Henrico County, Virginia

2017-2018

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

HENRICO COUNTY, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the Fiscal Year Ended June 30, 2018

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COUNTY OF HENRICO, VIRGINIA

INTRODUCTORY SECTION

COMMONWEALTH OF VIRGINIA
COUNTY OF HENRICO

John A. Vithoulkas
County Manager

November 7, 2018

The Honorable Board of Supervisors
County of Henrico, Virginia

Honorable Members of the Board:

We are pleased to present the County of Henrico's (the County) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This report is intended to provide informative and relevant financial data for the residents of the County, the Board of Supervisors, investors, creditors and any other interested readers. We believe it includes all financial statements and disclosures necessary for the reader to obtain a thorough understanding of the County's financial activities. The reader should pay particular attention to the required Management's Discussion and Analysis, a supplemental narrative overview and analysis of the financial statements included in this CAFR. Any individual with comments or questions concerning this report is encouraged to contact the County's Department of Finance at (804) 501-5200. This report may also be found online at the County's official website www.henrico.us.

The financial statements included in this report conform to the U.S. generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB). The County's management is responsible for the establishment and maintenance of accounting and other internal controls to accomplish three purposes: ensuring compliance with applicable laws and County policies, safeguarding assets, and properly recording reliable financial information for the preparation of the County's financial statements and related notes thereto in accordance with GAAP. Because their cost should not outweigh their benefits, the County's comprehensive framework of internal controls is designed to provide reasonable assurance that financial statements will be free from material misstatement rather than absolute assurance. County management is responsible for the accuracy and fairness of the presentation of the financial statements and other information as presented herein and, to the best of management's knowledge, the financial information presented in this CAFR is complete and accurate in all material respects.

KPMG LLP, a certified public accounting firm, audited the County's basic financial statements included in this report. The independent auditors planned and performed the audit to obtain reasonable assurance about whether the financial statements of the County are free of material misstatement. KPMG LLP has expressed unmodified opinions stating that, based on the audit evidence obtained, the County's basic financial statements as of and for the fiscal year ended June

(804) 501-4206 PARHAM & HUNGARY SPRING ROADS/P.O. BOX 90775/HENRICO, VIRGINIA 23273-0775

30, 2018, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report on the County's financial statements is presented as the first component of the Financial Section of this report. The independent audit of the financial statements of the County is 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 auditors to report not only on the fair presentation of the financial statements, but also on the government's compliance with federal requirements that could have a direct and material effect on each of its major federal programs and on internal controls over compliance in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This "Single Audit" information is available in a separately issued report, which is available upon request from the County's Department of Finance.

Profile of the Government

The County of Henrico is located in central Virginia and surrounds the City of Richmond on the north side of the James River and constitutes approximately one third of the Richmond Metropolitan area. The County's location in the middle of the eastern seaboard is within 750 miles of two-thirds of the nation's population and is ideal for commerce due to the intersection of Interstates 95, 64, and 295 as well as Routes 895 and 288, major rail lines, and the James River, an international port. It is also home to Richmond International Airport, the primary airport for the Richmond Metropolitan Area. Henrico County is also convenient to nearby oceanic ports in the Tidewater region of Virginia. Currently, based on the recent county population estimates, 335,283 Henrico County residents (approximately one third of the Richmond Metropolitan area) live in a well-planned community of 244 square miles that consists of highly developed urban and suburban areas, as well as undeveloped agricultural and forest land.

Captain Christopher Newport and a band of adventurers from Jamestown (consisting of Captain John Smith, George Percy and others) rowed ashore at the foot of the James River in Henrico in 1607. Captain Newport erected a cross and claimed the land for God and England. Four years after the discovery and exploration, Sir Thomas Dale, Deputy Governor of Virginia, founded Henrico and named it for Prince Henry Frederick, eldest son of King James I. In another four months, it was a bustling community as John Rolfe successfully cultivated a Spanish-type of tobacco similar to that produced in Varinas, Spain, giving birth to America's tobacco industry. In 1614, Rolfe married Princess Pocahontas, daughter of the Great Indian King Powhatan. Her profile now appears on the Henrico County seal as a symbol of Henrico's place in our nation's history. In 1634, Henrico became one of the original eight shires in the Virginia Colony. In 1934, Henrico County voters approved the County Manager form of government with five voter-elected members on the Board of Supervisors who serve four-year terms and represent five distinct magisterial districts. The Chairman of the Board of Supervisors is elected annually by the members of the Board, and the Board also hires the County Manager who serves at their pleasure. The duties of the County Manager include implementing the approved ordinances and policies of the Board of Supervisors, appointing the County's Department Directors, and managing the day-to-day operations of the County government. Henrico County's Manager is also the Director of Public Safety. The County government is responsible for providing a wide array of public services including public safety (fire and police protection, as well as building code enforcement), a full-service water and sewer system, the maintenance of the third largest road system in the Commonwealth of Virginia, and an array of recreational and cultural services. The County government also provides most of the funding for a nationally recognized public school system, though the schools are operated by a legally distinct entity and a separately elected School Board.

The financial reporting entity includes all the funds of the County, the primary government, as well as all of its component units. Two discretely presented component units, the County of Henrico School Board (School Board) and the James River Juvenile Detention Commission (JRJDC), are included in the reporting entity because of the County's financial accountability for these organizations. These component units are reported in separate columns in the County's basic financial statements. Additional information concerning these legally separate organizations can be found in the notes to the financial statements.

The annual budget serves as the foundation for the County's financial planning and control. The County Manager presents his proposed budget request to the Board in early March of each year. That body then undertakes an intensive review of that budget in a series of public meetings. Those meetings are referred to as the "Legislative Budget Reviews." The Board then holds a public hearing on the proposed budget in April prior to adopting the final budget. Legal budgetary restrictions are established at the governmental function level (i.e., Division of Police), with effective administrative controls maintained through detailed line-item budgets. It is County policy that the County Manager is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total budgeted amounts and/or appropriations of any fund must be approved by the Board of Supervisors. Budget to actual comparisons are provided in this report for governmental funds where an appropriated annual budget has been adopted. These comparisons are presented in the Other Required Supplementary Information Section of this report.

Economic Overview

Henrico County continues to observe positives in the local economy that suggest a local economy that continues to grow with the lowest unemployment rate since the recession and wage growth of 4.5 percent in calendar year 2017, the second highest among large localities in Virginia. Real estate assessments have grown for four consecutive years, local consumer spending is robust, and our business community continues to be a strength for Henrico.

Despite the improved economic climate, Henrico County continues to evaluate our governmental practices, identifying opportunities for greater operational efficiencies and thereby best utilizing taxpayer provided resources. As evidenced by a long history of prudent financial management - and the distinction of being one of only 46 triple AAA rated counties in the country - Henrico County continues to exemplify excellence in local government finance and administration. While there is always uncertainty regarding future economic conditions, one certainty that does exist is that Henrico County will continue to do everything within its means to create an environment conducive to positive economic growth.

Henrico County residents live and work in a low-tax, high-quality community with one of the premier public school systems in the nation, and the local economy continues to be well positioned to expand on the growth enjoyed during the past few years of economic recovery. The Board of Supervisors has fostered this environment through consistently demanding innovation, effective planning and financial prudence when allocating public resources, while also incrementally reducing tax rates when economically feasible, and exploring less burdensome revenue enhancements when necessary. With an emphasis on quality customer service, sound financial management, and sustainable economic development, Henrico County has been and will continue to be a community of choice.

Acknowledgements such as this would not be possible without a strong infrastructure to support the existing large businesses in the area - such as the 19 *Inc. 5000* companies with a significant presence in Henrico County, as well as the small businesses and entrepreneurial endeavors that drive our diverse economy. Combined, the Henrico companies that made the most recent 2018 Inc. 5000 list account for more than $483.7 million in revenue while averaging 238.3 percent growth annually. The County's diverse labor pool, low tax structure, regional economy that supports low operating expenses and strategic location collectively are just some of the components that make Henrico a desirable location for outside companies to relocate to, or for existing companies to expand. The best example of this is Facebook who, in October 2017, announced they would be investing $1.0 billion by building a new data center in Henrico. To follow that up, in September 2018 Facebook announced they would commence Phase II of their data center development in Henrico by investing an additional $1.0 billion.

In addition, ten *Fortune 1000* companies are headquartered in the Richmond region, of which, seven are ranked in the *Fortune 500*. Of those ten companies, four are in Henrico, and three are *Fortune 500* companies; Altria, Markel, and Genworth Financial, while The Brink's Company is a *Fortune 1000* company. Richmond also has more Fortune 500 companies than San Diego, Philadelphia, San Antonio and Phoenix all of which have larger populations. In total, over 25,000 companies are headquartered in Henrico.

Other companies with a major presence within Henrico are Patient First, SunTrust, Allianz, McKesson, Capital One, Southern States Cooperative, Dominion Energy and Anthem, to name a few. All these companies have invested heavily in the County, and the Richmond Metropolitan Area has benefited from their presence.

Henrico County's vibrant and diverse economy continues to drive employment statistics that compare favorably relative to national and state averages. According to the Bureau of Labor Statistics, as of July 2018 the County's unemployment rate (not seasonally adjusted) of 2.9 percent is equal to that of Virginia (2.9 percent) and considerably lower than that of the U.S. (3.9 percent).

This low unemployment rate is indicative of the fundamental economic strength of the County, as well as the resiliency and perseverance of state and local employers and the County's educated, talented workforce.

While the economic downturn had a significant impact on the real estate market in Henrico in both the residential and commercial sectors, the County has now experienced six successive years of growth in the total assessed value of real property. For the 2018 assessment of new and existing commercial and residential real estate, the total taxable assessed value of the County was approximately $37.9 billion, which represents an increase of about $2.2 billion compared to 2017. The increase in existing residential and commercial properties totaled 4.7 percent, while new residential and commercial construction increased $491.3 million. The most recent year-over-year increase in reassessments is higher than the prior year's 3.5 percent increase. These increases are part of a five-year trend of reassessments coming in at over 2.0 percent, representing a significant improvement from the four years prior. Calendar year 2017 is also the first year in more than a decade that reassessments increased over 4.0 percent.

As the Central Virginia housing market continues to tighten, home sales for the second quarter of 2018 declined 2.0 percent from the following year. This is normal as the economy levels out and reaches an equilibrium. However, despite the slight decrease in sales, average home prices continued to climb throughout the region, reflective of the historically low inventory of active listings. Henrico lead the Richmond Metro Area with average sale price of $308,073, up 8.0 percent from the same time last year, while the entire region saw growth of 4.0 percent with an average sale price of $287,292. Additionally, homes are selling nine days faster on average in the region compared to a year ago. Reflecting the trend above, pending sales decreased approximately 2.0 percent for the region while the supply of active listings continued to shrink to historically low levels with an inventory of 3,759 listings or a reduction of 12.0 percent over last year.

In addition, for the fiscal year ended June 30, 2018, total construction permit data, including permits for the construction of single family, residential and commercial dwellings, is continuing to grow as the total number of permits increased 2.3 percent when compared to fiscal year 17. This is considerably slower than the FY17 growth of 7.0 percent, however, the value of those permits increased by 62.2 percent, in part due to the approval of the Facebook data center.

Henrico County is still one of the Commonwealth's leaders in retail sales as it ranks third in total annual taxable sales, behind only Loudoun and Fairfax. However, Henrico ranks first in total taxable sales per capita when compared to the ten largest comparably rated localities in the Commonwealth. The most recent annual data from the Virginia Department of Taxation shows that Henrico County's annual taxable sales for 2017 were $5.66 billion, representing a 3.2 percent increase from 2016. These statistics are another indication that the County remains a destination for shoppers locally, regionally and statewide. Henrico was able to establish itself as a destination for shoppers starting with Regency Square, built in the 1970s, and later with Short Pump Town Center, White Oak Village in Eastern Henrico, and Short Pump Station in Western Henrico.

Tourism has been another area of economic achievement for Henrico. The County has an 8.0 percent transient occupancy tax used for tourism efforts that brought in $13.9 million for FY18, a 3.3 percent increase from FY17. Also, for 2017, Henrico had the largest visitor spending of all the surrounding localities and the fifth highest in the state at $915.9 million, a 4.1 percent increase over 2016. This continues a trend of strong gains in visitor spending the County has been experiencing and is why tourism, especially sports tourism, will continue to be a focus area for stimulating the economy and bringing in local revenues.

On November 5, 2013, voters in Henrico County approved a referendum that would allow the Board of Supervisors to impose a tax on prepared food and beverages, commonly known as a "meals tax", equal to 4.0 percent of the amount charged. The Board of Supervisors approved an ordinance to levy this tax at the February 25, 2014 Board of Supervisors meeting after a public hearing was held. The collection of this tax began on June 1, 2014. It was anticipated that a 4.0 percent meals tax would generate approximately $18.0 million in additional revenue, all of which would be dedicated to the operational and capital project needs of Henrico County Public Schools. However, in the four-year period from FY2015 to FY2018, the County has received an average of $28.2 million a year, significantly exceeding estimates. Meals tax collections for FY2018 were $29.3 million, the largest since Henrico began levying it. To date, meals tax collections have funded 315 projects at 69 schools throughout Henrico.

The presence of these business and corporate entities would not be possible were it not for the favorable business environment that Henrico County has fostered throughout the years. Since 1978, the Board of Supervisors has prudently decreased the real estate tax rate six times. In addition to these decreases, Henrico is also the lowest taxing locality among Virginia's ten largest localities. Henrico also approved three tax rate reductions in the past three years: The Aircraft tax rate went from $1.60 per $100 of assessed value to $0.50; the Machinery and Tools tax rate went from $1.00 per $100 of assessed value to $0.30, and the property tax rate for data center equipment went from $3.50 per $100 of assessed value to $0.40. These measures make Henrico more competitive and gives Henrico the lowest effective Aircraft, Data Center, and Machinery and Tools Tax Rates in Central Virginia. In calendar year 2018, Henrico also increased the Business Professional Occupancy License tax exemption from $100,000 to $200,000. This exemption was further increased effective calendar year 2019 from $200,000 to $300,000. The low tax burden combined with a record of prudent fiscal management and excellent services creates an enticing environment for businesses that are looking to relocate their operations.

Financial Guidelines

The following informal guidelines represent principles and practices that guide the County and help to foster the County's financial stability. These are not the only financial guidelines, but are those that have had a major impact in recent years or will have a major impact on Henrico's future financial position. For a complete listing of the County's Financial Guidelines, please see the

County's Annual Fiscal Plan at http://www.henrico.us/finance/divisions/office-of-management-and-budget/.

General Guidelines:

The County of Henrico will maintain its (AAA/Aaa/AAA) General Obligation Bond ratings with Standard and Poor's, Moody's Investor Service and Fitch IBCA, respectively. These excellent bond ratings mean two things for our residents: first, our financial management has been examined by three separate agencies that analyze local government finances on a daily basis and determined Henrico worthy of the highest financial recognition available and second, the County's high credit rating allows us to obtain the most competitive interest rates when financing long-term capital improvement projects.

The County of Henrico will utilize technological advances as a means of increasing employee productivity and reducing the need for new positions.

The County of Henrico will allocate new dollars (after meeting fixed commitments such as debt service requirements and benefits changes) to the areas of education and public safety first.

The County of Henrico will attempt to utilize benefits of new economic development successes as a means of maintaining the low tax rate environment our residents and businesses enjoy. In addition, the County will maintain a balance between the need for real estate tax relief for our residents with the long-term operational needs of the County.

Capital Improvement Program Guidelines:

The County will develop a Five-Year Capital Improvement Program annually, inclusive of the capital needs of the Henrico County Public Schools. The Board of Supervisors approves a "Capital Budget" after legal advertising and public hearing requirements have been met.

The County's Capital Improvement Program will utilize debt financing as a funding source only after it has been determined that the County can afford to service this debt and associated operating costs in subsequent years. The County will attempt to maximize the use of pay-as-you-go financing for capital projects.

The County will ensure that all operating costs arising from approved capital projects are accounted for in the operating budget, through the compilation of an annual crosswalk analysis that captures all such costs.

The County will maintain its physical assets at a level adequate to protect the County's capital investment and minimize future maintenance and replacement costs. The operating budget will provide for the adequate maintenance of these facilities and infrastructure.

Debt Guidelines:

A long-term debt affordability analysis will be completed on an annual basis as a means of ensuring that the County does not exceed its ability to service current and future debt requirements. This analysis will verify that the County is maintaining the following prescribed ratios and will be performed in conjunction with the County's Capital Improvement Program Process. The maximum guidelines that are utilized are as follows:

- Debt Service as a Percentage of General Fund Expenditures: 7.75%
- Net Bonded Debt as a Percentage of Assessed Value: 1.49%

The County will adopt annual water and sewer rates that will generate sufficient revenues to meet the legal requirements of Enterprise Fund bond covenants. These rates will also allow for adequate capital replacement in the water and sewer systems.

Revenues:

Multi-Year revenue and expenditure forecasts for all County funds will be included as a part of the Adopted Annual Fiscal Plan.

The County of Henrico will attempt to maintain a stable but diversified revenue base as a means of protecting it from fluctuations in the economy.

The County will continue to strive to maintain a 70% residential – 30% commercial real estate tax base. Maintaining a healthy commercial/residential ratio will help the County maintain current tax rates while continuing to enhance service delivery efforts – particularly in the areas of education and public safety.

While revenues are monitored continually, a report is compiled quarterly that depicts current year trends, receipts, and explains any unanticipated revenue variances.

Fund Balance Guidelines:

The County has, over time, maintained a healthy unassigned fund balance – as compared to similar sized Virginia localities. As a percentage of actual General Fund expenditures, the County's unassigned fund balance has been:

FY07:	18.0%	FY13:	15.0%
FY08:	18.0%	FY14:	15.0%
FY09:	18.0%	FY15:	15.0%
FY10:	18.0%	FY16:	15.0%
FY11:	18.0%	FY17:	15.0%
FY12:	15.0%	FY18:	15.0%

During the FY12 budget process, the Board of Supervisors (the Board) agreed with a policy recommendation to reduce the percentage of unassigned fund balance to 15.0 percent of General Fund expenditures, effective June 30, 2012. The County will continue to monitor this percentage during the annual budget process for future fiscal years. The County will not use its unassigned fund balance to subsidize current operations.

Major Initiatives and Accomplishments

Henrico County has continued its commitment to delivering the quality and quantity of services that Henrico's citizens expect. Henrico has continued to issue debt and expand its infrastructure to meet the growing needs of the County, and in doing so has saved millions of dollars in debt service costs, taking advantage of low construction prices due in part to the prevailing economic environment and the County's triple-AAA bond rating.

In August 2011, shortly after Standard and Poor's downgraded the U.S.'s long-term credit rating, Henrico County earned a reaffirmation of our AAA ratings from the all three bond rating agencies, maintaining our position as one of the best financially managed localities in the nation. Furthermore, Henrico County was the first municipality in the country to achieve this AAA reaffirmation by all three rating agencies following the historic downgrade of the United States government. As of this writing, 46 counties in the nation enjoy the triple-AAA distinction, which represents just over one percent of all counties nationwide. Henrico County has capitalized on its premier credit rating by taking advantage of historically low interest rates.

On June 14, 2016, the Board of Supervisors passed a resolution asking Henrico County's Circuit Court to order a referendum vote for November 8, 2016. The referendum that Henrico voters overwhelmingly approved was for $419.8 million of capital improvement projects, of which $272.6 million is for school projects. The remaining $147.2 million is for park renovations and improvements, two new firehouses and a training center, replacing Fairfield Library, and a road construction project on a stretch of the Richmond-Henrico Turnpike, a major thoroughfare in the central part of the County.

Henrico County has been proactive in capitalizing on the attractive interest rate environment by refunding existing debt to realize significant cost savings and by simultaneously issuing bonds for new construction projects. In May 2017, Henrico County refunded $53.7 million in Series 2010A and Series 2011 General Obligation Bonds, achieving a true interest cost of 2.2 percent, and a net present value savings of $2.9 million. At the same time, the County issued new General Obligation Bonds to fund capital improvement projects totaling $114.6 million. These proceeds funded projects for schools, libraries, recreation and parks, and fire stations and facilities. The new funding had a true interest cost of 2.63% over a 20-year amortization period. In July, 2018, Henrico County issued $99.4 million in new General Obligation bonds for approved capital projects also for schools, libraries, recreation and parks, and a fire station. This issue achieved a true interest cost of 2.92% over a 20-year amortization period.

Henrico County has completed Phase I of the Cobb's Creek Reservoir project, which was acquisition of all the properties. This project is important to secure the County's water needs for the at least next 50 years and County staff worked with 22 property owners to purchase the needed property. The cost of the acquisitions totaled $9.8 million, about $1.0 million under budget. Phase II of the project consisted of clearing a corridor for the relocation of Colonial Pipeline and Dominion Energy utility lines, constructing roads and staging areas, and erecting a communication tower. A substantial portion of Phase II was completed June 2016, with a final cost of $5.6 million. Between February 2016 and July 2017, Colonial Pipeline and Dominion Energy relocated their utility lines with an estimated final cost of $35.0 million for Colonial Pipeline and $3.1 million for Dominion. Phase III, which began October 2016, includes construction of two earthen dams, a pump station and river intake facilities. The construction contract for Phase III is with MEB/Haymes Joint Venture LLC for $139.6 million with an estimate completion date of May 2022.

The County has also initiated construction on a new Public Safety Emergency Communications project that will replace the current system, which is no longer supported by the manufacturer and operates with outdated technology. The new system will be more advanced and provide manufacturer support for at least twenty years. Henrico County, the City of Richmond, County of Chesterfield, County of Hanover, City of Colonial Heights and the Capital Regional Airport Commission, awarded individual contracts for this project in June of 2016. The public safety system in each locality will be part of a larger regional network that provides a fully integrated land mobile radio system for all emergency incidents and functions in the County and the region. Henrico County and the vendor, Motorola Solutions, Inc., have begun to implement their project plan. The first phase was the deployment of new APCO 25 compliant portable and mobile radios (subscriber units) to all public safety users. Non-public safety subscriber units will be deployed once the new system is tested and operational. The next phase is completion of the Detailed Design Review (DDR), which is the construction and technology deployment plan for the new network. Motorola anticipates completion of this phase by the middle of December 2018. In addition, all new tower sites have been identified, approved and construction drawings are being developed as part of the DDR. Construction of the tower sites is expected to begin by the middle of 2019. Expenditures are tracking with the described deployment progress of the project and are on target with what was originally projected.

As part of a multi-year effort, the Board of Supervisors approved $850,981 in first-year funding for a new Basic Life Support (BLS) program with the Division of Fire that will respond to less urgent care calls. This program will run during peak call hours to relieve Advanced Life Support (ALS) units, freeing them to respond to more urgent care calls.

The Board of Supervisor's also approved the creation of a $2.0 million "Community Revitalization Fund" that will be used to purchase abandoned homes or direct funds to 501(c)3 organizations that work to improve older neighborhoods. This initiative also included the creation of a new Housing Advocate position to serve as a resource in these efforts. Both the fund and the Housing Advocate will give Henrico the flexibility to immediately address urgent problems.

Beginning March 2017, Henrico began construction on a new County-wide data center. The County's previous data center was built in 1977 and encompassed approximately 5,800 square feet of space. This new data center cost $1.8 million dollars and was built using only 1,800 square feet of space allowing the remaining 3,000 square feet to be used for IT staff office expansion. This data center also incorporates Henrico County Public Schools' infrastructure needs, which the other data center did not accommodate, and has increased the collaboration among the two IT divisions. The new data center became active March 2018.

The Henrico County School Board also approved two new programs aimed at improving student performance and giving students new opportunities. The first is CodeRVA, a regional program that immerses selected 9th and 10th grade students in a STEM-heavy curriculum, allows them to graduate with a two-year associates degree and opens the door for paid internships in fields like computer science and data management. Beginning September 2018, 18 additional student slots will be added to this program. The second is An Achievable Dream, a program that has been used in VA Beach and Newport News and aims to close the achievement gap for low income students with extended days, summer intercessions and a dress code. The pilot program opened in Highland Springs Elementary School in September 2017 with an initial complement of 220 students in Kindergarten through the second grade. Starting in September 2018, an Achievable Dream was expanded to include third grade as well.

Fiscal Year 2018 was the eleventh fiscal year under the healthcare self-insurance program, whereby the County began paying claims and third-party administrative fees. Self-insurance allows the County to more fully control all aspects of the plan, including setting rates to smooth out the impact of increases on employees and the County, while maintaining adequate funding to cover claims, expenses and reserves. Since the transition to the self-insurance program, the County's average increases in the cost of healthcare coverage have been well below the growth trend experienced nationally, resulting in significant savings relative to the national average. While the national trend of annual inflation in health insurance rates has consistently been at or above 8.0 percent in the decade since Henrico's self-insurance program was initiated, the annual premium increases for both Henrico and its employees have consistently been well below that number. In fiscal year 2017-18, however, healthcare claims from the people that Henrico insures rose by 14.0 percent. If sustained, this increase may lead to more rapid premium increases and modification of the benefit structure in the future.

Future Challenges

When looking at the national, state and local economies, most economic indicators indicate that Henrico is continuing to improve from the recession. However, one indicator is still above its pre-recession levels: the poverty level. Despite improvements over the past three years, poverty across all ages in Henrico was 9.2 percent for 2016 compared to only 8.4 percent in 2008. One bright spot, though, is that childhood poverty in Henrico was 11.8 percent for 2016, a sharp decrease from 2014 where the childhood poverty rate peaked at 17.2 percent, but slightly higher than the 11.5 percent for 2008. Since this data isn't updated as frequently as some other economic indicators, this downward trend is expected to continue into 2017 and 2018 as the overall economy continues to improve. Another indicator Henrico will continue to monitor are retail sales. As more consumers shift toward online sales, brick-and-mortar locations may see decreased volume, which reduces the County's sales tax revenue.

When looking at the economy from a structural level, most signs point to a strong labor market and upbeat consumer and business sentiment. However, there are some events at the national and state level that could cause widespread economic shifts locally. These are the ongoing destabilization of the Affordable Care Act and the impact this has on the healthcare industry, and the impact of Medicaid expansion by the State. Another source of concern for the economy is the growing number of trade disputes and the impacts tariffs will have on inflation and business profits. Lastly, it has been over a decade since the beginning of our last recession making this one of the long expansion cycles in U.S. history. All of this could have far reaching effects on Henrico citizens and our economy and require a certain level of contingency planning when looking towards the future.

Because economic indicators having the greatest impact on the County's revenues often lag, Henrico County's leadership is continuing to examine opportunities to redefine the way Henrico does business. The efficiencies and savings identified because of this effort, combined with the conservative fiscal management routinely employed by Henrico County should allow the County to continue to provide services to our citizens at the level they have come to expect.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Henrico, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the thirty-seventh consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate

Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the County's Department of Finance. We would like to express our particular appreciation to all members of the Accounting Division who

directly assisted and contributed to its preparation. We would also like to thank the Board of Supervisors for their interest, guidance and support in their oversight of the financial operations of the County in a responsible and prudent manner.

Respectfully submitted,

John A. Vithoulkas
County Manager

Edward N. Smither, Jr.
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Henrico

Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

HENRICO COUNTY, VIRGINIA
Directory of Officials
June 30, 2018

BOARD OF SUPERVISORS

Frank J. Thornton, Chairman	Fairfield District
Tyrone E. Nelson, Vice Chairman	Varina District
Patricia S. O'Bannon	Tuckahoe District
Thomas M. Branin	Three Chopt District
Courtney D. Lynch (resigned effective June 30)	Brookland District

ADMINISTRATIVE OFFICIALS

John A. Vithoulkas	County Manager
W. Brandon Hinton	Deputy County Manager for Administration
Randall R. Silber	Deputy County Manager for Community Development
Anthony J. Romanello	Deputy County Manager for Community Services
Timothy A. Foster	Deputy County Manager for Community Operations
Douglas A. Middleton	Deputy County Manager for Public Safety
Ned Smither	Director of Finance
Joseph P. Rapisarda, Jr.	County Attorney

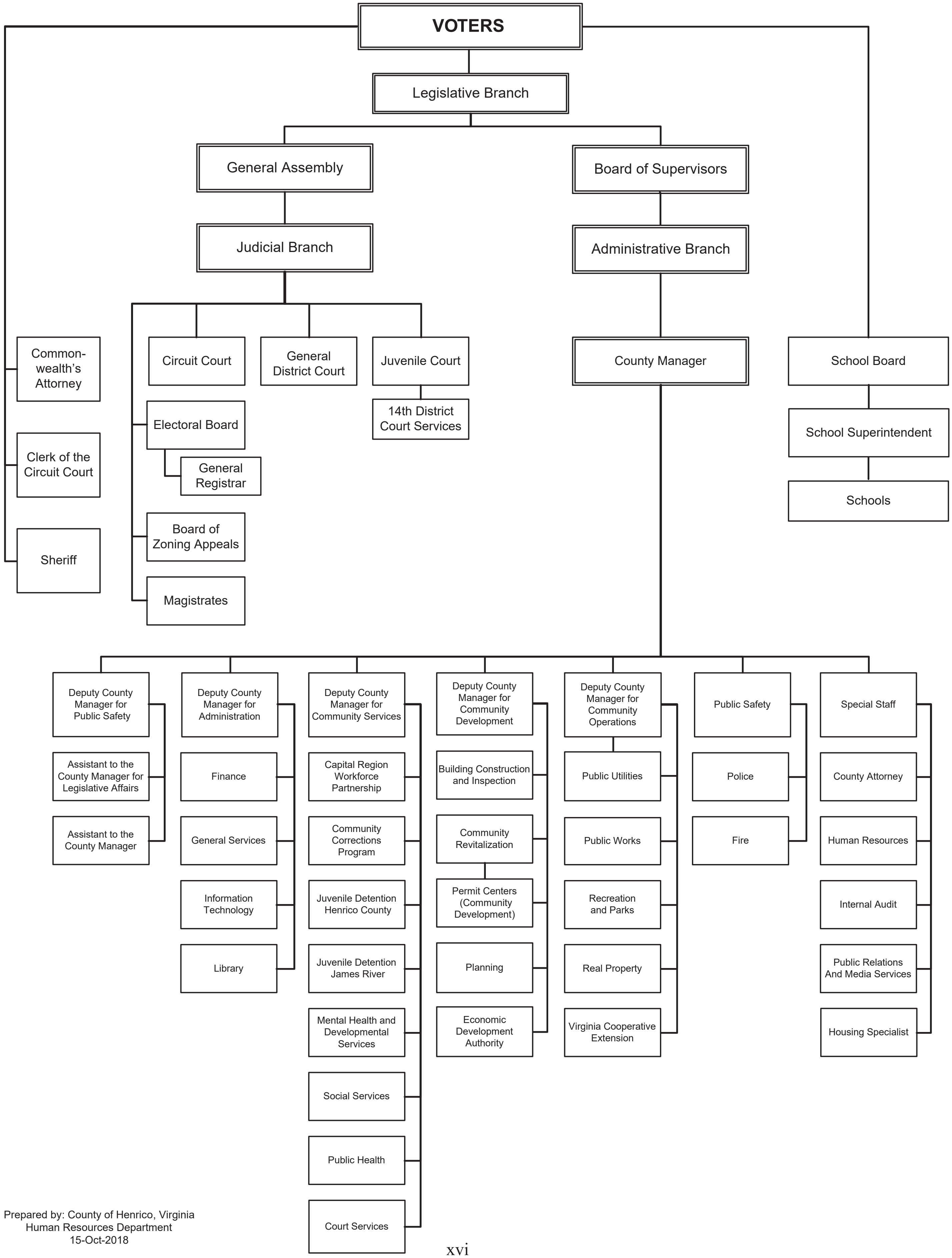
ELECTED SCHOOL BOARD

Michelle F. "Micky" Ogburn, Chair	Three Chopt District
John W. Montgomery, Jr., Vice Chair	Varina District
Beverly L. Cocke	Brookland District
Roscoe D. Cooper III	Fairfield District
Bill Pike	Tuckahoe District

ADMINISTRATIVE OFFICIALS - SCHOOLS

Dr. Amy E. Cashwell	Superintendent of Schools
Dr. Beth Teigen	Assistant Superintendent for Instruction
Nyah Hamlett	Assistant Superintendent for Instructional Support
Al Ciarochi	Assistant Superintendent for Operations
Chris Sorenson	Assistant Superintendent for Finance and Administration
Dr. Donna Eagle	Director of Human Resources
Andy Jenks	Director of Communications and Public Relations

Henrico County, Virginia
Organizational Chart



Prepared by: County of Henrico, Virginia
Human Resources Department
15-Oct-2018

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 Henrico, Virginia:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Henrico, Virginia (the County), as of and for the year ended June 30, 2018, 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. Those standards 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Henrico, Virginia, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1.P to the financial statements, in fiscal year 2018, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* which provides new accounting guidance that addresses accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 13, budgetary comparison information in Exhibits 13 and 14, the Schedules of Required Supplementary Information for pensions and OPEB in Exhibits 15 through 35, and the notes to Required Supplementary Information on pages 129 and 146-148, 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.

Supplemental 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 supplemental information listed as the Other Supplemental Information in the table of contents, and the other information listed as the Introductory Section and the Statistical Section in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplemental Information is the responsibility of management and was 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 Supplemental Information is 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.

KPMG LLP

Richmond, Virginia
November 7, 2018

COUNTY OF HENRICO, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

The following discussion and analysis of the County of Henrico's (County) financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2018 (FY 2018). Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements and related notes thereto, which follow this section.

FINANCIAL HIGHLIGHTS FOR FY 2018

On a government-wide basis for governmental activities, the County had expenses net of program revenues of $589.9 million. General revenues of $664.9 million exceeded expenses, net of program revenues, by $75.0 million (Exhibit 2).

The County's total net position, excluding component units, on the government-wide basis totaled $2,405.1 million at June 30, 2018 (Exhibit 1).

The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financial sources and uses by $23.8 million (Exhibit 4) after making transfers out of $117.7 million, which include transfers to the Capital Projects Fund for $33.4 million, Special Revenue Fund for $27.2 million and Debt Service Fund for $57.0 million. In addition, the General Fund contributed $223.8 million to the County's component units (Exhibit 12).

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

The County's Comprehensive Annual Financial Report (CAFR) is comprised of three sections: Introductory, Financial, and Statistical. The Financial Section, which includes the audited basic financial statements, is comprised of four components: 1) the independent auditors' report, 2) management's discussion and analysis (MD&A), 3) the basic financial statements, and 4) notes to the basic financial statements. This CAFR also contains required supplementary information, other than MD&A, and other supplemental information in addition to the basic financial statements themselves.

The primary focus of the basic governmental financial statements is on both the County as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the County's overall financial status. The fund financial statements focus on the individual components of the County government, reporting the County's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund statements) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the County's financial accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the County's finances is, "Is the County as a whole in better financial condition or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide financial statements, report information about the County as a whole and about its activities in a way that helps answer this question. These financial statements include all assets and deferred outflows of resources, and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two financial statements report the County's net position and the changes in net position. One can think of the County's net position – the difference between the total of assets and deferred outflows of resources, less the total of liabilities and deferred inflows of resources – as one way to measure the County's financial position. Over time, increases or decreases in the County's net position is one indicator of whether its financial position is improving or deteriorating. Other nonfinancial factors should also be considered; such as, changes in the County's property tax base and the physical condition of the County's infrastructure, to assess the overall financial position of the County.

In the Statement of Net Position and the Statement of Activities, we divide the County into three types of activities:

> **<u>Governmental Activities</u>** – Most of the County's basic services are reported here: Police, Fire, Public Works, Recreation and Parks, and general administration. Property taxes, other local taxes, and state and federal grants finance most of these activities.

> **<u>Business-Type Activities</u>** – The County's operation, maintenance and construction of the County-owned water and wastewater (sewer) utility and the County-owned golf course are reported here as the County charges a fee to customers to cover all or most of the cost of the services these operations provide.

> **<u>Discretely Presented Component Units</u>** – The County includes two separate legal entities in its report – the County of Henrico School Board (School Board) and the James River Juvenile Detention Commission (JRJDC). Although legally separate, these "component units" are important because the County is financially accountable for them and provides operating and capital funding.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more information about the County's most significant funds, not the County as a whole.

The County has three types of funds:

> **<u>Governmental Funds</u>** – The County's basic services are included in four major governmental funds. The general fund, special revenue fund, debt service fund and capital projects fund financial information is presented separately in the governmental fund balance sheet and within the governmental fund statement of revenues, expenditures, and changes in fund balance.

> The governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as, *balances of spendable resources* available at the end of the fiscal year. The governmental funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the County's programs. Since this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided at the bottom of the governmental funds financial statements that explains the relationship (or reconciles the differences) between the two types of statements. (Exhibits 3 and 4)

> **<u>Proprietary Funds</u>** – Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide financial statements, provide both long and short-term financial information.

In fact, the County's Enterprise Fund (one type of proprietary fund) is the same as the business-type activities included in the government-wide financial statements, but the fund financial statements provide more detail and additional information, such as cash flow. The County's Enterprise Fund accounts for the operation of the County's water and sewer utility and the County-owned golf course.

The County uses Internal Service Funds (the other kind of proprietary fund) to report activities that provide supplies and services for the County's other programs and activities. The Internal Service Funds account for the County's Central Automotive Maintenance operations, the Technology Replacement Fund and the self-insured Healthcare Fund. Resources for these Funds come from interdepartmental charges.

Fiduciary Funds – The County is the trustee, or fiduciary, for Agency Funds. The County is responsible for ensuring that the assets reported in these Funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use the assets of these Funds to finance its own operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Position

The following table reflects a summary of the County's net position at June 30, 2017 and 2018 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2017	2018*	2017	2018*	2017	2018*	2017	2018*
Current and Other Assets	$686.2	$668.3	$194.0	$268.3	$880.3	$936.5	$66.0	$66.0
Capital Assets	1,424.3	1,459.8	1,284.3	1,340.9	2,708.6	2,800.7	297.7	291.4
Total Assets	2,110.5	2,128.1	1,478.3	1,609.2	3,588.9	3,737.2	363.7	357.4
Deferred Outflow of Resources	77.1	69.4	15.3	14.0	92.4	83.4	108.3	106.6
Long-term Liabilities	565.9	511.9	311.4	406.0	877.3	917.9	38.5	26.3
Net Pension Liability	215.3	163.5	15.2	11.7	230.5	175.1	497.3	430.6
Net OPEB Liability	0.0	56.7	0.0	1.9	0.0	58.6	0.0	77.9
Other Liabilities	108.5	110.2	34.7	41.5	143.3	151.7	9.2	8.6
Total Liabilities	889.7	842.3	361.3	461.1	1,251.1	1,303.3	545.0	543.4
Deferred Inflow of Resources	58.6	106.6	2.7	5.6	61.3	112.2	70.0	134.3
Net Position:								
Net Investment in Capital Assets	1,102.4	1,169.0	1,049.6	1,040.1	2,152.1	2,208.9	271.7	276.5
Restricted	212.9	158.2	21.5	27.2	234.4	185.6	9.2	10.8
Unrestricted net position (deficit)	(76.0)	(78.6)	58.5	89.2	(17.6)	10.6	(423.9)	(501.0)
Total Net Position (deficit)	$1,239.3	$1,248.6	$1,129.6	$1,156.5	$2,368.9	$2,405.1	$(143.0)	$(213.7)

.

* The County implemented GASB Statement No. 75 in fiscal year 2018. See Notes 1.P and 11, 12, 13, and 14 of the notes to the financial statements for more information. Fiscal year 2017 was not restated herein.

The County implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions* (GASB No. 75) for the fiscal year ended June 30, 2018. GASB No. 75 requires employers to recognize a net other postemployment benefit (OPEB) liability (asset) on the statement of net position for the net funded status of other postemployment benefit plans as employees earn their OPEB benefits and recognize annual OPEB cost under an "earnings" approach rather than a "funding" approach. As a result of adopting GASB No. 75 in fiscal year 2018, the beginning net position of the County's Governmental Activities as of June 30, 2017 was reduced by $65.7 million; beginning net position of the County's Business-Type Activities as of June 30, 2017 was reduced by $2.8 million; and the beginning net position of the County's aggregate discretely presented Component Units as of June 30, 2017 was reduced by $93.5 million. More detailed information about the County's adoption of GASB No. 75 is presented in Notes 1.P, 11, 12, 13 and 14 of the notes to the financial statements.

The County's net position increased by 4.6%, or $104.8 million to $2,405.1 million from $2,300.3 million, an overall improvement resulting from the increase in net position for both the Governmental and Business-Type Activities (Exhibit 2).

The net position of the County's governmental activities increased by 6.4%, or $75.1 million to $1,248.6 million (Exhibit 2). Net Investment in Capital Assets decreased by $66.6 million due to capital assets acquired and debt payments. Restricted net position decreased by $54.7 million due to an increase in funds expended for capital projects and additional funds reserved for debt service and grants. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, decreased by $2.6 million to $(78.6) million at June 30, 2018.

The net position of business-type activities increased by 2.6%, or $29.7 million from $1,126.8 million to $1,156.5 million (Exhibit 2). Unrestricted net position available for the continuing operation of the water and sewer and golf course activities was $89.2 million as of June 30, 2018 (Exhibit 1).

The net position of the aggregate discretely presented component units increased 9.6%, or $22.8 million from $(236.5) million to $(213.7) million (Exhibit 12). Net Investment in Capital Assets increased by $4.8 million due to capital assets acquired and debt payments. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by $16.4 million to $(501.0) million at June 30, 2018.

Schedule of Activities

The following chart summarizes the revenues and expenses of the County's activities for the fiscal years ended June 30, 2017 and 2018 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2017	2018*	2017	2018*	2017	2018*	2017	2018*
Revenues:								
Program Revenues:								
Charges for Services	$43.7	$45.6	$119.6	$113.8	$163.3	$159.4	$12.1	$12.0
Operating Grants and Contributions	155.2	148.0	-	-	155.2	148.0	302.0	314.3
Capital Grants and Contributions	-	-	14.9	21.1	14.9	21.1	0.1	0.1
General Revenues:								
Property Taxes	403.2	420.9	-	-	403.2	420.9	-	-
Other Taxes	180.7	186.5	-	-	180.7	186.5	-	-
Other	62.2	57.5	4.4	4.4	66.6	61.9	2.9	3.3
Payment from Primary Government	-	-	-	-	-	-	223.8	223.8
Total Revenues	$845.0	$858.5	$138.9	$139.3	$983.9	$997.8	$540.9	$553.5
Expenses:								
General Government	$97.9	$90.9	-	-	$97.9	$90.9	-	-
Judicial Administration	11.9	12.3	-	-	11.9	12.3	-	-
Public Safety	198.0	198.3	-	-	198.0	198.3	5.2	5.4
Public Works	89.4	87.2	-	-	89.4	87.2	-	-
Health and Welfare	70.8	74.9	-	-	70.8	74.9	-	-
Education	249.2	235.2	-	-	249.2	235.2	514.5	525.4
Parks, Recreation and Cultural	40.3	42.1	-	-	40.3	42.1	-	-
Community Development	28.6	30.4	-	-	28.6	30.4	-	-
Interest on Long-term Debt	12.3	12.1	-	-	12.3	12.1	-	-
Water and Sewer	-	-	105.9	108.7	105.9	108.7	-	-
Golf Course	-	-	1.0	0.9	1.0	0.9	-	-
Total Expenses	$798.4	$783.4	$106.9	$109.6	$905.3	$893.0	$519.7	$530.7
Change in Net Position	46.6	75.1	32.0	29.7	78.6	104.8	21.2	22.8
Net Position (deficit), beginning of year as restated*	1,192.7	1,173.5	1,097.6	1,126.8	2,290.3	2,300.3	(164.2)	(236.5)
Net Position (deficit), end of year	$1,239.3	$1,248.6	$1,129.6	$1,156.5	$2,368.9	$2,405.1	($143.0)	($213.7)

*The County implemented GASB Statement No. 75 in fiscal year 2018. See Note 1.P, 11, 12, 13, and 14 to the financial statements for further information. Fiscal year 2017 was not restated herein.

REVENUES

For the fiscal year ended June 30, 2018, revenues from governmental activities totaled $858.5 million, an increase of $13.5 million from fiscal year 2017. Real estate tax revenue is the County's largest revenue source and reflects the recognition of the second half calendar year 2017 and the first half of calendar year 2018 real property tax. The real estate tax revenue collected during fiscal year 2018 was $327.1 million (Exhibit 13), an increase of $16.9 million or 5.4% from fiscal year 2017. The County Board of Supervisors maintained the real estate tax rate at the current amount of 87 cents per $100 of assessed value for calendar year 2018.

During fiscal year 2018, the County collected $77.0 million (Exhibit 13) in personal property tax revenue from County residents and received Personal Property Tax Relief from the Commonwealth of Virginia (the Commonwealth) of $37.0 million (Exhibit 13) for a total personal property tax related receipts of $114.0 million. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the Commonwealth's share of the local personal property tax payment for a calendar year was frozen at 70 percent for qualified vehicles. During the 2004 General Assembly, the Commonwealth's obligation for car tax relief was capped at $950 million annually. Each jurisdiction's share of the $950 million is based on the total 2004 reimbursement as of December 31, 2005. The County's share for 2018 of $37.0 million is paid in three installments. At June 30, 2018, the County accrued $18.5 million for the first half of the calendar year.

Business-type activities produced total revenues of $139.3 million, an increase of $0.4 million from fiscal year 2017. The largest business-type source of revenue is the County's Water and Sewer activity, which produced $113.1 million in charges for services and $21.1 million in capital grants and contributions (Exhibit 2).

EXPENSES

For the fiscal year ended June 30, 2018, expenses for governmental activities totaled $783.4 million, a decrease of $15.0 million from fiscal year 2017 (Exhibit 2). Included in this activity are employee compensation and benefits, payments for educational expenses to the School Board, and the cost of general governmental activities such as public safety, recreation, and libraries.

Education continues to be one of the County's highest priorities and commitments. Major items contributed by the County include $223.8 million for School operations (Exhibit 4).

The expenses of business-type activities, which result from the operations of the County's Water and Sewer activity and Golf Course activity, totaled $109.6 million, an increase of $2.7 million or 2.5% over fiscal year 2017 (Exhibit 2). The Water and Sewer activity accounts for $108.7 million of the total expenses of $109.6 million.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

For the fiscal year ended June 30, 2018, the governmental funds reflect a combined fund balance of $524.6 million, a decrease of $13.3 million from fiscal year 2017 (Exhibit 4). The General Fund accounts for $267.2 million (Exhibit 3) of the total combined balance. This is an increase of $23.7 million or 9.7% from the General Fund balance of $243.5 million recorded at June 30, 2017. The current General Fund Balance was impacted by General Fund Revenues, which increased by $23.0 million from fiscal year 2017 (Exhibit 4). The largest increases occurred in General property taxes, which increased by $18.8 million and Other local taxes, which increased by $5.8 million. At the same time, General Fund Expenditures increased by

$14.5 million or 2.3% from fiscal year 2017. Other Financing Uses, decreased by $7.8 million or 7.3% from fiscal year 2017. Finally, the following items affected the fund balance and should be noted:

- The General Fund contributed $33.4 million to the Capital Projects Fund to finance various capital projects, $27.2 million to the Special Revenue Fund, and $57.0 million for debt service.

- The General Fund contributed $223.8 million to fund the fiscal year 2018 School Board operations, about the same as the fiscal year 2017 contribution.

Highlights of other Governmental Funds are as follows:

- The Special Revenue Fund Balance of $44.4 million (Exhibit 4) decreased by $6.9 million from fiscal year 2017. The decrease is due to expenditures of $104.1 million exceeding other financing sources of $21.4 million and revenues of $75.8 million. The major function of the Special Revenue Fund is to account for State and Federal grants received by the County, Social Services programs, and solid waste operations. State and Federal grants are received on a reimbursement basis and accounted for $48.7 million in revenues. The County's Social Services operations accounted for $23.8 million in State and Federal grant revenues (Exhibit 13) and $34.6 million in expenditures during fiscal year 2018 (Exhibit 14).

- The Debt Service Fund Balance increased to $1.2 million from $0.2 million during fiscal year 2018 total net position (Exhibit 4). The fund received transfers from the General Fund of $57.0 million and expenditures for debt service were $57.0 million.

- The Capital Projects Fund Balance of $211.8 million (Exhibit 4) is a decrease of $31.1 million, or 12.8% in comparison to fiscal year 2017. During the fiscal year, expenditures for capital projects were $75.0 million, and revenues were $4.5 million. Other financing sources include transfers from the General Fund of $33.4 million, and transfers from the Special Revenue Fund of $5.9 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Budget
(in millions)

	Original	Revised	Actual
Revenues:			
Taxes	$553.6	$556.6	$602.8
Intergovernmental	129.2	132.5	134.6
Other	26.5	26.9	34.9
Total Revenues	$709.3	$716.0	$772.3
Expenditures and Other Financing Uses:			
Expenditures	$616.8	$643.2	$633.3
Other Financing Uses	$104.8	$116.6	115.2
Total Expenditures and Other Financing Uses	721.6	759.8	748.5
Change in Fund Balance	($12.3)	($43.8)	$23.8

Revenues exceeded expenditures and other financing uses by $23.8 million in the General Fund for fiscal year 2018 total net position.

Actual General Fund revenues were more than the original budgeted revenues by $63.0 million during fiscal year 2018. Actual revenue collections exceeded the revised budget by $56.3 million. This increase is attributable in part to collections of general property taxes such as real property and personal property taxes which exceeded the revised budget by $18.4 million and other local taxes, such as the meals tax and bank franchise taxes, which exceeded the revised budget by $27.8 million (Exhibit 13). Actual General Fund expenditures were more than the original budget by $16.5 million, and less than the revised budget by $9.9 million.

During fiscal year 2018, the County Board of Supervisors amended the budget six times. These budget amendments or supplemental appropriation resolutions were primarily for the following purposes:

- To reappropriate monies to pay for continuing programs whose fiscal year extended beyond June 30, 2017.

- To reappropriate grant revenues authorized in fiscal year 2017 or earlier, but not expended or encumbered as of June 30, 2017.

- To appropriate grants or donations accepted or adjusted in fiscal year 2018.

- To appropriate funds for program enhancements, small-scale capital projects or other operational needs that were not anticipated in the original fiscal year 2018 budget.

CAPITAL ASSETS

At the end of fiscal year 2018, the County's governmental activities (including Internal Service Funds) had net capital assets totaling $1,459.8 million, which represents a net increase of $35.5 million or 2.5% over the previous fiscal year-end balance. Infrastructure assets include roads, bridges, and water and wastewater systems.

Capital Assets
(in millions)

	Governmental Activities		**Business-type Activities**		**Total**		**Component Units**	
	2017	2018	2017	2018	2017	2018	2017	2018
Non-Depreciable Assets:								
Land	$380.7	$384.8	$19.1	$19.1	$399.8	$403.8	$43.8	$43.8
Construction in Progress	43.7	83.6	162.4	169.4	206.1	253.0	12.2	13.8
Other Capital Assets:								
Building	870.4	884.3	384.4	397.5	1,254.8	1,281.8	363.4	365.4
Infrastructure	694.3	704.0	1,137.0	1,203.9	1,831.3	1,907.9	-	-
Equipment	246.5	260.3	162.0	162.3	408.5	422.6	213.5	218.9
Improvements other than Buildings	86.8	89.2	3.8	3.8	90.6	93.0	34.9	37.8
Accumulated Depreciation On Other Capital Assets	(898.1)	(946.4)	(584.4)	(615.1)	(1,482.5)	(1,561.5)	(370.1)	(388.3)
Total	$1,424.3	$1,459.8	$1,284.3	$1,340.9	$2,708.6	$2,800.7	$297.7	$291.4

The business-type net activities capital assets grew by $56.6 million to $1,340.9 million, an increase of 4.4% over the previous fiscal year. The County's business-type activities are made up of the County's water and sewer activities and the County-owned golf course.

The Component Units' capital assets decreased by $6.3 million to $291.4 million, a decrease of 2.1% from the previous fiscal year. The School Board accounted for the major portion of the net decrease. More detailed information about the County's capital assets is presented in Note 6 of the notes to the financial statements.

LONG-TERM DEBT

In November 2017, the County voters authorized the issuance of $419.8 million of General Obligation bonds. To date, the County has issued $102.3 million of the voter approved bonds. The proceeds from the issuance of these bonds are to be used for school capital improvement purpose, library facilities, fire stations and facilities, recreation and parks facilities, and road projects.

At the end of fiscal year 2018, the County had $386.0 million in outstanding General Obligation Bonds, a decrease of $33.1 million, or 7.9 percent, over last fiscal year. More detailed information about the County's long-term liabilities is presented in Note 7 of the notes to the financial statements.

OTHER INFORMATION

The County participates in four OPEB plans, including the following:

Single –employer plans:

- Healthcare (see Note 11 to the financial statements)
- Line of Duty (see Note 12 to the financial statements)

Multiple-employer plans through the Virginia Retirement System (VRS):

- Group Life Insurance (see Note 13 to the financial statements)
- Teacher Health Insurance Credit Plan (see Note 14 to the financial statements)

The County participates in the Virginia Pooled OPEB Trust Fund, an irrevocable trust established for the purpose of accumulating assets to fund the Healthcare single-employer plan. The County presents a Statement of Fiduciary Net Position (Schedule 9) and Statement of Changes in Fiduciary Net Position (Schedule 10) for its proportionate share of the Virginia Pooled OPEB Trust Fund. The Line of Duty plan is funded on a pay-as-you-go basis and therefore the plan has no fiduciary net position.

Funds of the Primary Government are invested in accordance with the County's Investment Guidelines which were created by the Director of Finance to ensure the effective management of the day-to-day investment activity of the County. The objective of these guidelines is to obtain the highest possible yield on available financial resources, within the constraints imposed by safety objectives, cash flow considerations and the laws of the Commonwealth of Virginia that restrict the placement of public funds.

At June 30, 2018, the County's investment portfolio amounted to $699.2 million, an increase of $207.1 million over fiscal year 2017. Most of the increase is due to investment in the Local Government Investment Pool managed by the Virginia Department of Treasury in lieu of keeping a higher balance in bank deposits. Other investments include United States Agency obligations, high quality municipal bonds, prime commercial paper and "AA" rated corporate notes (not more than 20% of the portfolio). The yields on all investments are increasing in the current interest rate environment. The Primary Government saw an increase of interest and investment earnings of $3.4 million over fiscal year 2017 with interest revenues of $6.4 million in fiscal year 2018.

ECONOMIC FACTORS

According to the Virginia Employment Commission, as of June 30, 2018, the County had a net increase of 17,151 jobs since 2014, resulting in total employment of 189,571. The County's unemployment rate, which was reported at 3.2 percent as of June 30, 2018, was slightly lower than that posted for the state (3.3 percent) and well below the federal rate (4.2 percent) as of June 30, 2018. As of 2017 (the latest data available from the U.S. Bureau of Economic Analysis), the County's per capita income of $60,471 registered higher than the national average of $50,392 and higher than the Commonwealth of Virginia average of $54,244.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. Any individual with comments or questions concerning this report is encouraged to contact the County's Department of Finance at (804) 501-5200. This report may also be found online at the County's official website www.henrico.us.

HENRICO COUNTY, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2018

Exhibit 1

	Primary Government			
	Governmental Activities	**Business-Type Activities**	**Total**	**Component Units**
Assets:				
Cash, cash equivalents, and temporary investments	$ 594,454,639	$ 140,813,367	$ 735,268,006	$ 37,022,407
Receivables, net	31,823,340	23,940,825	55,764,165	-
Due from other governments	36,389,636	-	36,389,636	28,969,690
Internal balances	(1,442,381)	1,442,381	-	-
Due from component unit	896,599	-	896,599	-
Inventories	740,993	946,128	1,687,121	-
Other assets	5,429,841	4,792,273	10,222,114	92,974
Restricted cash and cash equivalents	-	96,278,725	96,278,725	34,660
Capital assets:				
Land and construction in progress	468,349,826	188,501,205	656,851,031	57,598,318
Other capital assets, net	991,401,681	1,152,443,630	2,143,845,311	233,757,353
Capital assets, net	1,459,751,507	1,340,944,835	2,800,696,342	291,355,671
Total Assets	2,128,044,174	1,609,158,534	3,737,202,708	357,475,402
Deferred Outflows of Resources:				
Contributions after measurement date	28,262,186	1,876,645	30,138,831	52,376,768
Change in proportionate share allocation	2,966,196	22,833	2,989,029	1,937,092
Difference between projected and actual earnings	35,486,323	2,471,261	37,957,584	46,022,760
Change of assumptions	2,717,802	187,117	2,904,919	6,233,820
Deferred loss on debt refunding, net	-	9,423,535	9,423,535	-
Total Deferred Outflows of Resources	69,432,507	13,981,391	83,413,898	106,570,440
Total Assets and Deferred Outflows of Resources	2,197,476,681	1,623,139,925	3,820,616,606	464,045,842
Liabilities:				
Accounts payable	62,828,844	20,389,994	83,218,838	4,421,854
Deposits payable	-	1,092,413	1,092,413	-
Accrued liabilities	39,321,700	2,379,688	41,701,388	3,137,949
Amounts held for others	8,035,196	-	8,035,196	83,866
Unearned revenues	-	17,709,753	17,709,753	-
Due to Primary Government	-	-	-	896,599
Net pension liability	163,472,868	11,661,623	175,134,491	430,627,758
Net OPEB liability	56,720,351	1,858,222	58,578,573	77,949,667
Long-term liabilities due within one year	81,539,580	12,777,267	94,316,847	14,717,883
Long-term liabilities due in more than one year	430,361,488	393,183,789	823,545,277	11,607,326
Total Liabilities	842,280,027	461,052,749	1,303,332,776	543,442,902
Deferred Inflows of Resources:				
Change in proportionate share allocation	67,116	74,880	141,996	8,599,124
Difference between actual and expected experience	29,197,300	1,830,447	31,027,747	42,582,184
Difference between projected and actual earnings	50,473,779	3,506,677	53,980,456	63,981,405
Change of assumptions	3,316,915	190,148	3,507,063	3,919,491
Deferred revenue	23,532,367	-	23,532,367	15,183,728
Total Deferred Inflows of Resources	106,587,477	5,602,152	112,189,629	134,265,932
Total Liabilities and Deferred Inflows of Resources	948,867,504	466,654,901	1,415,522,405	677,708,834
Net Position:				
Net investment in capital assets	1,168,861,605	1,040,061,506	2,208,923,111	276,518,563
Restricted for:				
Highways, streets and buildings	75,065,593	-	75,065,593	-
Debt service	38,888,658	27,246,588	66,135,246	-
Grants	44,379,922	-	44,379,922	10,804,099
Unrestricted net position (deficit)	(78,586,601)	89,176,930	10,590,329	(500,985,654)
Total Net Position	$ 1,248,609,177	$ 1,156,485,024	$ 2,405,094,201	$ (213,662,992)

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

HENRICO COUNTY, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental Activities:				
General government	$ 91,002,112	$ 16,613,318	$ 2,501,554	$ -
Judicial administration	12,267,208	972,255	5,997,999	-
Public safety	198,269,037	3,141,841	28,851,266	-
Public works	87,221,343	2,571,733	64,333,039	-
Health and welfare	74,941,245	11,223,101	38,160,307	-
Education	235,169,622	-	-	-
Parks, recreation and culture	42,122,366	1,208,209	212,869	-
Community development	30,395,787	9,852,711	7,943,072	-
Interest on long-term debt	12,069,043	-	-	-
Total Governmental Activities	783,457,763	45,583,168	148,000,106	-
Business-type activities:				
Water and Sewer	108,696,284	113,053,583	-	21,145,885
Belmont Park Golf Course	925,543	696,841	-	-
Total Business-type Activities	109,621,827	113,750,424	-	21,145,885
Total Primary Government	$ 893,079,590	$ 159,333,592	$ 148,000,106	$ 21,145,885
Component Units:				
School Board	$ 525,253,162	$ 6,813,496	$ 314,337,758	$ -
James River Juvenile Detention Commission	5,414,306	5,225,826	-	79,532
Total Component Units	$ 530,667,468	$ 12,039,322	$ 314,337,758	$ 79,532

General Revenues:
Taxes:
Property
Local sales and use
Business licenses
Hotel and motel
Bank franchise
Other
Interest and investment earnings
Grants and contributions not restricted to specific programs
Recovered costs
Miscellaneous
Payment from Primary Government
Total general revenues

Change in net position

Total Net Position at June 30, 2017, as restated, (see footnote 1 (P))

Total Net Position at June 30, 2018

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

Net (Expenses) Revenues and Changes in Net Position			
Governmental Activities	**Business-Type Activities**	**Total**	**Component Units**
$ (71,887,240)	$ -	$ (71,887,240)	$ -
(5,296,954)	-	(5,296,954)	-
(166,275,930)	-	(166,275,930)	-
(20,316,571)	-	(20,316,571)	-
(25,557,837)	-	(25,557,837)	-
(235,169,622)	-	(235,169,622)	-
(40,701,288)	-	(40,701,288)	-
(12,600,004)	-	(12,600,004)	-
(12,069,043)	-	(12,069,043)	-
(589,874,489)	-	(589,874,489)	-
-	25,503,184	25,503,184	-
-	(228,702)	(228,702)	-
-	25,274,482	25,274,482	-
$ (589,874,489)	$ 25,274,482	$ (564,600,007)	$ -
$ -	$ -	$ -	$ (204,101,908)
-	-	-	(108,948)
$ -	$ -	$ -	$ (204,210,856)
$ 420,885,653	$ -	$ 420,885,653	$ -
68,255,943	-	68,255,943	-
35,618,257	-	35,618,257	-
13,897,900	-	13,897,900	-
17,774,694	-	17,774,694	-
50,948,537	-	50,948,537	-
5,304,602	1,122,050	6,426,652	38,486
50,575,719	1,609,388	52,185,107	-
447,472	-	447,472	1,719,157
1,237,740	1,712,417	2,950,157	1,480,696
-	-	-	223,844,754
664,946,517	4,443,855	669,390,372	227,083,093
75,072,028	29,718,337	104,790,365	22,872,237
1,173,537,149	1,126,766,687	2,300,303,836	(236,535,229)
$ 1,248,609,177	$ 1,156,485,024	$ 2,405,094,201	$ (213,662,992)

HENRICO COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Exhibit 3

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Assets:					
Cash and temporary investments	$ 306,132,861	$ 45,616,930	$ 1,178,658	$ 225,426,035	$ 578,354,484
Receivables, net	25,215,496	2,583,248	-	1,539,427	29,338,171
Due from other governmental units	32,619,039	3,543,149	-	227,448	36,389,636
Due from component unit	790,110	-	-	-	790,110
Due from other funds	1,346,619	-	-	-	1,346,619
Other assets	84,749	-	-	-	84,749
Advance to other fund	112,500	-	-	-	112,500
Total assets	$ 366,301,374	$ 51,743,327	$ 1,178,658	$ 227,192,910	$ 646,416,269
Liabilities:					
Accounts payable	$ 58,117,323	1,477,917	$ -	$ 2,552,150	$ 62,147,390
Accrued liabilities	10,173,862	1,759,317	-	8,505,441	20,438,620
Amounts held for others	8,035,171	-	-	25	8,035,196
Unearned revenues	4,177,766	-	-	-	4,177,766
Due to other funds	499,810	104,376	-	2,885,697	3,489,883
Total liabilities	81,003,932	3,341,610	-	13,943,313	98,288,855
Deferred Inflow of Resources:					
Unavailable revenue	18,070,572	4,021,795	-	1,440,000	23,532,367
Fund Balances:					
Nonspendable	112,500	-	-	-	112,500
Restricted	3,965,749	20,852,937	-	-	24,818,686
Committed	65,937,233	-	-	211,809,597	277,746,830
Assigned	69,467,435	23,526,985	1,178,658	-	94,173,078
Unassigned	127,743,953	-	-	-	127,743,953
Total fund balances	267,226,870	44,379,922	1,178,658	211,809,597	524,595,047
Total Liabilities, Deferred Inflow and Fund Balances	$ 366,301,374	$ 51,743,327	$ 1,178,658	$ 227,192,910	

Adjustments for the Statement of Net Position:

Capital assets used in government activities are not current financial resources and therefore are not reported as assets in the governmental funds. (Note 6)	$ 1,443,568,842
Unearned revenue that has not been recognized as revenue in the current period and therefore is reported as liabilities in the governmental funds. (Note 3)	4,177,766
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. (Note 7)	(511,644,838)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the in the governmental funds.	(161,005,612)
Accrued interest on bonds payable, is not due and payable in the current period and therefore is not reported as liabilities in the governmental funds.	(7,487,357)
Deferred outflows and inflows of resources are not recorded as deferred outflows and inflows of resources in the governmental funds.	(12,914,155)
Net OPEB liability is not due and payable in the current period and therefore is not reported as a liability in the in the governmental funds.	(55,923,022)
Internal service funds are used to charge the costs of equipment maintenance and, therefore, the assets and liabilities are included in the government activities in the Statement of Net Position.	19,897,414
Internal service fund net profit allocation to business-type activities and component units is included in the Statement of Net Position as accounts receivable, but is not included in the governmental funds.	5,345,092
Total Net Position of Governmental Activities	$ 1,248,609,177

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

HENRICO COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Exhibit 4

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues:					
General property taxes	$ 420,785,842	$ -	$ -	$ -	$ 420,785,842
Other local taxes	182,031,629	-	-	-	182,031,629
Licenses and permits	9,810,691	-	-	-	9,810,691
Fines and forfeitures	2,160,593	-	-	-	2,160,593
Revenue from use of money and property	3,719,998	263,588	-	2,302,732	6,286,318
Charges for services	4,180,632	25,015,127	-	-	29,195,759
Miscellaneous	9,337,245	1,311,679	975,824	680,871	12,305,619
Recovered costs	5,731,058	582,095	-		6,313,153
Intergovernmental	134,559,670	48,674,762	-	1,551,658	184,786,090
Total Revenues	772,317,358	75,847,251	975,824	4,535,261	853,675,694
Expenditures:					
Current operating:					
General government	72,268,298	5,233,157	-	-	77,501,455
Judicial administration	10,850,987	1,330,519	-	-	12,181,506
Public safety	187,607,502	5,220,099	-	-	192,827,601
Public works	53,550,069	15,479,064	-	-	69,029,133
Health and social services	2,286,988	72,356,318	-	-	74,643,306
Parks, recreation, and culture	36,536,479	9,970	-	-	36,546,449
Community development	25,718,015	4,466,688	-	-	30,184,703
Education	223,844,754	-	-	-	223,844,754
Miscellaneous	20,112,383	-	28,743	-	20,141,126
Debt service:					
Principal	432,329	27,512	39,845,000	-	40,304,841
Interest and other charges	46,345	5,631	17,114,663	-	17,166,639
Capital outlay	-	-	-	75,028,745	75,028,745
Total Expenditures	633,254,149	104,128,958	56,988,406	75,028,745	869,400,258
Excess (deficiency) of revenues over (under) expenditures	139,063,209	(28,281,707)	(56,012,582)	(70,493,484)	(15,724,564)
OTHER FINANCING (USES) SOURCES:					
Transfers in	-	27,240,669	56,988,407	39,371,790	123,600,866
Transfers out	(117,660,316)	(5,940,550)	-	-	(123,600,866)
Capital lease obligations incurred	2,361,948	52,923	-	-	2,414,871
Total other financing (uses) sources, net	(115,298,368)	21,353,042	56,988,407	39,371,790	2,414,871
Net change in fund balance	23,764,841	(6,928,665)	975,825	(31,121,694)	(13,309,693)
Total Fund Balances - June 30, 2017	243,462,029	51,308,587	202,833	242,931,291	537,904,740
Total Fund Balances - June 30, 2018	$ 267,226,870	$ 44,379,922	$ 1,178,658	211,809,597	$ 524,595,047

Adjustments for the Statement of Activities:

Net change in fund balances - total governmental funds	$ (13,309,693)
Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	40,304,841
Revenues not in governmental funds that do provide current financial resources are reported as revenues in the Statement of Activities. (Note 3)	99,811
Governmental funds report capital outlays as expenditures while governmental activities capitalize those outlays to allocate those expenditures over the asset life.	88,597,486
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.	(1,377,973)
Depreciation expense is reported in the Statement of Activities but is not reported as an expense in the governmental funds. (Note 6)	(54,044,818)
Interest expense on bonds payable, is not due and payable in the current period and therefore is not reported as expenses in the governmental funds. (Note 7)	5,097,596
Debt proceeds are recorded as revenues in governmental funds, but are not reported as revenue or expenses in the Statement of Activities	(2,414,871)
Pension/OPEB expense is recorded as an expenditure in the Statement of Activities, but is not reported as an expense in the governmental funds.	15,536,791
Internal service funds charge the costs of maintenance and healthcare services to governmental funds and are a reduction of expenses in the Statement of Activities	(4,059,987)
Internal service fund revenues and expenses not recorded in the governmental funds.	642,845
Change in Net Position of Governmental Activities	$ 75,072,028

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

HENRICO COUNTY, VIRGINIA
STATEMENT OF NET POSITION **Exhibit 5**
PROPRIETARY FUNDS
JUNE 30, 2018

	Business Type Activities - Enterprise Funds			Internal Service Funds
	Water and Sewer Revenue	Belmont Park Golf Course	Total	
Assets:				
Current assets:				
Cash and cash equivalents	$ 140,813,367	$ -	$ 140,813,367	$ 16,100,155
Receivables, net	23,940,825		23,940,825	2,423,891
Due from other funds	2,885,697	-	2,885,697	661,062
Due from component unit	-	-	-	106,489
Inventories	946,128	-	946,128	740,993
Prepaids	-	-	-	-
Restricted cash and cash equivalents	96,278,725	-	96,278,725	-
Total current assets	264,864,742	-	264,864,742	20,032,590
Noncurrent assets:				
Other assets	4,792,273	-	4,792,273	-
Restricted cash - unspent bond proceeds	-	-	-	-
Capital assets:				
Land and construction in progress	188,250,714	250,491	188,501,205	-
Other capital assets, net	1,151,250,063	1,193,567	1,152,443,630	16,182,665
Capital assets, net	1,339,500,777	1,444,058	1,340,944,835	16,182,665
Total non-current assets	1,344,293,050	1,444,058	1,345,737,108	16,182,665
Total assets	1,609,157,792	1,444,058	1,610,601,850	36,215,255
Deferred Outflows of Resources:				
Contributions after measurement date	$ 1,838,022	38,623	1,876,645	385,572
Change in proportionate share allocation	12,488	10,345	22,833	14,633
Difference between projected and actual earnings	2,422,426	48,835	2,471,261	504,832
Change of assumptions	183,256	3,861	187,117	37,309
Deferred loss on debt refunding, net	9,423,535	-	9,423,535	-
Total Deferred Outflows of Resources	13,879,727	101,664	13,981,391	942,346
Total assets and deferred outflows of resources	1,623,037,519	1,545,722	1,624,583,241	37,157,601
Liabilities:				
Current liabilities:				
Accounts payable	$ 20,378,824	11,170	20,389,994	681,454
Deposits payable	1,076,660	15,753	1,092,413	-
Due to other funds	44,605	1,286,211	1,330,816	11,401
Accrued liabilities	2,365,123	14,565	2,379,688	11,395,723
Unearned revenues	17,709,753	-	17,709,753	-
Long-term liabilities due within one year	12,757,324	19,943	12,777,267	212,536
Total current liabilities	54,332,289	1,347,642	55,679,931	12,301,114
Noncurrent liabilities:				
Advance from other fund	-	112,500	112,500	-
Net pension liability	11,376,447	285,176	11,661,623	2,467,256
Net OPEB liability	1,818,558	39,664	1,858,222	797,329
Long-term liabilities due in more than one year	393,166,621	17,168	393,183,789	43,694
Total non-current liabilities	406,361,626	454,508	406,816,134	3,308,279
Total liabilities	460,693,915	1,802,150	462,496,065	15,609,393
Deferred Inflows of Resources:				
Change in proportionate share allocation	59,207	15,673	74,880	67,116
Difference between actual and expected experience	1,791,953	38,494	1,830,447	751,112
Difference between projected and actual earnings	3,430,810	75,867	3,506,677	717,431
Change of assumptions	185,986	4,162	190,148	115,135
Total Deferred Inflows of Resources	5,467,956	134,196	5,602,152	1,650,794
Total liabilities and deferred inflows of resources	466,161,871	1,936,346	468,098,217	17,260,187
Net Position (deficit):				
Net investment in capital assets	1,038,617,448	1,444,058	1,040,061,506	16,181,435
Restricted for debt service	27,246,588	-	27,246,588	-
Unrestricted net position (deficit)	91,011,612	(1,834,682)	89,176,930	3,715,979
Total net position (deficit)	$ 1,156,875,648	$ (390,624)	$ 1,156,485,024	$ 19,897,414

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

HENRICO COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Exhibit 6

	Business Type Activities - Enterprise Funds			Internal
	Water and Sewer Revenue	Belmond Park Golf Course	Total	Service Funds
Operating Revenues:				
Charges for services:				
Water system	$ 57,103,532	$ -	$ 57,103,532	$ -
Sewer system	55,950,051	-	55,950,051	-
Golf course fees	-	696,841	696,841	-
Interdepartmental charges	-	-	-	19,813,573
Contributions	-	-	-	103,113,238
Other	1,321,683	390,734	1,712,417	5,494,050
Total operating revenues	114,375,266	1,087,575	115,462,841	128,420,861
Operating Expenses:				
Purchased services	15,032,377	-	15,032,377	-
Utility charges	5,593,029	41,700	5,634,729	135,249
Personnel services and benefits	16,482,027	499,488	16,981,515	112,820,570
Professional services	12,992,247	6,010	12,998,257	128,314
Materials and supplies	6,811,450	203,077	7,014,527	11,962,021
Maintenance and repairs	3,619,942	84,895	3,704,837	4,861,197
Other expenses	3,862,501	9,113	3,871,614	1,285,858
Depreciation	35,092,254	81,260	35,173,514	2,238,081
Total operating expenses	99,485,827	925,543	100,411,370	133,431,289
Operating income (loss)	14,889,439	162,032	15,051,471	(5,010,429)
Nonoperating Revenues (Expenses):				
Investment income	1,122,050	-	1,122,050	85,976
Connection fees	10,784,103	-	10,784,103	-
Contributions	1,609,388	-	1,609,388	-
Interest expense	(7,463,566)	-	(7,463,566)	-
Gain on sale of equipment	-	-	-	353,838
Other	(1,746,891)	-	(1,746,891)	-
Total nonoperating revenues, net	4,305,084	-	4,305,084	439,814
Income (loss) before capital contributions	19,194,523	162,032	19,356,555	(4,570,614)
Capital contributions - donated assets	10,361,782	-	10,361,782	203,031
Change in net position	29,556,305	162,032	29,718,337	(4,367,583)
Total net position (deficit) - June 30, 2017, as restated, (see footnote 1 (P))	1,127,319,343	(552,656)	1,126,766,687	24,264,997
Total net position (deficit) - June 30, 2018	$ 1,156,875,648	$ (390,624)	$ 1,156,485,024	$ 19,897,414

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

HENRICO COUNTY, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Exhibit 7

	Business Type Activities - Enterprise Funds			Internal
	Water and Sewer Revenue	Belmont Park Golf Course	Total	Service Funds
Cash Flows From Operating Activities:				
Receipts from customers	$ 113,760,543	$ 1,087,575	$ 114,848,118	$ 125,968,787
Payments to suppliers	(46,869,979)	(548,475)	(47,418,454)	(131,366,356)
Payments to employees	(15,801,709)	(511,020)	(16,312,729)	(3,799,225)
Net cash provided by (used in) operating activities	51,088,855	28,080	51,116,935	(9,196,794)
Cash Flows From Capital and Related Financing Activities:				
Purchase of capital assets	(75,629,124)	(29,563)	(75,658,687)	(2,501,082)
Proceeds from sale of capital assets	56,609	1,483	58,092	450,084
Connection fees paid by contractors	11,506,178	-	11,506,178	-
DEQ grant received	-	-	-	-
Insurance proceeds received	-	-	-	-
Contributions	1,930,020	-	1,930,020	-
Virginia nutrient removal credits	228,886	-	228,886	-
Issuance of bonds	106,128,198	-	-	-
Interest paid on bonds	(12,050,278)	-	(12,050,278)	-
Principal paid on debt	(9,460,000)	-	(9,460,000)	(1,521)
Net cash used in capital and related financing activities	22,710,489	(28,080)	(83,445,789)	(2,052,519)
Cash Flows From Investing Activities:				
Investment income received	1,122,050	-	1,122,050	85,976
Net increase (decrease) in cash and cash equivalents	74,921,394	-	(31,206,804)	(11,163,337)
Total Cash and Cash Equivalents - June 30, 2017	162,170,698	-	162,170,698	27,263,492
Total Cash and Cash Equivalents - June 30, 2018	$ 237,092,092	$ -	$ 130,963,894	$ 16,100,155
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:				
Operating income (loss)	$ 14,889,439	$ 162,032	$ 15,051,471	$ (5,010,428)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	35,092,254	81,260	35,173,514	2,238,081
Decrease (increase) in accounts receivable	28,156	-	28,156	(2,414,710)
Decrease (increase) in inventories	338,823	-	338,823	(23,795)
Increase in due from other funds	-	-	-	(33,512)
Increase in due from component unit	-	-	-	(3,852)
Decrease in other assets	-	-	-	155,992
Decrease in deferred outflows of resources	632,451	3,619	636,070	170,037
Increase (decrease) in accounts payable	2,492,258	(3,238)	2,489,020	92,351
Decrease in accrued liabilities	(17,541)	(5,936)	(23,477)	(3,957,782)
Increase in deposits payable	28,142	(229)	27,913	-
(Decrease) increase in due to other fund	-	(155,654)	(155,654)	1,253
Decrease in net pension liability	(3,497,200)	(73,685)	(3,570,885)	(711,996)
Decrease in net OPEB liability	(1,064,697)	(22,837)	(1,087,534)	(765,343)
Increase in deferred inflows of resources	2,821,661	42,748	2,864,409	1,066,910
Decrease in unearned revenues	(654,891)	-	(654,891)	-
Net cash provided by (used in) operating activities	$ 51,088,855	$ 28,080	$ 51,116,935	$ (9,196,794)
Reconciliation to Cash and Cash Equivalents on the Statement of Net Position:				
Cash and cash equivalents	$ 140,813,367	$ -	$ 140,813,367	$ 16,100,155
Restricted cash and cash equivalents	96,278,725	-	96,278,725	-
Total Cash and Cash Equivalents - June 30, 2018	$ 237,092,092	$ -	$ 237,092,092	$ 16,100,155

Supplemental disclosure of noncash investing and financing activities:

The Water and Sewer Fund received donated assets in the form of infrastructure provided by developers of new subdivisions throughout the County. The value of the assets received during the year was $10,361,782. Interest costs capitalized during the fiscal year ended June 30,2018 was $4,605,094.

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

HENRICO COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY
NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2018

Exhibit 8

		Agency Funds
Assets:		
Cash and cash equivalents	$	793,614
Accounts receivable		84
Due from other governments		403,487
Equipment		32,248
Total Assets	$	1,229,433
Liabilities:		
Amounts held for others	$	1,054,056
Accounts payable		175,377
Total Liabilities	$	1,229,433

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

HENRICO COUNTY, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION **Exhibit 9**

HEALTHCARE OPEB TRUST FUND

JUNE 30, 2018

		2018
Assets:		
Investments:		
Pooled funds	$	61,335,380
Total investments		61,335,380
Total assets	$	61,335,380
Liabilities:		
Total liabilities		-
Fiduciary net position:		
Restricted for postemployment benefits other than pensions	$	61,335,380

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

HENRICO COUNTY, VIRGINIA

SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION **Exhibit 10**

HEALTHCARE OPEB TRUST FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		2018
Additions:		
Contributions		
Employer	$	6,846,584
Total contributions		6,846,584
Investment Income		5,272,202
Total additions	$	12,118,786
Deductions:		
Benefit payments/refunds	$	4,146,968
Administrative Expenses		500
Total deductions		4,147,468
Net increase in fiduciary net position		7,971,318
Net fiduciary net position restricted for postemployment benefits other than pensions:		
Total Fiduciary Net Position at June 30, 2017		53,364,062
Total Fiduciary Net Position at June 30, 2018	$	61,335,380

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

HENRICO COUNTY, VIRGINIA
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018

Exhibit 11

	School Board	James River Juvenile Detention Commission	Total
Assets:			
Cash and cash equivalents	$ 33,517,595	$ 3,504,812	$ 37,022,407
Restricted cash	-	34,660	34,660
Due from other governmental units	28,876,560	93,130	28,969,690
Other assets	91,126	1,848	92,974
Total current assets	62,485,281	3,634,450	66,119,731
Capital assets:			
Land and construction in progress	57,568,318	30,000	57,598,318
Other capital assets, net	228,160,551	5,596,802	233,757,353
Capital assets, net	285,728,869	5,626,802	291,355,671
Total assets	348,214,150	9,261,252	357,475,402
Deferred Outflows of Resources:			
Change in proportionate share allocation	1,934,438	2,654	1,937,092
Difference between projected and actual investment earnings	45,490,011	532,749	46,022,760
Contributions after measurement date	51,949,940	426,828	52,376,768
Change in assumptions	6,194,805	39,015	6,233,820
Total deferred outflows of resources	105,569,194	1,001,246	106,570,440
Total Assets and Deferred Outflows of Resources	453,783,344	10,262,498	464,045,842
Liabilities:			
Accounts payable	4,381,124	40,730	4,421,854
Accrued liabilities	3,051,702	86,247	3,137,949
Amounts held for others	83,866	-	83,866
Unearned revenues	-	-	-
Due to other funds	96,494	9,995	106,489
Due to Primary Government	-	790,110	790,110
Long-term liabilities due within one year	14,517,679	200,204	14,717,883
Total current liabilities	22,130,865	1,127,286	23,258,151
Net pension liability	428,111,529	2,516,229	430,627,758
Net OPEB liability	77,576,786	372,881	77,949,667
Long-term liabilities due in more than one year	11,607,326	-	11,607,326
Total liabilities	539,426,506	4,016,396	543,442,902
Deferred Inflows of Resources:			
Change in proportionate share allocation	8,503,439	95,685	8,599,124
Difference between expected and actual experience	42,209,672	372,512	42,582,184
Difference between projected and actual pension earnings	63,244,355	737,050	63,981,405
Change in assumptions	3,882,430	37,061	3,919,491
Unavailable revenue	15,183,728	-	15,183,728
Total deferred inflows of resources	133,023,624	1,242,308	134,265,932
Total Liabilities and Deferred Inflows of Resources	672,450,130	5,258,704	677,708,834
Net Position (deficit):			
Net investment in capital assets	270,893,371	5,625,192	276,518,563
Restricted grants	10,748,682	55,417	10,804,099
Unrestricted (deficit)	(500,308,839)	(676,815)	(500,985,654)
Total net position (deficit)	$ (218,666,786)	$ 5,003,794	$ (213,662,992)

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

HENRICO COUNTY, VIRGINIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Exhibit 12

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	**Charges for Services**	**Grants and Contributions**	**Grants and Contributions**	**School Board**	**JRJDC**	**Total**
Governmental Activities:							
School Board:							
Instructional	$ 525,253,162	$ 6,813,496	$ 314,337,758	$ -	$ (204,101,908)	$ -	$ (204,101,908)
Total School Board	525,253,162	6,813,496	314,337,758	-	(204,101,908)	-	(204,101,908)
Business-Type Activities:							
James River Juvenile Detention Commission	5,414,306	5,225,826	-	79,532	-	(108,948)	(108,948)
Total Component Units	$ 530,667,468	$ 12,039,322	$ 314,337,758	$ 79,532	$ (204,101,908)	$ (108,948)	$ (204,210,856)

	School Board	JRJDC	Total
General revenues:			
Interest and investment earnings	$ -	$ 38,486	$ 38,486
Recovered costs	1,719,157	-	1,719,157
Miscellaneous	1,480,696	-	1,480,696
Payment from Primary Government	223,844,754	-	223,844,754
Total general revenues	227,044,607	38,486	227,083,093
Change in net position	22,942,699	(70,462)	22,872,237
Total Net Position (deficit) at June 30, 2017, as restated, (see footnote 1 (P))	(241,609,485)	5,074,256	(236,535,229)
Total Net Position (deficit) at June 30, 2018	$ (218,666,786)	$ 5,003,794	$ (213,662,992)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County of Henrico, Virginia ("County") conform to U.S. generally accepted accounting principles ("GAAP") applicable to governmental units promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the County's more significant accounting policies:

A. Reporting Entity

As required by GAAP, the County's financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The County has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each of the County's discretely presented component units has a June 30 fiscal year-end.

In accordance with GAAP, the County has presented those entities which comprise the reporting entity (the primary government and discretely presented component units) in the government-wide statements.

Discretely Presented Component Units:

School Board

The County of Henrico School Board ("School Board") is a legally separate organization providing elementary and secondary public education to residents within the County's jurisdiction and is fiscally dependent on the County, receiving more than 50 percent of its funding from the County. The nature and significance of the relationship between the County and the School Board is such that excluding the School Board would cause the County's financial statements to be misleading and incomplete. The School Board does not prepare a separate financial report.

James River Juvenile Detention Commission

The James River Juvenile Detention Commission ("JRJDC" or "Commission") is a separate organization established to provide a juvenile detention facility for the Counties of Goochland, Henrico and Powhatan. There are five voting members of the Commission, of which three members represent the County and one each represents the Counties of Goochland and Powhatan. Their respective county boards appoint the five Commission members. The Commission is financially dependent on the member jurisdictions. The operating costs are allocated among the member jurisdictions based on proportionate usage.

Joint Ventures:

Capital Region Airport Commission

The Capital Region Airport Commission is an intergovernmental joint venture and issues separate financial statements. The required information for the joint venture is presented in Note 21.

Greater Richmond Convention Center Authority

The Greater Richmond Convention Center Authority is an intergovernmental joint venture and issues separate financial statements. The required information for the joint venture is presented in Note 21.

B. Government-wide and Fund Financial Statements

In accordance with GAAP, the County's financial statements are comprised of the following components:

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. 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*. The County reports all capital assets, including infrastructure, net of accumulated depreciation in the government-wide Statement of Net Position and reports depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net position of the County is broken down into three categories: 1) net investment in capital assets; 2) restricted net position; and 3) unrestricted net position. Primarily as a result of adopting GASB Statement No. 68 in 2015, and GASB Statement No .75 in 2018, the County School Board, a component unit, has a deficit net position of $218,666,786. The County expects this deficit to be reduced in future fiscal years due to required contributions to the Virginia Retirement System and OPEB Trust, and reductions in the net pension and OPEB liabilities and deferred inflows for the proportionate share allocation, differences between expected and actual experience and the net difference between projected and actual pension earnings.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of the County's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Fund Financial Statements - The Fund financial statements organize and report the financial transactions and balances of the County on the basis of fund categories. Separate financial statements for each of the County's three fund categories – Governmental (General, Special Revenue, Debt Service and Capital Projects), Proprietary (Water and Sewer Revenue and Belmont Park Golf Course) and Fiduciary are presented. 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. For the governmental funds, the financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances, which are presented on current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

For the proprietary funds, the financial statements consist of a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. For the fiduciary funds, the financial statements consist of a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

Reconciliation of Government-wide and Fund Financial Statements - Since the Governmental funds' financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds' balance sheet and total governmental activities statement of net position as shown on the Government-wide Statement of Net Position is presented in Exhibit 3. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances and the change in net position of Governmental activities as shown on the Government-wide Statement of Activities is presented in Exhibit 4.

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

The Statement of Net Position presents the County's net investment in capital assets, restricted net position and unrestricted net position. Net investment in capital assets, consists of net capital assets less related long-term liabilities, including deferred loss on debt refunding, net. Restricted net position consists of amounts restricted by external sources related to capital projects, debt service and amounts received in the Special Revenue Fund. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources, as they are needed.

The Government-wide Statement of Activities reflects both the gross and net cost per functional category (e.g., public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues (e.g., property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions to determine net costs by function. The program revenues must be directly associated with the function (e.g., public safety, public works, health and welfare, etc.) or the business-type activity.

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants include operating-specific and discretionary grants while the capital grants column reflects capital-specific grants.

The governmental funds' financial statements are presented on a current financial resource measurement focus and the modified accrual basis of accounting, which is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements with the government-wide financial statements.

The County's fiduciary funds, which consist of agency funds, are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party (e.g., private parties, long-term disability participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the government-wide model is on the County as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds which are considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. The funds are grouped in the fund financial statements in fund types as follows:

Governmental Funds:

General Fund

The General Fund accounts for all revenues and expenditures of the County which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, local sales taxes, license and permit fees, and revenues received from the Commonwealth of Virginia ("Commonwealth" or "State").

A significant part of the General Fund's revenues is used to maintain and operate the general government or is transferred to other funds principally to fund debt service requirements and capital projects. General Fund revenues are used to reduce long-term liabilities including claims payable, accrued compensated absences and pension liabilities. Expenditures include, among other things, those for public safety, highways and streets, welfare, culture and recreation. The General Fund is considered a major fund for reporting purposes.

Special Revenue Fund

The Special Revenue Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Fund consists mainly of state and federal grants that have specific grant restrictions imposed. A portion of the revenues received in this fund is used to reduce the landfill liability each year. The Special Revenue Fund is considered a major fund for reporting purposes.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on all governmental funds' long-term debt except for accrued compensated absences and capital lease obligations for equipment, which are paid by the fund incurring such expenditures. Debt Service Fund resources are derived from transfers from the General Fund. The Debt Service Fund is considered a major fund for reporting purposes.

Capital Projects Fund

The Capital Projects Fund includes activity for all general government and school related capital projects which are financed through a combination of proceeds from general obligation bonds and transfers from the General Fund. The Capital Projects Fund is considered a major fund for reporting purposes.

Proprietary Funds:

Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the County is that the cost of providing services to the general public be financed or recovered through charges to users of such services. All assets and deferred outflows, liabilities and deferred inflows, net position, revenues, expenses, and payments relating to the government's business activities are accounted for through these funds. The measurement focus is on determination of change in net position, financial position, and cash flows. Operating revenues include charges for services and are used to pay for compensated absences, pension costs and other operating expenses. Operating expenses include costs of services, as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

These funds include the operation, maintenance and construction of the County-owned water and wastewater ("sewer") utility (considered a single segment for financial reporting purposes) and the County-owned Belmont Park Golf Course. These funds are considered to be business-type activities in the government-wide financial statements. Belmont Park Golf Course had a net deficit position of $390,624 at June 30, 2018. The County expects this deficit to be reduced in future years due to reductions in the net pension liability and improved operations at Belmont Golf Course.

Internal Service Funds

The Internal Service Funds accounts for the County's Central Automotive Maintenance operations, Technology Replacement operations and self-funded health insurance fund. Resources for these funds come from interdepartmental charges. The effect of the interdepartmental activity has been eliminated from the government-wide financial statements using a net profit (loss) allocation method. The excess revenue for the fund is allocated to the appropriate functional activity within governmental, business-type and component unit activities. The Internal Service Funds are included in governmental activities for government-wide reporting purposes. Inter-fund services that are provided and used are not eliminated in the process of consolidation. External revenues received are reported within governmental activities for government-wide reporting purposes.

Fiduciary Funds:

Agency Funds account for fiduciary funds administered by the County and are custodial in nature (assets equal liabilities) and have no measurement focus. The County Agency Funds consist of Long-Term Disability, Special Welfare, Mental Health and Development Services (MHDS), Non-Judicial Sales Tax Funds and Code RVA. The Long-Term Disability Fund accounts for receipt of contributions and disbursement of disability payments for County employees. The Special Welfare Fund accounts for receipts and disbursements of monies maintained in individual accounts for certain County welfare recipients. The MHDS Fund accounts for receipts and disbursements of monies maintained for individual clients and the Non-Judicial Tax Sales Fund accounts for receipts and disbursements of monies received from delinquent tax sales. The Healthcare OPEB Plan Trust Fund accumulates assets to pay future healthcare postretirement benefits other than pension.

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance ("net current assets") is considered a measure of "available resources to be spent". Governmental Fund operating statements present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available expendable resources" during a period. Capital assets and long-term liabilities are not recorded in the fund financial statements; however, a reconciliation of the fund balance to the Statement of Net Position for the governmental activities in the government-wide financial statements is provided to account for the differences between the two statements and measurement focuses (e.g., capital assets and long-term liabilities, etc.).

All Proprietary Funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and deferred outflows of resources and all liabilities and deferred inflows of resources (whether current or non-current) associated with their activity are included on their statement of net position. Each of their reported net position is segregated into net investment in capital assets, restricted and unrestricted net position. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

C. Capital Assets and Long-Term Liabilities

Capital outlays are recorded as expenditures of the General, Special Revenue and Capital Projects Funds. Capital assets are recorded in the government-wide financial statements to the extent the County's capitalization threshold of $5,000 for land and equipment and $25,000 for buildings, improvements and infrastructure are met. In accordance with GAAP, infrastructure has been capitalized retroactively to 1980. Depreciation is recorded on general capital assets on a governmental-wide basis using the straight-line method. The estimated useful lives are as follows:

Buildings	25 - 50 years
Improvements	20 - 50 years
Equipment	4 - 30 years
Infrastructure	10 - 65 years

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Estimated historical cost was primarily used for land costs (for which the historical assessment records of the County were used). Donated capital assets are valued at their acquisition value on the date donated. When capital assets are sold or retired, their costs are removed from the accounts and the gain or loss for the disposal is reflected in the statement of activities.

The County adopted Senate Bill 276 that was added to the Code of Virginia in 2002, which revised the reporting of local school capital assets and related debt for financial statement purposes. Under the law, local governments have a "tenancy in common" with the School Board whenever the locality incurs any financial obligation for any school property, which is payable over more than one fiscal year. This legislation permits the County to report the portion of the school property related to general obligation bonds outstanding, eliminating any potential deficit from capitalizing school capital assets financed with debt.

Proprietary Funds

Capital assets for the Proprietary Funds are stated at cost, net of accumulated depreciation. Gifts, donations or contributions of capital assets are recorded at their fair value at date of receipt and are recorded as contribution revenue. Depreciation of all exhaustible capital assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported as a contra-asset account on the Proprietary Funds' statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Buildings	25 - 50 years
Improvements	20 - 50 years
Equipment	4 - 30 years
Infrastructure	10 - 65 years

When Proprietary Fund assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts and the gains or losses are reflected in the statement of revenues, expenses and changes in net position.

D. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosures of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-Wide Financial Statements

The government-wide financial statements consist of separate statements of net position and of activities. Government-wide 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 a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met and amounts are measurable. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of these activities are included on the Statement of Net Position.

Governmental Funds Financial Statements

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related assets are recorded when susceptible to accrual, (i.e., both measurable and available to finance operations during the year.) Accordingly, real and personal property taxes are recorded as receivables when billed and recognized as revenues when available and collected, net of allowances for uncollectible amounts. As required by Virginia statute, property taxes not collected within 60 days after year end are reflected as unearned revenues. Sales and utility taxes, which are collected by the State and public utilities and subsequently remitted to the County, are recognized as revenues and receivables when collected by the State and the utility (generally in the month preceding receipt by the County). Licenses, permits, and fines are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants used for the purpose of funding specific expenditures, are recognized when earned (i.e., fiscal year in which all eligibility requirements, including time requirements, if any, have been satisfied) or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which are recorded when paid.

Proprietary Funds

The accrual basis of accounting is used for the Enterprise and Internal Service Funds. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which they are incurred.

Fiduciary Funds

Fiduciary Funds utilize the accrual basis of accounting.

F. Budgets and Budgetary Accounting

Required Supplementary Information - Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of the County's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. In accordance with GASB reporting requirements, governments provide budgetary comparison information in their annual reports by disclosing the government's original budget to the current comparison of final budget and actual results (see Exhibits 13 and 14).

The County adheres to the following procedures in establishing the budgetary data reflected in the supplementary financial information and schedules:

In January, the Superintendent of Schools submits a proposed budget to the School Board, which conducts public hearings to obtain taxpayer comments. The School Board will then adopt a School Budget and submit it to the County Board of Supervisors before March 1st.

Prior to April 1, the County Manager submits to the County Board of Supervisors (the "Board") a proposed operating budget for the fiscal year commencing July 1, which includes the proposed school budget. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. The Board will hold a public hearing on the total County budget (including Schools) and then adopt the County budget before the end of April. Prior to May 1, the budget is legally enacted through passage of a resolution. Prior to July 1, the Board approves the Appropriations Resolution (the "Resolution"). The Resolution places legal restrictions on expenditures at the function level.

The County Manager is authorized to transfer budgeted amounts between departments within any fund; however, the Board must approve any revisions that alter the total budgeted amounts and/or appropriations of any fund. Although legal restrictions on expenditures are established at the function level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets.

Budgets are adopted on a basis consistent with GAAP. Annual operating budgets are adopted for all Governmental Funds (including Schools) except for the Capital Projects Fund, in which effective budgetary control is achieved on a project-by-project basis when funding sources become available. Budgeted amounts shown are as amended by the Board during the course of the fiscal year.

All appropriations lapse at year-end, except those for the Capital Projects Fund. It is the intention of the Board that appropriations for Capital Projects continue until completion of the project. The Board, in an appropriation Board paper, reaffirms this each year.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Fund and Capital Projects Fund. While appropriations lapse at the end of the fiscal year for the General Fund and Special Revenue Fund, the succeeding year's budget ordinance specifically provides for the re-appropriation of year-end encumbrances

H. Inventories and Prepaid Expenses

Proprietary Funds

Inventories consist mainly of supplies and spare parts held for consumption, which are valued by methods, which approximate average cost. Prepaid expenses represent a deposit made to an outside company for postage for the weekly mailing of utility bills. Amounts are expensed under the consumption method as the bills are mailed.

I. Interest Costs

In accordance with GAAP, the cost of properties for the Water and Sewer Revenue Fund includes net interest costs incurred during the construction period on funds borrowed to finance the acquisition or construction of major facilities. For the year ended June 30, 2018, the Water and Sewer Revenue Fund incurred interest costs of $12,068,660, of which $4,605,094 was capitalized.

J. Accrued Compensated Absences

Annual leave is granted to all permanent County employees and certain permanent County School System ("School") employees. County and School employees can earn annual leave at the rate of 4 hours for every 80 standard hours worked up to a maximum of 9 hours for every 80 standard hours after 25 years of service. While there is no requirement that annual leave be taken, the maximum permissible accumulation is 468 hours for County employees and 52 days for School employees. Accumulated annual leave vests and the County is obligated to make payment even if the employee terminates. The current and non-current liability for unused and unpaid annual leave attributable to the County's Governmental Funds is recorded in the government-wide financial statements. The amounts attributable to the Proprietary Funds (Enterprise and Internal Service Funds) are charged to expense and corresponding liabilities established in the applicable Proprietary Funds.

County and School Board employees in VRS Plan 1 or 2, can earn sick leave at the rate of 4 hours for every 80 standard hours worked and 13 days per year, respectively, without limitation on accumulation. Sick leave is non-vesting with the exception of employees retiring from service. Retiring employees are vested at a rate of $4.00 for every hour of sick leave earned with a maximum payment of $8,000. County and School Board employees in the VRS Hybrid Plan can earn sick leave at the rate of 3 hours for every 80 hours, not to exceed 78 hours at any time. In accordance with GAAP, the sick leave liability has been recorded using the termination payment method.

Compensated absences are charged to the General Fund and Internal Service Funds for Governmental Activities, the Water and Sewer Fund and Belmont Golf Course for Business-Type Activities and the Schools and JRJDC Funds for Component Unit Activities.

K. Deferred Outflows/Inflows of Resources

The County reports deferred outflows of resources and deferred inflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period.

Employer contributions made after the measurement date of the net pension liability and net OPEB liability of June 30, 2017 for the Virginia Retirement System (VRS) pension and other postemployment benefit (OPEB) plans and prior to the reporting date of June 30, 2018, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2018. Deferred outflows of resources of $28,262,186, $1,876,645 and $52,376,768 have been reported in Governmental Activities, Business-Type Activities and Component Units Statement of Net Position as of June 30, 2018, respectively. Employer contributions made to the Virginia Retirement System (VRS) are charged to the General Fund and Internal Service Funds for Governmental Activities, the Water and Sewer Fund and Belmont Golf Course for Business-Type Activities and the Schools and JRJDC Funds for Component Unit Activities.

Changes in the proportionate share allocation between the beginning of the year measurement date of the net pension liability and net OPEB liability and the end of the year measurement date have been reported as either a deferred outflow of resources or deferred inflow of resources in the Statement of Net Position as of June 30, 2018. The County has reported deferred outflows of resources of $2,966,196, $22,833 and $1,937,092 and deferred inflows of resources of $67,116, $74,880 and $8,599,124 in Governmental Activities, Business-Type Activities and Component Units Statement of Net Position as of June 30, 2018, respectively.

Differences between actual and expected experience as of the measurement date have been reported as deferred inflows of resources. Deferred inflows of resources of $29,197,300, $1,830,447 and $42,582,184 have been reported in Governmental Activities, Business-Type Activities and Component Units Statement of Net Position as of June 30, 2018, respectively.

Differences between the projected and actual earnings on pension and OPEB plan investments during the measurement years have been reported as a deferred outflows and inflows of resources. Deferred outflows of resources of $35,486,323, $2,471,261 and $46,022,760 and deferred inflows of resources of $50,473,779, $3,506,677 and $63,981,405 have been reported in Governmental Activities, Business-Type Activities and Component Units Statement of Net Position as of June 30, 2018, respectively.

Change of assumptions as of the measurement dates have been reported as deferred outflows and inflows of resources. Deferred outflows of resources of $2,717,802, $187,117 and $6,233,820 and deferred inflows of resources of $3,316,915, $190,148 and $3,919,491 have been reported in Governmental Activities, Business-Type Activities and Component Units Statement of Net Position as of June 30, 2018, respectively.

The Water and Sewer Revenue Fund reports a deferred loss on debt refunding, net as a deferred outflow of resources presented on the Business-Type Activities and Proprietary Funds Statements of Net Position. The deferred loss on refunding results from the net difference in the carrying value of refunded debt and its reacquisition price of the refunding debt. This net difference amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The County has reported a deferred loss on the refunding of debt of $9,423,535 as a deferred outflow of resources on both the Business-Type Activities and Proprietary Funds Statements of Net Position as of June 30, 2018.

The County has reported unavailable revenue of $23,532,367 as a deferred inflow of resources on the Governmental Funds Balance Sheet as of June 30, 2018. Unavailable revenue consists of $17,912,016 in tax collections received in advance for 2018 2nd half received as of June 30, 2018 (due December 5th, 2018), $4,021,795 in grant funds received in advance that will fund expenditures in fiscal year 2018, $9,604 in other deferred revenue, $148,952 in lease funds received in advance that will be recognized in fiscal year 2019 and $1,440,000 in uncollected lease payments. The County has classified unavailable revenue of $15,183,728 as a deferred inflow of resources on the Component Units Statement of Net Position as of June 30, 2018. These funds were received in advance and will fund expenditures in fiscal year 2019.

L. Nonspendable, Restricted, Committed Assigned and Unassigned Fund Balance

The County's governmental fund balance classifications are categorized as nonspendable, restricted, committed assigned and unassigned based on the constraints placed on those resources by various levels of authority both within and external to the County. The County spends restricted fund balance amounts first, then committed fund balance amounts, then assigned fund balance amounts and then unassigned fund balance amounts.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories, long-term loans and notes receivable. The County has nonspendable fund balance of $112,500, which is a long-term loan to Belmont Park Golf Course.

Restricted fund balances are amounts that are restricted for specific purposes by external parties such as creditors, grantors, constitutional provisions or through enabling legislation. Enabling legislation authorizes the government to levy, assess, or charge external resource providers and includes a legally enforceable requirement that the resources be used for a particular purpose specified in the legislation.

Committed fund balances are amounts that can only be used for specific purposes pursuant to formal action of the government's highest level of decision-making authority (i.e., the County's Board of Supervisors). Committed amounts cannot be used for any other purpose unless the commitment is changed by similar action of the Board of Supervisors and the committing action must be taken prior to year-end although the exact dollar amount may be determined in a subsequent period. The highest level of formal action approved by the County's Board of Supervisors to establish, modify, or rescind a fund balance commitment can be either a resolution or ordinance. Both an ordinance and resolution are equally binding, and a majority vote is required by the County's Board of Supervisors to change an ordinance or amend a resolution.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The intent should be expressed by the governing body itself, or subordinate high-level body, or official possessing such authority in accordance with government's policy. The expression of intent does not have to be made prior to year-end. Intent is stipulated by actions taken by a majority vote of the County's Board of Supervisors where those actions provide the County Manager and the Director of Finance the authority to assign fund balances.

Unassigned fund balance is the residual fund balance amount 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. Unassigned fund balance is only shown in the County's and School's General Fund balances. Effective with the implementation of GAAP relating to unassigned fund balances, the County's previous policy related to "unreserved fund balance" was redefined to be a policy for "unassigned fund balance." Unassigned fund balance is maintained at a level of 15.0 percent of General Fund expenditures. The policy of maintaining this reserve is examined on an annual basis during the annual budget process.

The County's fund balance consists of the following balances:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
Fund balances:				
Non-spendable				
Advance to other Fund	$ 112,500	$ -	$ -	$ -
Restricted for:				
Road Construction	3,799,924	-	-	-
Imaging System Upgrades	165,825	-	-	-
Community Development	-	-	-	-
Drug Enforcement	-	1,296,825	-	-
Mental Health Programs	-	12,569,554	-	-
Social Service Programs	-	6,986,558	-	-
Total Restricted	3,965,749	20,852,937	-	-
Committed				
Public Works	7,952,000	-	-	13,463,170
Technology Improvements	1,650,000	-	-	26,378,249
Building and Grounds	15,050,000	-	-	6,886,434
Road Maintenance	-	-	-	53,493,631
Community Development	-	-	-	-
Landfill Expansion	-	-	-	2,044,174
Public Safety Projects	4,589,000	-	-	22,481,929
Parks and Recreation	9,851,000	-	-	6,374,207
Libraries	-	-	-	23,147,583
Education Projects	26,845,233	-	-	57,585,825
Total Committed	65,937,233	-	-	211,809,597
Assigned to:				
Public Works	-	23,526,985	-	-
General Government	45,389,744	-	-	-
Capital projects	24,077,691	-	-	-
Debt Service	-	-	1,178,658	-
Total Assigned	69,467,435	23,526,985	1,178,658	-
Unassigned	127,743,953	-	-	-

In the General Fund, the County has $65,937,233 committed for various projects which include $1,650,000 for technology improvements which include a data center upgrade and installment of geographic information system, $15,050,000 committed for rehabilitation, improvements and renovations which include mechanical improvements, roof replacement, pavement rehabilitation and renovations to various buildings and grounds locations within the County. The County also has $4,589,000 committed for public safety projects which include installing an emergency medical dispatch system and renovations for a communications training room and evidence storage facility. The County has $26,845,233 committed for various high school, middle school and elementary projects.

In the General Fund, the County has $45,389,744 assigned for general government operations which include a $7,500,000 self-insurance reserve, a $3,000,000 health insurance reserve, a $3,447,139 sports tourism reserve, a $2,987,015 land sale reserve, a $5,927,279 for future operating costs of new facilities and $22,528,311 reserved for various operational costs in future years. The County also has $24,077,691 assigned for capital projects which includes $7,000,000 for a radio communication system and $17,077,691 for future capital projects. In the Special Revenue Fund, the County has $23,526,985 assigned in public works for the County's solid waste operations and $1,178,658 for future debt service payments in the Debt Service Fund.

Schools have $10,555,547 in assigned and $2,143,243 in unassigned fund balance in the Schools General Fund. Schools also have restricted fund balance for various education program grants of $10,748,682 in the Schools Special Revenue Fund. Schools also have committed fund balance in the Schools Capital Projects Fund of $20,088,880 for various high school, middle school and elementary school construction and renovation projects.

M. Statement of Cash Flows

The County has presented a statement of cash flows for the Proprietary Funds. For purposes of this statement, cash and cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and investments with original maturities of 90 days or less.

N. Pension Plans

In accordance with GAAP, the County recognizes a net pension liability (asset) on the statement of net position for the net funded status of pension plans as employees earn their pension benefits and recognizes annual pension cost under an "earnings" approach rather than a "funding" approach. Accordingly, the County's Governmental Activities, Business-Type Activities, and Component Units have recorded the impact of the related net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense in the accompanying financial statements in accordance with GAAP. For further information regarding the reporting entity's defined benefit pension plans, refer to notes 9 and 10 of the accompanying notes to the financial statements.

O. Other Postemployment Benefit Plans

The County participates in four other postemployment benefit (OPEB) plans, for which GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, was implemented in the current year (see Note 1.P).

Single –employer defined benefit OPEB plans:

- Healthcare (see Note 11 to the financial statements)
- Line of Duty (see Note 12 to the financial statements)

Multiple-employer defined benefit cost-sharing plans through the Virginia Retirement System (VRS):

- Group Life Insurance (see Note 13 to the financial statements)
- Teacher Health Insurance Credit Plan (see Note 14 to the financial statements)

The County participates in the Virginia Pooled OPEB Trust Fund, an irrevocable trust established for the purpose of accumulating assets to fund the Healthcare single-employer plan. The County presents a Statement of Fiduciary Net Position (Exhibit 9) and Statement of Changes in Fiduciary Net Position (Exhibit 10) for its proportionate share of the Virginia Pooled OPEB Trust Fund. The Line of Duty plan is not administered through a trust or equivalent arrangement and is funded on a pay-as-you-go basis and therefore the plan has no fiduciary net position and the County reports the total OPEB liability on its Statement of Net Position as of the measurement date.

P. New Accounting Pronouncements

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 by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB plans also are addressed. The County has adopted Statement No. 75 for the fiscal year ended June 30, 2018 and has added required note disclosures and required supplementary information (RSI) and related note disclosures to such RSI related to the four OPB plans. As discussed in detail further below, the implementation of Statement No. 75 resulted in the restatement of the Governmental Activities, Business-Type Activities, and Component Unit Net Positions as of June 30, 2017, to recognize the impact of implementing this new statement.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement did not impact the County's financial statements or note disclosure for June 30, 2018.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB). The County has incorporated the requirements of Statement No. 85 in the County's financial statements for June 30, 2018.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement did not impact the County's financial statements or note disclosure for June 30, 2018.

Adjustments to June 30, 2017 Net Position as a Result of Implementation of GASB Statement No. 75

As a result of adopting GASB Statement No. 75 in fiscal year 2018, the net position of the County's Governmental Activities as of June 30, 2017 was reduced by $65,726,050, the amount of the net Healthcare OPEB liability and total Line of Duty OPEB liability as of the measurement date of June 30, 2017, and the net life insurance OPEB liability as of the measurement date of June 30, 2016. The net position of the County's Business-Type Activities as of June 30, 2017 was reduced by $2,873,839, the amount of the net Healthcare OPEB liability as of the June 30, 2017 measurement date, and the net life insurance OPEB liability as of the measurement date of June 30, 2016.

As a result of adopting GASB Statement No. 75, Belmont Park Golf Course, an enterprise fund, had a deficit restated net position of ($552,656) as of June 30, 2017. This deficit restated net position was offset by net operating income of $159,776 during the year ended June 30, 2018. The County expects this deficit to be reduced in future fiscal years due to reductions in the net pension and OPEB liabilities and improved operations at Belmont Golf Course.

As a result of adopting GASB Statement No. 75, the County's School Board, a component unit, had deficit restated net position of ($241,609,485) as of June 30, 2017. This deficit restated net position was offset by change in net position of $22,942,699. The County expects this deficit to be reduced in future fiscal years due to reductions in the net pension and OPEB liabilities and improved operations at the School Board. The net position of the County's aggregate discretely presented Component Units as of June 30, 2017 was reduced by $93,529,496, the amount of the net Healthcare OPEB liability as of the measurement date of June 30, 2017, and the net Group Life Insurance and net Teacher Health Insurance Credit OPEB liabilities as of the measurement date of June 30, 2016.

Total Governmental Activities net position at the beginning of fiscal year 2018 was restated as follows:

Total net position – June 30, 2017, as previously reported	$1,239,263,199
Recognition of net healthcare OPEB liability	(31,003,471)
Reversal of healthcare OPEB asset under GASB 45	(2,365,897)
Recognition of total line of duty OPEB liability	(25,279,187)
Reversal of line of duty OPEB obligation under GASB 45	10,846,480
Recognition of net group life insurance OEPB liability	(18,973,898)
Reclassification of employer contributions to deferred outflow of resources	1,049,923
Adjustment to net position	($65,726,050)
Total net position – June 30, 2017, as restated	$1,173,537,149

Total Business-Type Activities net position at the beginning of fiscal year 2018 was restated as follows:

Total net position – June 30, 2017, as previously reported	$1,129,640,526
Recognition of net healthcare OPEB liability	(1,658,287)
Recognition of net group life insurance OPEB liability	(1,287,469)
Reclassification of employer contributions to deferred outflow of resources	71,917
Adjustment to net position	($2,873,839)
Total net position – June 30, 2017, as restated	$1,126,766,687

Total Component Units net position at the beginning of fiscal year 2018 was restated as follows:

Total net position – June 30, 2017, as previously reported	$(143,005,733)
Recognition of net healthcare OPEB liability	(28,485,490)
Recognition of net group life insurance OPEB liability	(27,526,631)
Recognition of net health insurance credit OPEB liability	(41,908,000)
Reclassification of employer contributions to deferred outflow of resources	4,390,625
Adjustment to net position	($93,529,496)
Total net position – June 30, 2017, as restated	($236,535,229)

Q. Future Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements and disclosures. The County will adopt this Statement for fiscal year ending June 30, 2019.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements and disclosures. The County will adopt this Statement for fiscal year ending June 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements and disclosures. The County will adopt this Statement for fiscal year ending June 30, 2020.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements and disclosures. The County will adopt this Statement for fiscal year ending June 30, 2019.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements and disclosures. The County will adopt this Statement for fiscal year ending June 30, 2021.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The County has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements and disclosures. The County will adopt this Statement for fiscal year ending June 30, 2020.

NOTE 2. DEPOSITS AND INVESTMENTS

The County utilizes a pooled cash and investments approach where each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed based on average monthly balances. Use of current banking processes provides for daily sweeps of deposits made to County accounts, resulting in an instantaneous transfer to the investment account. Thus, the majority of funds in the County's general account are invested at all times. Exceptions to this are funds in the JRJDC checking account and the School Student Activity Fund, which are not under County control. The County's pooled portfolio also excludes pension and OPEB plans, maintained by the Virginia Retirement System ("VRS"), and unspent bond proceeds maintained in the State Non-Arbitrage Pool (SNAP), a local government investment pool (LGIP) and participating localities investments in LGIP.

The County maintains a cash and temporary investment pool that is available for use by all funds, except School Activity Agency Funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and temporary investments". In addition, cash and investments are separately held for several of the County's funds. Highly liquid investments with maturities of 90 days or less from date of purchase are considered cash equivalents. In accordance with GAAP, investments are shown at fair value except for commercial paper, banker's acceptances, Treasury and Agency obligations and investments in SNAP and LGIP that have a remaining maturity at the time of purchase of one year or less, which are shown at amortized cost. As of June 30, 2018, the difference between amortized cost and the fair value of those securities held at amortized cost is immaterial to the basic financial statements. Fair value is based on quoted market prices, which are provided by the County's Investment Manager, Sterling Capital, as of June 30, 2018. The net increase in fair value of investments during the year ended June 30, 2018, was $4,000,039. This amount considers all changes in fair value that occurred during the fiscal year.

Deposits - Bank

At June 30, 2018, the carrying value of the County's deposits with banks was $100,761,477 and the bank balance was $111,081,154. All of the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool.

The carrying amount of deposits for the School Board, a discretely presented component unit, was $5,430,284 and the bank balance was $5,988,383. All of the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. The carrying amount of deposits for the James River Juvenile Detention Commission, a discretely presented component unit, was $141,439, and the bank balance was $141,439. All of the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Deposits – Fiscal Agent

At June 30, 2018, the County had deposits of $32,176,145 with fiscal agents representing funds to meet debt service requirements in accordance with various bond resolutions and trust indentures. These deposits were collateralized in accordance with the provision of the Act.

Investments

State statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of any city, county, or town situated in any one of the states of the United States, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, money market mutual funds that invest exclusively in securities specifically permitted under the State Code, and the State Treasurer's Local Government Investment Pool (LGIP). The County's current investment guidelines do not permit the investment of funds in repurchase agreements. During the fiscal year, the County had investments in municipal bonds, money market mutual funds, obligations of the United States and agencies thereof.

The County's investment guidelines establish limitations on holdings, in order to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury Securities). The maximum percentage of the portfolio permitted in each security is as follows:

U.S. Treasury Obligations (bills, notes and bonds)	100%
U.S. Government Agency Securities and Instrumentalities	70%
Banker's Acceptance (BA's)	40%
Money Market	40%
Certificates of Deposit (CD's) Commercial Banks	90%
Certificates of Deposit (CD's) Savings & Loan Associations	10%
Commercial Paper	35%
Local Government Investment Pool	75%
Municipal Bonds	70%
Corporate Notes	20%

The County further limits a maximum 5 percent of the portfolio for any single Banker's Acceptance or Commercial Paper issuer. The County maintains bond proceeds in the State Non-Arbitrage Pool ("SNAP"), an SEC-registered money market and investment fund. The County's total investment percentages in comparison to the investment guidelines are as follows:

Primary Government

	Fair Value	Policy	Percent of Portfolio
Municipal Bonds	$ 44,268,336	70%	6.33%
U.S. Government Agencies	165,542,953	70%	23.67%
Commercial Paper	112,330,857	35%	16.06%
Corporate Notes	32,113,434	20%	4.59%
U.S. Government Money Market Funds	-	40%	0.00%
Local Government Investment Pool	345,031,873	75%	49.34%
Total Investments	$ 699,287,453		100.00%

Component Units

	Fair Value	Policy	Percent of Portfolio
Municipal Bonds	$ 2,386,505	70%	8.50%
U.S. Government Agencies	8,924,417	70%	31.77%
Commercial Paper	6,055,755	35%	21.56%
Corporate Notes	1,731,235	20%	6.16%
U.S. Government Money Market Funds	-	40%	0.00%
Local Government Investment Pool	8,988,399	75%	32.00%
Total Investments	$ 28,086,311		100.00%

Fair Value Hierarchy Disclosures

The County categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are inputs (other than quoted market prices included within Level 1) that are observable for the asset either directly or indirectly. Level 2 observable inputs can be either prices for similar assets in active markets or prices for identical assets in non-active markets. Level 3 inputs are significant unobservable inputs (the County does not value any of its investments using level 3 inputs).

The following is a summary of the fair value hierarchy of the fair value of investments of the County reporting entity as of June 30, 2018:

Primary Government

		Fair Value Measurement Using		
	Total June 30, 2018	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Municipal Bonds	$ 44,268,336	$ -	$ 44,268,336	$ -
U.S. Government Agencies	165,542,953	-	165,542,953	-
Commercial Paper	112,330,857	-	112,330,857	-
Corporate Notes	32,113,434	-	32,113,434	
U.S. Government Money Market Funds	-	-	-	-
Local Government Investment Pool	345,031,873	-	345,031,873	-
Total Investments	$ 699,287,453	$ -	$ 699,287,453	$ -

School Board

		Fair Value Measurement Using		
	Total June 30, 2017	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Municipal Bonds	$ 2,386,505	$ -	$ 2,386,505	$ -
U.S. Government Agencies	8,924,417	-	8,924,417	-
Commercial Paper	6,055,755	-	6,055,755	-
Corporate Notes	1,731,235	-	1,731,235	-
U.S. Government Money Market Funds	-	-	-	-
Local Government Investment Pool	8,988,399	-	8,988,399	-
Total Investments	$ 28,086,311	$ -	$ 28,086,311	$ -

James River Juvenile Detention Center

		Fair Value Measurement Using		
	Total June 30, 2018	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury Bills	$ 1,395,742	$ 1,395,742	$ -	$ -
U.S. Government Agencies	599,309	-	599,309	-
Local Government Investment Pool	1,385,600	-	1,385,600	-
U.S. Government Money Market Funds	16,882	16,882	-	-
Total Investments	$ 3,397,533	$ 1,412,624	$ 1,984,909	$ -

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Fair value in an active market is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our investment manager, Sterling Capital. Fair value is described as the exit price that assumes a transaction takes place in the County's most advantageous market in the absence of a principle market.

Investments classified in Level 3 of the fair value hierarchy are valued using significant unobservable inputs to the extent that observable inputs are not available. The County does not have any investments classified as Level 3.

Investment Risk Disclosures

The County's portfolio manager, Sterling Capital, provided the day-to-day management of investments during fiscal year 2018. In addition, the County's contract with the portfolio manager requires that at the time funds are invested, collateral will be received and held in the County's name in the Trust Department of the County's independent third-party custodian, Branch Banking and Trust (BB&T) Bank. The County and its discretely presented component units' investments are subject to interest rate, credit and custodial risk as described below:

Interest Rate Risk – As a means of limiting exposure to fair value losses arising from rising interest rates, the County's investment guidelines establish limits on the County's investment portfolio for maturities of less than one year and limit investments longer than one year. Per the investment guidelines, the maximum permissible maturity for any individual security is five years.

Credit Risk – State Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, obligations of any city, county, or town situated in one of the states of the United States, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, money market mutual funds and State Treasurers Local Government Investment Pool. During the fiscal year, the County made investments in obligations of the United States and agencies thereof, municipal bonds, commercial paper and money market funds. All investments were in compliance with the State Statues governing investments of Public funds. The credit quality of obligations of U.S. government agencies held in the portfolio for the Federal National Mortgage Association (FNMA), the Federal Home Loan Banks (FHLB), and the Federal Home Loan Mortgage Corporation (FHLMC), received AAA ratings from Moody's and AA+ ratings from Standard & Poor. The credit quality of the municipal bonds held in the portfolio received ratings from Moody's and Standard & Poor's ranged from Aa2 to AAA. The commercial paper held in the portfolio received ratings from Moody's and Standard & Poor's of P-1 and A-1. The County used one money market mutual funds during the fiscal year, the State Non-Arbitrage Pool is rated AAA by Standard and Poor's, and BB&T Collateralized Deposit Program for Virginia Public Depositors.

Custodial Risk – For an investment, custodial risk is the risk that in the event of the failure of the counterparty, the County 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's investment guidelines require that at the time funds are invested, collateral will be received and held in the County's name in the Trust Department of the County's independent third-party custodian, BB&T Bank.

Investment Maturities

As of June 30, 2018, the County reporting entity had the following investments and maturities:

Primary Government

	Investment Maturities (in years)		
	Fair Value	**Less than 1 year**	**1-5 years**
Municipal Bonds	$ 44,268,336	$ 1,894,896	$ 42,373,440
U.S. Government Agencies	165,542,953	63,410,920	102,132,033
Commercial Paper	119,351,304	119,351,304	-
Corporate Notes	32,113,434	5,171,908	26,941,526
U.S. Government Money Market Funds	171,281,661	171,281,661	-
Local Government Investment Pool	166,729,765	166,729,765	-
Total Investments	$ 699,287,453	$ 527,840,454	$ 171,446,999
Total Deposits - Bank	100,761,477		
Total Deposits - Fiscal Agent	32,176,145		
Total Cash on Hand	98,010		
Total Deposits and Investments	$ 832,323,085		

Component Units:

School Board

	Investment Maturities (in years)		
	Fair Value	**Less than 1 year**	**1-5 years**
Municipal Bonds	$ 2,386,505	$ 102,154	$ 2,284,351
U.S. Government Agencies	8,924,417	-	8,924,417
Commercial Paper	6,055,755	6,434,227	(378,472)
Corporate Notes	1,731,235	278,817	1,452,418
U.S. Government Money Market Funds	-	-	-
Local Government Investment Pool	8,988,399	8,988,399	-
Total Investments	$ 28,086,311	$ 6,815,198	$ 12,282,714
Total Deposits - Bank	5,430,284		
Total Cash on Hand	1,000		
Total Deposits and Investments	$ 33,517,595		

James River Juvenile Detention Commission

	Investment Maturities (in years)		
	Fair Value	**Less than 1 year**	**1-5 years**
U.S. Treasury Bills	$ 1,395,742	$ 1,395,742	$ -
U.S. Government Agencies	599,309	599,309	-
Local Government Investment Pool	1,385,600	1,385,600	-
U.S. Government Money Market Funds	16,882	16,882	-
	$ 3,397,533	$ 3,397,533	$ -
Total Deposits	141,439		
Total Cash on Hand	500		
Total Deposits and Investments	$ 3,539,472		
Total Deposit and Investments-Reporting Entity	$ 869,380,152		

The School Activity Funds' cash of $6,080,133 and Mental Health and Developmental Services Fund cash of $48,527, not under the control of the Director of Finance, is not pooled with the Reporting Entity cash and investments, and therefore, is not included in the above presentation. These deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Healthcare OPEB Plan Investments

In an effort to assist local governments in funding their OPEB liabilities, the Virginia Association of Counties and the Virginia Municipal League established the Virginia Pooled OPEB Trust Fund (Trust Fund). The Trust Fund is an irrevocable trust offered to local governments. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League ("VML") at P.O. Box 12164, Richmond, Virginia 23241. The County has included its proportionate share of the Trust Fund in its Fiduciary Funds financial statements (exhibits 9 and 10).

The Trust Fund is governed by a Board of Trustees composed on nine members. Trustees are elected by participants of the Trust Fund, whose votes are weighted according to each participating employer's share of the total Trust Fund assets. The Board of Trustees has adopted an investment policy to achieve a compound annualized rate of return over a market cycle, including current income and capital appreciation, in excess of 5 percent after inflation, in a manner consistent with prudent risk-taking. The Board of Trustees also monitors the investments to ensure adherence to the adopted policies and guidelines. In addition, the Trustees review, monitor and evaluate the performance of the investments and the Trust Fund's investment advisors in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance.

As of June 30, 2018, the fair value of the Healthcare OPEB Plan's interest in the Trust Fund was $61,335,380. There were no other deposits or investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The entire balance of the Healthcare OPEB investments is unsecured and uncollateralized.

A government is permitted in certain circumstances to establish the fair value of investment that does not have a readily determinable fair value by using the NAV per share (or its equivalent) of the investments. Investments in the Trust Fund are valued using NAV per share which is determined by dividing the total value of the Trust Fund by the number of outstanding shares. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days' written notice.

NOTE 3. RECEIVABLES

Receivables at June 30, 2018 consist of the following:

Primary Government

	Governmental Activities		Business-Type Activities	
Receivables:	General	Special Revenue	Enterprise Funds	Total
Interest	$ 1,332,357	$ -	$ -	$ 1,332,357
Taxes	31,830,843	-	-	31,830,843
Accounts	1,092,104	3,623,580	24,224,725	28,940,409
Gross Receivables	34,255,304	3,623,580	24,224,725	62,103,609
Less: Allowances for Doubtful Accounts	9,039,808	1,040,332	283,900	10,364,040
Receivables, net	$ 25,215,496	$ 2,583,248	$ 23,940,825	$ 51,739,569

The County's Capital Project Fund has a receivable of $1,539,427 as of June 30, 2018. Central Automotive Maintenance has a receivable of $9,886 as of June 30, 2018 which is included on a government-wide basis. Long-term assets on a government-wide basis also include taxes receivable of $4,177,766 that is not available to pay for current period expenditures and, therefore, are included in unearned revenues for the governmental funds. Tax revenue reported in the government-wide statements includes $99,811 of revenue that does not provide current financial resources, and therefore, is not included in the governmental funds.

Component Units

Receivables:	School Board	JRJDC	Total
Intergovernmental	$ 28,876,560	$ 93,130	$ 28,969,690

Receivables are presented net of appropriate allowances for doubtful accounts. The County calculates its allowances using historical collection data, specific account analysis and management's judgment. All the Component Units' receivables are considered collectible.

NOTE 4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes on real estate are levied in April and are payable in two installments on June 5th and December 5th. Real estate taxes reported as revenue are the second installment (December 5th) of the levy on assessed value at January 1, 2016 and the first installment (June 5th) of the levy on assessed value at January 1, 2017. The County bills and collects its own property taxes. Property taxes levied are recorded as receivables, net of allowance for estimated uncollectible accounts, to the extent that they are currently due.

The Virginia General Assembly passed SB 4005, the Personal Property Tax Relief Act ("PPTRA") in April 1998. The bill provides for the State to reimburse a portion of the tangible Personal Property Tax levied on personal use cars, motorcycles and trucks. In 1998, the reimbursement was 12.5 percent of the tax on the first $20,000 of the value of the qualifying vehicle. The reimbursement rate was 27.5 percent for tax year 1999 and increased to 47.5 percent for tax year 2000 and 70.0 percent for tax years 2001 through 2005. The reimbursement rate for 2006 and thereafter is determined by each locality based upon their share of the $950 million allocated by the Commonwealth for personal property tax relief on qualifying vehicles. For tax year 2018, the State reimbursement receivable is reflected as a due from other governments. Revenue for the State reimbursement is recorded as non-categorical aid from the State. Localities will continue to assess and administer the Personal Property Tax Relief program.

NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units for Governmental Funds at June 30, 2018 include:

	General	Special Revenue	Capital Projects
Commonwealth of Virginia:			
Non-categorical aid for:			
Local Sales and Use Tax	$ 5,495,971	$ -	$ -
PPTRA	18,460,463	-	-
Rolling Stock Tax	17,730	-	-
State Recordation Fees	330,710	-	-
Richmond Center	3,474,475	-	-
Categorical aid for:			
Public Works	1,125	-	96,623
Public Safety	1,805,162	2,779	-
Social Services	-	563,722	-
Treasurer	2,637,178	-	-
Correction & Detention	172	76,119	-
Finance	67,639	-	-
Mental Health & Development Services	-	17,342	-
Circuit Court	142,214	-	-
Library	1,209	-	-
Commonwealth's Attorney	184,991	11,277	-
Total due from the Commonwealth of Virginia	32,619,039	671,239	96,623
Federal Government Categorical Aid:			
Work Training Grants (CRWP)	-	1,162,761	-
Public Safety	-	54,908	-
Correction & Detention	-	-	-
Public Works	-	-	130,825
Social Services	-	1,159,742	-
Commonwealth Attorney	-	-	-
Community Development Block Grant	-	494,500	-
Total due from the Federal government	-	2,871,910	130,825
Total due from other governmental units	$ 32,619,039	$ 3,543,149	$ 227,448

JRJDC has $78,908 due from other localities and $14,222 due from the Federal government for federal grants. Amounts due from other governmental units for the School Board Component Unit at June 30, 2018 include:

	School Board
Commonwealth of Virginia:	
Non-categorical aid for:	
State Sales and Use Tax	$ 4,645,562
Categorical aid for:	
Education	3,798,172
Total due from the Commonwealth of Virginia	8,443,734
Federal Government Categorical Aid:	
Education	20,432,826
Total due from the Federal government	20,432,826
Total due from other governmental units	$ 28,876,560

NOTE 6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2018 follows:

Governmental Activities	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated:				
Land	$ 380,658,750	$ 4,252,448	$ 158,293	$ 384,752,905
Construction in progress	43,651,503	53,414,643	13,469,225	83,596,921
Not Being Depreciated	424,310,253	57,667,091	13,627,518	468,349,826
Other Capital Assets:				
Buildings	870,449,007	13,960,715	101,569	884,308,153
Infrastructure	694,314,601	9,679,049	-	703,993,650
Equipment	246,485,085	22,172,127	8,366,222	260,290,990
Improvements	86,823,224	2,588,444	181,221	89,230,447
Total Other Capital Assets	1,898,071,917	48,400,335	8,649,012	1,937,823,240
Less Accumulated Depreciation for:				
A/D - Buildings	(219,091,170)	(17,482,685)	(9,310)	(236,564,545)
A/D - Infrastructure	(477,445,366)	(18,661,517)	-	(496,106,883)
A/D - Equipment	(163,968,359)	(16,557,021)	(7,739,519)	(172,785,861)
A/D - Improvements	(37,563,815)	(3,581,676)	(181,221)	(40,964,270)
Total Accumulated Depreciation	(898,068,710)	(56,282,899)	(7,930,050)	(946,421,559)
Total Net of Depreciation	$ 1,424,313,460	$ 49,784,527	$ 14,346,480	$ 1,459,751,507

Government activities capital assets net of accumulated depreciation at June 30, 2018 are comprised of the following:

General Capital Assets, Net	$1,459,751,507
Internal Service Fund Capital Assets, Net	(16,182,665)
Combined Adjustment	$1,443,568,842

Depreciation for the fiscal year ended June 30, 2018 was charged to governmental functions as follows:

General Government Administration	$ 7,243,990
Judicial Administration	89,046
Public Safety	8,720,158
Public Works	22,033,919
Education	11,325,708
Health and Welfare	273,566
Parks and Recreation	6,372,680
Community Development	223,832
Total Depreciation	$ 56,282,899
Internal Service Fund Depreciation	(2,238,081)
Combined Adjustment	$ 54,044,818

Business Type Activities	**Balance June 30, 2017**	**Increases**	**Decreases**	**Balance June 30, 2018**
Water and Sewer:				
Capital Assets Not Being Depreciated:				
Land	$ 18,838,931	$ -	$ -	$ 18,838,931
Construction in progress	162,432,031	83,706,786	76,727,034	169,411,783
Total Capital Assets Not Being Depreciated	181,270,962	83,706,786	76,727,034	188,250,714
Other Capital Assets:				
Buildings	382,480,505	17,750,358	4,667,095	395,563,768
Equipment	161,058,017	2,118,334	1,849,565	161,326,786
Improvements	1,410,152	-	-	1,410,152
Infrastructure	1,136,989,518	67,901,224	958,728	1,203,932,014
Total Other Capital Assets	1,681,938,192	87,769,916	7,475,388	1,762,232,720
Less Accumulated Depreciation for:				
Buildings	(126,437,651)	(7,705,542)	(2,581,249)	(131,561,944)
Equipment	(105,528,973)	(10,150,194)	(1,212,030)	(114,467,137)
Improvements	(1,140,352)	(39,671)	-	(1,180,023)
Infrastructure	(347,268,402)	(17,196,847)	(691,696)	(363,773,553)
Total Accummulated Depreciation	(580,375,378)	(35,092,254)	(4,484,975)	(610,982,657)
Total Net of Depreciation	$ 1,282,833,776	$ 136,384,448	$ 79,717,447	$ 1,339,500,777
Belmont Park Golf Course:				
Capital Assets Not Being Depreciated:				
Land	$ 250,491	$ -	$ -	$ 250,491
Total Capital Assets Not Being Depreciated	250,491	-	-	250,491
Other Capital Assets:				
Buildings	1,940,937	-	-	1,940,937
Equipment	931,245	29,563	15,786	945,022
Improvements	2,341,902	-	-	2,341,902
Total Other Capital Assets	5,214,084	29,563	15,786	5,227,861
Less Accumulated Depreciation for:				
Buildings	(1,047,990)	(31,032)	-	(1,079,022)
Equipment	(643,457)	(40,645)	(15,786)	(668,316)
Improvements	(2,277,374)	(9,583)	-	(2,286,957)
Total Accummulated Depreciation	(3,968,821)	(81,260)	(15,786)	(4,034,295)
Total Net of Depreciation	$ 1,495,754	$ (51,697)	$ -	$ 1,444,057

Business Type Activities	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Combined Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 19,089,422	$ -	$ -	$ 19,089,422
Construction in Progress	162,432,031	83,706,786	76,727,034	169,411,783
Total Capital Assets Not Being Depreciated	181,521,453	83,706,786	76,727,034	188,501,205
Other Capital Assets:				
Buildings	384,421,442	17,750,358	4,667,095	397,504,705
Equipment	161,989,262	2,147,897	1,865,351	162,271,808
Improvements	3,752,054	-	-	3,752,054
Infrastructure	1,136,989,518	67,901,224	958,728	1,203,932,014
Total Other Capital Assets	1,687,152,276	87,799,479	7,491,174	1,767,460,581
Less Accumulated Depreciation for:				
Buildings	(127,485,641)	(7,736,574)	(2,581,249)	(132,640,966)
Equipment	(106,172,430)	(10,190,839)	(1,227,816)	(115,135,453)
Improvements	(3,417,726)	(49,254)	-	(3,466,980)
Infrastructure	(347,268,402)	(17,196,847)	(691,696)	(363,773,553)
Total Accumulated Depreciation	(584,344,199)	(35,173,514)	(4,500,761)	(615,016,952)
Total Net of Depreciation	$ 1,284,329,530	$ 136,332,751	$ 79,717,447	$ 1,340,944,834

Component Units

School Board:	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated:				
Land	$ 43,763,525	$ 7,500	$ -	$ 43,771,025
Construction in Progress	12,054,482	5,631,827	3,874,756	13,811,553
Total Capital Assets Not Being Depreciated	55,818,007	5,639,327	3,874,756	57,582,578
Other Capital Assets:				
Buildings	354,166,808	1,984,573	-	356,151,381
Equipment	212,892,748	9,145,074	3,645,563	218,392,259
Improvements	34,666,550	4,380,986	1,720,580	37,326,956
Total Other Capital Assets	601,726,106	15,510,633	5,366,143	611,870,596
Less Accumulated Depreciation for:				
Buildings	(186,165,058)	(5,927,045)	-	(192,092,103)
Equipment	(155,770,694)	(16,312,763)	(3,607,452)	(168,476,005)
Improvements	(23,791,593)	(1,070,924)	(1,720,580)	(23,141,937)
Total Accumulated Depreciation	(365,727,345)	(23,310,732)	(5,328,032)	(383,710,045)
Total Net of Depreciation	$ 291,816,768	$ (2,160,772)	$ 3,912,867	$ 285,743,129

Component Units	**Balance June 30, 2017**	**Increases**	**Decreases**	**Balance June 30, 2018**
James River Juvenile Detention Center:				
Capital Assets Not Being Depreciated:				
Land	$ 30,000	$ -	$ -	$ 30,000
Construction in progress	128,427	-	128,427	-
Total Capital Assets Not Being Depreciated	158,427	-	128,427	30,000
Other Capital Assets:				
Buildings	9,243,433	-	-	9,243,433
Improvements	237,874	-	-	237,874
Equipment	603,644	159,196	-	762,840
Total Other Capital Assets	10,084,951	159,196	-	10,244,147
Less Accumulated Depreciation for:				
Buildings	(3,737,491)	(231,086)	-	(3,968,577)
Improvements	(188,158)	(11,893)	-	(200,051)
Equipment	(393,234)	(85,483)	-	(478,717)
Total Accummulated Depreciation	(4,318,883)	(328,462)	-	(4,647,345)
Total Net of Depreciation	$ 5,924,495	$ (169,266)	$ 128,427	$ 5,626,802
Combined Component Units:				
Capital Assets Not Being Depreciated:				
Land	$ 43,793,525	$ 7,500	$ -	$ 43,801,025
Construction in progress	12,182,909	5,631,827	4,003,183	13,811,553
Total Capital Assets Not Being Depreciated	55,976,434	5,639,327	4,003,183	57,612,578
Other Capital Assets:				
Buildings	363,410,241	1,984,573	-	365,394,814
Equipment	213,222,459	9,304,270	3,645,563	218,881,166
Improvements	35,178,357	4,380,986	1,720,580	37,838,763
Total Other Capital Assets	611,811,057	15,669,829	5,366,143	622,114,743
Less Accumulated Depreciation for:				
Buildings	(189,902,549)	(6,158,131)	-	(196,060,680)
Equipment	(156,163,928)	(16,398,246)	(3,607,452)	(168,954,722)
Improvements	(23,979,751)	(1,082,817)	(1,720,580)	(23,341,988)
Accummulated Depreciation	(370,046,228)	(23,639,194)	(5,328,032)	(388,357,390)
Total Net of Depreciation	$ 297,741,263	$ (2,330,038)	$ 4,041,294	$ 291,369,931

NOTE 7. LONG-TERM DEBT

Governmental Activities

The following is a summary of the changes in the County's total long-term liabilities, including net pension liability, for the year ended June 30, 2018:

	Balance 6/30/2017 *	Additions	Deletions	Balance June 30, 2018
General obligation (GO) bonds	$ 419,105,000	$ -	$ 33,115,000	$ 385,990,000
Capital lease obligations	46,420,396	2,414,872	7,191,362	41,643,906
Accrued claims payable	21,684,344	15,492,816	14,316,330	22,860,830
Accrued compensated absences	21,930,913	21,734,741	21,522,811	22,142,843
Net pension liability	215,338,619	104,832,299	156,698,050	163,472,868
Line of Duty OPEB liability	25,279,187	2,062,474	740,191	26,601,470
Net Group Life Insurance OPEB liability	18,973,898	3,119,758	5,621,532	16,472,124
Net Healthcare OPEB liability	31,003,471	5,968,989	23,325,703	13,646,757
Landfill post-closure costs	3,349,114	83,549	98,292	3,334,371
Total	803,084,942	155,709,498	262,629,271	696,165,169
Premium on bonds	42,609,254	-	6,680,136	35,929,118
Total long-term liabilities	845,694,196			732,094,287
Current maturities	(73,732,838)			(81,539,580)
Net long-term liabilities	$ 771,961,358			$ 650,554,707

* as restated for the adoption of GASB No. 75 in fiscal year 2018.

The current maturity of long-term liabilities at June 30, 2018 consists of the following:

General obligation bonds	$ 37,710,000
Capital lease obligations	6,774,699
Accrued claims payable	15,324,084
Accrued compensated absences	21,730,797
Total current maturities	$ 81,539,580

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

All liabilities, both current and long-term, are reported in the Statement of Net Position. The adjustment from modified accrual to full accrual at June 30, 2018 is as follows:

Long-term liabilities (detail above)	$ 732,094,287
Net pension liability (detail above)	(163,472,868)
Net OPEB liabilities (detail above)	(56,720,351)
Internal Service Fund long-term liabilities	(256,230)
Combined adjustment	$ 511,644,838

In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. The adjustment from modified accrual to full accrual is $5,097,596 which represents the increase in accrued interest on bonds payable of $1,582,540 and amortization of bond premium of $6,680,136 for the year ended June 30, 2018.

In November 2000, March 2005 and November 2016, the County's voters authorized the issuance of general obligation bonds. In 2000, voters authorized $237,000,000, of which $236,948,800 has been issued as of June 30, 2017. In 2005, voters authorized an additional $349,300,000 in bonds, of which $339,700,000 has been issued as of June 30, 2018. In 2016, voters authorized $419,800,000, of which $102,255,000 has been issued as of June 30, 2018.

On January 10, 2008, the County issued General Obligation Public Improvement Bonds, Series 2008 in the aggregate principal amount of $29,810,000 to provide funding for certain school capital improvement projects, fire stations and facilities in the County, pursuant to the voter authorization at an election held on March 8, 2005. Interest rates on these bonds range between 3.25 percent and 5.00 percent. The Bonds mature on December 1st in each of the years 2008 through 2027. On May 3, 2010, the County advanced refunded serial maturities from December 1, 2018 through December 1, 2021. On March 31, 2015, the County advanced refunded serial maturities from December 1, 2022 through December 1, 2027. The remaining Series 2008 Bonds matured on December 1st in each of the years 2016 through 2017.

On November 13, 2008, the County issued County of Henrico, Virginia General Obligation Public Improvement Bonds, Series 2008A, in the aggregate principal amount of $93,090,000 to provide funding for various county and school capital improvement projects. The interest rates on these bonds range between 3.5 percent and 5.0 percent. The bonds mature on December 1st in each of the years 2009 through 2028. On May 3, 2010, the County advanced refunded serial maturities from December 1, 2019 through December 1, 2025. On March 31, 2015, the County advanced refunded serial maturities from December 1, 2026 through December 1, 2028. The remaining Series 2008A Bonds mature on December 1st in each of the years 2016 through 2018.

On May 13, 2009, the County issued $33,785,000 General Obligation Public Improvement Refunding Bonds – Series 2009 to advance refund, $20,010,000 of the County's Series 2001 General Obligation Public Improvement Bonds and $13,320,000 of the County's Series 2002 General Obligation Public Improvement Bonds. The interest rate on the 2009 bond issue is between 2 percent and 5 percent and the final maturity will occur on March 1, 2022. The principal payments range from $100,000 to $3,110,000. The County reduced its aggregate debt service payments by approximately $ 1.8 million over the next 13 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of $5.23 million. The proceeds of the 2009 Refunding Issue were deposited in a trust fund and were used to purchase U.S. Government Obligations that will mature and bear interest payable at times and in amounts sufficient to pay interest when due on the Refunded Bonds to their respective redemption dates and to pay the redemption prices of the Refunded Bonds on such dates. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (which is fully defeased) nor the assets placed in the trust fund are reflected in the County's financial statements.

On May 3, 2010, the County issued $119,735,000 General Obligation Public Improvement Refunding Bonds – Series 2010 to refund, prior to maturity, portions of the following bonds: General Obligation Public Improvement Bonds Series 2004, 2005, 2006, 2008 and 2008A and General Obligation Public Improvement and Refunding Bonds Series 2003. The interest rate on the 2010 bond issue is between 3 percent and 5 percent and the final maturity will occur on July 15, 2025. The principal payments range from $475,000 to $18,040,000. The County reduced its aggregate debt service payments by approximately $3.9 million over the next 15 years and obtained an economic gain of (difference between the present value of the old and new debt service payments) of $6.5 million. The proceeds of the 2010 Refunding Issue were deposited in a trust fund and were used to purchase U. S. Government Obligations that will mature and bear interest payable at times and in amounts sufficient to pay interest when due on the Refunded Bonds to their respective redemption dates and to pay the redemption prices of the Refunded Bonds on such dates. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (of which $32,585,000 remained outstanding at June 30, 2018) nor the assets placed in the trust fund are reflected in the County's financial statements.

On July 20, 2010, the County issued General Obligation Public Improvement Bonds, Series 2010A in the aggregate principal amount of $72,205,000. The proceeds of the Bonds will be used to finance capital school improvement projects, library facilities, fire stations, recreation and park facilities improvements and various road projects in the County, pursuant to the voter authorizations at elections held in the County on March 8, 2005. The interest rates on these bonds range from 2 percent to 5 percent. The Bonds mature on August 1st in each of the years 2011 through 2030.

On September 1, 2011, the County issued General Obligation Public Improvement Bonds, Series 2011 in the aggregate principal amount of $66,075,000. The proceeds of the Bonds will be used to finance capital school improvement projects, library facilities, fire stations, recreation and park facilities improvements and various road projects in the County, pursuant to the voter authorizations at elections held in the County on March 8, 2005. The interest rates on these bonds range from 2 percent to 5 percent. The Bonds mature on August 1st in each of the years 2012 through 2031.

On September 19, 2012, the County issued General Obligation Public Improvement Refunding Bonds, Series 2012 in the aggregate principal amount of $37,500,000. The proceeds of the Bonds will be applied (i) to advance refund and defease $19,450,000 outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series 2005, dated August 17, 2005 and maturing on July 15th in each of the years 2021 through 2025, which are subject to redemption and are to be redeemed on July 15, 2015, (ii) to advance refund and defease $17,975,000 outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series 2006, dated November 15, 2006 and maturing on December 1st in each of the years 2022 through 2026, which are subject to redemption and are to be redeemed on December 1, 2016, and (iii) to advance refund and defease $2,155,000 outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series 2010A, dated August 10, 2010 and maturing on August 1, 2013, which were paid at their stated maturity on August 1, 2013. The Bonds mature on February 1, 2013 and on August 1st in each of the years 2014 through 2026. The County reduced its aggregate debt service payments by approximately $2.5 million over the next 14 years and obtained an economic gain of (difference between the present value of the old and new debt service payments) of $2.4 million. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (which was fully defeased as of June 30, 2017) nor the assets placed in the trust fund are reflected in the County's financial statements.

On March 31, 2015, the County issued General Obligation Public Improvement Refunding Bonds, Series 2015 in the aggregate principal amount of $50,485,000. The proceeds of the Bonds will be applied (i) to advance refund and defease $8,950,000 outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series 2008, dated January 31, 2008 and maturing on December 1st in each of the years 2022 through 2027, which are subject to redemption and are to be redeemed on December 1, 2017, (ii) to advance refund and defease $13,955,000 outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series 2008A, dated November 14, 2008 and maturing on December 1st in each of the years 2026 through 2028, which are subject to redemption and are to be redeemed on December 1, 2018, and (iii) to advance refund and defease $31,090,000 outstanding principal amount of the County's Virginia Public School Authority (VPSA) Special Obligation School Financing Bonds, Series 2008, dated July 2, 2008 and maturing on July 15th in each of the years 2015 through 2028. The County reduced its aggregate debt service payments by approximately $2.5 million over the next 14 years and obtained an economic gain of (difference between the present value of the old and new debt service payments) of $3.3 million. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (of which $38,375,000 remained outstanding at June 30, 2018) nor the assets placed in the trust fund are reflected in the County's financial statements.

In April, 2016, the Economic Development Authority (EDA) of Henrico County, Virginia entered into a Note Purchase and Lease Acquisition Agreement, leasing to the County a $34,000,000 emergency communications system. The Notes were purchased by Banc of America Capital Corp. at a fixed interest rate of 1.699%, with equal principal payments of $3,400,000 due April 1, 2017 through April 1, 2026. Interest payments are due semi-annually October 1 and April 1, beginning October 1, 2016.

On May 31, 2017, the County issued General Obligation Public Improvement Bonds, Series 2017A in the aggregate principal amount of $102,255,000. The proceeds of the Bonds will be used to finance capital school improvement projects, fire facilities, and recreation and park facilities improvements in the County, pursuant to the voter authorizations at elections held in the County on November 8, 2016. The interest rates on these bonds range from 3 percent to 5 percent. The Bonds mature on August 1st in each of the years 2018 through 2037.

On May 31, 2017, the County issued General Obligation Public Improvement Refunding Bonds, Series 2017B in the aggregate principal amount of $53,755,000. The proceeds of the Bonds will be applied (i) to advance refund and defease $36,100,000 outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series 2010A, dated July 20, 2010 and maturing on August 1st in each of the years 2021 through 2030, which are subject to redemption and are to be redeemed on August 1, 2020 and (ii) to advance refund and defease $19,830,000 outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series 2011, dated September 1, 2011 and maturing on August 1st in each of the years 2022 through 2027, which are subject to redemption and are to be redeemed on August 1, 2021. The County reduced its aggregate debt service payments by approximately $2.8 million over the next 14 years and obtained an economic gain of (difference between the present value of the old and new debt service payments) of $3.4 million. For legal and accounting purposes, the Refunded Debt is considered to have been paid, and neither the debt (of which $55,930,000 remained outstanding at June 30, 2018) nor the assets placed in the trust fund are reflected in the County's financial statements.

As of June 30, 2018, the County's bonds are subject to the provisions of the Internal Revenue Service Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The County has recorded an estimated arbitrage rebate liability in the Governmental activities of $543,488 at June 30, 2018.

General Obligation Bonds

Details of general obligation bonds for the County at June 30, 2018 are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance
VPSA 1999A Bonds	4.35-5.23	05/01/99	07/15/19	$ 35,740,000	$ 3,570,000
VPSA 2000 Bonds	5.00-6.25	05/01/00	07/15/20	15,215,000	2,280,000
2008A GO. Bonds	3.50-5.00	11/13/08	12/01/28	93,090,000	4,655,000
2009 GO. Bonds	2.00-5.00	05/13/09	03/01/22	33,785,000	10,925,000
2010 GO. Bonds	3.00-5.00	05/03/10	07/15/25	119,735,000	90,520,000
2010A GO. Bonds	2.00-5.00	07/20/10	08/01/30	72,205,000	10,830,000
2011 GO. Bonds	2.00-5.00	09/01/11	08/01/31	66,075,000	26,430,000
2012 GO. Bonds	2.00-5.00	10/03/12	08/01/26	37,500,000	37,090,000
2015 GO. Bonds	2.00-5.00	03/31/15	08/01/28	50,485,000	44,160,000
2017A GO. Bonds	3.00-5.00	05/31/17	08/01/37	102,255,000	102,255,000
2017B GO. Bonds	2.00-5.00	05/31/17	08/01/30	53,755,000	53,275,000
TOTAL					$ 385,990,000

Debt service for the County on the foregoing bonds is payable during future fiscal years ending June 30 as follows:

Years	Principal	Interest
2019	37,710,000	16,543,347
2020	37,700,000	14,774,696
2021	35,960,000	13,001,240
2022	33,125,000	11,295,360
2023	31,740,000	9,817,135
2024-2028	128,825,000	29,606,531
2029-2033	55,380,000	8,163,739
2034-2038	25,550,000	2,120,650
TOTAL	$ 385,990,000	$ 105,322,698

General obligation bonds are backed by the full faith and credit of the County and are issued primarily for construction in progress for various purposes. The County has no sinking fund or legal debt margin requirements. All general obligation bonds except VPSA bonds, have been authorized by public referendum. The VPSA bonds have been issued by the adoption of a resolution by the County Board of Supervisors. The County is independent of any city, town or other political jurisdiction; therefore, there is no overlapping debt or taxing power.

Business-Type Activities

A summary of the changes in the Water and Sewer Fund ("Fund") and the Belmont Park Golf Course long-term liabilities, including net pension liability, for the year ended June 30, 2018 are as follows:

Water and Sewer Revenue Bonds:	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
2009 Refunding Bonds - $70,360,000, 2.25% to 5.00%	$ 6,080,000	$ -	$ 2,965,000	$ 3,115,000
2009A Refunding Bonds - $22,915,000, 2.00% to 5.00%	2,700,000	-	1,330,000	1,370,000
2009B Build America Bonds - $9,800,000, 5.85% to 6.15%	9,800,000	-	-	9,800,000
2013 Refunding Bonds - $68,410,000, 2.00% to 5.00%	65,535,000	-	2,320,000	63,215,000
2014 Revenue Bonds - $74,165,000, 1.00% to 5.00%	69,825,000	-	1,570,000	68,255,000
2016 Revenue and Refunding Bonds - $123,625,000, 1.50% to 5.00%	121,815,000	-	1,275,000	120,540,000
2018 Revenue Bonds - $102,410,000, 3.125% to 5.00%	-	102,410,000	-	102,410,000
Total bonds payable	$ 275,755,000	$ 102,410,000	$ 9,460,000	$ 368,705,000

Other Liabilities:	Balance June 30, 2017 *	Additions	Deletions	Balance June 30, 2018
Capital lease obligations	$ 25,885	$ -	$ 12,582	$ 13,303
Accrued compensated absences	1,307,228	1,140,685	1,156,786	1,291,127
Net Healthcare OPEB liability	1,658,287	319,266	1,247,627	729,926
Net Group Life Insurance OPEB liability	1,287,469	239,371	398,544	1,128,296
Net pension liability	15,232,508	7,217,558	10,788,443	11,661,623
Total	$ 295,266,377	$ 111,326,880	$ 23,063,982	$ 383,529,275
Premium on bonds payable	34,285,991	3,718,198	2,052,563	35,951,626
Total long-term liabilities	$ 329,552,368	115,045,078	25,116,545	$ 419,480,901
Current maturities	(10,635,790)			(12,777,267)
Net long-term liabilities	$ 318,916,578			$ 406,703,634

* as restated for the adoption of GASB Statement No. 75 in fiscal year 2018.

Current maturities of long-term liabilities at June 30, 2018 consist of the following:

Revenue bonds	$ 11,630,000
Capital lease obligations	5,401
Accrued compensated absences	1,141,866
Total current maturities	$ 12,777,267

The Water and Sewer Revenue Fund (the "Fund") may issue additional bonds payable, which may be collateralized equally with the outstanding bonds for any purpose connected with or pertaining to the Fund, upon compliance with the following conditions, among others:

- One-half of the net operating revenues of the Fund, as defined, during any 24 consecutive months out of the 30 months immediately preceding the issuance of the additional bonds, shall have been not less than 1.25 times the maximum annual debt service requirement on all bonds then outstanding and the proposed additional bonds; and the

- Net operating revenues of the Fund, as defined, during the first full fiscal year following the date upon which the project or undertaking for which the proposed additional bonds are being issued is anticipated to be completed, shall be estimated by a nationally recognized consulting engineer to be not less than 1.25 times the annual debt service requirement on account of all bonds then outstanding and the proposed additional bonds.

On February 19, 2009, the County issued $70,360,000 of Water and Sewer Refunding Bonds to refund the entire outstanding balance of the 1999 bond series. The interest rate on these bonds is between 2.25% and 5% and the final maturity will occur on May 1, 2028. The principal payments range from $315,000 to $5,065,000. The advance refunding resulted in the recognition of an accounting gain of $2,150,208 for the year ended June 30, 2010. The Fund reduced its aggregate debt service payments by approximately $5,650,606 over the next 20 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of $5,406,608. The interest due on the bonds as of July 1 has been accrued as of June 30, in accordance with the related covenants. Cash has been restricted for these accruals. In addition, net position have been restricted and cash has been restricted in an amount equal to the maximum annual debt service requirement for the bonds.

On December 22, 2009, the County issued $22,915,000 of Water and Sewer Refunding Bonds to refund the entire outstanding balance of the Variable Rate Series 1997 VRA Bonds. The interest rate on these bonds is between 2% and 5% and the final maturity will occur on May 1, 2028. The principal payments range from $1,175,000 to $2,050,000. The Water and Sewer Revenue Fund reduced its aggregate debt service payments by $44,418,268 over the next 20 years.

The County also issued $9,800,000 of Taxable-Recovery Zone Economic Development Bonds (RZEDB). Pursuant to the American Recovery and Investment Act of 2009, the County will receive a cost subsidy payment from the United States Treasury equal to 45% of the interest payable on the Series 2009B Bonds on each interest payment date. These bonds were issued at a taxable interest rate of between 5.853% and 6.153% and the final maturity will occur on May 1, 2036.

On February 20, 2013, the County issued $68,410,000 of Water and Sewer Refunding Revenue Bonds to refund $65,945,000 outstanding principal amount of the 2006A Series Water and Sewer System Revenue Bonds. The interest rate on these bonds is between 2% and 5% and the final maturity will occur on May 1, 2036. The principal payments range from $100,000 to $4,800,000. The Water and Sewer Revenue Fund reduced its aggregate debt service payments by $44,418,268 over the next 20 years.

On March 20, 2014, the County issued $74,165,000 of Water and Sewer Revenue Bonds to finance improvements, additions and extensions to the water and sewer system in the County. The interest rate on these bonds is between 1% and 5% and the final maturity will occur on May 1, 2044. The principal payments range from $370,000 to $2,875,000.

On May 17, 2016, the County issued $123,625,000 of Water and Sewer Revenue Refunding Bonds to refund outstanding principal amounts of $35,985,000 of the 2009A and $15,310,000 of the 2009 Series Water and Sewer System Revenue Bonds, finance improvements, additions and extensions to the County's water and sewer system and to fund the Cobbs Creek Reservoir project. The interest rate on these bonds is between 1.75% and 5% and the final maturity will occur on May 1, 2046. The principal payments range from $480,000 to $7,875,000.

On May 9, 2018, the County issued $102,410,000 of Water and Sewer Revenue Bonds to finance improvements, additions and extensions to the water and sewer system in the County. The interest rate on these bonds is between 3% and 5% and the final maturity will occur on May 1, 2048. The principal payments range from $1,840,000 to $5,515,000.

In fiscal year 2016 and prior years, the County defeased certain Water and Sewer Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not reflected in the County's financial statements. At June 30, 2018, $51,295,000 of Water and Sewer System Revenue Bonds, which were considered defeased, remained outstanding.

Principal and interest payment on the Bonds for the five fiscal years subsequent to June 30, 2018 and thereafter follows:

Years	Principal	Interest
2019	11,630,000	15,365,247
2020	11,840,000	15,034,874
2021	12,220,000	14,544,074
2022	12,745,000	14,027,899
2023	13,355,000	13,406,149
2024-2028	76,590,000	57,260,448
2029-2033	64,470,000	41,654,846
2034-2038	65,160,000	28,154,238
2039-2043	57,755,000	16,447,350
2044-2048	42,940,000	4,454,882
Total	$ 368,705,000	$ 220,350,007

Component Units

School Board:

The Board of Supervisors has authorized the School Board to borrow funds from the Literary Fund of the Commonwealth of Virginia (the "Literary Fund") to finance repairs to eligible educational facilities. For each facility qualifying for a loan, the School Board borrowed funds from the Literary Fund in the form of a demand note with interest ranging from 3.00 percent to 5.00 percent with maturities through May 1, 2009, to cover the repair costs incurred. Once the repair of a facility has been completed, the demand note was converted into a 20-year note payable with annual installments due on the anniversary date of the note. There were no outstanding Literary Fund loans at June 30, 2018.

A summary of the changes in the School Board's long-term liabilities, including net pension liability, for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital lease obligations	$ 26,086,650	$ 28,928	$ 11,280,080	$ 14,835,498
Accrued claims payable	6,015,493	3,885,722	4,872,598	5,028,617
Net pension liability	494,051,061	146,700,685	212,640,217	428,111,529
Net Healthcare OPEB liability	28,171,947	5,423,845	21,195,385	12,400,407
Net Group Life Insurance OPEB liability	27,249,125	4,552,227	8,281,973	23,519,379
Net Teacher Health Insurance Credit OPEB liability	41,908,000	3,681,989	3,932,989	41,657,000
Accrued compensated absences	6,185,186	5,089,217	5,013,513	6,260,890
Total School Board	$ 629,667,462	$ 169,362,613	$ 267,216,755	$ 531,813,320
Current Maturities	(20,745,095)			(14,517,679)
Net long-term liabilities	$ 608,922,367			$ 517,295,641

Current maturities of long-term liabilities at June 30, 2018, consist of the following:

Capital lease obligations	$ 5,369,583
Accrued claims payable	4,073,220
Accrued compensated absences	5,074,876
Total current maturities	$ 14,517,679

James River Juvenile Detention Commission:

A summary of the changes in JRJDC's long-term liabilities, including net pension liability, for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	**Additions**	**Deletions**	**Balance June 30, 2018**
Capital lease obligations	$ 4,333	$ -	$ 2,723	$ 1,610
Net pension liability	3,260,777	1,504,900	2,249,448	2,516,229
Net Healthcare OPEB liability	313,543	60,365	235,896	138,012
Net Group Life Insurance OPEB liability	277,506	44,483	87,120	234,869
Accrued compensated absences	199,002	249,310	249,718	198,594
Total JRJDC	$ 4,055,161	$ 1,859,058	$ 2,824,905	$ 3,089,314
Current Maturities	(201,726)			(200,204)
Net long-term liabilities	$ 3,853,435			$ 2,889,110

Current maturities of long-term liabilities at June 30, 2018, consist of the following:

Capital leases	$ 1,610
Accrued compensated absences	198,594
Total current maturities	$ 200,204

Capital Leases

The County has entered into agreements for the leasing of buildings, computer hardware, automotive vehicles and equipment. These leases meet the criteria of a capital lease, as defined by GAAP, which states a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. As such, $63,730,408 of equipment and $32,250,286 of buildings has been capitalized as of June 30, 2018. The acquisition of capital assets through capital lease obligations is reflected as expenditure and other financing source in the General or Capital Projects Funds when the obligations are incurred. Payments to satisfy capital lease obligations are recorded as debt service expenditure in the General or Debt Service Funds when the cash outlays are made. Capital assets capitalized under these lease agreements are pledged as collateral on the obligations.

On August 27, 2009, the EDA issued $10,210,000 Governmental Projects Lease Revenue Refunding Bonds, Series 2009A to refund a portion of the Authority's Series 1996 and Series 1998 Lease Revenue Bonds and $26,215,000 Public Facility Lease Revenue Refunding Bonds, Series 2009B to refund a portion of the Authority's Series 1999 Public Lease Revenue Refunding Bonds. The interest rate on the 2009A Refunding Bonds is between 2% and 3.25%. The principal payments ranged from $80,000 to $1,740,000 with the final maturity on June 1, 2018. The interest rate on the 2009B Refunding Bonds is between 3% and 5%. The principal payments range from $1,035,000 to $2,935,000 with the final maturity on August 1, 2021.

On April 1, 2016, the County entered into a $34,000,000 financing agreement with the Economic Development Authority (EDA) of Henrico County, Virginia whereby the EDA intends to issue its $34,000,000 Economic Development Authority of Henrico County, Virginia 2016 Lease Revenue Bonds to assist the County in financing the acquisition and installation of various communication equipment to replace the County's public safety radio system. The interest rate is 1.699% and principal payments are $3,400,000 which mature on April 1st in each of the years 2017 through 2026.

The Schools have entered into agreements for the leasing of computer hardware and equipment. These leases meet the criteria of a capital lease as defined by GAAP. As such, $28,928 of equipment has been capitalized as of June 30, 2018.

Future minimum lease payments under these capital leases for fiscal years ending after June 30, 2018 are as follows:

Years	**Equipment Lease Obligations**	**EDA Lease Obligations**	**Schools**	**Total Future Minimum Lease Payments**
2019	$ 803,049	$ 7,005,103	$ 5,513,503	$ 13,321,655
2020	766,793	6,945,712	4,785,934	12,498,439
2021	471,889	6,886,909	3,908,473	11,267,271
2022	420,628	6,830,255	909,282	8,160,165
2023	415,916	3,631,064	-	4,046,980
2024-2026	310,532	10,546,596	-	10,857,128
Total minimum lease payments	$ 3,188,807	$ 41,845,639	$ 15,117,192	$ 60,151,638
Less amount representing interest	239,901	3,150,639	281,694	3,672,234
Present value of future minimum lease payments	$ 2,948,906	$ 38,695,000	$ 14,835,498	$ 56,479,404

JRJDC entered into a capital lease agreement for $8,400 during fiscal year 2015 for the leasing of copier equipment. Future minimum lease payments under this capital lease for fiscal years ending after June 30, 2018 are as follows:

Years	**Equipment Lease Obligations**
2019	$ 1,700
Total minimum lease payments	1,700
Less amount representing interest	90
Present value of future minimum lease payments	$ 1,610

The Water and Sewer Revenue Fund entered into capital lease agreements for equipment for $20,163 and $14,772 during fiscal years 2015 and 2014, respectively. Future minimum lease payments under this capital lease for fiscal years ending after June 30, 2018 are as follows:

Years	**Equipment Lease Obligations**
2019	6,749
2020	4,681
2021	4,246
Total minimum lease payments	15,676
Less amount representing interest	2,373
Present value of future minimum lease payments	$ 13,303

NOTE 8. CONTINGENCIES AND COMMITMENTS

A. Litigation

The County and School Board are named as defendants in several cases including tax assessment, construction contract, personal injury, special education, civil rights and other contract cases. The maximum exposure amount that can be reasonably estimated is approximately $161,000 for these cases and potential counter claims where the County is the plaintiff. These claims are covered under the County's self-insurance program as discussed in note 8C. The County intends to defend its position in these claims vigorously. It is the opinion of County management, based on the advice of the County Attorney, that any losses incurred as a result of claims existing as of June 30, 2018 will not be material to the County's financial statements.

B. Federal Grant Awards

The County and School Board participate in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, would not have a material effect on the County's financial statements.

C. Risk Management

The County and School Board maintain a self-insurance program ("Program") for workers' compensation claims, certain property and casualty risks, health care and other claims. Insurance carriers cover workers' compensation claims in excess of $1,000,000 per occurrence. Virginia Association of Counties Group Self-Insurance Risk Pool (VaCOR), through the Travelers Insurance Company, covers property claims in excess of $1,000,000 per occurrence. VaCOR, through Genesis Insurance Company covers liability claims between $2,000,000 and $7,000,000 per occurrence. The County's estimated and recorded liability for claims payable at June 30, 2018 includes actuarial estimates of probable losses on claims received and claims incurred but not reported. The liability also includes non-incremental claims adjustment expenses. The County has recorded expenditures of $2,252,638 in the General Fund to reflect the liability for the estimated settlement value of all reported workers' compensation and property and casualty claims covered by the Program at June 30, 2018, that are expected to be liquidated with current resources. The amount of settlements has not exceeded insurance coverage in each of the past three years.

Effective January 1, 2008, the County began participating in a self-funded health care program covering medical and prescription drug costs. The County pays all covered claims up to $500,000 per individual per year. Individual claims that exceed $500,000 per year are covered by specific excess risk insurance. Additionally, claims in the aggregate that exceed 125% of projected claims for the year are covered by aggregate excess risk insurance. The carrier of the excess risk policy is Coventry Health and Life Insurance Company. The County has recorded $8,501,000 for health care claims incurred but not reported in the Health Care Fund at June 30, 2018.

In addition, the County has recorded $14,359,830 for the County and $5,028,617 for the School Board in the Government-wide Statement of Net Position to reflect the liability for the estimated settlement value of workers' compensation and property and casualty claims covered by the Program at June 30, 2018 that are not expected to be liquidated with current resources. Also, the County has assigned $7,500,000 of the June 30, 2018 General Fund's Fund balance as a self-insurance reserve.

At June 30, 2018, the County and Schools had accrued claims payable in long-term liabilities as follows:

	FY 2018		FY 2017	
	County	**Schools**	**County**	**Schools**
Balance, July 1	$ 21,684,344	$ 6,015,493	$ 24,185,328	$ 6,529,180
Current year claims and changes in estimates	15,492,816	3,885,722	17,790,371	4,341,538
Claim payments	(14,316,330)	(4,872,598)	(20,291,355)	(4,855,225)
Balance, June 30	$ 22,860,830	$ 5,028,617	$ 21,684,344	$ 6,015,493

D. Commitments

At June 30, 2018, the County had contractual commitments for the construction of various projects as follows:

Capital Projects Funds:	**Primary Government**	**Component Unit-Schools**
Computer and Technology Improvements	$ 24,038,377	$ -
Buildings and Grounds	4,470,647	-
Road Maintenance	5,353,306	-
Landfill Expansion and Development	298,814	-
Public Safety Projects	20,994,920	-
Public Works	2,062,927	-
Parks and Recreation	3,733,970	-
Libraries	23,132,218	-
Education Projects	46,272,790	10,722,959
Total	$ 130,357,969	$ 10,722,959

Enterprise Funds:	
Wastewater Treatment Projects	$ 61,576,350
Water Plant Projects	129,832,082
Computer and Information Systems	3,185,365
Total	$ 194,593,797

Encumbrances

As discussed in Note 1.G, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At June 30, 2018, the County had encumbrances expected to be honored upon performance by vendors in the next year as follows:

General Fund	$4,205,816
Special Revenue Fund	4,190,575
Capital Projects Fund	138,567,108
Total	$146,963,499

E. Operating Leases

The County and School Board leases real estate, certain data processing equipment and other equipment under various long-term operating lease agreements for which rent expenditures aggregated $2,513,190 and $645,971, respectively, for the fiscal year 2018.

At June 30, 2018, the approximate future annual long-term commitments for these operating leases were as follows:

Years	County Real Property	School Board Real Property	Total
2019	$ 2,401,951	$ 589,752	$ 2,991,702
2020	2,008,817	434,884	2,443,701
2021	1,790,035	402,643	2,192,678
2022	1,529,963	410,696	1,940,659
2023	1,064,219	103,630	1,167,849
2024-2028	2,683,115	-	2,683,115
2028 & After	1,270,260	-	1,270,260
Total	$ 12,748,360	$ 1,941,504	$14,689,9674

All lease obligations (both capital and operating) are contingent upon the Board of Supervisors appropriating funds for each year's payments.

F. Capital Asset Leasing

The County is the lessor of real estate and other equipment under various operating lease agreements for periods ranging from one to fifty years. The cost and accumulated depreciation on leased property at June 30, 2018, was $24,821,828 and $1,071,852, respectively.

At June 30, 2018, the future minimum rentals receivable for these existing leases were as follows:

Years	Total
2019	$ 545,009
2020	256,026
2021	216,330
2022	187,230
2023	105,352
2024-2028	306,952
2029-2033	97,202
2034-After	50,536
Total	$ 1,764,637

The Water and Sewer Revenue Fund is the lessor of real estate and other equipment under various operating lease agreements for periods ranging from one to six years. The cost and accumulated depreciation on leased property at June 30, 2018, was $4,388,281 and $1,165,717, respectively.

At June 30, 2018, the future minimum rentals receivable for these existing leases were as follows:

Years	Total
2019	$ 45,883
2020	24,638
2021	24,638
2022	2,053
Total	$ 97,212

The School Board is the lessor of real estate under an operating lease agreement for a period of twenty-five years. The cost of the leased property at June 30, 2018, was $3,040,177.

At June 30, 2018, the future minimum rentals receivable for these existing leases were as follows:

Years		Total
2019	$	57,690
2020		60,531
2021		63,964
2022		69,203
2023		71.279
2024-2028		389,784
2029-2033		451,866
2034-After		556,377
Total	$	1,720,694

G. Contingent Liabilities

Capital Region Airport Commission

See Note 21, "Joint Ventures" for a discussion of the County's contingent liability relating to the Capital Region Airport Commission.

Environmental Risk

The County is the owner of closed landfills, underground storage tanks, sewage lagoons and other potential sources of toxic substances. Ownership of these properties exposes the County to risk of third party pollution liability. At this time, no claim exists nor is there knowledge of any condition which impairs a third party's property or person.

NOTE 9. DEFINED BENEFIT PENSION PLAN – AGENT MULTIPLE-EMPLOYER

A. Plan Description

The County and School Board Non-Professional Group contribute to an agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System ("VRS"). All full-time, salaried permanent employees must participate in the VRS. Benefits vest after five years of service. VRS administers three different benefit plans for local government employees – Plan 1, Plan 2 and a Hybrid Plan. Each plan has a different eligibility and benefit structure as described below.

VRS Plan 1 and Plan 2 are defined benefit plans and 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. VRS Plan 1 and 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.

VRS members are eligible for an unreduced retirement benefit at age 65 for Plan 1 members and at normal social security retirement age for Plan 2 members with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs)) payable monthly for life in an amount equal to 1.7 percent (Plan 1 members) and 1.65% (Plan 2 members) of their average final compensation ("AFC") for each year of credited service (1.85 percent to Sheriffs and if the employer elects, to other employees in hazardous positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent (Plan 1 members) and 3% (Plan 2 members) per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months for Plan 1 members and 60 months for Plan 2 members, of reported annual compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during the special election window. 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 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 payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Hybrid members are eligible for an unreduced retirement benefit at normal social security retirement age with 5 years of service or when their age and service equal 90. The defined benefit component has a 1.0 percent multiplier to produce approximately a 30% salary replacement rate after 30 years of service. Hybrid member's average final compensation is the highest consecutive 60 months of reported annual compensation. Retirees qualify for annual cost-of-living increases limited to 3% per year beginning in their second year of retirement.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	County*	School Board Non-Professional Group
Inactive members or their beneficiaries currently receiving benefits	2,918	102
Inactive members:		
Vested	706	16
Non-vested	1,315	69
Active elsewhere in VRS	1,098	85
Total inactive members	3,119	170
Active members	5,076	34
Total	11,113	306

*includes School Board Construction and Maintenance (C&M) Group – See note 9B for further information

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at http://www.varetire.org/publications/index.asp or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

VRS Plan 1 and 2 members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual salary to the VRS. Hybrid Plan members have a 4 percent mandatory defined benefit contribution and a 1 percent mandatory contribution to the defined contribution plan and up to an additional 4 percent voluntary contribution to the defined contribution plan. The County has a mandatory 1 percent match to the defined contribution plan, plus a 100 percent match on the first 1 percent elected by the employee, plus a 50 percent matching contribution on the next 3 percent elected by the employee. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund.

In addition, the County and School Board Non-Professional Group are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board Non-Professional Group's contribution rates for the fiscal year ended 2018 were 13.01 percent and 29.36 percent, respectively, of annual covered employee compensation. These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability.

C. Net Pension Liability and Pension Expense

At June 30, 2018, the County and School Board Non-Professional Group reported a net pension liability of $199,551,696 and $2,808,553, respectively. The County's net pension liability was allocated based on respective contribution proportionate shares to the employees in the County General Government, Water and Sewer Revenue Fund, Belmont Park Golf Course and Central Automotive Maintenance (CAM), which are reported as part of the County's Primary Government, and JRJDC and School Board Construction and Maintenance (School Board C&M), which are reported as part of the County's Component Units.

The net pension liability for the County General Government, Water and Sewer Revenue Fund, Belmont Park Golf Course, JRJDC, CAM and the School Board C&M employees was $161,005,612, $11,376,447, $285,176, $2,516,228, $2,467,256 and $21,900,977 respectively. The net pension liability was measured as of June 30, 2017. The total pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Change in the Net Pension Liability

Governmental Activities	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	$1,082,513,836	$867,175,217	$215,338,619
Changes for the year:			
Service cost	25,098,225	-	25,098,225
Interest	75,416,152	-	75,416,152
Changes of assumptions	3,600,205	-	3,600,205
Difference between expected and actual experience	(13,129,434)	-	(13,129,434)
Contributions-employer	-	26,184,817	(26,184,817)
Contributions-employee	-	10,254,955	(10,254,955)
Net investment income	-	107,128,844	(107,128,844)
Benefit payments, including refunds of employee contributions	(53,593,856)	(53,593,856)	-
Administrative expense	-	(622,456)	622,456
Other changes	-	(95,261)	95,261
Net changes	37,391,292	89,257,043	(51,865,751)
Balances at June 30, 2018	$1,119,905,128	$956,432,260	$163,472,868
Business-Type Activities			
Balances at June 30, 2017	$77,122,673	$61,890,165	$15,232,508
Changes for the year:			
Service cost	1,727,977	-	1,727,977
Interest	5,192,297	-	5,192,297
Changes of assumptions	247,869	-	247,869
Difference between expected and actual experience	(903,943)	-	(903,943)
Contributions-employer	-	1,802,788	(1,802,788)
Contributions-employee	-	706,039	(706,039)
Net investment income	-	7,375,672	(7,375,672)
Benefit payments, including refunds of employee contributions	(3,689,862)	(3,689,862)	-
Administrative expense	-	(42,855)	42,855
Other changes	-	(6,559)	6,559
Net changes	2,574,338	6,145,223	(3,570,885)
Balances at June 30, 2018	$79,697,011	$68,035,388	$11,661,623

Change in the Net Pension Liability

School Board C&M	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	$144,921,060	$117,146,029	$27,775,031
Changes for the year:			
Service cost	2,842,499	-	2,842,499
Changes in assumptions	407,741	-	407,741
Difference between expected and actual experience	(1,486,974)	-	(1,486,974)
Interest	8,541,255	-	8,541,255
Contributions-employer	-	2,965,561	(2,965,561)
Contributions-employee	-	1,161,425	(1,161,425)
Net investment income	-	12,132,875	(12,132,875)
Benefit payments, including refunds of employee contributions	(6,069,771)	(6,069,771)	-
Administrative expense	-	(70,496)	70,496
Other changes	-	(10,789)	10,789
Net changes	4,234,750	10,108,805	(5,874,055)
Balances at June 30, 2018	$149,155,810	$127,254,834	$21,900,976

Change in the Net Pension Liability

School Board Non-Professional Group	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	$8,504,338	$5,304,308	$3,200,030
Changes for the year:			
Service cost	58,711	-	58,711
Changes in assumptions	44,778	-	44,778
Difference between expected and actual experience	(226,614)	-	(226,614)
Interest	571,638	-	571,638
Contributions-employer	-	199,298	(199,298)
Contributions-employee	-	30,785	(30,785)
Net investment income	-	614,333	(614,333)
Benefit payments, including refunds of employee contributions	(676,153)	(676,153)	-
Administrative expense	-	(3,892)	3,892
Other changes	-	(534)	534
Net changes	(227,640)	163,837	(391,477)
Balances at June 30, 2018	$8,276,698	$5,468,145	2,808,553

D. Actuarial Assumptions

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 assumption about future employment and mortality. The amounts determined from the actuarial study regarding the total pension liability, total fiduciary net position, net pension liability and annual pension expense of the County are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future.

The total pension liability at the June 30, 2017 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Discount Rate	7.0%
Inflation	2.5%
Payroll Growth	3.0%
Projected Salary Increases	3.50% to 5.35% per year for general government employees

	3.50% to 4.75% per year for public safety employees
Investment Rate of Return	7.0% net of pension plan investment expense
Cost of Living Adjustment	2.5% per year for Plan 1 employees and 2.25% for Plan 2 employees

Mortality rates were based on the RP-2014 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB to 2020. The mortality tables are adjusted forward and/or back depending on the plan and the group covered.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. The actuarial cost method used was the Entry Age Method and the amortization method used was the Level percent closed method. The remaining amortization period is 30 years and the asset valuation method used was the 5-year smoothed market.

E. Long-Term Expected Rate of Return

The long-term expected rate of return on 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return	Weighted Average Long-Term Expected Real Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to mode future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a medial return of 6.83%, including expected inflation of 2.50%.

F. Discount Rate

The discount rate used to measure the total pension liability was 7%. 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.

The rates contributed by the employer will be subject to the portion of the VRS Board rates as adopted by the Virginia legislature through the fiscal year ending June 30, 2018. From July 1, 2018 on, it is assumed 100% of the actuarially determined contribution rates will be payable for all the VRS plans. 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.

G. Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the County's Governmental Activities, Business-Type Activities and School Board C&M's proportionate share and School Board Non-Professional Group's net pension liability calculated using the discount rate of 7 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower (6 percent) or 1- percentage point higher (8 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Governmental Activities proportionate share of the net pension liability	$309,228,643	$163,472,868	$47,683,860
Business-Type Activities proportionate share of the net pension liability	$21,289,962	$11,661,623	$3,282,967
School Board C&M proportionate share of the net pension liability	$35,021,684	$21,900,977	$5,400,435
School Board Non-Professional Group proportionate share of the net pension liability	$3,621,362	$2,808,553	$2,120,074

H. Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2018, the County's Governmental Activities, Business-Type Activities and School Board C&M employee allocation, reported a net pension liability of $163,472,868, $11,661,623 and $21,900,977 respectively, for its proportionate share of the net pension liability. The School Board Non-Professional Group reported a net pension liability of $2,808,553. At June 30, 2018, the Governmental Activities, Business-Type Activities, JRJDC and Schools C&M proportion of the County of Henrico was 83.58 percent, 5.75 percent, 1.2 percent and 9.47 percent, respectively.

For the year ended June 30, 2018, the County's Governmental Activities, Business-Type Activities and Schools C&M recognized pension expense of $12,693,986, $889,890 and $2,582,864, respectively. The total pension expense for the County's Primary Government is $14,680,170. The School Board Non-Professional Group recognized pension expense of $13,322 and the County and School Board reported deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Primary Government		
Governmental Activities		
Change in pension proportionate share allocation	$ 2,780,039	$ 67,116
Difference between expected and actual experience	-	16,574,228
Changes of assumptions	2,717,802	-
Difference between projected and actual earnings on pension plan investments	35,486,323	49,267,873
Pension contributions after the measurement date	26,807,419	-
Total	$ 67,791,583	$ 65,909,217
Business-Type Activities		
Change in pension proportionate share allocation	$ 10,082	$ 74,880
Difference between expected and actual experience	-	1,149,797
Changes of assumptions	187,117	-
Difference between projected and actual earnings on pension plan investments	2,471,261	3,432,867
Pension contributions after the measurement date	1,804,698	-
Total	$ 4,473,158	$ 4,657,544
Total Primary Government		
Change in pension proportionate share allocation	$ 2,790,121	$ 141,996
Difference between expected and actual experience	-	17,724,025
Changes of assumptions	2,904,919	-
Difference between projected and actual earnings on pension plan investments	37,957,584	52,700,740
Pension contributions after the measurement date	28,612,117	-
	$ 72,264,741	$ 70,566,761
Component Unit		
Schools C&M		
Change in pension proportionate share allocation	$ -	$ 2,552,439
Difference between expected and actual experience	-	1,985,130
Changes of assumptions	307,805	-
Difference between projected and actual earnings on pension plan investments	4,426,525	5,969,525
Pension contributions after the measurement date	2,821,536	-
Total	$ 7,555,866	$ 10,507,094
Schools Non-Professional Group		
Difference between projected and actual earnings on pension plan investments	$ 232,798	$ 295,548
Pension contributions after the measurement date	199,883	-
Total	$ 432,681	$ 295,548

The change in the proportionate share allocation, difference between expected and actual experience, changes of assumptions and difference between projected and actual earnings on pension plan investments will be recognized in pension expense as follows:

Year Ending June 30		Governmental Activities		Business-Type Activities		Schools C&M		Schools Non-Professional Group
2019	$	(14,226,207)	$	(1,160,340)	$	(3,343,864)	$	(53,296)
2020		801,435		(12,371)		(709,887)		35,213
2021		(2,159,837)		(173,297)		(661,162)		7,091
2022		(9,340,444)		(643,076)		(1,057,851)		(51,758)
	$	(24,925,053)	$	(1,989,084)	$	(5,772,764)	$	(62,750)

NOTE 10. DEFINED BENEFIT PENSION PLAN – COST-SHARING MULTIPLE-EMPLOYER

A. Plan Description

The School Board Teachers contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "VRS"), known as the Teacher Retirement Plan. All full-time, salaried permanent employees must participate in the VRS. Benefits vest after five years of service. VRS administers three different benefit plans for local school employees – Plan 1, Plan 2 and a Hybrid Plan. Each plan has a different eligibility and benefit structure as described below.

VRS Plan 1 and Plan 2 are defined benefit plans and 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. VRS Plan 1 and 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.

VRS members are eligible for an unreduced retirement benefit at age 65 for Plan 1 members and at normal social security retirement age for Plan 2 members with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs))

payable monthly for life in an amount equal to 1.7 percent (Plan 1 members) and 1.65% (Plan 2 members) of their average final compensation ("AFC") for each year of credited service (1.85 percent to Sheriffs and if the employer elects, to other employees in hazardous positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent (Plan 1 members) and 3% (Plan 2 members) per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months for Plan 1 members and 60 months for Plan 2 members, of reported annual compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during the special election window. 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 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 payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Hybrid members are eligible for an unreduced retirement benefit at normal social security retirement age with 5 years of service or when their age and service equal 90. The defined benefit component has a 1.0 percent multiplier to produce approximately a 30% salary replacement rate after 30 years of service. Hybrid member's average final compensation is the highest consecutive 60 months of reported annual compensation. Retirees qualify for annual cost-of-living increases limited to 3% per year beginning in their second year of retirement.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at http://www.varetire.org/publications/index.asp or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

VRS Plan 1 and VRS Plan 2 members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly, to contribute 5 percent of their annual salary to the VRS. Hybrid Plan members have a 4 percent mandatory defined benefit contribution and a 1 percent mandatory contribution to the defined contribution plan and up to an additional 4 percent voluntary contribution to the defined contribution plan. The School Board Teachers Plan has a mandatory 1 percent match to the defined contribution plan, plus a 100 percent match on the first 1 percent elected by the employee, plus a 50 percent matching contribution on the next 3 percent elected by the employee. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund.

In addition, the School Board Teachers are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia (1950) and approved by the VRS Board of Trustees. Each school division's contractually required employer contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate of 16.32% from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, is expected to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Title 51.1 of the *Code of Virginia* (1950), as amended, the total plan contributions were funded at 89.84 percent of the actuarial rate for the year ended June 30, 2017. The School Board Teacher's contributions to VRS for the years ending 2018, 2017, and 2016 were $44,126,503, $38,766,250 and $35,427,046, respectively, and are equal to the required contributions for each year.

C. Net Pension Liabilities and Pension Expense

For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, pension expense and the fiduciary net position of the Teacher Retirement Plan and the additions to/deductions from the VRS Teacher Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by 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.

At June 30, 2018, the County's Component Unit, the School Board and JRJDC reported a net pension liability of $428,111,529 and $2,516,229, respectively. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to the measurement date of June 30, 2017. The School Board's proportion of the net pension liability and pension expense related to the Teacher Retirement Plan was based on a projection of the School Board's long-term share of contributions to the Teacher Retirement Plan relative to the projected contributions of all participating employers. JRJDC's proportion of the net pension liability and pension expense related to the County's retirement plan was bas ed on a projection of JRJDC's long-term share of contributions to the County's retirement plan relative to the projected contributions in the future.

The School Board net pension liability of $428,111,529 is made up of three groups of employees. The Teacher's net pension liability of $403,402,000, the School Board Non-Professional Group net pension liability of $2,808,553 and the School C&M net pension liability of $21,900,976. For the year ended June 30, 2018, the Teacher Retirement Plan, School Board Non-Professional Group and Schools C&M Group reported pension expense of $27,974,000, $13,322 and $2,582,864, respectively. The School Board's participation in the VRS cost-sharing plan which was 3.28% as of June 30, 2018.

As of June 30, 2018, the School Board's net pension liability is as follows:

Teachers	
Total pension liability	$1,489,799,116
Fiduciary net position	1,086,397,116
Net pension liability	$ 403,402,000
Schools Non-Professional Group	
Total pension liability	$ 8,276,698
Fiduciary net position	5,468,145
Net pension liability	$ 2,808,553
Schools C&M	
Total pension liability	$ 149,155,810
Fiduciary net position	127,254,834
Net pension liability	$ 21,900,976
Total Schools	
Total pension liability	$1,647,231,624
Fiduciary net position	1,219,120,095
Net pension liability	$ 428,111,529
Plan fiduciary net position as a percentage of the total pension liability	74%

D. Actuarial Assumptions

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 assumption about future employment and mortality. The amounts determined from the actuarial study regarding the total pension liability, total fiduciary net position, net pension liability and annual pension expense of the County are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future.

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Discount Rate	7.0%
Inflation	2.5%
Payroll Growth	2.0%
Projected Salary Increases	3.50% to 5.95% per year
Investment Rate of Return	7.0% net of pension plan investment expense
Cost of Living Adjustment	2.5% per year for Plan 1 employees and 2.25% for Plan 2 employees

Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately .06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purpose of slightly more than the assumed 7.0 percent. However, since the difference was minimal, and a more conservative 7.0 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension liabilities.

Mortality rates were based on the RP-2014 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB to 2020. Mortality rates for pre-retirement are RP-2014 white collar employee rates to age 80, white collar healthy annuitant rates at ages 81 and older projected with scale BB to 2020. Mortality rates for post-retirement are RP-2014 white collar employee rates to age 49, white collar health annuitant rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65-70 and 2.0% increase compounded from ages 75 to 90. Mortality rates for post-disablement are RP-2014 disability mortality rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. The actuarial cost method used was the Entry Age Method and the amortization method used was the Level percent closed method. The remaining amortization period is 30 years and the asset valuation method used was the 5-year smoothed market. Changes to the actuarial assumptions as a result of the experience study included an update to a more current mortality table (RP-2014 projected to 2020), lowered retirement rates at older ages and change final retirement from 70 to 75, adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service, adjusted disability rates to better match experience and no changes to the salary scale.

E. Long-Term Expected Rate of Return

The long-term expected rate of return on 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 System 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	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return	Weighted Average Long-Term Expected Real Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to mode future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a medial return of 6.83%, including expected inflation of 2.50%.

F. Discount Rate

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity of the County's Component Unit proportionate share of the net pension liability to changes in the discount rate.

The following presents the School Board and JRJDC's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower (6 percent) or 1- percentage point higher (8 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
School Board			
Teacher's proportionate share of the net pension liability	$ 602,414,010	$ 403,402,000	$ 238,778,373
School Board Non-Professional Group net pension liability	3,621,362	2,808,553	2,120,074
School Board C&M's proportionate share of the net pension liability	35,021,684	21,900,976	5,400,435
Total all Schools	$ 641,057,056	$ 428,111,529	$ 246,298,882
James River Juvenile Detention Center			
James River Juvenile Detention Center proportionate share of the net pension liability	$4,439,072	$2,516,229	$684,516

H. Deferred Outflows and Inflows of Resources Related to Pensions

The School Board and JRJDC have recognized deferred outflows of resources of $47,147,922 and $410,440, respectively, resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. The School Board and JRJDC have recognized deferred outflows of resources of $45,490,011 and $532,751, respectively, resulting from the difference between projected and actual earnings on pension plan investments. The School Board has recognized deferred outflows of resources of $1,891,000 resulting from a change in the proportionate share allocation of the beginning net pension liability for the actuarial measurement date June 30, 2017. The School Board and JRJDC have recognized deferred outflows of resources of $6,294,741 and $39,015, respectively, resulting for changes of assumptions.

The School Board and JRJDC have recognized deferred inflows of resources of $61,751,761 and $722,283, respectively, resulting from the difference between projected and actual earnings on pension plan investments. The School Board and JRJDC have recognized deferred inflows of resources of $8,276,439 and $95,685 respectively, resulting from a change in the proportionate share allocation of the beginning net pension liability for the actuarial measurement date June 30, 2017. The School Board and JRJDC have recognized deferred inflows of resources of $30,550,130 and $243,340, respectively, resulting from the difference between expected and actual experience.

As of June 30, 2018, the School Board's deferred outflows and inflows of resources is as follows:

Deferred Outflows of Resources	
Teachers – employer contributions	$ 44,126,503
Teachers – difference in earnings	40,830,688
Teachers – proportionate share	1,891,000
Teachers – changes of assumptions	5,887,000
Schools Non-Professional Group – employer contributions	199,883
Schools Non-Professional Group – difference in earnings	232,798
Schools C&M – employer contributions	2,821,536
Schools C&M – changes of assumptions	307,805
Schools C&M – difference in earnings	4,426,525
Total Deferred Outflows of Resources	$100,723,738

Deferred Inflows of Resources	
Teachers – difference in earnings	$ 55,486,688
Teachers – proportionate share	5,724,000
Teachers – difference in experience	28,565,000
Schools Non-Professional Group – difference in earnings	295,548
Schools C&M – difference in earnings	5,969,525
Schools C&M – proportionate share	2,552,439
Schools C&M – difference in experience	1,985,130
Total Deferred Inflows of Resources	$100,578,330

These deferred outflows and deferred inflows resulting from the difference between projected and actual earnings, changes in the proportionate share allocation and the difference between expected and actual experience will be recognized in pension expense as follows:

School Board

Year Ending June 30:	Teachers	School Board Non-Professional Group	School Board C&M	Total
2019	$ (17,966,777)	$ (53,296)	$ (3,343,864)	$ (21,363,937)
2020	(2,533,777)	35,213	(709,887)	(3,208,451)
2021	(5,687,777)	7,091	(661,162)	(6,341,848)
2022	(13,510,078)	(51,758)	(1,057,851)	(14,619,687)
Thereafter	(1,468,591)	-	-	(1,468,591)
	$ (41,167,000)	$ (62,750)	$ (5,772,764)	$ (47,002,514)

James River Juvenile Detention Center

Year Ending June 30:	
2019	$ (271,417)
2020	(26,632)
2021	(57,408)
2022	(134,085)
	$ (489,542)

I. Employer Contributions

The County's Component Unit proportionate shares were calculated on the basis of historical employer contributions. Although GASB Statement No. 68 encourages the use of the projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS Teacher Retirement Plan that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution efforts are contributions toward the purchase of employee service, contributions for adjustments for prior periods, and supplemental employer contributions.

The employer contributions used in the determination of employers' proportionate shares of collective pension amounts reported in the Schedule of Employer Allocations was based on the total employer contributions using the plan's contribution rates and the and the employer's covered payroll for June 30, 2017. The County's Teacher portion was $37,950,142. Of that amount, $624,275 was transferred to ICMA-RC as the employer cost of the defined contribution component for employees covered by the Hybrid retirement plan benefit structure and $37,325,867 was retained by the defined benefit plan. The employer contributions of $37,328,230 reported in the VRS Teacher Employee's Retirement Plan's Statement of Changes in Net Position (per the System's separately issued financial statements) reflects this net amount plus approximately $2,363 in other employer contributions that were not representative of future contribution efforts.

NOTE 11. HEALTHCARE OPEB PLAN – SINGLE EMPLOYER

A. Plan Description

The County provides other postemployment healthcare benefits for retired employees through the County of Henrico Post Retirement Benefits Plan, a single-employer defined benefit OPEB plan ("Plan"). The benefit levels, employee contributions and employer contributions are governed by the County and can be amended by the County.

As described in Note 2, the County participates in the Virginia Pooled OPEB Trust Fund ("Trust Fund"), an irrevocable trust established for the purpose of accumulating assets to fund postemployment healthcare benefits other than pensions.

Healthcare Benefits

The County provides health and dental care benefits during retirement for retirees and their dependents. Employees who wish to have County sponsored health and dental care coverage must enroll within 31 days of the date their employment coverage ends. Employees retiring with an immediate VRS monthly retirement payment may elect to be covered under the County sponsored medical and dental plan at the time they retire. Benefits are provided through a third-party insurer.

Eligible retirees under the age of 65 and their dependents, can remain in the County' health and dental plans. Medicare eligible retirees at age 65, move to a Medicare carve-out plan which is coordinated with Medicare. Upon the death of the retiree, surviving spouses may elect to remain in the County's plan.

Current Henrico County retirees who qualify for health benefits receive an implicit rate subsidy by participating in the active employee health care risk pool. The County also provides a retiree health care supplement for retirees who meet the following eligibility conditions:

1. Retirees who are not eligible for the VRS health care credit.
2. Retirees must have a minimum of 20 full years of VRS service, 10 of which must be with the County.
3. The supplement will be paid only to eligible retirees who choose to remain in the County's group plan.
4. Employees retiring on a VRS disability will receive the monthly supplement for the greater of 30 years or their actual years of VRS service.

Effective January 1, 2006, the monthly supplement is $3.00 for each full year of service. The former cap of 30 years of service has been removed. Therefore, all VRS service will be recognized for the supplement. Upon the death of a retiree, surviving spouses may elect to remain in the County's plan.

Membership

At June 30, 2018, membership for the postemployment healthcare benefits consisted of:

Retirees and beneficiaries	1,317
Active employees	10,523
Total participants	11,840

B. Funding Policy

The County currently contributes amounts to the Virginia Pooled OPEB Trust Fund for the postemployment healthcare benefits. The Board of the Trust Fund establishes rates based on an actuarially determined rate. Contributions are irrevocable and shall be dedicated to providing other post-employment benefits or to defray reasonable expenses of the Trust Fund. For the year ended June 30, 2018, the County's contribution to the OPEB Trust Fund was $2,750,000 and the average contribution rate was 1.32 percent of covered employee payroll.

C. Net OPEB Liability and OPEB Expense

For purposes of measuring the net postemployment healthcare OPEB liability, deferred outflows and deferred inflows of resources, OPEB expense and the additions to/deductions from net fiduciary position have been determined on the same basis as they were reported as of June 30, 2018. 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.

At June 30, 2018, the County's Governmental Activities, Business-Type Activities, School Board and JRJDC's employee allocation, reported a net postemployment healthcare OPEB liability of $13,646,757, $729,926, $12,400,409 and $138,012 respectively, for its proportionate share of the net pension liability. At June 30, 2018, the Governmental Activities, Business-Type Activities, School Board and JRJDC proportion of the County of Henrico was 50.70 percent, 2.71 percent, 46.07 percent and .51 percent, respectively.

For the year ended June 30, 2018, the County's Governmental Activities, Business-Type Activities, School Board and JRJDC recognized healthcare OPEB expense of $1,427,039, $76,326, $1,296,711 and $14,432, respectively. For the year ended June 30, 2018, the County's Governmental Activities recognized line of duty OPEB expense of $2,166,675. The total OPEB expense for the County's Primary Government is $3,670,040.

As of June 30, 2018, the County's Primary Government net Healthcare OPEB liability is as follows:

Governmental Activities	
Total Healthcare OPEB liability	$ 44,745,616
Fiduciary net position	31,098,859
Net Healthcare OPEB liability	$ 13,646,757
Business-Type Activities	
Total Healthcare OPEB liability	$ 2,393,315
Fiduciary net position	1,663,389
Net Healthcare OPEB liability	$ 729,926
Total Primary Government	
Total Healthcare OPEB liability	$ 47,138,931
Fiduciary net position	32,762,248
Net Healthcare OPEB liability	$ 14,376,683
Plan fiduciary net position as a percentage of the total Healthcare OPEB liability	70%

As of June 30, 2018, the County's Component Unit net Healthcare OPEB liability is as follows:

Schools	
Total Healthcare OPEB liability	$ 40,659,031
Fiduciary net position	28,258,624
Net Healthcare OPEB liability	$ 12,400,407
JRJDC	
Total Healthcare OPEB liability	$ 452,520
Fiduciary net position	314,508
Net Healthcare OPEB liability	$ 138,012
Total Component Unit	
Total Healthcare OPEB liability	$ 41,111,551
Fiduciary net position	28,573,132
Net Healthcare OPEB liability	$ 12,538,419
Plan fiduciary net position as a percentage of the total net Group Life Insurance OPEB liability	70%

Change in the Net Healthcare OPEB Liability

Governmental Activities	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	$58,060,636	$27,057,164	$31,003,472
Changes for the year:			
Service cost	1,917,454	-	1,917,454
Interest	4,051,282	-	4,051,282
Changes of assumptions	(2,879,919)	-	(2,879,919)
Difference between expected and actual experience	(14,301,201)	-	(14,301,201)
Contributions-employer	-	3,471,422	(3,471,422)
Contributions-employee	-	-	-
Net investment income	-	2,673,163	(2,673,163)
Benefit payments, including refunds of employee contributions	(2,102,636)	(2,102,636)	-
Administrative expense	-	(254)	254
Other changes	-	-	-
Net changes	(13,315,020)	4,041,695	(17,356,715)
Balances at June 30, 2018	44,745,616	31,098,859	13,646,757
Business-Type Activities			
Balances at June 30, 2017	3,105,497	1,447,210	1,658,287
Changes for the year:			
Service cost	102,559	-	102,559
Interest	216,691	-	216,691
Changes of assumptions	(154,039)	-	(154,039)
Difference between expected and actual experience	(764,929)	-	(764,929)
Contributions-employer	-	185,676	(185,676)
Contributions-employee	-	-	-
Net investment income	-	142,981	(142,981)
Benefit payments, including refunds of employee contributions	(112,464)	(112,464)	-
Administrative expense	-	(14)	14
Other changes	-	-	-
Net changes	(712,182)	216,179	(928,361)
Balances at June 30, 2018	2,393,315	1,663,389	729,926
Total Governmental Activities			
Balances at June 30, 2017	61,166,133	$28,504,374	32,661,759
Changes for the year:			
Service cost	2,020,013	-	2,020,013
Interest	4,267,973	-	4,267,973
Changes of assumptions	(3,033,958)	-	(3,033,958)
Difference between expected and actual experience	(15,066,130)	-	(15,066,130)
Contributions-employer	-	3,657,098	(3,657,098)
Contributions-employee	-	-	-
Net investment income	-	2,816,144	(2,816,144)
Benefit payments, including refunds of employee contributions	(2,215,100)	(2,215,100)	-
Administrative expense	-	(268)	268
Other changes	-	-	-
Net changes	(14,027,202)	4,257,874	(18,285,076)
Balances at June 30, 2018	47,138,931	32,762,248	14,376,683

Change in the Net Healthcare OPEB Liability

School Board	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	52,758,001	24,586,054	28,171,947
Changes for the year:			
Service cost	1,742,334	-	1,742,334
Interest	3,681,281	-	3,681,281
Changes of assumptions	(2,616,898)	-	(2,616,898)
Difference between expected and actual experience	(12,995,083)	-	(12,995,083)
Contributions-employer	-	3,154,379	(3,154,379)
Contributions-employee	-	-	-
Net investment income	-	2,429,025	(2,429,025)
Benefit payments, including refunds of employee contributions	(1,910,604)	(1,910,604)	-
Administrative expense	-	(230)	230
Other changes	-	-	-
Net changes	(12,098,970)	3,672,570	(15,771,540)
Balances at June 30, 2018	40,659,031	28,258,624	12,400,407
James River Juvenile Detention Center			
Balances at June 30, 2017	587,177	273,634	313,543
Changes for the year:			
Service cost	19,392	-	19,392
Interest	40,971	-	40,971
Changes of assumptions	(29,125)	-	(29,125)
Difference between expected and actual experience	(144,631)	-	(144,631)
Contributions-employer	-	35,107	(35,107)
Contributions-employee	-	-	-
Net investment income	-	27,034	(27,034)
Benefit payments, including refunds of employee contributions	(21,264)	(21,264)	-
Administrative expense	-	(3)	3
Other changes	-	-	-
Net changes	(134,657)	40,874	(175,531)
Balances at June 30, 2018	452,520	314,508	138,012
Total Component Unit			
Balances at June 30, 2017	53,345,178	24,859,688	28,485,490
Changes for the year:			
Service cost	1,761,726	-	1,761,726
Interest	3,722,252	-	3,722,252
Changes of assumptions	(2,646,023)	-	(2,646,023)
Difference between expected and actual experience	(13,139,714)	-	(13,139,714)
Contributions-employer	-	3,189,486	(3,189,486)
Contributions-employee	-	-	-
Net investment income	-	2,456,059	(2,456,059)
Benefit payments, including refunds of employee	(1,931,868)	(1,931,868)	-
Administrative expense	-	(233)	233
Other changes	-	-	-
	(12,233,627)	3,713,444	(15,947,071)
Balances at June 30, 2018	41,111,551	28,573,132	12,538,419

D. Actuarial Methods and Assumptions

The 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 benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included 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 calculation.

In the June 30, 2018 actuarial valuation which was used for the June 30, 2018 measurement date for postemployment healthcare benefits, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7 percent discount rate of return, salary increases of 2.5 percent annually and an annual healthcare cost trend rate of 8 percent trending down over the next twelve years to a rate of 5 percent for future years. The remaining closed amortization period at June 30, 2018 for the calculation of contributions was 20 years. Experience gains or losses are amortized over the average working lifetime of all participants which is 7 years for the current period. Plan amendments are recognized immediately. Investment gains or losses are amortized over a 5-year period. Changes in actuarial assumptions are amortized over the average working lifetime of all participants. The County plans to continue to fund the OPEB Trust annually and has no plans to currently pay any benefits out of the OPEB Trust.

Mortality Rates

Mortality rates for the postemployment healthcare benefits are as follows:

Mortality rates – pre-commencement

County:

- RP-2014 Employee Mortality Table projected with Scale BB to 2020; then set back for 1 year for males and set back 1 year for females.

Schools:

- RP-2014 White Collar Employee Mortality Table projected with Scale BB to 2020.

Mortality rates – post-commencement

County:

- RP-2014 Healthy Annuitant Mortality Table projected with Scale BB to 2020; then set forward 1 year for males and set back 1 year for females. Females have 1.5% increase compounded from ages 70 to 85.

Schools:

- RP-2014 White Collar Healthy Annuitant Mortality Table projected with Scale BB to 2020; then set back 3 years for females. Males have 1% increase compounded from ages 70 to 90. Females have 1.5% increase compounded from ages 65 to 75 and 2% increase compounded from ages 75 to 90.

Mortality rates – post – disablement

County:

- RP-2014 Disabled Mortality Table projected with Scale BB to 2020; males 115% of rates, females 130% of rates.

Schools:

- RP-2014 Disabled Mortality Table projected with Scale BB to 2020; males and females 115% of rates.

E. Long-Term Expected Rate of Return

Investment policy

The Board of the Trust Fund has the responsibility for managing the investment process. In fulfilling this responsibility, the Board will establish and maintain investment policies and objectives. Within this framework, the Board monitors and evaluates the investment managers, bank custodian, and other parties, to monitor whether operations conform to the guidelines and actual results meet objectives. If necessary, the Board is responsible for making changes to achieve this. The investment objective is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. The following was the Board's adopted asset allocation policy as of June 30, 2018:

Asset Class	**Target Allocation**
Domestic equity	36%
Fixed Income	21%
Foreign equity	18%
Diversified hedge funds	10%
Real assets	10%
Private equity	5%
Total	100%

For the year ended June 30, 2018, the long-term expected rate of return on postemployment Healthcare plan investments was determined using the annual money-weighted rate of return on investments, net of investment expenses which was 9.52 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The capital market assumptions use the building block method to help calculate the OPEB Trust's long-term rate of return. The long-term rates of return are arithmetic and are used as inputs for the mode to arrive at the median returns for the portfolio which are geometric. When calculating the median rates, which are used to set the target rates, the intermediate term rates are used for the first 10 years and the long-term rates for all years thereafter. The County's best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return	Weighted Average Long-Term Expected Real Rate of Return
Domestic Equity	36.00%	8.16%	2.94%
Fixed Income	21.00%	2.92%	0.61%
Foreign Equity	18.00%	9.16%	1.65%
Diversified hedge funds	10.00%	5.29%	0.53%
Real Assets	10.00%	5.04%	0.50%
Private Equity	5.00%	10.16%	0.51%
Total	100.00%		6.74%
	Inflation		3.00%
	* Expected arithmetic nominal return		9.74%

F. Discount Rate

The discount rate used to measure the total Healthcare OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that County contributions will be made equal to the actuarially determined contribution rates. Based on those assumptions, the Healthcare OPEB plan's fiduciary net position was projected to be available to make all projected future payments of current pan members. Therefore, the long-term expected rate of return no OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Sensitivity of the net Healthcare OPEB liability to changes in the discount rate

The following presents the County's Governmental Activities, Business-Type Activities and School Board proportionate share and JRJDC's net Healthcare OPEB liability calculated using the discount rate of 7 percent, as well as what the proportionate share of the net Healthcare OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (6 percent) or 1- percentage point higher (8 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Healthcare OPEB			
Governmental Activities proportionate share of the net OPEB liabilty	$18,612,612	$13,646,757	$9,396,559
Business-Type Activities proportionate share of the net OPEB liability	$991,691	$729,926	$503,087
School Board proportionate share of the net OPEB liability	$16,881,374	$12,400,407	$8,503,478
James River Juvenile Detention Center proportionate share of the net OPEB liabilty	$190,498	$138,012	$92,509

H. Sensitivity of the net Healthcare OPEB liability to changes in the healthcare cost trend rate

The following presents the County's Governmental Activities, Business-Type Activities and School Board proportionate share and JRJDC's net Healthcare OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate.

	1% Decrease 7% deceasing to 4% over 12 years	Current Rate 8% decreasing to 5% over 12 years	1% Increase 9% decreasnig to 6% over 12 years
Healthcare OPEB			
Governmental Activities proportionate share of the net OPEB liabilty	$10,651,555	$13,646,757	$17,154,376
Business-Type Activities proportionate share of the net OPEB liability	$565,944	$729,926	$918,600
School Board proportionate share of the net OPEB liability	$8,001,381	$12,400,407	$17,617,798
James River Juvenile Detention Center proportionate share of the net OPEB liabilty	$102,408	$138,012	$178,809

I. Deferred Outflows and Inflows of Resources Related to Healthcare OPEB

The County's Governmental Activities, Business-Type Activities, School Board and JRJDC reported deferred outflow of resources and deferred inflow of resources related to healthcare OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Primary Government		
Governmental Activities		
Difference between expected and actual experience	$ -	$ 12,258,172
Changes of assumptions	-	2,468,502
Difference between projected and actual earnings on OPEB plan investments		585,658
Total	$ -	$ 15,312,332
Business-Type Activities		
Difference between expected and actual experience	$ -	$ 655,656
Changes of assumptions	-	132,033
Difference between projected and actual earnings on OPEB plan investments	-	31,325
Total	$ -	$ 819,014
Total Primary Government		
Difference between expected and actual experience	$ -	$ 12,913,828
Changes of assumptions	-	2,600,535
Difference between projected and actual earnings on OPEB plan investments	-	616,983
Total	$ -	$ 16,131,346
Component Units		
School Board		
Difference between expected and actual experience	$ -	$ 11,138,640
Changes of assumptions	-	2,243,055
Difference between projected and actual earnings on OPEB plan investments	-	532,171
Total	$ -	$ 13,913,866
JRJDC		
Difference between expected and actual experience	$ -	$ 123,969
Changes of assumptions	-	24,964
Difference between projected and actual earnings on OPEB plan investments	-	5,923
Total	$ -	$ 154,856
Total Component Unit		
Difference between expected and actual experience	$ -	$ 11,262,609
Changes of assumptions	-	2,268,019
Difference between projected and actual earnings on OPEB plan investments	-	538,094
Total	$ -	$ 14,068,722

The change in the difference between expected and actual experience, changes of assumptions and difference between projected and actual earnings on OPEB plan investments will be recognized in healthcare OPEB expense as follows:

Year Ending June 30	Governmental Activities	Business-Type Activities	School Board	JRJDC
2019	$ (2,600,860)	$ (139,113)	$ (2,363,325)	$ (26,303)
2020	(2,600,860)	(139,113)	(2,363,325)	(26,303)
2021	(2,600,860)	(139,113)	(2,363,325)	(26,303)
2022	(2,600,860)	(139,113)	(2,363,325)	(26,303)
2023	(2,454,446)	(131,281)	(2,230,283)	(24,822)
Thereafter	(2,454,446)	(131,281)	(2,230,283)	(24,822)
	$ (15,312,332)	$ (819,014)	$ (13,913,866)	$ (154,856)

NOTE 12. LINE OF DUTY OPEB PLAN – SINGLE EMPLOYER

A. Line of Duty OPEB Plan Benefits

The County provides death and disability benefits for public safety officers or their beneficiaries due to death or disability resulting from the performance of duties. The County provides a one-time death benefit to a beneficiary in the amount of $100,000 for death due to unnatural causes and $25,000 for death due to specified work-related illnesses. The County provides health insurance coverage for a permanently disabled officer, spouse and dependent children.

At June 30, 2018, membership for the postemployment line of duty benefits consisted of:

Active employees	1,686
Disabled and surviving spouses	51
Total participants	1,737

B. Funding Policy

The Line of Duty plan is not administered through a trust or equivalent arrangement and is funded on a pay-as-you-go basis and therefore the plan has no fiduciary net position and the County reports the total OPEB liability on its Statement of Net Position as of the measurement date.

C. OPEB Liability and OPEB Expense

The County's Governmental Activities reported a net line of duty OPEB liability of $26,601,470 and OPEB expense of $2,062,474 at June 30, 2018.

Change in the Net Line of Duty OPEB Liability

Governmental Activities	Total OPEB Liability
Balances at June 30, 2017	$25,279,187
Changes for the year:	
Service cost	1,292,690
Interest	769,784
Contributions-employer	-
Benefit payments, including refunds of employee contributions	(740,191)
Net changes	1,322,283
Balances at June 30, 2018	$26,601,470

D. Actuarial Assumptions

In the June 30, 2018 actuarial valuation for postemployment line of duty benefits, which was used for the June 30, 2018 measurement date, the Entry Age Normal Actuarial Cost Method was used with attribution to the event that caused the death or disability. The actuarial assumptions included an inflation rate of 3 percent, a 2.98 percent discount rate, and salary increases of 3 percent annually. Medical health care assumptions of 8 percent trending down to a rate of 5 percent over the next twelve years based on a closed group and 5 percent per annum for dental health care assumptions. No provision is made for future hires.

Mortality rates for the line of duty benefits are as follows:

Mortality rates – pre-commencement
- RP-2014 Employee Mortality Table projected with Scale BB to 2020; then set back 1 year for males and setback 1 year for females.

Mortality rates – post -commencement
- RP-2014 Healthy Annuitant Mortality Table projected with Scale BB to 2020; then set forward 1 year for males and set back 1 year for females. Females have 1.5% increase compounded from ages 70 to 85.

Mortality rates – post - disablement
- RP-2014 Disabled Mortality Table projected with Scale BB to 2020; males 115% of rates, females 130% of rates.

E. Discount Rate

The discount rate of 2.98% is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2018.

F. Sensitivity of the Line of Duty OPEB liability to changes in the discount rate

The following presents the County's Line of Duty OPEB liability calculated using the discount rate of 2.98 percent, as well as what the Line of Duty OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98 percent) or 1- percentage point higher (3.98 percent) than the current rate:

	1% Decrease (1.98%)	Discount Rate (2.98%)	1% Increase (3.98%)
Line of Duty OPEB			
Governemntal acivities - OPEB liability	$30,988,604	$26,601,470	$23,126,103

G. Sensitivity of the Line of Duty OPEB liability to changes in the healthcare cost trend rate

The following presents the County's Line of Duty OPEB liability calculated using the healthcare cost trend rate, as well as what the Line of Duty OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

	1% Decrease 7% decreasing to 4% over 12 years	Current 8% decreasing to 5% over 12 years	1% Increase 9 decreasing to % over 12 years
Line of Duty OPEB			
Governemntal acivities - OPEB liability	$22,659,220	$26,601,470	$31,610,195

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS – VRS GROUP LIFE INSURANCE PROGRAM

A. Plan Description

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

All full-time, salaried permanent employees of the County are automatically covered the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System). In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. The Optional Group Life Insurance Program is a separate and fully insured program and is not included as part of the Group Life Insurance Program OPEB.

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect to participate in the program. Basic group life insurance coverage is automatic upon employment. Group life insurance coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

The benefits payable under the Group Life Insurance Program have several components.

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

- Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides, under specific circumstances, accidental dismemberment benefits, safety belt benefits, repatriation benefits, felonious assault benefits and accelerated death benefit options

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

The contribution requirements for the Group Life Insurance Program are governed by Title 51.1 of the *Code of Virginia* (1950), as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Governmental Activities contributions to the Group Life Insurance Program for the VRS for the years ending 2018, 2017, and 2016 were $1,454,767, $1,049,923 and $935,447, respectively, and are equal to the required contributions for each year. Business-Type Activities contributions to the Group Life Insurance Program for the VRS for the years ended June 30, 2018, 2017, and 2016 were $71,947, $71,917 and $63,474, respectively, and are equal to the required contributions for each fiscal year. School Board contributions to the Group Life Insurance Program for the VRS for the years ended June 30, 2018, 2017, and 2016 were $1,524,612, $1,499,161 and $1,343,458, respectively, and are equal to the required contributions for each fiscal year. JRJDC contributions to the Group Life Insurance Program for the VRS for the years ended June 30, 2018, 2017, and 2016 were $16,388, $14,970 and $13,682 respectively, and are equal to the required contributions for each fiscal year.

C. Net OPEB Liabilities and OPEB Expense

For purposes of measuring the net Group Life Insurance OPEB liability, deferred outflows and deferred inflows of resources related to Group Life Insurance OPEB, Group Life Insurance OPEB expense and the fiduciary net position of the VRS Group Life Insurance Plan and the additions to/deductions from the VRS Group Life Insurance Plan's net fiduciary position have been determined on the same basis as they were reported by 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.

At June 30, 2018, the County's Governmental Activities, Business-Type Activities, School Board and JRJDC reported a net Group Life Insurance OPEB liability of $16,472,124, $1,128,296, $23,519,379 and $234,869 respectively. The net Group Life Insurance OPEB liability was measured as of June 30, 2017, and the total

Group Life Insurance OPEB liability used to calculate the net Group Life Insurance OPEB liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to the measurement date of June 30, 2017. The County's Governmental Activities and Business-Type Activities proportion of the net Group Life Insurance OPEB liability and Group Life Insurance OPEB expense related to the County's Group Life Insurance plan was based on a projection of long-term share of contributions to the County's Group Life Insurance plan relative to the projected contributions in the future.

As of June 30, 2018, the County's Primary Government net Group Life Insurance OPEB liability is as follows:

Governmental Activities	
Total Group Life Insurance OPEB liability	$ 32,208,079
Fiduciary net position	15,735,955
Net Group Life Insurance OPEB liability	$ 16,472,124
Business-Type Activities	
Total Group Life Insurance OPEB liability	$ 2,206,167
Fiduciary net position	1,077,871
Net Group Life Insurance OPEB liability	$ 1,128,296
Total Primary Government	
Total Group Life Insurance OPEB liability	$ 34,414,246
Fiduciary net position	16,813,826
Net Group Life Insurance OPEB liability	$ 17,600,420
Plan fiduciary net position as a percentage of the total Group Life Insurance OPEB liability	49%

The School Board's proportion of the net Group Life Insurance OPEB liability and Group Life Insurance OPEB expense related to the VRS Group Life Insurance Program was based on a projection of the School Board's long-term share of contributions to the VRS Group Life Insurance Program relative to the projected contributions of all participating employers. JRJDC's proportion of the net Group Life Insurance OPEB liability and Group Life Insurance OPEB expense related to the County's Group Life Insurance plan was based on a projection of JRJDC's long-term share of contributions to the County's Group Life Insurance plan relative to the projected contributions in the future.

The School Board net Group Life Insurance OPEB liability of $23,519,379 is made up of three groups of employees. The Teacher's net Group Life Insurance OPEB liability of $21,300,000, the School Board Non-Professional Group net Group Life Insurance OPEB liability of $57,000 and the School C&M net Group Life Insurance OPEB liability of $2,162,379. The School C&M proportion of the net Group Life Insurance OPEB liability and expense was based on the School C&M employer contributions as a percentage of the total employer contributions of $1,274,639 as of the measurement date of June 30, 2017. For the year ended June 30, 2018, the School Board C&M proportion share allocation was 10.81 percent. For the year ended June 30, 2018, the Teacher Plan, School Board Non-Professional Group and Schools C&M Group reported Group Life Insurance OPEB expense of $243,000, $4,000 and $28,655, respectively. The School Board's participation in the VRS cost-sharing plan for the Teacher Plan and School Board Non-Professional Group and Schools C&M Group was 1.42 % and .0038%, respectively as of June 30, 2018.

As of June 30, 2018, the School Board's net Group Life Insurance OPEB liability is as follows:

Teachers	
Total Group Life Insurance OPEB liability	$ 41,649,157
Fiduciary net position	20,348,599
Net Group Life Insurance OPEB liability	$ 21,300,559

Schools Non-Professional Group		
Total Group Life Insurance OPEB liability	$	112,401
Fiduciary net position		54,916
Net Group Life Insurance OPEB liability	$	57,485
Schools C&M		
Total Group Life Insurance OPEB liability	$	4,228,161
Fiduciary net position		2,065,782
Net Group Life Insurance OPEB liability	$	2,162,379
Total Schools		
Total Group Life Insurance OPEB liability	$	45,989,719
Fiduciary net position		22,469,297
Net Group Life Insurance OPEB liability	$	23,520,423
Plan fiduciary net position as a percentage of the total net Group Life Insurance OPEB liability		49%

JRJDC's proportion of the net Group Life Insurance OPEB liability and expense was based on JRJDC's employer contributions as a percentage of the total employer contributions of $1,274,639 as of the measurement date of June 30, 2017. At June 30, 2017, JRJDC's proportion share was 1.17 percent. For the year ended June 30, 2018, JRJDC reported Group Life Insurance OPEB expense of $3,112.

D. Actuarial Assumptions

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 assumption about future employment and mortality. The amounts determined from the actuarial study regarding the total OPEB liability, total fiduciary net position, net OPEB liability and annual OPEB expense of the County are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future.

The total OPEB liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Discount Rate	7.0%
Inflation	2.5%
Payroll Growth	2.0%
Projected Salary Increases	3.50% to 5.95% per year – Teachers
Projected Salary Increases	3.50% to 5.35% per year – Locality – General Employees
Projected Salary Increases	3.50% to 4.75% per year – Locality – Hazardous Duty Employees
Investment Rate of Return	7.0% net of pension plan investment expense
Cost of Living Adjustment	2.5% per year

Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately .06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purpose of slightly more than the assumed 7.0 percent. However, since the difference was minimal, and a more conservative 7.0 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension liabilities.

Mortality rates were based on the RP-2014 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB to 2020. Mortality rates for pre-retirement are RP-2014 white collar employee rates to age 80, white collar healthy annuitant rates at ages 81 and older projected with scale BB to 2020. Mortality rates for post-retirement are RP-2014 white collar employee rates to age 49, white collar health annuitant rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65-70 and 2.0% increase compounded from ages 75 to 90. Mortality rates for post-disablement are RP-2014 disability mortality rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. The actuarial cost method used was the Entry Age Method and the amortization method used was the Level percent closed method. The remaining amortization period is 30 years and the asset valuation method used was the 5-year smoothed market. Changes to the actuarial assumptions as a result of the experience study included an update to a more current mortality table (RP-2014 projected to 2020), lowered retirement rates at older ages and change final retirement from 70 to 75, adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service, adjusted disability rates to better match experience and no changes to the salary scale.

E. Long-Term Expected Rate of Return

The long-term expected rate of return on 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 System for use in the last actuarial experience study for the four-year period ending June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return	Weighted Average Long-Term Expected Real Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to mode future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a medial return of 6.83%, including expected inflation of 2.50%.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity of the County's Governmental Activities, Business-Type Activities and Component Unit proportionate share of the net Group Life Insurance OPEB liability to changes in the discount rate.

The following presents the County's Governmental Activities, Business-Type Activities, School Board and JRJDC's proportionate share of the net Group Life Insurance OPEB liability calculated using the discount rate of 7 percent, as well as what the proportionate share of the net Group Life Insurance OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (6 percent) or 1- percentage point higher (8 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Primary Government			
Governmental Activities proportionate share of the net group life insurance opeb liability	$ 21,305,001	$ 16,472,124	$ 12,554,341
Business-Type Activities proportionate share of the net group life insurance opeb liability	1,459,335	1,128,296	859,938
Total Primary Government	$ 22,764,336	$ 17,600,420	$ 13,414,279
School Board			
Teacher's proportionate share of the net group life insurance opeb liability	$ 27,550,085	$ 21,300,559	$ 16,234,365
School Board Non-Professional Group net group life insurance opeb liability	74,351	57,485	43,812
School Board C&M's proportionate share of the net group life insurance opeb liability	2,796,816	2,162,379	1,648,072
Total all Schools	$ 30,421,252	$ 23,520,423	$ 17,926,249
James River Juvenile Detention Center			
James River Juvenile Detention Center proportionate share of the net group life insurance opeb liability	$303,778	$234,869	$179,007

H. Deferred Outflows and Inflows of Resources Related to Group Life Insurance OPEB

The County's Governmental Activities, Business-Type Activities, School Board and JRJDC have recognized deferred outflows of resources of $1,454,767, $71,947, $1,524,612 and $13,682, respectively, resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net Group Life Insurance OPEB liability in the fiscal year ending June 30, 2019. The County's Governmental Activities, Business-Type Activities, School Board and JRJDC have recognized deferred outflows of resources of $186,157, $12,751, $43,438 and $2,654 respectively, resulting from changes in proportionate share.

The County's Governmental Activities, Business-Type Activities, School Board and JRJDC have recognized deferred inflows of resources of $364,900, $24,995, $,520,902 and $5,203 respectively, resulting from the difference between expected and actual experience. The County's Governmental Activities, Business-Type Activities, School Board and JRJDC have recognized deferred inflows of resources of $620,248, $42,485, $885,423 and $8,844 respectively, resulting from the difference between projected and actual earnings on pension plan investments. The County's Governmental Activities, Business-Type Activities, School Board and JRJDC have recognized deferred inflows of resources of $848,413, $58,114, $1,211,375 and $12,097 respectively, resulting from changes of assumptions.

As of June 30, 2018, the County's Primary Government deferred outflows and inflows of resources is as follows:

Deferred Outflows of Resources		
Governmental Activities – employer contributions	$	1,454,767
Governmental Activities – proportionate share		186,157
Business-Type Activities – employer contributions		71,947
Business-Type Activities – proportionate share		12,751
Total Deferred Outflows of Resources		$1,725,622
Deferred Inflows of Resources		
Governmental Activities – difference in experience	$	364,900
Governmental Activities – difference in earnings		620,248
Governmental Activities – change of assumptions		848,413
Business-Type Activities – difference in experience		24,995
Business-Type Activities – difference in earnings		42,485
Business-Type Activities – change of assumptions		58,114
Total Deferred Inflows of Resources		$1,959,155

These deferred outflows and deferred inflows will be recognized in OPEB expense as follows:

Year Ending June 30		Governmental Activities		Business-Type Activities		Total Primary Government
2019	$	(343,484)	$	(23,528)	$	(367,012)
2020		(343,484)		(23,528)		(367,012)
2021		(343,484)		(23,528)		(367,012)
2022		(343,484)		(23,528)		(367,012)
2023		(188,628)		(12,921)		(201,549)
Thereafter		(84,840)		(5,811)		(90,651)
	$	(1,647,404)	$	(112,844)	$	(1,760,248)

As of June 30, 2018, the School Board's deferred outflows and inflows of resources are as follows:

Deferred Outflows of Resources	
Teachers – employer contributions	$ 1,381,664
Teachers – proportionate share	19,000
Schools Non-Professional Group – employer contributions	3,834
Schools C&M – employer contributions	139,114
Schools C&M – proportionate share	24,438
Total Deferred Outflows of Resources	$1,568,050
Deferred Inflows of Resources	
Teachers – difference in experience	$ 472,000
Teachers – difference in earnings	802,000
Teachers – change of assumptions	1,097,000
Schools Non-Professional Group – difference in experience	1,000
Schools Non-Professional Group – difference in earnings	2,000
Schools Non-Professional Group – change of assumptions	3,000
Schools C&M – difference in experience	47,902
Schools C&M – difference in earnings	81,423
Schools C&M – change of assumptions	111,375
Total Deferred Inflows of Resources	$2,617,700

These deferred outflows and deferred inflows will be recognized in OPEB expense as follows:

Year Ending June 30:	Teachers	School Board Non-Professional Group	School Board C&M	Total
2019	$ (484,000)	$ (1,000)	$ (45,091)	(530,091)
2020	(484,000)	(1,000)	(45,091)	(530,091)
2021	(484,000)	(1,000)	(45,091)	(530,091)
2022	(484,000)	(1,000)	(45,091)	(530,091)
2023	(285,000)	(1,000)	(24,762)	(310,762)
Thereafter	(131,000)	(1,000)	(11,136)	(143,136)
	$ (2,352,000)	$ (6,000)	$ (216,262)	(2,574,262)

Year Ending June 30:	James River Juvenile Detention Center
2019	$ (4,898)
2020	(4,898)
2021	(4,898)
2022	(4,898)
2023	(2,690)
Thereafter	(1,208)
	$ (23,490)

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM

A. Plan Description

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

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

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

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

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts
The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement** – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
    - $4.00 per month, multiplied by twice the amount of service credit, or

- $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

B. Funding Policy

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted because of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were $3,277,406 and $2,876,495 for the years ended June 30, 2018 and June 30, 2017, respectively.

The employer contributions used in the determination of employers' proportionate shares of collective other post-employment benefit amounts reported in the schedule of employer allocations was based on the total employer contributions using the plan's contribution rates and the employer's covered payroll for June 30, 2017. This total was $2,876,495. The employer contributions of $2,876,495 reported in the VRS Teacher HIC OPEB Program's Statement of Changes in Net Position (per the System's separately issued financial statements) reflects the calculated amount plus approximately $389 in other employer contributions that were not representative of future contribution efforts.

C. Teacher Employee Health Insurance Credit Program OPEB Liabilities and OPEB Expense

At June 30, 2018, the school division reported a net health insurance credit OPEB liability of $41,657,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 3.28 % as compared to 3.30% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of $3,355,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

The net OPEB liability for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows:

Teacher

	Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	$ 44,812,000
Plan Fiduciary Net Position	3,155,000
Teacher Employee net HIC OPEB Liability	$ 41,657,000
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	7.04%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

D. Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

- Inflation - 2.5 percent
- Salary increases, including inflation – Teacher Employees 3.5 percent – 5.95 percent
- Investment rate of return - 7.0 percent, net of plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality rates – Teachers

Pre-Retirement:
- RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
- RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
- RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

E. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

F. Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS

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

G. Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Teacher's proportionate share of the net HIC OPEB liability	$ 46,493,000	$ 41,657,000	$ 37,546,000

H. Deferred Inflows and Outflows of Resources Related to HIC OPEB

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ 75,000
Change in assumptions	-	428,000
Changes in proportionate share	-	227,000
Employer contributions subsequent to the measurement date	3,277,406	-
Total	$ 3,277,406	$ 730,000

The Henrico Teacher Plan reported $3,277,406 as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year ending June 30:		
FY 2019	$	(117,000)
FY 2020		(117,000)
FY 2021		(117,000)
FY 2022		(117,000)
FY 2023		(99,000)
Thereafter		(163,000)
Total	$	(730,000)

NOTE 15. DEFINED COMPENSATION PLAN

The School Board participates in an Early Retirement Program (the "Program") for eligible employees. All full time employees of the School Board are eligible to participate in the Program at age 50 up to their full Social Security retirement age. Retirees must have the last 10 years of employment with Henrico County Public Schools and at least 16 years of coverage under the Virginia Retirement System. Eligible retirees can be involuntarily taken out of the Program for disability or performance issues. The Program can be terminated for lack of funds.

Eligible retirees receive 20 percent of their final compensation annually for a period not to exceed 7 years or until they reach full, unreduced Social Security retirement age, whichever occurs first. Retirees' final compensation includes regular pay, including supplements but does not include overtime. Retirement compensation is adjusted pro-rata for the cost of living increases or decreases that are approved by the School Board. As a condition of the Program, participants are required to work 28 days per year. The total maximum days worked is limited to 196 days over a 7-year period. During the fiscal year ended June 30, 2018, an expenditure of $915,888 was recognized in the government-wide financial statements for the compensation paid under the Early Retirement Program during the current year.

NOTE 16. INTERFUND AND COMPONENT UNIT OBLIGATIONS

The General Fund has an advance due from Belmont Park Golf Course for $112,500 for a loan. The General Fund also has a receivable due from Belmont Park Golf Course for $142,047 for a loan. The Water and Sewer Fund has a receivable due from the Capital Projects Fund for a loan. The Health Care Fund has a receivable due from each of the funds listed below for health care contributions due as of June 30, 2018.

Receivables and payables balances at June 30, 2018 were as follows:

	Receivables	**Payables**
General Fund	$ 1,346,619	$ 499,810
Special Revenue Fund	-	104,376
Water and Sewer Fund	2,885,697	44,605
Capital Projects Fund	-	2,885,697
Belmont Park Golf Course	-	1,286,211
Central Automotive Maintenance	-	11,401
Code RVA	-	61,278
Health Care Fund	661,062	-
	$ 4,893,378	$ 4,893,378

The General Fund has a receivable due from JRJDC for operating expenses paid by the General Fund. The Capital Projects Fund has a payable to Schools for a loan.

Component unit receivables and payables balances at June 30, 2018 were as follows:

	Receivables	**Payables**

General Fund – School Board	$	$ 93,213
Special Revenue Fund – School Board	-	3,281
JRJDC	-	9,995
Health Care Fund	106,489	-
	$ 106,489	$ 106,489

NOTE 17. FUND TRANSFERS

Transfers within the County are made between the General Fund, Special Revenue Fund, Debt Service Fund and the Capital Projects Fund. The transfers are made primarily for the payment of debt and interest, construction in progress and to support educational and special revenue activities.

Inter-fund transfers for the year ended June 30, 2018 were as follows:

	Transfers Out	**Transfers In**
Governmental Funds:		
General Fund	$ 117,660,316	$ -
Special Revenue Fund	5,940,550	27,240,669
Debt Service Fund	-	56,988,407
Capital Projects Fund	-	39,371,790
	$ 123,600,866	$123,600,866

NOTE 18. RELATED-PARTY TRANSACTIONS

During fiscal year 2018, the County contributed $1,703,541 to the Economic Development Authority of Henrico County, Virginia, to foster economic development within the County, and the County received $267,857 from the Capital Region Airport Commission for water and sewer services.

NOTE 19. UNEARNED REVENUES

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue related to the County's governmental funds and the School Board component unit, including advance property tax collections, totaling $43,156,509 is comprised of the following:

A. Advance Grant Funding

This represents a liability incurred by the County for monies accepted from a grantor using an advancement method for payments. The liability is reduced, and revenue is recorded when expenditures are made in accordance with the grantor's requirements. Advanced grant funding at June 30, 2018 totaled $4,021,795 and $15,111,896 in the Special Revenue Funds for the County and the School Board respectively.

B. Unearned Tax Revenue

Unearned revenue representing uncollected tax billings not available for funding of current expenditures totaled $4,177,766 at June 30, 2018.

C. Advance Property Tax Collections

Property taxes due subsequent to June 30, 2018, but paid in advance by the taxpayers, totaled $17,912,016 at June 30, 2018.

D. Other Unearned Revenue

This represents grant monies that the County is entitled to but is not yet an available resource at June 30, 2017. The County recorded $421,204 in the General Fund for monies received in advance of expenditures being made as of June 30, 2018. The County recorded $1,440,000 in the Capital Projects Fund for unearned project revenues. Unearned grant revenues for the Schools Special Revenue Fund totaled $71,832 for USDA donated food inventory on hand at June 30, 2018.

Also, the Water and Sewer Revenue Fund recorded unearned revenue in the amount of $17,709,753, which consists of an advance payment from a customer of $7,816,274 for water capacity and amounts held for contractors of $9,893,479

NOTE 20. SURETY BONDS

Surety bonds covered the following constitutional officers and County employees at June 30, 2018:

Constitutional Officers - Self-Insurance Plan, Commonwealth of Virginia		
Heidi S. Barshinger – Clerk of the Circuit Court and Employees of the Clerk of the Circuit Court	$	1,120,000
Ned Smither – Director of Finance and Employees of the Director of Finance	$	1,000,000
Michael L. Wade – Sheriff and Employees of the Sheriff's Office	$	30,000
Travelers Casualty and Surety Company of America		
All County positions	$	1,000,000
All School positions	$	1,000,000
Fidelity and Deposit Company of Maryland		
John Vithoulkas – County Manager	$	100,000
John H. Neal – Director of Department of General Services	$	100,000
Anthony J. Romanello – Deputy County Manager	$	100,000
Randall R. Silber – Deputy County Manager	$	100,000
W. Brandon Hinton – Deputy County Manager	$	100,000
Timothy A. Foster – Deputy County Manager	$	100,000
Douglas A. Middleton– Deputy County Manager	$	100,000
Ty Parr– Director of Department of Social Services	$	100,000
Mark J. Coakley – Registrar	$	100,000
Debra Hargrave – School Board Deputy Agent	$	10,000
Deborah N. Ward – School Board Clerk	$	10,000
Cathy Harris – School Board Deputy Clerk	$	10,000
Patrick C. Kinlaw – School Superintendent and Deputy Agent	$	10,000
Chris Sorenson – School Board Agent	$	10,000

NOTE 21. JOINT VENTURES

A. The Capital Region Airport Commission

The Capital Region Airport Commission (the "Commission") was created in 1975 pursuant to Virginia statute. On January 1, 1976, the County and the City of Richmond entered into an intergovernmental joint venture for the operation of the Richmond International Airport (the "Airport") by the Commission. As part of the venture, the City of Richmond conveyed the Airport property to the Commission and the Commission in turn agreed to reimbursement of the outstanding debt of the City relating to the property. The County also made a contribution to the Commission for an interest in the venture. The Counties of Chesterfield and Hanover became Commission participants in fiscal year 1984 and fiscal year 1986, respectively.

The Commission is comprised of a fourteen-member board of directors, with four members each being appointed by the City of Richmond, the County of Henrico and the County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The 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 statute requires that the Commission annually submit a budget showing estimated revenues and expenditures to the governing bodies of the City of Richmond and the three counties for their approval. After approval of the proposed budget by the governing bodies, if the Commission's budget contains estimated expenditures which exceed estimated revenues, then the governing bodies are required to fund the deficit in proportion to their financial interests in the Commission. If, however, actual revenues are less than estimated revenues (resulting in a deficit), the City of Richmond and the three counties may, at their discretion, appropriate funds necessary to fund the deficit. The County has agreed to fund its portion of the deficit, if any.

The percentage shares of the jurisdictions involved include the following:

City of Richmond	29.27%
County of Henrico	31.44%
County of Chesterfield	30.17%
County of Hanover	9.12%
	100.00%

This financial interest is determined by applying the percentage of the total approximate population of each jurisdiction to the combined total population of all jurisdictions. The above percentages are based on the final 1990 census figures provided by the Richmond Regional Planning District Commission.

Complete financial statements for the Capital Region Airport Commission can be obtained from its administrative office at South Airport Drive, Richmond, Virginia 23231.

B. The Greater Richmond Convention Center Authority

The Greater Richmond Convention Center Authority ("Convention Authority"), a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998 pursuant to the Public Recreational Facilities Authorities Act, Chapter 56 of Title 15.2 of the Code of Virginia (1950). The political subdivisions participating in the incorporation of the Convention Authority are the City of Richmond and the Counties of Henrico, Chesterfield and Hanover. The Convention Authority 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 Convention Authority was created to acquire, finance, expand, renovate, construct, lease, operate and maintain the facility and grounds of a visitors and convention center or centers including the facility and grounds currently known as the Richmond Centre. The primary purpose of the Convention Authority is to issue revenue bonds to finance the expansion of the Richmond Centre facility and to construct access, streetscape, or other on-site/off-site improvements. Once the expansion is complete, the Convention Authority will have responsibility for the operation and maintenance of the convention center.

The Convention Authority has issued $158,415,000 in Hotel Tax Revenue Bonds, which are secured by an 8 percent transient occupancy tax imposed and collected by the localities. The County recorded an expenditure of $13,974,958 for transient occupancy tax to the Convention Authority during the year ended June 30, 2018.

Complete financial statements for the Convention Authority can be obtained from the Chesterfield County Accounting Department, P.O. Box 40, Chesterfield, VA 23832.

NOTE 22. LANDFILL CLOSURE AND POSTCLOSURE CARE LIABILITY

State and Federal laws and regulations require the County to place a final cover on each phase of its Springfield Road landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the Springfield and Charles City Road Landfill site for thirty years after closure. A balance of $3,334,371 has been reported as landfill closure and post-closure care liability in the County's financial statements at June 30, 2018. This balance represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the Eastern Phase, Phase I, Phase II, Phase III and Phase IV. The Springfield Landfill is now closed for post-closure costs. This amount includes closure for the transfer station at the Springfield site. These amounts are based on what it would cost to perform all closure and post-closure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County plans to meet all Federal laws, regulations, and tests of financial assurance related to the financing of closure and post-closure care. The County received a final sanitary landfill certification of full closure on November 2, 2016. The post-closure period begins on this certification date. The transfer station remains in operation.

NOTE 23. SPECIAL ASSESSMENT

On December 12, 2006, the Board of Supervisors, by resolution created The Shops at White Oak Village Community Development Authority (SWOV Authority). The creation of the SWOV Authority was the result of a petition filed October 19, 2006 with the Board of Supervisors by the landowners within The Shops at White Oak Village Community Development Authority District (SWOV District). The SWOV District is located within a 136 acre commercial and retail development known as "The Shops at White Oak Village." The SWOV District consists of approximately 87 acres of land within the County. The SWOV District consists of an open-air regional retail center and outparcel development, with four major anchor stores.

On October 17, 2007, the SWOV Authority issued $23,870,000 Special Assessment Revenue Bonds, Series 2007 (Bonds) which were used to finance the cost of infrastructure improvements within the SWOV District. Neither the faith nor the credit of the Commonwealth, or the SWOV Authority, or any political subdivision thereof, including the County, is pledged to the payment of principal or interest on the Bonds.

By memorandum of understanding, between the County and the SWOV District, dated September 1, 2007, the County will collect and pay to the SWOV District the Special Assessments levied on the SWOV District. The Special Assessments for 2016 was $1,480,000. The County paid $740,000 on August 15, 2016 and February 10, 2017. As of June 30, 2017, the County paid all special assessments that were due to the SWOV District. On March 1, 2017, the remaining $3,690,000 in outstanding bonds were redeemed and $97,785 of interest was paid from the Debt Service Reserve Fund. The County paid $1,368,000 to the White Oak Developer subsequent to June 30, 2017, which was the refund of an initial special assessment payment made by the White Oak Developer to the County in June 2009.

NOTE 24. JOINTLY GOVERNED ORGANIZATIONS

A. Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (the "CVWM Authority") was established under the provision of the Virginia Water and Sewer Authorities Act. The CVWM 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, Petersburg and Richmond, and the Town of Ashland. The 20-member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has three representatives serving. The CVWM 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. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest or responsibility in the Waste Authority. The County's contribution and direct payments for special projects for the year ended June 30, 2018 were $2,466,348.

B. Greater Richmond Partnership

The Greater Richmond Partnership is comprised of members from the City of Richmond and the Counties of Chesterfield, Hanover, and Henrico. Together in partnership with the business leadership of the area, the Greater Richmond Partnership's purpose is to further economic development of the metropolitan area. The County has one representative serving on the Greater Richmond Partnership's Board of Directors and the County contributed $385,000 for the year ended June 30, 2018.

C. Richmond Metropolitan Convention and Visitors Bureau

The Richmond Metropolitan Convention and Visitors Bureau ("RMCVB") serves the City of Richmond and the Counties of Chesterfield, Hanover and Henrico by promoting conventions, tourism and development in the metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved. The County has six representatives serving on RMCVB's Board of Directors and contributed $2,856,636 to RMCVB for the year ended June 30, 2018.

D. Richmond Regional Planning District Commission

The Richmond Regional Planning District Commission ("RRPDC") is comprised of members from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The major 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 has six representatives serving on the RRPDC and paid total dues of $213,488 for the year ended June 30, 2018.

NOTE 25. TAX ABATEMENTS

The Real Estate Assessment Division administers a countywide Partial Real Estate Tax Credit program for qualifying rehabilitated or renovated multifamily, commercial/industrial, and hotel/motel properties to enhance structures with the County for the benefit of citizens, neighborhoods and to provide future tax revenue to the County. Multifamily residential rental real estate, commercial, industrial, hotel and motel real estate shall be deemed to be substantially rehabilitated when the structure, which is at least 26 years old and no more than 39 years old, has been so improved as to increase the assessed value of the structure by no less than 50 percent, but without increasing the total footage of such structure by more than 100 percent. As a requisite for qualifying for the partial tax exemption, the owner of the structure shall, prior to or simultaneously with making application for a building permit to rehabilitate such structure, file with the Director of Finance, an application to qualify such structure as a rehabilitated structure. Upon receipt of an application for tax exemption, the Director of Finance shall determine a base fair market value assessment (base value) of the structure prior to commencement of rehabilitation. The tax assessment of the improvements located upon the qualifying real estate shall be considered in determining the base value. The base value shall serve as a basis for determining whether the rehabilitation increases the assessed value of such structure by at least 50 percent. A total of 28 commercial property owners have received $154,079 in tax credits in 2018.

The Real Estate Assessment Division also administers a "Reinvest" residential rehabilitation program, initiated January 1, 2010, for qualifying rehabilitated residential property to enhance homes within the County for the benefit of citizens, neighborhoods and to provide future tax revenue to the County. Reinvest is a partial tax exemption program for residential real estate (excluding multifamily rental units). This residential rehabilitation program encourages rehabilitation, renovation, or replacement of qualifying structures through a property tax incentive. It is designed to protect and preserve mature and settled neighborhoods. By improving the condition and appearance of these properties, Henrico County will continue to be an appealing place for existing and future homeowners to invest. In order to qualify for the Reinvest Program, the home must be a minimum of 40 years old with a maximum assessed value of $250,000. Any improvement, renovation or addition must increase the base structure value (meaning the structure only, not including the property) by a minimum of 20 percent, and may not increase the original square footage of the structure by more than 100 percent. The added assessed value of the improvement, renovation or addition will be tax-free for seven years. A total of 132 properties have been completed with a total tax credit of $75,038 as of June 30, 2018.

The County's Economic Development Authority (the "Authority") and 1420 N Parham Road, LC (the "Company") entered into an agreement on November 18, 2016 to provide economic development incentives to assist in the redevelopment of the property known as Regency Square Mall (the "Site"). The Authority is vitally interested in the economic welfare of County citizens and the creation and maintenance of sustainable jobs, and it wishes to stimulate investment in the County to provide economic growth and development opportunities. The redevelopment of the Site will benefit the County and the Authority has offered economic development incentives to induce the Company to construct road improvements adjacent to the Site. The Company will invest approximately $45 million into the redevelopment of the Site, including $7.3 million dollars in road improvements. Tax revenues from the Site in the 10 years following the completion of the road project are expected to exceed $15 million. The County expects the road project to be completed in 2018. The Authority will pay grants to the Company in the amount equal to the tax revenue up to an aggregate maximum of $7.3 million, beginning January 1, 2018 through December 2023. The grant payment dates are March 30 and September 30 of each taxable calendar year beginning September 30, 2018 for the tax period January 1 through June 30, 2018. The grant payment date of March 30, 2019 is for the tax period July 1 through December 2018.

The County's Economic Development Authority (the "Authority") and Midtown Land Partners LLC (the "Company") entered into an agreement on June 18, 2018 to provide economic development incentives to assist in the Company in development of a portion of the property known as Libbie Mill – Midtown (the "Site"). The Authority is vitally interested in the economic welfare of County citizens and the creation and maintenance of sustainable jobs, and it wishes to stimulate investment in the County to provide economic growth and development opportunities. The development of the Site will benefit the County and the Authority has offered economic development incentives to induce the Company to build a parking facility in the construction of additional office and retail space. The Company will invest approximately $47 million into the development of the Site, including $7.4 million to construct the parking facility. Tax revenues from the Site in the 10 years following the completion of the parking facility and office and retail space will be approximately $5.9 million. The County expects the project to be completed in 2020. The Authority will pay grants to the Company in the amount equal to the tax revenue up to an aggregate maximum of $5 million, beginning September 30, 2020 through March 30, 2030. The grant payment dates are March 30 and September 30 of each taxable calendar year beginning September 30, 2020 for the tax period January 1 through June 30, 2020. The grant payment date of March 30, 2021 is for the tax period July 1 through December 2020.

NOTE 26. SUBSEQUENT EVENTS

On July 31, 2018, the County issued General Obligation Public Improvement Bonds, Series 2018 in the aggregate principal amount of $99,395,000. The proceeds of the Bonds will be used to finance capital school improvement projects, fire stations and facilities, and recreation and parks facilities in the County pursuant to the voter authorizations at elections held in the County on November 8, 2016. The Bonds mature on August 1st in each of the years 2019 through 2038. The interest ranges from 3 percent to 5 percent.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Current real property taxes	$ 313,785,000	$ 313,785,000	$ 327,095,081	$ 13,310,081
Current personal property taxes	83,113,217	83,113,217	76,965,720	(6,147,497)
Delinquent real property taxes	4,000,000	4,000,000	5,467,415	1,467,415
Delinquent personal property taxes	1,200,000	1,200,000	10,800,454	9,600,454
Interest	275,000	275,000	457,172	182,172
Total general property taxes	402,373,217	402,373,217	420,785,842	18,412,625
Other local taxes:				
County recordation taxes	3,500,000	3,500,000	4,453,708	953,708
Local sales and use taxes	64,275,000	64,275,000	68,255,943	3,980,943
Consumer utility taxes	2,600,000	2,600,000	2,809,328	209,328
Business and professional license taxes	32,500,000	32,500,000	35,618,257	3,118,257
Motor vehicle license taxes	6,325,000	6,325,000	7,246,984	921,984
Meals Tax	22,988,000	22,988,000	29,318,921	6,330,921
Hotel and motel taxes	12,000,000	15,000,000	13,897,900	(1,102,100)
Bank franchise taxes	5,000,000	5,000,000	17,774,694	12,774,694
Grantor's taxes	900,000	900,000	1,309,473	409,473
Daily rental tax	60,000	60,000	130,723	70,723
Consumption tax	1,100,000	1,100,000	1,215,698	115,698
Total other local taxes	151,248,000	154,248,000	182,031,629	27,783,629
Permits, privilege fees and regulatory licenses:				
Municipal library court fees	120,000	120,000	141,510	21,510
Transfer fees	7,000	7,000	9,681	2,681
Zoning application fees	150,000	150,000	179,472	29,472
Structure and equipment permits	3,400,000	3,400,000	8,710,402	5,310,402
Septic tank permits	5,000	5,000	5,350	350
Taxi cab certificates	15,000	15,000	13,835	(1,165)
Permits to purchase precious metal	5,000	5,000	8,665	3,665
Dog licenses	120,000	120,000	92,923	(27,077)
Other	519,100	519,100	648,853	129,753
Total permits, privilege fees and regulatory licenses	4,341,100	4,341,100	9,810,691	5,469,591
Fines and forfeitures:				
False alarm penalties	65,000	65,000	83,185	18,185
Traffic violations	2,000,000	2,000,000	2,054,326	54,326
Parking violations	25,000	25,000	23,082	(1,918)
Total fines and forfeitures	2,090,000	2,090,000	2,160,593	70,593
Revenue from use of money and property:				
Sale of equipment and publications	97,400	97,400	119,774	22,374
Rented county property	624,000	624,000	743,798	119,798
Use of money	7,154,000	7,154,000	2,856,426	(4,297,574)
Total revenue from use of money and property	7,875,400	7,875,400	3,719,998	(4,155,402)
Charges for services:				
Public works	170,000	170,000	221,632	51,632
Library	433,000	433,000	440,116	7,116
Sheriff fees	1,201,000	1,451,000	1,702,765	251,765
Commonwealth's Attorney fees	25,000	25,000	24,860	(140)
Public safety	15,000	45,000	48,108	3,108
Finance charges	245,000	245,000	283,262	38,262
Recreation	702,150	702,150	663,389	(38,761)
Information technology	893,900	893,900	796,500	(97,400)
Total charges for services	3,685,050	3,965,050	4,180,632	215,582

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund, continued:				
Miscellaneous	$ 4,142,500	$ 4,142,500	$ 9,337,245	$ 5,194,745
Total miscellaneous	4,142,500	4,142,500	9,337,245	5,194,745
Recovered costs:				
Finance	2,350,470	2,350,470	2,679,142	328,672
General services	955,000	955,000	2,013,428	1,058,428
Public works	415,000	415,000	163,733	(251,267)
Sheriff	700,000	700,000	874,755	174,755
Public safety				-
Total recovered costs	4,420,470	4,420,470	5,731,058	1,310,588
Total revenue from local sources	580,175,737	583,455,737	637,757,688	54,301,951
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Rolling stock	138,500	138,500	40,769	(97,731)
Recovery of central costs	475,000	475,000	627,162	152,162
Mobile home sales and use tax	5,000	5,000	7,205	2,205
Motor vehicle rental tax	3,000,000	3,000,000	3,784,267	784,267
PPTRA revenue	37,001,783	37,001,783	37,001,783	-
Communications sales and use tax - HB568	12,500,000	12,500,000	12,022,278	(477,722)
Overweight truck citations	-	-	4,300	4,300
Total non-categorical aid	53,120,283	53,120,283	53,487,764	367,481
Shared expenses:				
Sheriff	12,000,000	12,225,000	12,439,115	214,115
Commonwealth's Attorney	2,075,000	2,075,000	2,202,719	127,719
Election commission	70,000	70,000	76,626	6,626
Finance	720,000	720,000	803,314	83,314
Circuit court	2,850,000	3,036,000	3,305,955	269,955
Total shared expenses	17,715,000	18,126,000	18,827,729	701,729
Categorical aid:				
Library	183,000	183,000	198,004	15,004
Public safety	12,385,000	13,278,393	13,562,889	284,496
Public works	45,197,567	47,273,884	47,661,606	387,722
Juvenile and domestic relations	556,500	556,500	624,176	67,676
Total categorical aid	58,322,067	61,291,777	62,046,675	754,898
Total revenue from the Commonwealth	129,157,350	132,538,060	134,362,168	1,824,108
Revenue from the Federal government:				
Public safety	10,000	10,000	197,502	187,502
Total revenue from the Federal government	10,000	10,000	197,502	187,502
Total intergovernmental	129,167,350	132,548,060	134,559,670	2,011,610
Total General Fund	$ 709,343,087	$ 716,003,797	$ 772,317,358	$ 56,313,561

HENRICO COUNTY, VIRGINIA
EXHIBIT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
Special Revenue Fund:				
Revenue from use of money and property	$ 225,000	$ 225,000	$ 263,588	$ 38,588
Charges for services:				
Miscellaneous charges for services	11,768,200	11,983,175	11,264,381	(718,794)
Refuse collection billing	8,100,000	8,100,000	8,714,602	614,602
Landfill weighing fees				
Recycle fees	179,975	179,975	277,947	97,972
Bulky waste collection fees	1,815,000	1,815,000	1,658,463	(156,537)
Leaf collection	3,018,511	3,018,511	3,018,511	-
Charges for street lights	83,100	83,100	81,223	(1,877)
Total charges for services	24,964,786	25,179,761	25,015,127	(164,634)
Miscellaneous revenues	1,305,101	1,334,120	1,311,679	(22,441)
Recovered costs:				
Recovered costs	578,512	604,694	542,252	(62,442)
Recoveries and rebates	50,245	50,245	39,843	(10,402)
Total recovered costs	628,757	654,939	582,095	(72,844)
Total revenue from local sources	27,123,644	27,393,820	27,172,489	(221,331)
Intergovernmental:				
Revenue from the Commonwealth:				
Division of litter control	42,340	42,340	39,824	(2,516)
Social services	11,949,090	14,350,087	12,602,086	(1,748,001)
Mental health and developmental services	9,025,695	9,697,596	9,733,128	35,532
Virginia department of corrections	1,557,568	1,573,023	1,573,026	3
Commonwealth's Attorney	272,746	272,746	300,408	27,662
Miscellaneous state grants	1,327,091	1,641,185	2,222,415	581,230
Total revenue from the Commonwealth	24,174,530	27,576,977	26,470,887	(1,106,090)
Revenue from the Federal government:				
Workforce investment	4,918,683	5,242,849	4,869,431	(373,418)
Social Services	10,728,885	11,565,274	11,210,140	(355,134)
Community development block grants	-	2,162,981	2,525,432	362,451
Public safety	-	402,957	281,742	(121,215)
Mental health and developmental services	1,721,164	2,396,481	2,465,364	68,883
Miscellaneous federal grants	640,828	950,892	851,766	(99,126)
Total revenue from the Federal government	18,009,560	22,721,434	22,203,875	(517,559)
Total intergovernmental	42,184,090	50,298,411	48,674,762	(1,623,649)
Total Special Revenue Fund	$ 69,307,734	$ 77,692,231	$ 75,847,251	$ (1,844,980)
Grand Total Revenues - Primary Government	$ 778,650,821	$ 793,696,028	$ 848,164,609	$ 54,468,581

See accompanying independent auditor's report.

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund:				
General government:				
Legislative:				
Board of Supervisors	$ 1,078,572	$ 1,098,172	$ 1,095,948	$ 2,224
Total legislative	1,078,572	1,098,172	1,095,948	2,224
General and financial administration:				
County Manager	3,628,262	3,820,292	3,754,024	66,268
County Attorney	2,391,764	2,405,564	2,391,809	13,755
Human Resources	14,425,816	20,012,123	19,954,289	57,834
Finance	13,634,513	13,736,491	13,104,121	632,370
General Services	13,014,521	13,908,007	13,141,292	766,715
Internal Audit	442,715	468,490	468,099	391
Real Property Agent	648,326	573,097	554,420	18,677
Information Technology	16,576,324	17,514,986	16,214,357	1,300,629
Total general and financial administration	64,762,240	72,439,050	69,582,411	2,856,639
Board of Elections:				
Election Commission	1,532,685	1,611,302	1,589,939	21,363
Total Board of Elections	1,532,685	1,611,302	1,589,939	21,363
Total general government administration	67,373,497	75,148,523	72,268,298	2,880,226
Judicial administration:				
Courts:				
Circuit Court	3,115,603	3,619,983	3,363,765	256,218
General District Court	308,825	283,825	264,639	19,186
Juvenile and Domestic Relations Court	2,504,466	2,484,233	2,427,951	56,282
Total Courts	5,928,893	6,388,041	6,056,355	331,686
Commonwealth's Attorney:				
Commonwealth's Attorney	4,836,212	4,889,261	4,794,632	94,629
Total Commonwealth's Attorney	4,836,212	4,889,261	4,794,632	94,629
Total judicial administration	10,765,105	11,277,303	10,850,987	426,316
Public safety:				
Law enforcement:				
Police Department	71,979,066	72,139,492	71,777,820	361,672
Total law enforcement	71,979,066	72,139,492	71,777,820	361,672
Fire services:				
Fire Department	58,377,400	59,050,294	60,583,271	(1,532,977)
Total fire services	58,377,400	59,050,294	60,583,271	(1,532,977)
Correction and detention:				
Sheriff	38,329,449	44,885,941	44,824,131	61,810
Juvenile and Domestic Relations District Court	3,069,011	3,069,011	3,069,011	-
Total correction and detention	41,398,460	47,954,952	47,893,142	61,810
Inspections:				
Building	4,430,755	4,431,122	4,014,594	416,528
Total inspections	4,430,755	4,431,122	4,014,594	416,528
Other protection:				
Office of Emergency Services	179,194	476,279	476,065	214
Animal Protection	1,526,240	1,508,406	1,483,836	24,570
Building Security	1,598,568	1,412,101	1,378,774	33,327
Total other protection	3,304,002	3,396,786	3,338,675	58,111
Total public safety	179,489,683	186,972,646	187,607,502	(634,856)

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund, continued:				
Public works:				
Maintenance of highways and streets:				
General Administration	$ 1,298,620	$ 1,385,529	$ 1,359,995	$ 25,534
Mass Transit	7,847,382	8,315,555	6,787,819	1,527,736
Design	2,033,333	2,072,620	1,847,769	224,851
Construction and Maintenance	33,771,900	41,199,872	35,311,092	5,888,780
Traffic Engineering	3,560,769	3,987,864	3,228,888	758,976
Miscellaneous	2,038,739	2,211,327	1,995,995	215,332
Total maintenance of highways and streets	50,550,743	59,172,768	50,531,558	8,641,210
Sanitation and waste removal:				
Leaf Collection	3,018,511	3,018,511	3,018,511	-
Total sanitation and waste removal	3,018,511	3,018,511	3,018,511	-
Total public works	53,569,254	62,191,279	53,550,069	8,641,210
Health and social services:				
Health:				
Public Health Department	2,219,895	2,287,050	2,286,988	62
Total health	2,219,895	2,287,050	2,286,988	62
Total health and social services	2,219,895	2,287,050	2,286,988	62
Parks, recreation and cultural:				
Parks and recreation:				
Department of Recreation and Parks	19,068,871	19,350,353	18,838,958	511,395
Sandston Community House	14,000	14,000	12,184	1,816
Total parks and recreation	19,082,871	19,364,353	18,851,142	513,211
Library:				
Library Public Services	18,821,527	17,915,278	17,685,337	229,941
Total library	18,821,527	17,915,278	17,685,337	229,941
Total parks, recreation and cultural	37,904,398	37,279,631	36,536,479	743,152
Community development:				
Planning and community development:				
Economic Development	19,295,019	21,590,932	21,497,550	93,382
Planning and Rezoning	4,414,630	4,639,457	3,868,365	771,092
Total planning and community development	23,709,649	26,230,389	25,365,915	864,474
Cooperative extension program:				
Agriculture	406,808	406,808	352,100	54,708
Total cooperative extension program	406,808	406,808	352,100	54,708
Total community development	24,116,457	26,637,197	25,718,015	919,182
Education:				
School Board	223,844,754	223,844,754	223,844,754	-
Total education	223,844,754	223,844,754	223,844,754	-

HENRICO COUNTY, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund, continued:				
Miscellaneous:				
Cooperative Projects	$ 16,999,576	$ 17,060,837	$ 20,112,383	$ (3,051,546)
Total miscellaneous	16,999,576	17,060,837	20,112,383	(3,051,546)
Debt service:				
Capital lease principal	432,329	432,329	432,329	-
Capital lease interest	46,345	46,345	46,345	-
Total debt service	478,674	478,674	478,674	-
Total General Fund	$ 616,761,294	$ 643,177,894	$ 633,254,149	$ 9,923,745
Special Revenue Fund:				
General government:				
General and financial administration:				
Workforce Investment	$ 5,139,446	$ 8,081,516	$ 5,233,157	$ 2,848,359
Total general government administration	5,139,446	8,081,516	5,233,157	2,848,359
Judicial administration:				
Commonwealth's Attorney	1,208,268	1,683,079	1,330,519	352,560
Total judicial administration	1,208,268	1,683,079	1,330,519	352,560
Public safety:				
Law enforcement:				
Traffic Accident Investigation	1,539,091	4,547,372	1,997,954	2,549,418
Total law enforcement	1,539,091	4,547,372	1,997,954	2,549,418
Fire	-	495,036	286,195	208,841
Correction and detention:				
Community Diversion Program	1,947,116	2,194,134	2,029,856	164,278
Juvenile and Domestic Relations District Court	949,130	945,157	906,094	39,063
Total correction and detention	2,896,246	3,139,291	2,935,950	203,341
Total public safety	4,435,337	8,181,699	5,220,099	2,961,600
Public works:				
General Administration	897,000	2,139,428	1,069,476	1,069,952
Maintenance of Highways and Streets	83,100	183,100	64,770	118,330
Solid Waste Collection and Disposal	13,639,585	16,537,884	14,344,818	2,193,066
Total public works	14,619,685	18,860,412	15,479,064	3,381,348
Health and social services:				
Social Services	32,848,886	41,545,293	34,570,046	6,975,247
Mental health and developmental services:				
Related Services	5,435,233	7,957,949	6,381,054	1,576,895
Mental Health	11,246,744	12,562,554	11,124,596	1,437,958
Developmental Services	11,978,397	12,751,258	11,823,551	927,707
Substance Abuse	3,013,106	3,317,684	2,734,424	583,260
MH/DS Administration	5,729,630	5,965,943	5,722,653	243,290
Total mental health and developmental services	37,403,110	42,555,388	37,786,278	4,769,110
Total health and social services	70,251,996	84,100,681	72,356,324	11,744,357
Parks, recreation and culture:				
Parks and Recreation grants	-	53,773	9,970	43,803
Total parks, recreation and culture	-	53,773	9,970	43,803

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
Special Revenue Fund, continued:				
Community development:				
Planning and Community Development	$ -	$ 4,730,241	$ 2,798,688	$ 1,931,553
Economic Development	-	1,668,000	1,668,000	-
Total community development	-	6,398,241	4,466,688	1,931,553
Debt service:				
Capital lease principal	27,512	27,512	27,512	-
Capital lease interest	5,631	5,631	5,631	-
Total debt service	33,143	33,143	33,143	-
Total Special Revenue Fund	$ 95,687,876	$ 127,392,544	$ 104,128,964	$ 23,263,580
Grand Total Expenditures - Government Funds	$ 712,449,170	$ 770,570,438	$ 737,383,113	$ 33,187,325

See accompanying independent auditor's report.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
GOVERNMENTAL ACTIVITIES AND BUSINESS-TYPE ACTIVITIES
LAST FOUR FISCAL YEARS*

Governmental Activities:	2015	2016	2017	2018
Total pension liability				
Service cost	$ 23,796,971	$ 23,884,723	$ 24,801,703	$ 25,098,225
Interest on total pension liability	65,367,508	69,217,236	71,893,739	75,416,152
Change of assumptions	-	-	-	3,600,205
Difference between expected and actual experience	-	(15,888,024)	(3,762,008)	(13,129,434)
Benefit payments, including refunds of employee contributions	(43,077,241)	(47,302,547)	(50,505,930)	(53,593,856)
Net change in total pension liability	46,087,238	29,911,388	42,427,504	37,391,292
Total pension liability - beginning	964,087,706	1,010,174,944	1,040,086,332	1,082,513,836
Total pension liability - ending (a)	$ 1,010,174,944	$ 1,040,086,332	$ 1,082,513,836	$ 1,119,905,128
Total fiduciary net position				
Contributions - employer	$ 27,496,460	$ 28,290,290	$ 29,374,797	$ 26,184,817
Contributions - employee	9,281,980	9,452,120	9,798,397	10,254,955
Net investment income	113,606,404	38,115,473	15,148,200	107,128,844
Benefit payments	(43,077,241)	(47,302,547)	(50,505,930)	(53,593,856)
Administrative expense	(612,154)	(522,704)	(541,959)	(622,456)
Other	5,986	(8,071)	(6,430)	(95,261)
Net change in plan fiduciary net position	106,701,435	28,024,561	3,267,075	89,257,043
Plan fiduciary net position - beginning	729,182,146	835,883,581	863,908,142	867,175,217
Plan fiduciary net position - ending (b)	$ 835,883,581	$ 863,908,142	$ 867,175,217	$ 956,432,260
Net pension liability - ending (a)-(b)	$ 174,291,363	$ 176,178,190	$ 215,338,619	$ 163,472,868
Plan fiduciary net position as a percentage of total pension liability	82.75%	83.06%	80.11%	85.40%
Covered - employee payroll	$ 188,575,531	$ 191,276,453	$ 199,857,968	$ 202,991,663
Net pension liability as a percentage of covered-employee payroll	92.43%	92.11%	107.75%	80.53%

Business-Type Activities:	2015	2016	2017	2018
Total pension liability				
Service cost	$ 1,715,200	$ 1,683,447	$ 1,721,019	$ 1,727,978
Interest on total pension liability	4,711,454	4,878,582	4,988,789	5,192,297
Change of assumptions	-	-	-	247,869
Difference between expected and actual experience	-	(1,119,823)	(261,050)	(903,943)
Benefit payments, including refunds of employee contributions	(3,104,852)	(3,333,987)	(3,504,664)	(3,689,862)
Net change in total pension liability	3,321,802	2,108,219	2,944,094	2,574,338
Total pension liability - beginning	68,748,558	72,070,360	74,178,579	77,122,673
Total pension liability - ending (a)	$ 72,070,360	$ 74,178,579	$ 77,122,673	$ 79,697,011
Total fiduciary net position				
Contributions - employer	$ 1,981,845	$ 1,993,960	$ 2,038,351	$ 1,802,788
Contributions - employee	669,012	666,206	679,922	706,039
Net investment income	8,188,339	2,686,461	1,051,151	7,375,672
Benefit payments	(3,104,852)	(3,333,987)	(3,504,664)	(3,689,862)
Administrative expense	(44,121)	(36,841)	(37,607)	(42,855)
Other	431	(569)	(446)	(6,559)
Net change in plan fiduciary net position	7,690,654	1,975,230	226,707	6,145,223
Plan fiduciary net position - beginning	51,997,574	59,688,228	61,663,458	61,890,165
Plan fiduciary net position - ending (b)	$ 59,688,228	$ 61,663,458	$ 61,890,165	$ 68,035,388
Net pension liability - ending (a)-(b)	$ 12,382,132	$ 12,515,121	$ 15,232,508	$ 11,661,623
Plan fiduciary net position as a percentage of total pension liability	82.82%	83.13%	80.25%	85.37%
Covered - employee payroll	$ 13,395,158	$ 13,305,310	$ 13,763,763	$ 13,845,688
Net pension liability as a percentage of covered-employee payroll	92.44%	94.06%	110.67%	84.23%

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
GOVERNMENTAL ACTIVITIES AND BUSINESS-TYPE ACTIVITIES
LAST FOUR FISCAL YEARS*

Total Activities:					
Total pension liability					
Service cost	$	25,512,171	25,568,170	26,522,722	26,826,203
Interest on total pension liability		70,078,962	74,095,818	76,882,528	80,608,449
Change of assumptions		-	-	-	3,848,074
Difference between expected and actual experience		-	(17,007,847)	(4,023,058)	(14,033,377)
Benefit payments, including refunds of employee contributions		(46,182,093)	(50,636,534)	(54,010,594)	(57,283,718)
Net change in total pension liability		49,409,040	32,019,607	45,371,598	39,965,630
Total pension liability - beginning		1,032,836,264	1,082,245,304	1,114,264,911	1,159,636,509
Total pension liability - ending (a)	$	1,082,245,304	1,114,264,911	1,159,636,509	1,199,602,139
Total fiduciary net position					
Contributions - employer	$	29,478,305	30,284,250	31,413,148	27,987,605
Contributions - employee		9,950,992	10,118,326	10,478,319	10,960,994
Net investment income		121,794,743	40,801,934	16,199,351	114,504,516
Benefit payments		(46,182,093)	(50,636,534)	(54,010,594)	(57,283,718)
Administrative expense		(656,275)	(559,545)	(579,566)	(665,311)
Other		6,417	(8,640)	(6,876)	(101,820)
Net change in plan fiduciary net position		114,392,089	29,999,791	3,493,782	95,402,266
Plan fiduciary net position - beginning		781,179,720	895,571,809	925,571,600	929,065,382
Plan fiduciary net position - ending (b)	$	895,571,809	925,571,600	929,065,382	1,024,467,648
Net pension liability - ending (a)-(b)	$	186,673,495	188,693,311	230,571,127	175,134,491
Plan fiduciary net position as a percentage of total pension liability		82.75%	83.07%	80.12%	85.40%
Covered - employee payroll	$	201,970,689	204,581,763	213,621,731	216,837,351
Net pension liability as a percentage of covered-employee payroll		92.43%	92.23%	107.93%	80.77%

See accompanying independent auditor's report.

* Fiscal year 2015 was the first year of GASB 68 implementation; therefore, only four years are shown herein.

COUNTY OF HENRICO, VIRGINIA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS **Exhibit 16**

SCHOOL BOARD NON-PROFESSIONAL GROUP

LAST FOUR FISCAL YEARS*

	2015	2016	2017	2018
School Board Non-Professional Group				
Total pension liability				
Service cost	$ 72,260	$ 69,746	$ 67,970	$ 58,711
Interest on total pension liability	582,852	580,111	567,282	571,638
Change of assumptions	-	-	-	44,778
Difference between expected and actual experience	-	(139,895)	108,818	(226,614)
Benefit payments, including refunds of employee contributions	(689,613)	(698,924)	(687,530)	(676,153)
Net change in total pension liability	(34,501)	(188,962)	56,540	(227,640)
Total pension liability - beginning	8,671,261	8,636,760	8,447,798	8,504,338
Total pension liability - ending (a)	$ 8,636,760	$ 8,447,798	$ 8,504,338	$ 8,276,698
Total fiduciary net position				
Contributions - employer	$ 372,141	$ 238,475	$ 237,503	$ 199,298
Contributions - employee	31,303	31,253	30,289	30,785
Net investment income	804,061	251,841	85,861	614,333
Benefit payments	(689,613)	(698,924)	(687,530)	(676,153)
Administrative expense	(4,544)	(3,822)	(3,655)	(3,892)
Other	43	(54)	(39)	(534)
Net change in plan fiduciary net position	513,391	(181,231)	(337,571)	163,837
Plan fiduciary net position - beginning	5,309,719	5,823,110	5,641,879	5,304,308
Plan fiduciary net position - ending (b)	$ 5,823,110	$ 5,641,879	$ 5,304,308	$ 5,468,145
Net pension liability - ending (a)-(b)	$ 2,813,650	$ 2,805,919	$ 3,200,030	$ 2,808,553
Plan fiduciary net position as a percentage of total pension liability	67.42%	66.79%	62.37%	66.07%
Covered - employee payroll	$ 707,318	$ 678,882	$ 719,634	$ 771,166
Net pension liability as a percentage of covered-employee payroll	397.79%	413.31%	444.67%	364.20%

See accompanying independent auditor's report.

* Fiscal year 2015 was the first year of GASB 68 implementation; therefore, only four years are shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF CONTRIBUTIONS
PENSION PLAN
LAST FOUR FISCAL YEARS*

Exhibit 17

	2015	2016	2017	2018
Governmental Activities:				
Actuarially determined contribution of employer	$ 27,496,460	$ 28,290,290	$ 29,374,797	` 26,184,817
Contributions in relation to the actuarially determined contributions	27,496,460	28,290,290	29,374,797	26,184,817
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered - employee payroll	191,276,453	199,857,968	202,991,663	209,182,401
Contributions as a percentage of covered-employee payroll	14.38%	14.16%	14.47%	12.52%
Business-type Activities:				
Actuarially determined contribution of employer	$ 1,981,845	$ 1,993,960	$ 2,038,351	$ 1,802,788
Contributions in relation to the actuarially determined contributions	1,981,845	1,993,960	2,038,351	1,802,788
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered - employee payroll	13,305,310	13,763,763	13,845,688	14,070,332
Contributions as a percentage of covered-employee payroll	14.90%	14.49%	14.72%	12.81%
School Board Non-Professional Group:				
Actuarially determined contribution of employer	$ 372,141	$ 238,475	$ 237,503	$ 199,298
Contributions in relation to the actuarially determined contributions	372,141	238,475	237,503	199,298
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered - employee payroll	$ 678,882	$ 719,634	$ 771,166	$ 820,537
Contributions as a percentage of covered-employee payroll	54.82%	33.14%	30.80%	24.29%

See accompanying independent auditor's report.

* Fiscal year 2015 was the first year of GASB 68 implementation; therefore, only four years are shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF SCHOOLS' PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS PENSION PLAN
LAST FOUR FISCAL YEARS*

Exhibit 18

	2015	2016	2017	2018
Schools' proportion of the net pension liability	3.29%	3.28%	3.30%	3.28%
Schools' proportionate share of the net pension liability	$ 398,595,000	$ 413,109,000	$ 463,076,000	$ 403,402,000
Schools' covered-employee payroll	$ 268,691,850	$ 273,853,673	$ 281,366,433	$ 288,681,379
Schools' proportionate share of the net pension liability as a percentage of its covered-employee payroll	148.35%	150.85%	164.58%	139.74%
Plan fiduciary net position	$ 970,083,754	$ 995,953,131	$ 996,863,280	$ 1,086,397,116
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%	68.28%

See accompanying independent auditor's report.
*Fiscal year 2015 was the first year of GASB 68 implementation; therefore, only four years are shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF SCHOOL CONTRIBUTIONS
TEACHERS PENSION PLAN
LAST FOUR FISCAL YEARS*

Exhibit 19

	2015	2016	2017	2018
Contractually required contribution	$ 28,125,017	$ 35,384,284	$ 35,423,318	$ 37,325,862
Contributions in relation to the contractually required contribution	$ 28,125,017	$ 35,384,284	$ 35,423,318	$ 37,325,862
Contribution deficiency (excess)	-	-	-	-
Schools' covered-employee payroll	$ 273,853,673	$ 281,366,433	$ 288,681,379	$ 295,352,515
Contributions as a percentage of covered-employee payroll	10.27%	12.58%	12.27%	12.64%

See accompanying independent auditor's report.
*Fiscal year 2015 was the first year of GASB 68 implementation; therefore, only four years are shown herein.

Defined Benefit Pension Plan

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component was adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented to not relect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2016 and the impact on the liabilities as of the measurement date of June 30, 2017 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2017 based on the most recent experience study of the System for the four-year period ending June 30, 2016.

Largest 10 - Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10-LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawl
- Decrease in male and female rates of disability

Budgets

Budgets are adopted on a basis consistent with GAAP. Annual operating budgets are adopted for all Governmental Funds (including Schools) except for the Capital Projects Fund, in which effective budgetary control is achieved on a project-by-project basis when funding sources become available. Budgeted amounts shown are as amended by the Board during the course of the fiscal year.

COUNTY OF HENRICO, VIRGINIA

SCHEDULE OF CHANGES IN THE NET HEALTHCARE OPEB LIABILITY AND RELATED RATIOS **Exhibit 20**

HEALTHCARE OPEB TRUST FUND

LAST TWO FISCAL YEARS*

	2017	2018
Total OPEB liability		
Service cost	$ 4,146,771	$ 3,781,739
Interest on total OPEB liability	7,708,898	7,990,226
Differences between expected and actual experience	-	(28,205,844)
Change of assumptions	-	(5,679,980)
Benefit payments, including refunds of employee contributions	(6,538,795)	(4,146,968)
Net change in total OPEB liability	5,316,874	(26,260,827)
Total OPEB liability - beginning	109,194,437	114,511,311
Total OPEB liability - ending (a)	$ 114,511,311	$ 88,250,484
Total plan fiduciary net position		
Contributions - employer	$ 7,765,131	$ 6,846,584
Contributions - employee	-	-
Net investment income	7,296,432	5,272,202
Benefit payments	(6,538,795)	(4,146,968)
Administrative expense	-	(500)
Other	-	-
Net change in plan fiduciary net position	8,522,768	7,971,318
Plan fiduciary net position - beginning	44,841,294	53,364,062
Plan fiduciary net position - ending (b)	$ 53,364,062	$ 61,335,380
Net OPEB liability - ending (a)-(b)	$ 61,147,249	$ 26,915,104
Plan fiduciary net position as a percentage of total OPEB liability	46.60%	69.50%
Covered - employee payroll	$ 536,071,713	$ 526,206,301
Net OPEB liability as a percentage of covered-employee payroll	11.41%	5.11%

See accompanying independent auditor's report.

* Fiscal year 2017 was the first year of GASB 74 implementation; therefore, only two years are shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF CONTRIBUTIONS **Exhibit 21**
HEALTHCARE OPEB TRUST FUND
LAST TWO FISCAL YEARS*

	2017	2018
Acturarially determined contribution	$ 10,161,876	$ 9,491,736
Contributions in relation to the actuarially determined contribution	$ 7,765,131	$ 6,846,584
Contribution deficiency (excess)	2,396,745	2,645,152
Covered-employee payroll	$ 536,071,713	$ 526,206,301
Contributions as a percentage of covered-employee payroll	1.45%	1.30%

*Fiscal year 2017 was the first year of GASB 74 implementation; therefore, only two years are shown herein.

Notes to Schedule

Valuation date:
Actuarially determined contribution rates are calculated as of July 1, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 7 years. Plan amendments are recognized immediately. Investment gains or losses are amortized over a 5 year period. Changes in the actuarial assumptions are amortized over the average working lifetime of all participants.
Amortization period	20 years
Asset valuation method	Market value
Inflation	3 percent
Healthcare cost trend rates	8% initial, decreasing down to 5% over 12 years beginning July 1.2018.
Salary increases	2.5 percent per annum
Retirement age	In the 2018 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Healthy Annuitant Mortality Table. In prior years, those assumptions were based on the 1994 Group Annuity Mortality Table and the RP-2000 Healthy Annuuitant Mortality Table.

See accompanying independent auditor's report.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF INVESTMENT RETURNS **Exhibit 22**
HEALTHCARE OPEB TRUST FUND
LAST TWO FISCAL YEARS*

	2017	**2018**
Annual money-weighted rate of return on investments, net of investment expense	12.87%	9.52%

See accompanying independent auditor's report.
* Fiscal year 2017 was the first year of GASB 74 implementation; therefore, only two years are shown herein.

COUNTY OF HENRICO, VIRGINIA

SCHEDULE OF CHANGES IN THE NET HEALTHCARE OPEB LIABILITY AND RELATED RATIOS — Exhibit 23

GOVERNMENTAL ACTIVITIES AND BUSINESS-TYPE ACTIVITIES

LAST FISCAL YEAR*

		2018
Governmental Activities:		
Total OPEB liability		
Service cost	$	1,917,454
Interest on total pension liability		4,051,282
Change of assumptions		(2,879,919)
Difference between expected and actual experience		(14,301,201)
Benefit payments, including refunds of employee contributions		(2,102,636)
Net change in total OPEB liability		(13,315,020)
Total OPEB liability - beginning		58,060,636
Total OPEB liability - ending (a)	$	44,745,616
Total fiduciary net position		
Contributions - employer	$	3,471,421
Contributions - employee		-
Net investment income		2,673,163
Benefit payments		(2,102,636)
Administrative expense		(254)
Other		-
Net change in plan fiduciary net position		4,041,695
Plan fiduciary net position - beginning		27,057,164
Plan fiduciary net position - ending (b)	$	31,098,859
Net OPEB liability - ending (a)-(b)	$	13,646,757
Plan fiduciary net position as a percentage of total OPEB liability		69.50%
Covered - employee payroll	$	209,182,401
Net OPEB liability as a percentage of covered-employee payroll		6.52%
Business-Type Activities:		
Total OPEB liability		
Service cost	$	102,559
Interest on total pension liability		216,691
Change of assumptions		(154,039)
Difference between expected and actual experience		(764,929)
Benefit payments, including refunds of employee contributions		(112,464)
Net change in total OPEB liability		(712,182)
Total OPEB liability - beginning		3,105,497
Total OPEB liability - ending (a)	$	2,393,315
Total fiduciary net position		
Contributions - employer	$	185,676
Contributions - employee		-
Net investment income		142,981
Benefit payments		(112,464)
Administrative expense		(14)
Other		-
Net change in plan fiduciary net position		216,179
Plan fiduciary net position - beginning		1,447,210
Plan fiduciary net position - ending (b)	$	1,663,389
Net OPEB liability - ending (a)-(b)	$	729,926
Plan fiduciary net position as a percentage of total OPEB liability		69.50%
Covered - employee payroll	$	14,070,332
Net OPEB liability as a percentage of covered-employee payroll		5.19%

See accompanying independent auditor's report.

* Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only one year is shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF CHANGES IN THE NET HEALTHCARE OPEB LIABILITY AND RELATED RATIOS
COMPONENT UNITS
LAST FISCAL YEAR*

Exhibit 24

		2018
School Board		
Total OPEB liability		
Service cost	$	1,742,334
Interest on total pension liability		3,681,281
Change of assumptions		(2,616,898)
Difference between expected and actual experience		(12,995,083)
Benefit payments, including refunds of employee contributions		(1,910,604)
Net change in total OPEB liability		(12,098,970)
Total OPEB liability - beginning		52,758,001
Total OPEB liability - ending (a)	$	40,659,031
Total fiduciary net position		
Contributions - employer	$	3,154,379
Contributions - employee		-
Net investment income		2,429,025
Benefit payments		(1,910,604)
Administrative expense		(230)
Other		-
Net change in plan fiduciary net position		3,672,570
Plan fiduciary net position - beginning		24,586,054
Plan fiduciary net position - ending (b)	$	28,258,624
Net OPEB liability - ending (a)-(b)	$	12,400,407
Plan fiduciary net position as a percentage of total OPEB liability		69.50%
Covered - employee payroll	$	331,398,213
Net OPEB liability as a percentage of covered-employee payroll		3.74%
JRJDC		
Total OPEB liability		
Service cost	$	19,392
Interest on total pension liability		40,971
Change of assumptions		(29,125)
Difference between expected and actual experience		(144,631)
Benefit payments, including refunds of employee contributions		(21,264)
Net change in total OPEB liability		(134,657)
Total OPEB liability - beginning		587,177
Total OPEB liability - ending (a)	$	452,520
Total fiduciary net position		
Contributions - employer	$	35,107
Contributions - employee		-
Net investment income		27,034
Benefit payments		(21,264)
Administrative expense		(3)
Other		-
Net change in plan fiduciary net position		40,874
Plan fiduciary net position - beginning		273,634
Plan fiduciary net position - ending (b)	$	314,508
Net OPEB liability - ending (a)-(b)	$	138,012
Plan fiduciary net position as a percentage of total OPEB liability		69.50%
Covered - employee payroll	$	3,164,600
Net OPEB liability as a percentage of covered-employee payroll		4.36%

See accompanying independent auditor's report.

* Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only one year is shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF CONTRIBUTIONS
HEALTHCARE OPEB TRUST FUND
LAST FISCAL YEAR*

Exhibit 25

		2018
Governmental Activities:		
Actuarially determined contribution of employer	$	2,815,552
Contributions in relation to the actuarially determined contributions		2,815,552
Contribution deficiency (excess)	$	-
Covered - employee payroll		209,182,401
Contributions as a percentage of covered-employee payroll		1.35%
Business-type Activities:		
Actuarially determined contribution of employer	$	228,548
Contributions in relation to the actuarially determined contributions		228,548
Contribution deficiency (excess)	$	-
Covered - employee payroll		14,070,332
Contributions as a percentage of covered-employee payroll		1.62%
School Board:		
Actuarially determined contribution of employer	$	4,215,705
Contributions in relation to the actuarially determined contributions		4,215,705
Contribution deficiency (excess)	$	-
Covered - employee payroll	$	331,398,213
Contributions as a percentage of covered-employee payroll		1.27%
JRJDC:		
Actuarially determined contribution of employer	$	44,140
Contributions in relation to the actuarially determined contributions		44,140
Contribution deficiency (excess)	$	-
Covered - employee payroll	$	3,164,600
Contributions as a percentage of covered-employee payroll		1.39%

See accompanying independent auditor's report.

* Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only one year is shown herein.

COUNTY OF HENRICO, VIRGINIA

SCHEDULE OF CHANGES IN THE TOTAL LINE OF DUTY OPEB LIABILITY AND RELATED RATIOS **Exhibit 26**

LAST FISCAL YEAR*

		2018
Governmental Activities:		
Total OPEB liability		
Service cost	$	1,292,690
Interest on total pension liability		769,784
Change of assumptions		-
Difference between expected and actual experience		-
Benefit payments, including refunds of employee contributions		(740,191)
Net change in total OPEB liability		1,322,283
Total OPEB liability - beginning		25,279,187
Total OPEB liability - ending (a)	$	26,601,470
Total fiduciary net position		
Contributions - employer	$	740,191
Contributions - employee		-
Net investment income		-
Benefit payments		(740,191)
Administrative expense		-
Other		-
Net change in plan fiduciary net position		-
Plan fiduciary net position - beginning		-
Plan fiduciary net position - ending (b)	$	-
Net OPEB liability - ending (a)-(b)	$	26,601,470
Plan fiduciary net position as a percentage of total OPEB liability		0.00%
Covered - employee payroll	$	89,900,420
Net OPEB liability as a percentage of covered-employee payroll		29.59%

See accompanying independent auditor's report.

* Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only one year is shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF CONTRIBUTIONS FOR THE LINE OF DUTY OPEB PLAN
LAST FISCAL YEAR*

Exhibit 27

		2018
Governmental Activities:		
Actuarially determined contribution of employer	$	2,983,108
Contributions in relation to the actuarially determined contributions		740,191
Contribution deficiency (excess)	$	2,242,917
Covered - employee payroll		89,900,420
Contributions as a percentage of covered-employee payroll		0.82%

See accompanying independent auditor's report.

* Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only one year is shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF SCHOOLS' PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHERS HEALTH INSURANCE CREDIT OPEB PLAN
LAST FISCAL YEAR*

Exhibit 28

		2018
Schools' proportion of the net OPEB liability		3.28%
Schools' proportionate share of the net OPEB liability	$	41,657,000
Schools' covered-employee payroll	$	288,681,379
Schools' proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		14.43%
Plan fiduciary net position	$	3,155,000
Plan fiduciary net position as a percentage of the total OPEB liability		7.04%

See accompanying independent auditor's report.
*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only year is shown herein.

COUNTY OF HENRICO, VIRGINIA

SCHEDULE OF SCHOOL CONTRIBUTIONS **Exhibit 29**

TEACHERS HEALTH INSURANCE CREDIT OPEB PLAN

LAST FISCAL YEAR*

		2018
Contractually required contribution	$	2,876,495
Contributions in relation to the contractually required contribution	$	2,876,495
Contribution deficiency (excess)		-
Schools' covered-employee payroll	$	295,352,515
Contributions as a percentage of covered-employee payroll		0.97%

See accompanying independent auditor's report.

*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only one year is shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
GROUP LIFE INSURANCE OPEB PLAN
LAST FISCAL YEAR*

Exhibit 30

		2018
Governmental Activities:		
Proportion of the net OPEB liability		82.37%
Proportionate share of the net OPEB liability	$	16,472,124
Covered-employee payroll	$	202,991,663
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		8.11%
Plan fiduciary net position	$	15,735,955
Plan fiduciary net position as a percentage of the total OPEB liability		48.86%
Business-Type Activities:		
Proportion of the net OPEB liability		5.64%
Proportionate share of the net OPEB liability	$	1,128,296
Covered-employee payroll	$	13,845,688
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		8.15%
Plan fiduciary net position	$	1,077,871
Plan fiduciary net position as a percentage of the total OPEB liability		48.86%
Schools C&M Activities:		
Proportion of the net OPEB liability		10.81%
Proportionate share of the net OPEB liability	$	2,162,379
Covered-employee payroll	$	35,310,094
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		6.12%
Plan fiduciary net position	$	2,065,782
Plan fiduciary net position as a percentage of the total OPEB liability		48.86%

See accompanying independent auditor's report.
*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only year is shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF CONTRIBUTIONS
GROUP LIFE INSURANCE OPEB PLAN
LAST FISCAL YEAR*

Exhibit 31

		2018
Governmental Activities:		
Actuarially determined contribution of employer	$	1,049,923
Contributions in relation to the actuarially determined contributions		1,049,923
Contribution deficiency (excess)	$	-
Covered - employee payroll		209,182,401
Contributions as a percentage of covered-employee payroll		0.50%
Business-type Activities:		
Actuarially determined contribution of employer	$	71,917
Contributions in relation to the actuarially determined contributions		71,917
Contribution deficiency (excess)	$	-
Covered - employee payroll		14,070,332
Contributions as a percentage of covered-employee payroll		0.51%
School Board C&M:		
Actuarially determined contribution of employer	$	137,829
Contributions in relation to the actuarially determined contributions		137,829
Contribution deficiency (excess)	$	-
Covered - employee payroll	$	35,225,161
Contributions as a percentage of covered-employee payroll		0.39%

See accompanying independent auditor's report.

* Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only one year is shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF SCHOOLS' PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHERS GROUP LIFE INSURANCE OPEB PLAN
LAST FISCAL YEAR*

Exhibit 32

		2018
Schools' proportion of the net OPEB liability		1.42%
Schools' proportionate share of the net OPEB liability	$	21,300,000
Schools' covered-employee payroll	$	288,681,379
Schools' proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		7.38%
Plan fiduciary net position	$	20,349,000
Plan fiduciary net position as a percentage of the total OPEB liability		48.86%

See accompanying independent auditor's report.
*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only one year is shown herein.

COUNTY OF HENRICO, VIRGINIA

SCHEDULE OF SCHOOL CONTRIBUTIONS **Exhibit 33**

TEACHERS GROUP LIFE INSURANCE OPEB PLAN

LAST FISCAL YEAR*

		2018
Contractually required contribution	$	1,357,662
Contributions in relation to the contractually required contribution	$	1,357,662
Contribution deficiency (excess)		-
Schools' covered-employee payroll	$	295,352,515
Contributions as a percentage of covered-employee payroll		0.46%

See accompanying independent auditor's report.

*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only one year is shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF SCHOOLS' PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
NON-PROFESSIONAL GROUP LIFE OPEB PLAN
LAST FISCAL YEAR*

Exhibit 34

		2018
Schools' proportion of the net OPEB liability		.0038%
Schools' proportionate share of the net OPEB liability	$	57,000
Schools' covered-employee payroll	$	771,166
Schools' proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		7.39%
Plan fiduciary net position	$	55,000
Plan fiduciary net position as a percentage of the total OPEB liability		49.11%

See accompanying independent auditor's report.
*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only one year is shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF SCHOOL CONTRIBUTIONS **Exhibit 35**
NON-PROFESSIONAL GROUP LIFE OPEB PLAN
LAST FISCAL YEAR*

		2018
Contractually required contribution	$	3,670
Contributions in relation to the contractually required contribution	$	3,670
Contribution deficiency (excess)		-
Schools' covered-employee payroll	$	820,537
Contributions as a percentage of covered-employee payroll		0.45%

See accompanying independent auditor's report.
*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only one year is shown herein.

Other Postemployment Benefits

Plan Description

Plan administration. The County provides other postemployment health care benefits ("OPEB") for all retired permanent full-time employees through a single-employer defined benefit plan ("Plan"). The County participates in the Virginia Pooled OPEB Trust Fund ("Trust Fund"), an irrevocable trust established for the purpose of accumulating assets to fund OPEB.

The Trust Fund is governed by a Board of Trustees composed of nine members. Trustees are elected by participants in the Pooled Trust, whose votes are weighted according to each Participating Employer's share of total Trust Fund assets.

Plan membership. At June 30, 2018 plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	1,317
Active plan members	10,523
	11,840

Benefits provided. The Plan provides health and dental insurance during retirement for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan. The benefit levels, employee contributions and employer contributions are governed by the County and can be amended by the County.

Contributions. The board of the Trust establishes rates based on an actuarially determined rate. For the year ended June 30, 2018, the County's average contribution rate was 1.32 percent of covered-employee payroll.

Investments

Investment policy. The Board of Trustees has the responsibility for managing the investment process. In fulfilling this responsibility, the Board will establish and maintain investment policies and objectives. Within this framework, the Board will monitor and evaluate the investment managers, bank custodian, and other parties, to monitor whether operations conform to the guidelines and actual results meet objectives. If necessary, the Board is responsible for making changes to achieve this.

The investment objective is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. The following was the Board's adopted asset allocation policy as June 30, 2018:

Asset Class	Target Allocation
Domestic equity	36%
Fixed Income	21%
Foreign equity	18%
Diversified hedge funds	10%
Real assets	10%
Private equity	5%
Total	100%

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 9.52 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the County

The components of the net OPEB liability of the County at June 30, 2018, were as follows:

Total OPEB liability	$	88,250,482
Plan fiduciary net position		(61,335,380)
County's net OPEB liability	$	26,915,102
Plan fiduciary net position as a percentage of the total OPEB liability		69.50%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3 percent
Salary increases	2.5 percent
Investment rate of return	7 percent
Healthcare cost trend rates	8 perent for 2018, graded down to 5% over 12 years

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB to 2020.

The capital market assumptions use the building-block method to help calculate the OPEB Trust's long-term rate of return. The long-term rates of return are arithmetic; they are used as inputs for the model to arrive at the median returns for the portfolio which are geometric. When calculating the median rates, which are used to set the target rates, the intermediate term rates are used for the first 10 years and the long-term rates for all years thereafter. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 (see the discussion of the Board of Trustees investment policy) are summarized in the following table:

Asset Class	**Long-Term Expected Real Rate of Return**
Domestic equity	8.16%
Fixed Income	2.92
Foreign equity	9.16
Diversified hedge funds	5.29
Real assets	5.04
Private equity	10.16

Discount rate. The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentate-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Net OPEB liability (asset)	$ 36,676,175	$ 26,915,104	$ 18,495,633

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 7% decreasing to 4% over 12 years	Healthcare Cost Current Rate 8% decreasing to 5% over 12 years	1% Increase 9% decreasing to 6% over 12 years
Net OPEB liability (asset)	$ 19,321,288	$ 26,915,104	$ 35,869,583

OTHER SUPPLEMENTAL INFORMATION
(UNAUDITED)

HENRICO COUNTY, VIRGINIA

DEBT SERVICE FUND

Debt Service Fund - To account for the accumulation of financial resources for payment of interest and principal on long-term governmental debt. Provided here to demonstrate compliance at the legal level of budgetary control.

HENRICO COUNTY, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule 1

Function, Activity, Element	Original	Revised	Actual	Variance
Primary Government:				
Debt Service Fund:				
Miscellaneous revenue	$ -	$ -	$ -	$ -
Total Debt Service Fund	$ -	$ -	$ -	$ -

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule 2

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
Debt Service Fund:				
Miscellaneous	$ 50,000	$ 350,000	$ 28,743	$ 321,257
Debt Service:				
Principal payments	39,365,000	39,365,000	39,845,000	(480,000)
Interest payments	18,347,829	18,347,829	17,114,663	1,233,166
Total Debt Service	57,712,829	57,712,829	56,959,663	753,166
Total Debt Service Fund	$ 57,762,829	$ 58,062,829	$ 56,988,406	$ 1,074,423

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA

INTERNAL SERVICE FUNDS

Financial Statements

Central Automotive Maintenance Fund - To account for the operating activities of the Central Motor Pool and Central Automotive Maintenance of County vehicles.

Technology Replacement Fund - To centralize the purchasing of computer equipment for participating County Agencies.

HENRICO COUNTY, VIRGINIA
COMBINING STATEMENTS OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2018

Schedule 3

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
Assets:				
Cash and cash equivalents	$ 993,081	$ 2,607,048	$ 12,500,026	$ 16,100,155
Receivables, net	9,886	-	2,414,005	2,423,891
Due from other funds	-	-	661,062	661,062
Due from component unit	-	-	106,489	106,489
Inventories	740,993	-	-	740,993
Other assets	-	-	-	-
Total current assets	1,743,960	2,607,048	15,681,582	20,032,590
Capital Assets:				
Other capital assets, net	16,182,665	-	-	16,182,665
Capital assets, net	16,182,665	-	-	16,182,665
Total assets	17,926,625	2,607,048	15,681,582	36,215,255
Deferred Outflows of Resources:				
Change in proportionate share allocation	14,633	-	-	14,633
Difference between projected and actual earnings	504,832	-	-	504,832
Change of assumptions	37,309	-	-	37,309
Contributions after measurement date	385,572	-	-	385,572
Total deferred outflows of resources	942,346	-	-	942,346
Total assets and deferred outflows of resources	18,868,971	2,607,048	15,681,582	37,157,601
Liabilities:				
Accounts payable	674,061	7,393	-	681,454
Accrued liabilities	75,549	-	11,320,174	11,395,723
Due to other funds	11,401	-	-	11,401
Net pension liability	2,467,256	-	-	2,467,256
Net OPEB liability	797,329	-	-	797,329
Long-term liabilities due within one year	212,536	-	-	212,536
Long-term liabilities due in more than one year	43,694	-	-	43,694
Total liabilities	4,281,826	7,393	11,320,174	15,609,393
Deferred Inflows of Resources:				
Change in proportionate share allocation	67,116	-	-	67,116
Difference between actual and expected experience	751,112	-	-	751,112
Difference between projected and actual pension earnings	717,431	-	-	717,431
Change of assumptions	115,135	-	-	115,135
Total deferred inflows of resources	1,650,794	-	-	1,650,794
Total liabilities and deferred inflows of resources	5,932,620	7,393	11,320,174	17,260,187
Net Position:				
Net investment in capital assets	16,181,435	-	-	16,181,435
Unrestricted	(3,245,084)	2,599,655	4,361,408	3,715,979
Total net position	$ 12,936,351	$ 2,599,655	$ 4,361,408	$ 19,897,414

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule 4

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
Operating Revenues:				
Charges for services:				
Interdepartmental charges	$ 19,813,573	$ -	$ -	$ 19,813,573
Contributions:				
Employer	-	-	79,440,055	79,440,055
Employee	-	-	23,634,793	23,634,793
Retiree	-	-	38,390	38,390
Disabled	-	-	-	-
Other	-	2,250,000	3,244,050	5,494,050
Total operating revenues	19,813,573	2,250,000	106,357,288	128,420,861
Operating Expenses:				
Utility charges	135,249	-	-	135,249
Personnel services and benefits	3,962,476	-	108,858,094	112,820,570
Professional services	7,605	-	120,709	128,314
Materials and supplies	9,524,845	2,437,175	-	11,962,020
Maintenance and repairs	4,861,197	-	-	4,861,197
Other expenses	228,260	-	1,057,598	1,285,858
Depreciation	2,238,081	-	-	2,238,081
Total operating expenses	20,957,713	2,437,175	110,036,401	133,431,289
Operating (loss) income	(1,144,140)	(187,175)	(3,679,113)	(5,010,428)
Nonoperating Revenues (Expenses):				
Gain on sale of equipment	353,838	-	-	353,838
Investment income	-	-	85,976	85,976
Total nonoperating revenues, net	353,838	-	85,976	439,814
Income (loss) before capital contributions	(790,302)	(187,175)	(3,593,137)	(4,570,614)
Capital contributions - donated assets	203,031	-	-	203,031
Change in net position	(587,271)	(187,175)	(3,593,137)	(4,367,583)
Total net position - June 30, 2017(see footnote 1 (P))	13,523,622	2,786,830	7,954,545	24,264,997
Total net position - June 30, 2018	$ 12,936,351	$ 2,599,655	$ 4,361,408	$ 19,897,414

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA
COMBINING STATEMENTS OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule 5

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
Cash Flows From Operating Activities:				
Receipts from customers	$ 19,812,868	$ 2,250,000	$ 103,905,919	$ 125,968,787
Payments to suppliers	(14,994,892)	(2,646,943)	(113,724,521)	(131,366,356)
Payments to employees	(3,799,225)	-	-	(3,799,225)
Net cash provided by (used in) operating activities	1,018,751	(396,943)	(9,818,602)	(9,196,794)
Cash Flows From Capital and Related Financing Activities:				
Purchase of capital assets	(2,501,082)	-	-	(2,501,082)
Principle paid on debt	(1,521)	-	-	(1,521)
Proceeds from sale of capital assets	450,084	-	-	450,084
Net cash used in capital and related financing activities	(2,052,519)	-	-	(2,052,519)
Cash Flows From Investing Activities:				
Investment income received	-	-	85,976	85,976
Net decrease in Cash and cash equivalents	(1,033,768)	(396,943)	(9,732,626)	(11,163,337)
Cash and cash equivalents - June 30, 2017	2,026,849	3,003,991	22,232,652	27,263,492
Cash and cash equivalents - June 30, 2018	$ 993,081	$ 2,607,048	$ 12,500,026	$ 16,100,155
Reconciliation of Operating Loss to Net Cash Provided by (Used In) Operating Activities:				
Operating loss	$ (1,144,140)	$ (187,175)	$ (3,679,113)	$ (5,010,428)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	2,238,081	-	-	2,238,081
Change in assets and liabilities:				
Receivables	(705)	-	(2,414,005)	(2,414,710)
Inventories	(23,795)	-	-	(23,795)
Due from other funds	-	-	(33,512)	(33,512)
Due from component unit	-	-	(3,852)	(3,852)
Other assets	143,540	-	12,452	155,992
Deferred outflows of resources	170,037	-	-	170,037
Accounts payable	143,932	(51,261)	(320)	92,351
Accrued liabilities	(99,023)	(158,507)	(3,700,252)	(3,957,782)
Due to other funds	1,253	-	-	1,253
Net pension liability	(711,996)	-	-	(711,996)
Net OPEB liability	(765,343)	-	-	(765,343)
Deferred inflows of resources	1,066,910	-	-	1,066,910
Net cash provided by (used in) operating activities	$ 1,018,751	$ (396,943)	$ (9,818,602)	$ (9,196,794)

Supplemental disclosure of noncash investing and financing activities:

Central Automotive Maintenance received donated equipment assets valued at $203,031.

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA

AGENCY FUNDS

Financial Statements

Long-Term Disability - To account for the receipt of contributions by County employees and the disbursement of disability payments related to the County's Long-Term Disability Plan.

Special Welfare - To account for receipts and disbursements of monies maintained in individual accounts for certain County welfare recipients.

Mental Health and Developmental Services - To account for receipts and disbursements of monies maintained for individual clients.

Non-Judicial Tax Sales - To account for receipts and disbursements of monies received from delinquent tax sales.

HENRICO COUNTY, VIRGINIA
COMBINING STATEMENTS OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

Schedule 6

	Long-Term Disability	Special Welfare	Mental Health and Developmental Services	Non-Judicial Tax Sales	Code RVA	Total
Assets:						
Cash and cash equivalents	$ 683,304	$ 61,742	$ 48,527	$ 41	$ -	$ 793,614
Accounts receivable	-	84	-	-	-	84
Due from other Governments	-	-	-	-	403,487	403,487
Equipment	-	-	-	-	32,248	32,248
Total Assets	$ 683,304	$ 61,826	$ 48,527	$ 41	$ 435,735	$ 1,229,433
Liabilities:						
Amounts due to others	$ 636,826	$ 175	$ 48,527	$ 41	$ 368,487	$ 1,054,056
Accounts payable	46,478	61,651	-	-	67,248	175,377
Total Liabilities	$ 683,304	$ 61,826	$ 48,527	$ 41	$ 435,735	$ 1,229,433

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA
COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule 7

	Balance July 1	Additions	Deletions	Balance June 30
Long Term Disability:				
Assets:				
Cash and cash equivalents	$ 716,807	$ 625,369	$ 658,872	$ 683,304
Total assets	$ 716,807	$ 625,369	$ 658,872	$ 683,304
Liabilities:				
Amounts due to others	$ 671,896	579,256	614,326	636,826
Accounts payable	44,911	46,113	44,546	46,478
Total liabilities	$ 716,807	$ 625,369	$ 658,872	$ 683,304
Special Welfare:				
Assets:				
Cash and cash equivalents	$ 89,156	$ 123,844	$ 151,258	$ 61,742
Accounts receivable	84	-	-	84
Total assets	$ 89,240	$ 123,844	$ 151,258	$ 61,826
Liabilities:				
Amounts due to others	$ 175	$ -	$ -	$ 175
Accounts payable	89,065	123,844	151,258	61,651
Total liabilities	$ 89,240	$ 123,844	$ 151,258	$ 61,826
Mental Health and Retardation:				
Assets:				
Cash and cash equivalents	$ 48,849	$ 323,678	$ 324,000	$ 48,527
Total assets	$ 48,849	$ 323,678	$ 324,000	$ 48,527
Liabilities:				
Amounts due to others	$ 48,849	$ 323,678	$ 324,000	$ 48,527
Total liabilities	$ 48,849	$ 323,678	$ 324,000	$ 48,527
Non-Judicial Tax Sales:				
Assets:				
Cash and cash equivalents	$ 41	$ -	$ -	$ 41
Total assets	$ 41	$ -	$ -	$ 41
Liabilities:				
Amounts due to others	$ 41	$ -	$ -	$ 41
Total liabilities	$ 41	$ -	$ -	$ 41
Code RVA:				
Assets:				
Cash and cash equivalents	$ -	$ 1,338,236	$ 1,338,236	$ -
Due from other government	-	403,487	-	403,487
Equipment	-	46,438	14,190	32,248
Total assets	$ -	$ 1,788,161	$ 1,352,426	$ 435,735
Liabilities:				
Accounts Payable	$ -	$ 667,841	$ 600,593	$ 67,248
Amount due to others	-	1,120,320	751,833	368,487
Total liabilities	$ -	$ 1,788,161	$ 1,352,426	$ 435,735
Totals:				
Assets:				
Cash and cash equivalents	$ 854,853	$ 2,411,127	$ 2,472,366	$ 793,614
Accounts receivable	84	-	-	84
Due from other government	-	403,487	-	403,487
Equipment	-	46,438	14,190	60,628
Total assets	$ 854,937	$ 2,861,052	$ 2,486,556	$ 1,229,433
Liabilities:				
Amounts due to others	$ 720,961	$ 2,023,254	$ 1,690,159	$ 1,054,056
Accounts payable	133,976	837,798	796,397	175,377
Total liabilities	$ 854,937	$ 2,861,052	$ 2,486,556	$ 1,229,433

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT -
SCHOOL BOARD

AGENCY FUND

Financial Statements

School Activity Fund - To account for the receipt of funds received from various School activities.

HENRICO COUNTY, VIRGINIA
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
JUNE 30, 2018

Schedule 8

	Governmental Funds			
	School General Fund	School Special Revenue Fund	School Capital Projects Fund	Totals
Assets:				
Cash and cash equivalents	$ 10,751,935	$ 1,970,687	$ 20,794,973	$ 33,517,595
Other assets	-	91,126	-	91,126
Due from other governmental units	4,645,683	24,230,877	-	28,876,560
Total Assets	$ 15,397,618	$ 26,292,690	$ 20,794,973	$ 62,485,281
Liabilities:				
Accounts payable	$ 477,367	$ 55,772	$ -	$ 533,139
Accrued liabilities	2,044,382	301,227	706,093	3,051,702
Amounts held for others	83,866	-	-	83,866
Advance from Other Funds	-	-	-	-
Due to other funds	93,213	3,281	-	96,494
Total liabilities	2,698,828	360,280	706,093	3,765,201
Deferred Inflow of Resources:				
Unavailable revenues	-	15,183,728	-	15,183,728
Fund balances:				
Restricted	-	10,748,682	-	10,748,682
Committed	-	-	20,088,880	20,088,880
Assigned	10,555,547	-	-	10,555,547
Unassigned	2,143,243	-	-	2,143,243
Total fund balances	12,698,790	10,748,682	20,088,880	43,536,352
Total Liabilities, Deferred Inflows and Fund Balances	$ 15,397,618	$ 26,292,690	$ 20,794,973	$ 62,485,281

Adjustments for the Statement of Net Position:

Internal service fund net profit allocation to the School Board is included in the Statement of Net Position as accounts payable, but is not included in the governmental funds.	$ (3,847,985)
Capital assets used in School Board activities are not current financial resources and therefore are not reported as assets in the governmental funds.	285,728,869
Deferred outflows - contributions after measurement date are not current financial resources and therefore are not reported as assets in the governmental funds.	51,949,940
Deferred outflows - differences between projected and actual earnings are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	45,490,011
Deferred outflows - changes of assumptions are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	6,194,805
Pension liability is not due and payable in the current period and therefore is not reported as liabilities in the governmental funds.	(428,111,529)
OPEB liability is not due and payable in the current period and therefore is not reported as liabilities in the governmental funds.	(77,576,786)
Change in proportionate share allocation	(6,569,001)
Deferred inflows - differences between expected and actual experience are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(42,209,672)
Deferred inflows - differences between projected and actual earnings are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(63,244,355)
Deferred inflows - changes of assumptions are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(3,882,430)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(26,125,005)
Net Position of Discretely Presented Component Unit - School Board	$ (218,666,786)

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule 9

	Governmental Funds			
	School General Fund	**School Special Revenue Fund**	**School Capital Projects Fund**	**Total**
Revenues:				
Permits, privilege fees and regulatory licenses	$ 428,299	$ -	$ -	$ 428,299
Charges for services	166,086	6,647,410	-	6,813,496
Miscellaneous	-	1,052,397	-	1,052,397
Recovered costs	1,719,157	-	-	1,719,157
Intergovernmental:	-	-	-	
Federal	-	42,288,680	-	42,288,680
State	259,004,092	13,044,986	-	272,049,078
Total revenues	261,317,634	63,033,473	-	324,351,107
Expenditures:				
Education	456,927,221	61,433,840	-	518,361,061
Capital projects	-	-	19,416,403	19,416,403
Debt service:				
Principal retirement	11,280,080	-	-	11,280,080
Interest	205,599	-	-	205,599
Total expenditures	468,412,900	61,433,840	19,416,403	549,263,143
Deficiency of revenues under expenditures	(207,095,266)	1,599,633	(19,416,403)	(224,912,036)
Other Financing Sources:				
Capital lease obligations incurred	28,928	-	-	28,928
Transfers in	-	-	11,900,000	11,900,000
Transfers out	(11,900,000)	-	-	(11,900,000)
Payment from Primary Government	221,132,144	-	2,712,610	223,844,754
Total other financing sources	209,261,072	-	14,612,610	223,873,682
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	2,165,806	1,599,633	(4,803,793)	(1,038,354)
Total Fund Balances - June 30, 2017	10,532,984	9,149,049	24,892,673	44,574,706
Total Fund Balances - June 30, 2018	$ 12,698,790	$ 10,748,682	$ 20,088,880	$ 43,536,352

Adjustments for the Statement of Activities:

Excess of revenues and other sources over expenditures and other uses	$ (1,038,354)
Repayment of debt principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	11,280,080
Depreciation expense is reported in the Statement of Activities but is not reported as an expense in the governmental funds. (Note 6)	(23,310,732)
Governmental funds report capital outlays as expenditures while School Board activities capitalize those outlays to allocate those expenditures over the life of the assets.	17,222,833
Capital lease proceeds are recorded as revenues in governmental funds, but are not reported as revenues in the Statement of Activities. (Note 7)	(28,928)
Internal service funds are used to charge the costs of maintenance to governmental funds and are a reduction of related expenses in the Statement of Activities.	(616,626)
Pension/OPEB expense is recorded as an expenditure in the Statement of Activities, but is not reported as an expense in the governmental funds.	18,523,254
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.	911,172
Change in Net Position of Discretely Presented Component Unit - School Board	$ 22,942,699

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
AGENCY FUNDS
JUNE 30, 2018

Schedule 10

	Agency Funds
Assets:	
Cash and cash equivalents	$ 6,080,133
Total Assets	$ 6,080,133
Liabilities:	
Amounts held for others	$ 6,080,133
Total Liabilities	$ 6,080,133

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule 11

	Balance July 1	Additions	Deletions	Balance June 30
School Activity Fund:				
Assets:				
Cash and cash equivalents	$ 5,658,593	$ 29,281,782	$ 28,860,242	$ 6,080,133
Total assets	$ 5,658,593	$ 29,281,782	$ 28,860,242	$ 6,080,133
Liabilities:				
Amounts due to others	$ 5,658,593	$ 29,281,782	$ 28,860,242	$ 6,080,133
Total liabilities	$ 5,658,593	$ 29,281,782	$ 28,860,242	$ 6,080,133

See accompanying independent auditor's report.

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
Component Unit - School Board:				
General Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
High school parking fees	$ 100,000	$ 100,000	$ 110,451	$ 10,451
Facilities rental	300,000	300,000	317,848	17,848
Total permits, privilege fees and regulatory licenses	400,000	400,000	428,299	28,299
Charges for services:				
School fees and tuitions	128,000	128,000	166,086	38,086
Total charges for services	128,000	128,000	166,086	38,086
Recovered cost:				
Sale of vehicles, textbooks and equipment	50,000	1,457,571	1,484,601	27,030
Recovered cost - student activities	330,000	330,000	234,556	(95,444)
Total recovered cost	380,000	1,787,571	1,719,157	(68,414)
Total revenue from local sources	908,000	2,315,571	2,313,542	(2,029)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Talented and gifted program	1,400,000	1,400,000	1,410,037	10,037
English as a second language	2,000,000	2,000,000	2,076,959	76,959
General appropriation - basic aid	126,500,000	126,500,000	127,168,417	668,417
Foster child reimbursement	152,000	152,000	224,712	72,712
Textbooks	3,200,000	3,200,000	3,224,873	24,873
Social security reimbursement	7,900,000	7,900,000	7,931,460	31,460
Retirement reimbursement	18,000,000	18,000,000	18,212,983	212,983
Life insurance reimbursement	500,000	500,000	528,764	28,764
Remedial education	4,300,000	4,300,000	4,406,367	106,367
Share of State sales tax - schools	55,000,000	55,000,000	55,781,966	781,966
SOQ - basic special education	15,500,000	15,500,000	15,745,417	245,417
Special education - homebound	200,000	200,000	225,797	25,797
Vocational education - local administrative and supervisory	750,000	750,000	34,518	(715,482)
Vocational education - SOQ occupational	2,000,000	2,000,000	2,056,304	56,304
Handicapped - foster home	300,000	300,000	675,935	375,935
Salary incentive K-3	5,000,000	5,000,000	5,049,168	49,168
R.O.T.C.	360,000	360,000	329,309	(30,691)
Adult Basic Education	-	-	690,115	690,115
At risk	3,000,000	3,000,000	3,268,790	268,790
Education State Compensation	1,200,000	1,200,000	1,273,364	73,364
Other categorical aid	100,000	100,000	629,005	529,005
State lottery proceeds	7,300,000	7,300,000	8,059,832	759,832
Total categorical aid	254,662,000	254,662,000	259,004,092	4,342,092
Total revenue from the Commonwealth	254,662,000	254,662,000	259,004,092	4,342,092
Total Component Unit - General Fund	$ 255,570,000	$ 256,977,571	$ 261,317,634	$ 4,340,063

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria receipts	$ 9,284,452	$ 9,284,452	$ 6,647,410	$ (2,637,042)
Total charges for services	9,284,452	9,284,452	6,647,410	(2,637,042)
Miscellaneous:				
Miscellaneous	237,759	242,295	520,205	277,910
Recoveries and rebates	3,319,998	3,319,998	532,192	(2,787,806)
Total miscellaneous	3,557,757	3,562,293	1,052,397	(2,509,896)
Total revenue from local sources	12,842,209	12,846,745	7,699,807	(5,146,938)
Intergovernmental:				
Revenue from the Commonwealth:				
Juvenile detention center	1,510,470	1,510,470	1,413,004	(97,466)
Technology	2,194,400	2,194,400	1,767,749	(426,651)
Summer school	1,970,963	1,970,963	539,269	(1,431,694)
General adult education	292,023	292,023	752,841	460,818
Other state educational grants	9,319,130	9,467,619	8,572,123	(895,496)
Total revenue from the Commonwealth	15,286,986	15,435,475	13,044,986	(2,390,489)
Revenue from the Federal Government:				
Title I	9,502,638	9,502,638	9,867,957	365,319
Title VI-B	10,110,771	10,110,771	10,261,367	150,596
Vocational federal act	-	-	382,357	382,357
Head start	1,412,237	1,412,237	1,459,075	46,838
Pre-school	311,486	311,486	187,122	(124,364)
School lunch program	14,937,455	14,937,455	10,568,882	(4,368,573)
School breakfast program	-	-	3,569,190	3,569,190
Other Federal educational grants	7,609,313	7,609,313	5,992,730	(1,616,583)
Total revenue from the Federal government	43,883,900	43,883,900	42,288,680	(1,595,220)
Total intergovernmental	59,170,886	59,319,375	55,333,666	(3,985,709)
Total Component Unit - Special Revenue Fund	$ 72,013,095	$ 72,166,119	$ 63,033,473	$ (9,132,646)
Grand Total Revenues - Component Unit - School Board	$ 327,583,095	$ 329,143,690	$ 324,351,107	$ (4,792,583)

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
COMPONENT UNIT - SCHOOL BOARD
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule 13

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Component Unit - School Board:				
General Fund:				
Education:				
Administration of schools:				
Administration	$ 54,900,995	$ 63,130,580	$ 54,536,534	$ 8,594,046
Instructional	332,176,958	331,293,215	330,699,155	594,060
Transportation	25,614,810	26,935,402	26,939,072	(3,670)
Operation and maintenance	45,757,731	45,447,681	44,752,459	695,222
Total administration of schools	458,450,494	466,806,878	456,927,221	9,879,657
Debt Service:				
Principal retirement	11,280,080	11,280,080	11,280,080	-
Interest	205,599	205,599	205,599	-
Total debt service	11,485,679	11,485,679	11,485,679	-
Total education	469,936,173	478,292,557	468,412,900	9,879,657
Total Component Unit - General Fund	$ 469,936,173	$ 478,292,557	$ 468,412,900	$ 9,879,657
Special Revenue Fund:				
Education:				
Instruction	$ 42,040,657	$ 60,566,037	$ 39,572,223	$ 20,993,814
Other educational programs	4,788,363	6,748,787	996,540	5,752,247
Total education	46,829,020	67,314,824	40,568,763	26,746,061
School food service	25,760,022	26,023,014	20,865,077	5,157,937
Total Component Unit - Special Revenue Fund	$ 72,589,042	$ 93,337,838	$ 61,433,840	$ 31,903,998
Grand Total Expenditures - Component Unit - School Board	$ 542,525,215	$ 571,630,396	$ 529,846,740	$ 41,783,656

See accompanying independent auditor's report.

Statistical Section

This component of the County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the basic financial statements, note disclosures, and required supplementary information indicate about the County's financial health over an extended period of time.

The goal of the statistical section is to be the chief source of information regarding the County's economic condition. For a more complete understanding of the data summarized herein, please refer to the County's previous Comprehensive Annual Financial Reports as well as the accompanying transmittal letter, management's discussion and analysis and the aforementioned basic financial statements, in their entirety (including the note disclosures and required supplementary information).

Contents

HENRICO COUNTY, VIRGINIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)
($ in thousands)

Table I

	2009	2010	2011	2012	2013 (1)	2014	2015 (2)	2016	2017	2018 (3)
Governmental Activities:										
Net Investment in Capital Assets	$ 917,136	$ 921,623	$ 946,772	$ 1,009,019	$ 1,029,263	$ 1,049,919	$ 1,082,833	$ 1,093,486	$ 1,102,415	$ 1,168,862
Restricted For:										
Highways, Streets and Buildings	73,835	86,705	94,717	80,728	93,239	75,283	65,924	74,460	128,255	75,065
Debt Service	40,667	38,006	35,199	37,787	34,667	35,187	35,729	35,283	33,318	38,889
Grants	25,768	29,488	39,207	40,738	43,598	47,264	47,142	51,010	51,309	44,380
Unrestricted	214,984	203,684	182,965	129,229	107,902	125,687	(75,487)	(99,933)	(76,034)	(78,587)
Total Governmental Activities Net Position	$ 1,272,390	$ 1,279,506	$ 1,298,860	$ 1,297,501	$ 1,308,669	$ 1,333,340	$ 1,156,141	$ 1,154,306	$ 1,239,263	$ 1,248,609
Business-type Activities:										
Net Investment in Capital Assets	$ 885,430	$ 909,604	$ 923,622	$ 946,577	$ 969,304	$ 1,015,261	$ 1,006,550	$ 1,045,556	$ 1,049,633	$ 1,040,062
Debt Service	15,129	16,704	16,516	16,516	15,070	17,005	17,002	21,532	21,532	27,247
Unrestricted	78,038	76,418	73,779	64,471	63,384	31,682	47,360	27,843	58,476	89,177
Total Business-Type Activities Net Position	$ 978,597	$ 1,002,727	$ 1,013,917	$ 1,027,564	$ 1,047,758	$ 1,063,948	$ 1,070,912	$ 1,094,931	$ 1,129,641	$ 1,156,486
Primary Government:										
Net Investment in Capital Assets	$ 1,802,566	$ 1,831,227	$ 1,870,394	$ 1,955,596	$ 1,998,567	$ 2,065,180	$ 2,089,383	$ 2,139,042	$ 2,152,048	$ 2,208,923
Restricted For:										
Highways, Streets, and Buildings	73,835	86,705	94,717	80,728	93,239	75,283	65,924	74,460	128,255	75,065
Debt Service	55,796	54,710	51,715	54,303	49,737	52,192	52,731	56,815	54,850	66,136
Grants	25,768	29,488	39,207	40,738	43,598	47,264	47,142	51,010	51,309	44,380
Unrestricted	293,022	280,102	256,744	193,700	171,286	157,369	(28,127)	(72,091)	(17,558)	10,590
Total Primary Government Net Position	$ 2,250,987	$ 2,282,233	$ 2,312,777	$ 2,325,065	$ 2,356,427	$ 2,397,288	$ 2,227,053	$ 2,249,236	$ 2,368,904	$ 2,405,094

Note: Table may not foot due to rounding

Source: County of Henrico, Virginia Comprehensive Annual Financial Reports Exhibit 1

(1) As restated for the adoption of GASB Statement No. 65 retrospectively in fiscal year 2014. For purposes of the Statistical Section, fiscal years prior to the year ended June 30, 2013 have not been restated for the effects of GASB Statement No. 65.

(2) The County adopted GASB Statement Nos. 68 and 71 in fiscal year 2015. Fiscal years prior to the year ended June 30, 2015 have not been restated for the effects of GASB Statement Nos. 68 and 71.

(3) The County adopted GASB Statement No. 75 in fiscal year 2018. Fiscal years prior to the year ended June 30, 2018 have not been restated for the effects of GASB Statement No. 75.

HENRICO COUNTY, VIRGINIA
SCHEDULE OF CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)
($ in thousands)

Table II

	2009	2010	2011	2012	2013 (1)	2014	2015 (2)	2016	2017	2018 (3)
Expenses										
Governmental Activities:										
General Government	$ 97,459	$ 102,595	$ 88,350	$ 96,745	$ 96,108	$ 86,769	$ 101,642	$ 129,491	$ 97,783	$ 91,002
Judicial Administration	8,493	10,943	11,101	11,158	10,908	10,916	11,215	11,298	11,889	12,267
Public Safety	167,439	165,026	169,856	172,498	173,219	179,030	181,590	186,839	198,047	198,269
Public Works	65,154	77,785	71,986	75,272	70,303	77,624	82,583	80,918	89,386	87,221
Health and Welfare	62,145	67,543	60,937	60,572	57,700	58,681	61,796	66,956	70,840	74,941
Education	190,186	193,146	209,564	205,558	188,025	200,483	217,148	251,840	249,223	235,170
Parks, Recreation and Culture	34,829	35,204	34,329	34,987	34,781	34,159	35,058	37,434	40,309	42,123
Community Development	26,080	25,428	26,692	27,903	28,869	27,681	31,813	29,868	28,640	30,396
Interest and Long-term Debt	23,609	27,698	18,520	19,177	21,289	15,854	17,195	11,941	12,302	12,069
Total Government Activities Expenses	675,394	705,368	691,335	703,870	681,202	691,197	740,040	806,585	798,419	783,458
Business-Type Activities:										
Water and Sewer	86,688	87,290	92,028	90,830	89,813	96,918	102,977	107,950	105,919	108,696
Belmont Park Golf Course	1,200	1,237	1,227	1,241	1,166	1,150	965	1,082	1,001	926
Total Business-Type Activities Expenses	87,888	88,527	93,255	92,071	90,979	98,068	103,942	109,032	106,920	109,622
Total Primary Government Expenses	$ 763,282	$ 793,895	$ 784,590	$ 795,941	$ 772,181	$ 789,265	$ 843,982	$ 915,617	$ 905,339	$ 893,080
Program Revenues										
Governmental Activities:										
Charges for services:										
General Government	$ 18,283	$ 15,207	$ 11,461	$ 12,212	$ 11,094	$ 11,118	$ 13,164	$ 11,969	$ 13,659	$ 16,613
Judicial Administration	104	81	88	90	106	124	185	957	982	972
Public Safety	2,212	2,765	3,153	3,190	3,464	2,951	3,197	2,878	5,029	3,142
Public Works	13,000	13,741	15,760	13,667	15,077	14,851	3,392	3,464	3,085	2,572
Health and Welfare	9,059	9,645	9,507	10,225	10,234	11,255	10,764	11,317	11,096	11,223
Education	-	-	-	-	-	-	-	-	-	-
Parks, Recreation and Culture	1,351	1,444	1,439	1,497	1,494	1,446	1,360	1,250	1,249	1,208
Community Development	472	547	4,901	5,749	6,328	6,479	7,561	7,843	8,615	9,853
Interest and Long-term Debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	141,967	111,874	-	-	109,426	117,403	137,434	152,903	155,163	148,000
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Revenues	186,448	155,304	46,309	46,630	157,223	165,627	177,057	192,581	198,878	193,583
Business-Type Activities:										
Water and Sewer	110,179	88,428	91,827	97,318	100,998	101,395	110,953	117,240	118,859	113,054
Belmont Park Golf Course	964	868	867	979	844	797	853	823	694	697
Total Business-Type Activities Revenues	111,143	89,296	92,694	98,297	101,842	102,192	111,806	118,063	119,553	113,751
Total Primary Government Revenues	$ 297,591	$ 244,600	$ 139,003	$ 144,927	$ 259,065	$ 267,819	$ 288,863	$ 310,644	$ 318,431	$ 307,334

Note: Table may not foot due to rounding

Source: County of Henrico, Virginia Comprehensive Annual Financial Reports Exhibit 2

(1) As restated for the adoption of GASB Statement No. 65 retrospectively in fiscal year 2014. For purposes of the Statistical Section, fiscal years prior to the year ended June 30, 2013 have not been restated for the effects of GASB Statement No. 65.

(2) The County adopted GASB Statement Nos. 68 and 71 in fiscal year 2015. Fiscal years prior to the year ended June 30, 2015 have not been restated for the effects of GASB Statement Nos. 68 and 71.

(3) The County adopted GASB Statement No. 75 in fiscal year 2018. Fiscal years prior to the year ended June 30, 2018 have not been restated for the effects of GASB Statement No. 75.

HENRICO COUNTY, VIRGINIA
SCHEDULE OF CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)

(accrual basis of accounting)

($ in thousands)

Table II (Cont'd)

	2009	2010	2011	2012	2013 (1)	2014	2015 (2)	2016	2017	2018 (3)
Net (Expense) Revenue										
Governmental Activities:										
General Government	$ (77,796)	$ (86,579)	$ (75,510)	$ (83,065)	$ (86,689)	$ (74,645)	$ (86,565)	$ (115,290)	$ (82,401)	$ (71,887)
Judicial Administration	(2,398)	(5,795)	(5,874)	(5,869)	(5,498)	(5,505)	(5,454)	(4,694)	(4,906)	(5,297)
Public Safety	(136,612)	(135,030)	(137,288)	(139,818)	(142,236)	(146,844)	(150,739)	(155,208)	(163,389)	(166,276)
Public Works	17,121	(26,246)	(12,395)	(20,548)	(13,665)	(15,234)	(14,734)	(3,916)	(12,399)	(20,316)
Health and Welfare	(20,828)	(25,890)	(21,057)	(21,047)	(21,664)	(20,749)	(16,612)	(21,119)	(24,174)	(25,558)
Education	(190,186)	(193,146)	(209,564)	(205,558)	(188,025)	(200,483)	(217,148)	(251,840)	(249,223)	(235,170)
Parks, Recreation and Culture	(33,158)	(33,555)	(32,711)	(33,296)	(33,103)	(32,502)	(33,359)	(35,984)	(38,845)	(40,701)
Community Development	(21,685)	(16,125)	(14,153)	(15,847)	(14,613)	(13,754)	(21,178)	(14,010)	(11,901)	(12,600)
Interest and Long-term Debt	(23,609)	(27,698)	(18,520)	(19,177)	(21,289)	(15,854)	(17,195)	(11,941)	(12,302)	(12,069)
Total Governmental Activities Net Expense	(489,151)	(550,064)	(527,072)	(544,225)	(526,782)	(525,570)	(562,984)	(614,002)	(599,540)	(589,874)
Business-Type Activities:										
Water and Sewer	23,491	18,929	8,137	13,392	17,885	11,806	18,224	20,270	27,805	25,503
Belmont Park Golf Course	(236)	(369)	(360)	(262)	(323)	(353)	(112)	(259)	(307)	(229)
Total Business-Type Activities Net Revenue	23,255	18,560	7,777	13,130	17,562	11,453	18,112	20,011	27,498	25,274
Total Primary Government Net Expense	$ (465,896)	$ (531,504)	$ (519,295)	$ (531,095)	$ (509,220)	$ (514,117)	$ (544,872)	$ (593,991)	$ (572,042)	$ (564,600)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property	$ 383,557	$ 366,203	$ 356,285	$ 355,138	$ 355,171	$ 367,971	$ 377,406	$ 387,744	$ 403,164	$ 420,886
Local Sales and Use	54,109	53,256	55,342	55,913	55,852	55,825	58,095	62,286	64,666	68,256
Business License	29,849	27,313	27,525	28,487	29,641	29,828	32,086	33,521	35,432	35,618
Hotel and Motel	9,640	9,006	9,389	10,627	10,851	11,008	12,193	13,169	13,448	13,898
Bank Franchise	17,220	14,579	18,906	17,440	11,740	9,138	11,482	12,133	17,318	17,775
Other	31,658	17,069	16,931	18,075	20,158	21,250	46,344	48,614	49,828	50,948
Interest and Investment Earnings	12,849	4,656	2,689	2,225	1,519	1,946	2,271	2,945	2,045	5,305
Grants and Contributions	43,735	61,238	57,854	54,053	51,426	51,143	50,727	50,633	55,243	50,576
Miscellaneous/Donated Assets	1,651	3,861	1,505	908	1,592	2,131	2,591	1,121	4,976	1,685
Total Governmental Activities	584,268	557,181	546,426	542,866	537,950	550,240	593,195	612,166	646,120	664,947
Business-Type Activities:										
Interest and Investment Earnings	1,015	646	714	1,051	1,024	2,075	799	1,020	975	1,122
Grants and Contributions	983	661	436	492	436	1,611	1,608	1,650	1,608	1,609
Miscellaneous/Donated Assets	(505)	4,262	2,264	(1,026)	1,172	1,051	1,214	1,340	1,923	1,712
Total Business-Type Activities	1,493	5,569	3,414	517	2,632	4,737	3,621	4,010	4,506	4,443
Total Primary Government	$ 585,761	$ 562,750	$ 549,840	$ 543,383	$ 540,582	$ 554,977	$ 596,816	$ 616,176	$ 650,626	$ 669,390
Change in Net Position										
Government Activities	$ 95,116	$ 7,117	$ 19,354	$ (1,359)	$ 11,168	$ 24,670	$ 30,211	$ (1,836)	$ 46,580	$ 75,073
Business Activities	24,748	24,129	11,191	13,647	20,194	16,190	21,733	24,021	32,004	29,717
Total Primary Government Net Position	$ 119,865	$ 31,246	$ 30,545	$ 12,288	$ 31,362	$ 40,860	$ 51,944	$ 22,185	$ 78,584	$ 104,790

Note: Table may not foot due to rounding

Source: County of Henrico, Virginia Comprehensive Annual Financial Reports Exhibit 2

(1) As restated for the adoption of GASB Statement No. 65 retrospectively in fiscal year 2014. For purposes of the Statistical Section, fiscal years prior to the year ended June 30, 2013 have not been restated for the effects of GASB Statement No. 65.

(2) The County adopted GASB Statement Nos. 68 and 71 in fiscal year 2015. Fiscal years prior to the year ended June 30, 2015 have not been restated for the effects of GASB Statement Nos. 68 and 71.

(3) The County adopted GASB Statement No. 75 in fiscal year 2018. Fiscal years prior to the year ended June 30, 2018 have not been restated for the effects of GASB Statement No. 75.

HENRICO COUNTY, VIRGINIA
FUND BALANCES-GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)
($ in thousands)

Table III

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Nonspendable	$ -	$ -	$ 113	$ 113	$ 113	$ 113	$ 113	$ 113	$ 113	$ 113
Restricted	-	-	4,512	4,532	5,026	6,812	7,321	5,277	6,886	3,966
Committed	-	-	5,000	10,000	2,920	18,842	28,204	33,206	35,454	65,937
Assigned	-	-	79,631	89,409	72,184	61,822	61,511	62,420	77,076	69,467
Unassigned	-	-	133,005	109,597	114,170	115,034	117,489	119,346	123,934	127,744
Total General Fund	247,327	242,864	222,261	213,651	194,413	202,623	214,638	220,362	243,463	267,227
All Other Governmental Funds:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	26,738	28,532	28,448	30,253	28,973	29,018	26,844	20,853
Committed	-	-	208,320	212,618	191,275	148,380	119,743	140,570	242,931	211,810
Assigned	-	-	15,238	14,964	15,907	17,768	19,298	23,139	24,668	24,705
Unassigned	-	-	-	-	-	-	-	-	-	-
Undesignated										
Total All Other Governmental Funds	282,424	214,957	250,296	256,114	235,630	196,401	168,014	192,727	294,443	257,368
Total Fund Balances	$ 529,751	$ 457,822	$ 472,557	$ 469,765	$ 430,043	$ 399,024	$ 382,652	$ 413,089	$ 537,906	$ 524,595

	2009	2010
General Fund:		
Reserved for:		
Advance to Other Funds	$ 113	$ 113
Encumbrances	7,116	4,298
Unreserved, reported in:		
Designated	100,889	101,927
Undesignated	139,209	136,526
Total General Fund	247,327	242,865
All Other Governmental Funds:		
Reserved for:		
Encumbrances	96,054	69,556
Unreserved, reported in:		
Designated:		
Special Revenue Fund	24,373	24,333
Debt Service Fund	7,422	6,496
Capital Project Fund	154,575	114,572
Undesignated	-	-
Total All Other Governmental Funds	282,424	214,957
Total Fund Balances	$ 529,751	$ 457,822

Notes: The Governmental Funds Fund Balances do not include the School Board or JRJDC component units to be consistent with the CAFR Financial Section.
GASB 54 classification of fund balances was implemented in fiscal year 2011.

Source: County of Henrico, Virginia Comprehensive Annual Financial Reports Exhibit 3

HENRICO COUNTY, VIRGINIA
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)
($ in thousands)

Table IV

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
General Property Taxes	$ 377,532	$ 367,444	$ 353,555	$ 351,142	$ 352,275	$ 367,120	$ 375,685	$ 387,388	$ 402,026	$ 420,786
Other Local Taxes	126,270	119,791	127,013	129,354	125,872	125,113	158,824	165,920	176,154	182,032
Licenses and Permits	3,032	2,665	2,963	3,486	3,177	3,732	6,052	4,744	5,385	9,811
Fines and Forfeitures	2,333	2,480	3,187	2,958	3,415	2,649	2,523	1,945	2,110	2,161
Use of Money and Property	13,761	7,185	3,673	3,117	2,746	3,335	3,534	4,194	3,295	6,286
Charges for Services	23,825	25,928	25,993	26,279	27,446	28,783	28,383	29,317	31,325	29,196
Miscellaneous	9,075	7,191	8,545	6,861	8,639	8,807	9,360	10,681	12,628	12,306
Recovered Costs	6,392	6,246	6,319	6,908	6,231	5,635	5,821	5,599	7,617	6,313
Intergovernmental Revenue	164,086	168,695	165,570	160,862	155,590	167,242	172,485	180,066	188,030	184,786
Total Government Revenues	726,306	707,625	696,818	690,967	685,391	712,416	762,667	789,854	828,570	853,677
Expenditures:										
General Government	65,526	68,009	66,831	67,384	70,513	69,093	71,123	71,692	82,816	77,501
Judicial Administration	8,609	10,933	10,872	11,055	10,811	10,918	11,125	11,212	11,801	12,182
Public Safety	167,650	161,797	166,872	168,379	170,502	170,382	175,250	178,206	187,857	192,828
Public Works	50,799	52,693	47,941	54,071	51,344	59,730	63,621	61,463	66,543	69,029
Health and Welfare	62,776	61,632	60,487	60,342	57,369	58,616	61,614	66,583	70,532	74,643
Parks, Recreation and Culture	31,698	30,639	29,873	30,826	30,508	30,024	30,520	32,431	35,962	36,546
Community Development	26,134	25,615	26,416	27,711	28,687	27,548	31,497	29,648	28,412	30,185
Education	184,328	192,895	200,633	195,626	177,967	188,849	205,157	211,399	223,786	223,845
Miscellaneous	21,545	21,209	16,072	17,821	14,964	15,494	16,987	18,373	8,146	20,141
Debt Service - Principal	30,452	35,155	32,477	32,542	38,869	37,999	38,670	38,935	41,963	40,305
- Interest	22,384	20,125	19,260	22,610	22,162	21,168	19,077	17,488	16,765	17,167
Capital Outlay	118,776	100,066	82,574	80,574	51,801	53,716	54,864	56,145	45,478	75,029
Total Government Expenditures	790,677	780,768	760,308	768,941	725,497	743,537	779,505	793,575	820,061	869,401
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(64,371)	(73,143)	(63,490)	(77,974)	(40,106)	(31,121)	(16,838)	(3,721)	8,509	(15,724)
Other Financing Sources (Uses):										
Transfers-in	115,122	96,503	96,801	84,029	109,077	87,589	107,121	123,971	109,542	123,601
Transfers-out	(115,122)	(96,503)	(96,801)	(84,029)	(109,077)	(87,589)	(107,121)	(123,971)	(109,542)	(123,601)
Issuance of Bonds	171,315	156,160	72,205	66,075	37,500	-	50,485	-	156,010	-
Issuance of Bond Premium	7,389	21,307	5,714	7,885	7,566	-	9,645	-	20,766	-
Loan Financing	-	-	-	-	-	-	-	34,000	-	-
Issuance of Capital Lease Obligations	67	140	306	1,222	126	101	95	158	913	2,415
Payment to Escrow Agent	(36,799)	(176,393)	-	-	(44,809)	-	(59,758)	-	(61,386)	-
Total Other Financing Sources, Net	141,972	1,214	78,225	75,182	383	101	467	34,158	116,303	2,415
Net Change in Fund Balances	$ 77,601	$ (71,929)	$ 14,735	$ (2,792)	$ (39,723)	$ (31,020)	$ (16,371)	$ 30,437	$ 124,812	$ (13,309)
Debt service as a percentage of noncapital expenditures	8.28%	8.22%	7.94%	8.17%	9.26%	8.64%	8.07%	7.37%	7.54%	7.36%

Note: Table may not foot due to rounding

Source: County of Henrico, Virginia Comprehensive Annual Financial Reports Exhibit 4

HENRICO COUNTY, VIRGINIA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)
($ in thousands)

Table V

	Real Property					Personal Property						
Year	Residential Property	Commercial Property (1)	Public (3) Service Corp.	Total Real Property	Real Property Tax Rate (2)	Personal Property	Public (3) Service Corp.	Total Personal Property	Personal Property Tax Rate (2)	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value of Taxable Property
2009	24,154,886	10,820,982	913,716	35,889,584	0.87	3,789,013	2,763	3,791,776	3.50	39,681,360	7.37 (4)	39,681,360
2010	22,613,681	9,403,294	976,312	32,993,287	0.87	3,068,020	3,704	3,071,724	3.50	36,065,011	7.37 (4)	36,065,011
2011	22,439,661	9,262,487	988,146	32,690,294	0.87	3,208,453	3,324	3,211,777	3.50	35,902,071	7.37 (4)	35,902,071
2012	21,340,606	9,326,319	980,339	31,647,264	0.87	3,432,535	3,433	3,435,968	3.50	35,083,232	7.37 (4)	35,083,232
2013	21,059,811	9,716,301	938,957	31,715,069	0.87	3,586,164	3,143	3,589,307	3.50	35,304,376	7.37 (4)	35,304,376
2014	21,988,906	9,919,518	908,401	32,816,825	0.87	3,585,703	3,305	3,589,008	3.50	36,405,833	7.37 (4)	36,405,833
2015	22,810,890	10,292,187	962,217	34,065,294	0.87	3,766,963	2,529	3,769,492	3.50	37,834,786	6.57 (5)	37,834,786
2016	23,518,182	10,657,341	1,004,054	35,179,577	0.87	4,013,147	2,222	4,015,369	3.50	39,194,946	5.47 (6)	39,194,946
2017	24,611,556	11,130,742	1,129,400	36,871,698	0.87	4,087,035	2,130	4,089,165	3.50	40,960,863	5.47 (6)	40,960,863
2018	26,117,583	11,776,171	1,162,001	39,055,755	0.87	4,241,370	1,994	4,243,364	3.50	43,299,119	5.47 (6)	43,299,119

Source: County of Henrico Director of Finance

Notes: The County assesses property annually. Property is assessed at market value in accordance with State law, except as noted below in Virginia's Land Use Code.
(1) Includes commercial, industrial, manufacturing and agriculture
(2) Per $100 of assessed value
(3) Source: State Corporation Commission and Department of Taxation
(4) Includes Machinery and Tools ($1.00), Aircraft ($1.60) and Semi-Conductor ($.40)
(5) Includes Machinery and Tools ($.30), Aircraft ($1.60) and Semi-Conductor ($.30)
(6) Includes Machinery and Tools ($.30), Aircraft ($.50) and Semi-Conductor ($.30)
Title 58.1-3201 of the Code of Virginia provides for the assessment of real property at 100% of fair market value.
Title 58.1-3230 through 3244 of the Code of Virginia provides for the assessment of land based on use value rather than market value.
Use value is the assessment of the land for a specific purpose and is generally lower than market value. This is a local option statute adopted by Henrico County in 1976.

HENRICO COUNTY, VIRGINIA
DIRECT TAX RATES
LAST TEN FISCAL YEARS
(Unaudited)

(rate per $100 of assessed value)

Table VI

Tax Year	Real Property	Tangible Personal Property	Machinery and Tools	Aircraft	Semi-Conductor	Total Direct Rate
2018	$ 0.87	$ 3.50	$ 0.30	$ 0.50	$ 0.30	$ 5.47
2017	0.87	3.50	0.30	0.50	0.30	5.47
2016	0.87	3.50	0.30	0.50	0.30	5.47
2015	0.87	3.50	0.30	1.60	0.30	6.57
2014	0.87	3.50	1.00	1.60	0.40	7.37
2013	0.87	3.50	1.00	1.60	0.40	7.37
2012	0.87	3.50	1.00	1.60	0.40	7.37
2011	0.87	3.50	1.00	1.60	0.40	7.37
2010	0.87	3.50	1.00	1.60	0.40	7.37
2000	0.94	3.50	1.00	1.60	1.00	8.04

Source: County of Henrico Director of Finance

Notes: There are no overlapping tax rates within County of Henrico.
Qualifying volunteer rescue squad and fire department vehicles are taxed at the rate of $1.00 per $100 of assessed value.
Specially equipped vehicles for disabled veterans and for the handicapped are taxed at the rate of $.01 per $100 of assessed value.

HENRICO COUNTY, VIRGINIA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR, PRIOR YEAR AND TEN YEARS AGO
(Unaudited)

Table VII

	Calendar Year 2018				Calendar Year 2017				Calendar Year 2009			
Taxpayer	Type of Business	Real/Personal Property Assessed Valuation	Rank	Percent of Total Valuation	Type of Business	Real/Personal Property Assessed Valuation	Rank	Percent of Total Valuation	Type of Business	Real/Personal Property Assessed Valuation	Rank	Percent of Total Valuation
Virginia Power Company	Utility	$ 733,004,791	1	1.69%	Utility	$ 680,426,188	1	1.66%	Utility	$ 430,387,857	2	1.08%
Forest City (Short Pump TC, White Oak, etc)	Retail and Offices	444,656,600	2	1.03%	Retail and Offices	390,530,900	2	0.95%	Retail and Offices	428,025,200	3	1.08%
General Services Corporation	Apartments	340,371,500	3	0.79%	Apartments	261,536,800	3	0.64%	Apartments	235,519,900	8	0.59%
The Wilton Companies	Offices, Retail & Warehouses	235,137,900	4	0.54%	Offices, Retail & Warehouses	246,760,900	4	0.60%	Offices, Retail & Warehouses	253,981,100	6	0.64%
Highwoods Properties	Offices and Warehouses	232,100,000	5	0.54%	Offices and Warehouses	228,577,100	5	0.56%	Offices and Warehouses	310,557,600	4	0.78%
Weinstein Family	Apartments	219,034,900	6	0.51%	Apartments	204,748,500	7	0.50%	Apartments	183,006,800	10	0.46%
Verizon	Utility	200,853,119	7	0.46%	Utility	208,535,908	6	0.51%	Utility	247,528,949	7	0.62%
HCA Health Services of VA	Hospital	190,630,418	8	0.44%	Hospital	171,526,544	8	0.42%	Hospital	-	N/A	-
Gumenick	Apartments and Retail	169,699,600	9	0.39%	Apartments and Retail	156,369,700	9	0.38%	Apartments and Retail	-	N/A	-
Breeden Companies	Apartments and Retail	160,360,300	10	0.37%	Apartments and Retail	147,634,000	10	0.36%	Apartments and Retail	-	N/A	-
United Dominion Realty Trust	Apartments	-	N/A	-	Apartments	-	N/A	-	Apartments	199,589,300	9	0.50%
Liberty Property, LP	Warehouses and Offices	-	N/A	-	Warehouses and Offices	-	N/A	-	Warehouses and Offices	266,853,400	5	0.67%
Qimonda AG (Infineon Technologies)	Industrial	-	N/A	-	Industrial	-	N/A	-	Industrial	839,253,471	1	2.11%
Totals		$ 2,925,849,128		6.76%		$ 2,696,646,540		6.58%		$ 3,394,703,577		8.55%
Total Assessed Values		$ 43,299,118,150				$ 40,960,861,608				$ 39,681,360,000		

Source: County of Henrico Director of Finance

HENRICO COUNTY, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Table VIII

		Collections within the Fiscal Year of Levy				Total Collections to Date	
Year	Original Fiscal Year Levy	Amount	Percentage of Original Levy	Collections in Subsequent Years		Amount	Percentage of Adjusted Levy
2009	380,661,375	371,078,746	97.5%	9,345,791		380,424,537	99.9%
2010	365,521,825	357,859,027	97.9%	7,479,652		365,338,679	99.9%
2011	349,268,894	336,136,985	96.2%	7,256,666		343,393,651	98.3%
2012	347,803,213	341,709,567	98.2%	5,359,194		347,068,761	99.8%
2013	357,613,295	351,926,258	98.4%	5,368,128		357,294,386	99.9%
2014	361,689,033	358,676,284	99.2%	2,067,461		360,743,745	99.7%
2015	373,457,423	357,897,136	95.8%	9,705,192		367,602,328	98.4%
2016	376,051,530	370,592,134	98.5%	5,220,897		375,813,031	99.9%
2017	389,341,072	384,815,669	98.8%	3,568,419		388,384,088	99.8%
2018	409,079,914	404,970,529	99.0%	N/A	(2)	404,970,529	99.0%

Notes:

(1) PPTRA amounts are no longer included in Levy or Collections as of FY2007.

(2) Fiscal year 2018 collections in subsequent years will be available as of the next reporting period.

HENRICO COUNTY, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE (1)
LAST TEN FISCAL YEARS
(Unaudited)

Table IX

Fiscal Year	General Bonded Debt: General Obligation Bonds (2)	General Bonded Debt: Less, Amounts Designated for Principal Payments	Net Bonded Debt	Percentage of Personal Income (3)	Percentage of Estimated Actual Value of Taxable Property	Per Capita Debt	Capital Leases
2009	472,480,255	7,421,544	465,058,711	3.6%	1.2%	1,521.89	41,106,810
2010	451,492,866	6,496,004	444,996,862	3.4%	1.2%	1,445.58	36,568,194
2011	494,358,769	4,768,994	489,589,775	3.5%	1.4%	1,570.58	35,902,455
2012	533,781,559	2,757,410	531,024,149	3.6%	1.5%	1,684.95	35,011,636
2013	498,120,008	757,411	497,362,597	3.3%	1.4%	1,563.26	31,648,127
2014	459,391,297	757,411	458,633,886	3.0%	1.3%	1,427.10	27,654,285
2015	424,098,966	1,129,065	422,969,901	2.7%	1.1%	1,300.31	23,515,198
2016	384,048,359	1,148,179	382,900,180	2.2%	1.0%	1,163.03	53,336,713
2017	461,714,254	202,833	461,511,421	2.3%	1.1%	1,388.56	46,420,396
2018	421,919,118	1,178,658	420,740,460	2.0%	1.0%	1,254.88	41,643,906

	Business-Type Activities						Component Units		
							School Board	JRJDC	
Fiscal Year	Water & Sewer Revenue Bonds (2)	Capital Leases	Total Primary Government	Percentage of Personal Income (3)	Percentage of Estimated Actual Value of Taxable Property	Per Capita Debt	Capital Leases	Facility Bond	Capital Leases
2009	184,941,553	2,729	698,531,347	5.4%	1.8%	2,285.92	11,963,471	3,960,000	1,688
2010	187,913,854	23,332	675,998,246	5.1%	1.9%	2,196.00	20,337,101	3,470,000	7,549
2011	181,293,222	16,110	711,570,556	5.1%	2.0%	2,282.68	21,698,861	2,960,000	5,963
2012	172,866,644	20,562	741,680,401	5.1%	2.1%	2,353.37	11,606,052	2,425,000	3,906
2013	164,219,306	21,719	694,009,160	4.6%	2.0%	2,181.33	7,246,929	1,860,000	1,397
2014	239,236,344	28,148	726,310,074	4.7%	2.0%	2,260.02	42,682,213	1,270,000	-
2015	231,360,899	35,173	679,010,236	4.3%	1.8%	2,087.44	31,573,304	650,000	8,244
2016	321,833,554	20,769	759,239,395	4.3%	1.9%	2,306.13	25,965,793	-	6,508
2017	310,040,991	25,885	818,201,526	4.1%	2.0%	2,461.73	26,086,650	-	4,333
2018	404,656,626	13,303	868,232,953	4.1%	2.0%	2,589.55	14,835,498	-	1,610

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) There are no limitations imposed by State Law or Local Ordinance on the amount of general obligation debt that may be issued either directly or indirectly. However, with certain exceptions, all debt, which is secured by the general obligation of a county, must be approved at public referendum prior to issuance.

(2) The Bond (plus Literary Loans, if applicable), net of related premium and discounts.

(3) Calculations based on calculated trend (see Table XI Sources).

HENRICO COUNTY, VIRGINIA
PLEDGED REVENUE COVERAGE (1)
LAST TEN FISCAL YEARS
(Unaudited)

Table X

Fiscal Year	Operating Revenue	Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2009	87,194,067	54,609,318	32,584,749	8,680,000	7,302,706	15,982,706	2.04
2010	83,321,061	54,265,948	29,055,113	6,780,000	8,162,621	14,942,621	1.94
2011	88,550,725	57,029,837	31,520,888	6,260,000	8,471,819	14,731,819	2.14
2012	91,838,857	55,519,463	36,319,394	8,070,000	8,582,853	16,652,853	2.18
2013	93,653,734	55,270,283	38,383,451	8,280,000	7,085,027	15,365,027	2.50
2014	97,868,671	61,678,495	36,190,176	8,025,000	7,044,891	15,069,891	2.40
2015	104,597,706	60,062,988	44,534,718	7,230,000	9,767,118	16,997,118	2.62
2016	107,480,177	66,069,889	41,410,288	7,705,000	9,300,077	17,005,077	2.44
2017	112,157,060	62,813,358	49,343,702	9,740,000	11,578,096	21,318,096	2.31
2018	115,946,048	64,323,146	51,622,902	9,460,000	12,069,272	21,529,272	2.40

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) Water and Sewer Fund only.

(2) The calculation of bond coverage operating expenses has been reduced by depreciation.

HENRICO COUNTY, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Table XI

Year	County Population (1)	Total Personal Income (2) ($000)		Per Capita Income	Average Daily Student Enrollment (3)	Unemployment Rate (4)
2009	305,580	$13,789,201		$45,125	48,509	7.2%
2010	307,832	14,346,335		46,604	48,431	7.2%
2011	311,726	15,402,475		49,410	48,659	7.0%
2012	315,157	16,499,257		52,353	48,981	6.3%
2013	318,158	16,870,717		53,026	49,343	5.9%
2014	321,374	17,981,681		55,953	49,812	5.3%
2015	325,283	18,871,045		58,014	50,370	4.5%
2016	329,227	19,223,208		58,389	50,173	3.7%
2017	332,368	20,098,612	(5)	60,471	50,330	3.7%
2018	335,283	21,013,881	(5)	62,675	50,196	3.2%

Sources:

(1) Henrico County 3-C Reports. Estimates from these reports are as of December 31 of the respective year.

(2) U.S. Department of Commerce (Bureau of Economic Analysis in Henrico County, Annual)

(3) Henrico County Public Schools Adopted/Approved Annual Financial Plan

(4) Virginia Employment Commission (Henrico County Economic Profile 6/30/2018)

(5) Based on a trend average 2012 - 2016

HENRICO COUNTY, VIRGINIA
TOP TWENTY PRINCIPAL EMPLOYERS
LAST FIVE FISCAL YEARS
(Unaudited)

Table XII

	2018 (1)			2017			2016			2015			2014		
Employer	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment
Henrico County School Board	5,000-9,999	1	3.6%	5,000-9,999	1	3.4%	5,000-9,999	1	3.6%	5,000-9,999	1	3.6%	5,000-9,999	1	3.4%
County of Henrico	1,000-4,999	2	2.2%	1,000-4,999	2	2.0%	1,000-4,999	2	2.1%	1,000-4,999	2	1.9%	1,000-4,999	3	1.9%
Bon Secours Richmond Health System (2)	1,000-4,999	3	1.6%	1,000-4,999	3	1.5%	1,000-4,999	3	1.6%	1,000-4,999	3	1.8%	1,000-4,999	4	1.8%
Henrico Doctors' Hospital (HCA)	1,000-4,999	4	1.6%	1,000-4,999	5	1.5%	1,000-4,999	5	1.6%	1,000-4,999	5	1.8%	1,000-4,999	5	1.8%
Capital One Bank	1,000-4,999	5	1.6%	1,000-4,999	6	1.5%	1,000-4,999	6	1.6%	1,000-4,999	4	1.8%	1,000-4,999	2	2.5%
Anthem (Blue Cross & Blue Shield)	1,000-4,999	6	1.6%	1,000-4,999	4	1.5%	1,000-4,999	4	1.6%	1,000-4,999	6	1.8%	1,000-4,999	6	1.8%
Walmart	1,000-4,999	7	1.6%	1,000-4,999	7	1.5%	1,000-4,999	8	1.6%	500-999	9	0.5%	1,000-4,999	9	1.8%
United States Postal Service	1,000-4,999	8	1.6%	1,000-4,999	8	1.5%	1,000-4,999	9	1.6%	500-999	8	0.5%	1,000-4,999	10	1.8%
Wells Fargo Bank NA	1,000-4,999	9	1.6%	1,000-4,999	9	1.5%	1,000-4,999	7	1.6%	1,000-4,999	7	1.8%	1,000-4,999	8	1.8%
Apex Systems, Inc.	500-999	10	0.4%	500-999	12	0.4%	500-999	13	0.4%	500-999	15	0.5%	500-999	15	0.5%
Kroger	500-999	11	0.4%	1,000-4,999	10	1.5%	500-999	12	0.4%	500-999	12	0.5%	1,000-4,999	13	1.8%
Bank of America	500-999	12	0.4%	500-999	11	0.4%	1,000-4,999	10	1.6%	500-999	10	0.5%	1,000-4,999	7	1.8%
GNA Corporation	500-999	13	0.4%	500-999	13	0.4%	500-999	11	0.4%	500-999	11	0.5%	1,000-4,999	11	1.8%
Patient First Corporation	500-999	14	0.4%	-	N/A	-	-	N/A	-	-	N/A	-	-	N/A	-
Markel Service, Inc	500-999	15	0.4%	500-999	14	0.4%	500-999	14	0.4%	500-999	16	0.5%	500-999	16	0.5%
T Mobile USA, Inc.	500-999	16	0.4%	500-999	17	0.4%	500-999	18	0.4%	500-999	18	0.5%	-	N/A	-
Virginia Department of Social Services	500-999	17	0.4%	500-999	16	0.4%	500-999	17	0.4%	500-999	17	0.5%	500-999	17	0.5%
Publix Nc Employee Services, LLC	500-999	18	0.4%												
General Medical Corporation	500-999	19	0.4%	500-999	19	0.4%	500-999	20	0.4%	-	N/A	-	-	N/A	-
Ppd Development	500-999	20	0.4%	500-999	20	0.4%	-	N/A	-	-	N/A	-	-	N/A	-
Source4Teachers	-	N/A	-	500-999	15	0.4%	500-999	16	0.4%	500-999	19	0.5%	-	N/A	-
Dominion Resources	-	N/A	-	500-999	18	0.4%	500-999	19	0.4%	-	N/A	-	500-999	18	0.5%
Martin's Food Market	-	N/A	-	-	N/A	-	500-999	15	0.4%	500-999	13	0.5%	1,000-4,999	12	1.8%
SunTrust Bank	-	N/A	-	-	N/A	-	-	N/A	-	500-999	14	0.5%	1,000-4,999	14	1.8%
J. Sargeant Reynolds Community College	-	N/A	-	-	N/A	-	-	N/A	-	500-999	20	0.5%	500-999	20	0.5%
Verizon Virginia, Inc.	-	N/A	-	-	N/A	-	-	N/A	-	-	N/A	-	500-999	19	0.5%
Totals			21.2%			20.8%			22.6%			21.0%			30.6%
Total County Employment (3)	189,571			203,480			186,728			180,876			172,420		

Source: Virginia Employment Commission
Employees and percentage of employment based on size code as published by VEC
(1) 2018 Data as of 1st Qtr 2018
(2) Non-Resident Employer of Henrico County Citizens
(3) VEC Monthly (June) Not Seasonally Adjusted Labor Force

HENRICO COUNTY, VIRGINIA
GOVERNMENT EMPLOYEES BY DEPARTMENT (1)
LAST TEN FISCAL YEARS
(Unaudited)

Table XIII

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture & Home Extension	3	3	3	2	2	2	2	2	2	2
Belmont Golf Course	9	9	9	9	9	9	8	8	8	8
Board of Supervisors	5	5	5	5	5	4	4	4	4	4
Building Inspections	61	58	58	56	54	53	52	53	55	55
Central Automotive Maintenance	65	65	65	67	67	67	67	67	67	70
Circuit Court Services	8	8	8	8	8	8	8	8	8	8
Commonwealth's Attorney	56	54	54	56	56	56	56	56	56	57
Community Corrections	2	2	2	2	2	2	2	2	2	2
Community Revitalization	19	18	18	17	17	16	16	17	18	18
County Attorney	18	18	18	18	19	19	19	20	20	20
County Manager	13	13	13	13	13	13	13	14	13	13
Electoral Board	9	9	9	8	8	8	8	8	8	9
Finance	167	159	159	157	153	169	168	168	163	163
Fire	540	539	539	539	539	548	548	548	562	589
General Services	161	156	156	155	147	120	119	119	118	118
Human Resources	56	53	53	52	48	58	56	57	57	58
Hold Complement (2)	-	-	-	19	43	36	22	6	3	7
Information Technology	89	83	83	85	89	88	90	90	97	97
Internal Audit	4	4	4	4	4	4	4	4	4	4
Juvenile Detention & VJCCCA	33	33	33	33	33	33	33	33	33	33
Library	183	173	173	168	164	161	171	197	206	206
Mental Health	225	220	220	220	218	219	219	219	219	219
Permit Centers	19	18	18	17	17	16	16	16	16	16
Planning	50	49	49	46	43	44	44	45	45	45
Police	799	797	799	798	798	807	817	827	842	852
Public Relations & Media Services	20	19	19	19	19	19	19	19	19	19
Public Utilities	320	308	309	307	306	306	306	307	307	309
Public Works	266	258	258	254	254	254	257	259	259	262
Real Property	8	7	7	7	7	7	7	7	7	7
Recreation & Parks	172	168	178	178	177	173	172	170	170	177
Sheriff	377	371	371	371	371	371	373	390	390	394
Social Services	168	168	168	168	168	168	172	177	185	192
Solid Waste	75	70	69	69	69	69	69	69	69	67
Sub-total General Government	4,000	3,915	3,927	3,927	3,927	3,927	3,937	3,986	4,032	4,100
Education	6,588	6,634	6,567	6,564	6,564	6,643	6,686	6,762	6,832	6,868
Total Government Employees	10,587	10,549	10,494	10,491	10,491	10,570	10,623	10,748	10,864	10,968

Source: County of Henrico, Virginia Department of Human Resources (Education complement verified by School Finance Office)

(1) The County's personnel complement reflected here includes only those positions funded either wholly or in part with County funds. Positions funded 100% by other agencies (327 as of February 7, 2018) are not included. General Government positions are based on headcount while Education positions are measured using FTE.

(2) Certain approved, vacant and frozen positions have been removed from the department where previously assigned and are being held in the Hold Complement until reassignment is made.

HENRICO COUNTY, VIRGINIA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

Table XIV

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (1)
General Government										
Finance:										
Standard & Poor G.O. Bond Rating	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Moody's G.O. Bond Rating	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Fitch G.O. Bond Rating	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Land Parcels Reviewed	109,970	110,369	112,383	112,490	112,986	113,641	114,370	114,840	115,532	116,482
Vehicles Assessed	328,204	347,913	347,790	354,721	354,419	351,318	363,776	364,000	389,491	383,083
GFOA Award CAFR - # of Years (4)	27	28	29	30	31	32	33	34	36	37
GFOA Award Budget - # of Years	20	21	22	23	24	25	26	27	28	29
General Services:										
Fleet Annual Miles Driven	24,594,634	25,112,408	24,681,815	24,553,438	24,588,773	23,708,593	25,119,814	24,262,178	25,273,320	26,285,000
Gallons of Fuel Consumed	2,963,209	3,007,474	2,955,906	2,940,537	2,909,914	2,809,075	2,901,549	2,974,784	3,045,532	3,137,000
Total Work Orders Completed	24,589	20,361	22,308	24,550	23,000	20,048	21,253	20,676	20,782	21,750
Information Technology (5)										
Support Desk - Tickets	-	-	-	-	-	-	4,589	5,035	7,419	8,860
Support Desk - Call Queue	-	-	-	-	-	-	-	-	-	5,880
Systems - Virtual Servers	-	-	-	-	-	-	273	310	375	354
Systems - Physical Servers	-	-	-	-	-	-	96	99	104	77
Systems - Onsite Storage in TB	-	-	-	-	-	-	224	310	451	457
Systems - Cloud Storage in TB	-	-	-	-	-	-	5	6	6	6
Judicial Administration										
Clerk of Circuit Court:										
Deed Book Entries	50,160	50,440	37,682	48,972	48,926	51,257	36,443	43,000	42,752	43,000
Civil Cases	2,852	3,104	3,034	3,113	3,135	3,237	3,475	4,000	4,659	4,300
Criminal Cases	6,971	7,133	6,431	5,616	5,833	5,375	5,073	5,650	6,650	5,800
General District Courts:										
New Criminal Cases Filed	10,386	10,620	15,196	13,057	13,267	13,158	14,289	14,574	15,573	16,200
New Civil Cases Filed	43,284	42,329	40,411	40,011	39,300	36,025	34,114	34,411	36,935	36,000
New Traffic Cases Filed	66,924	76,218	80,481	71,329	70,555	64,844	62,844	54,325	53,817	54,900
Commonwealth Attorney:										
Criminal Cases	25,084	25,038	34,061	34,227	35,617	35,687	40,597	41,890	45,037	41,500
Traffic Cases	94,356	107,397	109,152	99,262	97,580	90,598	88,907	79,778	76,134	88,000
Public Safety										
Police:										
Calls for Service	197,808	193,173	192,726	198,373	194,029	197,502	203,330	211,832	212,154	212,897
Criminal Arrests	21,399	20,330	20,716	19,989	20,690	27,671	20,059	20,111	22,689	21,993
Traffic Arrests	53,051	63,009	65,481	59,062	58,269	40,935	49,195	43,149	44,613	46,596
Fire Protection:										
Calls For Service	36,931	37,575	39,120	40,963	43,348	43,143	46,233	47,948	49,235	51,124
EMS and Rescue Calls	27,293	28,028	29,114	30,189	36,176	35,662	38,408	39,660	41,216	42,244
Fire Incidents	1,025	915	1,110	983	817	777	809	764	768	733
Sheriff:										
Civil Papers Served	115,186	120,746	116,434	115,948	100,626	105,120	112,078	117,462	122,337	125,000
Annual Committals to Jail	13,605	16,888	17,623	12,157	16,134	14,094	16,143	15,613	15,049	15,425
Average Daily Inmate Population	1,164	1,140	1,167	1,138	1,183	1,175	1,221	1,177	1,350	1,465
Building Inspections:										
Total Permits Issued	12,819	11,975	12,208	13,771	14,274	13,972	13,577	13,700	15,773	16,322
Total Inspections	59,795	51,495	51,351	56,236	67,036	70,990	68,861	69,931	81,983	90,140
Public Works										
Public Works:										
Lane Miles Maintained	3,348	3,385	3,402	3,433	3,452	3,454	3,468	3,498	3,516	3,521
Traffic Signals Maintained	138	140	144	144	149	150	150	150	154	154
Development Plans Reviewed	1,026	776	653	691	880	875	1,568	1,828	1,922	1,975
Health and Social Services										
Public Health:										
Patient Visits (2)	26,308	28,545	27,531	27,153	27,584	28,090	15,258	13,787	15,117	15,000
Water/Sewer Inspection Applications	195	179	179	243	243	243	N/A	N/A	N/A	N/A
Social Services:										
Clients Entering Employment	545	609	483	632	650	675	694	436	511	527
Clients Employed After 90 Days (3)	436	493	367	512	527	547	486	N/A	N/A	N/A
Education										
Schools:										
Cost Per Student	$ 9,369	$ 9,485	$ 9,015	$ 9,041	$ 9,110	$ 8,978	$ 9,305	$ 9,644	$ 9,790	$ 10,043
Teaching Positions	3,791	3,815	3,720	3,737	3,719	3,741	3,780	3,833	3,906	3,917
Student/Teacher Ratio	12.7	13.0	13.0	13.0	13.4	13.3	13.3	13.1	12.9	12.8

HENRICO COUNTY, VIRGINIA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

Table XIV

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (1)
Parks, Recreation and Cultural:										
Recreation:										
Park Visitation	3,537,272	4,001,371	3,951,571	3,829,590	3,787,758	3,333,223	3,295,348	3,334,908	3,570,480	3,600,000
Program Participants	306,498	396,900	397,000	397,000	397,000	23,223	30,404	40,350	25,804	97,487
Recreation Programs	17,234	15,848	16,400	16,400	16,400	1,197	2,762	1,199	1,147	1,322
Library:										
Customer Visits	1,865,118	1,904,924	2,046,163	2,040,073	2,063,468	2,032,388	1,986,263	1,958,700	2,137,664	2,145,850
Annual Circulation of Materials	3,584,375	3,786,229	3,905,151	3,860,738	3,881,526	3,935,828	3,936,061	4,051,024	4,201,479	4,164,126
Community Development										
Economic Development (5):										
Square Footage of New Businesses	-	-	-	-	-	-	89,409	208,544	81,897	500,000
Jobs Created - New	-	-	333	392	1,173	1,212	36	163	173	500
Square Footage of Existing Businesses	-	-	-	-	-	-	398,865	787,968	337,324	250,000
Jobs Created - Expansions and Retentions	-	-	1,856	824	559	164	1,416	1,690	438	300
Planning:										
Reviews Completed	326	256	300	260	232	284	322	342	314	300
Petitions and Permits Processed	110	85	87	87	86	126	118	92	123	120
Maps Prepared	848	743	1,036	1,048	1,048	1,191	1,364	1,154	1,296	1,150
Community Development (con't)										
Community Revitalization:										
Community Maintenance Cases	10,985	11,345	11,004	10,421	10,766	10,609	11,170	12,496	13,040	13,500
Inspections Completed	27,513	29,138	27,499	26,626	27,406	27,273	30,451	32,532	35,600	36,000
Volunteers Hours Worked	5,024	6,242	2,488	4,076	2,708	3,478	2,256	4,638	4,336	4,400
Permit Center:										
Permit Applications Received	4,253	4,225	4,519	4,734	5,123	5,085	4,437	5,519	5,214	5,760
Permit Applications Reviewed	6,954	7,156	7,113	7,191	6,558	10,930	9,136	10,283	9,178	10,832
Permits Issued	4,168	4,035	4,447	4,646	5,076	5,472	5,058	5,375	4,718	5,201
Inquires	15,248	14,072	13,295	12,793	12,581	15,278	17,917	16,345	15,556	16,776
Public Utilities										
Solid Waste:										
Number of Customers	37,647	39,117	39,862	41,121	42,578	43,728	45,167	46,586	47,955	49,000
Tons of Waste Collected	91,855	81,785	83,264	90,495	93,860	95,748	44,624	47,511	52,774	51,600
Tons Deposited in Public Use Areas	40,272	32,212	29,700	29,888	29,091	29,942	23,946	23,903	27,836	25,000
Water and Sewer:										
Number of Water Customers	94,886	91,776	92,243	92,946	94,006	95,097	95,994	96,811	97,546	98,500
Number of Sewer Customers	91,631	88,854	89,355	90,068	91,110	92,125	93,087	93,939	94,538	95,500
Fire Hydrants in Service	11,567	11,799	11,969	12,167	12,321	12,464	12,611	12,880	13,011	13,200

Source: Approved County Budget

(1) FY2018 column data is revised budget not actual, where actual data is not yet available.

(2) New performance measure used, with actual data available beginning in 2015.

(3) Due to a system replacement, the data is no longer trackable.

(4) Adjustment in 2017 to correct error made in prior years.

(5) New metrics used beginning in 2018. Data for prior years listed when obtainable.

HENRICO COUNTY, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

Table XV

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (1)
General Government										
Vehicles	728	487	575	559	534	920	567	482	602	598
Building Square Footage	2,194,808	2,203,193	2,225,054	2,669,214	2,691,018	2,672,574	2,680,779	2,810,500	2,810,500	2,821,706
Food Service Facilities	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police:										
Police Stations	2	2	2	2	2	3	3	3	3	3
Police Field Offices	2	2	3	3	3	2	2	2	2	2
Vehicles	651	711	740	734	808	1,064	825	778	803	820
Sheriff:										
Vehicles	55	60	59	61	61	61	67	71	75	75
Prisoner Facilities	2	2	2	2	2	2	2	2	2	2
Juvenile & Domestic Relations										
Juvenile Detention Facilities	2	2	2	2	2	2	2	2	2	2
Fire Protection:										
Stations	20	20	20	20	20	20	20	20	20	21
Vehicles	168	175	177	177	175	179	192	226	205	210
Public Works:										
Miles of Maintained Roads	1,327	1,338	1,339	1,349	1,354	1,357	1,360	1,370	1,376	1,379
Miles of Storm Drainage	1,102	1,116	1,116	1,116	959	1,547	2,096	1,553	1,600	1,636
Vehicles	323	323	315	333	333	335	336	357	347	346
Education										
Schools:										
School Facilities	71	71	71	73	73	74	72	72	72	72
Vehicles	1,158	1,131	1,137	1,173	1,183	1,184	1,186	1,203	1,220	1,184
Recreation and Cultural										
Recreation:										
Recreation/Community Centers	20	17	20	20	20	14	21	21	21	21
Developed Park Acreage	2,505	2,505	2,505	2,505	2,515	2,539	2,584	2,584	2,584	2,792
Athletic Fields/Courts	419	423	410	410	187	227	199	200	200	210
County Golf Courses	1	1	1	1	1	1	1	1	1	1
Library:										
Number of Libraries (3)	11	10	11	11	11	11	11	11	10	10
Titles in Collection	327,455	329,141	324,527	314,907	321,108	338,485	328,918	329,139	328,026	276,482
Volumes in Collection	901,837	924,076	860,640	863,149	899,266	903,125	839,037	833,141	741,877	754,993
Public Utilities										
Water and Sewer:										
Miles of Water Mains	1,515	1,528	1,548	1,558	1,572	1,582	1,595	1,607	1,622	1,634
Miles of Sewer Mains	1,445	1,443	1,450	1,456	1,463	1,470	1,481	1,491	1,504	1,514
Vehicles	354	353	358	358	358	380	373	393	370	376
Landfills (2)	1	1	1	1	1	1	-	-	-	-

Source: Approved County Budget

(1) FY2018 column data is revised budget not actual, where actual data is not yet available.
(2) The Springfield Landfill was closed June 30, 2014.
(3) As of 2017, bookmobile no longer included in total.