified as *nonspendable* because it is invested in inventories and prepaids and therefore is not in spendable form, \$25.0 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, \$38.1 million is *assigned* to indicate that County administration has identified specific purposes for the use of those funds, and the remaining \$26.4 million is *unassigned*. Unassigned fund balances are technically available for any purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The General Fund is the primary operating fund of the County (Exhibits 3 through 6). The General Fund's fund balance increased \$1.8 million (3.6%) during fiscal year 2015, to \$52.5 million, of which \$0.2 million is nonspendable, \$0.9 million is restricted, \$0.5 million is committed, \$24.5 million is assigned and \$26.4 million is unassigned. As one measure of the General Fund's liquidity, it is useful to compare the total of the County's committed, assigned and unassigned fund balances to total fund revenues. At the end of fiscal year 2015, the General Fund's committed, assigned and unassigned fund balances of \$51.4 million represents 24.5% of total General Fund revenues of \$209.7 million. In addition, General Fund's unassigned fund balance totaled \$26.4 million, up from \$25.6 million at the end of fiscal year 2014, which represents 12.6% of total General Fund revenues in both years, and continues to exceed the 10% minimum set by the County's fund balance policy. The \$1.8 million fiscal year 2015 increase in the General Fund's fund balance resulted from General Fund revenues of \$209.7 million less expenditures of \$180.2 million and other financing uses of \$27.6 million, as shown on Exhibit 4 to the financial statements.

The fund balance in the County Improvements Fund (Exhibit 4) increased by \$0.1 million to \$34.1 million during fiscal year 2015. The fund balance in the School Improvements Fund (Exhibit 4) decreased by \$0.5 million to \$3.5 million during fiscal year 2015. The fund balance in the Debt Service Fund (Exhibit 4) decreased by \$0.02 million to \$0.3 million in fiscal year 2015.

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 \$2.9 million, or 1.3% between the originally-adopted fiscal year 2015 budget appropriation for expenditures and transfers out and the final budget, with \$1.3 million of the increase resulting from reappropriation of fiscal year 2014 budget commitments for completion of ongoing projects in fiscal year 2015. Encumbered balances account for 60.0% of the total reappropriation.

The remaining \$1.6 million in budget amendments was funded primarily with federal grant funding and assigned fund balance. Significant amendments included Public Safety Asset Forfeiture projects and the financial system replacement project.

Capital Assets and Debt Administration

Capital assets: The County’s investment in capital assets as of June 30, 2015, totals \$426.1 million, net of accumulated depreciation. This represents a decrease of \$2.5 million, or 0.6% less than fiscal year 2014. Capital assets, net of accumulated depreciation, are illustrated in the following table:

	(\$ in millions)			
	Governmental	Business-type	Totals at June 30	
	Activities	Activities	2015 (1)	2014
Land	\$ 9.9	11.2	21.0	21.1
Intangible assets	0.9	-	0.9	0.8
Buildings	135.0	52.7	187.7	197.8
Improvements other than buildings	9.7	143.1	152.8	149.6
Machinery and equipment	35.7	4.8	40.5	39.7
Infrastructure (1)	12.0	-	12.0	12.7
Construction in progress	7.3	3.9	11.2	6.9
Total	\$ 210.5	215.5	426.0	428.6

1. Fiscal year 2014 includes \$3.1 million of accumulated depreciation that was previously classified as accumulated depreciation for Improvements Other than Buildings.

Major capital asset activity during fiscal year 2015 included the following:

- The costs of ambulance replacement, vehicle replacement, communication system upgrades, and technology infrastructure assets totaling \$1.3 million, funded through general revenues.
- The costs of design and construction of a new courthouse facility totaling \$4.3 million, funded by the issuance of Infrastructure and State Moral Obligation Revenue Bonds.

- The costs of completed water and wastewater infrastructure projects reported in the Public Utilities Fund totaling \$9.6 million, funded by water and sewer user fees and capacity fees.
- Developers' contributions of water and wastewater lines totaled \$3.0 million.
- The costs of school facility improvements and equipment acquisition by the School Component Unit totaled \$6.6 million, funded by the issuance of the County's 2014A and 2015B General Obligation School Bonds, sold to the Virginia Public School Authority (VPSA) and County general revenues.

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 that limits 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, 2015.

The following table illustrates the County's outstanding debt at June 30, 2015:

	(\$ in millions)		
	Governmental Activities	Business-type Activities	Total
General obligation bonds (1)	\$ 125.6	-	125.6
Revenue bonds	-	19.0	19.0
Infrastructure and state moral obligation bonds	20.8	-	20.8
Support agreement	4.5	5.1	9.6
Capital lease obligations	2.1	-	2.1
Total	\$ 153.1	24.0	177.1

1. General obligation bonds includes general obligation debt of \$128.2 million net of deferred loss on refunding of \$2.6 million.

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 2015, 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 combined residential and commercial real estate valuations increased 5.2% in calendar year 2014 and 7.1% in calendar year 2015. Throughout fiscal year 2015, the County's unemployment rate continued to show steady improvement over the prior year. In August 2015, the County's unemployment rate was 3.9%, which was 1.1% improved (lower) than the same month a year ago, and which continues to compare favorably to the State's average unemployment rate of 4.3% and the national average rate of 5.2%.

Fiscal year 2015 showed positive and consistent revenue returns. Fiscal year 2016 is anticipated to continue those trends, particularly in the areas of sales tax and real and personal property. Sales tax revenues have increased by 5.8% in fiscal year 2015 and a budgeted increase of 5.8% in fiscal year 2016 over the 2015 actual. Real estate taxes and personal property taxes are budgeted to increase 4.0% and 8.7%, respectively, from the 2015 to the 2016 budget. With these factors in mind, net of the use of \$7.1 million of prior year fund balance, the County's adopted fiscal year 2016 General Fund budget was set at \$222.1 million, an

increase of \$7.3 million or 3.4% in comparison to the fiscal year 2015 figure of \$214.7 million. The County closely monitors and forecasts its revenues on a continual basis, and incorporates any significant changes in its current and subsequent fiscal year's budget plans in order to mitigate their impact and maintain the County's sound financial condition.

The County recognizes the value of properly illustrating year-end assignments of fund balance. Accordingly, at June 30, 2015, the County has assigned \$7.1 million of fund balance in its General Fund to fund a portion of the fiscal year 2016 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 \$2.5 million to fund future school budgets, \$3.0 million for economic development, \$2.0 million for public works projects, \$1.0 million to fund a portion of the County's subsequent five-year financial plans, \$7.6 million to fund capital projects, and \$1.2 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 2015. In fiscal year 2015, Public Utilities' water and sewer user fees increased by 4% and 1% respectively.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

COUNTY OF HANOVER, VIRGINIA
Statement of Net Position
June 30, 2015

Exhibit 1

	Primary Government			Component Units	
	Governmental	Business-type	Total	School Board	Economic
	Activities	Activities			Development
					Authority
ASSETS					
Current Assets:					
Pooled cash, cash equivalents and investments	\$ 92,927,317	18,875,983	111,803,300	13,238,388	169,243
Receivables (net of allowance for uncollectibles)	61,702,875	4,778,261	66,481,136	6,276,625	-
Prepaid expenses	158,852	-	158,852	-	-
Support agreement receivable	-	-	-	-	1,995,000
Inventories	201,790	-	201,790	129,199	-
Total current assets	154,990,834	23,654,244	178,645,078	19,644,212	2,164,243
Noncurrent Assets:					
Pooled cash, cash equivalents and investments - restricted	16,180,202	3,524,693	19,704,895	-	-
Support agreement receivable	-	-	-	-	7,265,000
Net pension asset - restricted	-	-	-	228,223	-
Capital assets (net of accumulated depreciation):					
Land	9,850,563	11,167,908	21,018,471	7,400,682	-
Intangible assets	876,994	-	876,994	-	-
Buildings	135,023,911	52,681,831	187,705,742	90,040,377	-
Improvements other than buildings	9,712,313	143,087,688	152,800,001	7,331,144	-
Machinery and equipment	35,710,749	4,800,952	40,511,701	7,053,045	-
Infrastructure	11,975,024	-	11,975,024	-	-
Construction in progress	7,303,706	3,901,491	11,205,197	849,944	-
Total capital assets, net	210,453,260	215,639,870	426,093,130	112,675,192	-
Total noncurrent assets	226,633,462	219,164,563	445,798,025	112,903,415	7,265,000
Total assets	381,624,296	242,818,807	624,443,103	132,547,627	9,429,243
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	2,606,372	1,122,875	3,729,247	-	-
Pension contributions after measurement date	5,747,693	479,777	6,227,470	14,186,605	-
Total deferred outflows of resources	8,354,065	1,602,652	9,956,717	14,186,605	-
LIABILITIES					
Current Liabilities:					
Accounts payable	5,721,876	1,367,406	7,089,282	1,583,395	-
Incurred but not reported self-insurance claims	2,172,085	-	2,172,085	-	-
Accrued liabilities	3,190,613	297,606	3,488,219	16,490,469	-
Accrued bond interest	2,434,993	259,957	2,694,950	-	-
Unearned revenue	1,664,455	-	1,664,455	90,450	-
Current portion of bonds payable	12,507,187	1,220,004	13,727,191	-	1,995,000
Current portion of capital lease obligations	94,476	-	94,476	-	-
Current portion of compensated absences	4,546,401	480,373	5,026,774	1,647,510	-
Current portion of liability for landfill closure and postclosure costs	74,887	-	74,887	-	-
Current portion of support agreement	702,852	1,305,000	2,007,852	-	-
Total current liabilities	33,109,825	4,930,346	38,040,171	19,811,824	1,995,000
Noncurrent Liabilities:					
Bonds payable	136,504,716	17,750,372	154,255,088	-	7,265,000
Capital lease obligations	1,982,667	-	1,982,667	-	-
Compensated absences	2,097,098	123,454	2,220,552	3,128,537	-
Other post-employment benefit obligations	775,932	-	775,932	-	-
Deposits	-	501,862	501,862	-	-
Capacity fee credits	-	122,217	122,217	-	-
Liability for landfill closure and postclosure costs	1,937,063	-	1,937,063	-	-
Support agreement	3,844,925	3,772,903	7,617,828	-	-
Net pension liability	18,019,691	1,504,155	19,523,846	153,157,000	-
Total noncurrent liabilities	165,162,092	23,774,963	188,937,055	156,285,537	7,265,000
Total liabilities	198,271,917	28,705,309	226,977,226	176,097,361	9,260,000
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	48,996,004	-	48,996,004	-	-
Pension investment experience	10,362,620	864,998	11,227,618	24,123,602	-
Change in actual and proportionate share of pension contributions	-	-	-	6,019,000	-
Total deferred inflows of resources	59,358,624	864,998	60,223,622	30,142,602	-
NET POSITION					
Net investment in capital assets	73,603,011	192,592,248	266,195,259	112,675,192	-
Restricted for:					
Grant programs	892,123	-	892,123	296,829	-
Capital projects	7,552,769	-	7,552,769	-	-
Debt covenants	-	3,524,693	3,524,693	-	-
Pension	-	-	-	228,223	-
Unrestricted (deficit)	50,299,917	18,734,211	69,034,128	(172,705,975)	169,243
Total net position	\$ 132,347,820	214,851,152	347,198,972	(59,505,731)	169,243

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

COUNTY OF HANOVER, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2015

Exhibit 2

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
Primary government:									
Governmental activities:									
General governmental administration	\$ 14,078,698	1,945,854	764,296	-	(11,368,548)	-	(11,368,548)	-	-
Judicial administration	4,699,748	1,114,869	1,539,598	26,265	(2,019,016)	-	(2,019,016)	-	-
Public safety	51,586,916	4,828,466	5,031,027	220,960	(41,506,463)	-	(41,506,463)	-	-
Public works	15,054,599	1,021,198	21,456	2,064,690	(11,947,255)	-	(11,947,255)	-	-
Human services	20,364,814	3,462,587	8,778,885	-	(8,123,342)	-	(8,123,342)	-	-
Parks, recreation and cultural	6,118,595	456,682	-	3,570,158	(2,091,755)	-	(2,091,755)	-	-
Community development	4,723,408	1,077,596	-	-	(3,645,812)	-	(3,645,812)	-	-
Education	82,732,244	-	-	56,000	(82,676,244)	-	(82,676,244)	-	-
Interest on long-term debt	6,005,268	-	-	219,529	(5,785,739)	-	(5,785,739)	-	-
Total governmental activities	205,364,290	13,907,252	16,135,262	6,157,602	(169,164,174)	-	(169,164,174)	-	-
Business-type activities:									
Public Utilities	26,303,713	23,922,093	-	8,523,676	-	6,142,056	6,142,056	-	-
Airport	736,601	207,379	-	221,869	-	(307,353)	(307,353)	-	-
Total business-type activities	27,040,314	24,129,472	-	8,745,545	-	5,834,703	5,834,703	-	-
Total primary government	\$ 232,404,604	38,036,724	16,135,262	14,903,147	(169,164,174)	5,834,703	(163,329,471)	-	-
Component Units:									
School Board	\$ 176,626,771	6,732,347	94,936,567	-	-	-	-	(74,957,857)	-
Economic Development Authority	225,895	204,218	-	50,000	-	-	-	-	28,323
Total component units	\$ 176,852,666	6,936,565	94,936,567	50,000	-	-	-	(74,957,857)	28,323
General revenues:									
Taxes:									
General property taxes					130,303,062	-	130,303,062	-	-
Sales taxes					19,201,921	-	19,201,921	-	-
Utility taxes					6,770,101	-	6,770,101	-	-
Recordation taxes					2,165,891	-	2,165,891	-	-
Other					2,552,378	-	2,552,378	-	-
Noncategorical State aid					15,107,698	-	15,107,698	-	-
Grants and contributions not restricted to specific programs					1,468,137	-	1,468,137	-	-
Payment from Hanover County					-	-	-	78,907,111	56,150
Unrestricted investment earnings					302,518	104,280	406,798	1,731	-
Transfers					(90,074)	90,074	-	-	-
Total general revenues and transfers					177,781,632	194,354	177,975,986	78,908,842	56,150
Change in net position					8,617,458	6,029,057	14,646,515	3,950,985	84,473
Total net position - beginning as restated (see note I.D.9)					123,730,362	208,822,095	332,552,457	(63,456,716)	84,770
Total net position - ending					\$ 132,347,820	214,851,152	347,198,972	(59,505,731)	169,243

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, 2015

	Capital Funds			Debt Service	Total Governmental Funds
	General	County Improvements	School Improvements		
ASSETS					
Pooled cash, cash equivalents and investments	\$ 49,722,011	22,234,967	1,805,232	332,856	74,095,066
Receivables (net of allowances for uncollectibles)	60,070,627	1,153,435	-	-	61,224,062
Prepaid Expenditures	-	158,852	-	-	158,852
Inventories	201,790	-	-	-	201,790
Pooled cash, cash equivalents and investments - restricted	-	14,352,205	1,827,997	-	16,180,202
Total assets	<u>\$ 109,994,428</u>	<u>37,899,459</u>	<u>3,633,229</u>	<u>332,856</u>	<u>151,859,972</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	1,922,050	3,670,291	129,337	-	5,721,678
Accrued liabilities	2,783,938	160,807	-	-	2,944,745
Unearned revenue	59,667	-	-	-	59,667
Total liabilities	<u>4,765,655</u>	<u>3,831,098</u>	<u>129,337</u>	<u>-</u>	<u>8,726,090</u>
Deferred Inflows:					
Deferred revenue	52,749,004	-	-	-	52,749,004
Fund Balances:					
Nonspendable	201,790	158,852	-	-	360,642
Restricted	892,123	21,904,974	2,195,173	-	24,992,270
Committed	500,000	-	-	-	500,000
Assigned	24,467,668	12,004,535	1,308,719	332,856	38,113,778
Unassigned	26,418,188	-	-	-	26,418,188
Total fund balances	<u>52,479,769</u>	<u>34,068,361</u>	<u>3,503,892</u>	<u>332,856</u>	<u>90,384,878</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 109,994,428</u>	<u>37,899,459</u>	<u>3,633,229</u>	<u>332,856</u>	<u>\$ 132,347,820</u>

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 210,453,260
Receivables on the statement of net position that do not provide current financial resources are not reported in the funds.	4,187,377
Postemployment healthcare benefits represent irrevocable payments made to the Retiree Medical Benefits Trust and VRS for retiree healthcare benefits. The liability is reported in the statement of net position as a noncurrent liability and as expenditures in the funds when made.	(775,932)
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.	14,853,748
Long-term liabilities, including bonds payable and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	(166,727,265)
Deferred loss on refunding does not provide current financial resources and, therefore, is not reported in the funds.	2,606,372
GASB Statement No. 68 requires the recognition of net pension liability and deferred inflows and outflows related to pensions. These amounts do not use current financial resources and are not reported in the funds.	
Net pension liability	(18,019,691)
Pension investment experience	(10,362,620)
Pension contributions after measurement date	5,747,693
Total net position of governmental activities	<u>\$ 132,347,820</u>

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, 2015

	General	County Improvements	School Improvements	Debt Service	Total Governmental Funds
REVENUES					
Revenue from local sources:					
General property taxes	\$ 132,279,062	-	-	-	132,279,062
Other local taxes	30,690,291	-	-	-	30,690,291
Permits, privilege fees and regulatory licenses	2,126,778	-	-	-	2,126,778
Fines and forfeitures	1,086,243	-	-	-	1,086,243
Revenues from use of money and property	767,395	26,265	2,417	-	796,077
Charges for services	6,924,157	1,037,603	53,583	-	8,015,343
Miscellaneous	1,048,312	1,710	-	-	1,050,022
Recovered costs	3,746,404	-	-	-	3,746,404
Revenue from the Commonwealth	27,575,954	1,268,222	-	-	28,844,176
Revenue from the Federal government	3,423,558	3,568,448	-	252,568	7,244,574
Total revenues	<u>209,668,154</u>	<u>5,902,248</u>	<u>56,000</u>	<u>252,568</u>	<u>215,878,970</u>
EXPENDITURES					
General governmental administration	13,507,460	1,573,399	-	-	15,080,859
Judicial administration	4,886,357	4,374,165	-	-	9,260,522
Public safety	50,590,626	1,668,427	-	-	52,259,053
Public works	9,257,501	5,043,149	-	-	14,300,650
Human services	20,978,177	-	-	-	20,978,177
Parks, recreation and cultural	5,748,956	-	-	-	5,748,956
Community development	4,824,351	-	-	-	4,824,351
Education	70,454,428	-	7,096,123	-	77,550,551
Debt service:					
Principal retirement	-	-	-	12,581,509	12,581,509
Interest and fiscal charges	-	-	-	6,728,512	6,728,512
Debt issuance costs	-	-	-	246,024	246,024
Total expenditures	<u>180,247,856</u>	<u>12,659,140</u>	<u>7,096,123</u>	<u>19,556,045</u>	<u>219,559,164</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,420,298</u>	<u>(6,756,892)</u>	<u>(7,040,123)</u>	<u>(19,303,477)</u>	<u>(3,680,194)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	6,869,720	1,600,000	19,033,933	27,503,653
Transfers out	(27,583,977)	(9,750)	-	-	(27,593,727)
Issuance of general obligation bonds	-	-	4,435,629	34,371	4,470,000
Premium on general obligation bonds issued	-	-	544,371	-	544,371
Issuance of general obligation refunding bonds	-	-	-	20,535,000	20,535,000
Premium on general obligation refunding bonds issued	-	-	-	3,368,469	3,368,469
Payments to refunded bonds escrow agents	-	-	-	(23,683,940)	(23,683,940)
Total other financing sources (uses)	<u>(27,583,977)</u>	<u>6,859,970</u>	<u>6,580,000</u>	<u>19,287,833</u>	<u>5,143,826</u>
Net change in fund balances	1,836,321	103,078	(460,123)	(15,644)	1,463,632
Total fund balances - beginning	50,643,448	33,965,283	3,964,015	348,500	88,921,246
Total fund balances - ending	<u>\$ 52,479,769</u>	<u>34,068,361</u>	<u>3,503,892</u>	<u>332,856</u>	<u>90,384,878</u>

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

COUNTY OF HANOVER, VIRGINIA**Exhibit 5**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balance - total governmental funds	\$ 1,463,632
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital Outlays	9,174,312
Depreciation Expense	(7,964,831)
<p>Tenancy in Common (see note IV. C.) - Under Virginia law, the County has a tenancy in common for School Board Component Unit capital assets for which the County is obligated to repay outstanding "on-behalf" bonds. Under the tenancy in common, the County reports the net book value of School Component Unit capital assets in the amount of the outstanding principal balance of "on-behalf" bonds at year end, net of unspent bond proceeds. This amount is the decrease in the net book value of School Board Component Unit capital assets reported by the County for the fiscal year, which resulted primarily from a decrease in school construction activity during the fiscal year, and results in a decrease in net position reported by the County (primary government) on the statement of activities.</p>	
	(6,554,157)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (e.g., tax receivable accrual).</p>	
	(2,026,676)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Debt Issued, Net of Issuance Costs of Refunding	(28,698,311)
Repayment of Debt Principal	12,581,509
<p>Payment to Refunded Bond Escrow Agent is an expenditure in the governmental funds, but the refunding reduces long-term debt in the Statement of Net Position.</p>	
	23,683,940
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
	905,969
<p>Pension contributions reported as expenditures in the fund statements are reported as deferred outflows of resources on the statement of net position. Pension expenses reported on the statement of activities do not use current financial resources and are not reported in the funds.</p>	
Pension contributions after measurement date	5,747,693
Pension expenses	(3,235,210)
<p>An internal service fund is used by management to charge the costs of self-insurance to individual funds. The change in internal service fund net position is reported with governmental activities.</p>	
	3,539,588
Change in net position of governmental activities	<u>\$ 8,617,458</u>

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 6

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from local sources:				
General property taxes	\$ 130,010,000	130,010,000	132,279,062	2,269,062
Other local taxes	30,736,000	30,736,000	30,690,291	(45,709)
Permits, privilege fees and regulatory licenses	2,014,800	2,014,800	2,126,778	111,978
Fines and forfeitures	1,127,800	1,127,800	1,086,243	(41,557)
Revenues from use of money and property	718,000	718,000	767,395	49,395
Charges for services	6,514,192	6,514,539	6,924,157	409,618
Miscellaneous	803,750	553,857	1,048,312	494,455
Recovered costs	3,636,269	3,707,292	3,746,404	39,112
Revenue from the Commonwealth	28,372,548	28,588,775	27,575,954	(1,012,821)
Revenue from the Federal government	3,022,874	3,291,247	3,423,558	132,311
Total revenues	206,956,233	207,262,310	209,668,154	2,405,844
EXPENDITURES				
General governmental administration	13,694,725	14,149,484	13,791,864	357,620
Judicial administration	4,919,206	4,982,363	4,891,511	90,852
Public safety	50,377,656	51,955,340	50,772,214	1,183,126
Public works	9,371,506	9,647,798	9,415,300	232,498
Human services	23,321,722	23,583,927	21,009,058	2,574,869
Parks, recreation and cultural	5,814,360	5,843,560	5,759,542	84,018
Community development	4,758,582	4,810,136	4,874,212	(64,076)
Education	74,453,688	74,453,688	70,454,428	3,999,260
Nondepartmental	1,780,792	474,617	-	474,617
Total expenditures - budgetary basis	188,492,237	189,900,913	180,968,129	8,932,784
Less encumbrances at June 30, 2015	-	-	(720,273)	720,273
Total expenditures	188,492,237	189,900,913	180,247,856	9,653,057
Excess of revenues over expenditures	18,463,996	17,361,397	29,420,298	12,058,901
OTHER FINANCING USES				
Transfers out	26,127,926	27,583,977	27,583,977	-
Total other financing uses	26,127,926	27,583,977	27,583,977	-
Net change in fund balance	(7,663,930)	(10,222,580)	1,836,321	12,058,901
Fund balances - beginning	7,663,930	50,643,448	50,643,448	
Fund balances - ending	\$ -	40,420,868	52,479,769	12,058,901

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

COUNTY OF HANOVER, VIRGINIA

Proprietary Funds
Statement of Net Position
June 30, 2015

Exhibit 7

	Business-type Activities -			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Public Utilities	Non-major Airport	Total	
ASSETS				
Current Assets:				
Pooled cash, cash equivalents and investments	\$ 17,941,334	934,649	18,875,983	18,832,251
Receivables (net of allowances for uncollectibles)	4,741,554	36,707	4,778,261	98,441
Total current assets	22,682,888	971,356	23,654,244	18,930,692
Noncurrent Assets:				
Pooled cash, cash equivalents and investments - restricted	3,524,693	-	3,524,693	-
Capital assets:				
Land	6,417,136	4,750,772	11,167,908	-
Buildings and system	85,679,461	3,669,137	89,348,598	-
Improvements other than buildings	237,305,407	8,090,789	245,396,196	-
Machinery and equipment	12,615,727	43,052	12,658,779	-
Construction in progress	3,094,951	806,540	3,901,491	-
Less accumulated depreciation	(141,237,769)	(5,595,333)	(146,833,102)	-
Total capital assets (net of accumulated depreciation)	203,874,913	11,764,957	215,639,870	-
Total noncurrent assets	207,399,606	11,764,957	219,164,563	-
Total assets	230,082,494	12,736,313	242,818,807	18,930,692
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	1,122,875	-	1,122,875	-
Pension contributions after measurement date	470,876	8,901	479,777	-
Total deferred outflows of resources	1,593,751	8,901	1,602,652	-
LIABILITIES				
Current Liabilities:				
Accounts payable	1,365,465	1,941	1,367,406	198
Incurred but not reported self-insurance claims	-	-	-	2,172,085
Accrued liabilities	223,615	73,991	297,606	245,868
Accrued bond interest	226,421	33,536	259,957	-
Due to other funds	-	-	-	-
Line of credit	-	-	-	-
Advance premiums	-	-	-	1,658,793
Contractual obligations	-	-	-	-
Current portion of bonds payable	1,142,121	77,883	1,220,004	-
Current portion of compensated absences	476,752	3,621	480,373	-
Current portion of support agreement	1,305,000	-	1,305,000	-
Total current liabilities	4,739,374	190,972	4,930,346	4,076,944
Noncurrent Liabilities:				
Bonds payable	16,507,959	1,242,413	17,750,372	-
Compensated absences	116,290	7,164	123,454	-
Deposits	501,862	-	501,862	-
Capacity fee credits	122,217	-	122,217	-
Support agreement	3,772,903	-	3,772,903	-
Net pension liability	1,476,250	27,905	1,504,155	-
Total noncurrent liabilities	22,497,481	1,277,482	23,774,963	-
Total liabilities	27,236,855	1,468,454	28,705,309	4,076,944
DEFERRED INFLOWS OF RESOURCES				
Pension investment experience	848,951	16,047	864,998	-
NET POSITION				
Net investment in capital assets	182,147,588	10,444,660	192,592,248	-
Restricted for debt covenants	3,524,693	-	3,524,693	-
Unrestricted	17,918,158	816,053	18,734,211	14,853,748
Total net position	\$ 203,590,439	11,260,713	214,851,152	14,853,748

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, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Public Utilities	Non-major		
		Airport	Total	
OPERATING REVENUES				
Revenue from use of money and property	\$ -	199,970	199,970	-
Charges for services	23,383,816	-	23,383,816	32,416,649
Capacity fees	286,363	-	286,363	-
Recovered cost	-	-	-	99,122
Miscellaneous	251,914	7,409	259,323	-
Total operating revenues	23,922,093	207,379	24,129,472	32,515,771
OPERATING EXPENSES				
Personnel services	4,561,967	80,655	4,642,622	13,622
Fringe benefits	1,080,627	14,748	1,095,375	1,200
Pension expense	265,042	5,010	270,052	-
Health care claims and benefits	-	-	-	28,947,470
Contractual services	5,283,247	42,573	5,325,820	67,410
Internal services	1,435,418	-	1,435,418	-
Other charges	3,699,351	8,400	3,707,751	22,402
Depreciation	9,101,073	397,880	9,498,953	-
Total operating expenses	25,426,725	549,266	25,975,991	29,052,104
Operating income (loss)	(1,504,632)	(341,887)	(1,846,519)	3,463,667
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues:				
Revenue from the Commonwealth	664,190	82,529	746,719	-
Revenue from the Federal government	-	139,340	139,340	-
Capacity fees - nonoperating	4,859,344	-	4,859,344	-
Gain (loss) on sale of property	-	(119,311)	(119,311)	-
Interest income	104,280	-	104,280	75,921
Total nonoperating revenues	5,627,814	102,558	5,730,372	75,921
Nonoperating expenses:				
Interest expense and fiscal charges	876,988	68,024	945,012	-
Total nonoperating expenses	876,988	68,024	945,012	-
Net nonoperating revenues-senior debt	4,750,826	34,534	4,785,360	75,921
Income (loss) before capital contributions	3,246,194	(307,353)	2,938,841	3,539,588
Capital contributions	3,000,142	-	3,000,142	-
Transfers in	-	90,074	90,074	-
Change in fund net position	6,246,336	(217,279)	6,029,057	3,539,588
Total fund net position- beginning as restated (see note I.D.9)	197,344,103	11,477,992	208,822,095	11,314,160
Total fund net position - ending	\$ 203,590,439	11,260,713	214,851,152	14,853,748

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, 2015

	Business-type Activities -			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Public Utilities	Non-major Airport	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 23,737,172	192,909	23,930,081	-
Receipts from interfund services provided	-	-	-	32,737,188
Payments to suppliers and service providers	(12,550,432)	(53,523)	(12,603,955)	(54,884)
Payments to employees	(4,540,743)	(104,042)	(4,644,785)	(14,821)
Claims and benefits paid	-	-	-	(29,634,085)
Net cash provided by operating activities	6,645,997	35,344	6,681,341	3,033,398
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds - operating	-	90,074	90,074	-
Net cash provided by noncapital financing activities	-	90,074	90,074	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Intergovernmental revenue received - capital grants	664,190	221,869	886,059	-
Capacity fees received	4,566,395	-	4,566,395	-
Acquisition and construction of capital assets	(9,114,292)	(218,731)	(9,333,023)	-
Principal payments on revenue bonds and support agreement debt	(2,406,830)	(74,072)	(2,480,902)	-
Interest payments on revenue bonds	(850,866)	(69,905)	(920,771)	-
Proceeds from sale of capital assets	-	69,971	69,971	-
Net cash (used) by capital and related financing activities	(7,141,403)	(70,868)	(7,212,271)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	104,280	-	104,280	75,921
Net cash provided by investing activities	104,280	-	104,280	75,921
Net increase in cash and cash equivalents	(391,126)	54,550	(336,576)	3,109,319
Pooled cash, cash equivalents and investments at beginning of year	21,857,153	880,099	22,737,252	15,722,932
Pooled cash, cash equivalents and investments at end of year	\$ 21,466,027	934,649	22,400,676	18,832,251
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (1,504,632)	(341,887)	(1,846,519)	3,463,667
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	9,101,073	397,880	9,498,953	-
Pension expense	265,042	5,010	270,052	-
Current year pension contributions made subsequent to the measurement date	(470,876)	(8,901)	(479,777)	-
(Increase) decrease in:				
Receivables	(201,319)	(14,469)	(215,788)	68,754
Increase (decrease) in:				
Customer deposits	16,398	-	16,398	-
Accounts payable	(582,867)	(2,551)	(585,418)	(16,660)
Incurred but not reported self-insurance claims	-	-	-	(717,857)
Accrued liabilities	7,890	80	7,970	14,078
Compensated absences	15,288	182	15,470	221,416
Total adjustments	8,150,629	377,231	8,527,860	(430,269)
Net cash provided by operating activities	\$ 6,645,997	35,344	6,681,341	3,033,398
Noncash investing, capital, and financing activities:				
Capital contributions	\$ 3,000,142	-	3,000,142	-
Capitalized interest	\$ 7,875	-	7,875	-

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, 2015

	Retiree Medical Benefits Trust	Agency Funds
ASSETS		
Pooled cash, cash equivalents and investments	\$ -	\$ 3,388,706
Receivables	633	1,100,762
Investments, at fair value (mutual funds):		
Money market	6,195	-
Domestic equity	2,097,211	-
International equity	1,154,455	-
Fixed income	1,368,279	-
Total assets	<u>\$ 4,626,773</u>	<u>\$ 4,489,468</u>
LIABILITIES		
Accounts payable	\$ -	\$ 103,720
Accrued liabilities	-	2,078,970
Deposits	-	2,306,778
Total liabilities	<u>\$ -</u>	<u>\$ 4,489,468</u>
FIDUCIARY NET POSITION		
Held in trust for other postemployment benefits	<u>\$ 4,626,773</u>	

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

COUNTY OF HANOVER, VIRGINIA
 Retiree Medical Benefits Trust Fund
 Statement of Changes in Fiduciary Net Position
 For the Year Ended June 30, 2015

Exhibit 11

	<u>Retiree Medical Benefits Trust</u>
ADDITIONS	
Contributions	
Employer	\$ 415,898
Plan members	<u>1,066,355</u>
Total contributions	<u>1,482,253</u>
Investment earnings	<u>94,814</u>
Total additions	<u>1,577,067</u>
DEDUCTIONS	
Benefits	<u>1,308,355</u>
Net increase in fiduciary net position	268,712
Fiduciary net position held in trust for other postemployment benefits	
Beginning	<u>4,358,061</u>
Ending	<u>\$ 4,626,773</u>

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

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

I. Summary of significant accounting policies

A. Reporting entity

The County of Hanover (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 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). 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 Hanover County Board of Supervisors pursuant to the Industrial Development and Revenue Bond Act (Chapter 33, Title 15.1, Code of Virginia 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.

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

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 (the County) 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. Agency funds are custodial in nature and do not involve the measurement of results of operations. In agency fund financial statements, assets equal liabilities, and are reported 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. 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.

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

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 nonmajor fund, accounts for the activities and operations of the County's airport.

Additionally, the County reports the following fund categories:

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

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

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

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

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

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, 2015, 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 statements 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 U.S. generally accepted accounting principles (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. Accounts receivable utilize percentage of receivable methods based upon aged receivable balances in determining allowances for uncollectibles. 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, 2014, and the first installment (June 5) of the levy on assessed value at January 1, 2015.

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.

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

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 2014 tax bills, payable in fiscal year 2015, included a fifty-seven percent reduction on the first \$20,000 in value for qualifying vehicles. PPTRA payments received from the Commonwealth of Virginia are classified as noncategorical State aid in the General Fund.

3. Inventories

All County inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of the County's discretely presented School Board Component Unit are valued at cost using the first in-first out (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, 2015 of \$19,704,895, which consists of unspent bond proceeds and accumulated interest of \$16,180,202 restricted for capital projects in the School and County Improvements Funds. Business-type activities report restricted cash, cash equivalents and investments of \$3,524,693 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, stormwater and access easements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The County defines tangible capital assets as items with an initial, individual cost of more than \$5,000 and an estimated useful life of at least five years, and intangible capital assets such as easements with an initial cost or estimated fair market value of more than \$25,000. As there are no factors which limit their useful lives, all County intangible assets are considered to have indefinite 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 estimated fair market 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest cost of \$7,875 was capitalized during the year-ended June 30, 2015.

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

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

The estimated useful lives of capital assets are as follows:

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

6. *Compensated absences*

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

7. *Long-term obligations*

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

8. *Net position / Fund balances*

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

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

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 of Supervisors, 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 of Supervisors. 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 of Supervisors. The highest levels of formal action approved by the County's Board of Supervisors are ordinances and resolutions.

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 of Supervisors 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 GASB Statement No. 54, 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 of Supervisors 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 of Supervisors 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 revenues.

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

9. New Accounting Pronouncements

In fiscal year 2015, the County implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB 68 establishes the standards for accounting and reporting regarding employee pension plans including the recognition and measurement of liabilities, deferred inflows and outflows, expenses and expenditures. Statement No. 71 specifies the treatment of contributions made subsequent to the liability measurement date in the year of implementation. GASB 68 represents a significant change in reporting and disclosure requirements for pension plans. Information previously discussed in the note disclosures will now be shown on the face of the financial statements. Under GASB 27, the information regarding pension assets or obligations was based on funding information. This has been replaced with the Net Pension Liability information, which represents the actuarially calculated amount of liability associated with the pension benefits accrued by current and former Employees of the County and the School Board component unit. The liability is presented net of the fiduciary net position of the pension trust funds. Certain estimates and assumptions are involved with the calculation and actual results may differ. The impact of the differences between the estimates and actual results are presented as deferred inflow or deferred outflow items. These will be applied in the calculation of pension expense and impact the liability over time, to reduce the volatility created from items such as investment performance. As a result of the change in accounting requirements, the fiscal year 2014 balances presented in this report differ from the items presented in the previously issued fiscal year 2014 financial statements. Net pension liability and net pension asset have been established on the statement of net position. Deferred outflow of resources associated with contributions made after the measurement date, deferred inflow of resources associated with pension investment experience, and deferred inflows for change in actual and proportionate share of pension contributions have been added. The measurement date for the 2015 balances is June 30, 2014, and the measurement date for the 2014 balances was June 30, 2013. To facilitate the implementation of this change in accounting requirements, 2014 ending balances are adjusted as follows:

	Governmental Activities	Business-Type Activities	School Board Component Unit
Net position - as previously reported at June 30, 2014	\$ 148,877,463	210,921,196	108,645,890
Net pension liability at June 30, 2014	(25,147,101)	(2,099,101)	(172,102,606)
Net position - as restated	<u>\$ 123,730,362</u>	<u>208,822,095</u>	<u>(63,456,716)</u>

As a result of implementing GASB Statement No. 68, the School Board component unit's restated net position at June 30, 2014 is a deficit \$63.5 million. Current year activities reduced the deficit by \$4.0 million to \$59.5 million at June 30, 2015.

10. Future Accounting Pronouncements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining fair value and for applying fair value to certain investments and disclosures related to all fair value measurements for financial reporting purposes. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2016.

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in financial reports of state and local governments, to establish requirements for defined benefit pensions and the assets accumulated for purposes of providing pensions that are not within the scope of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement also amends certain provisions of Statement No. 67 and Statement No. 68. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2017.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions included in the financial reports of state and local governments. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting for postemployment benefits other than pensions and to improve information provided by state and local governmental employers about financial support for other postemployment benefits (OPEB) that is provided by other entities. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2018.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles. It reduces the hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2016.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to require disclosure in the financial statements relating to the government's tax abatement agreements and agreements that are entered into by other governments that reduce the reporting government's tax revenues. These disclosures are intended to provide information about certain limitations on a government's ability to raise resources. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The County will adopt this Statement for the fiscal year ending June 30, 2016.

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

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 assets – 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	\$ 149,011,903
Accrued bond interest	2,434,993
Capital lease obligations	2,077,143
Support agreement payable	4,547,777
Compensated absences (excludes internal services)	6,643,499
Liability for landfill closure and postclosure costs	<u>2,011,950</u>
Net adjustment to reduce total fund balances - total governmental funds to arrive at net position - governmental activities	<u>\$ 166,727,265</u>

B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances, and the government-wide statement of activities.

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between the *net change in fund balance - total governmental funds* and *the change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 9,174,312
Depreciation expense	<u>(7,964,831)</u>
Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net position of governmental activities	<u>\$ 1,209,481</u>

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

Another 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 (excludes internal services)	\$ (281,802)
Liability for landfill closure and postclosure costs	104,698
Other postemployment benefit (OPEB) costs	113,806
Accrued interest	401,282
Amortization of bond premiums	858,325
Amortization of deferred loss on refunding	<u>(290,340)</u>
Net adjustment to increase the net change in fund balance - total governmental funds to arrive at the change in net position of governmental activities	<u>\$ 905,969</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

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

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

To address changes to the fiscal plan, the Board has adopted a budget policy which establishes thresholds for making adjustments to the adopted budget. The budget policy effectively establishes a *legal level of budgetary control*, the lowest level at which County administration may not reallocate resources without Board approval. The budget policy generally authorizes the County Administrator (County Funds) and School Superintendent (School Funds) to transfer amounts as needed within the personnel and capital categories, and to transfer within a \$50,000 limit per topic or issue in the operating category. The Board of Supervisors must approve all other transfers and all requests for supplemental appropriations. The School Board is authorized to transfer budgeted amounts within the school component unit funds. However, any transfer or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors' approval.

The fiscal year 2015 adopted budget for the School Board appropriated the purchase of textbooks from the School's operating fund. As such, the budget for the Textbook Fund was incorporated into the School's Operating Fund and is no longer accounted for in a unique fund. Accordingly, the financial statements for the School Board Component unit combine the School's Operating Fund and the Textbook Fund into a single, aggregated presentation.

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

IV. Detailed notes on all funds

A. Deposits and investments

As of June 30, 2015, the reporting entity's pooled cash and investments, including \$3,388,706 held on behalf of agency funds, and amounts separately invested by the Retiree Medical Benefits Trust's Finance Board, were as follows:

Investment Type	Fair Value	Credit Quality Rating				
		AAA/AAAm	AA	A	N/R	N/A
Pooled Investments:						
Cash on hand	3,475	-	-	-	-	3,475
Cash deposits	30,385,909	-	-	-	-	30,385,909
Demand and time deposits	8,538,178	-	2,555,811	5,512,716	-	469,651
Money market mutual funds (AAAm ratings)	54,321,537	54,321,537	-	-	-	-
U.S. government and agency bonds	39,043,731	-	39,043,731	-	-	-
Corporate notes and bonds	15,777,092	2,549,525	13,227,567	-	-	-
Municipal bonds	234,609	-	234,609	-	-	-
Total pooled deposits and investments	\$ 148,304,531	56,871,062	55,061,718	5,512,716	-	30,859,035

Retiree Medical Benefits Trust:	Fair Value	Fund Credit Quality Rating		
		AAAm	N/R	N/A
Mutual funds:				
Money market	\$ 6,195	6,195	-	-
Domestic equity	2,097,211	-	-	2,097,211
International equity	1,154,455	-	-	1,154,455
Fixed income	1,368,279	-	574,324	793,955
Total trust investments	\$ 4,626,140	6,195	574,324	4,045,621

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 of Virginia. 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 of Virginia (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 State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

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:

	<u>Maximum</u>
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 (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 Virginia Code Section 2.2-4500 *et seq.* applicable to liquid assets. These funds will be used to pay for benefits and expenses of the Trust. The investment assets will be invested in longer-term securities or mutual funds in accordance with targets for each asset class, with the objective to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate.

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

The target asset classes and asset weightings are as follows:

Trust Asset Class	Fair Value	Trust Asset Weightings		
		Range	Target	Actual
Liquidity assets:				
Cash equivalent	\$ 6,195	0 - 100%	100%	100%
Investment assets:				
Domestic equity	2,097,211	26 - 46%	36%	45%
International equity	1,154,455	13 - 33%	23%	25%
REITs	-	0 - 12%	6%	0%
Inflation hedged	-	0 - 10%	0%	0%
Fixed income	1,368,279	20 - 60%	35%	30%
Total investment assets	4,619,945		100%	100%
Total trust investments	\$ 4,626,140			

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

As of June 30, 2015, deposits and fixed income investments are summarized at fair value and maturity as follows:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 3	More than 3
Pooled Investments:				
Cash on hand	\$ 3,475	3,475	-	-
Cash deposits	30,385,909	30,385,909	-	-
Demand and time deposits	8,538,178	5,160,597	3,377,581	-
Money market mutual funds	54,321,537	54,321,537	-	-
U.S. Government and agency bonds	39,043,731	4,569,735	34,473,996	-
Corporate notes and bonds	15,777,092	2,309,251	13,467,841	-
Municipal bonds	234,609	234,609	-	-
Total pooled deposits and investments	\$ 148,304,531	96,985,113	51,319,418	-

Retiree Medical Benefits Trust:	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 5	More than 5
Money market mutual fund	\$ 6,195	6,195	-	-
Fixed income	1,368,279	-	219,104	1,149,175
Domestic equity	2,097,211	-	-	2,097,211
International equity	1,154,455	-	-	1,154,455
Total trust deposits and investments	\$ 4,626,140	6,195	219,104	4,400,841

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

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, 2015 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 overall credit quality of the Trust’s fixed income investments must be at least A. The Trust Policy also permits the Trust to purchase fixed income investments with credit quality ratings of Baa3 or BBB by at least two credit rating agencies (Fitch, Moody’s or S&P), up to a maximum of 20 percent of the total market value of fixed-income investments. If a security is downgraded below investment grade as defined by two of these credit rating agencies, the investment manager must notify the Finance Board and a plan of action regarding the security must be adopted.

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, 2015, the only issuer exceeding five percent of the pooled investments was the US Treasury, which represented nineteen percent of pooled investments.

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

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

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, 2015 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, 2015, 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, 2015.

B. Receivables

Receivables and allowances for uncollectible receivables of the primary government and School Component Unit, excluding fiduciary funds, at June 30, 2015, are as follows:

	Primary Government						School Component Unit
	County					Total Primary Government	
	General Fund	County Improvements Fund	Public Utilities	Airport Fund	Internal Services Funds		
Receivables:							
Interest	\$ 180,866	-	-	-	-	180,866	-
Taxes	54,707,832	-	-	-	-	54,707,832	-
Accounts	1,948,416	2,424	4,913,851	-	98,441	6,963,132	295,894
Commonwealth of Virginia	5,401,827	317,921	-	17,713	-	5,737,461	3,281,926
Federal government	493,455	833,090	-	18,994	-	1,345,539	2,698,805
Gross receivables	62,732,396	1,153,435	4,913,851	36,707	98,441	68,934,830	6,276,625
Allowance for uncollectibles	(2,661,769)	-	(172,297)	-	-	(2,834,066)	-
Net total receivables	\$ 60,070,627	1,153,435	4,741,554	36,707	98,441	66,100,764	6,276,625

The governmental funds financial statements report *unearned revenue* 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 revenue* 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 2015 real property tax levy, due on October 5, 2015, are reported as *deferred inflows of resources* at June 30, 2015 in the government-wide financial statements, and in the governmental fund financial statements. At June 30, 2015, the various components of the primary government’s *deferred inflows of resources* and *unearned revenue* were as follows:

	Deferred Inflows of Resources	Unearned Revenue	Deferred Inflows of Resources	Unearned Revenue
	Governmental Funds Financial Statements	Governmental Funds Financial Statements	Government - wide Financial Statements	Government - wide Financial Statements
Property tax levies not yet due	\$ 48,185,546	-	48,185,546	-
Prepaid taxes	810,458	-	810,458	-
Past due taxes (net of allowance for uncollectibles)	3,753,000	-	-	-
EMS transport fees	-	54,005	-	-
CSB grant	-	5,662	-	5,662
Advance health insurance premiums - Self Insurance Fund	-	-	-	1,658,793
Total deferred/unearned revenue - primary government	\$ 52,749,004	59,667	48,996,004	1,664,455

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

C. Capital assets

Capital asset activity for the primary government for the year ended June 30, 2015 was as follows:

Primary Government

Governmental activities:	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, not being depreciated:				
Land	\$ 9,850,563	-	-	9,850,563
Intangible assets	807,474	69,520	-	876,994
Construction in progress	2,314,517	12,668,890	(7,679,701)	7,303,706
Total capital assets, not being depreciated	<u>12,972,554</u>	<u>12,738,410</u>	<u>(7,679,701)</u>	<u>18,031,263</u>
Capital assets, being depreciated:				
Buildings	225,283,632	12,000	(3,630,582)	221,665,050
Improvements other than buildings	16,046,789	210,092	(57,470)	16,199,411
Machinery and equipment	72,762,737	3,555,570	(2,054,875)	74,263,432
Infrastructure	30,745,173	337,941	-	31,083,114
Total capital assets, being depreciated	<u>344,838,331</u>	<u>4,115,603</u>	<u>(5,742,927)</u>	<u>343,211,007</u>
Less accumulated depreciation for:				
Buildings	(81,966,200)	(4,674,939)	-	(86,641,139)
Improvements other than buildings	(5,888,299)	(656,269)	57,470	(6,487,098)
Machinery and equipment	(36,047,452)	(4,485,760)	1,980,529	(38,552,683)
Infrastructure *	(18,036,652)	(1,071,438)	-	(19,108,090)
Total accumulated depreciation	<u>(141,938,603)</u>	<u>(10,888,406)</u>	<u>2,037,999</u>	<u>(150,789,010)</u>
Total capital assets, being depreciated, net	<u>202,899,728</u>	<u>(6,772,803)</u>	<u>(3,704,928)</u>	<u>192,421,997</u>
Governmental activities capital assets, net	<u>\$ 215,872,282</u>	<u>5,965,607</u>	<u>(11,384,629)</u>	<u>210,453,260</u>
* Beginning balance includes \$3,128,206 of accumulated depreciation that was previously classified as accumulated depreciation for Improvements Other than Buildings				
Business-type activities:	Balance			Balance
Public Utilities:	July 1	Increases	Decreases	June 30
Capital assets, not being depreciated:				
Land	\$ 6,404,136	13,000	-	6,417,136
Construction in progress	4,010,116	8,727,953	(9,643,118)	3,094,951
Total capital assets, not being depreciated	<u>10,414,252</u>	<u>8,740,953</u>	<u>(9,643,118)</u>	<u>9,512,087</u>
Capital assets, being depreciated:				
Buildings	84,982,017	697,444	-	85,679,461
Improvements other than buildings	227,342,796	9,962,611	-	237,305,407
Machinery and equipment	10,361,889	2,507,556	(253,718)	12,615,727
Total capital assets, being depreciated	<u>322,686,702</u>	<u>13,167,611</u>	<u>(253,718)</u>	<u>335,600,595</u>
Less accumulated depreciation for:				
Buildings	(33,400,045)	(2,342,440)	-	(35,742,485)
Improvements other than buildings	(91,583,447)	(6,084,983)	-	(97,668,430)
Machinery and equipment	(7,406,921)	(673,651)	253,718	(7,826,854)
Total accumulated depreciation	<u>(132,390,413)</u>	<u>(9,101,074)</u>	<u>253,718</u>	<u>(141,237,769)</u>
Total capital assets, being depreciated, net	<u>190,296,289</u>	<u>4,066,537</u>	<u>-</u>	<u>194,362,826</u>
Public Utilities capital assets, net	<u>\$ 200,710,541</u>	<u>12,807,490</u>	<u>(9,643,118)</u>	<u>203,874,913</u>

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

Airport Fund:	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, not being depreciated:				
Land	\$ 4,870,083	-	(119,311)	4,750,772
Construction in progress	593,380	213,160	-	806,540
Total capital assets, not being depreciated	<u>5,463,463</u>	<u>213,160</u>	<u>(119,311)</u>	<u>5,557,312</u>
Capital assets, being depreciated:				
Buildings	3,669,137	-	-	3,669,137
Improvements other than buildings	8,090,789	-	-	8,090,789
Machinery and equipment	37,481	5,571	-	43,052
Total capital assets, being depreciated	<u>11,797,407</u>	<u>5,571</u>	<u>-</u>	<u>11,802,978</u>
Less accumulated depreciation for:				
Buildings	(806,199)	(118,083)	-	(924,282)
Improvements other than buildings	(4,362,457)	(277,621)	-	(4,640,078)
Machinery and equipment	(28,797)	(2,176)	-	(30,973)
Total accumulated depreciation	<u>(5,197,453)</u>	<u>(397,880)</u>	<u>-</u>	<u>(5,595,333)</u>
Total capital assets, being depreciated, net	<u>6,599,954</u>	<u>(392,309)</u>	<u>-</u>	<u>6,207,645</u>
Airport capital assets, net	<u>\$ 12,063,417</u>	<u>(179,149)</u>	<u>(119,311)</u>	<u>11,764,957</u>
Total Business-type activities:	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, not being depreciated:				
Land	\$ 11,274,219	13,000	(119,311)	11,167,908
Construction in progress	4,603,496	8,941,113	(9,643,118)	3,901,491
Total capital assets, not being depreciated	<u>15,877,715</u>	<u>8,954,113</u>	<u>(9,762,429)</u>	<u>15,069,399</u>
Capital assets, being depreciated:				
Buildings	88,651,154	697,444	-	89,348,598
Improvements other than buildings	235,433,585	9,962,611	-	245,396,196
Machinery and equipment	10,399,370	2,513,127	(253,718)	12,658,779
Total capital assets, being depreciated	<u>334,484,109</u>	<u>13,173,182</u>	<u>(253,718)</u>	<u>347,403,573</u>
Less accumulated depreciation for:				
Buildings	(34,206,244)	(2,460,523)	-	(36,666,767)
Improvements other than buildings	(95,945,904)	(6,362,604)	-	(102,308,508)
Machinery and equipment	(7,435,718)	(675,827)	253,718	(7,857,827)
Total accumulated depreciation	<u>(137,587,866)</u>	<u>(9,498,954)</u>	<u>253,718</u>	<u>(146,833,102)</u>
Total capital assets, being depreciated, net	<u>196,896,243</u>	<u>3,674,228</u>	<u>-</u>	<u>200,570,471</u>
Business-type activities capital assets, net	<u>\$ 212,773,958</u>	<u>12,628,341</u>	<u>(9,762,429)</u>	<u>215,639,870</u>
Total capital assets, net - Primary government	<u>\$ 428,646,240</u>	<u>18,593,948</u>	<u>(21,147,058)</u>	<u>426,093,130</u>

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

Capital assets activity for the School Board Component Unit for the year ended June 30, 2015 was as follows:

School Board Component Unit activities:	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, not being depreciated:				
Land	\$ 7,400,682	-	-	7,400,682
Construction in progress	1,276,139	7,338,569	(7,764,764)	849,944
Total capital assets, not being depreciated	<u>8,676,821</u>	<u>7,338,569</u>	<u>(7,764,764)</u>	<u>8,250,626</u>
Capital assets, being depreciated:				
Buildings	145,421,837	3,630,582	-	149,052,419
Improvements other than buildings	5,467,905	4,411,651	-	9,879,556
Machinery and equipment	24,122,828	2,203,224	(665,608)	25,660,444
Total capital assets, being depreciated	<u>175,012,570</u>	<u>10,245,457</u>	<u>(665,608)</u>	<u>184,592,419</u>
Less accumulated depreciation for:				
Buildings	(53,527,773)	(5,484,269)	-	(59,012,042)
Improvements other than buildings	(2,250,228)	(298,184)	-	(2,548,412)
Machinery and equipment	(17,739,744)	(1,502,754)	635,099	(18,607,399)
Total accumulated depreciation	<u>(73,517,745)</u>	<u>(7,285,207)</u>	<u>635,099</u>	<u>(80,167,853)</u>
Total capital assets, being depreciated, net	<u>101,494,825</u>	<u>2,960,250</u>	<u>(30,509)</u>	<u>104,424,566</u>
School Board Component Unit capital assets, net	<u>\$ 110,171,646</u>	<u>10,298,819</u>	<u>(7,795,273)</u>	<u>112,675,192</u>

Depreciation expense was charged to functions of the primary government and School Component Unit as follows:

Primary government:

Governmental activities:

General governmental administration	\$ 459,706
Judicial administration	149,815
Public safety	4,410,214
Public works	2,069,137
Human services	218,412
Parks, recreation and cultural	579,834
Community development	77,713
Education	4,259,645
Total depreciation expense - governmental activities	<u>12,224,476</u>

Business-type activities:

Public Utilities	9,101,074
Airport	397,880
Total depreciation expense - business-type activities	<u>9,498,954</u>

Total depreciation expense - primary government \$ 21,723,430

School Component Unit \$ 5,949,137

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

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, 2015, the County had outstanding financial obligations related to the construction of school buildings totaling \$153,056,836. Accordingly, school buildings with a net book value of that amount are reported in the governmental activities of the Primary Government at June 30, 2015. During fiscal year 2015, the County’s financial obligations related to school buildings decreased by a net amount of \$6,554,157, and, accordingly, the net book value of school buildings reported by the Primary Government decreased, and the net book value of buildings reported by the School Board Component Unit increased by the same amount. Depreciation expense on school buildings 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 \$10,208,782 in fiscal year 2015, of which \$4,259,645 is reported by the Primary Government and \$5,949,137 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. Interfund transfers for the year ended June 30, 2015 are as follows:

<u>Primary Government</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	27,583,977
County Improvements Fund	6,869,720	9,750
School Improvements Fund	1,600,000	-
Debt Service Fund	19,033,933	-
Airport Fund	90,074	-
Total primary government	<u>\$ 27,593,727</u>	<u>27,593,727</u>

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

E. 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, 2015:

<u>Primary Government</u>	Balance July 1 as restated	Additions	Reductions	Balance June 30	Due Within One Year
Governmental activities:					
General obligation bonds payable:					
Principal amount of bonds payable	\$ 128,401,168	25,005,000	33,226,509	120,179,659	11,702,200
Premium	5,744,487	3,912,840	1,643,353	8,013,974	804,987
Infrastructure and state moral obligation bonds payable:					
Principal amount of bonds payable	19,950,000	-	-	19,950,000	-
Premium	899,280	-	31,010	868,270	31,010
Total bonds payable	<u>154,994,935</u>	<u>28,917,840</u>	<u>34,900,872</u>	<u>149,011,903</u>	<u>12,538,197</u>
Capital lease obligations	2,166,620	-	89,477	2,077,143	94,476
Compensated absences	6,361,696	4,671,224	4,389,421	6,643,499	4,546,401
Other post-employment benefit obligations	889,738	15,833	129,639	775,932	-
Liability for landfill closure	2,116,648	-	104,698	2,011,950	74,887
Support Agreement	5,250,629	-	702,852	4,547,777	702,852
Net pension liability	<u>25,147,101</u>	<u>3,235,210</u>	<u>10,362,620</u>	<u>18,019,691</u>	<u>-</u>
Total governmental activities	<u>196,927,367</u>	<u>36,840,107</u>	<u>50,679,579</u>	<u>183,087,895</u>	<u>17,956,813</u>
Business-type activities:					
Public Utilities:					
Water and sewer revenue bonds payable:					
Principal amount of bonds payable	17,785,525	6,420,000	7,691,831	16,513,694	1,071,831
Premium	345,348	963,309	172,271	1,136,386	70,290
Total bonds payable	<u>18,130,873</u>	<u>7,383,309</u>	<u>7,864,102</u>	<u>17,650,080</u>	<u>1,142,121</u>
Compensated absences	577,754	479,750	464,462	593,042	476,752
Deposits	485,464	244,364	227,966	501,862	-
Capacity fee credits	272,028	309,256	459,067	122,217	-
Support Agreement	6,432,696	-	1,354,793	5,077,903	1,305,000
Net pension liability	<u>2,060,159</u>	<u>265,042</u>	<u>848,951</u>	<u>1,476,250</u>	<u>-</u>
Total Public Utilities	<u>27,958,974</u>	<u>8,681,721</u>	<u>11,219,341</u>	<u>25,421,354</u>	<u>2,923,873</u>
Airport Fund:					
VRA airport revenue bond payable	1,394,368	-	74,072	1,320,296	77,883
Compensated absences	10,603	3,741	3,559	10,785	3,621
Net pension liability	<u>38,942</u>	<u>5,010</u>	<u>16,047</u>	<u>27,905</u>	<u>-</u>
Total Airport Fund	<u>1,443,913</u>	<u>8,751</u>	<u>93,678</u>	<u>1,358,986</u>	<u>81,504</u>
Total business-type activities	<u>29,402,887</u>	<u>8,690,472</u>	<u>11,313,019</u>	<u>26,780,340</u>	<u>3,005,377</u>
Total Business-type activities:					
Revenue bonds payable:					
Principal amount of bonds payable	19,179,893	6,420,000	7,765,903	17,833,990	1,149,714
Premium	345,348	963,309	172,271	1,136,386	70,290
Total bonds payable	<u>19,525,241</u>	<u>7,383,309</u>	<u>7,938,174</u>	<u>18,970,376</u>	<u>1,220,004</u>
Compensated absences	588,357	483,491	468,021	603,827	480,373
Deposits	485,464	244,364	227,966	501,862	-
Capacity fee credits	272,028	309,256	459,067	122,217	-
Support Agreement	6,432,696	-	1,354,793	5,077,903	1,305,000
Net pension liability	<u>2,099,101</u>	<u>270,052</u>	<u>864,998</u>	<u>1,504,155</u>	<u>-</u>
Total business-type activities	<u>29,402,887</u>	<u>8,690,472</u>	<u>11,313,019</u>	<u>26,780,340</u>	<u>3,005,377</u>
Total noncurrent liabilities - Primary government	<u>\$ 226,330,254</u>	<u>45,530,579</u>	<u>61,992,598</u>	<u>209,868,235</u>	<u>20,962,190</u>
School Component Unit					
Compensated absences	\$ 4,684,200	1,707,674	1,615,827	4,776,047	1,647,510
Net pension liability	<u>172,102,606</u>	<u>10,968,773</u>	<u>29,914,379</u>	<u>153,157,000</u>	<u>-</u>
Total noncurrent liabilities - School Component Unit	<u>\$ 176,786,806</u>	<u>12,676,447</u>	<u>31,530,206</u>	<u>157,933,047</u>	<u>1,647,510</u>

Capital lease obligations, support agreements, compensated absences and the liability for landfill closure reported as governmental activities liabilities of the primary government are liquidated by the General Fund.

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

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 \$2,011,950 reported as landfill closure and post closure care liability at June 30, 2015 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 2015. 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. These bonds generally are issued as 20 to 30-year serial bonds with equal amounts of principal maturing each year.

On March 19, 2015, the primary government issued \$ 20,535,000 of Series 2015 General Obligation Refunding Bonds (Series 2015 Bonds) with interest rates between 2.0 and 5.0 percent. The Series 2015 Bonds were issued to advance refund existing bonds. Of the total issued, \$9,355,000 was issued to refund \$10,070,000 of Series 2006A bonds which had an interest rate of 4.0%, \$7,035,000 was issued to refund \$7,385,000 of Series 2009 bonds which had an average interest rate of 4.3%, and \$4,145,000 was issued to refund \$3,960,000 of Series 2011A bonds which had an interest rate of 5.25%. The refunding net proceeds of \$23,683,940 were used to purchase full faith and credit U.S. Government securities which were deposited in an irrevocable escrow account to provide the resources to pay all principal and interest on the refunded bonds when due from the date of issuance of the Series 2015 Bonds and to redeem the 2006A bonds on July 15, 2016, the 2009 bonds on July 15, 2019, and the Series 2011A bonds on January 15, 2021. The reacquisition price exceeded the net carrying amount of the refunded bonds by \$1,650,102, and this amount is being amortized over the remaining life of the refunded bonds.

On May 15, 2015, the primary government issued \$4,470,000 of Series 2015B Virginia Public School Authority (VPSA) General Obligation School Bonds. The proceeds of the bonds will be used for various capital projects for the schools. The bonds mature on July 15th in each of the years 2016 through 2035, and have interest rates between 2.05 and 5.05 percent.

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 \$21.5 million as of June 30, 2015, to secure the total remaining debt service requirements of the then-outstanding Public Utilities Water and Sewer Revenue

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

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, 2015 of approximately \$11.1 million annually, it is estimated that approximately 11.4 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. During fiscal year 2015, pledged Net Available Revenues totaled \$13,018,420, and the water and sewer revenue bond debt service requirement was \$3,291,693.

The County has also pledged future lease rental income from the airport's fixed base operator (FBO), or successor FBOs, in the approximate amount of \$1,799,714 as of June 30, 2015, 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. During fiscal year 2015, pledged rental receipts totaled \$177,077, and the debt service requirement was \$142,096.

On August 13, 2014, Public Utilities issued \$6,420,000 in Series 2014B revenue bonds with interest rates between 2.031 and 5.125 percent. The proceeds of the bonds were used to advance refund \$6,590,000 of the 2006 revenue bonds. The refunding net proceeds of \$7,295,388 were remitted to the Virginia Resources Authority to provide the resources to pay all principal and interest on the refunded bonds when due from the date of issuance of the Series 2014B Bonds and to redeem the 2006 revenue bonds, payable in installments due on October 1 in the years 2017 through 2031. The reacquisition price exceeded the net carrying amount of the refunded bonds by \$603,408, and this amount is being amortized over the remaining life of the refunded bonds.

County General Obligation Bonds and Revenue Bonds

Outstanding general obligation bonds and revenue bonds as of June 30, 2015 are comprised of the following issues:

(See schedule on following page)

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

Purpose	Interest Rates (%)	Date Issued	Original Issue	Principal Outstanding
Governmental activities:				
General obligation bonds:				
County:				
Series 2006A Public Improvement	4.00 - 5.00	10-12-06	\$ 7,440,000	\$ 870,000
Series 2006A Refunding	4.00 - 5.00	10-12-06	3,965,000	765,000
Series 2009 Public Improvement	2.50 - 5.00	02-18-09	10,765,000	3,315,000
Series 2010A Public Improvement	2.00 - 5.00	01-14-10	5,655,000	3,090,000
Series 2010B Public Improvement	4.73 - 6.02	01-14-10	7,850,000	7,850,000
Series 2011A Public Improvement	2.00 - 5.25	01-20-11	11,452,000	6,055,817
Series 2015 Refunding	2.00 - 5.00	03-19-15	11,199,110	11,199,110
Total general obligation bonds - County				<u>33,144,927</u>
Schools:				
Series 2006A Public Improvement	4.00 - 5.00	10-12-06	13,710,000	1,330,000
Series 2006B Refunding	3.50 - 4.00	10-12-06	10,395,000	4,965,000
Series 2009 Public Improvement	2.00 - 5.00	02-18-09	9,450,000	2,220,000
Series 2009 Refunding	2.00 - 5.00	02-18-09	22,375,000	14,610,000
Series 2010A Public Improvement	2.00 - 5.00	01-14-10	6,585,000	3,610,000
Series 2010B Public Improvement	4.73 - 6.02	01-14-10	6,275,000	6,275,000
Series 2011A Public Improvement	2.00 - 5.25	01-20-11	1,048,000	554,183
Series 2011A Refunding	2.00 - 5.25	01-20-11	5,340,000	3,200,000
Series 2015 Refunding	2.00 - 5.00	03-19-15	9,335,890	9,335,890
VPSA Series 1994B	6.10 - 6.60	11-22-94	5,385,000	-
VPSA Series 1995A	5.20 - 5.75	12-21-95	1,580,000	75,000
VPSA Series 1996A	5.10 - 6.10	11-14-96	7,495,000	580,000
VPSA Series 1999A	5.10 - 6.10	11-18-99	5,630,000	1,400,000
VPSA Series 1999B	5.10 - 6.10	11-18-99	4,384,934	1,195,430
VPSA Series 2005A	3.10 - 5.10	05-12-05	16,105,000	8,855,000
VPSA Series 2005B	4.60 - 5.10	11-10-05	6,995,000	3,951,235
VPSA Series 2005C	4.60 - 5.10	11-10-05	6,967,658	3,845,000
VPSA Series 2007	4.10 - 5.10	11-08-07	13,838,206	9,217,994
VPSA Series 2009A Refunding	4.35 - 5.35	11-20-97	3,220,000	480,000
VPSA Series 2011B	2.05 - 5.05	11-09-11	5,855,000	4,970,000
VPSA Series 2014A	2.68 - 5.05	05-15-14	1,895,000	1,895,000
VPSA Series 2015B	2.05 - 5.02	05-14-15	4,470,000	4,470,000
Total general obligation bonds - Schools				<u>87,034,732</u>
Total governmental activities - general obligation bonds				<u>120,179,659</u>
Infrastructure and state moral obligation revenue bonds:				
VRA Series 2014A	2.74 - 4.83	5-21-14	19,950,000	19,950,000
Total infrastructure and state moral obligation bonds				<u>19,950,000</u>
Business-type activities:				
Public Utilities:				
Water and sewer revenue bonds:				
Series 2002A	0.00	06-14-02	920,400	368,160
Series 2005A Refunding	3.10 - 4.64	01-31-05	14,065,000	8,835,000
Series 2006	3.63 - 4.98	05-08-06	9,000,000	570,000
Series 2007	0.00	07-19-07	616,206	400,534
Series 2014B Refunding	2.031 - 5.025	08-13-14	6,340,000	6,340,000
Total Public Utilities				<u>16,513,694</u>
Airport Fund:				
Taxable airport revenue bond:				
VRA Series 2007	5.08	03-21-07	1,795,000	1,320,296
Total Airport Fund				<u>1,320,296</u>
Total Business-type activities				<u>17,833,990</u>
Total bond indebtedness - Primary government				<u>\$ 157,963,649</u>

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

Principal and interest to maturity for the County's governmental activities general obligation bonds and business-type activities revenue bonds outstanding at June 30, 2015, are as follows:

Fiscal Year	Governmental Activities		Business-type Activities				Total	
	General Obligation Bonds		Water and Sewer Revenue Bonds		Taxable Airport Revenue Bond		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2016	\$ 11,702,200	5,097,297	1,071,831	675,586	77,883	66,094	12,851,914	5,838,977
2017	11,653,637	4,807,605	1,111,832	632,099	81,889	62,088	12,847,358	5,501,792
2018	10,955,718	4,130,744	1,146,831	588,066	86,102	57,875	12,188,651	4,776,685
2019	10,793,475	3,845,920	1,191,831	540,395	90,532	53,445	12,075,838	4,439,760
2020	10,556,952	3,346,868	1,246,832	489,772	95,189	48,788	11,898,973	3,885,428
2021-2025	38,623,989	10,789,879	7,012,115	1,577,475	554,639	165,247	46,190,743	12,532,601
2026-2030	22,273,688	3,271,649	2,617,422	488,371	334,062	25,881	25,225,172	3,785,901
2031-2035	3,295,000	307,664	1,115,000	40,966	-	-	4,410,000	348,630
2036	325,000	6,581	-	-	-	-	325,000	6,581
Totals	\$ 120,179,659	35,604,207	16,513,694	5,032,730	1,320,296	479,418	138,013,649	41,116,355

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

Infrastructure and State Moral Obligation Revenue Bonds

On May 21, 2014, the primary government issued \$19,950,000 of Series 2014A Infrastructure and State Moral Obligation Revenue Bonds (Series 2014A Bonds) with interest rates between 2.74 and 4.83 percent. Amounts required for debt service are deposited into a special fund within the Debt Service Fund and are pledged to secure the local bonds. These amounts are subject to annual appropriation. The Series 2014A Bonds were issued to finance the construction of a new courthouse facility.

Principal and interest to maturity for the Infrastructure and State Moral Obligation Revenue Bonds outstanding at June 30, 2015 are as follows:

Fiscal Year	Governmental Activities	
	Principal	Interest
2016	\$ -	802,519
2017	-	802,519
2018	390,000	793,100
2019	410,000	773,775
2020	425,000	758,053
2021-2025	2,395,000	3,523,628
2026-2030	2,995,000	2,924,488
2031-2035	3,590,000	2,330,306
2036-2040	4,375,000	1,546,516
2041-2045	5,370,000	547,094
Totals	\$ 19,950,000	14,801,998

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

Subsequent event - On August 19, 2015, the primary government issued \$21,505,000 of Series 2015B Infrastructure and State Moral Obligation Revenue Bonds (Series 2015B Bonds) with interest rates between 3.043 and 5.125 percent. Amounts required for debt service are deposited into a special fund within the Debt Service Fund and are pledged to secure the local bonds. These amounts are subject to annual appropriation. The Series 2015B Bonds were issued to finance the construction of a new courthouse facility.

Conduit Debt Obligations

The County's Economic Development Authority Component Unit (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, 2015, the principal amounts outstanding on these IRBs totaled approximately \$185.1 million.

Support Agreement

On March 23, 2011, the EDA issued Revenue and Refunding Bonds, Series 2011 (EDA Bonds) in the amount of \$17,260,000, of which \$2,205,000 consisted of new debt for the acquisition and build-out of a building to be used by the Community Services Board, the Social Services Department, and the Registrar's Office and \$15,055,000 was used to refund existing County general obligation school bonds and water and sewer revenue bonds. 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 of Supervisors. Support payments of \$2,383,763 were paid by the County during the fiscal year ended June 30, 2015.

The Support Agreement annual debt service requirements to maturity as of June 30, 2015, excluding amortization of premium, are as follows:

Fiscal Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 690,000	160,413	1,305,000	161,500	1,995,000	321,913
2017	680,000	139,713	1,305,000	112,750	1,985,000	252,463
2018	675,000	119,313	1,305,000	73,600	1,980,000	192,913
2019	450,000	92,313	680,000	32,350	1,130,000	124,663
2020	275,000	78,813	60,000	11,950	335,000	90,763
2021-2025	815,000	274,775	250,000	25,400	1,065,000	300,175
2026-2030	770,000	118,025	-	-	770,000	118,025
Totals	\$ 4,355,000	983,365	4,905,000	417,550	9,260,000	1,400,915

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

Capital leases

The County has financed the acquisition of office facilities and a communications system by entering into capital lease agreements. The balance of capital assets, net of accumulated depreciation, the future minimum lease payments, and the present value of the minimum lease payments as of June 30, 2015, are as follows:

Asset Class	Primary Government - Governmental Activities
Land	\$ 384,847
Buildings	13,804,580
Machinery and equipment	<u>1,783,693</u>
Total assets, at cost	15,973,120
Accumulated depreciation	<u>(7,932,275)</u>
Total assets, net	<u>\$ 8,040,845</u>
Fiscal Year	Future Minimum Lease Payments
2016	\$ 175,148
2017	176,604
2018	172,655
2019	173,095
2020	173,425
2021-2025	871,463
2026-2030	871,724
2031-2032	<u>174,420</u>
Total minimum lease payments	2,788,534
Less: Portion representing interest	<u>(711,391)</u>
Present value of minimum lease payments	<u>\$ 2,077,143</u>

Defeasance of debt

In fiscal year 2015 and 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, 2015, the County had general obligation bonds that were outstanding but considered defeased totaling \$21,895,000, and Public Utilities had revenue bonds that were outstanding but considered defeased totaling \$6,590,000.

V. Other information

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries insurance through commercial carriers or through the Virginia Municipal Liability Pool. The County carries commercial insurance for all risks of loss including property, theft, auto liability, general liability and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

for each of the past three years. There was no reduction in insurance coverage during fiscal year 2015. All claims are paid in full at the time of damage. In addition, the County provides various surety bond coverages as required under regulations, generally at industry-recommended levels.

The County is a participating member in the Virginia Municipal League Insurance Program and the School Board is a participating member in the School Systems of Virginia Self Insurance Program. 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 \$175,000 for individual claims paid during the contract year and an aggregate plan stop loss of 125% of expected claims. All County and School Board full-time and benefited part-time employees are eligible to participate. Premiums are paid for participating employees to the Self Insurance Fund, which is reported in the County's financial statements as an internal service fund. An administrator selected by the County processes all claims, and is reimbursed based on actual claims processed. Net position balances in the Self Insurance Fund are used as a reserve to offset rate increases and to fund losses in future years. The County's benefits consultant has actuarially determined an estimated liability for combined County and School Board healthcare claims that have been incurred but not reported (IBNR) at fiscal year-end, substantially all of which is expected to be liquidated within the following fiscal year, and which is reported in the Self Insurance Fund. Changes in balances of health insurance claim liabilities and IBNR during the past two years are as follows:

Fiscal Year	Payable (Receivable) Beginning of Year	Claims and Other Charges Processed	Claims and Benefit Payments	Payable (Receivable) End of Year	Incurred But Not Reported
2014	\$ (442,932)	27,323,895	27,048,159	(167,196)	2,889,942
2015	(167,196)	28,280,867	28,929,970	(98,442)	2,172,085

	Balance July 1	Increases	Decreases	Balance June 30
Incurred But Not Reported	\$ 2,889,942	28,280,867	(28,998,724)	2,172,085

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

B. Fund Balance Classifications

The accompanying financial statements display nonspendable, restricted, committed and assigned fund balance classifications in the aggregate using GASB Statement No. 54 criteria. Specific purpose information for these fund balance classifications follows:

	Primary Government				Total Governmental Funds	School Board Component Unit	Economic Development Authority
	General Fund	County Improvements Fund	School Improvements Fund	Debt Service Fund			
Nonspendable:							
Inventory	\$ 201,790	-	-	-	201,790	129,199	-
Prepaid expenditures	-	158,852	-	-	158,852	-	-
Total nonspendable	201,790	158,852	-	-	360,642	129,199	-
Restricted for:							
Public safety - asset forfeiture	207,286	-	-	-	207,286	-	-
Judicial administration - asset forfeiture	344,875	-	-	-	344,875	-	-
Public works - recycling service districts	38,473	-	-	-	38,473	-	-
Health and human services - federal and state grants	260,094	-	-	-	260,094	-	-
Education - grants	-	-	-	-	-	296,829	-
Other grants and donations	41,395	-	-	-	41,395	-	-
Capital improvements	-	21,904,974	2,195,173	-	24,100,147	-	-
Total restricted	892,123	21,904,974	2,195,173	-	24,992,270	296,829	-
Committed to:							
Economic development	500,000	-	-	-	500,000	-	-
Total committed	500,000	-	-	-	500,000	-	-
Assigned to:							
Education	2,500,000	-	-	-	2,500,000	1,053,870	-
Economic development	3,000,000	-	-	-	3,000,000	-	-
Public works - stormwater	1,000,000	-	-	-	1,000,000	-	-
Public works - transportation	1,000,000	-	-	-	1,000,000	-	-
Other services	1,234,180	-	-	332,856	1,567,036	-	-
Funding of subsequent fiscal year's adopted budget	7,132,000	-	-	-	7,132,000	-	38,400
Funding of subsequent five-year financial plans	986,921	-	-	-	986,921	-	-
Capital improvements	7,614,567	12,004,535	1,308,719	-	20,927,821	-	-
Total assigned	24,467,668	12,004,535	1,308,719	332,856	38,113,778	1,053,870	38,400
Unassigned Fund Balance	26,418,188	-	-	-	26,418,188	-	130,843
Total fund balances	\$ 52,479,769	34,068,361	3,503,892	332,856	90,384,878	1,479,898	169,243

C. Commitments and contingent liabilities

Other commitments

At June 30, 2015, the primary government had commitments for capital projects totaling \$35,415,839 as follows:

	Primary Government				Total Primary Government
	County Improvements Fund	School Improvements Fund	Public Utilities Fund	Airport Fund	
Total capital commitments	\$ 32,195,293	900,755	2,244,949	74,842	35,415,839

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

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

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 governmental funds. In accordance with the County's adopted Budget Policy, encumbered funds are reappropriated annually by the Board of Supervisors 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		Total Primary Government	Schools Component Unit
		Improvements Fund	School Improvements Fund		
Encumbrances outstanding at fiscal year-end	\$ 712,392	17,805,993	900,755	19,419,140	887,537

Contingent liabilities

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

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

D. Joint ventures

- Capital Region Airport Commission:** The Capital Region Airport Commission (Airport Commission) was established in 1975 by an Act of the Virginia General Assembly. The Airport Commission owns and operates Richmond International Airport (Airport). The Airport Commission is governed by 14 Commissioners, with four members each being appointed by the City of Richmond, County of Henrico and County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The Airport Commission generates its revenues from service charges to users of the Airport facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Airport Commission submit an annual budget showing estimated revenues and estimated expenditures to the governing bodies of the localities for their approval. After approval of the proposed budget by the governing bodies, if the Airport Commission's budget contains estimated expenditures that exceed estimated revenues, the governing bodies are required to fund the deficit in proportion to their pro rata financial basis in the Airport Commission. The pro rata basis is to be determined by the percentage of the population of each locality to the combined total population of all participating localities according to the most recent census, with Hanover County's pro rata share approximating 10.5%. If actual revenues are less than estimated revenues identified in the budget (resulting in a deficit), the localities may, at their discretion, appropriate funds necessary to fund the deficit. To date, the County has not been required to fund any deficit. Complete financial statements for the Airport Commission can be obtained from the Chief Financial Officer, 1 Richard E. Byrd Terminal Drive, Suite A, Richmond International Airport, Richmond, VA 23250-2400.

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

- **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 of Virginia. The political subdivisions participating in the incorporation of the GRCCA are the City of Richmond and the Counties of Chesterfield, Hanover and Henrico. The GRCCA is governed by a five member commission comprised of the chief administrative officer of each of the four incorporating political subdivisions and the President/CEO of the Retail Merchants Association of Greater Richmond.

The GRCCA was created for the purpose of acquiring, constructing, equipping, maintaining, and operating a regional convention center facility. In August 1996, each locality designated future revenue from the transient occupancy tax for expansion of the convention center. The GRCCA has issued \$158,415,000 in Hotel Tax Revenue Bonds, which are secured by an eight percent transient occupancy tax imposed and collected by the localities. The County made an expenditure of \$897,765 for transient occupancy tax to the GRCCA during fiscal year 2015. Complete financial statements for the GRCCA can be obtained from Chesterfield County, Accounting Department, 9901 Lori Road, Chesterfield, Virginia 23832.

- **Dominion Resources Innovation Center:** The Dominion Resources GreenTech Incubator (DRGI), a Virginia non-profit, non-stock corporation, was created in 2009, under authority granted by the Virginia General Assembly to the Virginia Biotechnology Research Partnership Authority, pursuant to an Agreement between Hanover County, the Town of Ashland, their respective economic development authorities, the Virginia Biotechnology Research Partnership Authority (Authority) and the Virginia Biosciences Development Center, Inc. (Participants). The DRGI'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 of Ashland, 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 DRGI was created to encourage new business formation primarily in the areas of clean, "green" and energy conservation technologies within Hanover 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, Hanover County and its EDA have agreed to provide \$80,000, prorated annually for each of the DRGI's 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 DRGI. 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 DRGI, without the requirement for major cash subsidies after the first five years of operation. During fiscal year 2015, the Hanover County EDA contributed \$40,000. Neither the County nor its EDA have any ongoing financial interest in DRGI. Annual audited financial statements are available from DRGI at 201 Duncan Street, Ashland, VA 23005.

E. Jointly governed organizations

- **Pamunkey Regional Library:** The Pamunkey Regional Library (Library) is a political subdivision of the Commonwealth of Virginia and is governed by a separate Board of Trustees, appointed for specific terms of office by the Boards of Supervisors of the counties to which it provides library services, including the Counties of Hanover, Goochland, King William, and King and Queen. Management and accountability for fiscal matters rest with the Library's

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

Board, of which Hanover 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. Hanover 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 2015, Hanover County contributed a total of \$2,572,566 to the Library's operations. Complete financial statements for the Library can be obtained from the Director's office at P.O. Box 119, Hanover, Virginia 23069.

- **Pamunkey Regional Jail Authority:** The Pamunkey Regional Jail Authority (Jail Authority) is a political subdivision of the Commonwealth of Virginia. The participating jurisdictions of the Jail Authority are the Counties of Caroline and Hanover and the Town of Ashland. The Jail Authority is governed by a five-member board comprised of two members each from the Counties of Caroline and Hanover and one from the Town of Ashland. Management and accountability for fiscal matters rest with the Jail Authority. The County serves as fiscal agent for the Jail Authority; however, the board formulates and approves its own budget. The County of Hanover 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 typically provides a majority of the inmates to the facility, and made per diem contributions totaling \$5,346,147 in fiscal year 2015. Complete financial statements for the Jail Authority can be obtained from the Jail Superintendent's office at P.O. Box 510, Hanover, Virginia 23069.

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

The Detention Commission was created to enhance the protection of the region's citizens by the maintenance and operation of a juvenile detention facility (the Merrimac Center) to serve the member jurisdictions. The member jurisdictions have entered into a Service Agreement which is a long-term contract governing the parties' respective obligations. Under the Service Agreement, the County is obligated to pay a per diem rate to be determined annually by the Detention Commission for each day a juvenile from the County is held at the Center or in another detention facility secured by the Detention Commission. If the sum of all per diem rates paid during the fiscal year is below \$2,500, the County shall pay the Detention Commission the amount equal to the difference. During fiscal year 2015, the County's per diem payments to the Detention Commission totaled \$286,716. 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.

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

- **Central Virginia Waste Management Authority:** The Central Virginia Waste Management Authority (Waste Authority) was established under the provisions of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George; the Cities of Colonial Heights, Hopewell, Petersburg and Richmond; and the Town of Ashland. The 20 member board is comprised of no less than one and no more than three members from each of the participating jurisdictions, determined on a population basis. The County has two representatives serving on the Waste Authority's Board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Eighteen 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 2015 payments to the Waste Authority totaled \$238,674. Complete financial statements can be obtained from the Waste Authority at 2100 West Laburnum Avenue, Suite 105, Richmond, Virginia 23227.

- **Greater Richmond Partnership:** The Greater Richmond Partnership, Inc. (GRP) serves the Counties of Chesterfield, Hanover and Henrico, and the City of Richmond by seeking to enhance economic development in the participating localities. The County has one representative serving on GRP's Board of Directors. During fiscal year 2015, the County made payments to the GRP totaling \$370,000. Complete financial statements can be obtained from GRP's office at Riverfront Plaza, 901 East Byrd Street, Suite 801, Richmond, Virginia 23219.

- **Richmond Region Tourism:** The Richmond Metropolitan Convention and Visitors Bureau (RMCVB) serves the Counties of Chesterfield, Hanover, New Kent and Henrico, and the City of Richmond 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 2015 contributions to RMCVB totaling \$157,973. Complete financial statements can be obtained from the RMCVB's office at 401 North 3rd Street, Richmond, Virginia 23219.

- **Richmond Regional Planning District Commission:** The Richmond Regional Planning District Commission (RRPDC) 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 RRPDC 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 RRPDC 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 the RRPDC totaling \$49,737 in fiscal year 2015. Complete financial statements can be obtained from the RRPDC at 9211 Forest Hill Avenue, Suite 200, Richmond, Virginia 23235.

F. Defined benefit pension plans – Virginia Retirement System

Pension Plans

Agent Multiple-Employer Plan - The County and School Board non-professional employees participate in an agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System (VRS). The VRS requires periodic employer contributions at actuarially determined rates,

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. The required employer contributions for County employees and for School Board non-professional employees are established annually by the VRS, by separate actuarial valuations specific to each group.

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

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

Detailed information about the VRS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR) and GASB 68 Report. A copy of the 2014 VRS CAFR and GASB 68 Report may be downloaded from the VRS website at <http://www.varetire.org/employers/financial-reporting/index.asp>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

The GASB 68 agent multiple-employer plan's annual actuarial report prepared by VRS for the County contains combined pension information related to the County and Pamunkey Regional Library (PRL). (See footnote V. Jointly Governed Organizations for additional information on the County and PRL relationship.) As such, the following information is allocated based on employer contributions between the County and PRL. The proportional allocation for the County, 98.21%, is presented herein and for PRL, 1.79%, in its stand-alone CAFR.

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*, 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 System 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 in the table on the following page:

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

RETIREMENT PLAN PROVISIONS

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. 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 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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most 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. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p>	<p>Eligible Members Employees are 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.</p> <p>Hybrid Opt-In Election</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees* • Members in Plan 1 or Plan 2 who elected to opt into the

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

<p>VRS non-hazardous duty covered Plan 1 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Plan 2 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</p> <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement 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.</p>

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> 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. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> 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.</p>

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

<p>Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p>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.</p> <p><u>Defined Contributions Component:</u> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

<p>final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>		<p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The 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%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p>

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

<p>subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.**</p>		<p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (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%.</p> <p>Eligibility: 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.</p> <p>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</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (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%.</p> <p>Eligibility: Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p>

COUNTY OF HANOVER
Notes to the Financial Statements
June 30, 2015

<p>calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA</u> <u>Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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 under the Virginia Sickness and Disability Program (VSDP). • 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. 	<p><u>Exceptions to COLA</u> <u>Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA</u> <u>Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it</p>	<p>Disability Coverage Employees of political subdivisions and school divisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local</p>

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

<p>earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> <p>School Professionals N/A</p>	<p>was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p>School Professionals N/A</p>	<p>governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> - Hybrid Retirement Plan members are ineligible for ported service. - The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p>Defined Contribution Component: Not applicable.</p>

** The Hanover Board of Supervisors elected to provide the higher retirement multiplier (1.85%) to all eligible employees in hazardous duty positions as described in the Code of Virginia (the Code), Section 51.1-138, and 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.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

Agent Multiple-Employer Plan

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	County	School Board Non-Professional
Inactive members or their beneficiaries currently receiving benefits	386	139
Inactive members:		
Vested inactive members	169	26
Non-vested inactive members	171	115
Inactive members active elsewhere in VRS	331	40
Total inactive members	671	181
Active members:	992	291
Total covered employees	2,049	611

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, 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 Hanover Board of Supervisors elected to continue contributing the 5% employee contribution amount for all eligible Plan 1 and Plan 2 employees through June 30, 2012. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The Hanover Board of Supervisors elected to require that employees pay the 5% member contribution effective July 1, 2012 and provided a salary increase equal to the 5% employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees.

The contractually required contribution rates for the County and for the School Board's non-professional employee group for the fiscal year ended June 30, 2015, were 11.06% and 7.75%, respectively, of their annual covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$6,227,470 and \$6,347,363 and contributions from the School Board's non-professional group were \$507,170 and \$595,088 for the years ended June 30, 2015 and June 30, 2014, respectively.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

Net Pension Liability

At June 30, 2015, the County reported a net pension liability of \$19,523,846 and the School Board non-professional group reported a net pension asset of \$228,223. The net pension liability and net pension asset were measured as of June 30, 2014. The total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General and Public Safety Employees

The total pension liability for general employees of the County and School Board non-professional group and the County public safety employees was based on an actuarial valuation as of June 30, 2013, using the entry age normal actuarial cost method, the level percent closed amortization method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014:

	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
Payroll growth	3.00%
Discount rate	7.00%
Cost-of-living adjustment	2.25% - 2.50%
Investment rate of return (net of pension plan investment expense, including inflation)	7.00%
 Mortality Rates	 14 % of deaths are assumed to be service related for County general employees and School Board non-professional group and 60% of deaths are assumed to be service related for County public safety employees
Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years for County general employees and School Board non-professional group and RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years for County public safety employees
Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year
Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

County General Employees and School Board Non-Professional Group	County Public Safety Employees
Update mortality table	Update mortality table
Decrease in rates of service retirement	Adjustments to rates of service retirement for females
Decrease in rates of disability retirement	Increase in rates of withdrawal
Reduce rates of salary increase by 0.25% per year	Decrease in male and female rates of disability

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

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 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 as provided by the VRS for use in the last actuarial experience study for the four-year period ending June 30, 2012 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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic normal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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, 2018, the rate contributed by the employer for the agent multiple-employer plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. Beginning July 1, 2018, participating employers and employees are assumed to contribute 100% of the actuarially determined

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (County)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 191,176,809	\$ 157,582,996	\$ 33,593,813
Changes for the year:			
Service cost	6,872,262		6,872,262
Interest	13,186,216		13,186,216
Contributions - employer		6,347,611	(6,347,611)
Contributions - employee		2,728,734	(2,728,734)
Net investment income		25,182,288	(25,182,288)
Benefit payments, including refunds of employee contributions	(5,604,586)	(5,604,586)	-
Administrative expenses		(131,515)	131,515
Other changes		1,327	(1,327)
Net changes	<u>14,453,892</u>	<u>28,523,859</u>	<u>(14,069,967)</u>
Balances at June 30, 2015	<u>\$ 205,630,701</u>	<u>\$ 186,106,855</u>	<u>\$ 19,523,846</u>

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 21,430,630	\$ 19,852,936	\$ 1,577,694
Changes for the year:			
Service cost	761,268		761,268
Interest	1,470,488		1,470,488
Contributions - employer		595,088	(595,088)
Contributions - employee		325,403	(325,403)
Net investment income		3,133,692	(3,133,692)
Benefit payments, including refunds of employee contributions	(847,310)	(847,310)	-
Administrative expenses		(16,675)	16,675
Other changes		165	(165)
Net changes	<u>1,384,446</u>	<u>3,190,363</u>	<u>(1,805,917)</u>
Balances at June 30, 2015	<u>\$ 22,815,076</u>	<u>\$ 23,043,299</u>	<u>\$ (228,223)</u>

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County and School non-professional group using the discount rate of 7.00%, as well as what their net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1 % Increase</u>
County Employees			
Net Pension Liability (Asset)	\$ 50,177,538	\$ 19,523,846	\$ (5,684,642)
School Non-Professional			
Net Pension Liability (Asset)	\$ 2,519,616	\$ (228,223)	\$ (2,543,414)

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

For the year ended June 30, 2015, the County recognized pension expense of \$3,505,261. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$11,227,618
Employer contributions subsequent to the measurement date	6,227,470	-
Total	\$6,227,470	\$11,227,618

\$6,227,470 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, 2016. The net difference between projected and actual earning on pension plan investments will be recognized in pension expense as follows:

Year ending June 30

2016	\$ 2,806,905
2017	2,806,905
2018	2,806,905
2019	2,806,903
Total	\$ 11,227,618

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

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, 2015, the School Board non-professional group recognized pension expense of \$182,773. At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$ -	\$1,393,602
Employer contributions subsequent to the measurement date	507,170	-
Total	\$507,170	\$1,393,602

\$507,170 reported as deferred outflows of resources related to pensions resulting from the School Board non-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, 2016. The net difference between projected and actual earning on pension plan investments will be recognized in pension expense as follows:

Year ending June 30

2016	\$ 348,401
2017	348,401
2018	348,401
2019	348,399
Total	\$ 1,393,602

Cost-Sharing Multiple-Employer Plan

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, 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 Hanover Board of Supervisors elected to continue contributing the 5% employee contribution amount for all eligible Plan 1 and Plan 2 employees through June 30, 2012. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The Hanover Board of Supervisors elected to require that employees pay the 5% member contribution effective July 1, 2012 and provided a salary increase equal to the 5% employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

Each participating member entity's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended, total plan contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$13,679,435 and \$10,806,814 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

At June 30, 2015, the School Board professional group reported a liability of \$153,157,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 and rolled forward to the measurement date of June 30, 2014. 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the School Board's proportion was 1.26737% as compared to 1.32071% at June 30, 2013.

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

For the year ended June 30, 2015, the School Board professional group recognized pension expense of \$10,786,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. At June 30, 2015, the School Board 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
Net difference between projected and actual earnings on pension plan investments	\$ -	\$22,730,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	6,019,000
Employer contributions subsequent to the measurement date	13,679,435	-
Total	\$13,679,435	\$28,749,000

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

\$13,679,435 reported as deferred outflows of resources related to pensions resulting from the School Board 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, 2016. Deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30

2016	\$ 7,012,000
2017	7,012,000
2018	7,012,000
2019	7,012,000
2020	701,000
Total	<u><u>\$28,749,000</u></u>

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014:

	<u>School Board Professional Employee Group</u>
Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Payroll growth	3.00%
Discount rate	7.00%
Cost-of-living adjustment	2.25% - 2.50%
Investment rate of return (net of pension plan investment expense, including inflation)	7.00%
 Mortality Rates	 5 % of deaths are assumed to be service related
Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years
Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years
Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

<u>School Board Professional Employee Group</u>
Update mortality table
Adjustments to the rates of service retirement
Decrease in rates of withdrawals for 3 through 9 years of service
Decrease in rates of disability
Reduce rates of salary increase by 0.25% per year

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 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 as provided by the VRS for use in the last actuarial experience study for the four-year period ending June 30, 2012 are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic normal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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, 2018, 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. From July 1, 2018 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability for the School professional group using the discount rate of 7.00%, as well as what their net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1 % Increase</u>
School Professional share of the VRS			
Teacher Employment Retirement Plan			
Net Pension Liability	\$ 224,897,000	\$ 153,157,000	\$ 94,093,000

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 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 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 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). 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

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

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, 2015. 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. At July 1, 2014, the date of the most recent biennial actuarial valuation, membership in the Plan consisted of the following:

	Primary Government	School Board Component Unit	Affiliates	Total
Retirees and beneficiaries receiving benefits	19	92	-	161
Active employees	891	1,982	132	3,872
Total number of plan members	910	2,074	132	3,116
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 Hanover County employees at date of separation. In addition, participants must meet the Virginia Retirement System (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 \$323 to \$920 per month, and for those electing retiree and family coverage, from \$921 to \$2,760 per month. Costs of administering the Plan will be borne by the Trust or by the Employers.

Contributions - The Code of Virginia permits the County Board of Supervisors 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,

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

continued participation in the Plan is voluntary, and any Employer may individually terminate future participation in the Plan.

Funding policy - 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.

Annual OPEB cost - The Employers' OPEB cost (expense) under the Plan is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of the GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the reporting entity's annual OPEB cost, the amount of employer contributions to the Plan, and changes in the reporting entity's net OPEB obligation (asset) for fiscal year 2015 and the reporting entity's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation (asset) as of June 30, 2015.

	OPEB Trust	Primary Government	School Board Component Unit
ARC, for the fiscal year ended June 30, 2015	\$ 305,000	109,000	186,000
Interest on the net OPEB obligation	8,000	9,000	(3,000)
Amortization of the net OPEB obligation	8,000	9,000	(3,000)
Annual OPEB cost	305,000	109,000	186,000
Employer contributions:			
Cash contribution to OPEB trust	(173,898)	(157,639)	17,868
Expected Cash Payment	(242,000)	(81,000)	(158,000)
Total Employer contributions	(415,898)	(238,639)	(140,132)
Decrease in the net OPEB asset, for the fiscal year ended June 30, 2015	(110,898)	(129,639)	45,868
Net OPEB (asset), beginning of year	110,898	129,639	(45,868)
Net OPEB (asset) obligation, end of year	\$ -	-	-

Reporting Entity	Fiscal Year Ended June 30	Annual OPEB Cost	Cash Contribution	Subsidies Paid on Behalf of Retirees	Total Percentage Contributed	Net OPEB (Asset) Obligation at End of Fiscal Year
OPEB Trust	2015	\$ 305,000	57.0%	79.3%	136.4%	\$ -
Primary Government	2015	109,000	144.6%	74.3%	218.9%	-
School Board Component Unit	2015	186,000	-9.6%	84.9%	75.3%	-
OPEB Trust	2014	\$ 552,000	13.2%	52.0%	65.2%	\$ 110,898
Primary Government	2014	189,000	11.0%	45.5%	56.5%	129,639
School Board Component Unit	2014	349,000	14.0%	57.6%	71.6%	(45,868)
OPEB Trust	2013	\$ 826,613	0.0%	80.0%	80.0%	\$ (81,402)
Primary Government	2013	298,817	0.0%	55.7%	55.7%	47,427
School Board Component Unit	2013	489,921	0.0%	98.6%	98.6%	(145,088)

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

Funded Status and Funding Progress - The funded status of the Plan as July 1, 2014, the date of the most recent actuarial valuation, was as follows:

Reporting Entity	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (Funding Excess) (b-a)	Funded Ratio (a/b)
OPEB Trust	7/1/2014	\$ 4,360,224	\$ 4,747,000	\$ 386,776	91.9%
Primary Government	7/1/2014	1,759,000	1,915,000	156,000	91.9%
School Board Component Unit	7/1/2014	2,468,224	2,688,000	219,776	91.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The most recent actuarial valuation dated July 1, 2014 incorporated the plan amendments effective July 1, 2015.

The schedules of required supplementary information following the notes to the financial statements present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 July 1, 2014 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 7.0% annual investment rate of return (net of administrative expenses), including an inflation assumption of 2.8%, and an annual medical trend rate based on the Society of Actuaries Long Term Medical Trend Model, with the initial rate of 7.50% decreasing gradually to an ultimate rate of 5.0% for future years. The initial unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis over thirty years.

H. Health Insurance Credit program-Virginia Retirement System

- a. **Plan description** – The County participates in the VRS program which provides a credit toward the cost of health insurance coverage for any County employee who retires under VRS with at least 15 years of total creditable service. The amount of each monthly health insurance credit shall be a \$1.50 per year of creditable service, which amount shall be credited monthly to any retired County employee participating in the County retiree health benefits program. However, such credit shall not exceed the health insurance premium for retiree.
- b. **Funding policy** – The County employer contribution rate for the fiscal year ended June 30, 2015 was 0.21% of annual covered payroll.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

- c. **Annual health credit cost and net health credit obligation** – The following schedule shows the annual retiree health insurance credit cost for the current and two preceding fiscal years for the County employees:

Fiscal Year Ended June 30	Annual Health Credit Cost	Employer Contribution	Percentage of Annual Health Credit Cost Contributed	Net Health Credit (Obligation) Asset
2015	\$ 76,532	\$ 76,532	100.0%	\$ -
2014	53,633	53,633	100.0%	-
2013	61,551	61,551	100.0%	-

- d. **Funded status and funding progress** – As of June 30, 2014, the County’s most recent actuarial valuation date, the plan was 30.17% funded. The AAL for benefits was \$1,111,222 and the actuarial value of assets was \$335,290, resulting in an UAAL of \$775,932. The covered payroll (annual payroll of active employees covered by the plan) was \$36,884,265, and the ratio of the UAAL to the covered payroll was 2.10%.

The schedules of required supplementary information following the notes to the financial statements present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the AAL for benefits.

- e. **Methods and assumptions** – Projections of benefits for financial reporting purposes are based on the substantive plan 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 projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, an entry age normal cost method was used. The actuarial assumptions included a 7.0% annual investment rate of return which includes inflation at 2.5%. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2014 was 20-29 years.

I. 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. The creation of the Bell Creek CDA 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 Community Development Authority District (District). The District consists of approximately 325 acres of land within the County. The District encompasses a mixed-use development and is expected to provide commercial development with retail space including a shopping center known as *The Shoppes at Bell Creek*, a light industrial park, and a residential development on 167 acres known as *The Bluffs at Bell Creek*.

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

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 Community Development Authority 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 of Virginia of 1950, 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 Hanover 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, 2015, the total 2003 Bonds outstanding were \$1,709,000. The Bell Creek CDA is obligated to make all debt service payments on the 2003 Bonds.

Pursuant to the terms of the Rate and Method of Apportionment of Special Assessments approved by the Board of Supervisors on September 25, 2002 between the County and the Bell Creek CDA, the 2003 Bonds are payable by the Bell Creek CDA based on prepaid and annual Special Assessments imposed and collected by the County as agent for the Bell Creek CDA on taxable real property within the District. After collection, such Special Assessments are appropriated and paid (Payments) annually to the Bell Creek CDA for debt service payments. However, such Payments to the Bell Creek CDA are not deemed general obligations of Hanover 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 2015, special assessments on property within the District totaled \$165,875, and payments to the Bell Creek CDA of special assessments collected totaled \$200,677.

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

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

By ordinances adopted by the Board of Supervisors on May 9, 2007 and March 23, 2011, the Board of Supervisors authorized the levy of Special Assessments on abutting property within the bounds of the District. On October 23, 2007 the Lewistown CDA issued the Lewistown Commerce Center Community Development Authority (Virginia), \$37,675,000 Revenue Bonds, Series 2007 (2007 Bonds) in accordance with the provisions of Article 6 of Chapter 51 of Title 15.2 of the Code of Virginia of 1950, as amended. The 2007 Bonds were issued to finance the acquisition of certain land and the construction of certain infrastructure improvements to benefit the District, in accordance with a Development/Acquisition Agreement dated September 1, 2007 and amended March 23, 2011. Also in March 2011, pursuant to a revised Indenture of Trust, the 2007 Bonds were exchanged for Amended 2007 Bonds to extend their maturity, revise the schedule for sinking fund redemptions, and allow interest on the bonds to be paid by the bond’s debt service reserve

COUNTY OF HANOVER
Notes to Financial Statements
June 30, 2015

fund through March 1, 2014, dependent upon the developer meeting agreed-upon construction milestones. At June 30, 2015, the Lewistown CDA's Amended 2007 Bonds outstanding totaled \$37,599,000. The Lewistown CDA is obligated to make all debt service payments on the Amended 2007 Bonds, in accordance with the revised Indenture of Trust. The principal of and the interest on the Amended 2007 Bonds are not deemed to constitute a pledge of the faith and credit of Hanover County, and neither the faith nor credit of the Lewistown CDA, nor the faith and credit of Hanover County are pledged to the payment of the principal of or interest on the Amended 2007 bonds.

Pursuant to the terms of an Amended Special Assessment Agreement (Agreement) dated August 26, 2014 between the County, the Lewistown CDA, and the Developers, the Amended 2007 Bonds are payable (Payments) 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 Hanover 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 2015, Special Assessment Tax levy on property within the district totaled \$774,130. The 2015 Special Real Estate Property Tax (Valorem) levy was \$31,484. Incremental tax collections owed to the Lewistown CDA totaled \$586,502 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, 2015

Virginia Retirement System-Pension Plans

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

	2015*	
	Primary Government	School Non-Professional
Total pension liability		
Service cost	\$ 6,872,262	\$ 761,268
Interest on total pension liability	13,186,216	1,470,488
Benefit payments	(5,604,586)	(847,310)
Net change in total pension liability	14,453,892	1,384,446
Total pension liability - beginning	191,176,809	21,430,630
Total pension liability - ending (a)	<u>\$ 205,630,701</u>	<u>\$ 22,815,076</u>
Total fiduciary net position		
Contributions - employer	\$ 6,347,611	\$ 595,088
Contributions - employee	2,728,734	325,403
Net investment income	25,182,288	3,133,692
Benefit payments	(5,604,586)	(847,310)
Administrative expense	(131,515)	(16,675)
Other	1,327	165
Net change in plan fiduciary net position	28,523,859	3,190,363
Plan fiduciary net position - beginning	157,582,996	19,852,936
Plan fiduciary net position - ending (b)	<u>\$ 186,106,855</u>	<u>\$ 23,043,299</u>
Net pension liability (asset) ending (a) - (b)	\$ 19,523,846	\$ (228,223)
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.51%	101.00%
Covered-employee payroll	\$ 55,711,055	\$ 6,145,564
Net pension liability (asset) as a percentage of covered-employee payroll	35.04%	-3.71%

Schedule is intended to show information for 10 years. Since 2015 is the first fiscal year for presentation, no other data are 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)

Exhibit 12Schedules of Required Supplementary Information (Unaudited)
June 30, 2015**Schedule of School Professional's Share of Net Pension Liability
VRS Teacher Retirement Plan**

	<u>2015*</u>
Employer's Proportion of the Net Pension Liability	1.27%
Employer's Proportionate Share of the Net Pension Liability	153,157,000
Employer's Covered-Employee Payroll	90,933,148
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	168.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

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

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

Schedule of Employer Contributions

Primary Government:

Date	Actuarially Determined Contribution of Employer (1)	Contributions in Relation to Actuarially Determined Contribution (2)	Contribution Deficiency (Excess) (3)	Covered Employee Payroll (4)	Contributions as a% of Covered Employee Payroll (5)
2015*	\$ 6,227,470	\$ 6,227,470	\$ -	\$ 57,323,421	10.86%

Component Unit - School Non-Professional:

Date	Actuarially Determined Contribution of Employer (1)	Contributions in Relation to Actuarially Determined Contribution (2)	Contribution Deficiency (Excess) (3)	Covered Employee Payroll (4)	Contributions as a% of Covered Employee Payroll (5)
2015*	\$ 507,170	\$ 507,170	\$ -	\$ 6,658,140	7.62%

Component Unit - School Professional:

Date	Actuarially Determined Contribution of Employer (1)	Contributions in Relation to Actuarially Determined Contribution (2)	Contribution Deficiency (Excess) (3)	Covered Employee Payroll (4)	Contributions as a% of Covered Employee Payroll (5)
2015*	\$ 13,679,435	\$ 13,679,435	\$ -	\$ 93,444,761	14.64%

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

(continued)

Exhibit 12

Schedules of Required Supplementary Information (Unaudited)

June 30, 2015

*Hanover County Retiree Medical Benefits Trust***Schedule of Funding Progress**

<i>OPEB TRUST</i>						
	Actuarial	Actuarial				UAAL as a
	Value of	Liability (AAL)	Unfunded	Funded	Covered	Percentage of
	Assets	- Projected Unit	AAL (UAAL)	Ratio	Payroll	Covered
Valuation Date	(a)	Credit	(b-a)	(a/b)	(c)	Payroll
		(b)				((b-a)/c)
7/1/2014	\$ 4,360,224	\$ 4,747,000	\$ 386,776	91.9%	\$ 180,713,813	0.2%
7/1/2013	3,666,177	7,779,000	4,112,823	47.1%	176,262,106	2.3%
6/30/2012	3,380,679	9,077,222	5,696,543	37.2%	160,140,920	3.6%
<i>Primary Government</i>						
	Actuarial	Actuarial				UAAL as a
	Value of	Liability (AAL)	Unfunded	Funded	Covered	Percentage of
	Assets	- Projected Unit	AAL (UAAL)	Ratio	Payroll	Covered
Valuation Date	(a)	Credit	(b-a)	(a/b)	(c)	Payroll
		(b)				((b-a)/c)
7/1/2014	\$ 1,759,000	\$ 1,915,000	\$ 156,000	91.9%	\$ 58,865,903	0.3%
7/1/2013	1,215,000	2,578,000	1,363,000	47.1%	56,504,689	2.4%
6/30/2012	1,164,715	3,127,200	1,962,485	37.2%	53,055,658	3.7%
<i>School Board Component Unit</i>						
	Actuarial	Actuarial				UAAL as a
	Value of	Liability (AAL)	Unfunded	Funded	Covered	Percentage of
	Assets	- Projected Unit	AAL (UAAL)	Ratio	Payroll	Covered
Valuation Date	(a)	Credit	(b-a)	(a/b)	(c)	Payroll
		(b)				((b-a)/c)
7/1/2014	\$ 2,468,224	\$ 2,688,000	\$ 219,776	91.8%	\$ 107,735,953	0.2%
7/1/2013	2,390,177	5,072,000	2,681,823	47.1%	106,066,509	2.5%
6/30/2012	2,083,379	5,594,039	3,510,660	37.2%	101,357,174	3.5%

*Virginia Retirement System-Health Insurance Credit Program***Schedule of Funding Progress**

	Actuarial	Actuarial				UAAL as a
	Value of	Liability (AAL)	Unfunded	Funded	Covered	Percentage of
	Assets	- Projected Unit	AAL (UAAL)	Ratio	Payroll	Covered
Valuation Date	(a)	Credit	(b-a)	(a/b)	(c)	Payroll
		(b)				((b-a)/c)
6/30/2014	\$ 335,290	\$ 1,111,222	775,932	30.2%	\$ 36,884,265	2.1%
6/30/2013	285,259	1,045,358	760,099	27.3%	36,036,041	2.1%
6/30/2012	236,903	1,002,036	765,133	23.6%	36,747,184	2.1%

See accompanying independent auditors' report.



SUPPLEMENTARY INFORMATION

GENERAL FUND

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

Presents budget to actual comparison schedule by department for the General Fund.

General Fund

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

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenues from local sources:				
General property taxes:				
Real property taxes	\$ 94,200,000	94,200,000	94,956,522	756,522
Public service corporation property taxes	4,600,000	4,600,000	4,891,153	291,153
Personal property taxes	26,026,000	26,026,000	27,285,317	1,259,317
Machinery and tools taxes	1,500,000	1,500,000	1,668,412	168,412
Merchants' capital taxes	1,000,000	1,000,000	1,136,921	136,921
Delinquent taxes	1,634,000	1,634,000	1,291,453	(342,547)
Penalties and interest	1,050,000	1,050,000	1,049,284	(716)
Total general property taxes	130,010,000	130,010,000	132,279,062	2,269,062
Other local taxes:				
Local sales and use taxes	19,115,000	19,115,000	19,201,921	86,921
Consumer utility taxes	1,780,000	1,780,000	1,805,634	25,634
Contractor license taxes	330,000	330,000	439,397	109,397
Franchise license taxes	680,000	680,000	679,622	(378)
Lodging taxes	750,000	750,000	897,765	147,765
Bank stock tax	499,000	499,000	535,594	36,594
Taxes on recordation and wills	2,430,000	2,430,000	2,165,891	(264,109)
Communication sales tax	5,152,000	5,152,000	4,964,467	(187,533)
Total other local taxes	30,736,000	30,736,000	30,690,291	(45,709)
Permits, privilege fees and regulatory licenses:				
Public Safety				
Animal licenses	100,000	100,000	90,066	(9,934)
Building permits	670,000	670,000	758,158	88,158
Heating and air conditioning	310,000	310,000	273,480	(36,520)
Electrical permits	250,000	250,000	196,108	(53,892)
Plumbing permits	130,000	130,000	119,426	(10,574)
Septic tank permits	3,800	3,800	6,228	2,428
Inspection fees	148,000	148,000	156,700	8,700
Public Works				
Erosion and sediment inspections	200,000	200,000	272,314	72,314
Human Services				
Well and septic inspection	3,000	3,000	4,500	1,500
Community Development				
Planning fees	200,000	200,000	249,798	49,798
Total permits, privilege fees and regulatory licenses	2,014,800	2,014,800	2,126,778	111,978
Fines and Forfeitures:				
Public Works				
Erosion and sediment fines	2,200	2,200	11,500	9,300
Judicial Administration				
Court fines and forfeitures	830,000	830,000	776,079	(53,921)
Courthouse maintenance fees	120,000	120,000	115,206	(4,794)
Court appointed attorney fees	30,000	30,000	36,640	6,640
Public Safety				
Criminal Justice Academy training fees	100,000	100,000	96,233	(3,767)
Security alarm fines	45,000	45,000	50,500	5,500
Animal control	600	600	85	(515)
Total fines and forfeitures	1,127,800	1,127,800	1,086,243	(41,557)
Revenues from use of money and property:				
Revenue from use of money	364,000	364,000	302,518	(61,482)
Revenue from use of property	354,000	354,000	464,877	110,877
Total revenues from use of money and property	718,000	718,000	767,395	49,395
Charges for services:				
EMS cost recovery	2,200,000	2,200,000	2,313,506	113,506
Landfill fees	330,000	330,000	392,283	62,283
Recreation fees	500,000	500,000	456,682	(43,318)
Community Services	2,958,404	2,958,404	3,176,879	218,475
Other	525,788	526,135	584,807	58,672
Total charges for services	6,514,192	6,514,539	6,924,157	409,618

(Continued)

COUNTY OF HANOVER, VIRGINIA

Exhibit 13

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Miscellaneous:				
Refunds	\$ 279,000	305,066	610,092	305,026
Insurance recoveries	30,000	92,389	81,435	(10,954)
Gifts and donations	20,000	49,936	35,569	(14,367)
Other miscellaneous revenue	(25,250)	7,312	321,216	313,904
Reserve for revenue transfers	500,000	99,154	-	(99,154)
Total miscellaneous	803,750	553,857	1,048,312	494,455
Recovered costs:				
General Government Administration				
Pamunkey Regional Jail	428,000	428,000	428,000	-
Public Utilities Fund				
Cost allocation	1,110,420	1,110,420	1,110,418	(2)
Service assessment	325,000	325,000	325,000	-
Treasurer	115,000	129,000	153,163	24,163
General Services	48,276	48,276	3,086	(45,190)
Judicial Administration				
Clerk of Circuit Court	9,000	9,000	25,293	16,293
General District Court	9,000	9,000	-	(9,000)
Commonwealth Attorney	-	-	40,965	40,965
Public Safety				
Community Corrections	67,300	67,300	53,160	(14,140)
Sheriff	42,000	52,000	74,083	22,083
Animal Control	2,000	4,350	7,973	3,623
Fire	95,000	100,000	93,027	(6,973)
Human Services				
Social Services	27,600	27,600	25,454	(2,146)
Community Resources	5,000	5,000	5,000	-
Comprehensive Services	100,000	100,000	109,903	9,903
Community Services	150,000	150,000	121,083	(28,917)
Health Department	46,350	46,350	19,768	(26,582)
Public Works				
Solid Waste Management	372,000	372,000	315,859	(56,141)
Bond Revocation	-	37,164	37,165	1
Community Development				
Contributions: Greater Richmond Convention Center	466,000	466,000	536,266	70,266
Planning	-	-	5,800	5,800
CDA	27,823	27,823	27,823	-
Economic Development	175,500	175,500	184,895	9,395
Total recovered costs	3,636,269	3,707,292	3,746,404	39,112
Total revenues from local sources	175,560,811	175,382,288	178,668,642	3,286,354
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Vehicle rental tax	180,000	180,000	216,757	36,757
Personal property taxes (state remittance)	15,002,000	15,002,000	15,002,745	745
Rolling Stock Tax	70,000	70,000	78,609	8,609
Total non-categorical aid	15,252,000	15,252,000	15,298,111	46,111
Categorical aid:				
Shared expenses:				
Commissioner of the Revenue	242,000	242,000	242,255	255
Treasurer	220,000	220,000	216,702	(3,298)
Registrar	61,000	61,000	51,893	(9,107)
Clerk of Circuit Court	542,000	542,000	534,006	(7,994)
Commonwealth's Attorney	874,900	874,900	873,642	(1,258)
Sheriff	3,312,950	3,312,950	3,303,297	(9,653)
Total shared expenses	5,252,850	5,252,850	5,221,795	(31,055)
Other categorical aid:				
Social Services	1,467,821	1,467,821	1,104,452	(363,369)
Comprehensive Services	2,834,000	2,834,000	2,231,813	(602,187)
Community Services	2,276,877	2,508,275	2,511,335	3,060
Other	1,289,000	1,273,829	1,398,860	125,031
State Reversion Clearing Account	-	-	(190,412)	(190,412)
Total other categorical aid	7,867,698	8,083,925	7,056,048	(1,027,877)
Total categorical aid	13,120,548	13,336,775	12,277,843	(1,058,932)
Total revenue from the Commonwealth	28,372,548	28,588,775	27,575,954	(1,012,821)

(Continued)

COUNTY OF HANOVER, VIRGINIA

Exhibit 13

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenue from the Federal government:				
Categorical aid:				
Department of Interior	\$ 2,000	2,000	9,119	7,119
DEQ grants	-	6,720	2,640	(4,080)
FEMA	98,081	98,081	72,165	(25,916)
Department of Justice	36,000	36,000	34,844	(1,156)
Department of Transportation	-	55,064	67,922	12,858
Fire: Federal grants	-	22,997	22,067	(930)
Sheriff: Federal grants	-	177,990	276,044	98,054
Commonwealth Attorney: Federal grants	88,000	88,000	68,923	(19,077)
Comprehensive Services - TANF/SSBG	53,000	53,000	29,272	(23,728)
Community Services: Federal grants	453,157	458,759	463,807	5,048
Health and Human Services	2,292,636	2,292,636	2,376,755	84,119
Total revenue from the Federal government	3,022,874	3,291,247	3,423,558	132,311
Total intergovernmental	31,395,422	31,880,022	30,999,512	(880,510)
Total revenues	206,956,233	207,262,310	209,668,154	2,405,844
EXPENDITURES				
General government administration:				
Legislative - Board of Supervisors	514,384	740,884	710,478	30,406
General and financial administration:				
County Administrator	1,204,882	1,214,239	1,198,614	15,625
Human Resources	799,968	799,968	799,926	42
County Attorney	1,076,237	1,079,497	1,057,744	21,753
Commissioner of the Revenue	1,325,820	1,368,294	1,334,048	34,246
Assessor	878,985	878,985	821,547	57,438
Treasurer	1,379,697	1,417,146	1,378,293	38,853
Finance	1,826,122	1,828,228	1,764,337	63,891
Management Services	270,894	275,688	274,325	1,363
Information Technology	4,071,161	4,159,897	4,090,931	68,966
Total general and financial administration	12,833,766	13,021,942	12,719,765	302,177
Board of elections - Registrar and Electoral Board	346,575	386,658	361,621	25,037
Total general government administration	13,694,725	14,149,484	13,791,864	357,620
Judicial administration:				
Courts:				
Circuit Court	72,633	116,907	114,115	2,792
General District Court	86,864	86,990	85,138	1,852
Magistrates	2,901	2,901	2,885	16
Juvenile and Domestic Relations District Court	19,542	19,542	18,522	1,020
Clerk of the Circuit Court	1,338,807	1,340,197	1,300,790	39,407
Court Services	1,731,862	1,742,981	1,710,416	32,565
Total courts	3,252,609	3,309,518	3,231,866	77,652
Commonwealth's Attorney	1,666,597	1,672,845	1,659,645	13,200
Total judicial administration	4,919,206	4,982,363	4,891,511	90,852
Public safety:				
Sheriff	21,441,404	22,376,114	21,844,698	531,416
Fire and rescue services:				
Fire and Emergency Management Services	15,112,851	15,160,004	15,137,934	22,070
Total fire and rescue services	15,112,851	15,160,004	15,137,934	22,070
Correction and Detention:				
Pamunkey Regional Jail	4,986,247	5,361,247	5,346,147	15,100
Juvenile Court Services	707,426	707,426	515,062	192,364
Community Corrections	450,802	450,802	435,093	15,709
Total correction and detention	6,144,475	6,519,475	6,296,302	223,173
Inspections - Building Inspections	1,366,414	1,416,977	1,357,657	59,320
Other protection:				
Emergency Communications	5,311,492	5,474,400	5,178,689	295,711
Animal Control	1,001,020	1,008,370	956,934	51,436
Total other protection	6,312,512	6,482,770	6,135,623	347,147
Total public safety	50,377,656	51,955,340	50,772,214	1,183,126

(Continued)

COUNTY OF HANOVER, VIRGINIA

Exhibit 13

General Fund

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

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public works:				
Sanitation and waste removal:				
Public Works	\$ 1,737,322	1,858,504	1,826,487	32,017
Solid Waste Services	3,736,292	3,872,923	3,722,903	150,020
Total sanitation and waste removal	5,473,614	5,731,427	5,549,390	182,037
Maintenance of buildings, grounds and equipment:				
Facilities and Vehicle Management	3,897,892	3,916,371	3,865,910	50,461
Total maintenance of buildings, grounds and equip.	3,897,892	3,916,371	3,865,910	50,461
Total public works	9,371,506	9,647,798	9,415,300	232,498
Health and human services:				
Health	519,286	519,286	519,286	-
Human Services:				
Social Services	5,377,157	5,377,157	4,779,090	598,067
Community Resources	301,269	306,129	291,843	14,286
Comprehensive Services	5,288,000	5,288,000	4,235,948	1,052,052
Community Services	10,206,010	10,463,355	9,610,630	852,725
Tax Relief	1,630,000	1,630,000	1,572,261	57,739
Total human services	22,802,436	23,064,641	20,489,772	2,574,869
Total health and human services	23,321,722	23,583,927	21,009,058	2,574,869
Parks, recreation and cultural:				
Parks and Recreation	3,240,502	3,269,702	3,185,684	84,018
Pamunkey Regional Library	2,573,858	2,573,858	2,573,858	-
Total parks, recreation and cultural	5,814,360	5,843,560	5,759,542	84,018
Community development:				
Planning and community development:				
Planning	1,821,630	1,829,859	1,777,619	52,240
Economic development	1,584,677	1,623,427	1,631,870	(8,443)
Community support	1,176,225	1,180,800	1,306,243	(125,443)
Total planning and community development	4,582,532	4,634,086	4,715,732	(81,646)
Environmental mgmt. - Soil and Water Conservation District	92,680	92,680	92,680	-
Cooperative extension program - VPI Extension	83,370	83,370	65,800	17,570
Total community development	4,758,582	4,810,136	4,874,212	(64,076)
Education:				
School Fund	74,453,688	74,453,688	70,454,428	3,999,260
Total education	74,453,688	74,453,688	70,454,428	3,999,260
Total payments to component units	74,453,688	74,453,688	70,454,428	3,999,260
Nondepartmental:				
Reserves	1,780,792	474,617	-	474,617
Total nondepartmental	1,780,792	474,617	-	474,617
Total expenditures - budgetary basis	188,492,237	189,900,913	180,968,129	8,932,784
Less encumbrances at June 30, 2015	-	-	(720,273)	720,273
Total expenditures	188,492,237	189,900,913	180,247,856	9,653,057
Excess of revenues over expenditures	18,463,996	17,361,397	29,420,298	12,058,901
OTHER FINANCING SOURCES (USES)				
Other financing uses:				
Transfers to governmental funds:				
County Improvements Fund	5,438,669	6,869,720	6,869,720	-
School Improvements Fund	1,600,000	1,600,000	1,600,000	-
Debt Service Fund	19,024,183	19,024,183	19,024,183	-
Total transfers to governmental funds	26,062,852	27,493,903	27,493,903	-
Transfers to Proprietary Funds:				
Airport Fund	65,074	90,074	90,074	-
Total other financing uses	26,127,926	27,583,977	27,583,977	-
Net change in fund balance	(7,663,930)	(10,222,580)	1,836,321	12,058,901
Fund balance - beginning	7,663,930	50,643,448	50,643,448	-
Fund balance - ending	\$ -	40,420,868	52,479,769	12,058,901

See accompanying independent auditors' report.



COUNTY IMPROVEMENTS FUND

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 14

County Improvements Fund

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

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from local sources:				
Revenues from use of money and property	\$ -	27,000	26,265	(735)
Charges for services	100,000	224,822	1,037,603	812,781
Miscellaneous	-	-	1,710	1,710
Total revenue from local sources	100,000	251,822	1,065,578	813,756
Intergovernmental:				
Revenue from the Commonwealth	1,019,245	10,909,806	1,268,222	(9,641,584)
Revenue from the Federal government	-	33,589,020	3,568,448	(30,020,572)
Total intergovernmental	1,019,245	44,498,826	4,836,670	(39,662,156)
Total revenues	1,119,245	44,750,648	5,902,248	(38,848,400)
EXPENDITURES				
General government administration	2,753,000	3,956,540	3,623,950	332,590
Judicial administration	-	42,880,051	30,072,916	12,807,135
Public safety	1,783,245	3,030,455	2,362,412	668,043
Public works	2,070,000	52,455,739	8,795,155	43,660,584
Human services	-	950	-	950
Parks, recreation and cultural	-	4,912	-	4,912
Reserve for future projects	541,669	541,669	-	541,669
Total expenditures - budgetary basis	7,147,914	102,870,316	44,854,433	58,015,883
Less encumbrances at June 30, 2015	-	-	(32,195,293)	32,195,293
Total expenditures	7,147,914	102,870,316	12,659,140	90,211,176
Excess (deficiency) of revenues over (under) expenditures	(6,028,669)	(58,119,668)	(6,756,892)	51,362,776
OTHER FINANCING SOURCES AND USES				
Other financing sources:				
Transfers in	5,528,669	6,869,720	6,869,720	-
Issuance of general obligation bonds	-	23,119,580	-	(23,119,580)
Transfers out	-	(9,750)	(9,750)	-
Total other financing sources and uses	5,528,669	29,979,550	6,859,970	(23,119,580)
Net change in fund balance	(500,000)	(28,140,118)	103,078	28,243,196
Fund balance - beginning	500,000	33,965,283	33,965,283	-
Fund balance - ending	\$ -	5,825,165	34,068,361	28,243,196

See accompanying independent auditors' report.

SCHOOL IMPROVEMENTS FUND

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 15

School Improvements Fund

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

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	\$ -	-	2,417	2,417
Charges for services:				
Proffers	-	-	53,583	53,583
Total charges for services	-	-	53,583	53,583
Total revenue from local sources	-	-	56,000	56,000
Total revenues	-	-	56,000	56,000
EXPENDITURES				
Education	6,330,200	10,893,317	7,996,878	2,896,439
Total expenditures - budgetary basis	6,330,200	10,893,317	7,996,878	2,896,439
Less encumbrances at June 30, 2015	-	-	(900,755)	900,755
Total expenditures	6,330,200	10,893,317	7,096,123	3,797,194
Excess (deficiency) of revenues over (under) expenditures	(6,330,200)	(10,893,317)	(7,040,123)	2,952,439
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in	1,600,000	1,600,000	1,600,000	-
Issuance of general obligation bonds	4,730,200	5,888,595	4,435,629	(1,452,966)
Premium on general obligation bonds issued	-	-	544,371	544,371
Total other financing sources	6,330,200	7,488,595	6,580,000	(908,595)
Net change in fund balance	-	(3,404,722)	(460,123)	2,043,844
Fund balance - beginning	-	3,964,015	3,964,015	-
Fund balance - ending	\$ -	559,293	3,503,892	2,043,844

See accompanying independent auditors' report.

DEBT SERVICE FUND

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 16

Debt Service Fund

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

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Revenue from the Federal government	\$ 252,843	252,843	252,568	(275)
Total revenues	252,843	252,843	252,568	(275)
EXPENDITURES				
Debt service:				
Principal retirement	12,711,510	12,622,834	12,581,509	41,325
Interest	6,547,016	6,658,054	6,713,924	(55,870)
Other fiscal charges	18,500	15,490	14,588	902
Debt issuance costs	-	247,773	246,024	1,749
Total expenditures	19,277,026	19,544,151	19,556,045	(11,894)
Excess (deficiency) of revenues over (under) expenditures	(19,024,183)	(19,291,308)	(19,303,477)	(12,169)
OTHER FINANCING SOURCES				
Other financing sources:				
Transfers in	19,024,183	19,033,933	19,033,933	-
Issuance of general obligation bonds	-	34,375	34,371	(4)
Issuance of general obligation refunding bonds	-	223,000	219,529	(3,471)
Total other financing sources	19,024,183	19,291,308	19,287,833	(3,475)
Net change in fund balance	-	-	(15,644)	(15,644)
Fund balance - beginning	-	348,500	348,500	-
Fund balance - ending	\$ -	348,500	332,856	(15,644)

See accompanying independent auditors' report.

AGENCY FUNDS

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

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

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

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

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

COUNTY OF HANOVER, VIRGINIA

Exhibit 17

Agency Funds
 Combining Balance Sheet
 June 30, 2015

	Bell Creek Community Development Authority	Lewistown Community Development Authority	Escrow	Special Welfare	Total
ASSETS					
Pooled cash, cash equivalents and investments	\$ 4,859	153,803	3,188,739	41,305	3,388,706
Accounts receivable	92,642	1,008,120	-	-	1,100,762
Total assets	<u>\$ 97,501</u>	<u>1,161,923</u>	<u>3,188,739</u>	<u>41,305</u>	<u>4,489,468</u>
LIABILITIES					
Accounts payable	\$ -	94,490	9,230	-	103,720
Accrued liabilities	97,501	1,067,433	914,036	-	2,078,970
Deposits	-	-	2,265,473	41,305	2,306,778
Total liabilities	<u>\$ 97,501</u>	<u>1,161,923</u>	<u>3,188,739</u>	<u>41,305</u>	<u>4,489,468</u>

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA

Exhibit 18

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Bell Creek Community Development Authority				
Assets:				
Pooled cash, cash equivalents and investments	\$ 2,940	211,995	210,076	4,859
Accounts receivable	132,641	165,875	205,874	92,642
Total assets	<u>\$ 135,581</u>	<u>377,870</u>	<u>415,950</u>	<u>97,501</u>
Liabilities:				
Accounts payable	\$ 2,940	196,334	199,274	-
Accrued liabilities	132,641	170,734	205,874	97,501
Total liabilities	<u>\$ 135,581</u>	<u>367,068</u>	<u>405,148</u>	<u>97,501</u>
Lewistown Community Development Authority				
Assets:				
Pooled cash, cash equivalents and investments	\$ 140,148	1,723,795	1,710,140	153,803
Accounts receivable	2,979,648	832,828	2,804,356	1,008,120
Total assets	<u>\$ 3,119,796</u>	<u>2,556,623</u>	<u>4,514,496</u>	<u>1,161,923</u>
Liabilities:				
Accounts payable	\$ 140,148	446,354	492,012	94,490
Accrued liabilities	2,979,648	896,534	2,808,749	1,067,433
Total liabilities	<u>\$ 3,119,796</u>	<u>1,342,888</u>	<u>3,300,761</u>	<u>1,161,923</u>
Escrow				
Assets:				
Pooled cash, cash equivalents and investments	\$ 3,017,104	36,436,427	36,264,792	3,188,739
Accounts receivable	262	66,268	66,530	-
Total assets	<u>\$ 3,017,366</u>	<u>36,502,695</u>	<u>36,331,322</u>	<u>3,188,739</u>
Liabilities:				
Accounts payable	\$ 172,818	1,743,857	1,907,445	9,230
Accrued liabilities	925,743	34,690,553	34,702,260	914,036
Deposits	1,918,805	1,835,329	1,488,661	2,265,473
Total liabilities	<u>\$ 3,017,366</u>	<u>38,269,739</u>	<u>38,098,366</u>	<u>3,188,739</u>
Special Welfare				
Assets:				
Pooled cash, cash equivalents and investments	\$ 31,264	123,260	113,219	41,305
Total assets	<u>\$ 31,264</u>	<u>123,260</u>	<u>113,219</u>	<u>41,305</u>
Liabilities:				
Deposits	\$ 31,264	123,260	113,219	41,305
Total liabilities	<u>\$ 31,264</u>	<u>123,260</u>	<u>113,219</u>	<u>41,305</u>
Total Agency Funds				
Assets:				
Pooled cash, cash equivalents and investments	\$ 3,191,456	38,495,477	38,298,227	3,388,706
Accounts receivable	3,112,551	1,064,971	3,076,760	1,100,762
Total assets	<u>\$ 6,304,007</u>	<u>39,560,448</u>	<u>41,374,987</u>	<u>4,489,468</u>
Liabilities:				
Accounts payable	\$ 315,906	2,386,545	2,598,731	103,720
Accrued liabilities	4,038,032	35,757,821	37,716,883	2,078,970
Deposits	1,950,069	1,958,589	1,601,880	2,306,778
Total liabilities	<u>\$ 6,304,007</u>	<u>40,102,955</u>	<u>41,917,494</u>	<u>4,489,468</u>

See accompanying independent auditors' report.

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Governmental Funds:

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

Cafeteria – Accounts for the operations of school food services.

COUNTY OF HANOVER, VIRGINIA
Discretely Presented Component Unit - School Board
Combining Balance Sheet
June 30, 2015

Exhibit 19

	Governmental Funds		
	School	Cafeteria	Totals
ASSETS			
Pooled cash, cash equivalents and investments	\$ 12,742,480	495,908	13,238,388
Accounts receivable	295,894	-	295,894
Due from other governmental units	5,912,423	68,308	5,980,731
Inventory	-	129,199	129,199
Total assets	<u>\$ 18,950,797</u>	<u>693,415</u>	<u>19,644,212</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,533,153	50,242	1,583,395
Accrued liabilities	15,976,495	513,974	16,490,469
Unearned revenue	90,450	-	90,450
Total liabilities	<u>17,600,098</u>	<u>564,216</u>	<u>18,164,314</u>
Fund balances:			
Nonspendable	-	129,199	129,199
Restricted	296,829	-	296,829
Assigned	1,053,870	-	1,053,870
Total fund balances	<u>1,350,699</u>	<u>129,199</u>	<u>1,479,898</u>
Total liabilities and fund balances	<u>\$ 18,950,797</u>	<u>693,415</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 112,675,192
Long-term liabilities and some accrued liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	(4,776,047)
GASB Statement No. 68 requires the recognition of net pension asset, net pension liability and deferred inflows and outflows related to pensions. These amounts do not use current financial resources and are not reported in the funds.	
Net pension asset	228,223
Net pension liability	(153,157,000)
Pension investment experience	(24,123,602)
Pension contributions after measurement date	14,186,605
Change in actual and proportionate share of pension contributions	(6,019,000)
Net position of School Board Component Unit activities	<u>\$ (59,505,731)</u>

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA**Exhibit 20**

Discretely Presented Component Unit - School Board

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2015

	Governmental Funds		
	School	Cafeteria	Totals
REVENUES			
Revenue from local sources:			
Revenue from use of money and property	\$ -	1,731	1,731
Charges for services - operating	847,114	4,864,429	5,711,543
Miscellaneous	615,611	25,070	640,681
Recovered costs	380,123	-	380,123
Payments from primary government	70,454,428	-	70,454,428
Revenue from the Commonwealth	86,201,005	49,443	86,250,448
Revenue from the Federal government	7,080,135	1,605,984	8,686,119
Total revenues	165,578,416	6,546,657	172,125,073
EXPENDITURES			
Education	167,015,897	6,741,854	173,757,751
Total expenditures	167,015,897	6,741,854	173,757,751
Excess (deficiency) of revenues over (under) expenditures	(1,437,481)	(195,197)	(1,632,678)
Net change in fund balance	(1,437,481)	(195,197)	(1,632,678)
Fund balances - beginning (see note III. A)	2,788,180	324,396	3,112,576
Fund balances - ending	\$ 1,350,699	129,199	1,479,898

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA

Exhibit 21

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Discretely Presented School Component Unit to the Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (1,632,678)

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

Capital outlay 6,158,171
Depreciation expense (10,208,782)

Under Virginia law, the County has a tenancy in common for School Board Component Unit capital assets for which the County is obligated to repay outstanding "on-behalf" bonds. Under the tenancy in common, the County reports the net book value of School Board Component Unit capital assets up to the outstanding principal balance of "on-behalf" bonds at year end. This amount is the decrease in the net book value of School Board Component Unit capital assets reported by the County for the fiscal year, which resulted primarily from a decrease in school construction activity during the fiscal period.

6,554,157

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.

(137,715)

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.

Pension contributions after measurement date 14,186,605
Pension expenses (10,968,773)

Changes in net position of School Board Component Unit activities

\$ 3,950,985

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA

Exhibit 22

School Fund - School Board

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

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Charges for services:				
Tuition and other charges for services	\$ 800,500	818,564	847,114	28,550
Total charges for services	800,500	818,564	847,114	28,550
Miscellaneous:				
Sale of assets	2,500	2,500	-	(2,500)
Miscellaneous	1,387,700	1,030,279	615,611	(414,668)
Total miscellaneous revenue	1,390,200	1,032,779	615,611	(417,168)
Recovered costs:				
Recovered costs	603,000	609,000	380,123	(228,877)
Total recovered costs	603,000	609,000	380,123	(228,877)
Payments from primary government:				
General Fund	74,453,688	74,453,688	70,454,428	(3,999,260)
Total payments from primary government	74,453,688	74,453,688	70,454,428	(3,999,260)
Total revenue from local sources	77,247,388	76,914,031	72,297,276	(4,616,755)
Revenue from the Commonwealth:				
Non-categorical aid:				
Lottery proceeds and basic school aid	67,113,650	67,113,650	66,042,765	(1,070,885)
Total non-categorical aid	67,113,650	67,113,650	66,042,765	(1,070,885)
Categorical aid:				
Categorical aid programs	19,661,777	19,845,924	20,158,240	312,316
Total categorical aid	19,661,777	19,845,924	20,158,240	312,316
Total revenue from the Commonwealth	86,775,427	86,959,574	86,201,005	(758,569)
Revenue from the Federal government:				
Categorical aid:				
Department of Education	6,702,700	8,051,534	7,080,135	(971,399)
Total revenue from the Federal government	6,702,700	8,051,534	7,080,135	(971,399)
Total revenues	170,725,515	171,925,139	165,578,416	(6,346,723)
EXPENDITURES				
Education:				
General support	9,955,035	9,783,505	9,876,427	(92,922)
Pupil transportation	8,232,082	8,336,005	8,113,488	222,517
Operations and maintenance	11,940,434	12,043,261	11,865,252	178,009
Instruction	139,284,845	141,317,597	135,954,956	5,362,641
Facilities	1,313,119	2,110,676	2,092,044	18,632
Total expenditures - budgetary basis	170,725,515	173,591,044	167,902,167	5,688,877
Less encumbrances at June 30, 2015	-	-	(886,270)	886,270
Total expenditures	170,725,515	173,591,044	167,015,897	6,575,147
Excess (deficiency) of revenues over (under) expenditures	-	(1,665,905)	(1,437,481)	228,424
Net change in fund balance	-	(1,665,905)	(1,437,481)	228,424
Fund balance - beginning (see note III.A)	-	1,665,905	2,788,180	1,122,275
Fund balance - ending	\$ -	-	1,350,699	1,350,699

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA

Exhibit 23

Cafeteria Fund - School Board

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

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts Budget Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from local sources:				
Revenue from use of money and property	\$ 4,000	4,000	1,731	(2,269)
Charges for services	5,010,000	5,010,000	4,864,429	(145,571)
Miscellaneous revenue	22,000	22,000	25,070	3,070
Total revenue from local sources	<u>5,036,000</u>	<u>5,036,000</u>	<u>4,891,230</u>	<u>(144,770)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food programs	60,911	60,911	49,443	(11,468)
Total revenue from the Commonwealth	<u>60,911</u>	<u>60,911</u>	<u>49,443</u>	<u>(11,468)</u>
Revenue from the Federal government:				
Categorical aid:				
USDA donated commodities	266,600	266,600	231,937	(34,663)
School food programs	1,148,200	1,148,200	1,127,091	(21,109)
Breakfast reimbursement	261,000	261,000	246,956	(14,044)
Total revenue from the Federal government	<u>1,675,800</u>	<u>1,675,800</u>	<u>1,605,984</u>	<u>(69,816)</u>
Total revenues	<u>6,772,711</u>	<u>6,772,711</u>	<u>6,546,657</u>	<u>(226,054)</u>
EXPENDITURES				
Education:				
Cafeteria	7,005,028	7,005,028	6,741,854	263,174
Total expenditures	<u>7,005,028</u>	<u>7,005,028</u>	<u>6,741,854</u>	<u>263,174</u>
Net change in fund balance	(232,317)	(232,317)	(195,197)	37,120
Fund balance - beginning	232,317	232,317	324,396	92,079
Fund balance - ending	<u>\$ -</u>	<u>-</u>	<u>129,199</u>	<u>129,199</u>

See accompanying independent auditors' report.

DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY

Governmental Fund:

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

COUNTY OF HANOVER, VIRGINIA**Exhibit 24**

Discretely Presented Component Unit - Economic Development Authority

Balance Sheet

June 30, 2015

ASSETS

Pooled cash, cash equivalents and investments	\$ 169,243
Support agreement receivable	<u>9,260,000</u>
Total assets	<u>\$ 9,429,243</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Bonds payable	<u>9,260,000</u>
Total liabilities	<u>9,260,000</u>

Fund balances:

Assigned	38,400
Unassigned	<u>130,843</u>
Total fund balances	<u>169,243</u>
Total liabilities and fund balances	<u>\$ 9,429,243</u>

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA

Exhibit 25

Discretely Presented Component Unit - Economic Development Authority

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

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts Budget and GAAP Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Charges for services:				
Economic development fees	\$ 190,295	190,295	204,218	13,923
Revenue from the Commonwealth	-	50,000	50,000	-
Payments from primary government:				
General Fund	-	56,150	56,150	-
Total revenues	190,295	296,445	310,368	13,923
EXPENDITURES				
Community Development:				
Economic development	220,295	326,445	225,895	100,550
Total expenditures	220,295	326,445	225,895	100,550
Excess of revenues over expenditures	(30,000)	(30,000)	84,473	114,473
Net change in fund balance	(30,000)	(30,000)	84,473	114,473
Fund balance - beginning	30,000	84,770	84,770	-
Fund balance - ending	\$ -	54,770	169,243	114,473

See accompanying independent auditors' report.

STATISTICAL SECTION

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

	<u>Pages</u>
Financial Trends Information	133 - 139
Financial trends information is intended to help the reader understand and assess how the County’s financial position has changed over time.	
Revenue Capacity Information	140 - 143
Revenue capacity information is intended to help the reader understand and assess the County’s ability to generate its most significant local revenue source, the property tax.	
Debt Capacity Information	144 - 145
Debt capacity information is intended to help the reader understand and assess the affordability of the County’s current levels of outstanding debt and the County’s ability to issue additional debt in the future.	
Demographic and Economic Information	146 - 147
Demographic and economic information is intended to help the reader understand the socioeconomic environment within which the County’s financial activities take place.	
Operating Information	148 - 150
Operating information is intended to provide information about the County’s services and capital asset resources to help the reader understand how the information in the financial report relates to the services the County provides and the activities it performs.	

COUNTY OF HANOVER, VIRGINIA
Net Position by Component (Unaudited)
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>
Governmental activities:										
Net investment in capital assets	\$ 67,583,618	61,976,094	65,019,988	75,900,088	76,120,457	81,246,238	74,105,915	71,850,313	74,495,930	73,603,011
Restricted	7,058,772	9,599,544	10,833,093	6,765,782	6,606,606	5,594,093	5,054,300	5,034,427	7,621,816	8,444,892
Unrestricted	29,453,112	41,592,279	41,446,839	38,277,590	49,631,805	51,276,177	56,041,435	57,584,445	66,759,717	50,299,917
Total net position, governmental activities	\$ 104,095,502	113,167,917	117,299,920	120,943,460	132,358,868	138,116,508	135,201,650	134,469,185	148,877,463	132,347,820
Business-type activities:										
Invested in capital assets, net of related debt	\$ 136,220,116	144,494,562	154,625,394	163,313,856	171,366,224	188,046,917	180,255,835	183,511,196	187,148,593	192,592,248
Restricted	3,716,918	3,445,443	3,374,603	3,445,007	3,488,079	3,454,766	3,400,179	3,431,374	3,474,707	3,524,693
Unrestricted	13,986,263	24,492,963	33,756,282	30,802,106	23,610,692	9,143,399	17,105,102	18,279,356	20,297,896	18,734,211
Total net position, business-type activities	\$ 153,923,297	172,432,968	191,756,279	197,560,969	198,464,995	200,645,082	200,761,116	205,221,926	210,921,196	214,851,152
Primary government:										
Invested in capital assets, net of related debt	\$ 203,803,734	206,470,656	219,645,382	239,213,944	247,486,681	269,293,155	254,361,750	255,361,509	261,644,523	266,195,259
Restricted	10,775,690	13,044,987	14,207,696	10,210,789	10,094,685	9,048,859	8,454,479	8,465,801	11,096,523	11,969,585
Unrestricted	43,439,375	66,085,242	75,203,121	69,079,696	73,242,497	60,419,576	73,146,537	75,863,801	87,057,613	69,034,128
Total net position, primary government	\$ 258,018,799	285,600,885	309,056,199	318,504,429	330,823,863	338,761,590	335,962,766	339,691,111	359,798,659	347,198,972

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

COUNTY OF HANOVER, VIRGINIA

Table 2

Changes in Net Position (Unaudited)

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (3)
Expenses										
Governmental activities:										
General government administration	\$ 12,118,463	13,312,730	14,671,166	14,093,119	13,554,927	13,686,641	14,324,220	13,251,586	13,327,904	14,078,698
Judicial administration	3,978,959	3,930,945	4,385,408	4,785,034	4,420,920	4,447,352	4,338,334	4,737,986	4,671,068	4,699,748
Public safety	35,956,589	39,333,719	43,545,081	46,110,980	45,610,131	47,946,531	49,003,762	51,534,448	50,081,795	51,586,916
Public works	9,570,693	8,741,705	12,431,287	16,093,111	11,102,331	9,891,396	11,407,634	12,115,168	8,156,659	15,054,599
Human services	19,849,312	21,269,844	23,096,023	24,258,087	23,880,094	24,165,944	22,925,913	21,502,295	20,053,613	20,364,814
Parks, recreation and cultural	5,260,603	4,732,962	6,413,393	8,453,137	6,523,401	6,444,651	6,531,096	6,141,549	5,914,812	6,118,595
Community development	4,878,481	5,306,364	5,593,695	5,969,406	5,797,455	5,318,097	4,625,376	4,809,867	4,556,186	4,723,408
Education	83,003,947	81,203,331	100,925,769	92,993,766	86,294,322	86,779,122	88,976,562	88,113,912	80,080,452	82,732,244
Interest on long-term debt	314,867	627,078	503,177	772,402	836,290	1,536,631	1,494,308	1,966,102	8,266,750	6,005,268
Total governmental activities expenses	174,931,914	178,458,678	211,564,999	213,529,042	198,019,871	200,216,365	203,627,205	204,172,913	195,109,239	205,364,290
Business-type activities:										
Public utilities	21,848,595	22,688,647	23,823,738	25,318,192	26,625,112	24,915,456	26,264,524	26,370,084	26,704,949	26,303,713
Airport ⁽¹⁾	-	465,203.00	626,257	1,434,208	616,225	696,323	759,169	641,915	649,430	736,601
Total business-type activities expenses	21,848,595	23,153,850	24,449,995	26,752,400	27,241,337	25,611,779	27,023,693	27,011,999	27,354,379	27,040,314
Total expenses, primary government	\$ 196,780,509	201,612,528	236,014,994	240,281,442	225,261,208	225,828,144	230,650,898	231,184,912	222,463,618	232,404,604
Program Revenues										
Governmental activities:										
Charges for services:										
General governmental administration	\$ 2,489,994	2,313,953	1,614,956	1,664,898	1,798,980	1,919,228	2,015,327	1,989,140	1,919,543	1,945,854
Judicial administration	1,415,939	1,420,359	1,340,222	1,380,219	1,321,041	1,295,959	1,121,848	1,181,522	1,131,565	1,114,869
Public safety	3,375,762	2,954,680	3,716,157	3,274,434	3,354,180	4,170,594	3,077,467	4,261,351	4,520,561	4,828,466
Public works	695,494	899,047	1,232,908	1,226,498	1,132,817	1,347,446	1,260,824	1,172,975	1,270,579	1,021,198
Human services	3,493,429	3,550,827	3,283,721	3,778,613	3,748,484	3,876,950	3,332,257	3,400,041	3,563,282	3,462,587
Parks, recreation and cultural	401,075	547,094	553,811	531,639	543,768	571,427	498,989	477,202	523,055	456,682
Community development	2,825,277	2,147,341	1,028,076	888,838	789,276	725,907	1,005,930	926,660	973,409	1,077,596
Operating grants and contributions	14,310,471	15,408,252	16,589,245	16,736,272	16,020,098	17,075,125	16,696,451	15,906,997	17,090,061	16,135,262
Capital grants and contributions	7,205,448	5,902,858	9,696,499	7,814,843	4,474,879	2,521,940	1,993,464	3,477,420	4,400,177	6,157,602
Total governmental activities program revenues	36,212,489	35,144,411	39,055,595	37,296,254	33,183,523	33,504,576	31,002,557	32,793,308	35,392,232	36,200,116
Business-type activities:										
Charges for services:										
Public utilities	19,226,205	19,584,259	21,328,133	21,237,074	21,462,492	21,981,551	21,715,203	22,523,614	22,727,173	23,922,093
Airport ⁽¹⁾	-	33,861.00	46,658	109,168	170,730	178,080	184,550	189,662	194,468	207,379
Operating grants and contributions	75,300	-	-	-	-	-	-	-	-	-
Capital grants and contributions	8,495,258	10,776,808	20,831,594	9,781,068	5,961,957	5,289,134	4,936,335	8,634,930	10,021,676	8,745,545
Total business-type activities program revenues	27,796,763	30,394,928	42,206,385	31,127,310	27,595,179	27,448,765	26,836,088	31,348,206	32,943,317	32,875,017
Total program revenues, primary government	\$ 64,009,252	65,539,339	81,261,980	68,423,564	60,778,702	60,953,341	57,838,645	64,141,514	68,335,549	69,075,133
Net (Expense) Revenue										
Governmental activities	\$ (138,719,425)	(143,314,267)	(172,509,404)	(176,232,788)	(164,836,348)	(166,711,789)	(172,624,648)	(171,379,605)	(159,717,007)	(169,164,174)
Business-type activities	5,948,168	7,241,078	17,756,390	4,374,910	353,842	1,836,986	(187,605)	4,336,207	5,588,938	5,834,703
Total net expense, primary government	\$ (132,771,257)	(136,073,189)	(154,753,014)	(171,857,878)	(164,482,506)	(164,874,803)	(172,812,253)	(167,043,398)	(154,128,069)	(163,329,471)

(continued)

COUNTY OF HANOVER, VIRGINIA

Table 2

Changes in Net Position (Unaudited)
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (3)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 104,905,885	117,152,314	128,411,615	135,784,877	133,924,474	129,565,022	126,263,780	125,689,871	127,974,854	130,303,062
Sales taxes	16,235,682	17,352,664	17,903,788	15,831,268	15,118,688	15,981,340	16,607,323	17,357,257	18,158,255	19,201,921
Utility taxes	4,403,173	5,358,588	7,317,207	7,207,864	7,100,382	6,939,774	6,869,415	6,871,623	6,769,285	6,770,101
Motor vehicle licenses ⁽²⁾	2,437,925	-	-	-	-	-	-	-	-	-
Recordation taxes	2,741,419	2,863,512	2,415,144	1,877,835	1,730,678	1,556,422	1,695,512	2,428,067	1,955,691	2,165,891
Other	2,371,936	2,378,024	2,317,560	2,133,154	2,127,589	2,378,684	2,190,557	2,184,430	2,387,749	2,552,378
Noncategorical State aid	15,674,963	14,895,053	15,419,398	14,985,990	14,948,811	14,716,447	14,746,150	14,850,432	15,273,372	15,107,698
Grants and contributions not restricted to specific programs	1,144,348	849,714	1,119,078	1,224,305	1,029,730	1,165,499	1,215,096	1,168,838	1,283,768	1,468,137
Unrestricted investment earnings	1,427,007	1,790,177	1,967,295	1,164,116	472,107	356,297	314,846	164,364	322,311	302,518
Gain (loss) on sale of capital assets	3,951.57	-	-	-	-	-	-	-	-	-
Transfers	-	(619,072.00)	(229,678)	(333,081)	(200,703)	(190,056)	(192,889)	(67,742)	-	(90,074)
Total general revenues and other changes in net position, governmental activities	151,346,290	162,020,974	176,641,407	179,876,328	176,251,756	172,469,429	169,709,790	170,647,140	174,125,285	177,781,632
Business-type activities:										
Public utilities - unrestricted investment earnings	588,383	1,015,229	1,337,243	1,096,699	349,481	153,045	110,750	56,861	110,332	104,280
Transfers - Airport fund	-	619,072.00	229,678	333,081	200,703	190,056	192,889	67,742	-	90,074
Total general revenues and other changes in net position, business-type activities	588,383	1,634,301	1,566,921	1,429,780	550,184	343,101	303,639	124,603	110,332	194,354
Total general revenues and other changes in net position, primary government	\$ 151,934,673	163,655,275	178,208,328	181,306,108	176,801,940	172,812,530	170,013,429	170,771,743	174,235,617	177,975,986
Change in Net Position										
Governmental activities	\$ 12,626,865	18,706,707	4,132,003	3,643,540	11,415,408	5,757,640	(2,914,858)	(732,465)	14,408,278	8,617,458
Business-type activities	6,536,551	8,875,379	19,323,311	5,804,690	904,026	2,180,087	116,034	4,460,810	5,699,270	6,029,057
Total change in net position, primary government	\$ 19,163,416	27,582,086	23,455,314	9,448,230	12,319,434	7,937,727	(2,798,824)	3,728,345	20,107,548	14,646,515

Notes: (1) The County began to report its airport activities in a nonmajor airport fund beginning in fiscal year 2007.

(2) Motor vehicle license decal fees were eliminated in fiscal year 2007, corresponding with a change in assessed values from loan to trade value.

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

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

Table 3

	Fiscal Year Ended June 30,				
	2006	2007	2008	2009	2010
General Fund:					
Reserved	\$ 715,857	1,069,762	899,660	695,386	1,466,750
Unreserved					
Designated	7,517,340	12,668,077	12,425,409	7,727,214	11,587,951
Undesignated	21,274,693	22,459,100	24,126,843	24,494,204	24,494,204
Total General Fund	\$ 29,507,890	36,196,939	37,451,912	32,916,804	37,548,905
All other governmental funds:					
Reserved	\$ 6,868,451	9,297,392	10,922,248	9,260,250	5,534,957
Unreserved, reported in:					
Capital projects funds:					
County Improvements Fund	7,434,188	11,671,975	8,117,903	3,584,494	10,305,801
School Improvements Fund	2,446,894	1,380,260	(2,054,242)	(252,310)	4,477,556
Special revenue funds	415,457	583,364	500,000	602,131	603,391
Total All Other Governmental Funds	\$ 17,164,990	22,932,991	17,485,909	13,194,565	20,921,705

Notes: (1) Source: County of Hanover, Virginia Comprehensive Annual Financial Reports for fiscal years indicated.

(2) At fiscal years ended June 30, 2008 and 2009, reserved fund balances exceeded total fund balance in the School Improvements Fund, reflecting commitments of current financial resources for capital projects in excess of amounts available at each respective fiscal year end. Such commitments were funded primarily by subsequent bond proceeds, grant commitments, proffers and general fund transfers, as more fully described in the County's Comprehensive Annual Financial Report for each applicable year.

	Fiscal Year Ended June 30, (see note 1 below)				
	2011	2012	2013	2014	2015
General Fund:					
Nonspendable	\$ 147,333	170,004	197,871	263,620	201,790
Restricted	532,845	467,104	581,242	975,241	892,123
Committed	2,500,000	500,000	500,000	500,000	500,000
Assigned	19,552,419	20,567,906	17,754,733	23,260,372	24,467,668
Unassigned	24,565,863	23,927,842	25,200,284	25,644,215	26,418,188
Total General Fund	\$ 47,298,460	45,632,856	44,234,130	50,643,448	52,479,769
All other governmental funds: ⁽²⁾					
Nonspendable	\$ -	-	-	178,126.00	158,852
Restricted	6,103,928	4,113,255	4,878,185	26,801,595	24,100,147
Committed	-	-	-	-	-
Assigned	12,563,314	9,522,307	10,071,820	11,298,077	13,646,110
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	\$ 18,667,242	13,635,562	14,950,005	38,277,798	37,905,109

Notes: (1) GASB 54 classification of fund balances was implemented in fiscal year 2011.
(2) Includes the County Improvements Fund, the School Improvements Fund, and the Debt Service Fund of the primary government.



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

Table 4

	Fiscal Year				
	2006	2007	2008	2009	2010
Primary Government:					
REVENUES					
General property taxes	\$ 104,909,885	116,138,314	127,752,615	134,631,877	132,160,474
Other local taxes	28,190,135	27,952,788	29,953,700	27,050,122	26,077,337
Permits, privilege fees and regulatory licenses	2,741,893	2,840,734	2,570,668	1,756,291	1,493,234
Fines and forfeitures	922,784	979,511	967,867	1,111,383	1,145,092
Revenues from use of money and property	1,778,603	2,948,143	2,507,279	1,386,151	747,670
Charges for services	9,799,667	9,163,731	8,165,843	7,982,604	7,758,435
Miscellaneous	902,337	534,902	654,065	839,426	621,088
Recovered costs	4,938,320	4,901,798	6,824,257	6,677,511	3,366,236
Intergovernmental (state and federal)	31,784,408	31,601,395	34,398,123	33,571,769	32,739,887
Total revenues	<u>185,968,032</u>	<u>197,061,316</u>	<u>213,794,417</u>	<u>215,007,134</u>	<u>206,109,453</u>
EXPENDITURES					
General governmental administration	11,842,572	12,998,848	13,604,057	13,221,357	13,065,175
Judicial administration	3,797,463	3,864,913	4,342,825	5,603,761	4,452,332
Public safety	36,508,483	40,357,437	47,391,988	61,749,637	56,977,215
Public works	8,691,474	8,361,994	12,212,146	15,502,385	10,387,021
Human services	20,000,898	21,453,342	22,960,809	24,195,148	25,624,808
Parks, recreation and cultural	5,393,280	6,564,538	9,221,302	10,083,714	7,231,464
Community development	4,920,539	5,313,263	5,547,312	5,940,549	6,360,382
Education expenditures, for:					
Instruction, operations and administration	65,364,031	67,881,714	75,940,541	79,411,219	70,527,127
Capital outlay	23,847,050	21,461,655	22,020,675	9,706,041	7,868,873
Debt service:					
Principal retirement	8,666,075	10,064,060	10,888,261	11,336,693	11,932,672
Interest and fiscal charges	5,389,377	5,592,647	5,936,066	6,061,070	5,495,314
Total education, primary government	<u>103,266,533</u>	<u>105,000,076</u>	<u>114,785,543</u>	<u>106,515,023</u>	<u>95,823,986</u>
Debt service:					
Principal retirement	1,185,722	1,220,185	1,578,504	1,697,930	2,155,086
Interest and fiscal charges	408,199	292,753	696,081	514,194	862,522
Bond issuance costs	-	160,802	31,161	360,492	287,099
Total expenditures	<u>196,015,163</u>	<u>205,588,151</u>	<u>232,371,728</u>	<u>245,384,190</u>	<u>223,227,090</u>
Excess of revenues over (under) expenditures	<u>(10,047,131)</u>	<u>(8,526,835)</u>	<u>(18,577,311)</u>	<u>(30,377,056)</u>	<u>(17,117,637)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	12,732,206	12,970,459	16,327,577	16,039,580	9,930,074
Transfers out	(12,982,206)	(13,589,531)	(16,557,255)	(16,372,661)	(10,130,777)
Sale of capital assets	-	-	-	-	-
Bonds issued	14,739,643	21,487,759	14,614,880	21,679,548	27,228,580
Refunding bonds issued	-	14,653,901	-	24,962,676	-
Payments to escrow agent	-	(14,538,703)	-	(24,758,539)	-
Support agreement	-	-	-	-	-
Total other financing sources (uses)	<u>14,489,643</u>	<u>20,983,885</u>	<u>14,385,202</u>	<u>21,550,604</u>	<u>27,027,877</u>
Net change in fund balances	<u>\$ 4,442,512</u>	<u>12,457,050</u>	<u>(4,192,109)</u>	<u>(8,826,452)</u>	<u>9,910,240</u>
County capital outlay (other than for education) contained in functional expenditure categories, above	<u>\$ 4,724,911</u>	<u>7,706,846</u>	<u>11,459,039</u>	<u>22,252,664</u>	<u>18,214,702</u>
GASB 44 debt service disclosure (primary government): (2)					
Debt service as a percentage of noncapital expenditures, primary government, governmental funds	<u>9.3%</u>	<u>9.7%</u>	<u>9.6%</u>	<u>9.2%</u>	<u>10.4%</u>
Self-imposed debt margin compliance (total reporting entity): (1)					
Noncapital expenditures - total reporting entity	\$ 249,296,596	273,302,713	292,793,745	307,559,903	296,946,733
Debt service as a percent of noncapital expenditures - total reporting entity	<u>6.3%</u>	<u>6.3%</u>	<u>6.5%</u>	<u>6.5%</u>	<u>7.0%</u>

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

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

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

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

(3) Certain estimates and reclassifications have been made to conform with the presentations required by GASB Statements No. 34 and 44. In addition, bond issuance costs have been presented separately from Interest and Fiscal Charges beginning in fiscal year 2007.

Continued

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

Table 4

Fiscal Year					
2011	2012	2013	2014	2015	
					REVENUES
130,806,022	126,110,780	125,716,871	127,474,854	132,279,062	General property taxes
26,856,220	27,362,807	28,841,377	29,270,980	30,690,291	Other local taxes
1,771,735	1,555,734	2,117,648	2,172,162	2,126,778	Permits, privilege fees and regulatory licenses
1,234,619	1,123,148	1,122,896	1,142,444	1,086,243	Fines and forfeitures
663,868	730,397	519,442	710,460	796,077	Revenues from use of money and property
7,734,023	7,383,203	7,738,869	9,170,473	8,015,343	Charges for services
728,750	720,888	765,157	960,005	1,050,022	Miscellaneous
3,939,877	3,899,087	4,085,951	3,743,137	3,746,404	Recovered costs
32,981,600	32,212,010	32,350,451	34,174,720	36,088,750	Intergovernmental (state and federal)
<u>206,716,714</u>	<u>201,098,054</u>	<u>203,258,662</u>	<u>208,819,235</u>	<u>215,878,970</u>	Total revenues
					EXPENDITURES
13,264,877	14,078,620	13,388,389	13,610,993	15,080,859	General governmental administration
4,238,674	4,365,516	4,625,522	5,602,584	9,260,522	Judicial administration
52,271,337	50,485,129	49,214,788	48,819,005	52,259,053	Public safety
9,048,288	10,938,918	10,512,574	10,928,408	14,300,650	Public works
26,117,943	23,259,647	21,110,782	20,337,280	20,978,177	Human services
7,567,583	6,886,334	5,611,331	5,472,274	5,748,956	Parks, recreation and cultural
5,474,907	4,659,812	4,719,372	4,565,432	4,824,351	Community development
					Education expenditures, for:
67,587,462	72,974,302	72,349,963	70,939,017	71,361,872	Instruction, operations and administration
7,700,153	6,591,609	1,863,441	1,632,012	6,188,679	Capital outlay
					Debt service:
11,111,792	10,502,253	10,723,304	-	-	Principal retirement
5,546,302	5,092,904	4,992,396	-	-	Interest and fiscal charges
<u>91,945,709</u>	<u>95,161,068</u>	<u>89,929,104</u>	<u>72,571,029</u>	<u>77,550,551</u>	Total education, primary government
					Debt service:
2,065,489	2,201,996	2,541,464	13,312,349	12,581,509	Principal retirement
1,518,217	2,001,749	1,957,177	6,451,957	6,728,512	Interest and fiscal charges
326,444	35,649	-	307,254	246,024	Bond issuance costs
<u>213,839,468</u>	<u>214,074,438</u>	<u>203,610,503</u>	<u>201,978,565</u>	<u>219,559,164</u>	Total expenditures
<u>(7,122,754)</u>	<u>(12,976,384)</u>	<u>(351,841)</u>	<u>6,840,670</u>	<u>(3,680,194)</u>	Excess of revenues over (under) expenditures
					OTHER FINANCING SOURCES (USES)
9,196,315	10,061,563	4,123,000	23,595,558	27,503,653	Transfers in
(9,530,584)	(10,254,452)	(4,190,742)	(23,595,558)	(27,593,727)	Transfers out
-	-	335,300	-	-	
12,809,071	6,471,989	-	22,896,441	5,014,371	Bonds issued
5,660,579	-	-	-	23,903,469	Refunding bonds issued
(10,844,571)	-	-	-	(23,683,940)	Payments to escrow agent
7,327,036	-	-	-	-	Support agreement
<u>14,617,846</u>	<u>6,279,100</u>	<u>267,558</u>	<u>22,896,441</u>	<u>5,143,826</u>	Total other financing sources (uses)
<u>7,495,092</u>	<u>(6,697,284)</u>	<u>(84,283)</u>	<u>29,737,111</u>	<u>1,463,632</u>	Net change in fund balances
<u>13,066,182</u>	<u>7,641,249</u>	<u>3,126,556</u>	<u>8,426,621</u>	<u>9,174,311</u>	County capital outlay (other than for education) contained in functional expenditure categories, above
					GASB 44 Debt Service Disclosure (primary government): (2)
10.5%	9.9%	10.2%	10.3%	9.5%	Debt service as a percentage of noncapital expenditures, primary government, governmental funds
					Self-imposed debt margin compliance (total reporting entity): (1)
289,156,980	295,486,002	294,560,877	290,620,815	303,333,119	Noncapital expenditures - total reporting entity
7.1%	6.7%	6.9%	6.9%	6.4%	Debt service as a percent of noncapital expenditures - total reporting entity

To assist the reader, the fiscal year 2014 percentages, calculated in accordance with the County's self-imposed debt margin, and with GASB 44, respectively, are as follows:

Debt Margin Information (1), (2)		
Fiscal Year 2014	Self-imposed	GASB 44
	Total Reporting Entity (Note 1)	Primary Government (Note 2)
Total expenditures	\$ 323,088,382	219,559,164
Less:		
Capital Outlay	(19,755,263)	(15,362,990)
Noncapital expenditures	\$ 303,333,119	204,196,174
Debt service expenditures	\$ 19,556,045	19,310,021
As a % of noncapital expenditures	6.4%	9.5%

COUNTY OF HANOVER, VIRGINIA

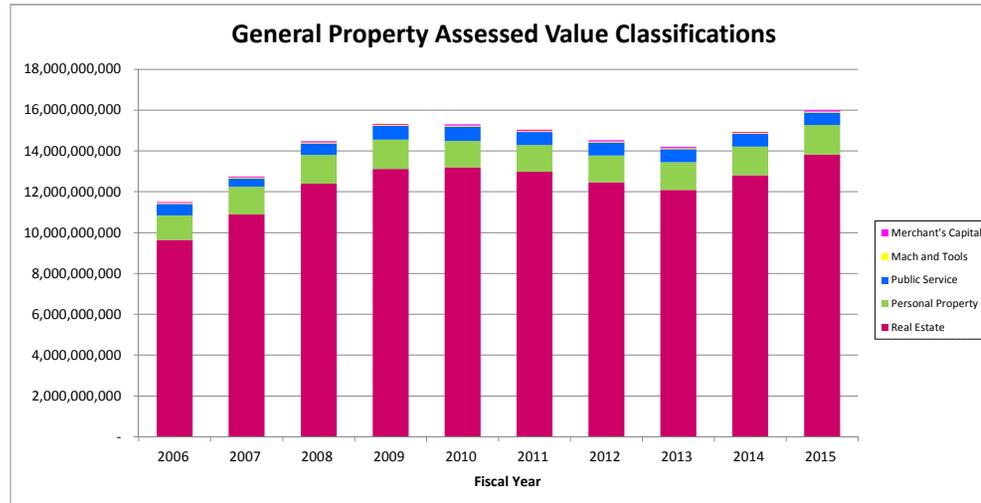
Table 5

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools (3)	Merchant's Capital	Public Service Corporations (4)	Total Taxable Assessed Value	Total Direct Tax Rate (5)	Estimated Actual Taxable Value (6)	Taxable Assessed Value as a % of Actual Taxable Value
2006	9,642,919,834	1,207,102,828	43,255,420	45,487,432	557,153,154	11,495,918,668	1.16	12,689,954,469	90.6%
2007	10,887,416,600	1,360,895,130	51,135,605	48,916,675	398,554,972	12,746,918,982	1.14	13,888,502,922	91.8%
2008	12,406,058,400	1,394,357,395	47,647,920	51,861,300	570,955,157	14,470,880,172	1.08	15,673,250,517	92.3%
2009	13,125,005,050	1,437,119,361	43,260,613	50,228,645	664,757,197	15,320,370,866	1.07	16,533,565,376	92.7%
2010	13,200,604,700	1,289,239,482	49,736,420	53,188,390	710,146,172	15,302,915,164	1.05	16,555,688,273	92.4%
2011	12,976,492,850	1,317,726,666	46,767,920	56,331,127	636,154,791	15,033,473,354	1.06	16,251,114,190	92.5%
2012	12,473,065,850	1,305,637,852	48,382,950	50,402,585	640,206,513	14,517,695,750	1.06	15,721,793,938	92.3%
2013	12,085,083,900	1,362,897,839	52,410,151	54,335,585	641,273,699	14,196,001,174	1.09	15,420,048,309	92.1%
2014	12,811,773,150	1,393,705,252	47,093,690	57,047,845	623,384,698	14,933,004,635	1.08	16,153,767,752	92.4%
2015	13,826,817,650	1,452,694,995	49,984,140	63,368,410	599,981,428	15,992,846,623	1.07	17,293,606,269	92.5%
% Change	7.9%	4.2%	6.1%	11.1%	-3.8%	7.1%		7.1%	
% Ch. Since 2006	43.4%	20.3%	15.6%	39.3%	7.7%	39.1%		36.3%	
% of Total	86.5%	9.1%	0.3%	0.4%	3.8%	100.0%			

- Notes: (1) Assessed values of all classes of property approximate market value as of assessment date, unless otherwise noted, and is shown for each period for which taxes are levied.
 (2) Real property is assessed as of January 1 each year, with the resulting taxes being payable in two equal installments, on June 5 and October 5. Personal property is assessed as of January 1 each year, with payment due on February 5 of the following year.
 (3) Machinery and tools are assessed at 10% of cost.
 (4) The assessed values of Public Service Corporation real and personal property are determined by the State Corporation Commission.
 (5) The total direct tax rate for each fiscal year is per \$100 of assessed valuation, calculated on the weighted average basis.
 (6) Market valuation estimates include: machinery and tools estimated at 90% of cost, real estate (including Public Service Corporation real estate) based on traditional 105% sales/assessment ratio, personal property based on 112% trade to book ratio.

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



COUNTY OF HANOVER, VIRGINIA

Direct and Overlapping Property Tax Rates (Unaudited)

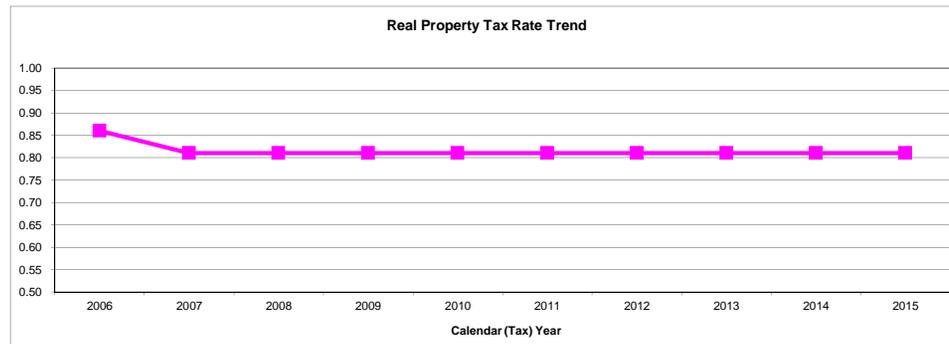
Last Ten Calendar (Tax) Years

Table 6

Calendar (Tax) Year (1)	County of Hanover, Virginia Direct Rates (1,2)							County Total Direct Tax Rate For each Fiscal Year Shown (3)	Town of Ashland (Overlapping Rates) (4)		
	Real Property	Power Generating Equipment	Personal Property	Fire and Rescue Volunteers	Aircraft	Machinery and Tools	Merchant's Capital		Real Property	Personal Property	Machinery and Tools
2006	0.86	0.55	3.57	1.78	1.00	3.57	1.90	1.16	0.07	0.77	0.77
2007	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.14	0.07	0.77	0.77
2008	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2009	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.07	0.09	0.77	0.77
2010	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.05	0.09	0.77	0.77
2011	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.06	0.09	0.77	0.77
2012	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.06	0.09	0.77	0.77
2013	0.81	0.55	3.57	1.78	0.50	3.57	1.90	1.09	0.09	0.77	0.77
2014	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.08	0.09	0.77	0.77
2015	0.81	0.81	3.57	1.78	0.50	3.57	1.90	1.07	0.09	0.77	0.77
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.9%	0.0%	0.0%	0.0%
% Ch. Since 2006	-5.8%	47.3%	0.0%	0.0%	-50.0%	0.0%	0.0%	-7.8%	28.6%	0.0%	0.0%

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

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



COUNTY OF HANOVER, VIRGINIA

Table 7

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

Taxpayer	Type of Business	2015			2006		
		General Property Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	General Property Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Doswell Limited Partnership	Power generation facility	\$ 192,033,263	1	1.2%	\$ 270,543,240	1	2.4%
Virginia Electric and Power Company	Electric company	188,219,269	2	1.2%	92,760,705	3	0.8%
Memorial Regional Medical Center	Hospital/medical center	122,491,290	3	0.8%	96,137,070	2	0.8%
Covenant Woods	Nursing home	87,027,750	4	0.5%	26,968,860	9	0.2%
Cedar Fair Southwest(2015)/Paramount Parks(2006)	Entertainment	86,516,135	5	0.5%	74,499,335	4	0.6%
Virginia Natural Gas	Natural gas distributor	52,391,451	6	0.3%	-	n/a	-
Richfood, Inc.	Grocery wholesaler	45,537,965	7	0.3%	49,098,450	8	0.4%
Bear Island Paper Company	Paper mill	45,274,355	8	0.3%	50,845,495	7	0.4%
Verizon Virginia	Telecommunications	40,499,882	9	0.3%	54,172,388	6	0.5%
Rappahannock Electric Coop	Electric company	37,474,750	10	0.2%	-	n/a	0.0%
Richmond Newspaper, Inc./Media General, Inc.	Newspaper publisher	-	n/a	-	55,039,755	5	0.5%
Wal-Mart Real Estate Business Trust/Wal-Mart Stores	Retail	-	n/a	0.0%	26,648,535	10	0.2%
		<u>\$ 897,466,110</u>		<u>5.6%</u>	<u>\$ 796,713,833</u>		<u>6.9%</u>
Total taxable assessed values		<u>\$ 15,992,846,623</u>			<u>\$11,495,918,668</u>		

- Notes: (1) Source: Hanover County Commissioner of the Revenue's Office
(2) n/a = not applicable (taxpayer not in top 10 taxpayers of applicable year)

COUNTY OF HANOVER, VIRGINIA
Property Tax Levies and Collections (Unaudited)
Last Ten Fiscal Years

Table 8

Fiscal Year	General Property Taxes Levied for the Fiscal Year (1,2)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date as of June 30, 2014	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	117,153,995	113,003,453	96.5%	4,133,023	117,136,476	100.0%
2007	128,606,341	123,943,881	96.4%	4,648,843	128,592,724	100.0%
2008	139,951,410	134,776,945	96.3%	5,152,503	139,929,448	100.0%
2009	146,731,880	140,814,064	96.0%	5,888,815	146,702,879	100.0%
2010	142,757,714	137,896,486	96.6%	4,825,424	142,721,910	100.0%
2011	141,464,681	136,643,777	96.6%	4,291,245	140,935,022	99.6%
2012	138,147,691	136,569,536	98.9%	1,212,381	137,781,917	99.7%
2013	136,956,978	135,351,034	98.8%	982,023	136,333,057	99.5%
2014	138,899,948	137,555,596	99.0%	155,198	137,710,794	99.1%
2015	144,003,614	143,368,974	99.6%	-	143,368,974	99.6%

Notes: (1) Source: County of Hanover, Virginia Treasurer's Office

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

COUNTY OF HANOVER, VIRGINIA

Table 9

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

Governmental Activities											
General Bonded Debt Outstanding (1)											
Fiscal Year	General Obligation Bonds	Virginia Public School Authority Bonds	State Literary Fund Loans	Total General Bonded Debt	Estimated Actual Value of Taxable Property	Percent of General Bonded Debt to Estimated Actual Value of Taxable Property	Population (2)	General Bonded Debt per Capita	Infrastructure and State Moral Obligation Revenue Bonds	Capital Leases	Support Agreement
2006	60,745,000	61,505,178	8,249,750	130,499,928	12,689,954,469	1.0%	98,126	1,330	-	4,427,857	-
2007	78,337,181	55,737,611	7,519,000	141,593,792	13,888,502,922	1.0%	99,047	1,430	-	3,602,672	-
2008	73,175,988	64,533,826	6,788,250	144,498,064	15,673,250,517	0.9%	99,713	1,449	-	2,739,169	-
2009	89,665,816	58,168,234	6,156,000	153,990,050	16,533,565,376	0.9%	100,051	1,539	-	1,836,239	-
2010	110,157,033	52,027,571	5,552,750	167,737,354	16,555,688,273	1.0%	100,408	1,671	-	3,330,677	-
2011	115,745,603	46,756,541	-	162,502,144	16,251,114,190	1.0%	100,822	1,612	-	2,712,424	7,314,184
2012	107,857,328	48,885,099	-	156,742,427	15,721,793,938	1.0%	101,586	1,543	-	2,355,572	6,681,332
2013	99,349,768	44,497,391	-	143,847,159	15,420,048,309	0.9%	102,623	1,402	-	2,256,096	5,963,481
2014	90,596,851	42,302,195	-	132,899,046	16,153,767,752	0.8%	102,623	1,295	20,849,280	2,166,620	5,250,629
2015	82,248,421	43,338,840	-	125,587,261	17,293,606,269	0.7%	102,623	1,224	20,818,270	2,077,143	4,547,777
% Change	-9.2%	2.5%	0.0%	-5.5%	7.1%	-11.7%	0.0%	-5.5%	-0.1%	-4.1%	-13.4%
% Ch. Since 2006	35.4%	-29.5%	-100.0%	-3.8%	36.3%	-29.4%	4.6%	-8.0%	100.0%	-53.1%	100.0%
Business-type Activities		Total Primary Government					Self-Imposed Debt Limit Information (3)				
Fiscal Year	Revenue Bonds	Support Agreement	Demographic Information			Total Primary Government Debt as a Percentage of Personal Income	Total Primary Government Debt Per Capita	Outstanding Debt Funded by General Governmental Expenditures (4)	Ratio of Outstanding Debt Funded by General Governmental Expenditures to Assessed Value (4)	Outstanding Debt Funded by General Governmental Expenditures per Capita (5)	Ratio of Total General Bonded Debt per Capita Income (6)
			Total Primary Government	Total Personal Income (2) (000's)	Per Capita Personal Income (2)						
2006	40,580,754	-	175,508,539	4,068,419	41,461	4.3%	1,789	134,927,785	1.2%	1,375	3,148
2007	40,509,437	-	185,705,901	4,348,439	43,903	4.3%	1,875	145,196,464	1.1%	1,466	3,225
2008	38,906,488	-	186,143,721	4,520,104	45,331	4.1%	1,867	147,237,233	1.0%	1,477	3,188
2009	36,836,758	-	192,663,047	4,385,979	43,837	4.4%	1,926	155,826,289	1.0%	1,557	3,513
2010	34,612,657	-	205,680,688	4,432,390	44,144	4.6%	2,048	171,068,031	1.1%	1,704	3,800
2011	21,887,907	10,562,075	204,978,734	4,738,053	46,994	4.3%	2,033	172,528,752	1.1%	1,711	3,458
2012	20,943,819	9,172,282	195,895,432	4,938,525	48,614	4.0%	1,928	165,779,331	1.1%	1,632	3,224
2013	19,951,453	7,792,489	179,810,678	5,002,491	48,746	3.6%	1,752	152,066,736	1.1%	1,482	2,951
2014	19,525,241	6,432,696	178,988,388	5,075,659	48,746	3.5%	1,744	161,165,575	1.1%	1,570	2,726
2015	18,970,376	5,077,903	177,078,730	5,140,589	48,746	3.4%	1,726	153,030,451	1.0%	1,491	2,576
% Change	-2.8%	-21.1%	-1.1%	1.3%	0.0%	-2.3%	-1.1%	-5.0%	-15.7%	-5.0%	-5.5%
% Ch. Since 2006	-53.3%	-100.0%	0.9%	26.4%	17.6%	-20.1%	-3.5%	13.4%	-18.5%	8.4%	-18.1%

Notes:

- (1) See Financial Statement Note IV-E for additional information on outstanding debt.
- (2) Population estimates at June 30th for each year from Hanover County Planning Department. Per Capita Personal Income is calculated by dividing Personal Income by the population estimate for each fiscal year. Personal income data for 2006 through 2013 (the last year available) is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce. Per Capita Personal Income for 2014 and 2015 is assumed to be equal to 2013, the last year for which Personal Income data is available from the U.S. Department of Commerce. Personal Income amounts for 2014 and 2015 are calculated by multiplying the population estimates by the Per Capita Personal Income estimates for each year.
- (3) **Self-imposed debt limit information:**
The Commonwealth of Virginia does not impose a legal limit on the amount of long-term indebtedness the County can incur or have outstanding. The Board of Supervisors, however, has imposed limits in the County's Debt Policy. These limits, and relevant information pertaining to them are described in this table, and on Table 4 of this Statistical Section.
- (4) The County's debt policy provides that outstanding debt funded by general government expenditures as a percentage of Assessed Value will not exceed 2.5 percent. Outstanding debt funded by general governmental expenditures includes general bonded debt, infrastructure and state moral obligation debt, governmental activity capital lease obligations, and governmental activities support agreements presented above.
- (5) The County's debt policy provides that outstanding debt funded by general government expenditures per Capita will not exceed \$1,900 at June 30, 2007, growing at two percent annually (\$2,227 for fiscal year 2015). The policy ceiling was \$1,800 for 2006.
- (6) The County's debt policy provides that general bonded debt per Per Capita Income will not exceed \$5,000.

COUNTY OF HANOVER, VIRGINIA

Table 10

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

Fiscal Year	Utility Revenues (2,7)	Less: Operating Expenses (3)	Net Available Revenues	Debt Service Requirements		Net Available Revenues Coverage (4)	Utility - Debt Covenant Coverage Ratio (1,5)		
				Principal	Interest		Debt Service		Debt Covenant Coverage Test
							Senior Debt Service	Subordinate Debt Service	
2006	\$ 24,926,132	\$ 14,357,272	\$ 10,568,860	\$ 1,816,512	\$ 1,784,285	2.9	\$ 3,405,453	\$ 195,344	2.6
2007	24,793,867	14,376,026	10,417,841	1,892,781	1,821,373	2.8	3,546,105	168,049	2.5
2008	34,519,573	15,127,475	19,392,098	1,909,173	1,917,256	5.1	3,658,489	167,940	4.4
2009	25,584,480	16,429,026	9,155,454	1,915,617	1,883,137	2.4	3,627,119	171,635	2.1
2010	24,194,254	17,331,485	6,862,769	1,947,116	1,803,348	1.8	3,583,203	167,261	1.6
2011	25,293,064	15,245,233	10,047,831	1,968,672	1,772,376	2.7	3,570,322	170,726	2.3
2012	25,048,715	16,458,146	8,590,569	1,986,020	1,559,074	2.4	3,378,974	166,120	2.1
2013	27,320,235	16,487,597	10,832,638	2,006,019	1,508,668	3.1	3,349,252	165,435	2.7
2014	28,940,235	16,732,863	12,207,372	2,296,831	1,001,088	3.7	3,297,919	-	3.2
2015	29,549,906	16,531,486	13,018,420	2,406,830	884,863	4.0	3,291,693	-	3.4
% Change			6.6%	4.8%	-11.6%	6.8%	-0.2%	0.0%	6.8%
% Ch. Since 2006			23.2%	32.5%	-50.4%	34.7%	-3.3%	-100.0%	33.8%

Airport Revenue Bond

Fiscal Year	Rent received from Airport Fixed Base Operator	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Available Revenues Coverage (5)	Airport - Debt Covenant Coverage Ratio (1,6)			
				Principal	Interest		Rent Received	Restricted cash -	Lessee irrevocable	Debt Covenant Coverage Test
								(used during current FY or available at FYE for debt service)	letter of credit pledged for satisfaction of debt covenant ratio	
2008	\$ 61,039	\$ -	\$ 61,039	\$ 26,396	\$ 70,922	0.6	\$ 61,039	\$ 156,081	\$ 36,000	2.6
2009	88,093	-	88,093	54,820	89,158	0.6	88,093	156,081	36,000	1.9
2010	152,748	-	152,748	57,640	86,337	1.1	152,748	12,361	36,000	1.4
2011	157,330	-	157,330	60,605	83,372	1.1	157,330	-	36,000	1.3
2012	162,050	-	162,050	63,723	80,254	1.1	162,050	-	36,000	1.4
2013	166,912	-	166,912	67,001	75,274	1.2	166,912	-	36,000	1.4
2014	171,919	-	171,919	70,448	71,740	1.2	171,919	-	36,000	1.5
2015	177,077	-	177,077	74,072	68,024	1.2	177,077	-	36,000	1.5
% Change			3.0%	5.1%	-5.2%	3.1%	3.0%	0.0%	0.0%	2.5%
% Ch. Since 2008			190.1%	180.6%	-4.1%	98.7%	190.1%	-100.0%	0.0%	-42.3%

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

- (2) Utility revenues exclude donated capital assets.
- (3) Utility operating expenses exclude depreciation.
- (4) The net available revenues coverage equals net available revenues divided by total debt service requirements.
- (5) The utility debt covenant coverage ratios assist users to assess the County's legal compliance with its utility debt service covenant requirements. The County's water and sewer revenue bonds debt covenant requires the ratio of utilities net available revenues divided by the sum of 115% of senior debt service and 100% of subordinate debt service to exceed 1.0.
- (6) During fiscal 2007, the County issued an airport revenue bond, secured by rent from the airport's fixed base operator. The airport bond had no debt service requirement or debt covenant requirement for fiscal 2007. Beginning in fiscal year 2008, the County's airport debt covenant required the ratio of the sum of rent received from the airport's fixed base operator, restricted cash used during the fiscal year (FY) or available at fiscal year-end (FYE) for airport bond debt service, and the amount of any lessee irrevocable letter of credit, divided by the airport bond principal and interest paid during the fiscal year to equal or exceed 1.25. The lease agreement with the airport's fixed base operator contains scheduled rent increases consistent with the availability of the property to the lessee, designed to meet the debt covenant coverage requirement during the lease term.
- (7) Utility revenues do not include exercise of oversize credits, which are reported as capital contributions on Exhibit 8 of the financial statements.

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

Table 11

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (1) (000's)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (2)</u>	<u>Unemployment Rate (3)</u>	<u>School Enrollment (4)</u>	<u>School Instructional Positions (5)</u>	<u>School Enrollment to Instructional Positions Ratio</u>
2006	98,126	4,068,419	41,461	39.2	2.5%	18,518	1,485	12.5
2007	99,047	4,348,439	43,903	38.9	2.5%	18,844	1,563	12.1
2008	99,713	4,520,104	45,331	40.4	3.4%	18,686	1,577	11.8
2009	100,051	4,385,979	43,837	39.8	6.5%	18,566	1,614	11.5
2010	100,408	4,432,390	44,144	40.4	6.6%	18,420	1,569	11.7
2011	100,822	4,738,053	46,994	40.8	6.0%	18,191	1,489	12.2
2012	101,586	4,938,525	48,614	41.2	5.5%	18,125	1,487	12.2
2013	102,623	5,002,491	48,746	41.5	5.0%	17,942	1,426	12.6
2014	104,124	5,075,659	48,746	41.5	4.5%	17,952	1,410	12.7
2015	105,456	5,140,589	48,746	41.5	4.5%	17,734	1,445	12.3
% Change	1.3%	1.3%	0.0%	0.0%	0.0%	-1.2%	2.5%	-3.6%
% Ch. Since 2006	7.5%	26.4%	17.6%	5.9%	80.0%	-4.2%	-2.7%	-1.6%

Notes: (1) Population estimates at June 30th for each year from Hanover County Planning Department. Per Capita Personal Income is calculated by dividing Personal Income by the population estimate for each fiscal year. Personal income data for 2006 through 2013 (the last year available) is obtained from the U. S. Department of Commerce, Bureau of Economic Analysis. Per Capita Personal Income for 2014 and 2015 is assumed to be equal to 2013, the last year for which Personal Income data is available from the U.S. Department of Commerce, Bureau of Economic Analysis. Personal Income amounts for 2014 and 2015 are calculated by multiplying the population estimates by the Per Capita Personal Income estimates for each year.

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

(3) Virginia Employment Commission

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

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

COUNTY OF HANOVER, VIRGINIA

Table 12

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

Employer	Type of Business	2014			2005		
		Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
Hanover County Schools	Education	2,438	1	4.5%	2,673	1	5.1%
Bon Secours Memorial Regional Medical	Hospital/Medical Center	1,000 and over	2	3.7%	1,000 and over	2	3.9%
County of Hanover	Government	1,048	3	3.7%	1,043	3	2.0%
Tyson Farms	Food Manufacturing	500-999	4	1.4%	500-999	8	1.4%
Wal-Mart Stores	Retail	500-999	5	1.4%	500-999	7	1.4%
Acosta Sales & Marketing Co	Sales & Marketing	500-999	6	1.4%	500-999	n/a	
Sales Mark	Wholesale Electronic Markets	500-999	7	1.4%		n/a	
Richfood	Food Distributor	500-999	8	1.4%	500-999	4	1.4%
Kings Dominion	Entertainment	500-999	9	1.4%	500-999	5	1.4%
Randolph-Macon College	Education	250-499	10	0.7%	500-999	6	1.4%
Culpeper Star Exponent	Newspaper Publisher		n/a		250-499	9	0.7%
Ukrops	Food and Beverage Stores		n/a		250-499	10	0.7%
Totals				21.0%			19.7%
Total County Employment (3)		53,695			51,917		

- Notes:
- (1) Sources: County and Schools employment levels provided by the Hanover County Department of Finance and Management Services, Budget Division. Other data provided by the Virginia Employment Commission (VEC). Employment levels represent full-time equivalents. The most recent year for which this data is available is 2013.
 - (2) Employment ranges for the private sector are as published by the VEC to ensure confidentiality. Percentages are based on the midpoint of the employment range.
 - (3) VEC Annual not Seasonally Adjusted Labor Force

COUNTY OF HANOVER, VIRGINIA

Table 13

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

Function/Program	Full-time Equivalent Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary government:										
General governmental administration	135	138	140	145	141	137	132	123	130	132
Judicial administration	54	54	57	59	59	57	57	55	57	59
Public safety	415	433	457	472	474	464	462	449	449	464
Public works	66	71	73	73	73	60	88	83	83	83
Human services	230	235	221	227	226	198	189	183	181	182
Parks, recreation and cultural	46	47	49	50	50	37	37	33	32	32
Community development	31	33	34	31	35	29	29	25	24	24
Public utilities	92	93	95	96	96	95	95	93	91	91
Fleet management (2)	26	27	28	29	29	29	-	-	-	-
Self insurance fund	-	-	-	1	1	1	1	1	1	1
Totals - Primary government	1,095	1,131	1,154	1,183	1,184	1,107	1,090	1,045	1,048	1,068
Component Unit:										
School Board	2,713	2,827	2,903	2,973	2,678	2,544	2,532	2,462	2,438	2,456
Total:	3,808	3,958	4,057	4,156	3,862	3,651	3,622	3,507	3,486	3,524

Notes: (1) Source: Hanover County Department of Finance and Management Services, Budget Division.
(2) In FY12, Facilities Management, General Services, and Fleet Management were merged together as General Services. Fleet Management is now part of the General Fund and no longer an Internal Service Fund.

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary government:										
General governmental administration										
Number of registered voters	62,960	63,059	65,290	67,322	68,294	68,968	71,832	71,010	71,828	72,268
Number of real estate transfers	3,490	3,293	3,564	2,173	2,874	2,800	3,027	3,065	3,256	3,606
State income tax returns processed	10,200	12,225	10,790	8,038	7,757	7,545	8,696	7,514	7,854	7,600
Judicial administration										
Judgments docketed	3,104	3,330	3,330	3,388	3,740	4,321	4,041	3,543	3,114	2,975
Public safety										
Sheriff incidents	46,259	42,340	42,928	41,863	40,189	46,077	38,819	37,125	37,891	34,474
Number of sworn officers	180	189	196	201	201	201	201	201	207	211
Fire/EMS incidents	9,401	10,712	7,954	10,735	11,705	13,381	14,216	13,620	15,740	15,854
Animal control incidents	6,866	8,018	7,881	8,508	7,029	6,720	6,485	6,009	6,233	5,877
Commercial building plan reviews	467	517	624	414	439	377	414	412	412	506
Residential building plan reviews	1,608	1,427	1,330	1,051	1,025	1,092	1,098	1,278	1,381	1,462
Public works										
Tons of solid waste received	37,710	37,086	39,306	38,243	37,700	37,600	36,599	32,571	32,198	44,651
Tons of solid waste recycled	13,716	14,000	13,300	17,000	18,000	18,500	20,000	21,418	15,141	11,970
Human services										
Communicable disease visits/investigations	873	689	533	969	429	262	405	370	268	555
Immunization visits (3)	1,005	693	501	358	9,454	1,210	312	636	471	311
Restaurant inspection visits	590	1,068	1,449	1,024	560	894	710	911	815	939
Social services lobby visits	9,425	10,150	12,143	16,271	15,377	17,632	20,027	19,018	17,681	15,541
Social services telephone calls received	30,521	28,206	22,413	25,679	24,089	25,997	29,323	25,315	24,605	23,864
Number of Hanover Youth Service Council (HYSC) projects	26	30	36	34	39	48	48	44	43	37
HYSC Volunteer hours reported	508	762	711	780	1,406	1,793	1,847	1,353	1,576	1,080
Parks, recreation and cultural										
Active Library borrowers	49,311	52,657	50,149	56,968	65,558	74,382	79,700	80,553	80,642	82,096
Internet sessions	66,218	70,189	72,130	84,423	114,945	150,295	103,700	134,980	142,545	141,492
Library reference questions answered	169,834	193,942	214,409	240,776	295,810	356,454	365,265	330,062	375,526	384,223
Community development										
Economic development services to existing/prospective businesses	423	350	350	311	311	311	286	253	212	479
Public utilities										
Water customers	19,260	19,472	19,742	19,930	20,125	20,381	20,592	19,198	19,647	19,995
Wastewater customers	17,384	17,661	17,931	18,178	18,367	18,604	18,816	18,640	19,098	19,428
Daily average water distributed (million gallons/day)	7.30	8.80	8.50	8.20	8.70	9.04	8.70	8.60	8.56	8.90
Maximum daily water capacity (million gallons/day)	19.95	19.95	19.95	19.95	19.95	19.95	19.95	19.95	19.95	19.95
Daily average wastewater treatment (million gallons/day)	5.43	6.20	5.60	6.70	6.93	6.94	6.07	5.99	6.79	5.80
Maximum daily capacity of wastewater treatment plant (mg/d)	13.48	13.50	13.50	13.50	15.50	15.50	15.50	15.50	15.50	15.50
General services										
School buses serviced	305	302	301	309	311	303	310	303	297	301
Public safety vehicles serviced	420	425	434	433	442	438	421	470	476	470
Fleet availability	96.5%	96.8%	96.7%	97.0%	97.0%	96.2%	95.4%	95.2%	96.9%	96.6%

- Notes: (1) Source: County Departments as identified above.
 (2) Information not available prior to first year reported. Operating indicators for the School Component Unit are presented on the Demographic Information schedule.
 (3) Variability in number of immunization visits from year to year due to various factors. H1N1 immunizations primary factor for volume of visits in 2010.

Function/Program	Fiscal Year								
	2006	2008	2009	2010	2011	2012	2013	2014	2015
Primary government:									
General governmental administration									
Estimated square feet- all general administrative office space	42,552	43,436	43,436	43,436	47,436	47,436	47,571	47,762	47,762
Judicial administration									
Estimated square feet - all judicial buildings	40,796	58,460	58,460	58,460	58,460	58,460	58,460	58,460	58,460
Public safety									
Estimated square feet - all public safety buildings	177,577	177,577	200,804	208,804	213,447	213,447	214,604	214,604	214,604
Number of sheriff's stations	1	1	1	1	1	1	1	1	1
Correctional facility inmate capacity	429	437	437	437	437	437	437	469	469
Number of fire/EMS stations	16	16	16	16	16	16	16	16	16
Public works									
Estimated square feet - all public works	17,565	17,565	17,565	17,565	17,565	17,565	17,665	17,665	17,665
Number of solid waste convenience centers	6	6	6	6	6	6	6	6	6
County Airport - acres in facility	232	232	232	232	257	260	260	260	260
Aircraft hanger spaces - County Airport	40	54	54	54	54	54	54	54	54
Aircraft tie-down spaces	56	56	56	56	56	56	56	56	56
Length of runway (ft)	5,400	5,400	5,400	5,400	5,400	5,400	5,402	5,402	5,402
Human services									
Estimated square feet of facilities	53,120	53,120	52,939	52,939	62,939	62,939	62,939	62,939	62,939
Parks, recreation and cultural									
Number of County parks/boat launch	11	14	14	14	14	14	14	14	14
Park acreage (2)	756	1,081	1,116	1,116	1,190	1,282	1,282	1,282	1,250
Public utilities									
Miles of water mains	355	380	387	389	398	412	419	425	429
Number of fire hydrants	1,941	2,162	2,245	2,309	2,367	2,422	2,475	2,523	2,564
Miles of sanitary sewers	348	356	360	362	369	379	383	389	394
Number of wastewater treatment plants	4	4	4	4	4	4	4	4	4
General services									
Number of vehicles maintained	1,085	1,145	1,200	1,220	1,204	1,193	1,198	1,206	1,210
School Board Component Unit:									
Number of elementary schools	13	14	15	15	15	15	15	15	15
Number of secondary schools	8	8	8	8	8	8	8	8	8
Alternative Education Facility	-	1	1	1	1	1	1	1	1
Number of Technology Centers	-	-	1	1	1	1	1	1	1

Notes: (1) Source: County Departments as identified above.

(2) 2011 - North Anna Battlefield Park increased in acreage due to donation by Martin Marietta. Ashland Trolley Line donated to Town of Ashland.
 2012 - North Anna Battlefield Park increased in acreage due to donation by Martin Marietta.

COMPLIANCE SECTION

COUNTY OF HANOVER, VIRGINIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2015

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	Program Clusters	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Passed Through the Commonwealth of Virginia:			
Department of Agriculture and Consumer Services:			
National School Lunch Program - Cafeteria (commodities)	10.555	\$ 231,937	
Department of Education:			
School Breakfast Program	10.553	246,956	
National School Lunch Program	10.555	1,127,091	
Total Child Nutrition Cluster			\$ 1,605,984
Department of Health:			
Child & Adult Care Food Program	10.558		39,733
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluster	10.561	530,664	
Total SNAP Cluster			530,664
DEPARTMENT OF DEFENSE:			
Direct Payments:			
JROTC	12.000		192,175
DEPARTMENT OF THE INTERIOR:			
Direct Payments:			
Payments in Lieu of Taxes (PILT)	15.226		9,119
DEPARTMENT OF JUSTICE:			
Direct Payments:			
Bulletproof Vest Partnership Program	16.607		2,593
Equitable Sharing Program	16.922		596,567
Passed Through the Commonwealth of Virginia:			
Department of Criminal Justice Services:			
Crime Victim Assistance (15-R9600VW14)	16.575		68,898
Edward Byrne Memorial Justice Assistance Grant Program Cluster (14-A2886AD12, 14-H1220LO13, 15-I1220LO14)	16.738	43,780	
Total JAG Program Cluster			43,780
Department of Social Services:			
Crime Victim Assistance (FAM-12-052-21)	16.575		32,251
DEPARTMENT OF TRANSPORTATION:			
Direct Payments:			
Department of Aviation:			
Airport Improvement Program	20.106		149,381
Passed Through the Commonwealth of Virginia:			
Department of Transportation:			
Highway Planning and Construction Cluster	20.205	3,568,448	
Total Highway Planning and Construction Cluster			3,568,448
Department of Motor Vehicles:			
Alcohol Open Container Requirements (154AL-2015-55263-6002, 154AL-2014-54076-5324)	20.607		67,922
ENVIRONMENTAL PROTECTION AGENCY:			
Passed Through the Commonwealth of Virginia:			
Virginia Department of Environmental Quality:			
Chesapeake Bay Foundation	66.466		2,640
DEPARTMENT OF EDUCATION:			
Passed Through the Commonwealth of Virginia:			
Department of Education:			
Adult Education - Basic Grants to States (V002A140047)	84.002		59,689
Title I Grants to Local Educational Agencies Cluster (S010A130046, S010A140046)	84.010	1,111,776	
Total Title I, Part A Cluster			1,111,776
Career and Technical Education - Basic Grants to States (V048A130046)	84.048		140,948

(Continued)

COUNTY OF HANOVER, VIRGINIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2015

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	Program Clusters	Federal Expenditures
DEPARTMENT OF EDUCATION, CONTINUED:			
Special Education-Grants to States Cluster (H027A130172, H027A140107, 042-61110-H027A140107, H027A120107-611350000, 042-88085D-H027A120107)	84.027	\$ 3,133,134	
Special Education-Preschool Grants (H173A140112)	84.173	74,740	
Total Special Education Cluster (IDEA)			\$ 3,207,874
English Language Acquisition State Grants (S365A120046, S365A130046, S365A140046)	84.365		46,614
Improving Teacher Quality State Grants (S367A130044, S367A130044)	84.367		285,686
Department of Behavioral Health & Developmental Services:			
Special Education-Grants for Infants & Families (720C-04363-13D-17)	84.181	126,339	
Total Early Intervention Services (IDEA) Cluster			126,339
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Payments:			
Head Start (03CH0337/23, 03CH03458)	93.600		1,019,459
Passed Through the Commonwealth of Virginia:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		19,920
Temporary Assistance for Needy Families	93.558	328,099	
Total TANF Cluster			328,099
Refugee & Entrant Assistance_State Administered Programs	93.566		479
Low-Income Home Energy Assistance	93.568		29,603
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	50,418	
Total CCDF Cluster			50,418
Chafee Education and Training Vouchers Program (ETV)	93.599		2,114
Stephanie Tubbs Jones Child Welfare Services Program	93.645		2,328
Foster Care_Title IV-E	93.658		320,095
Adoption Assistance	93.659		253,664
Social Services Block Grant	93.667		239,973
Chafee Foster Care Independence Program	93.674		7,481
Department of Medical Assistance Services:			
Children's Health Insurance Program	93.767		16,979
Department of Medical Assistance Services:			
Medical Assistance Program	93.778	604,208	
Total Medicaid Cluster			604,208
Department of Behavioral Health and Developmental Services:			
Passed Through VCU - Hanover Cares Coalition:			
Substance Abuse & Mental Health Services-Projects of Regional & National Significance (720C-04395-14M00)	93.243		21,300
Block Grants for Community Mental Health Services (44506-50138)	93.958		69,036
Block Grants for Prevention and Treatment of Substance Abuse (44501-50148, 720C-04220-09M206, 44501-50178)	93.959		372,561
DEPARTMENT OF HOMELAND SECURITY:			
Direct Payments:			
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083		72,165
Passed Through the Commonwealth of Virginia:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042		22,067
Homeland Security Grant Program	97.067		92,425
State Homeland Security Program (SHSP)	97.073		63,000
			\$15,496,455

See accompanying notes to schedule of expenditures of federal awards.

See accompanying independent auditors' report.

COUNTY OF HANOVER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

1. GENERAL

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

2. BASIS OF ACCOUNTING

The Schedule is presented using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds, as described in Note I. C. to the County's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. For the year ended June 30, 2015, the County participated in the following federal programs in which non-cash benefits were provided through the State to eligible participants:

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

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

COUNTY OF HANOVER, VIRGINIA
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

3. RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

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

<u>Fund</u>	<u>Federal Expenditures</u>
Primary Government:	
Governmental Activities:	
General	\$ 3,906,560
County Improvements	3,568,448
Total Governmental Activities	<u>7,475,008</u>
Business-type Activities:	
Non-major - Airport	149,381
Total Business-type Activities	<u>149,381</u>
Total Primary Government	<u>7,624,389</u>
Component Unit:	
School Board	7,872,066
Total Component Unit	<u>7,872,066</u>
Total Federal expenditures	<u><u>\$ 15,496,455</u></u>

4. SUB-RECIPIENT PAYMENTS

The County did not expend any funds to a subrecipient during the fiscal year ended June 30, 2015.

5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree with amounts reported in the related federal financial reports, except that certain federal financial reports are prepared on the cash basis of accounting and the Schedule is prepared on the basis of accounting described in the preceding note 2.



KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Hanover, Virginia (the County) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 9, 2015, which included a paragraph emphasizing that in fiscal year 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which provide new accounting guidance that addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

KPMG LLP

November 9, 2015



KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

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

Report on Compliance for Each Major Federal Program

We have audited the County of Hanover, Virginia's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County's major federal programs for the year ended June 30, 2015. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

November 9, 2015



COUNTY OF HANOVER, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

A. Summary of Auditors' Results

1. The type of report issued on the basic financial statements: **UNMODIFIED OPINION**
2. Significant deficiencies in internal control over financial reporting disclosed by the audit of the basic financial statements: **NONE REPORTED**
3. Material weaknesses in internal control over financial reporting disclosed by the audit of the basic financial statements: **NONE**
4. Noncompliance which is material to the basic financial statements: **NONE**
5. Significant deficiencies in internal control over major programs: **NONE REPORTED**
6. Material weaknesses in internal control over major programs: **NONE**
7. The type of report issued on compliance for major programs: **UNMODIFIED OPINION**
8. Any audit findings which are required to be reported under Section 510(a) of the OMB Circular A-133: **NONE**
9. The programs tested as major programs were:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
Equitable Sharing Program	16.922
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluster	10.561
Special Education Cluster	84.027 and 84.181

10. Dollar threshold to distinguish between Types A and B Programs: **\$464,894**
11. Auditee qualified as a low risk auditee under Section 530 of OMB Circular A-133: **YES**

B. Findings – Financial Statement Audit in Accordance with *Government Auditing Standards*
NONE

C. Findings and Questioned Costs – Major Federal Awards
NONE

HANOVER COUNTY DEPARTMENT OF FINANCE AND MANAGEMENT SERVICES

Kathleen T. Seay, CPA, CISA
Director of Finance and Management Services

ACCOUNTING DIVISION

Jacob A. Sumner, CMA, CGFM, Accounting Division Director
Lauren N. Brown, CPA, Senior Accountant
Jacqueline A. Manzer, CPA, Accountant
Christine H. Chen, CPP, Payroll Manager
Debbie C. Clark, Payroll Analyst
Bonnica H. Cotman, Payroll Analyst
Kelli M. Hoffner, Financial Technician
Nancy M. Mancuso, Financial Technician
Connie L. Mills, Financial Technician
Donna B. Neely, Financial Technician
Erika L. Taylor, Payroll Analyst
Amy L. Sylvia, Financial Technician

BUDGET DIVISION

Shelly H. Wright, Budget Division Director
Les E. Beasley, Analyst
Caitlin A. Farrell, Analyst
M. Bryant Phillips, Analyst

PURCHASING DIVISION

Steven K. Rush, Purchasing Division Director
Patti M. Beasley, Purchasing Officer
Vivian Doobay, Purchasing Officer
Trena A. Ponton, Purchasing Officer
Kristin St. Germain, Financial Technician

Hanover: People, Tradition and Spirit

Our Vision

A PLACE, INSPIRED BY
ITS PEOPLE, TRADITION & SPIRIT,
WHICH WILL BE THE PREMIER COMMUNITY
FOR PEOPLE & BUSINESSES TO ACHIEVE THEIR FULL POTENTIAL

Our Mission

TO BE A PREMIER COMMUNITY
BY PROVIDING SUPERIOR SERVICE THROUGH
CREATIVITY, INNOVATION & SOUND FINANCIAL PRACTICES

Our Values

INTEGRITY • ACCOUNTABILITY • RESPECT • INCLUSIVENESS

HANOVER COUNTY
PEOPLE, TRADITION & SPIRIT

