

**NEW ISSUE
BOOK-ENTRY ONLY**

**Fitch: "AA+"
S&P: "AA+"
(see "RATINGS" herein)**

In the opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, interest on the Series 2020A Bonds is not excludable from gross income for federal income tax purposes. See "TAX MATTERS – Series 2020A Bonds".

In the opinion of Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2020B Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986 (the "Code"), and (ii) is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. See "TAX MATTERS – Series 2020B Bonds".

In the opinion of Bond Counsel to the Authority, under existing statutes of the Commonwealth of Virginia, interest on the Bonds is not includable in computing the Virginia income tax.



**OFFICIAL STATEMENT
RELATING TO THE ISSUANCE OF**



**\$50,000,000
ECONOMIC DEVELOPMENT AUTHORITY OF
HENRICO COUNTY, VIRGINIA
REVENUE BONDS, SERIES 2020A
(HENRICO COUNTY
INDOOR SPORTS FACILITY PROJECT)
(FEDERALLY TAXABLE)**

**\$5,530,000
ECONOMIC DEVELOPMENT AUTHORITY OF
HENRICO COUNTY, VIRGINIA
REVENUE REFUNDING BONDS, SERIES 2020B
(HENRICO COUNTY GOVERNMENT PROJECT)
(TAX-EXEMPT)**

Dated: Date of Delivery

Due: As shown on the inside cover

The Economic Development Authority of Henrico County, Virginia Revenue Bonds, Series 2020A (Henrico County Indoor Sports Facility Project) (Federally Taxable) and the Economic Development Authority of Henrico County, Virginia Revenue Refunding Bonds, Series 2020B (Henrico County Government Project) (Tax-Exempt) (collectively, the "Bonds") will be limited obligations of the Economic Development Authority of Henrico County, Virginia (the "Authority"), payable solely from payments to be made by the County of Henrico, Virginia (the "County"), pursuant to a Support Agreement, dated as of March 1, 2020 (the "Support Agreement"), by and between the Authority and the County. **THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS UNDER THE SUPPORT AGREEMENT IS SUBJECT TO ANNUAL APPROPRIATIONS BY ITS BOARD OF SUPERVISORS, WHICH IS UNDER NO LEGAL OBLIGATION TO MAKE SUCH APPROPRIATIONS. NEITHER THE BONDS NOR THE SUPPORT AGREEMENT WILL CONSTITUTE A DEBT OF THE AUTHORITY OR THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE COUNTY OR THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.**

The Bonds of each series will bear interest payable on August 1, 2020 and semiannually on each February 1 and August 1 thereafter. The Bonds of each series will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds will be available to purchasers in the denomination of \$5,000, or any integral multiple thereof, under the book-entry only system maintained by DTC through brokers and dealers who are, or act through, DTC participants. **PURCHASERS WILL NOT RECEIVE DELIVERY OF THE BONDS. FOR AS LONG AS ANY PURCHASER IS THE BENEFICIAL OWNER OF A BOND, SUCH PURCHASER MUST MAINTAIN AN ACCOUNT WITH A BROKER OR DEALER WHO IS, OR ACTS THROUGH, A DTC PARTICIPANT TO RECEIVE PAYMENT OF PRINCIPAL AND REDEMPTION PRICE OF AND INTEREST ON SUCH BOND.** See "DESCRIPTION OF THE BONDS -Book-Entry Only System".

The Series 2020A Bonds are subject to redemption prior to their stated maturities as provided herein. The Series 2020B Bonds are not subject to redemption prior maturity.

The Bonds are offered for delivery when, as and if issued, subject to the approval of validity by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, as described herein, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the Underwriters by Hunton Andrews Kurth LLP, Richmond, Virginia, Counsel to the Underwriters, and for the Authority by Michael Kaestner, Esq., Assistant County Attorney, and for the County by Joseph P. Rapisarda, Jr., Esq., County Attorney. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about April 2, 2020.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, together with attached Appendices, to obtain information essential to the making of an informed investment decision.

J.P. MORGAN

BofA Securities

Citigroup

Date: February 25, 2020

\$50,000,000
Economic Development Authority of Henrico County, Virginia
Revenue Bonds, Series 2020A
(Henrico County Indoor Sports Facility Project) (Federally Taxable)

<u>Year (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP*</u>
2020	\$2,265,000	1.352%	100.000%	42605PDL6
2021	2,120,000	1.382	100.000	42605PDM4
2022	2,150,000	1.402	100.000	42605PDN2
2023	2,180,000	1.400	100.000	42605PDP7
2024	2,215,000	1.453	100.000	42605PDQ5
2025	2,245,000	1.553	100.000	42605PDR3
2026	2,285,000	1.697	100.000	42605PDS1
2027	2,325,000	1.797	100.000	42605PDT9
2028	2,365,000	1.927	100.000	42605PDU6
2029	2,415,000	2.007	100.000	42605PDV4
2030	2,465,000	2.077	100.000	42605PDW2
2031	2,515,000	2.177	100.000	42605PDX0
2032	2,575,000	2.277	100.000	42605PDY8
2033	2,635,000	2.327	100.000	42605PDZ5
2034	2,695,000	2.377	100.000	42605PEA9
2035	2,760,000	2.427	100.000	42605PEB7
2036	2,830,000	2.599	100.000	42605PEC5
2037	2,905,000	2.649	100.000	42605PED3
2038	2,985,000	2.699	100.000	42605PEE1
2039	3,070,000	2.749	100.000	42605PEF8

\$5,530,000
Economic Development Authority of Henrico County, Virginia
Revenue Refunding Bonds, Series 2020B
(Henrico County Government Project) (Tax-Exempt)

<u>Year (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2020	\$2,720,000	5.000%	0.810%	42605PEG6
2021	2,810,000	5.000	0.830	42605PEH4

*CUSIP numbers have been assigned by an organization not affiliated with the Authority or the County and are included solely for the convenience of the holders of the Bonds. Neither the Authority nor the County is responsible for the selection or uses of the CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated above.

THE COUNTY OF HENRICO, VIRGINIA

BOARD OF SUPERVISORS

THOMAS M. BRANIN, *Chairman*

DANIEL J. SCHMITT, *Vice Chairman*

TYRONE E. NELSON

PATRICIA S. O'BANNON

FRANK J. THORNTON

COUNTY OFFICIALS

JOHN A. VITHOULKAS, *County Manager*

W. BRANDON HINTON, *Deputy County Manager for Administration*

RANDALL R. SILBER, *Deputy County Manager for Community Development*

TIMOTHY A. FOSTER*, *Deputy County Manager for Community Operations*

MONICA SMITH-CALLAHAN, *Deputy County Manager for Community Affairs*

ANTHONY E. MCDOWELL, *Deputy County Manager for Public Safety*

JOSEPH P. RAPISARDA, JR., *County Attorney*

NED SMITHER, *Director of Finance*

BOND COUNSEL

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Arlington, Virginia 22203
(703) 741-0175

* Mr. Foster is expected to retire on March 27, 2020.

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

The information set forth in this Official Statement (which includes all Appendices to this Official Statement) has been obtained from the Authority and the County and other sources that are deemed reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriters. The information in this Official Statement speaks as of its date except where specifically noted otherwise and is subject to change without notice. The delivery of this Official Statement, any sale made under it or any filing or other use of it will not, under any circumstances, create any implication that there has been no change in the affairs of the County since the date of this Official Statement or imply that any information in this Official Statement is accurate or complete as of any later date. This Official Statement is not to be construed as a contract or agreement between the Authority or the County and the purchasers or owners of any of the Bonds.

The Bonds will be exempt from registration under the Securities Act of 1933, as obligations of a political subdivision of the Commonwealth of Virginia. The Bonds also will be exempt from registration under the securities laws of the Commonwealth of Virginia.

The electronic distribution of this Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds described herein to the residents of any particular state and is not specifically directed to the residents of any particular state. The Bonds will not be offered or sold in any state unless and until they are either registered pursuant to the laws of such state, or qualified pursuant to an appropriate exemption from registration in such state.

In making an investment decision investors must rely on their own examination of the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document for purposes of, and as that term is defined in, Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

In connection with the offering of the Bonds, the Underwriters may overallocate or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE

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**OFFICIAL STATEMENT
RELATING TO THE ISSUANCE OF**

\$50,000,000
ECONOMIC DEVELOPMENT AUTHORITY OF
HENRICO COUNTY, VIRGINIA
REVENUE BONDS, SERIES 2020A
(HENRICO COUNTY
INDOOR SPORTS FACILITY PROJECT)
(FEDERALLY TAXABLE)

\$5,530,000
ECONOMIC DEVELOPMENT AUTHORITY OF
HENRICO COUNTY, VIRGINIA
REVENUE REFUNDING BONDS, SERIES 2020B
(HENRICO COUNTY GOVERNMENT PROJECT)
(TAX-EXEMPT)

INTRODUCTION

The purpose of this Official Statement is to furnish information in connection with the issuance and sale by the Economic Development Authority of Henrico County, Virginia (the "Authority") of its \$50,000,000 aggregate principal amount of Revenue Bonds, Series 2020A (Henrico County Indoor Sport Facility Project) (Federally Taxable) (the "Series 2020A Bonds"), and \$5,530,000 aggregate principal amount of its Revenue Refunding Bonds, Series 2020B (Henrico County Government Project) (Tax-Exempt) (the "Series 2020B Bonds" and, collectively with the Series 2020A Bonds, the "Bonds"). The Bonds will be limited obligations of the Authority, payable solely from payments to be made by the County of Henrico, Virginia (the "County"). **The County's obligations to make payments with respect to the Bonds is subject to annual appropriation by the Board of Supervisors of the County (the "Board of Supervisors"). Payment of the principal and redemption price of and interest on the Bonds is more fully described under the caption "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" below.** Financial and other information contained in this Official Statement relating to the County has been prepared by the County from its records (except where other sources are noted).

The following introductory material is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement, including the Appendices hereto, reference to which is hereby made for all purposes.

The Series 2020A Bonds will be issued for the purpose of providing financing for the County of the costs of the land acquisition, construction and equipping of a new indoor sports facility and convocation center for the County (the "Project"). The Project will be located on approximately 15 acres of the 24 acres of land purchased by the County in January 2020 for a price of \$8,300,000, at the former Virginia Commons Mall site. The Project is expected to be an approximately 220,000 square-foot indoor sports and recreation, convocation and multiple use facility and will provide significant impact to the County's sports tourism program. The new facility is expected to include 12 indoor basketball courts, locker rooms and team areas, concession and hospitality areas, and space to accommodate seating for approximately 4,500 people for graduations, and community, sporting and entertainment events. The facility can be utilized for many other indoor sports including volleyball, wrestling, cheering, and other indoor activities. The Rebkee Co. was chosen to partner with the County on both construction and operation of the facility after an extensive public private partnership solicitation. The Rebkee Co. will provide a guaranteed maximum construction price that, when combined with the purchase of land and other incidental expenses, will not exceed \$50,000,000. The Rebkee Co. has successfully redeveloped other sites within the County. The Project will be part of an overall economic development project at the site of the former Virginia Commons Mall and is expected to open in mid-2022. Future development planned at the site is expected to include hotel, retail, restaurants and residential facilities. The County anticipates entering into an interim agreement that will provide for the design of the facility and determination of a guaranteed maximum price for construction by April 2020. The County anticipates entering into a comprehensive agreement that will provide for the construction and operation of the new facility by July 2020. Both agreements will be subject to approval by the County's Board of Supervisors.

The Series 2020B Bonds will be issued to current refund and redeem the Authority's outstanding Public Facility Lease Revenue Refunding Bonds, Series 2009B (the "Prior Bonds"), the proceeds of which were used to finance governmental projects for the County.

Under the provisions of a Support Agreement, dated as of March 1, 2020 (the “Support Agreement”), by and between the County and the Authority, as security for the payment of the debt service on the Bonds, the County has agreed to make payments in each fiscal year of the County, subject to annual appropriation by the Board of Supervisors, in an amount equal to the debt service coming due on the Bonds in such fiscal year.

The Bonds will be limited obligations of the Authority and will be issued pursuant to the Industrial Development and Revenue Bond Act, Title 15.2, Chapter 49, Code of Virginia, 1950, as amended (the “Act”), and an Indenture of Trust, dated as of March 1, 2020 (the “Indenture”), by and between the Authority and U.S. Bank National Association, Richmond, Virginia, as Trustee (the “Trustee”). The Trustee has neither reviewed nor participated in the preparation of this Official Statement. As security for the Bonds, the Authority will assign to the Trustee, for the benefit of the registered owners of the Bonds (the “Bondholders”), all of the Authority’s rights under the Support Agreement (except its rights to receive certain notices and to give consents). Payments by the County under the Support Agreement, to the extent appropriated annually by the Board of Supervisors, are expected to be sufficient to enable the Authority to pay principal and redemption price of and interest on the Bonds. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS”.

THE COUNTY HAS UNDERTAKEN UNDER THE TERMS OF THE SUPPORT AGREEMENT TO MAKE PAYMENTS, SUBJECT TO ANNUAL APPROPRIATION, IN AN AMOUNT EQUAL TO THE DEBT SERVICE COMING DUE ON THE BONDS IN EACH FISCAL YEAR. THE COUNTY’S OBLIGATION TO MAKE ANY SUCH PAYMENT IN ANY FISCAL YEAR IS SUBJECT TO AND DEPENDENT ON AN APPROPRIATION BY THE BOARD OF SUPERVISORS IN AN AMOUNT EQUAL TO THE PAYMENT DUE UNDER THE SUPPORT AGREEMENT FOR THE DEBT SERVICE COMING DUE ON THE BONDS FOR SUCH FISCAL YEAR. THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS UNDER THE SUPPORT AGREEMENT, WHICH INCLUDES ANY FEES AND EXPENSES OF THE TRUSTEE AND THE AUTHORITY AND PAYMENTS OF ANY ARBITRAGE REBATE AMOUNTS DUE THE UNITED STATES, DOES NOT CONSTITUTE A GENERAL OBLIGATION OF THE COUNTY. THE BONDS WILL NOT CONSTITUTE A DEBT OF THE COUNTY, THE COMMONWEALTH OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, AND WILL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

A more complete description of the Indenture and the Support Agreement is provided in “EXCERPTS OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SUPPORT AGREEMENT” in Appendix C. All capitalized terms used herein and not defined herein shall have the meaning ascribed to such terms in said Appendix C.

THE AUTHORITY

The Authority was created by an ordinance adopted by the Board of Supervisors of the County on November 13, 1968 and readopted on December 11, 1968. Its name was changed to its current name pursuant to an ordinance adopted by the Board of Supervisors on July 13, 1999. The Authority is a political subdivision of the Commonwealth of Virginia governed by a ten-member board of directors appointed by the Board of Supervisors. The Authority is empowered, among other things, to acquire, construct, maintain, equip, own, lease and dispose of various types of facilities, including facilities for use by the County, and to finance and refinance the same by the issuance of its revenue bonds. The Board of Supervisors requested the Authority to undertake the financing of the Project and the refunding of the Prior Bonds for the County for the County’s governmental purposes. THE BONDS WILL BE LIMITED OBLIGATIONS OF THE AUTHORITY AS DESCRIBED IN THE SECTION “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.” The Authority has no taxing power.

The Authority has issued revenue obligations for various other projects. Each series of such other revenue bonds is payable from receipts and revenues derived by the Authority from the facility on behalf of which such bonds or notes were issued and is secured separately and distinctly from the issues for each other facility.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

The Bonds will be equally and ratably secured by (i) the assignment by the Authority of certain rights of the Authority under the Support Agreement, including the right to receive the payments the County has agreed to make on behalf of the Authority, subject to annual appropriation by the Board of Supervisors of the County, in an amount equal to the debt service coming due on the Bonds during such fiscal year, and (ii) amounts, if any, on deposit in the funds established under the Indenture.

THE BONDS AND THE INTEREST THEREON WILL BE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE REVENUES AND RECEIPTS DERIVED BY THE AUTHORITY UNDER THE SUPPORT AGREEMENT, WHICH REVENUES AND RECEIPTS HAVE BEEN PLEDGED AND ASSIGNED TO SECURE PAYMENT THEREOF, AND FROM AMOUNTS, IF ANY, ON DEPOSIT IN CERTAIN FUNDS ESTABLISHED UNDER THE INDENTURE. THE BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY AND THE COUNTY. NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY AND THE COUNTY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES AND RECEIPTS PLEDGED AND ASSIGNED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY AND THE COUNTY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS OR OTHER COST INCIDENT THERETO. THE AUTHORITY HAS NO TAXING POWER.

THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS UNDER THE SUPPORT AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION NOR A LIABILITY OF OR A LIEN OR CHARGE UPON FUNDS OR PROPERTY OF THE COUNTY BEYOND ANY FISCAL YEAR FOR WHICH THE COUNTY HAS APPROPRIATED MONEYS TO MAKE SUCH PAYMENTS. NEITHER THE TRUSTEE NOR THE AUTHORITY SHALL HAVE ANY OBLIGATION OR LIABILITY TO THE BONDHOLDERS WITH RESPECT TO THE COUNTY'S OBLIGATIONS TO MAKE PAYMENTS UNDER THE SUPPORT AGREEMENT OR WITH RESPECT TO THE PERFORMANCE BY THE COUNTY OF ANY OTHER COVENANT CONTAINED THEREIN.

Support Agreement

Pursuant to the terms of the Support Agreement, the County has covenanted and agreed, subject to appropriation by the Board of Supervisors, to provide funds in each fiscal year of the County sufficient to pay the Authority's Payment Obligations (as defined in the Support Agreement and which includes debt service on the Bonds) as and when the same become due. The County has agreed in the Support Agreement to pay, subject to appropriation, debt service coming due on the Bonds, directly to the Trustee, at least fifteen (15) days prior to each regularly scheduled principal and interest payment date.

The County Manager of the County or other officer charged with the responsibility for preparing the County's budget must include in the proposed budget for each fiscal year beginning on and after July 1, 2020 the amount of the Authority's Payment Obligations payable during such fiscal year. The County Manager or other officer of the County shall use his or her best efforts to obtain the annual appropriations of the Authority's Payment Obligations.

In the event the Board of Supervisors fails to include in the adopted budget of the County for any fiscal year beginning on or after July 1, 2020 and fails to appropriate funds sufficient to pay the Authority's Payment Obligations for such fiscal year, the County Manager or other officer charged with the responsibility for preparing the County's budget shall immediately and in no event more than thirty (30) days after such failure is discovered

make an urgent request to the Board of Supervisors to amend the budget of the County for such fiscal year and to appropriate funds sufficient to pay the Authority's Payment Obligations for such fiscal year. Under the Support Agreement, upon such amount being included in the annual budget of the County for such fiscal year and the appropriation therefor having been made, effective as of the first day of such fiscal year, the County shall be obligated to pay the Authority's Payment Obligations for such fiscal year. See Appendix C – "Excerpts of Certain Provisions of the Indenture and the Support Agreement."

Non-Appropriation

The County's obligation to provide funds sufficient to pay the Authority's Payment Obligations under the Support Agreement as and when due are subject to annual appropriation by the Board of Supervisors of the County. In the event the County fails to appropriate funds sufficient to pay the Authority's Payment Obligations, the Trustee will be unable to pay the principal of and interest on the Bonds. The failure of the Board of Supervisors to appropriate funds to pay the Authority's Payment Obligations shall not constitute an event of default under the Support Agreement. See Appendix C – "Excerpts of Certain Provisions of the Indenture and the Support Agreement."

Bonds Not Secured by a Debt Service Reserve Fund

The Bonds are not secured by a debt service reserve fund.

No Security Interest in Project or Other Facilities

The Indenture and the Support Agreement do not grant the Trustee a security interest in the Project or in any other facilities to be refinanced with the proceeds of the Bonds.

DESCRIPTION OF THE BONDS

Interest, Maturities and Places of Payment

The Bonds of each series will be dated the date of their delivery, will bear interest from their date, payable on August 1, 2020 and semiannually on each February 1 and August 1 thereafter, at the rates per annum set forth on the inside cover page of this Official Statement and will mature on August 1 in each of the years and in the aggregate principal amounts set forth on the inside cover page of this Official Statement.

Book-Entry-Only Bonds

The Bonds of each series will be issued in fully-registered form in the denominations of \$5,000 or whole multiples thereof and will be held by The Depository Trust Company ("DTC"), or its nominee, as securities depository with respect to the Bonds. Purchases of beneficial ownership interest in the Bonds will be made only in book-entry form and individual purchasers will not receive physical delivery of Bond certificates. Reference is made to Appendix E for a description of DTC and DTC's book-entry system.

Optional Redemption

Series 2020A Bonds

The Series 2020A Bonds are subject to redemption at the option of the Authority, at the direction of the County, prior to their stated maturities, in whole or in part (in installments of \$5,000), from time to time on any date, (i) prior to August 1, 2030 at the Make-Whole Redemption Price (as defined herein below), and (ii) on or after August 1, 2030 at a redemption price equal to 100% of the principal amount of the Series 2020A Bonds to be redeemed, in each case together with the interest accrued thereon to the date fixed for the redemption thereof.

The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Series 2020A Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2020A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2020A Bonds are to be redeemed, discounted to the date on which the Series 2020A Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below), plus 0.05% for Series 2020A Bonds maturing on August 1, 2020 through and including August 1, 2024, 0.10% for Series 2020A Bonds maturing on August 1, 2025 through and including August 1, 2028 and 0.15% for Series 2020A Bonds maturing on August 1, 2029 through and including August 1, 2039.

For purpose of determining the Make-Whole Redemption Price, the following definitions apply:

“Treasury Rate” means, with respect to any redemption date for any particular Series 2020A Bond, the greater of:

1. the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the County and such determination shall be conclusive and binding on the owners of the Series 2020A Bonds, and

2. the rate per annum, expressed as a percentage of the principal amount, equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Series 2020A Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the Series 2020A Bond to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Series 2020A Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the County.

“Reference Treasury Dealer” means each of the four firms, specified by the County, from time to time, that are primary United States government securities dealers in the City of New York, New York (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the County will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2020A Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third Business Day preceding such redemption date.

Any Make-Whole Redemption Price of Series 2020A Bonds to be redeemed pursuant to the provisions described under this section will be determined by an independent accounting firm, investment banking firm or

financial advisor retained by the County to calculate such redemption price. The Authority, the Bond Trustee and the County may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Series 2020B Bonds

The Series 2020B Bonds are not subject to optional redemption prior to their stated maturities.

Selection of Series 2020A Bonds for Redemption

If less than all of the Series 2020A Bonds are to be redeemed, the particular maturities of Series 2020A Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion at the direction of the County.

If the Series 2020A Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Series 2020A Bonds, if less than all of the Series 2020A Bonds of a maturity are called for prior redemption, the particular Series 2020A Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Series 2020A Bonds are held in book-entry form, the selection for redemption of such Series 2020A Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2020A Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The Authority and the County intend that redemption allocations made by DTC shall be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Authority, the County, nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Series 2020A Bonds on such basis.

For purposes of calculation of the "pro rata pass-through distribution of principal," "pro rata" means, for any amount of principal to be paid, the application of a fraction to each denomination of the respective Series 2020A Bonds where (a) the numerator of which is equal to the amount due to the respective bondholders on a payment date, and (b) the denominator of which is equal to the total original par amount of the respective Series 2020A Bonds.

If the Series 2020A Bonds are no longer registered in book-entry-only form, each owner will receive an amount of Series 2020A Bonds equal to the original face amount then beneficially held by that owner, registered in such investor's name. Thereafter, any redemption of less than all of the Series 2020A Bonds of any maturity will continue to be paid to the registered owners of such Series 2020A Bonds on a pro-rata basis, based on the portion of the original face amount of any such Series 2020A Bonds to be redeemed.

Notice of Redemption

Notice of redemption will be given by the Trustee by mail, not less than thirty (30) days nor more than forty-five (45) days before the redemption date to each Owner of the Bonds or portions thereof to be redeemed at the last address shown on the registration books kept by the Paying Agent. Such notice must (i) specify the Series 2020A Bonds to be redeemed, the redemption date, the redemption price and the place or places where amounts due on such redemption must be payable (which must be the principal office of the Paying Agent) and if less than all of the Series 2020A Bonds are to be redeemed, the numbers of the Series 2020A Bonds and the portions of Series 2020A Bonds to be redeemed and (ii) state that on the redemption date, the Series 2020A Bonds to be redeemed will cease to bear interest. The Trustee may condition a call for redemption on the deposit with the Trustee of sufficient funds on or before the redemption date to retire the Series 2020A Bonds selected for redemption and, if sufficient funds are not available, such call for redemption will be revoked.

Effect of Redemption

If moneys are on deposit in the Bond Fund to pay the principal amount of the Series 2020A Bonds called for redemption and accrued interest thereon on a redemption date, Series 2020A Bonds or portions thereof thus called and provided for as specified in the Indenture will not bear interest after such redemption date and will not be considered to be Outstanding or to have any other rights under the Indenture other than the right to receive payment.

Certain Additional Provisions of the Indenture

Discharge. On payment in full of all of the Bonds, the Indenture shall cease, terminate and be discharged, and then the Trustee, on receipt by the Trustee of an opinion of Counsel stating that all conditions precedent to the satisfaction and discharge of the Indenture have been complied with, shall (i) cancel and discharge the Indenture and (ii) assign and deliver to the County any money held by it relating to the Bonds; *provided, however,* that the cancellation and discharge of the Indenture as described below under “Provision for Payment of Bonds” does not terminate the powers and rights granted to the Trustee, the Registrar and the Paying Agent with respect to the payment, registration of transfer and exchange of the Bonds.

Provision for Payment of Bonds. Bonds are deemed to have been paid within the meaning of the Indenture if:

(a) there has been irrevocably deposited with the Trustee either (1) sufficient money to pay the principal and interest due on all Outstanding Bonds or (2) Government Obligations of such maturities and interest payment dates and bearing such interest as will, in the opinion of a firm of independent certified public accountants or other verification agent acceptable to the Authority and the County, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon (such earnings also to be held in trust), be sufficient together with any moneys referred to in (a)(1) above, for the payment at their respective maturities or redemption dates before maturity of the principal thereof, and the interest to accrue thereon at such maturity or redemption dates, as the case may be;

(b) there has been paid or provision duly made for the payment of all fees and expenses of the Trustee, the Registrar and the Paying Agent due or to become due; and

(c) if any Bonds are to be redeemed on any date before their maturity, the Trustee has received in form satisfactory to it irrevocable instructions from the Authority at the direction of the County to redeem such Bonds on such date and either evidence satisfactory to the Trustee that all redemption notices required by the Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices has been granted to the Trustee.

Supplemental Indentures. The Authority and the Trustee, but without the consent of or notice to any Owners, may enter into an indenture or indentures supplemental to the Indenture that do not materially adversely affect the interest of the Owners for one or more of the following purposes: (a) to grant to or confer on the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee, (b) to grant or pledge to the Trustee for the benefit of Owners any additional security other than that granted or pledged under the Indenture, (c) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute then in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the States of the United States, (d) to appoint a successor Trustee, separate trustees or co-trustees in the manner provided in the Indenture, (e) to modify, amend or supplement the Indenture for the purpose of obtaining or retaining a rating on the Bonds from a Rating Agency, (f) to modify, amend or supplement the Indenture to permit a transfer of Bonds from one securities depository to another or the discontinuance of the book-entry system and issuance of replacement Bonds to the beneficial owners, (g) to cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any supplemental indenture that may be defective or inconsistent with any provision contained therein, or to make such other provisions in regard to matters or questions arising under the Indenture which will not materially adversely affect the interest of the Owners, or (h) to modify, amend or supplement the Indenture to permit the Paying Agent or the Registrar to assume

any administrative duties of the Trustee thereunder or for the Trustee to assume any administrative duties of the Paying Agent or the Registrar thereunder.

Amendments to Indenture; Consent of Owners. Exclusive of supplemental indentures described above and subject to the terms and provisions contained in the Indenture, and not otherwise, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and affected by such indenture or indentures supplemental thereto, have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and direct the execution by the Trustee of such other indenture or indentures supplemental thereto as the Authority in its sole discretion shall consent to for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; *provided, however,* that nothing described in this paragraph permits, or may be construed as permitting, without the consent of the Owners of all Outstanding Bonds, (a) an extension of the maturity of the principal of, or the mandatory redemption date of, or the interest payment date on, any Bond, (b) a reduction in the principal amount of, or the rate of interest on, any Bond, (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (d) a reduction in the aggregate principal amount of the Bonds required for any consent to any supplemental indenture or (e) a modification or change in the duties of the Trustee under the Indenture without the consent of the Trustee.

Amendments to Support Agreement Not Requiring Consent of Bondholders. Except as provided in the Indenture, the Authority, the County and the Trustee shall, without the consent of or notice to the Owners of the Bonds, consent to any amendment, change or modification of the Support Agreement, as may be required: (a) by the provisions of the Support Agreement or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission therein or (c) in connection with any other amendment, change or modification therein consented to by the County and the Authority.

Limitation on Amendments to Support Agreement. No amendment, change or modification may decrease the obligation of the County under the Support Agreement to pay, subject to annual appropriation, amounts sufficient to pay principal and redemption price of and interest on the Bonds as the same become due.

PLAN OF FINANCING AND PLAN OF REFUNDING

The proceeds of sale of the Series 2020A Bonds, exclusive of the costs of issuance thereof, will be applied to provide financing for the County of the costs of the land acquisition, construction and equipping of a new indoor sports facility and convocation center for the County (the "Project"). The Project will be located on approximately 15 acres of the 24 acres of land purchased by the County in January 2020 for a price of \$8,300,000, at the former Virginia Commons Mall site. The Project is expected to be an approximately 220,000 square-foot indoor sports and recreation, convocation and multiple use facility and will provide significant impact to the County's sports tourism program. The new facility is expected to include 12 indoor basketball courts, locker rooms and team areas, concession and hospitality areas, and space to accommodate seating for approximately 4,500 people for graduations, and community, sporting and entertainment events. The facility can be utilized for many other indoor sports including volleyball, wrestling, cheering, and other indoor activities. The Rebkee Co. was chosen to partner with the County on both construction and operation of the facility after an extensive public private partnership solicitation. The Rebkee Co. will provide a guaranteed maximum construction price that, when combined with the purchase of land and other incidental expenses, will not exceed \$50,000,000. The Rebkee Co. has successfully redeveloped other sites within the County. The Project will be part of an overall economic development project at the site of the former Virginia Commons Mall and is expected to open in mid-2022. Future development planned at the site is expected to include hotel, retail, restaurants and residential facilities. The County anticipates entering into an interim agreement that will provide for the design of the facility and determination of a guaranteed maximum price for construction by April 2020. The County anticipates entering into a comprehensive agreement that will provide for the construction and operation of the new facility by July 2020. Both agreements will be subject to approval by the County's Board of Supervisors.

The proceeds of sale of the Series 2020B Bonds, exclusive of the costs of issuance thereof, will be applied to current refund and redeem the Prior Bonds, which are subject to redemption and are to be redeemed on April 2, 2020.

SOURCES AND USES OF FUNDS

Sources and Uses of Series 2020A Bonds

Sources:	Principal Amount of Series 2020A Bonds.....	\$50,000,000.00
	Total Sources.....	\$50,000,000.00
Uses:	Deposit to Project Fund	\$49,646,467.48
	Series 2020A Bonds Costs of Issuance*	<u>353,532.52</u>
	Total Uses.....	\$ 50,000,000.00

Sources and Uses of Series 2020B Bonds

Sources:	Principal Amount of Series 2020B Bonds	\$ 5,530,000.00
	Net Premium	192,199.30
	Transfer from Prior Debt Service Funds and Debt Service Reserve Fund	<u>350,972.33</u>
	Total Sources.....	\$ 6,073,171.63
Uses:	Redemption of Prior Bonds	\$ 6,030,753.75
	Series 2020B Bonds Costs of Issuance*	<u>42,417.88</u>
	Total Uses.....	\$ 6,073,171.63

* Includes costs of issuance associated with the issuance of the Bonds payable from Bond proceeds, including underwriting discount. See “UNDERWRITING”.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and validity of the Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, whose opinion with respect to the Bonds will be furnished at the expense of the Authority upon delivery of the Bonds and will be printed on or appended to the Bonds. The proposed form of the opinion of Bond Counsel is set forth as Appendix D to this Official Statement. Certain legal matters will be passed upon for the Underwriters by Hunton Andrews Kurth LLP, Richmond, Virginia, Counsel to the Underwriters, and for the Authority by Michael Kaestner, Esq., Assistant County Attorney, and for the County by Joseph P. Rapisarda, Jr., Esq., County Attorney.

TAX MATTERS

Series 2020A Bonds

The information under this subsection applies solely to the Series 2020A Bonds

The following discussion is a summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of the Series 2020A (the Series 2020A Bonds are referred to in this subsection as the “Taxable Bonds”) by original purchasers of the Taxable Bonds who are U.S. Holders (as defined below). This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Taxable Bonds will be held as “capital assets” under the Code, and it does not discuss all of the United States federal income tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Bonds as a position in a “hedge” or “straddle” for United States federal income tax purposes, U.S. Holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, U.S. Holders who acquire Taxable Bonds in the secondary market, or individuals, estates and trusts subject to the tax on

unearned income imposed by Section 1411 of the Code. Each prospective purchaser of the Taxable Bonds should consult with its own tax advisor concerning the United States federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Certain taxpayers that are required to prepare certified financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Taxable Bonds at the time that such income, gain or loss is taken into account on such financial statements instead of under the rules described below.

As used herein, the term “U.S. Holder” means a beneficial owner of a Taxable Bond that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

U.S. Holders—Interest Income with respect to the Series 2020A Bonds

Interest and original issue discount (as defined below), if any, on the Taxable Bonds are not excludable from gross income for United States federal income tax purposes.

In the opinion of Bond Counsel to the Authority, under existing statutes of the Commonwealth of Virginia, interest on the Series 2020A Bonds is not includable in computing the Virginia income tax.

The proposed form of the opinion of Bond Counsel is set forth as Appendix D to this Official Statement.

Original Issue Discount

For United States federal income tax purposes, a Taxable Bond will be treated as issued with original issue discount (“OID”) if the excess of a Taxable Bond’s “stated redemption price at maturity” over its “issue price” equals or exceeds a statutorily determined *de minimis* amount. The “issue price” of each Taxable Bond in a particular issue equals the first price at which a substantial amount of such issue is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The “stated redemption price at maturity” of a Taxable Bond is the sum of all payments provided by such Taxable Bond other than “qualified stated interest” payments. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. In general, if the excess of a Taxable Bond’s stated redemption price at maturity over its issue price is less than 0.25 percent of the Taxable Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity (the “*de minimis* amount”), then such excess, if any, constitutes *de minimis* OID, and the Taxable Bond is not treated as being issued with OID and all payments of stated interest (including stated interest that would otherwise be characterized as OID) are treated as qualified stated interest, as described below.

Payments of qualified stated interest on a Taxable Bond are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received in accordance with the U.S. Holder’s regular method of tax accounting. A U.S. Holder of a Taxable Bond having a maturity of more than one year from its date of issue generally must include OID in income as ordinary interest as it accrues on a constant-yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder’s regular method of tax accounting. The amount of OID included in income by the U.S. Holder of a Taxable Bond is the sum of the daily portions of OID with respect to such Taxable Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Taxable Bond. The daily portion of OID on any Taxable Bond is determined by allocating to each day in any “accrual period” a ratable portion of the OID allocable to the accrual period. All accrual periods with respect to a Taxable Bond may be of any length and the accrual periods may vary in length over the term of the Taxable Bond, provided that each accrual period is no longer than one year and each

scheduled payment of principal or interest occurs either on the first or final day of an accrual period. The amount of OID allocable to an accrual period is generally equal to the difference between (i) the product of the Taxable Bond's "adjusted issue price" at the beginning of such accrual period and such Taxable Bond's yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Taxable Bond at the beginning of any accrual period is the issue price of the Taxable Bond plus the amount of accrued OID includable in income for all prior accrual periods minus the amount of any prior payments on the Taxable Bond other than qualified stated interest payments. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (i) the amount payable at the maturity of the Taxable Bond (other than a payment of qualified stated interest) and (ii) the Taxable Bond's adjusted issue price as of the beginning of the final accrual period. Under the OID rules, U.S. Holders generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may elect to include in gross income all interest that accrues on a Taxable Bond using the constant-yield method described above under the heading "Original Issue Discount," with the modifications described below. For purposes of this election, interest includes, among other things, stated interest, OID and *de minimis* OID, as adjusted by any amortizable bond premium described below in this subsection under the heading "Bond Premium". In applying the constant-yield method to a Taxable Bond with respect to which this election has been made, the issue price of the Taxable Bond will equal its cost to the electing U.S. Holder, the issue date of the Taxable Bond will be the date of its acquisition by the electing U.S. Holder, and no payments on the Taxable Bond will be treated as payments of qualified stated interest. The election will generally apply only to the Taxable Bond with respect to which it is made and may not be revoked without the consent of the Internal Revenue Service. If this election is made with respect to a Taxable Bond with amortizable bond premium, then the electing U.S. Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludable from gross income) held by the electing U.S. Holder as of the beginning of the taxable year in which the Taxable Bond with respect to which the election is made is acquired or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the Internal Revenue Service.

U.S. Holders of any Taxable Bonds issued with OID should consult their own tax advisors with respect to the treatment of OID for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Taxable Bonds.

Bond Premium

In general, if a U.S. Holder acquires a Taxable Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Taxable Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Taxable Bond (a "Taxable Premium Bond"). In general, if a U.S. Holder of a Taxable Premium Bond elects to amortize the premium as "amortizable bond premium" over the remaining term of the Taxable Premium Bond, determined based on constant-yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to such U.S. Holder's basis in the Taxable Premium Bond. Any such election applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired, and is irrevocable without the Internal Revenue Service's consent. A U.S. Holder of a Taxable Premium Bond that so elects to amortize bond premium does so by offsetting the qualified stated interest allocable to each interest accrual period under the U.S. Holder's regular method of federal tax accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is treated as a bond premium deduction under Section 171(a)(1) of the Code, subject to certain limitations. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules may apply with respect to the amortization of bond premium. Under certain circumstances,

the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder's original acquisition cost.

U.S. Holders of any Taxable Premium Bonds should consult their own tax advisors with respect to the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Taxable Premium Bonds.

U.S. Holders—Disposition of Taxable Bonds

Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Taxable Bond. A U.S. Holder's adjusted tax basis in a Taxable Bond generally will equal such U.S. Holder's initial investment in the Taxable Bond, increased by any OID included in the U.S. Holder's income with respect to the Taxable Bond and decreased by the amount of any payments, other than qualified stated interest payments, received and bond premium amortized with respect to such Taxable Bond. Such gain or loss generally will be long-term capital gain or loss if the Taxable Bond was held for more than one year.

U.S. Holders—Defeasance

U.S. Holders of the Taxable Bonds should be aware that, for federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Bonds to be deemed to be no longer outstanding under the resolution of the Taxable Bonds (a "defeasance"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for federal income tax purposes, the character and timing of receipt of payments on the Taxable Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Taxable Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for federal income tax purposes, and for state and local tax purposes.

U.S. Holders—Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest, and the accrual of OID on a Taxable Bond and the proceeds of the sale of a Taxable Bond before maturity within the United States. Backup withholding at a rate provided for in the Code will apply to such payments and to payments of OID unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Taxable Bonds under state law and could affect the market price or marketability of the Taxable Bonds.

Prospective purchasers of the Taxable Bonds should consult their own tax advisors regarding the foregoing matters.

Series 2020B Bonds

The information under this subsection applies solely to the Series 2020B Bonds

Opinion of Bond Counsel with respect to the Series 2020B Bonds

In the opinion of Bond Counsel to the Authority, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Series 2020B Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and (ii) is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. In rendering its opinions, Bond Counsel has relied on certain representations, certifications of fact and statements of reasonable expectations made by the Authority and the County in connection with the Series 2020B Bonds, and Bond Counsel has assumed compliance by the Authority and the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2020B Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes of the Commonwealth of Virginia, interest on the Series 2020B Bonds is not includable in computing the Virginia income tax.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2020B Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2020B Bonds.

The proposed form of the opinion of Bond Counsel is set forth as Appendix D to this Official Statement.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2020B Bonds in order that interest on the Series 2020B Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2020B Bonds, yield and other restrictions on investments of gross proceeds and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2020B Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, without regard to the date on which such noncompliance occurs or is discovered. The Authority and the County have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2020B Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2020B Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2020B Bonds.

Prospective owners of the Series 2020B Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including

S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the Series 2020B Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a Series 2020B Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2020B Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification”, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2020B Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2020B Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2020B Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2020B Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) and such decisions could affect the market price or marketability of the Series 2020B Bonds.

Prospective purchasers of the Series 2020B Bonds should consult their own tax advisors regarding the foregoing matters.

RATINGS

The County, on behalf of the Authority, has applied to Fitch Ratings, 33 Whitehall Street, New York, New York 10004, and S&P Global Ratings, a division of S&P Global Inc., 55 Water Street, New York, New York, for credit ratings on the Bonds. The initial credit ratings are set forth on the cover page to this Official Statement. An explanation of the significance of such ratings may only be obtained from such rating agencies. The County furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the County. Generally, such rating agencies base their ratings on such materials and information, as well as investigations, studies and assumptions of such rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agencies, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the County. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Bonds.

LITIGATION

There are miscellaneous claims against the County including claims now in litigation. The County Attorney is of the opinion that there is no litigation pending or, to the best knowledge, information and belief of the County Attorney, threatened, in either Virginia or federal courts which would in any way affect the validity of the Bonds, seeking to restrain or enjoin the issuance or delivery of the Bonds, in any manner questioning the proceedings and authority under which the Bonds are being issued, or affecting the power and authority of the Authority, the County or the Board of Supervisors to execute or perform their respective obligations under the Indenture or the Support Agreement.

There is now no litigation of any nature to which the Authority is a party pending or, to the knowledge of the Authority, threatened against it to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, or any proceedings taken with respect to the issuance or sale thereof, or in any way contesting or affecting the validity of or application of the moneys or the security provided for the Bonds. The foregoing does not include any litigation that may have been filed against but not served upon the Authority and of which it has no actual knowledge.

INDEPENDENT AUDITORS

The financial statements of the County, as of and for the fiscal year ended June 30, 2019, included in this Official Statement as Appendix B, have been audited by KPMG LLP, a firm of independent auditors, as stated in their report appearing herein.

KPMG LLP, a firm of independent auditors, has not been engaged to perform and has not performed, since the date of its report included in Appendix B, any procedures on the basic financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement or the issuance of the Bonds.

FINANCIAL ADVISOR

The County has retained PFM Financial Advisors LLC, Arlington, Virginia, as financial advisor (the "Financial Advisor"), in connection with the issuance of the Bonds. Although the Financial Advisor assisted in the preparation and review of this Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The Financial Advisor is a financial advisory, investment management and consulting organization and is not engaged in the business of underwriting municipal securities.

OFFICIAL STATEMENT

The execution of this Official Statement has been duly authorized by the Authority and the County. The Official Statement has been deemed final by the Authority and the County for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “Rule”).

CONTINUING DISCLOSURE

The County will execute and deliver to the Underwriters a Continuing Disclosure Certificate, the form of which is attached as Appendix F to this Official Statement. Pursuant to the Continuing Disclosure Certificate the County will covenant and agree, for the benefit of the holders of the Bonds, consistent with the Rule, to provide to the Municipal Securities Rulemaking Board (the “MSRB”) annual financial information and operating data for the County, including audited financial statements of the County, within nine (9) months after the end of each fiscal year, beginning with the fiscal year ending June 30, 2020, and, in a timely manner not in excess of ten (10) business days after the occurrence thereof, notices of certain listed events with respect to the Bonds, as set forth in Appendix F and in accordance with the Rule; and, in a timely manner, notice to the Municipal Securities Rulemaking Board of any failure of the County to provide required annual financial information referred to above to the Municipal Securities Rulemaking Board. The continuing obligation of the County to provide annual financial information and notices referred to above will terminate with respect to the Bonds when the Bonds are no longer outstanding. Any failure by the County to comply with the foregoing will not constitute a default with respect to the Bonds.

The County has agreed in certain of its existing continuing disclosure undertakings to provide certain financial and operating data (the “Annual Report”), including certain data relating to taxable retail sales in the County, vehicle and business license receipts of the County, and certain information relating to the County’s five-year capital improvement plan (collectively referred to herein as the “Supplemental Information”). For the fiscal years ended June 30, 2012 through June 30, 2016, inclusive, this Supplemental Information was not included in the Annual Reports filed by the County on the MSRB’s EMMA website. On April 24, 2017 the County filed a failure to file notice on EMMA relating to the Supplemental Information, together with the Supplemental Information required for the fiscal years ended June 30, 2012 through June 30, 2016.

The County has also agreed in certain disclosure undertakings to provide certain information as to the County’s budgeted annual fiscal plan in its Annual Report. Although the Annual Reports filed by the County on the EMMA website for the fiscal years ended June 30, 2015 through June 30, 2018, inclusive, provided the website address of the County where such annual fiscal plan information was posted, the County failed to include such annual fiscal plan information in the Annual Reports filed on EMMA. On February 24, 2020, the County filed a notice on the EMMA website relating to the late filing of such information, together with the required information relating to the County’s budgeted annual fiscal plan for the fiscal years ended June 30, 2016 through June 30, 2019, inclusive.

UNDERWRITING

J.P. Morgan Securities LLC, on behalf of itself, BofA Securities, Inc. and Citigroup Global Markets Inc. (collectively, the “Underwriters”), have agreed (i) to purchase the Series 2020A Bonds at a purchase price equal to \$49,831,052.39, representing the par amount of the Series 2020A Bonds, less an underwriting discount in the amount of \$168,947.61, and (ii) to purchase the Series 2020B Bonds at a purchase price equal \$5,703,513.69, representing the par amount of the Series 2020B Bonds, plus original issue premium of \$192,199.30, less an underwriting discount in the amount of \$18,685.61, pursuant to the terms of a Bond Purchase Agreement, by and among the Authority, the County and the Underwriters. The Bond Purchase Agreement provides that the obligation of the Underwriters is subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Bonds if any of the Bonds are purchased. The Bonds may be offered to certain dealers (including dealers depositing such Bonds into investment trusts, accounts or funds) and others at prices lower than the initial public offering prices. After the initial public offering the public offering prices of the Bonds may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the County, for which they received or will receive customary fees and expenses.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

BofA Securities, Inc., one of the Underwriters, has entered into a distribution agreement with its affiliate, Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

OTHER MATTERS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights and obligations of the holders thereof.

ECONOMIC DEVELOPMENT AUTHORITY
OF HENRICO COUNTY, VIRGINIA

By: /s/ Travis J. Pearson
Chairman

APPROVED BY:

COUNTY OF HENRICO, VIRGINIA

By: /s/ John A. Vithoukas
County Manager

By: /s/ Ned Smither
Director of Finance

THE COUNTY OF HENRICO, VIRGINIA

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THE COUNTY

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The County of Henrico, Virginia (the “County” or “Henrico”) is situated in central Virginia and surrounds the City of Richmond (the “City” or “Richmond”) on the north side of the James River. Although much of the County’s 244.06 square miles consists of highly developed urban and suburban areas, there is also a considerable amount of undeveloped agricultural and forest land. In Virginia, cities and counties are distinct units of government and do not overlap. Thus, the County is responsible for providing all local government services to its residents. The population of the County is estimated at 339,191 for 2019.

COUNTY GOVERNMENT

Form of Government

The County is governed by a five-member Board of Supervisors, which establishes policies for the administration of the County. Each member of the Board of Supervisors is elected by the voters of the magisterial district in which such member resides. The Chairman of the Board of Supervisors is elected annually by the members. Members of the Board of Supervisors serve four-year terms with no term limits.

The County elected in 1934 to operate under the County Manager Form of Government (as defined under Virginia law). Under this form of government, the Board of Supervisors appoints a County Manager to serve as the chief executive officer of the County. The County Manager serves at the pleasure of the Board of Supervisors, implements its policies, appoints department heads, and directs business and administrative procedures. Also, under the County Manager Form of Government, a County Code and modern zoning ordinances are administered and enforced.

Elected Officials

Thomas M. Branin, Chairman, was elected from the Three Chopt Magisterial District in November of 2015 and reelected in 2019. Mr. Branin is a graduate of Ferrum College and represented the Three Chopt Magisterial District on the Henrico County Planning Commission from 2005 to 2015. Mr. Branin is the Vice President of National and International Sales for Colonial Construction Materials.

Dan Schmitt, Vice-Chairman, was elected at a special election in November 2018 to fill an unexpired term and re-elected in 2019, to represent the Brookland Magisterial District. Mr. Schmitt is a graduate of the University of Richmond, where he earned a Bachelor of Science in Business Administration. He is the owner of RMC Events, an event staffing company.

Patricia S. O’Bannon was elected from the Tuckahoe Magisterial District in 1995 and re-elected in 1999, 2003, 2007, 2011, 2015 and 2019. Ms. O’Bannon is a graduate of Virginia Commonwealth University. She was formerly an English teacher in the Henrico County school system and an editor of a local newspaper.

Tyrone E. Nelson was elected from the Varina Magisterial District in November of 2011 and re-elected in 2015 and 2019. Mr. Nelson has received degrees from J. Sargeant Reynolds, Virginia Commonwealth University, and Virginia Union University. He is the Pastor of Sixth Mount Zion Baptist Church, and he serves as a board member on several community and government boards.

Frank J. Thornton was elected to the Board of Supervisors in 1995 and re-elected in 1999, 2003, 2007, 2011, 2015 and 2019 to represent the Fairfield Magisterial District. Mr. Thornton is a graduate of Virginia Union University in Richmond and The American University in Washington, D.C. Mr. Thornton is a retired professor of French from Virginia Union University.

Certain County Staff Members

John A. Vithoukias was appointed County Manager effective January 17, 2013. He has served the County as Deputy County Manager for Administration, Special Economic Advisor to the County Manager, Director of Finance, Director of the Office of Management and Budget, and a Budget Analyst. Prior to joining the County in 1997, Mr. Vithoukias served Chesterfield County, Virginia, as the Lead Analyst in the Department of Budget and Management. Mr. Vithoukias holds a bachelor's degree from Virginia Commonwealth University and a Master of Public Administration from the University of North Carolina at Charlotte.

W. Brandon Hinton was appointed as Deputy County Manager for Administration and Community Services in 2018. Mr. Hinton previously served as the Deputy County Manager for Community Services from July 2016 until February 2018. Prior to his appointment, Mr. Hinton served as the Director of the County's Office of Management and Budget and has worked for Henrico County for more than 16 years. He holds a bachelor's degree in Business Administration from East Carolina University and a Master of Business Administration degree from Virginia Commonwealth University.

Randall R. Silber was appointed Deputy County Manager for Community Development effective January 5, 2008. He has served Henrico County as an employee since 1985. Prior to his current position with the County, Mr. Silber served as the Planning Director, Assistant Director of Planning, Principal Planner and County Planner. Mr. Silber holds a bachelor's degree from the University of Maryland and a master's degree from the University of Northern Colorado.

Timothy A. Foster was appointed Deputy County Manager for Community Operations effective January 28, 2012. He has served the County since 1989. He previously has served the County as the Director of Public Works, Assistant Director of Public Works, Traffic Engineer, and Assistant Traffic Engineer. He holds a bachelor's degree from Virginia Polytechnic Institute and State University. Mr. Foster is a registered Professional Engineer in the Commonwealth as well as a member of the American Public Works Association and the Institute of Transport Engineers. Mr. Foster has announced his intention to retire as of March 27, 2020.

Tony McDowell was appointed Deputy County Manager for Public Safety in December 2018. Mr. McDowell previously served as Fire Chief starting in 2012. He joined the Henrico Division of Fire in 1997. Mr. McDowell earned a bachelor's degree in Geography from Virginia Tech and Master of Public Administration degree from the University of North Texas. A graduate of the National Fire Academy, he is certified as an Executive Fire Officer by the U.S. Fire Administration and earned the Chief Fire Officer designation from the Center for Public Safety Excellence. In 2013 Chief McDowell was appointed by Governor Robert F. McDonnell to the Virginia E-911 Services Board. In 2015, he was selected as the Southeastern Association of Fire Chief's "Fire Chief of the Year".

Monica Smith-Callahan has been appointed by the County as Deputy County Manager for Community Affairs, a newly restructured position focusing on community outreach. Ms. Smith-Callahan began her tenure with the County on February 18, 2020. Ms. Smith-Callahan holds a bachelor's degree in mass communications from George Mason University and a master's degree in business administration from Strayer University. Prior to joining the County, Ms. Smith-Callahan most recently served as assistant superintendent of policy, equity and communication for the Virginia Department of Education. She has more than 20 years of experience in community engagement, public and media relations and event management in the public, nonprofit and business sectors.

Edward N. “Ned” Smither Jr., Director of Finance, was appointed July 1, 2017. He previously served the County as the Director of the Accounting Division. He holds a Bachelor of Science degree and a Master of Business Administration degree from the University of Richmond.

Joseph P. Rapisarda, Jr., Esquire, County Attorney, was appointed in 1982. He served as an Assistant County Attorney for Henrico County for five years before being appointed County Attorney. Prior to his service with Henrico County, he served for two years as an associate attorney with May, Miller & Parsons. He is a graduate of the University of Virginia School of Law. Mr. Rapisarda is a current member and past president of the Local Government Attorneys of Virginia and the Henrico County Bar Association. He is also a Fellow of the Virginia Law Foundation and a former member of the Professionalism Faculty of the Virginia State Bar.

CERTAIN FINANCIAL PROCEDURES

Annual Financial Statements

The County’s general-purpose financial statements are audited and reported on by independent certified public accountants each year. The County’s audited General-Purpose Financial Statements for the fiscal year ended June 30, 2019 are included in Appendix B to this Official Statement. The County’s independent certified public accountants have not reviewed, nor participated in the preparation of, this Appendix A or this Official Statement generally.

The County has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (“GFOA”) of the United States and Canada for its annual financial statements each year since the fiscal year ended June 30, 1981. The Certificate of Achievement is awarded annually for excellence, clarity, and comprehensiveness in financial reporting. The County has also been awarded the Distinguished Budget Award by the GFOA of the United States and Canada for its Annual Fiscal Plan for the past 29 fiscal years.

Description of Funds

The accounts of the County are organized by fund, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund balance, revenues, and expenditures. The following is a description of the funds included in the financial records of the County.

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, meals taxes, license and permit fees, and revenues received from the Commonwealth. A significant part of General Fund revenues are used to maintain and operate the general government, which is accounted for in the General Fund, or is transferred to other funds principally to fund debt service requirements and capital projects. Expenditures include, among other things, those for general government, education, public safety, highways and streets, welfare, culture, and recreation.

Special Revenue Funds. Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These funds account for the resources obtained and used relating to state and federal grants, mental health and developmental services programs, social services, the utility department’s solid waste and street lighting operations, and school cafeterias.

Enterprise Funds. Enterprise Funds account for operations financed 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. These funds account for the operation, maintenance, and construction of the County-owned water and sewer system (considered a single segment for financial reporting purposes) and the operation of a County-owned golf course (which has become privately operated in FY20).

Debt Service Fund. This fund accounts for the accumulation of financial resources for the payment of interest and principal on all long-term debt other than that accounted for in the Enterprise Funds. Debt Service Fund resources are derived from transfers from the General Fund.

Internal Service Fund. An Internal Service Fund accounts for the financing of goods or services provided by one department to other departments of the government on a cost-reimbursement basis. The Internal Service Fund accounts for the County's Central Automotive Maintenance operations, Technology Replacement Fund operations, and self-funded health insurance fund. Resources for these funds come from interdepartmental charges.

Agency Funds. Agency Funds account for fiduciary funds administered by the County, custodial in nature, and do not involve measurement of results of operations.

Capital Projects Fund. The Capital Projects Fund accounts for all capital projects other than those accounted for within Enterprise Funds.

Budgetary Procedure

Virginia law requires the County to maintain a balanced budget in each fiscal year. The County lacks legal authority to borrow in anticipation of future years' revenues, except by the issuance of short-term bonds or bond anticipation notes.

Prior to the beginning of each fiscal year, the Board of Supervisors adopts a budget consisting of contemplated expenditures and estimated revenues for such fiscal year. Based on the approved budget, the Board of Supervisors appropriates funds for expenditures and establishes tax rates sufficient to produce the revenues contemplated in the budget.

The annual budget process for a fiscal year begins early in the second quarter of the preceding fiscal year. At that time the County Manager issues pertinent guidelines to department heads and other key officials to be observed during budget development. Each department head will submit all desired personnel change requests and detailed budget requests.

The County Manager and his staff hold hearings with the various departments, and after review, submit a proposed budget to the Board of Supervisors. The Board of Supervisors also holds hearings with the departments, and after revisions, authorizes a final budget for publication and public hearing. After the public hearing, further changes may be made before final adoption, which generally occurs in the month of April preceding the start of the fiscal year on July 1 when funding is appropriated.

SELECTED FINANCIAL INFORMATION

General Fund Revenues and Disbursements

The General Fund is maintained by the County to account for revenue derived from Countywide ad valorem taxes, other local taxes, licenses, fees, permits, certain revenue from federal and state governments, and interest earned on invested cash balances in the General Fund. General Fund disbursements include the costs of general County government, School Operations, and transfers to the Debt Service and Capital Projects Funds to pay debt service on the County's general obligation bonds and certain capital improvement projects.

The following is a discussion of the General Fund revenue structure and major classifications of General Fund disbursements. Following this discussion is a five-year summary of General Government revenues, expenditures, fund balances, and a summary of the fiscal plan for fiscal year 2020. The County's audited General-Purpose Financial Statements include a detailed review of General Fund revenues and expenditures for the fiscal year ended June 30, 2019. The County's audited financial statements are available within the County's Comprehensive Annual Financial Report ("CAFR") attached to this Official Statement as Appendix B.

Revenues

Property Taxes. An annual ad valorem tax is levied by the County on the assessed value of real and tangible personal property located within the County as of January 1. The ratio of the assessed value of property to its appraised value is 100 percent in the case of real property, and varies for the several classes of personal property, but generally is 100 percent. Both real and personal property taxes are collected on June 5 and December 5. There is no legal limit at the present time on the property tax rates which may be established by the County. In the fiscal year ended June 30, 2019, property taxes (including penalties for late payment of prior years' taxes) represented approximately 41.2% of total General Fund and Component Unit School Operating receipts. Property taxes attach as an enforceable lien on property as of January 1. The County bills and collects its own property taxes. Property taxes are levied in April and recorded as receivables, net of allowance for estimated uncollectible accounts, to the extent that they are currently due.

In April 1998, the Virginia General Assembly passed the Personal Property Tax Relief Act of 1998. The Act provides for the Commonwealth to reimburse a portion of the tangible Personal Property Tax levied on personal use cars, motorcycles, and trucks. Initially, the reimbursement was 12.5% of the tax on the first \$20,000 of the value of the qualifying vehicle in tax year 1998. The reimbursement rate was 27.5% for tax year 1999 and increased to 47.5% for tax year 2000, and 70% for tax years 2001 through 2005. Beginning in 2006, the reimbursement funds were capped at \$950 million statewide with those funds being distributed to localities on a prorated basis. Henrico County is allocated \$37.0 million of those funds per year. The percentage of tax relief allocated to each qualifying vehicle is annually determined by each locality based on the value of qualifying vehicles within that locality. 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 program.

Other Local Taxes. The County levies various other local taxes including a 1% sales tax (collected by the State and remitted to the County), a 4% meals tax, various business, professional and occupational license taxes, property transfer recordation taxes, and motor vehicle and other vehicle taxes. These receipts represented 17.2% of total General Fund and School Operating receipts in the fiscal year ended June 30, 2019.

Revenues from the Commonwealth of Virginia and Federal Aid. The County is reimbursed by the Commonwealth of Virginia for a portion of shared expenses, including certain expenditures for the Sheriff's office, courts, the office of the Commonwealth Attorney and the Clerk of the Circuit Court. The County also receives a significant amount of State aid in support of public school operations. Revenue from the Commonwealth of Virginia (inclusive of Personal Property Tax reimbursement) and Federal Aid represented approximately 37.3% of total General Fund and School Operating receipts in the fiscal year ended June 30, 2019.

Other Revenue. Other sources of revenue including charges for services, recovered costs, permits, privilege fees, regulatory licenses, fines and forfeitures, and revenues from the use of money and property accounted for approximately 4.3% of total General Fund and School Operating revenue for the fiscal year ended June 30, 2019.

Disbursements

Costs of Education. The County pays from the General Fund a portion of the costs of operating the public school system. Federal government and Commonwealth of Virginia funds are credited to the Schools' revenue accounts and used exclusively to finance Schools' operating expenditures. No debt service on School general obligation bonds is paid from funds from the federal government or the Commonwealth of Virginia. This classification represented approximately 54.5% of the total General Fund and School Operating expenditures for the fiscal year ended June 30, 2019.

Costs of General County Government. The County pays from the General Fund the costs of general County government. These costs include expenditures for public safety (police, fire, sheriff, etc.), courts, administration and support, libraries, health, recreation, community development and street and highway maintenance. This classification represented 45.5% of total estimated General Fund and School Operating expenditures in the fiscal year ended June 30, 2019.

Transfer to Debt Service Fund. The County transfers from the General Fund to the Debt Service Fund an amount sufficient to pay principal and interest on County general obligation bonds. Transfers to the Debt Service Fund represented approximately \$63.4 million of total General Fund and School Operating expenditures in the fiscal year ended June 30, 2019.

Transfer to Capital Projects Fund. The County transfers from the General Fund to the Capital Projects Fund moneys to pay the cost of certain capital improvements. The General Fund transfer to the Capital Projects Fund represented approximately \$192.0 million of total General Fund expenditures in the fiscal year ended June 30, 2019.

Summary of General Fund Revenues, Expenditures and Fund Balances

The financial data shown in the following table represents a summary for each of the five previous fiscal years ended June 30 of the County's General and Component Unit School Operating Fund revenues, expenditures and fund balances. This summary has been derived from the audited financial statements of the County for fiscal years ended June 30, 2015 through June 30, 2019 and should be read in connection with the financial statements and notes for those years.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
General Property Taxes	\$374,188,737	\$386,469,951	\$402,026,386	\$420,785,845	\$447,469,395
Other Local Taxes	155,950,527	165,195,195	176,154,233	182,031,629	186,843,818
Permits, Fees & Licenses	6,496,071	5,171,549	5,770,212	10,238,990	7,800,531
Fines & Forfeitures	2,522,510	1,944,848	2,110,351	2,160,593	2,146,622
Revenues from Use of Money & Property	2,937,232	3,594,408	2,704,902	3,719,998	16,054,752
Charges for Services	4,054,682	4,217,634	6,335,049	4,346,718	4,329,505
Miscellaneous	7,001,475	9,136,550	11,993,095	9,337,245	10,364,855
Recovered Costs	5,550,640	5,222,751	7,348,657	7,450,215	5,787,389
Intergovernmental	365,372,763	375,574,472	383,126,865	393,563,762	405,588,016
Total Revenues	\$924,074,637	\$956,527,358	\$997,569,750	\$1,033,634,995	\$1,086,384,883
Expenditures:					
General Govt. Admin.	\$65,415,131	\$65,892,539	\$76,851,414	\$72,268,298	\$71,186,977
Judicial Admin.	10,139,649	10,193,458	10,544,635	10,850,987	11,325,715
Public Safety	168,642,858	173,373,191	182,526,762	187,607,502	196,062,839
Public Works	52,474,492	49,605,071	54,049,122	53,550,069	55,966,276
Health & Social Services	1,902,174	1,950,496	2,219,894	2,286,988	2,432,912
Education	428,762,395	442,943,598	463,298,932	468,412,900	508,020,540
Parks, Recreation & Cultural	30,510,203	32,425,368	35,945,000	36,536,479	37,029,570
Community Development	22,022,280	23,743,014	24,810,373	25,718,015	25,943,567
Miscellaneous	17,018,626	18,673,602	7,993,395	20,591,060	24,767,577
Total Expenditures	\$796,887,808	\$818,800,337	\$858,239,527	\$877,822,298	\$932,735,973
Excess of Revenue over Expenditures	127,186,829	137,727,021	139,330,223	155,812,697	\$153,648,910
Other Financing Sources (Uses):					
Issuance of Cap. Lease Obligation	\$71,907	\$5,463,059	\$12,905,998	\$2,390,876	\$21,565,513
Operating Transfers In (Out)					
To Debt Service Fund	(57,676,779)	(56,105,548)	(57,507,646)	(56,988,407)	(63,468,451)
To Capital Projects Fund	(35,685,101)	(54,967,362)	(48,642,178)	(53,984,400)	(80,735,668)
To Other Funds	(20,259,359)	(23,906,111)	(24,507,268)	(21,300,119)	(29,039,697)
Total Other Financing Sources (Uses)	(\$113,549,332)	(\$129,515,962)	(\$117,751,094)	(\$129,882,050)	(\$151,678,303)
Excess (deficiency) Revenue & Other Sources Over Expend. & Other Uses					
	\$13,637,497	\$8,211,059	\$21,579,129	\$25,930,647	\$1,970,607
Fund Balance, July 1	210,567,328	224,204,825	232,415,884	253,995,013	279,925,660
Fund Balance, June 30	\$224,204,825	\$232,415,884	\$253,995,013	\$279,925,660	\$281,896,267
Fund Balances:					
Reserved & Designated	\$104,259,061	\$111,166,702	\$129,679,362	\$150,038,464	\$146,256,805
Undesignated	119,945,764	121,249,182	124,315,651	129,887,196	135,638,462
TOTAL	\$224,204,825	\$232,415,884	\$253,995,013	\$279,925,660	\$281,896,267

Summary of Annual Fiscal Plan for the Fiscal Year Ending June 30, 2020

The FY2019-20 Approved Budget for the County, which is balanced within the current real estate tax rate of \$0.87 cents/\$100 of assessed value, marks the 41st consecutive year that the County's real estate tax rate has not been increased. Maintaining a low real estate tax rate is a critical component of the County's economic development strategy. Even though the County is experiencing a resurgent local economy, affirmed by improving signs at state and national levels, this budget uses conservative revenue estimates.

The Budget for FY2019-20 meets the important funding priorities in several ways. First, the Budget provides the largest increase in funding to the school system in the past 13 years. The funding reflects \$35.0 million in new, overall incremental resources, including efforts to reduce class sizes and provide additional supports in the classrooms; an extension of planning periods; and continued implementation of the Achievable Dream Academy and CodeRVA Regional High School. The Capital Budget for Schools fulfills a funding plan to replace J.R. Tucker and Highland Springs high schools simultaneously by pooling multiple resources. More than 83% of the total revenue increase for FY2019-20 is strategically allocated to Education and Public Safety.

The Budget honors prior commitments to Public Safety while funding several new endeavors. A total of \$10.3 million in overall incremental General Fund resources will be allocated to support a variety of Public Safety initiatives. Resources are added in the Police Division for enhanced Animal Safety Protection, 911 communication needs, training program improvements, and investigative tools. The Division of Fire is enhancing the EMS CARE programs, adding a new medic unit to support the Basic Life Support transports, patient care monitors, and a Firehouse Refresh program.

The Budget rewards eligible General Government and Henrico County Public Schools' employees with a 3% merit-based salary increase, effective July 1, 2019. In addition to a 3% raise, the Budget takes the first steps towards relieving salary compression. With the compensation efforts in the Budget, the County continues its effort to be the regional pay leader for entry level police officers, fire fighters, and teachers. In addition to being a pay leader, the goal of this compensation approach for Schools is to establish what "best in class" means for its teachers.

The Budget continues tax relief efforts from prior years by increasing the full exemption threshold from BPOL taxation to \$400,000. The budget adds \$302,450 for real estate tax relief for seniors and disabled residents in recognition of the rising costs of these programs, the result of increasing reassessments and the enhancement of the eligibility criteria for the County's Real Estate Advantage Program (REAP) in FY2020.

The Budget continues to strengthen the County's fiscal structure in FY2019-20. Additional ongoing revenues have been allocated to the County's Technology Replacement Fund. The budget continues a multi-year effort to minimize the annual, mid-year amendment for the County's Risk Management Fund. This budget also continues to seek to minimize the use of reserves in the Central Automotive Maintenance operation. Finally, the Budget sets aside \$1.0 million in the "State Revenue Stabilization Reserve" to make a total of \$4.5 million available to potentially offset the impact of a future recession.

It should also be noted that the County's fiscal approach requires that the unassigned fund balance equal 15% of General Fund expenditures.

The Capital Budget continues funding the 26 projects overwhelmingly approved by voters in the November 2016 General Obligation Bond Referendum. Outside of replacing the two high schools the recommended plan provides construction funding for a new elementary school in the Brookland magisterial district; the planning of the Advanced Career Education (ACE) Center at Glen Allen High School; the construction of Staples Mill Fire Station; the completion of Phase II construction of Glover Park; and the expansion of fields at Dorey Park.

For the improvement of the County's road network, the Capital Budget includes \$5.2 million for improvements to Oakley's Lane and \$1.8 million for the extension of Woodman Road. This is in addition to the continuation of the \$2.3 million for stormwater improvements, \$2.5 million for sidewalk improvements, and \$1.5 million in motor vehicle license fees for road construction. Finally, the FY2019-20 budget includes an additional

\$465,000 for bus service to provide incremental funding for the route enhancements approved in FY19 and to cover additional increases for the transportation service upon which many of the County's residents rely.

The recommended plan includes a continuation of enhancements to the County's efforts in the area of sports tourism. For Recreation, this includes an additional \$10.0 million for the second phase of Glover Park, \$4.2 million for the renovation and expansion of fields at Dorey Park as well as the second year of operating costs for the renovation of high school athletic fields. And, in December 2019 the County purchased approximately 24 acres of land and entered into an agreement with a private firm to construct an indoor sports arena and convocation center. The facility is expected to be an approximately 220,000 square-foot sports and recreation, convocation and multiple use facility and will provide significant impact to the County's sports tourism program. The new facility is expected to include 12 indoor basketball courts, locker rooms and team areas, concession and hospitality areas, and space to accommodate seating for approximately 4,500 people for graduations, and community, sporting and entertainment events. The facility can be utilized for many other indoor sports including volleyball, wrestling, cheering, and other indoor activities. The new facility is expected to save the County hundreds of thousands of dollars in rental costs annually. The Board of Supervisors set a firm, not-to-exceed cap on the budget at \$50 million. The facility will be financed with the proceeds of the Series 2020A Bonds. It is estimated that, once open, the facility could generate more than \$30 million in economic impact annually.

In addition to the approved General Obligation Bond Projects and resources for Public Works projects, the Capital Budget includes \$4.5 million to expand Police's Evidence Storage Facility and \$1.5 million to add classroom space to the Police Firearm Range. It also provides \$8.0 million for the construction of the new Staples Mill Firehouse. Additionally, the Capital Budget includes the maintenance efforts of our school division with \$2.5 million in roof and mechanical funding, \$6.1 million for general government facility maintenance projects, and \$2 million for construction of the Henrico Aquatics center in collaboration with the YMCA of Greater Richmond and other organizations. The total estimated General Fund revenues for FY2019-20, prior to transfers, are \$1.1 billion, which represents an increase of \$54.5 million or 5.4%. Net of transfers and uses of fund balance, the County's overall General Fund is expected to increase by \$46.8 million, or 5.4%.

Real estate tax revenues in the Budget reflect an overall increase of \$21.5 million from the current fiscal year estimate. The total real estate tax base, inclusive of new construction and reassessment, increased by 6.1%. Residential reassessments increased 3.5%, with commercial reassessments increasing 6.6%. New construction in 2019, both commercial and residential, added \$595.8 million to the real estate tax base.

The County's tourism efforts continue to drive growth in sales tax, meals tax, and hotel/motel tax receipts. During 2018, the County recorded a 5.2% increase from tourism spending and, again, had the fifth highest tourism spending total of any Virginia locality, according to the U.S. Travel Association. Henrico topped all localities in central Virginia and trailed only the Counties of Arlington, Fairfax, and Loudoun and the City of Virginia Beach. And, since 2012, tourism spending in Henrico County has increased 29%. Under the direction of the Board of Supervisors, Henrico has taken steps to highlight the County to the world. In March 2013, the Visit Henrico campaign was launched to promote Henrico as a destination for tourists and recreational sports tournaments. Henrico is a key partner of Richmond Region Tourism and supports its mission to boost tourism across the area, as evidenced by the County providing the most funding for the organization of the localities in our region.

For FY2020, a net increase in state funding of \$16.7 million has been appropriated, with the majority of the increase going towards K-12 education. State aid for Schools is increasing \$14.6 million, which is 87.5% of the total State aid increase, while all other sources from the State reflect a net increase of \$2.1 million.

The adopted FY2019-20 Annual Fiscal Plan (available online at henrico.us/pdfs/finance/ApprovedBudgetFY20/ApprovedBudgetFY2020.pdf) was approved with the following expectations for General Fund revenues, expenditures and transfers.

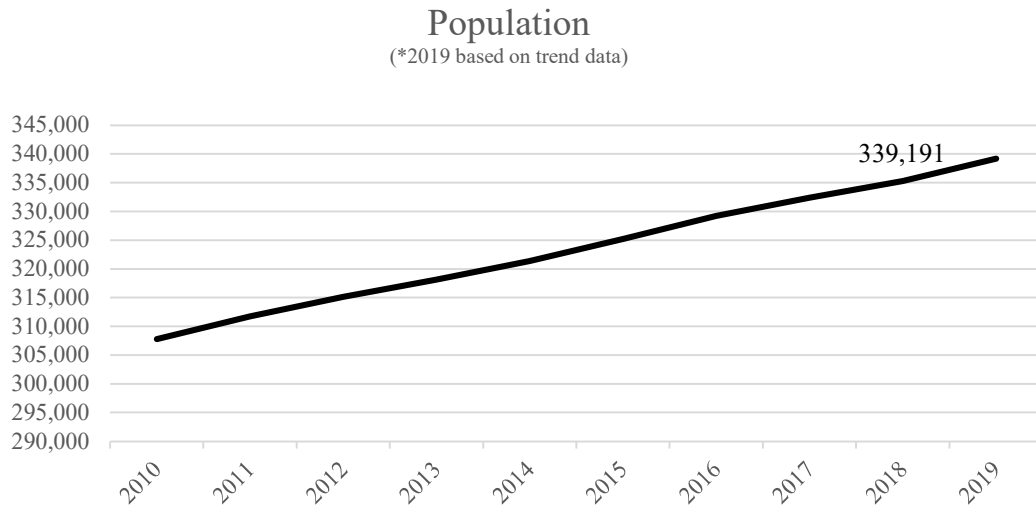
FY2019-20 Annual Fiscal Plan (General Fund)

<u>Revenues and Transfers</u>		<u>Expenditures</u>	
General Property Taxes	\$487,345,000	General government administration	\$49,082,319
Other local taxes	168,560,000	Financial administration	14,374,170
Revenue from use of money and Property	8,207,700	Public safety	193,765,348
Intergovernmental revenue	374,605,000	Public works	54,608,439
Permits, fees & licenses	5,275,800	Health and welfare	2,433,102
Fines and forfeitures	2,085,000	Education	514,448,820
Charges for services	4,077,800	Parks, recreation and cultural	41,010,739
Miscellaneous	11,174,500	Judicial administration	9,538,516
Transfers	(142,674,673)	Community development	26,196,813
		Miscellaneous	13,197,861
Total Projected Revenues and Transfers	\$918,656,127	Total Budgeted Expenditures	\$918,656,127

Source: County of Henrico Approved Budget, Fiscal Year ending June 30, 2020.

Population

The County’s population has increased steadily for the past few decades. For 2019, population was projected to increase 1.17% over 2018, with the ten-year average hovering at 1% per year. Increases for the past ten years are shown in the following chart:



Source: FY2019 Comprehensive Annual Financial Report, Statistical Table XI.

Taxable Retail Sales Data

The following table presents the calendar year taxable retail sales, fiscal year sales tax revenue and calendar year taxable retail sales per capita.

<u>Year</u>	<u>Population</u> ⁽¹⁾	<u>Calendar Year Taxable Retail Sales (000)</u> ⁽²⁾	<u>Fiscal Year Local Sales Tax Revenue (000)</u> ⁽³⁾	<u>Calendar Year Taxable Retail Sales Per Capita</u>
2010	307,832	\$4,672,111	\$53,256	\$14,987
2011	311,726	4,864,242	55,342	15,434
2012	315,157	5,041,671	55,913	15,846
2013	318,158	5,117,598	55,852	15,924
2014	321,374	5,214,320	55,825	16,030
2015	325,283	5,430,593	58,095	16,512
2016	329,227	5,479,745	62,286	16,479
2017	332,538	5,656,613	64,666	17,010
2018	335,283	5,740,328	68,256	17,121
2019	339,191	5,855,134	68,775	17,262

(1) Henrico County FY2019 Comprehensive Annual Financial Report.

(2) Commonwealth of Virginia, Department of Taxation. Data excludes automobile and prescription drug sales.

(3) Reflects actual revenue received.

(4) Based on a trend average 2015-2019

Construction Activity

In the ten-year period noted below, the County's construction activity, in both the residential and commercial development areas, has consistently increased with the growth in population and economic activity. In the most recent fiscal year that ended June 30, 2019, the number of permits issued and the value of these permits remained in line with trends for the past few years. In FY2018 there was a spike in permit values related to construction of a Facebook data center.

Building Permits and Values

<u>Fiscal Year</u>	<u>Total Dwelling Units</u> ⁽¹⁾		<u>Total Permits Issued</u> ⁽²⁾	
	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>
2010	630	\$94,818,517	11,975	\$327,605,506
2011	639	115,646,120	12,205	387,596,586
2012	675	117,840,439	13,771	528,859,679
2013	742	127,094,852	14,276	411,502,767
2014	779	141,891,636	13,972	411,113,599
2015	707	120,816,404	13,577	582,961,941
2016	757	132,494,528	13,693	520,972,529
2017	789	146,576,045	15,603	596,817,908
2018	1,089	189,703,945	16,322	1,136,177,550
2019	922	147,847,740	15,922	935,779,209

Source: Henrico County Department of Building Construction and Inspections.

(1) Dwelling Unit is defined as a single-family residence.

(2) Includes all residential and commercial construction.

Building Construction Permit Values by Classification
Fiscal Years Ended June 30
(000's omitted)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Single Family	\$141,892	\$120,816	\$132,495	\$146,576	\$189,704	\$147,848
Multi-Family	1,874	25,437	7,093	22,829	12,686	54,362
Office	8,972	40,818	9,104	16,591	10,746	170,993
Institutional	18,186	0	0	11,018	3,777	17,271
Commercial & Etc.	<u>107,886</u>	<u>122,682</u>	<u>234,870</u>	<u>231,080</u>	<u>474,516</u>	<u>210,760</u>
Total	\$278,810	\$309,753	\$383,562	\$428,094	\$691,429	\$601,234

Source: Henrico County Department of Building Construction and Inspections.

Housing

The data in the table below present the characteristics of residential housing in the County. As of December 2019, single family housing units represented approximately 65.6 percent of all residential housing. The percentage of housing stock consisting of multifamily units has remained constant throughout the period.

	<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>	
	<u>Units</u>	<u>% of Housing</u>	<u>Units</u>	<u>% of Housing</u>	<u>Units</u>	<u>% of Housing</u>	<u>Units</u>	<u>% of Housing</u>	<u>Units</u>	<u>% of Housing</u>
Single Family	87,902	65.52%	88,291	65.52%	88,803	65.48%	89,848	65.71%	90,209	65.56%
Multi-Family	46,251	34.48%	46,456	34.48%	46,820	34.52%	46,891	34.29%	47,396	34.44%
Total	134,153	100.00%	134,747	100.00%	135,623	100.00%	136,739	100.00%	137,605	100.00%

Source: Continuing, Comprehensive, and Coordinated Transportation Data for Henrico County, Virginia by Traffic Zone (3 C Report), 2015 – 2018, 2019 figures reflect Finance Department estimates.

Commerce, Industry and Employment

The County has experienced strong economic growth and has enjoyed a decade of economic recovery and expansion. Real estate reassessments continue to grow, local consumer spending is robust, and the business community continues to be a strength in Henrico.

In addition to the improved economic climate, Henrico County continues to evaluate its governmental practices, identifying areas that exist 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 the elite triple AAA rated counties in the U.S. - Henrico County continues to exemplify excellence in local government finance and administration. While there is always uncertainty regarding future economic conditions, Henrico County is committed to creating an environment conducive to positive economic growth.

Henrico County residents live in a low-tax, high-quality community with one of the premier public school systems in the nation. The Board of Supervisors has fostered this environment through consistent 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 superior customer service, sound financial management, and sustainable economic development, Henrico County has been and will continue to be a community of choice.

The Richmond Metropolitan Area continues to garner recognition and accolades regarding its financial strength, talented workforce, and pro-business environment. For example, Forbes named Richmond as one of the “Ten Coolest U.S. Cities to Visit in 2018” and noted that the Shagbark restaurant in Libbie Mill Midtown was “exceptional.” Richmond was also named as one of the top 10 U.S. destinations you need to see in 2018 by Lonely Planet and rated #3 on the list of “10 Best Places to Travel in the South in 2018” by Southern Living. The Greater Richmond Area was ranked in the Top 25 Best Places to Live in 2017 by U.S. News & World Report. The Richmond region was also

named a top destination for food travel in 2016, by National Geographic, January 2016. The area was ranked among the top ten up-and-coming tech cities by Realtor.com in 2017; ranked among the top ten best cities to live in the South by Southern Living Magazine in 2017; ranked among the “20 Best Places to Start a Business” by CNBC in August 2016; ranked among the “Top 10 Mid-Sized Cities of the Future” by Foreign Direct Investment (fDi) Magazine in 2017; was ranked among the “10 Best Cities to Relocate To in the U.S.” by the Huffington Post in April 2015; as well as being among the “50 Best Places to live in America” by Men’s Journal in April 2015. In addition, the Richmond area came in 1st on the list of the top 10 most popular cities to visit, by American Express Travel in May 2015, while also being named the “southern food destination you need to know about” by Conde Nast Traveler in July 2015.

Acknowledgements such as these would not be possible without a strong infrastructure to support the existing business community - such as the 12 Inc. 5000 companies with a significant presence in Henrico County, as well as the many small businesses and entrepreneurial endeavors that drive the County’s diverse economy. Henrico County is home to four of the region’s ten Fortune 1000 companies and serves as the corporate headquarters for three Fortune 500 companies; Altria, Markel, and Genworth Financial, while The Brink’s Company is a Fortune 1000 company. 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 of these companies have invested heavily in the County, and the Richmond Metropolitan Area has benefited from their presence.

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 latest example of this is Facebook which, in October 2017, announced that it would be investing \$1.0 billion by building a new data center in Henrico. To follow that up, in September 2018 Facebook announced that it would commence Phase II of its data center development in Henrico by investing an additional \$1.0 billion.

Richmond Raceway, located in Henrico County, has a seating capacity of 60,000 and hosts NASCAR races that attract fans from across the United States. Richmond Raceway is one of the most popular facilities among NASCAR drivers and fans in all of motorsports. Known as America’s Premier Short Track, Richmond Raceway annually hosts two NASCAR Doubleheader weekends, featuring the NASCAR Monster Energy Cup Series and NASCAR Xfinity Series. Only three tracks in the U.S. have continuously hosted NASCAR races at their present locations longer than Richmond Raceway. A unique feature of Richmond Raceway’s strategic placement within Henrico is that it is accessible within a day’s travel to 50 percent of the country’s population which makes it a popular destination for race enthusiasts. As a result, the economic impact to the local area is significant, with each race generating an estimated \$42.5 million through the fans’ patronage of local stores, restaurants and hotels.

Henrico County’s employment statistics compare favorably relative to national and state averages. According to the Virginia Employment Commission, as of November 2019 the County’s unemployment rate (not seasonally adjusted) of 2.5% is equal to the Virginia rate of 2.5% and considerably lower than the National rate of 3.3%. This relatively 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. Reinforcing this assumption is the strength of wages in Henrico County relative to both the Commonwealth and the nation.

For the 2019 assessment of new and existing commercial and residential real estate, the total taxable assessed value for real property of the County was approximately \$40.2 billion, representing an increase of about \$2.3 billion, or 6.1% compared to 2018. The \$2.3 billion increase in the taxable value of real estate is comprised of a \$1.3 billion increase in residential real estate and \$1.0 billion increase in commercial real estate. In reviewing year-over-year reassessments (excluding new construction) the County’s tax base increased 4.5% in 2019.

There are some consistent trends occurring in Virginia’s housing market, and in the Central Virginia/Richmond region, with positive trends in the year-over-year median sales price through December 2019. The average sale price for a single-family home in Henrico County was \$313,022 in 2019. Henrico statistics indicate an increase in the average sale price of single-family homes for 2019 of \$11,262 or 3.7%. In addition, for the fiscal year ended June 30, 2019, total construction permit data, including permits for the construction of single family, residential and commercial dwellings, reflects stability.

In 2018, Henrico ranked 1st 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 2018 were approximately \$5.7 billion, almost a 1.5% increase from 2017. In addition, Henrico is one of the strongest performing localities, economically, in the Commonwealth. These statistics are another indication that the County is 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 more recently with Short Pump Town Center in Western Henrico, White Oak Village in Eastern Henrico, and Short Pump Station in Western 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 residents enjoy the lowest tax burden of the 10 largest localities in the Commonwealth. 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 or expand their operations.

Area Total Employment by Place of Residence, 2010- 2019

Year	Henrico County	Unemployment Rate (%)	Chesterfield County	Unemployment Rate (%)	City of Richmond	Unemployment Rate (%)	Hanover County	Unemployment Rate (%)	Goochland County	Unemployment Rate (%)
2010	155,452	7.3	156,307	7.3	96,347	9.5	50,855	6.6	9,733	7.2
2011	159,037	6.7	159,940	6.8	98,520	8.5	51,675	6.0	9,716	6.3
2012	162,158	6.0	162,433	6.1	101,135	7.5	52,111	5.5	9,707	5.6
2013	164,368	5.6	164,793	5.7	102,949	6.8	52,602	5.1	9,837	5.1
2014	167,113	5.1	168,197	5.1	105,385	6.2	53,209	4.6	10,027	4.8
2015	169,285	4.3	170,258	4.3	106,801	5.2	54,043	3.9	10,170	4.2
2016	171,556	3.9	173,432	3.9	109,125	4.7	55,067	3.5	10,402	3.8
2017	173,517	3.7	176,938	3.6	111,758	4.3	56,166	3.3	10,439	3.5
2018	175,546	3.0	179,055	2.9	113,125	3.5	56,844	2.6	10,590	3.0
2019	181,404	2.5	185,113	2.4	116,951	2.9	58,823	2.1	10,984	2.4

Source: Virginia Employment Commission, Local Area Unemployment Statistics, and Bureau of Labor Statistics. 2019 labor statistics represent most recent data available (not annualized).

Employment by Industry Type

Industry	2019		
	Richmond MSA ^{(1),(2)}	Henrico County ⁽¹⁾	Henrico as a % of Richmond MSA
Agriculture, Forestry, Fishing & Hunting	1,596	59	3.7%
Mining	477	12	2.5%
Utilities	1,904	572	30.0%
Construction	37,531	9,045	24.1%
Wholesale Trade	24,141	7,260	30.1%
Information	6,636	3,049	45.9%
Finance and Insurance	39,000	16,281	41.7%
Real Estate and Rental and Leasing	9,183	4,152	45.2%
Professional and Technical Services	40,649	17,301	42.6%
Management of Companies and Enterprises	22,786	8,348	36.6%
Administrative and Waste Services	44,479	16,024	36.0%
Educational Services	8,973	2,581	28.8%
Health Care and Social Assistance	86,003	28,373	33.0%
Arts, Entertainment, and Recreation	13,244	2,810	21.2%
Accommodation and Food Services	54,577	16,883	30.9%
Other Services, Ex. Public Admin	22,046	6,615	30.0%
Public Administration	40,474	6,126	15.1%
Manufacturing	31,627	7,358	23.3%
Retail Trade	65,288	22,328	34.2%
Transportation and Warehousing	23,926	3,749	15.7%
Unclassified Establishments	1,545	414	26.8%
Total, All Industries	576,085	179,340	31.1%

Source: Virginia Employment Commission – Quarterly Census of Employment and Wages (QCEW)

(1) Data represents total employment in each locality as of fourth quarter of 2019.

(2) Richmond MSA defined as: Amelia County, Caroline County, Charles City County, Chesterfield County, Dinwiddie County, Goochland County, Hanover County, Henrico County, King William County, New Kent County, Powhatan County, Prince George County, Sussex County, City of Colonial Heights, City of Hopewell, City of Petersburg, and City of Richmond.

Median Household Income

	Calendar Year 2012	Calendar Year 2013	Calendar Year 2014	Calendar Year 2015	Calendar Year 2016	Calendar Year 2017	Calendar Year 2018
Henrico County	\$60,069	\$61,048	\$62,446	\$61,934	\$63,699	\$66,447	\$68,572
Commonwealth of Virginia	65,571	63,907	64,923	65,015	66,149	68,766	71,564
United States	51,758	53,046	53,657	53,889	55,322	57,652	60,293

Source: U.S. Census Bureau Information; represents the latest information available.

Top 20 Principal Employers

Numerous business types are located within the County and offer employment in such diversified areas as wholesale distribution, contract construction, research and technical manufacturing, marketing and banking. The following table presents data regarding some of the principal employers in the County, which accounted for approximately 23.5% of total employment in the County in 2019.

Employer	2018			2019 (1)		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Henrico County School Board	5,000-9,999	1	3.6%	5,000-9,999	1	3.7%
County of Henrico	1,000-4,999	2	2.2%	1,000-4,999	2	2.2%
Bon Secours Richmond Health System (2)	1,000-4,999	3	1.6%	1,000-4,999	3	1.6%
Henrico Doctors' Hospital (HCA)	1,000-4,999	4	1.6%	1,000-4,999	4	1.6%
Capital One Bank	1,000-4,999	5	1.6%	1,000-4,999	6	1.6%
Anthem (Blue Cross & Blue Shield)	1,000-4,999	6	1.6%	1,000-4,999	5	1.6%
Wal Mart	1,000-4,999	7	1.6%	1,000-4,999	7	1.6%
United States Postal Service	1,000-4,999	8	1.6%	1,000-4,999	9	1.6%
Wells Fargo Bank NA	1,000-4,999	9	1.6%	1,000-4,999	8	1.6%
Apex Systems, Inc.	500-999	10	0.4%	500-999	10	1.6%
Kroger	500-999	11	0.4%	1,000-4,999	12	
Bank of America	500-999	12	0.4%	500-999	11	1.6%
GNA Corporation	500-999	13	0.4%	500-999	13	.4%
Patient First Corporation	500-999	14	0.4%	-		
Markel Service, Inc	500-999	15	0.4%	500-999	15	.4%
T Mobile USA, Inc.	500-999	16	0.4%	500-999	16	4%
Virginia Department of Social Services	500-999	17	0.4%	500-999	18	4%
Publix Nc Employee Services LLC	500-999	18	0.4%		19	4%
General Medical Corporation	500-999	19	0.4%	500-999	-	
Ppd Development	500-999	20	0.4%	500-999	14	4%
SunTrust Bank	-	-	-	500-999	17	4%
Access America	-	-	-	500-999	20	4%
Total Employment	189,571		21.2%	203,480		23.5%

Source: Virginia Employment Commission

Employees and percentage of employment based on size code as published by VEC Monthly (June) Not Seasonally Adjusted Labor Force

(1) 2019 Data as of 1st Qtr 2019

(2) Non-Resident Employer of Henrico County Citizens

Economic Development

Twelve Inc. 5000 companies have a significant presence in Henrico County, as well as many small businesses and entrepreneurial endeavors that drive the County's diverse economy. Henrico County is home to four of the region's ten Fortune 1000 companies and serves as the corporate headquarters for three Fortune 500 companies; Altria, Markel, and Genworth Financial. Other companies with a major presence within Henrico are Patient First, SunTrust, Allianz, McKesson, Capital One, Southern States Cooperative, Dominion Energy and Anthem.

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. One example of this is Alfa-Laval, which announced its plans to expand and add a new brazed heat exchanger production line to their plant in Eastern Henrico. This expansion will create 15 new jobs. Alfa-Laval has been a part of the Henrico business community for 30 years.

Lumber Liquidators, the largest specialty retailer of hardwood flooring in North America, moved its headquarters from Toano to Henrico County in late 2019. The Henrico facility in White Oak houses approximately 200 employees. The County continues to attract attention to and investment in key economic development nodes including White Oak Technology Park, the Regency Mall area, the Westwood area, and around the western most parts of Broad Street near Short Pump.

Henrico also announced in September 2019 the acquisition of the 1,184-acre Wilton Farm on the James River which presents a prime economic development site in the years ahead. The County plans to work with the community to create a vision for the property. In addition, the County recently purchased property at the Virginia Center Commons mall where, through a public-private partnership, a 220,000+ square foot indoor sports and convocation center will be constructed, as discussed in more detail elsewhere in this Official Statement. The private partner will also redevelop another large portion of the site with hotel, retail and residential uses.

TAX BASE DATA

The following data is presented to illustrate characteristics of the assessed value of real and personal property, which are major sources of County-derived revenue. Of Henrico's \$42.7 billion in taxable real estate in 2020, 32.5% was classified as commercial.

Year	Assessed Value (000s)				
	Residential & Commercial		Public Service Corp (1)		Total Taxable Assessed Value
	Real Property	Personal Property	Real Property	Personal Property	
2010	\$32,016,975	\$3,068,020	\$ 976,312	\$3,704	\$36,065,011
2011	31,702,148	3,208,453	988,146	3,324	35,902,071
2012	30,666,925	3,432,535	980,339	3,433	35,083,232
2013	30,776,112	3,586,164	938,957	3,143	35,304,376
2014	31,908,424	3,585,703	908,401	3,305	36,405,833
2015	33,103,077	3,766,963	962,217	2,529	37,834,786
2016	34,175,523	4,013,147	1,004,054	2,222	39,194,946
2017	35,742,298	4,087,035	1,129,400	2,130	40,960,863
2018	37,893,754	4,241,370	1,162,001	1,994	43,299,119
2019	40,203,888	4,610,809	1,195,272	2,225	46,012,194

Source: Henrico County Department of Finance.

(1) State Corporation Commission and Henrico County Comprehensive Annual Financial Reports for the fiscal years ended June 30, 2010 through 2019.

Property Tax Rates

Calendar Year	Tax Rates (per \$100 of Assessed Value)				
	Real Property	Tangible Personal Property	Machinery and Tools	Aircraft	Semi-Conductor
2010	\$0.87	\$3.50	\$1.00	\$1.60	\$0.40
2011	0.87	3.50	1.00	1.60	0.40
2012	0.87	3.50	1.00	1.60	0.40
2013	0.87	3.50	1.00	1.60	0.40
2014	0.87	3.50	1.00	1.60	0.40
2015	0.87	3.50	0.30	1.60	0.30
2016	0.87	3.50	0.30	0.50	0.30
2017	0.87	3.50	0.30	0.50	0.30
2018	0.87	3.50	0.30	0.50	0.30
2019	0.87	3.50	0.30	0.50	0.30

Source: Henrico County Department of Finance.

Notes: There are no overlapping tax rates within the 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 vehicles and for the handicapped are taxed at the rate of \$.01 per \$100 of assessed value.

Property Tax Levies and Collections for Last Ten Fiscal Years

Property tax rates are established each year by the Board of Supervisors during the annual budget process. Property tax rates for the past ten calendar years are as set forth in the table below:

LAST TEN FISCAL YEARS

Year	Original Fiscal Year Levy	Collections within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2010	\$365,521,825	\$357,859,027	97.9%	\$ 7,479,652	\$365,338,679	99.90%
2011	349,268,894	336,136,985	96.2	12,830,649	348,967,634	99.90
2012	347,803,213	341,709,567	98.2	5,359,194	347,068,761	99.80
2013	357,613,295	351,926,258	98.4	5,368,128	357,294,386	99.95
2014	361,689,033	358,676,284	99.2	2,067,461	360,743,745	99.70
2015	373,467,423	357,897,136	95.8	14,263,496	372,160,632	99.70
2016	376,051,530	370,592,134	98.5	5,220,897	375,813,031	99.90
2017	389,341,072	384,815,669	98.8	4,288,915	389,104,584	99.95
2018	409,079,914	404,970,529	99.0	3,002,249	407,972,778	99.70
2019	433,549,534	429,914,099	99.2	N/A ⁽¹⁾	429,914,099	99.20

Source: County of Henrico Comprehensive Annual Financial Report, Fiscal year ended 2019.

⁽¹⁾ Fiscal year 2019 collections in subsequent years will be available as of the next reporting period.

**Vehicle and Business License Receipts
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Vehicle Receipts</u>	<u>Business Receipts</u>	<u>Fiscal Year</u>	<u>Vehicle Receipts</u>	<u>Business Receipts</u>
2010	\$6,181,742	\$27,313,048	2015	\$6,573,762	\$32,086,401
2011	6,253,599	27,525,602	2016	6,916,081	33,520,678
2012	6,275,819	28,486,699	2017	7,199,016	35,432,437
2013	6,472,365	29,640,707	2018	7,246,984	35,618,257
2014	6,714,426	29,827,991	2019	7,387,991	38,307,817

Source: County of Henrico Comprehensive Annual Financial Report, Fiscal years ended 2010-2019 Exhibit of Revenues.

Principal Taxpayers as of June 30, 2019

The following data shows the assessed value of the real and personal property of the ten largest holders of real property and personal property in the County as of June 30, 2019. The estimated assessed value of real and personal property of these large entities in the County represents approximately 5.63% of the projected total assessed value of all real property and personal property of \$46,012,194,000. This total also includes Public Service Corporation properties assessed by the State Corporation Commission.

**HENRICO COUNTY, VIRGINIA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR, PRIOR YEAR AND TEN YEARS AGO
(Unaudited)**

Taxpayer	Type of Business	Calendar Year 2019			Calendar Year 2018			Calendar Year 2010		
		Real/Personal		Percent of Total	Real/Personal		Percent of Total	Real/Personal		Percent of Total
		Property Assessed	Rank		Property Assessed	Rank		Property Assessed	Rank	
		Valuation	Valuation	Valuation	Valuation	Valuation	Valuation			
Virginia Power Company	Utility	\$765,639,021	1	1.66%	\$733,004,791	1	1.69%	\$ 440,809,316	1	1.22%
Short Pump Town Centers LLC (Queensland) (1)	Retail and Offices	415,937,900	2	0.90%	-	N/A	-	-	N/A	-
General Services Corporation	Apartments	401,133,500	3	0.87%	340,371,500	3	0.79%	199,359,400	7	0.55%
The Wilton Companies	Offices, Retail & Warehouses	253,490,300	4	0.55%	235,137,900	4	0.54%	222,756,700	5	0.62%
Highwoods Properties	Offices and Warehouses	242,129,000	5	0.53%	232,100,000	5	0.54%	258,164,500	4	0.72%
Weinstein Family	Apartments	242,113,500	6	0.53%	219,034,900	6	0.51%	151,335,400	10	0.42%
HCA Health Services of VA	Hospital	207,074,274	7	0.45%	190,630,418	8	0.44%	-	N/A	-
Verizon	Utility	198,843,391	8	0.43%	200,853,119	7	0.46%	308,808,485	3	0.86%
Gumenick	Apartments and Retail	197,889,100	9	0.43%	169,699,600	9	0.39%	164,089,300	8	0.45%
Breeden Companies	Apartments and Retail	175,937,400	10	0.38%	160,360,300	10	0.37%	-	N/A	-
Forest City (Short Pump TC, White Oak, etc) (1)	Retail and Offices	-	N/A	-	444,656,600	2	1.03%	370,297,200	2	1.03%
United Dominion Realty Trust	Apartments	-	N/A	-	-	N/A	-	152,852,800	9	0.42%
Liberty Property, LP	Warehouses and Offices	-	N/A	-	-	N/A	-	210,474,600	6	0.58%
Totals		<u>\$3,100,187,386</u>		<u>6.74%</u>	<u>\$2,925,849,128</u>		<u>6.76%</u>	<u>\$2,478,947,701</u>		<u>6.87%</u>
Total Assessed Values		<u>\$46,012,195,329</u>			<u>\$43,299,118,150</u>			<u>\$36,065,011,440</u>		

Source: County of Henrico Director of Finance

(1) Short Pump Town Centers LLC bought Forest City in July 2018

DEBT ADMINISTRATION

Issuance and Authorization of Bonded Indebtedness

Pursuant to the Constitution of Virginia and the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended, a county in Virginia is authorized to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds the governing body of a county is required to levy, if necessary, an ad valorem tax on all property in the county subject to local taxation. Although the issuance of general obligation bonds by Virginia counties is not subject to any limitation on amount, counties are prohibited from issuing general obligation bonds unless the issuance of such bonds has been approved by public referendum, or unless such issuance is for refunding bonds or is through the Virginia Public School Authority, the Literary Fund, or other state agency prescribed by law. Payment of general government and school bonded indebtedness is provided for in the Debt Service Fund of the County.

Revenue bonds of a county are payable from revenues of the undertaking and do not require a referendum thereon. Payment of water and sewer utility revenue bonds is provided for in the County's Water and Sewer Enterprise Fund.

As of June 30, 2019, the County's audited outstanding bonded indebtedness was as follows*:

General Obligation Bonds	\$552,790,000
Water and Sewer Revenue Bonds	<u>463,978,992</u>
Subtotal	<u>\$1,016,768,992</u>
Less: Water and Sewer Revenue Bonds	<u>(463,978,992)</u>
Total Net Debt	<u>\$552,790,000</u>

*Excludes Economic Development Authority Revenue Bonds issued for the benefit of the County and subject to annual appropriation by the County. Includes the \$105,115,000 General Obligation Public Improvement Bonds, Series 2019 issued by the County on October 9, 2019. On March 3, 2020, the County sold at competitive sale \$24,930,000 principal amount of its General Obligation Public Improvement Refunding Bonds, Series 2020, which are expected to be issued by the County on April 16, 2020 and applied to refund a portion of the County's General Obligation Public Improvement Refunding Bonds, Series 2010.

General Obligation Bond Amortization Requirements

Principal and interest payments on the outstanding general obligation bonded indebtedness of the County as of June 30, 2019 are presented in the following table*:

Total General Obligation Bonds

Fiscal Year Ending June 30	Principal	Interest	Total
2020	\$42,670,000	\$20,314,421	\$62,984,421
2021	40,930,000	21,370,008	62,300,008
2022	43,935,000	19,269,628	63,204,628
2023	42,555,000	17,250,778	59,805,778
2024	39,905,000	15,392,303	55,297,303
2025	39,935,000	13,504,703	53,439,703
2026	38,090,000	11,620,628	49,710,628
2027	34,265,000	9,865,334	44,130,334
2028	30,680,000	8,283,653	38,963,653
2029	29,190,000	6,854,309	36,044,309
2030	22,560,000	5,647,665	28,207,665
2031	21,955,000	4,619,228	26,574,228
2032	18,635,000	3,773,003	22,408,003
2033	15,335,000	3,167,610	18,502,610
2034	15,335,000	2,667,548	18,002,548
2035	15,335,000	2,196,315	17,531,315
2036	15,335,000	1,722,598	17,057,598
2037	15,335,000	1,233,620	16,568,620
2038	15,335,000	729,393	16,064,393
2039	10,220,000	317,156	10,537,156
2040	5,255,000	78,825	5,333,825
Total	\$552,790,000	\$169,878,720	\$722,668,720

Source: Henrico County Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

*Includes the \$105,115,000 General Obligation Public Improvement Bonds, Series 2019 issued by the County on October 9, 2019. On March 3, 2020, the County sold at competitive sale \$24,930,000 principal amount of its General Obligation Public Improvement Refunding Bonds, Series 2020, which are expected to be issued by the County on April 16, 2020 and applied to refund a portion of the County's General Obligation Public Improvement Refunding Bonds, Series 2010.

EDA Lease Revenue Bond Amortization Requirements

Principal and interest payments on outstanding Economic Development Authority (EDA) obligations payable from leases with the County as of June 30, 2019 are presented in the following table:

Total Leases with the Economic Development Authority

Fiscal Year Ending June 30	Principal	Interest	Total
2020	\$6,200,000	\$745,712	\$6,945,712
2021	6,335,000	551,909	6,886,909
2022	6,495,000	335,255	6,830,255
2023	3,400,000	231,064	3,631,064
2024	3,400,000	173,298	3,573,298
2025	3,400,000	115,532	3,515,532
2026	3,400,000	57,766	3,457,766
Total	\$32,630,000	\$2,210,536	\$34,840,536

Source: Henrico County Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. Debt service payments with respect to EDA Lease Revenue Bonds are subject to annual appropriation by the County. Table includes the Prior Bonds to be refunded with the Series 2020B Bonds and excludes the \$10,115,000 EDA Tax-Exempt Revenue Bond (Henrico County Land Acquisition Project), Series 2019 issued by the EDA for the benefit of the County on November 1, 2019.

Debt Ratios

The following data is presented to show trends in the relationship of the net long term indebtedness of the County to the estimated market value of taxable property in the County and the trend of debt service requirements as a percentage of General Fund and School Operating disbursements.

Trend of Net-Long-Term Indebtedness as Percentage of Assessed Value of Taxable Property

Fiscal Year Ended June 30	Net Long-term Indebtedness⁽¹⁾	Assessed Value	Percentage
2010	\$450,490,623	\$36,065,011,000	1.25%
2011	492,201,006	35,902,071,000	1.37%
2012	527,997,590	35,083,231,701	1.50%
2013	489,407,589	35,304,375,594	1.40%
2014	452,550,000	36,405,833,000	1.24%
2015	410,755,000	37,834,786,000	1.10%
2016	406,150,000	39,194,949,000	1.04%
2017	464,530,000	40,960,863,000	1.13%
2018	424,685,000	43,299,119,000	0.98%
2019	480,305,000	46,012,194,000	1.04%

Source: Henrico County Department of Finance.

⁽¹⁾ Includes general obligation bonds and the County's subject to appropriation EDA lease revenue bonds outstanding as of June 30, 2019, including the Prior Bonds to be refunded with the Series 2020B Bonds. Table does not include the County's \$105,115,000 General Obligation Public Improvement Bonds, Series 2019 issued on October 9, 2019 or the \$10,115,000 EDA Tax-Exempt Revenue Bond (Henrico County Land Acquisition Project), Series 2019 issued by the EDA for the County on November 1, 2019.

Trend of Debt Service Requirements as Percentage of General Disbursements

<u>Fiscal Year</u>	<u>Debt Service Requirements⁽¹⁾</u>	<u>Disbursements⁽²⁾</u>	<u>Percentage</u>
2010	\$56,070,508	\$965,043,838	5.81%
2011	52,021,536	938,824,056	5.54
2012	55,325,286	951,640,390	5.81
2013	60,902,606	962,099,871	6.33
2014	58,747,033	1,007,135,736	5.83
2015	57,676,778	1,011,225,959	5.70
2016	56,086,434	1,029,532,864	5.45
2017	58,843,763	1,078,925,592	5.45
2018	56,988,406	1,100,373,499	5.18
2019	64,405,006	1,166,762,617	5.52

Source: Henrico County Department of Finance.

⁽¹⁾ Includes interest and other debt service costs on general obligation bonds and the County’s subject to appropriation EDA lease revenue bonds outstanding as of June 30, 2019, including the Prior Bonds to be refunded by the Series 2020B Bonds. Table does not include the \$105,115,000 General Obligation Public Improvement Bonds, Series 2019 issued by the County on October 9, 2019 or the \$10,115,000 EDA Tax-Exempt Revenue Bond (Henrico County Land Acquisition Project), Series 2019 issued by the EDA for the County on November 1, 2019.

⁽²⁾ Includes General, Special Revenue and Debt Service Funds.

Lease Commitments and Contractual Obligations and EDA Lease Revenue Bonds

The County is obligated to make payments under various capital and operating leases for computer hardware, automotive vehicles, equipment, and the leasing of an office building, as well as payments with respect to EDA lease revenue bonds issued for the benefit of the County outstanding as of June 30, 2019. In accordance with legal requirements, all lease obligations are contingent upon the Board of Supervisors appropriating funds for each year’s payments. Future minimum lease payments on obligations entered into through June 30, 2019 under these capital and operating leases for fiscal years ending June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$18,766,130
2021	17,537,695
2022	14,427,121
Thereafter	<u>14,918,399</u>
Total Minimum Lease Payments	\$65,649,345
Less Amount Representing Interest	<u>3,733,308</u>
Present Value of All Future Minimum Lease Payments	\$61,916,037

Contingent Liabilities

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 does the county have knowledge of any condition which impairs a third-party’s property or person.

Joint Ventures

Capital Region Airport Commission. The Capital Region Airport Commission (the “Commission”) was created in 1975 pursuant to Virginia statute. On January 1, 1976, the Commission became effective, and the County and the City of Richmond entered into an agreement with the Commission, which was responsible for the operation of the Richmond International Airport (“Airport”). As part of the agreement, 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 a 40% interest in the

venture. The Counties of Chesterfield and Hanover became Commission participants in fiscal year 1984 and fiscal year 1986, respectively. The Commission operates independently as a separate political subdivision, with four participating member jurisdictions, as described below.

The Commission is comprised of a fourteen-member board of directors, with four members each being appointed by the governing bodies of the City of Richmond, the County of Henrico and the County of Chesterfield 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 statutes require 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 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	<u>9.12</u>
	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 1 Richard E. Byrd Terminal Drive, Suite C, Richmond International Airport, Virginia 23250-2400 or at www.flyrichmond.com/index/php/about-us/financials.

Greater Richmond Convention Center Authority. The Greater Richmond Convention Center Authority (the “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, Code of Virginia (1950). The local governments participating in the incorporation of the Convention Authority were the City of Richmond and the Counties of Henrico, Chesterfield and Hanover. The Convention Authority is governed by a five-member board comprised of the chief administrative officer of each of the four incorporating local governments 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 Greater Richmond Convention Center. The primary purpose of the Convention Authority is to issue revenue bonds to finance the expansion of the facility and to construct access, streetscape, or other on-site/off-site improvements. After the completion of the project, the Convention Authority assumed 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 8.0 percent transient occupancy tax imposed and collected by the localities. The County recorded an expenditure of \$13,959,448 for transient occupancy tax to the Convention Authority during the year ended June 30, 2019.

Complete financial statements for the Convention Authority can be obtained from Chesterfield County, Accounting Department, Post Office Box 40, Chesterfield, Virginia 23832.

Employee Retirement and Pension Plans

All full-time salaried permanent employees of Henrico County are automatically enrolled in the Virginia Retirement System (“VRS”), except law enforcement officers, who are enrolled in the Law Enforcement Officers Retirement System, which is also administered by VRS. Retirement, group life insurance coverage, disability and death benefits are provided under these plans. The County fully funds the VRS Board of Trustees certified contribution rates for all General Government employees. Professional instructional personnel in the Henrico County School System are also automatically enrolled in the VRS, but in accordance with Chapter 1, Title 51.1 of the Code of Virginia (1950), the employer contribution costs are partially borne by the Commonwealth of Virginia and the contribution rates for professional instructional personnel are established by the Virginia General Assembly. The Henrico County School System fully funds the contribution rates established by the Virginia General Assembly. Additional information concerning the Employee Retirement and Pension Plans and Other Post-Employment Benefits is contained in the financial statements of the County attached as Appendix B, see Notes 9, 10, 11, 12, 13, 14, and 15.

Other Post-Employment Benefits

Expenses associated with retirees’ health benefits are funded annually on a cash basis. Current Henrico County retirees who qualify for health benefits receive an implicit subsidy by participating in the active employee health care risk pool; as well, the County offers a health care credit based upon years of service. Eligibility for health care benefits is based on the retiree being immediately eligible to receive a VRS monthly retirement payment. Under age 65, the retiree and his or her dependents can remain in the County’s health and dental plans and pay the full active premium. Over age 65, a retiree and his or her dependents move to a Medicare plan. Certain classes of employees are eligible for a health care credit paid through VRS.

Retirees who are not eligible for the VRS Health Care Credit may qualify for the County supplement. Retirees must have a minimum of 20 full years of VRS service, 10 years of which must be with the County. The supplement will be paid only to eligible retirees who choose to remain in the County’s plan. This supplement is \$3 per month for each full year of service.

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The County adopted Statement No. 75 for fiscal year ended June 30, 2018. 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. Investment are reported at fair value. At June 30, 2019, the County’s Governmental Activities and School Board reported a net postemployment healthcare OPEB liability of \$12,828,343 or 49.27 percent, and \$12,328,175 or 47.35 percent for its proportionate share of the net pension liability. For the fiscal year ended June 30, 2019, the County’s Governmental Activities and School Board recognized healthcare OPEB expense of (\$201,431) and \$1,419,133 respectively. The County’s Governmental Activities recognized line of duty OPEB expense of \$2,166,675. See Note 12 in the financial statements attached as Appendix B for additional information.

Capital Improvement Program

The County’s Capital Improvement Program (the “CIP”) represents those infrastructure improvements needed over the next five years by the County and provides for the orderly and systematic financing and acquisition of public improvements. In evaluating each of the proposed projects, the CIP process takes into account such factors as population growth, density, economic development concerns, the County’s fiscal ability, and the desired service levels. The amount appropriated for capital projects each year is based on the CIP in effect at the time of the development of the County’s budget. Recommendations in subsequent CIP’s may result in revisions to the amounts appropriated for specific projects.

The approved Capital Budget for fiscal year 2020 is \$322,677,800 and includes funding for projects that allows the County to continue to provide existing service levels to the citizens. This budget is part of the County’s Annual Fiscal Plan for FY2019-20, which is available on the County’s website and described above under the section “Summary of Annual Fiscal Plan for the Fiscal Year ending Jun 30, 2020”. Shown below on the following pages is a

summary of the approved CIP for fiscal year 2020 and proposed expenditures for the five-year plan, in addition to a summary of projected funding sources:

**Capital Improvement Program Summary
Fiscal Year 2019-20 through Fiscal Year 2023-24**

By Department	Approved FY2019-20	Requested FY2020-21	Requested FY2021-22	Requested FY2022-23	Requested FY2023-24	Total Requested
Capital Projects Fund						
Education	\$193,500,000	\$39,150,000	\$30,500,000	\$163,652,267	\$233,611,403	\$653,583,670
Fire	8,000,000	2,374,684	13,333,312	10,863,966	33,321,131	67,893,093
General Services	3,650,000	9,426,198	31,707,117	42,593,544	24,330,362	115,990,792
Information Technology	1,500,000	1,500,000	1,500,000	1,000,000	2,500,000	8,000,000
Information Technology - GIS	150,000	150,000	150,000	150,000	150,000	750,000
Mental Health	0	13,626,936	0	0	0	25,626,936
Non-Departmental	2,000,000	0	0	0	0	0
Police	6,000,000	771,135	6,158,525	0	0	22,398,549
Public Library	0	0	1,131,113	10,573,512	8,268,307	19,972,932
Public Works - Drainage	0	4,193,068	11,448,701	28,050,441	2,938,450	46,630,660
Public Works - Roadway	11,005,000	12,900,000	13,000,000	5,200,000	15,030,000	57,135,000
Public Works - Stormwater	2,348,000	2,348,000	2,348,000	2,348,000	2,348,000	11,740,000
Recreation	14,950,000	15,776,091	23,913,940	23,214,647	3,508,129	83,538,270
Sheriff	0	304,240	680,384	3,974,387	31,851,238	37,105,879
Total	243,103,000	102,520,352	135,871,092	291,620,764	357,857,020	1,150,365,781
Vehicle Replacement Reserve						
Education	4,000,000	0	0	0	0	0
Fire	3,300,000	0	0	0	0	0
Police	2,624,800	0	0	0	0	0
Total	9,924,800	0	0	0	0	0
Enterprise Fund - Utilities						
Public Utilities - Sewer	62,000,000	18,900,000	80,000,000	46,400,000	46,300,000	252,600,000
Public Utilities - Water	7,650,000	7,750,000	7,850,000	9,500,000	14,050,000	46,800,000
Total	69,650,000	26,650,000	87,850,000	55,900,000	60,350,000	299,400,000
Enterprise Fund						
Recreation	0	0	521,876	0	1,308,963	3,433,717
Total	0	0	521,876	0	1,308,963	3,433,717
Grand Total	322,677,800	129,170,352	224,242,968	347,520,764	419,515,983	1,453,199,498
By Revenue Source	Approved FY2019-20	Requested FY2020-21	Requested FY2021-22	Requested FY2022-23	Requested FY2023-24	Total Requested
Capital Projects Fund						
G.O. Bonds - Education - 2016	112,000,000	27,000,000	19,000,000	0	0	71,000,000
G.O. Bonds - Education - 2016/Other	0	0	0	0	0	150,000,000
G.O. Bonds - General Gov't - 2016	22,200,000	14,000,000	31,700,000	26,300,000	0	94,200,000
General Fund	31,390,015	23,116,243	16,890,993	17,379,234	20,495,365	111,569,711
General Fund - Public Works	1,500,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Bond Premium	25,000,000	0	0	0	0	0
VPSA	13,667,752	0	0	0	0	0
Interest Earnings	2,000,000	0	0	0	0	0
No Funding Source	0	28,404,109	58,280,099	237,941,530	327,361,655	673,596,070
Total	243,103,000	102,520,352	135,871,092	291,620,764	357,857,020	1,150,365,781
Vehicle Replacement Reserve						
General Fund	9,924,800	0	0	0	0	0
Total	9,924,800	0	0	0	0	0
Enterprise Fund - Utilities						
Enterprise Fund	61,150,000	17,150,000	61,850,000	41,900,000	47,350,000	228,400,000
Revenue Bonds	8,500,000	9,500,000	26,000,000	14,000,000	13,000,000	71,000,000
Total	69,650,000	26,650,000	87,850,000	55,900,000	60,350,000	299,400,000
Enterprise Fund						
Enterprise Fund	0	0	521,876	0	1,308,963	3,433,717
Total	0	0	521,876	0	1,308,963	3,433,717
Grand Total	322,677,800	129,170,352	224,242,968	347,520,764	419,515,983	1,453,199,498

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE
COUNTY OF HENRICO, VIRGINIA FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Henrico County, Virginia



2018-2019

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

COUNTY OF HENRICO

VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For The Fiscal Year Ended
June 30, 2019**

**Prepared By
The Director of Finance**

**HENRICO COUNTY, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the Fiscal Year Ended June 30, 2019**

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INTRODUCTORY SECTION

COMMONWEALTH OF VIRGINIA
COUNTY OF HENRICO



John A. Vithoulkas
County Manager

November 11, 2019

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, 2019. 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

30, 2019, 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, 339,191 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 offers a business-friendly environment with competitive tax rates and a cost of living below the national average. The County's triple, triple-A bond rating, diverse economic base, ample land supply, and favorable location within the Richmond metropolitan area contribute to the County's continued development and expansion. Henrico County's local economy is characterized by diversity with a healthy representation of businesses from numerous industries including retail, manufacturing, financial, insurance, health and life services, and more. The local employment base in the County is substantial and diverse and represents approximately one-third of the Richmond metropolitan statistical areas (MSA).

Despite the strong 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 48 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 *22 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 2019 *Inc. 5000* list account for more than \$725.6 million in revenue while averaging 473.4 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 it would invest an additional \$750 million in its new data center complex, making its total investment \$1.75 billion. In addition, the County is home to approximately 25,000 businesses and four Fortune 1000 headquarters including Altria, Genworth Financial, Brink's, and Markel Corporation.

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 December 2018 the County's unemployment rate (not seasonally adjusted) of 2.6 percent is equal to that of Virginia (2.6 percent) and considerably lower than that of the U.S. (3.7 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.

The County's real estate tax base continues to experience growth as the total taxable assessed value of real property as of January 2019 was approximately \$40.2 billion, which represents an increase of about \$2.3 billion compared to 2018. The increase in existing residential and commercial

The Honorable Board of Supervisors
November 11, 2019

properties totaled 4.5 percent, while new residential and commercial construction increased \$595.8 million. The increase in reassessments is similar to the prior year's 4.7 percent increase. These increases are part of a six-year trend of reassessments coming in at over 2.0 percent, representing a significant improvement from the four years prior.

With the strong economy in Central Virginia, home sales activity has maintained a steady level. Inventory was down 11% in the 2nd quarter of 2019 when compared to the same time last year, leading to an increase in home prices, with a median sales price increase of \$12,000. In addition, for the fiscal year ended June 30, 2019, 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 4.2 percent when compared to FY2017-18. The value of those permits totaled over \$600 million.

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 2018 were \$5.74 billion, representing a 1.5 percent increase from 2017. 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 \$14.0 million for FY19, a 1.1 percent increase from FY18. Also, for 2018, Henrico showed visitor spending at \$963.5 million, a 5.2 percent increase over 2017. 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 five-year period from FY2015 to FY2019, the County has received an average of \$28.6 million a year, significantly exceeding estimates. Meals tax collections for FY2019 were \$30.2 million, the largest since Henrico began levying it. To date, meals tax collections have funded 315 projects at 69 schools throughout Henrico.

The Honorable Board of Supervisors
November 11, 2019

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 four 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 and Henrico continued its tax relief efforts from prior years by increasing the full exemption threshold from BPOL taxation to \$400,000 for FY20. 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 Honorable Board of Supervisors
November 11, 2019

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 residential/commercial 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:

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%
FY13: 15.0%	FY19: 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 all three bond rating agencies, maintaining our position as one of the best financially managed localities in the nation.

The Honorable Board of Supervisors
November 11, 2019

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, 48 counties in the nation enjoy the triple-AAA distinction, which represents just over one percent of all counties nationwide. In addition, Henrico's water and sewer revenue bonds earned an upgraded rating from Moody's Investor Services, making Henrico County one of only 14 public utilities nationwide to receive this highest-possible rating. Henrico County has capitalized on its premier credit rating by taking advantage of historically low interest rates. In fact, Henrico County earned an interest rate of 1.966% on \$105.1 million in general obligation bonds that were sold in August 2019. Henrico records show that this is the lowest rate received since 1962, and it may be the lowest rate ever.

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 initial set of projects coming online includes renovations to seven schools plus the new Fairfield Area Library that opened in October 2019. In addition, new construction will begin on two new high schools – J.R. Tucker and Highland Springs.

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 secures the County's water needs for at least the 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 Honorable Board of Supervisors
November 11, 2019

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. 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.

Continuing a multi-year effort, the Board of Supervisors approved \$144,791 in the operating budget and \$300,000 for an additional medic unit for the 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 FY20 Approved Budget provided the largest increase in the Henrico County Public Schools' budget in 13 years. The additional \$29,306,825 is being utilized to reduce class sizes, provide additional classroom supports, and extend planning periods for elementary schools. Also, the FY20 budget included funding to alleviate salary compression for teachers and laid the foundation for a career development program to be developed for teachers in future budgets.

Fiscal Year 2019 was the twelfth 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.

Future Challenges

When looking at the national, state and local economies, most economic indicators indicate that fundamental trends for Henrico are continuing to improve on an annual basis. Another indicator Henrico will continue to monitor is retail sales. As more consumers continue to 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. One source of concern for the economy is the growing number of trade disputes and the impact tariffs will have on inflation and business profits. Also, it has been over a decade since the beginning of our last recession, making this one of the longest expansion cycles in U.S. history. All of this could have an impact on Henrico businesses and citizens 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, 2018. This was the thirty-eighth 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.

The Honorable Board of Supervisors
November 11, 2019

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, 2018

Christopher P. Morill

Executive Director/CEO

COUNTY OF HENRICO, VIRGINIA
Directory of Officials
June 30, 2019

BOARD OF SUPERVISORS

Tyrone E. Nelson, Chairman	.....	Varina District
Thomas M. Branin, Vice Chairman	.....	Three Chopt District
Daniel J. Schmitt	.....	Brookland District
Frank J. Thornton	.....	Fairfield District
Patricia S. O'Bannon	.....	Tuckahoe District

ADMINISTRATIVE OFFICIALS

John A. Withoulkas	.....	County Manager
W. Brandon Hinton	.....	Deputy County Manger for Administration
Randall R. Silber	.....	Deputy County Manager for Community Development
Vacant	.....	Deputy County Manager for Community Services
Timothy A. Foster	.....	Deputy County Manager for Community Operations
Anthony E. McDowell	.....	Deputy County Manager for Public Safety
Ned Smither	.....	Director of Finance
Joseph P. Rapisarda, Jr.	.....	County Attorney

ELECTED SCHOOL BOARD

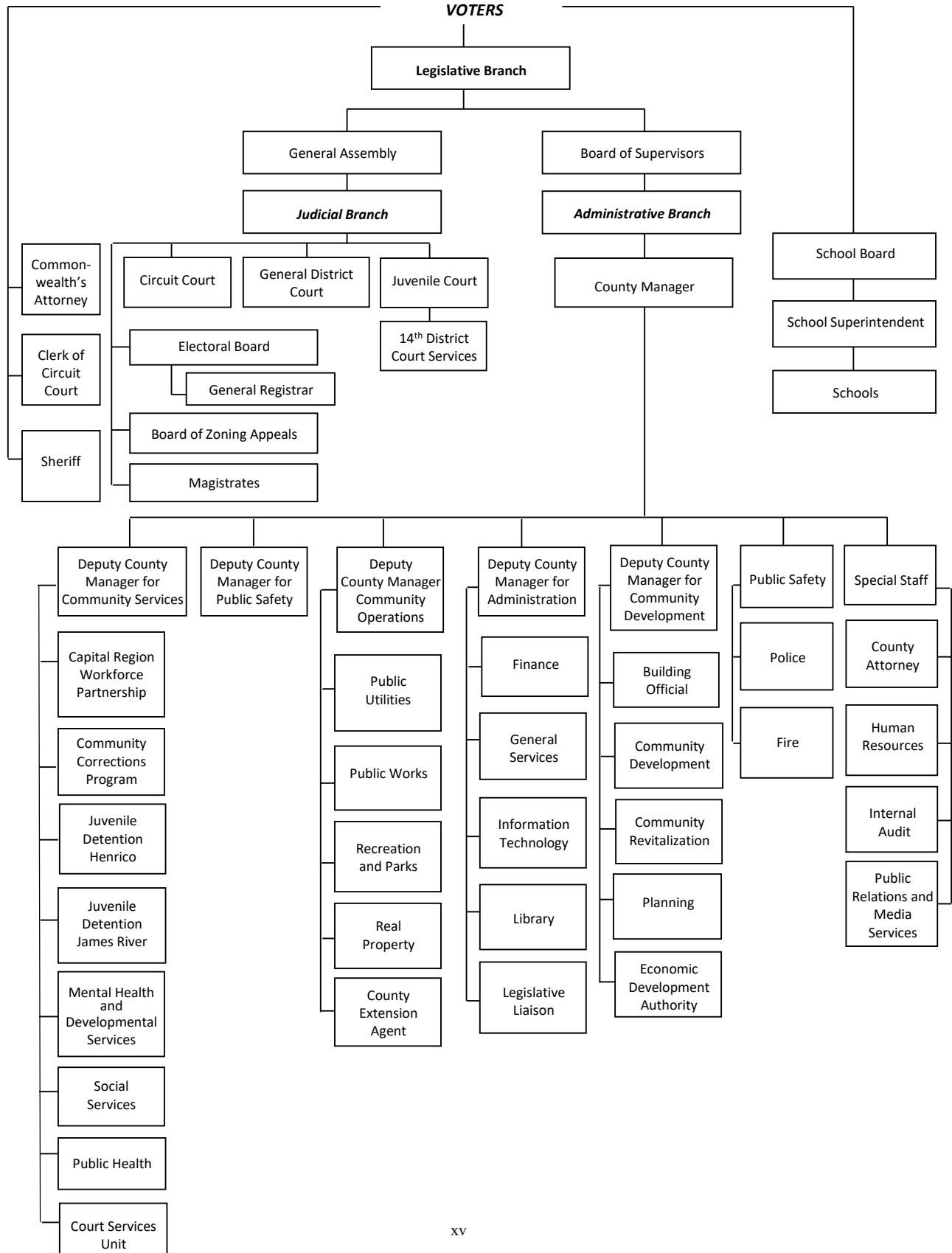
John W. Montgomery, Jr., Chair	.....	Varina District
Roscoe D. Cooper III, Vice Chair	.....	Fairfield District
Beverly L. Cocke	.....	Brookland District
Michelle F. "Micky" Ogburn	.....	Three Chopt District
Bill Pike	.....	Tuckahoe District

ADMINISTRATIVE OFFICIALS - SCHOOLS

Dr. Amy E. Cashwell	.....	Superintendent of Schools
Dr. Beth Teigen	.....	Deputy Superintendent for Instruction
Chris Sorenson	.....	Assistant Superintendent for Finance and Administration
Dr. Lesley Hughes	.....	Assistant Superintendent for Learning
Lenny Pritchard	.....	Assistant Superintendent for Operations
Francine Bouldin	.....	Director of Human Resources
Andy Jenks	.....	Director of Communications and Community Engagement
Dr. Monica Manns	.....	Director of Equity and Community Engagement
Dr. Ingrid Granberry Grant	.....	Director of Middle School Education and Lead Director, Department of School Leadership

Henrico County Profile

Organization Chart





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, 2019, 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, 2019, 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.

Other Matters

Required Supplementary Information

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

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 11, 2019



**HENRICO COUNTY, 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, 2019 (FY 2019). 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 2019

On a government-wide basis for governmental activities, the County had expenses net of program revenues of \$606.9 million. General revenues of \$712.2 million exceeded expenses, net of program revenues, by \$105.3 million (Exhibit 2).

The County's total net position, excluding component units, on the government-wide basis totaled \$2,538.9 million at June 30, 2019 (Exhibit 1).

The General Fund, on a current financial resource basis, reported revenues in excess of expenses and other financing sources and uses by \$0.1 million (Exhibit 4) after making transfers out of \$161.7 million, which include transfers to the Capital Projects Fund for \$69.2 million, Special Revenue Fund for \$29.0 million and Debt Service Fund for \$63.5 million. In addition, the General Fund contributed \$228.6 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 supplementary 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:

Governmental Activities – 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.

Business-Type Activities – 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.

Discretely Presented Component Units – 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:

Governmental Funds – 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)

Proprietary Funds – 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 (in millions) at June 30, 2018 and 2019:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2018	2019	2018	2019	2018	2019	2018	2019
Current and Other Assets	\$668.3	\$755.1	\$268.3	\$277.0	\$936.5	\$1,032.1	\$66.0	\$69.0
Capital Assets	1,459.8	1,530.3	1,340.9	1,417.4	2,800.7	2,947.7	291.4	306.0
Total Assets	<u>2,128.0</u>	<u>2,285.3</u>	<u>1,609.2</u>	<u>1,694.4</u>	<u>3,737.2</u>	<u>3,979.8</u>	<u>357.4</u>	<u>375.0</u>
Deferred Outflow of Resource:	69.4	57.6	14.0	12.6	83.4	70.2	106.6	90.1
Long-term Liabilities	511.9	573.2	406.0	465.3	917.9	1,038.5	26.3	38.4
Net Pension Liability	163.5	157.3	11.7	11.2	175.1	168.5	430.6	413.2
Net OPEB Liability	56.7	57.2	1.9	1.9	58.6	59.1	77.9	78.2
Other Liabilities	110.2	123.8	41.5	39.9	151.7	163.7	8.6	8.5
Total Liabilities	<u>842.3</u>	<u>911.5</u>	<u>461.1</u>	<u>518.3</u>	<u>1,303.3</u>	<u>1,429.8</u>	<u>543.4</u>	<u>538.3</u>
Deferred Inflow of Resources	106.6	77.6	5.6	3.8	112.2	81.4	134.3	110.1
Net Position:								
Net Investment in Capital Assets	1,169.0	1,174.9	1,040.1	1,059.9	2,208.9	2,234.8	276.6	279.1
Restricted	158.2	245.4	27.2	30.4	185.6	275.8	10.8	12.4
Unrestricted (deficit)	(78.6)	(66.4)	89.2	94.6	10.6	28.3	(501.0)	(474.8)
Total Net Position (deficit)	<u>\$1,248.6</u>	<u>\$1,353.9</u>	<u>\$1,156.5</u>	<u>\$1,184.9</u>	<u>\$2,405.1</u>	<u>\$2,538.9</u>	<u>\$(213.7)</u>	<u>\$(183.3)</u>

The County's net position increased by 5.6%, or \$133.8 million to \$2,538.9 million from 2,405.1 million, an overall improvement resulting from the increase in net position for both the Governmental and Business-Type Activities (Exhibit 1).

The net position of the County's governmental activities increased by 8.4%, or \$105.2 million to \$1,353.9 million (Exhibit 2). Net Investment in Capital Assets increased by \$6.0 million due to capital assets acquired and debt payments. Restricted net position increased by \$87.1 million due to capitalizing projects and by additional funds reserved for grants. The unrestricted net deficit improved by \$12.2 million to (\$66.4) million at June 30, 2019, due mainly to the changes in the deferred pension and OPEB outflows and inflows (Exhibit 1).

The net position of business-type activities increased by 2.5%, or \$28.4 million from \$1,156.5 million to \$1,184.9 million (Exhibit 2). Unrestricted net position available for the continuing operation of the water and sewer and golf course activities was \$94.6 million as of June 30, 2019 (Exhibit 1).

The net deficit of the aggregate discretely presented component units improved 14.2%, or \$30.4 million from (\$213.7) million to (\$183.3) million. Net Investment in Capital Assets increased by \$2.5 million due to capital assets acquired and debt payments. The unrestricted net deficit improved by \$26.2 million to (\$474.8) million at June 30, 2019 compared to the prior year (Exhibit 1).

Schedule of Activities

The following chart summarizes the revenues and expenses (in millions) of the County's activities for the fiscal years ended June 30, 2018 and 2019:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2018	2019	2018	2019	2018	2019	2018	2019
Revenues:								
Program Revenues:								
Charges for Services	\$45.6	\$45.1	\$113.8	\$117.8	\$159.4	\$162.9	\$12.0	\$12.0
Operating Grants and Contributions	148.0	157.8	-	-	148.0	157.8	314.3	325.3
Capital Grants and Contributions	-	-	21.1	6.1	21.1	6.1	0.1	0.1
General Revenues:								
Property Taxes	420.9	446.9	-	-	420.9	446.9	-	-
Other Taxes	186.5	191.4	-	-	186.5	191.4	-	-
Other	57.5	73.9	4.4	18.0	61.9	91.9	3.3	5.2
Payment from Primary Government	-	-	-	-	-	-	223.8	228.6
Total Revenues	\$858.5	\$915.1	\$139.3	\$141.9	\$997.8	\$1,057.0	\$553.5	\$571.2
Expenses:								
General Government	\$90.9	\$94.5	-	-	\$90.9	\$94.5	-	-
Judicial Administration	12.3	12.8	-	-	12.3	12.8	-	-
Public Safety	198.3	205.3	-	-	198.3	205.3	5.4	5.1
Public Works	87.2	91.6	-	-	87.2	91.6	-	-
Health and Welfare	74.9	79.9	-	-	74.9	79.9	-	-
Education	235.2	240.0	-	-	235.2	240.0	525.4	535.8
Parks, Recreation and Cultural	42.1	43.4	-	-	42.1	43.4	-	-
Community Development	30.4	28.7	-	-	30.4	28.7	-	-
Interest on Long-term	12.1	13.6	-	-	12.1	13.6	-	-
Water and Sewer	-	-	108.7	112.5	108.7	112.5	-	-
Golf Course	-	-	0.9	0.9	0.9	0.9	-	-
Total Expenses	\$783.4	\$809.8	\$109.6	\$113.4	\$893.0	\$923.2	\$530.7	\$540.9
Change in Net Position	75.1	105.3	29.7	28.5	104.8	133.8	22.8	30.3
Net Position (deficit), beginning of year	1,173.5	1,248.6	1,126.8	1,156.5	2,300.3	2,405.1	(236.5)	(213.7)
Net Position (deficit), end of year	\$1,248.6	\$1,353.9	\$1,156.5	\$1,184.9	\$2,405.1	\$2,538.9	(\$213.7)	(\$183.3)

REVENUES

For the fiscal year ended June 30, 2019, revenues from governmental activities totaled \$915.1 million, an increase of \$56.6 million from fiscal year 2018. Real estate tax revenue is the County's largest revenue source and reflects the recognition of the second half of calendar year 2018 and the first half of calendar year 2019 real property tax. The Real estate tax revenue collected during fiscal year 2019 was \$345.6 million, an increase of \$18.5 million or 5.7% from fiscal year 2018 (Exhibit 13). 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 2019.

During fiscal year 2019, the County collected \$82.7 million 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 for total personal property tax related receipts of \$119.7 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 of \$37.0 million is paid in three installments. At June 30, 2019, the County accrued \$18.5 million for the first half of the calendar year.

Business-type activities produced total revenues of \$141.9 million, an increase of \$2.6 million from fiscal year 2018. The largest business-type source of revenue is the County's Water and Sewer activity, which produced \$117.0 million in charges for services and \$6.1 million in capital grants and contributions (Exhibit 2).

EXPENSES

For the fiscal year ended June 30, 2019, expenses for governmental activities totaled \$809.8 million, an increase of \$26.4 million from fiscal year 2018 (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 \$228.6 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 \$113.4 million, an increase of \$3.8 million or 3.5% over fiscal year 2018 (Exhibit 2). The Water and Sewer activity accounts for \$112.5 million of the total expenses of \$113.4 million.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

For the fiscal year ended June 30, 2019, the governmental funds reflect a combined fund balance of \$597.4 million, an increase of \$72.8 million from fiscal year 2018 (Exhibit 4). The General Fund accounts for \$267.4 million (Exhibit 4) of the total combined balance. This is an increase of \$0.1 million or 0.1% from the General Fund balance of \$267.2 million recorded at June 30, 2018. The current General Fund Balance was impacted by General Fund Revenues, which increased by \$42.9 million from fiscal year 2018. The largest increases occurred in General property taxes, which increased by \$26.7 million and Revenue from use of money and property, which increased by \$12.3 million. At the same time, General Fund Expenditures increased by \$20.1 million or 3.2% from fiscal year 2018. Other Financing Uses decreased by \$46.4 million or 40.3% from fiscal year 2018. Finally, the following items affected the fund balance and should be noted:

- The General Fund transferred \$69.2 million to the Capital Projects Fund to finance various capital projects, \$29.0 million to the Special Revenue Fund and \$63.5 million for debt service.
- The General Fund contributed \$228.6 million to fund fiscal year 2019 School Board operations, an increase of \$4.8 million or 2.1% from the fiscal year 2018 contribution.

Highlights of other Governmental Funds are as follows:

- The Special Revenue Fund Balance of \$49.0 million (Exhibit 4) increased by \$4.7 million from fiscal year 2018. The increase is due to revenues of \$82.0 million and other financing sources of \$29.1 million exceeding expenditures of \$106.4 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 \$51.5 million in revenues. The County’s Social Services operations accounted for \$26.2 million in State and Federal grant revenues (Exhibit 13) and \$37.7 million in expenditures during fiscal year 2019 (Exhibit 14).
- The Debt Service Fund Balance decreased to \$0.2 million from \$1.2 million during fiscal year 2019 (Exhibit 4). The fund received transfers from the General Fund of \$63.5 million and expenditures for debt service were \$64.4 million.
- The Capital Projects Fund Balance of \$280.8 million (Exhibit 4) is an increase of \$68.9 million, or 32.5% in comparison to fiscal year 2018. During the fiscal year, expenditures for capital projects were \$117.7 million, and revenues were \$9.0 million. Other financing sources include transfers from the General Fund of \$69.2 million, general obligation bond proceeds of \$99.4 million, and bond premium of \$9.1 million during fiscal year 2019.

GENERAL FUND BUDGETARY HIGHLIGHTS

	General Fund Budget (in millions)		
	<u>Original</u>	<u>Revised</u>	<u>Actual</u>
Revenues:			
Taxes	\$584.4	\$588.6	\$634.3
Intergovernmental	130.7	134.4	135.3
Other	<u>27.3</u>	<u>27.7</u>	<u>45.6</u>
Total Revenues	<u>\$742.4</u>	<u>\$750.7</u>	<u>\$815.2</u>
Expenditures and Other			
Expenditures	\$640.2	\$668.2	\$653.4
Other Financing Uses	<u>135.1</u>	<u>165.5</u>	<u>161.7</u>
Total Expenditures and Other Financing Uses	<u>775.3</u>	<u>833.7</u>	<u>815.1</u>
Change in Fund Balance	<u><u>(\$32.9)</u></u>	<u><u>(\$83.0)</u></u>	<u><u>\$0.1</u></u>

Revenues exceeded expenditures and other financing uses by \$0.1 million in the General Fund for fiscal year 2019.

Actual General Fund revenues were more than the original budgeted revenues by \$72.8 million during fiscal year 2019. Actual revenue collections exceeded the revised budget by \$64.5 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 \$22.9 million, and other local taxes, such as meals tax and bank franchise taxes, which exceeded the revised budget by \$22.9 million (Exhibit 13). Actual General Fund expenditures were greater than the original budget by (\$39.8) million, and less than the revised budget by

\$18.6 million. During fiscal year 2019, the County Board of Supervisors amended the budget five 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, 2019.
- To reappropriate grant revenues authorized in fiscal year 2019 or earlier, but not expended or encumbered as of June 30, 2019.
- To appropriate grants or donations accepted or adjusted in fiscal year 2019.
- To appropriate funds for program enhancements, capital projects or other operational needs that were not anticipated in the original fiscal year budget.

CAPITAL ASSETS

At the end of fiscal year 2019, the County's governmental activities (including Internal Service Funds) had net capital assets totaling \$1,530.3 million, which represents a net increase of \$70.5 million or 4.8% 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	
	2018	2019	2018	2019	2018	2019	2018	2019
Non-Depreciable Assets:								
Land	\$384.8	\$390.4	\$19.1	\$19.1	\$403.8	\$409.5	\$43.8	\$45.3
Construction in Progress	83.6	159.3	169.4	250.6	253.0	409.9	13.8	16.7
Other Capital Assets:								
Building	884.3	896.0	397.5	396.3	1,281.8	1,292.3	365.4	367.7
Infrastructure	704.0	716.5	1,203.9	1,228.8	1,907.9	1,945.3	-	-
Equipment	260.3	266.9	162.3	167.5	422.6	434.4	218.9	244.2
Improvements other than Buildings	89.2	94.5	3.8	3.8	93.0	98.3	37.8	38.4
Accumulated Depreciation On Other Capital Assets	(946.4)	(993.3)	(615.1)	(648.7)	(1,561.5)	(1,642.0)	(388.3)	(406.3)
Total	<u>\$1,459.8</u>	<u>\$1,530.3</u>	<u>\$1,340.9</u>	<u>\$1,417.4</u>	<u>\$2,800.7</u>	<u>\$2,947.7</u>	<u>\$291.4</u>	<u>\$306.0</u>

The business-type net activities capital assets grew by \$76.5 million to \$1,417.4 million, an increase of 5.7% 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 increased by \$14.6 million to \$306.0 million, an increase of 5.0% from the previous fiscal year. The School Board accounted for the major portion of the net increase. 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 2016, the County voters authorized the issuance of \$419.8 million of General Obligation bonds. To date, the County has issued \$201.7 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.

In July 2018, the County issued \$99.4 million in General Obligation bonds. At the end of fiscal year 2019, the County had \$447.7 million in outstanding General Obligation Bonds, an increase of \$61.7 million, or 16.0 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 two defined benefit pension and 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):

- VRS Retirement Plan (see Note 9 to the financial statements)
- Teacher Retirement Plan (see Note 10 to the financial statements)
- 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, 2019, the County's investment portfolio amounted to \$833.4 million, an increase of \$134.1 million. This increase was due to rising yields during most of fiscal year 2019, and investing short term funds in the Local Government Investment Pool giving marginally higher yields in highly liquid instruments. The County portfolio contained United States Agency obligations, high quality municipal bonds, prime commercial paper and "AA" rated corporate notes (not more than 20% of the portfolio). This strategy enabled the County to maximize returns without experiencing any significant adverse credit exposure or decline in the fair value of the investments and cash equivalents. More detailed information about the County's investments is presented in Note 2 of the notes to the financial statements.

ECONOMIC FACTORS

According to the Virginia Employment Commission, as of June 30, 2019, the County had a net increase of 10,092 jobs since 2015, resulting in total employment of 190,968. The County's unemployment rate, which was reported at 2.9 percent as of June 30, 2019, was identical to the State's unemployment rate, and below the federal rate (3.8 percent). As of 2018 (the latest data available from the U.S. Bureau of Economic Analysis), the County's per capita income of \$65,072 registered significantly higher than the national average of \$54,446, and higher than the Commonwealth of Virginia average of \$57,799.

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, 2019**

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash, cash equivalents, and temporary investments	\$ 677,616,286	\$ 146,439,690	\$ 824,055,976	\$ 51,401,102
Receivables, net	34,470,997	25,306,937	59,777,934	-
Due from other governments	36,777,949	-	36,777,949	17,339,757
Internal balances	(1,054,233)	1,054,233	-	-
Due from component unit	683,418	-	683,418	-
Inventories	684,003	753,619	1,437,622	-
Other assets	5,878,162	4,567,778	10,445,940	176,376
Restricted cash and cash equivalents	-	98,945,019	98,945,019	32,730
Capital assets:				
Land and construction in progress	549,694,488	269,738,347	819,432,835	61,995,635
Other capital assets, net	980,590,128	1,147,617,979	2,128,208,107	244,042,829
Capital assets, net	1,530,284,616	1,417,356,326	2,947,640,942	306,038,464
Total Assets	<u>2,285,341,198</u>	<u>1,694,423,602</u>	<u>3,979,764,800</u>	<u>374,988,429</u>
Deferred Outflows of Resources:				
Contributions after measurement date	29,982,229	1,968,121	31,950,350	52,514,721
Change in proportionate share allocation	2,709,331	15,116	2,724,447	2,668,458
Difference between projected and actual earnings	22,309,549	1,552,497	23,862,046	28,909,423
Change of assumptions	1,835,399	126,365	1,961,764	4,838,712
Difference between actual and expected experience	804,711	54,182	858,893	1,167,157
Deferred loss on debt refunding, net	-	8,834,165	8,834,165	-
Total Deferred Outflows of Resources	<u>57,641,219</u>	<u>12,550,446</u>	<u>70,191,665</u>	<u>90,098,471</u>
Total Assets and Deferred Outflows of Resources	<u>2,342,982,417</u>	<u>1,706,974,048</u>	<u>4,049,956,465</u>	<u>465,086,900</u>
Liabilities:				
Accounts payable	68,116,103	19,636,838	87,752,941	5,260,436
Deposits payable	-	1,080,746	1,080,746	-
Accrued liabilities	47,375,954	2,939,083	50,315,037	2,532,986
Amounts held for others	8,236,348	-	8,236,348	83,866
Unearned revenues	-	16,202,885	16,202,885	1,001
Due to Primary Government	-	-	-	683,418
Net pension liability	157,290,316	11,245,408	168,535,724	413,219,531
Net OPEB liability	57,246,394	1,865,645	59,112,039	78,162,854
Long-term liabilities due within one year	89,701,829	14,524,683	104,226,512	19,605,795
Long-term liabilities due in more than one year	483,536,310	450,760,170	934,296,480	18,776,440
Total Liabilities	<u>911,503,254</u>	<u>518,255,458</u>	<u>1,429,758,712</u>	<u>538,326,327</u>
Deferred Inflows of Resources:				
Change in proportionate share allocation	204,204	141,933	346,137	5,934,684
Difference between actual and expected experience	21,120,944	1,296,355	22,417,299	44,358,621
Difference between projected and actual earnings	31,777,696	2,175,728	33,953,424	39,152,638
Change of assumptions	2,721,978	155,573	2,877,551	3,272,235
Deferred revenue	21,746,607	-	21,746,607	17,383,295
Total Deferred Inflows of Resources	<u>77,571,429</u>	<u>3,769,589</u>	<u>81,341,018</u>	<u>110,101,473</u>
Total Liabilities and Deferred Inflows of Resources	<u>989,074,683</u>	<u>522,025,047</u>	<u>1,511,099,730</u>	<u>648,427,800</u>
Net Position:				
Net investment in capital assets	1,208,373,466	1,059,884,185	2,268,257,651	279,061,567
Restricted for:				
Highways, streets and buildings	120,047,702	-	120,047,702	-
Debt service	42,912,103	30,420,992	73,333,095	-
Grants	49,044,320	-	49,044,320	12,386,253
Unrestricted net position (deficit)	(66,469,857)	94,643,824	28,173,967	(474,788,720)
Total Net Position	<u>\$ 1,353,907,734</u>	<u>\$ 1,184,949,001</u>	<u>\$ 2,538,856,735</u>	<u>\$ (183,340,900)</u>

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, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 94,496,526	\$ 14,224,863	\$ 4,171,197	\$ -
Judicial administration	12,845,060	1,015,085	6,053,672	-
Public safety	205,318,505	3,791,044	29,380,487	-
Public works	91,602,690	2,693,279	66,741,022	-
Health and welfare	79,862,302	12,231,354	40,990,689	-
Education	239,957,283	-	-	-
Parks, recreation and culture	43,428,750	1,236,585	3,114,896	-
Community development	28,681,340	9,871,585	7,383,239	-
Interest on long-term debt	13,622,662	-	-	-
Total Governmental Activities	809,815,118	45,063,795	157,835,202	-
Business-type activities:				
Water and Sewer	112,548,445	116,970,916	-	6,086,325
Belmont Park Golf Course	895,872	782,252	-	-
Total Business-type Activities	113,444,317	117,753,168	-	6,086,325
Total Primary Government	<u>\$ 923,259,435</u>	<u>\$ 162,816,963</u>	<u>\$ 157,835,202</u>	<u>\$ 6,086,325</u>
Component Units:				
School Board	\$ 535,799,890	\$ 6,606,647	\$ 325,296,663	\$ -
James River Juvenile Detention Commission	5,067,872	5,372,905	-	69,415
Total Component Units	<u>\$ 540,867,762</u>	<u>\$ 11,979,552</u>	<u>\$ 325,296,663</u>	<u>\$ 69,415</u>

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, 2018

Total Net Position at June 30, 2019

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

Exhibit 2

Net (Expenses) Revenues and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (76,100,466)	\$ -	\$ (76,100,466)	\$ -
(5,776,303)	-	(5,776,303)	-
(172,146,974)	-	(172,146,974)	-
(22,168,389)	-	(22,168,389)	-
(26,640,259)	-	(26,640,259)	-
(239,957,283)	-	(239,957,283)	-
(39,077,269)	-	(39,077,269)	-
(11,426,516)	-	(11,426,516)	-
(13,622,662)	-	(13,622,662)	-
(606,916,121)	-	(606,916,121)	-
-	10,508,796	10,508,796	-
-	(113,620)	(113,620)	-
-	10,395,176	10,395,176	-
<u>\$ (606,916,121)</u>	<u>\$ 10,395,176</u>	<u>\$ (596,520,945)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (203,896,580)
-	-	-	374,448
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (203,522,132)</u>
\$ 446,943,970	\$ -	\$ 446,943,970	\$ -
68,774,566	-	68,774,566	-
38,307,817	-	38,307,817	-
14,044,854	-	14,044,854	-
18,241,405	-	18,241,405	-
52,026,102	-	52,026,102	-
18,052,470	1,037,432	19,089,902	112,225
50,983,432	15,336,343	66,319,775	-
1,484,851	-	1,484,851	319,772
3,355,211	1,695,026	5,050,237	4,764,355
-	-	-	228,647,872
<u>712,214,678</u>	<u>18,068,801</u>	<u>730,283,479</u>	<u>233,844,224</u>
105,298,557	28,463,977	133,762,534	30,322,092
<u>1,248,609,177</u>	<u>1,156,485,024</u>	<u>2,405,094,201</u>	<u>(213,662,992)</u>
<u>\$ 1,353,907,734</u>	<u>\$ 1,184,949,001</u>	<u>\$ 2,538,856,735</u>	<u>\$ (183,340,900)</u>

**HENRICO COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

Exhibit 3

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Assets:					
Cash and temporary investments	\$ 306,500,272	\$ 49,764,836	\$ 242,103	\$ 300,117,538	\$ 656,624,749
Receivables, net	28,014,741	2,818,637	-	900,000	31,733,378
Due from other governmental units	32,673,244	3,491,417	-	613,288	36,777,949
Due from component unit	566,728	-	-	-	566,728
Due from other funds	1,719,400	-	-	-	1,719,400
Other assets	90,197	-	-	-	90,197
Advance to other fund	112,500	-	-	-	112,500
Total assets	<u>\$ 369,677,082</u>	<u>\$ 56,074,890</u>	<u>\$ 242,103</u>	<u>\$ 301,630,826</u>	<u>\$ 727,624,901</u>
Liabilities:					
Accounts payable	\$ 59,265,092	1,974,667	\$ -	\$ 6,380,204	\$ 67,619,963
Accrued liabilities	11,535,417	2,677,757	-	11,034,841	25,248,015
Amounts held for others	8,236,323	-	-	25	8,236,348
Unearned revenues	4,154,484	-	-	-	4,154,484
Due to other funds	557,534	117,315	-	2,565,064	3,239,913
Total liabilities	<u>83,748,850</u>	<u>4,769,739</u>	<u>-</u>	<u>19,980,134</u>	<u>108,498,723</u>
Deferred Inflow of Resources:					
Unavailable revenue	18,585,776	2,260,831	-	900,000	21,746,607
Fund Balances:					
Nonspendable	112,500	-	-	-	112,500
Restricted	1,691,688	25,136,690	-	-	26,828,378
Committed	56,630,441	-	-	280,750,692	337,381,133
Assigned	75,745,117	23,907,630	242,103	-	99,894,850
Unassigned	133,162,710	-	-	-	133,162,710
Total fund balances	267,342,456	49,044,320	242,103	280,750,692	597,379,571
Total Liabilities, Deferred Inflow and Fund Balances	<u>\$ 369,677,082</u>	<u>\$ 56,074,890</u>	<u>\$ 242,103</u>	<u>\$ 301,630,826</u>	
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)					\$ 1,513,554,109
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)					4,154,484
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)					(572,989,436)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.					(154,908,588)
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.					(8,539,560)
Deferred outflows and inflows of resources are not recorded as deferred outflows and inflows of resources in the governmental funds.					2,190,417
Net OPEB liability is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.					(56,452,727)
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.					23,731,499
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.					5,787,965
Total Net Position of Governmental Activities					<u>\$ 1,353,907,734</u>

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, 2019

Exhibit 4

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues:					
General property taxes	\$ 447,469,395	\$ -	\$ -	\$ -	\$ 447,469,395
Other local taxes	186,843,818	-	-	-	186,843,818
Licenses and permits	7,368,426	-	-	-	7,368,426
Fines and forfeitures	2,146,622	-	-	-	2,146,622
Revenue from use of money and property	16,054,752	176,708	-	2,791,435	19,022,895
Charges for services	4,151,126	26,299,952	-	-	30,451,078
Miscellaneous	10,364,855	2,828,597	-	3,355,238	16,548,690
Recovered costs	5,467,617	1,201,973	-	-	6,669,590
Intergovernmental	135,342,707	51,454,521	-	2,828,528	189,625,756
Total Revenues	815,209,318	81,961,751	-	8,975,201	906,146,270
Expenditures:					
Current operating:					
General government	71,186,977	4,846,460	-	-	76,033,437
Judicial administration	11,325,715	1,428,991	-	-	12,754,706
Public safety	196,062,839	5,933,167	-	-	201,996,006
Public works	55,966,276	14,351,555	-	-	70,317,831
Health and social services	2,432,912	77,165,754	-	-	79,598,666
Parks, recreation, and culture	37,029,570	64,306	-	-	37,093,876
Community development	25,943,567	2,573,223	-	-	28,516,790
Education	228,647,872	-	-	-	228,647,872
Miscellaneous	23,993,211	-	997,625	-	24,990,836
Debt service:					
Principal	685,746	32,409	43,775,000	-	44,493,155
Interest and other charges	88,620	7,416	19,632,381	-	19,728,417
Capital outlay	-	-	-	117,730,152	117,730,152
Total Expenditures	653,363,305	106,403,281	64,405,006	117,730,152	941,901,744
Excess (deficiency) of revenues over (under) expenditures	161,846,013	(24,441,530)	(64,405,006)	(108,754,951)	(35,755,474)
OTHER FINANCING (USES) SOURCES:					
Transfers in	-	29,039,697	63,468,451	69,235,668	161,743,816
Transfers out	(161,743,816)	-	-	-	(161,743,816)
Issuance of bonds	-	-	-	99,395,000	99,395,000
Issuance of bond premium	-	-	-	9,065,378	9,065,378
Capital lease obligations incurred	13,389	66,231	-	-	79,620
Total other financing (uses) sources, net	(161,730,427)	29,105,928	63,468,451	177,696,046	108,539,998
Net change in fund balance	115,586	4,664,398	(936,555)	68,941,095	72,784,524
Total Fund Balances - June 30, 2018	267,226,870	44,379,922	1,178,658	211,809,597	524,595,047
Total Fund Balances - June 30, 2019	\$ 267,342,456	\$ 49,044,320	\$ 242,103	280,750,692	\$ 597,379,571

Adjustments for the Statement of Activities:

Net change in fund balances - total governmental funds	\$ 72,784,524
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.	44,493,155
Revenues not in governmental funds that do provide current financial resources are reported as revenues in the Statement of Activities. (Note 3)	(525,425)
Governmental funds report capital outlays as expenditures while governmental activities capitalize those outlays to allocate those expenditures over the asset life.	124,593,581
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.	(4,455,713)
Depreciation expense is reported in the Statement of Activities but is not reported as an expense in the governmental funds. (Note 6)	(54,531,206)
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)	6,105,755
Debt proceeds are recorded as revenues in governmental funds, but are not reported as revenue or expenses in the Statement of Activities	(108,539,998)
Pension/OPEB expense is recorded as an expenditure in the Statement of Activities, but is not reported as an expense in the governmental funds.	20,671,891
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	3,994,140
Internal service fund revenues and expenses not recorded in the governmental funds.	707,853
Change in Net Position of Governmental Activities	\$ 105,298,557

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

**HENRICO COUNTY, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019**

Exhibit 5

	Business Type Activities - Enterprise Funds			Internal Service Funds
	Water and Sewer Revenue	Belmont Park Golf Course	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 146,439,690	\$ -	\$ 146,439,690	\$ 20,991,537
Receivables, net	25,306,937		25,306,937	2,737,619
Due from other funds	2,565,064	-	2,565,064	736,789
Due from component unit	-	-	-	116,690
Inventories	753,619	-	753,619	684,003
Prepays	-	-	-	-
Restricted cash and cash equivalents	98,945,019	-	98,945,019	-
Total current assets	<u>274,010,329</u>	<u>-</u>	<u>274,010,329</u>	<u>25,266,638</u>
Noncurrent assets:				
Other assets	4,567,778	-	4,567,778	-
Restricted cash - unspent bond proceeds		-	-	-
Capital assets:				
Land and construction in progress	269,487,856	250,491	269,738,347	-
Other capital assets, net	1,146,484,040	1,133,939	1,147,617,979	16,730,507
Capital assets, net	<u>1,415,971,896</u>	<u>1,384,430</u>	<u>1,417,356,326</u>	<u>16,730,507</u>
Total non-current assets	<u>1,420,539,674</u>	<u>1,384,430</u>	<u>1,421,924,104</u>	<u>16,730,507</u>
Total assets	<u>1,694,550,003</u>	<u>1,384,430</u>	<u>1,695,934,433</u>	<u>41,997,145</u>
Deferred Outflows of Resources:				
Contributions after measurement date	\$ 1,930,107	38,014	1,968,121	409,151
Change in proportionate share allocation	8,325	6,791	15,116	31,430
Difference between projected and actual earnings	1,521,802	30,695	1,552,497	317,028
Change of assumptions	123,757	2,608	126,365	25,196
Difference between actual and expected experience	53,064	1,118	54,182	11,089
Deferred loss on debt refunding, net	8,834,165	-	8,834,165	-
Total Deferred Outflows of Resources	<u>12,471,220</u>	<u>79,226</u>	<u>12,550,446</u>	<u>793,894</u>
Total assets and deferred outflows of resources	<u>1,707,021,223</u>	<u>1,463,656</u>	<u>1,708,484,879</u>	<u>42,791,039</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 19,620,614	16,224	19,636,838	496,140
Deposits payable	1,068,030	12,716	1,080,746	-
Due to other funds	48,039	1,350,292	1,398,331	383,009
Accrued liabilities	2,924,045	15,038	2,939,083	13,588,379
Unearned revenues	16,202,885	-	16,202,885	-
Long-term liabilities due within one year	14,506,790	17,893	14,524,683	229,016
Total current liabilities	<u>54,370,403</u>	<u>1,412,163</u>	<u>55,782,566</u>	<u>14,696,544</u>
Noncurrent liabilities:				
Advance from other fund	-	112,500	112,500	-
Net pension liability	10,968,797	276,611	11,245,408	2,381,728
Net OPEB liability	1,826,026	39,619	1,865,645	793,667
Long-term liabilities due in more than one year	450,752,170	8,000	450,760,170	19,687
Total non-current liabilities	<u>463,546,993</u>	<u>436,730</u>	<u>463,983,723</u>	<u>3,195,082</u>
Total liabilities	<u>517,917,396</u>	<u>1,848,893</u>	<u>519,766,289</u>	<u>17,891,626</u>
Deferred Inflows of Resources:				
Change in proportionate share allocation	138,941	2,992	141,933	44,016
Difference between actual and expected experience	1,268,760	27,595	1,296,355	579,576
Difference between projected and actual earnings	2,130,802	44,926	2,175,728	448,953
Change of assumptions	152,163	3,410	155,573	95,369
Total Deferred Inflows of Resources	<u>3,690,666</u>	<u>78,923</u>	<u>3,769,589</u>	<u>1,167,914</u>
Total liabilities and deferred inflows of resources	<u>521,608,062</u>	<u>1,927,816</u>	<u>523,535,878</u>	<u>19,059,540</u>
Net Position (deficit):				
Net investment in capital assets	1,058,499,755	1,384,430	1,059,884,185	16,730,507
Restricted for debt service	30,420,992	-	30,420,992	-
Unrestricted net position (deficit)	96,492,414	(1,848,590)	94,643,824	7,000,992
Total net position (deficit)	<u>\$ 1,185,413,161</u>	<u>\$ (464,160)</u>	<u>\$ 1,184,949,001</u>	<u>\$ 23,731,499</u>

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, 2019

Exhibit 6

	Business Type Activities - Enterprise Funds			Internal Service Funds
	Water and Sewer Revenue	Belmond Park Golf Course	Total	
Operating Revenues:				
Charges for services:				
Water system	\$ 57,652,688	\$ -	\$ 57,652,688	\$ -
Sewer system	59,318,228	-	59,318,228	-
Golf course fees	-	782,252	782,252	-
Interdepartmental charges	-	-	-	20,870,984
Contributions	-	-	-	119,620,867
Other	1,358,980	35,734	1,394,714	5,955,736
Total operating revenues	118,329,896	817,986	119,147,882	146,447,587
Operating Expenses:				
Purchased services	13,594,849	-	13,594,849	-
Utility charges	6,241,966	42,515	6,284,481	145,788
Personnel services and benefits	16,647,433	506,858	17,154,291	121,483,493
Professional services	12,449,426	-	12,449,426	112,727
Materials and supplies	7,832,581	157,960	7,990,541	12,780,991
Maintenance and repairs	3,591,860	98,051	3,689,911	4,856,719
Other expenses	4,922,918	9,697	4,932,615	1,542,053
Depreciation	36,425,016	80,791	36,505,807	2,399,584
Total operating expenses	101,706,049	895,872	102,601,921	143,321,355
Operating income (loss)	16,623,847	(77,886)	16,545,961	3,126,231
Nonoperating Revenues (Expenses):				
Investment income	1,037,432	-	1,037,432	302,677
Connection fees	13,726,955	-	13,726,955	-
Contributions	1,609,388	-	1,609,388	-
Interest expense	(10,842,396)	-	(10,842,396)	-
Gain on sale of equipment	-	-	-	240,495
Other	295,962	4,350	300,312	-
Total nonoperating revenues, net	5,827,341	4,350	5,831,691	543,172
Income (loss) before capital contributions	22,451,188	(73,536)	22,377,652	3,669,404
Capital contributions - donated assets	6,086,325	-	6,086,325	164,681
Change in net position	28,537,513	(73,536)	28,463,977	3,834,085
Total net position (deficit) - June 30, 2018,	1,156,875,648	(390,624)	1,156,485,024	19,897,414
Total net position (deficit) - June 30, 2019	\$ 1,185,413,161	\$ (464,160)	\$ 1,184,949,001	\$ 23,731,499

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, 2019**

Exhibit 7

	Business Type Activities - Enterprise Funds			Internal Service Funds
	Water and Sewer Revenue	Belmont Park Golf Course	Total	
Cash Flows From Operating Activities:				
Receipts from customers	\$ 116,280,722	\$ 817,986	\$ 117,098,708	\$ 146,047,931
Payments to suppliers	(54,822,038)	(283,317)	(55,105,355)	(134,878,606)
Payments to employees	(16,293,117)	(517,856)	(16,810,973)	(4,037,140)
Net cash provided by operating activities	<u>45,165,567</u>	<u>16,813</u>	<u>45,182,380</u>	<u>7,132,185</u>
Cash Flows From Capital and Related Financing Activities:				
Purchase of capital assets	(98,818,974)	(21,164)	(98,840,138)	(2,835,479)
Proceeds from sale of capital assets	74,692	4,351	79,043	293,229
Connection fees paid by contractors	12,874,961	-	12,874,961	-
DEQ grant received	1,930,020	-	1,930,020	-
Insurance proceeds received	-	-	-	-
Contributions	243,745	-	243,745	-
Issuance of bonds	73,024,218	-	73,024,218	-
Interest paid on bonds	(15,609,044)	-	(15,609,044)	-
Principal paid on debt	(11,630,000)	-	(11,630,000)	(1,230)
Net cash used in capital and related financing activities	<u>(37,910,382)</u>	<u>(16,813)</u>	<u>(37,927,195)</u>	<u>(2,543,480)</u>
Cash Flows From Investing Activities:				
Investment income received	1,037,432	-	1,037,432	302,677
Net increase in cash and cash equivalents	<u>8,292,617</u>	<u>-</u>	<u>8,292,617</u>	<u>4,891,382</u>
Total Cash and Cash Equivalents - June 30, 2018	<u>237,092,092</u>	<u>-</u>	<u>237,092,092</u>	<u>16,100,155</u>
Total Cash and Cash Equivalents - June 30, 2019	<u>\$ 245,384,709</u>	<u>\$ -</u>	<u>\$ 245,384,709</u>	<u>\$ 20,991,537</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 16,623,847	\$ (77,886)	\$ 16,545,961	\$ 3,126,232
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	36,425,016	80,791	36,505,807	2,399,584
Increase in accounts receivable	(1,383,685)	-	(1,383,685)	(313,728)
Decrease in inventories	192,518	-	192,518	56,990
Increase in due from other funds	-	-	-	(75,727)
Increase in due from component unit	-	-	-	(10,201)
Decrease in deferred outflows of resources	809,080	22,438	831,518	148,452
(Decrease) increase in accounts payable	(4,685,461)	5,054	(4,680,407)	1,903,889
(Decrease) increase in accrued liabilities	-	(10,745)	(10,745)	97,156
Decrease in deposits payable	(4,123)	(3,037)	(7,160)	-
Increase in accrued compensated absences	10,667	-	10,667	-
Increase in due to other fund	-	64,081	64,081	371,608
Decrease in net pension liability	(407,650)	(8,565)	(416,215)	(85,528)
Increase (decrease) in net OPEB liability	7,468	(45)	7,423	(3,662)
Decrease in deferred inflows of resources	(1,767,233)	(55,273)	(1,822,506)	(482,880)
Decrease in unearned revenues	(654,877)	-	(654,877)	-
Net cash provided by operating activities	<u>\$ 45,165,567</u>	<u>\$ 16,813</u>	<u>\$ 45,182,380</u>	<u>\$ 7,132,185</u>
Reconciliation to Cash and Cash Equivalents on the Statement of Net Position:				
Cash and cash equivalents	\$ 146,439,690	\$ -	\$ 146,439,690	\$ 20,991,537
Restricted cash and cash equivalents	<u>98,945,019</u>	<u>-</u>	<u>98,945,019</u>	<u>-</u>
Total Cash and Cash Equivalents - June 30, 2019	<u>\$ 245,384,709</u>	<u>\$ -</u>	<u>\$ 245,384,709</u>	<u>\$ 20,991,537</u>
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 \$6,086,325. Interest costs capitalized during the fiscal year ended June 30, 2019 was \$5,324,497.

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, 2019**

Exhibit 8

	Agency Funds
Assets:	
Cash and cash equivalents	\$ 1,344,163
Accounts receivable	84
Due from other governments	282,960
Deferred outflows	239,705
Equipment	32,248
Total Assets	\$ 1,899,160
 Liabilities:	
Amounts held for others	\$ 1,683,791
Accounts payable	215,369
Total Liabilities	\$ 1,899,160

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

HENRICO COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
HEALTHCARE OPEB TRUST FUND
JUNE 30, 2019

Exhibit 9

	2019
Assets:	
Investments:	
Pooled funds	\$ 66,878,885
Total investments	66,878,885
Total assets	\$ 66,878,885
 Liabilities:	
Total liabilities	-
 Fiduciary net position:	
Restricted for postemployment benefits other than pensions	\$ 66,878,885

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
HEALTHCARE OPEB TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Exhibit 10

	2019
Additions:	
Contributions	
Employer	\$ 7,172,947
Total contributions	7,172,947
Investment Income	2,849,783
Total additions	\$ 10,022,730
 Deductions:	
Benefit payments/refunds	\$ 4,478,725
Administrative Expenses	500
Total deductions	4,479,225
Net increase in fiduciary net position	5,543,505
 Net fiduciary net position restricted for postemployment benefits other than pensions:	
Total Fiduciary Net Position at June 30, 2018	61,335,380
Total Fiduciary Net Position at June 30, 2019	\$ 66,878,885

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, 2019**

Exhibit 11

	School Board	James River Juvenile Detention Commission	Total
Assets:			
Cash and cash equivalents	\$ 47,775,096	\$ 3,626,006	\$ 51,401,102
Restricted cash	-	32,730	32,730
Due from other governmental units	17,268,135	71,622	17,339,757
Other assets	174,887	1,489	176,376
Total current assets	<u>65,218,118</u>	<u>3,731,847</u>	<u>68,949,965</u>
Capital assets:			
Land and construction in progress	61,943,135	52,500	61,995,635
Other capital assets, net	238,700,507	5,342,322	244,042,829
Capital assets, net	<u>300,643,642</u>	<u>5,394,822</u>	<u>306,038,464</u>
Total assets	<u>365,861,760</u>	<u>9,126,669</u>	<u>374,988,429</u>
Deferred Outflows of Resources:			
Change in proportionate share allocation	2,528,959	139,499	2,668,458
Difference between projected and actual investment earnings	28,574,836	334,587	28,909,423
Contributions after measurement date	52,082,898	431,823	52,514,721
Change in assumptions	4,812,364	26,348	4,838,712
Difference between expected and actual experience	1,154,815	12,342	1,167,157
Total deferred outflows of resources	<u>89,153,872</u>	<u>944,599</u>	<u>90,098,471</u>
Total Assets and Deferred Outflows of Resources	<u>455,015,632</u>	<u>10,071,268</u>	<u>465,086,900</u>
Liabilities:			
Accounts payable	5,162,025	98,411	5,260,436
Accrued liabilities	2,448,007	84,979	2,532,986
Amounts held for others	83,866	-	83,866
Unearned revenues	-	1,001	1,001
Due to other funds	106,022	10,668	116,690
Due to Primary Government	-	566,728	566,728
Long-term liabilities due within one year	19,394,990	210,805	19,605,795
Total current liabilities	<u>27,194,910</u>	<u>972,592</u>	<u>28,167,502</u>
Net pension liability	410,797,960	2,421,571	413,219,531
Net OPEB liability	77,787,584	375,270	78,162,854
Long-term liabilities due in more than one year	18,776,440	-	18,776,440
Total liabilities	<u>534,556,894</u>	<u>3,769,433</u>	<u>538,326,327</u>
Deferred Inflows of Resources:			
Change in proportionate share allocation	5,874,239	60,445	5,934,684
Difference between expected and actual experience	44,095,514	263,107	44,358,621
Difference between projected and actual pension earnings	38,695,105	457,533	39,152,638
Change in assumptions	3,241,952	30,283	3,272,235
Unavailable revenue	17,383,295	-	17,383,295
Total deferred inflows of resources	<u>109,290,105</u>	<u>811,368</u>	<u>110,101,473</u>
Total Liabilities and Deferred Inflows of Resources	<u>643,846,999</u>	<u>4,580,801</u>	<u>648,427,800</u>
Net Position (deficit):			
Net investment in capital assets	273,666,745	5,394,822	279,061,567
Restricted grants	12,342,197	44,056	12,386,253
Unrestricted (deficit)	<u>(474,840,309)</u>	<u>51,589</u>	<u>(474,788,720)</u>
Total net position (deficit)	<u>\$ (188,831,367)</u>	<u>\$ 5,490,467</u>	<u>\$ (183,340,900)</u>

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, 2019**

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	\$ 535,799,890	\$ 6,606,647	\$ 325,296,663	\$ -	\$ (203,896,580)	\$ -	\$ (203,896,580)
Total School Board	535,799,890	6,606,647	325,296,663	-	(203,896,580)	-	(203,896,580)
Business-Type Activities:							
James River Juvenile Detention Commissior	5,067,872	5,372,905	-	69,415	-	374,448	374,448
Total Component Units	<u>\$ 540,867,762</u>	<u>\$ 11,979,552</u>	<u>\$ 325,296,663</u>	<u>\$ 69,415</u>	<u>\$ (203,896,580)</u>	<u>\$ 374,448</u>	<u>\$ (203,522,132)</u>
General revenues:							
Interest and investment earnings				\$ -	\$ 112,225	\$ 112,225	
Recovered costs				319,772	-	319,772	
Miscellaneous				4,764,355	-	4,764,355	
Payment from Primary Government				228,647,872	-	228,647,872	
Total general revenues				<u>233,731,999</u>	<u>112,225</u>	<u>233,844,224</u>	
Change in net position				29,835,419	486,673	30,322,092	
Total Net Position (deficit) at June 30, 2018,				(218,666,786)	5,003,794	(213,662,992)	
Total Net Position (deficit) at June 30, 2019				<u>\$ (188,831,367)</u>	<u>\$ 5,490,467</u>	<u>\$ (183,340,900)</u>	

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

HENRICO COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

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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 \$188,831,734. 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.

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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:

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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.

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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 \$464,160 at June 30, 2019. The County is considering several options to help improve the 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 Developmental 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.

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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 equipment and \$25,000 for buildings, improvements infrastructure and software are met. All land is capitalized. 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.

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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).

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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, 2019, the Water and Sewer Revenue Fund incurred interest costs of \$16,166,893, of which \$5,324,497 was capitalized.

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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, 2018 for the Virginia Retirement System (VRS) pension and other postemployment benefit (OPEB) plans and prior to the reporting date of June 30, 2019, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2019. Deferred outflows of resources of \$29,982,229, \$1,968,121 and \$52,514,721 have been reported in Governmental Activities, Business-Type Activities and Component Units Statement of Net Position as of June 30, 2019, respectively, for such contributions made after the measurement date. 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, 2019. The County has reported deferred outflows of resources of \$2,709,331, \$15,116 and \$2,668,458 and deferred inflows of resources of \$204,204, \$141,933 and \$5,934,684 in Governmental Activities, Business-Type Activities and Component Units Statement of Net Position as of June 30, 2019, respectively for such changes in proportionate share allocation.

Differences between actual and expected experience as of the measurement date have been reported as either a deferred outflow of resources or deferred inflow of resources. The County has reported deferred outflows of \$804,711, \$54,182 and \$1,167,157 and deferred inflows of resources of \$21,120,944, \$1,296,355 and \$44,358,621 in Governmental Activities, Business-Type Activities and Component Units Statement of Net Position as of June 30, 2019, respectively, for such differences between actual and projected experience.

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Differences between the projected and actual earnings on pension and OPEB plan investments during the measurement years have been reported as deferred outflows and inflows of resources. Deferred outflows of resources of \$22,309,549, \$1,552,497 and \$28,909,423 and deferred inflows of resources of \$31,777,696, \$2,175,726 and \$39,152,638 have been reported in Governmental Activities, Business-Type Activities and Component Units Statement of Net Position as of June 30, 2019, respectively, for such differences between projected and actual earnings.

Change of assumptions as of the measurement dates have been reported as deferred outflows and inflows of resources. Deferred outflows of resources of \$1,835,399, \$126,365 and \$4,838,712 and deferred inflows of resources of \$2,721,978, \$155,573 and \$3,272,235 have been reported in Governmental Activities, Business-Type Activities and Component Units Statement of Net Position as of June 30, 2019, respectively, for such changes in assumptions.

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 \$8,834,165 as a deferred outflow of resources on both the Business-Type Activities and Proprietary Funds Statements of Net Position as of June 30, 2019.

The County has reported unavailable revenue of \$21,746,607 as a deferred inflow of resources on the Governmental Funds Balance Sheet as of June 30, 2019. Unavailable revenue consists of \$18,392,311 in tax collections received in advance (due December 5th, 2019), \$2,260,831 in grant funds received in advance that will fund expenditures in fiscal year 2020, \$9,800 in other deferred revenue, \$183,665 in lease funds received in advance that will be recognized in fiscal year 2020 and \$900,000 in uncollected lease payments. The County has classified unavailable revenue of \$17,383,295 as a deferred inflow of resources on the Component Units Statement of Net Position as of June 30, 2019. These funds were received in advance and will fund expenditures in fiscal year 2020.

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.

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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 annually during the budget process.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Fund balances:				
Non-spendable				
Advance to other Fund	\$ 112,500	\$ -	\$ -	\$ -
Restricted for:				
Road Construction	1,532,678	-	-	-
Imaging System Upgrades	159,010	-	-	-
Community Development	-	-	-	-
Drug Enforcement	-	1,562,867	-	-
Mental Health Programs	-	14,054,048	-	-
Social Service Programs	-	9,519,775	-	-
Total Restricted	<u>1,691,688</u>	<u>25,136,690</u>	-	-
Committed				
Public Works	9,505,000	-	-	29,462,220
Technology Improvements	1,650,000	-	-	5,821,725
Building and Grounds	3,650,000	-	-	14,719,396
Road Maintenance	-	-	-	88,986,831
Landfill Expansion	-	-	-	2,590,385
Public Safety Projects	7,000,000	-	-	52,145,154
Parks and Recreation	2,750,000	-	-	37,397,792
Libraries	-	-	-	17,623,667
Education Projects	<u>32,075,441</u>	-	-	<u>32,003,522</u>
Total Committed	<u>56,630,441</u>	-	-	<u>280,750,692</u>
Assigned to:				
Public Works	-	23,907,630	-	-
General Government	53,905,409	-	-	-
Capital projects	21,839,708	-	-	-
Debt Service	-	-	242,103	-
Total Assigned	<u>75,745,117</u>	<u>23,907,630</u>	<u>242,103</u>	-
Unassigned	<u>133,162,710</u>	-	-	-

HENRICO COUNTY, VIRGINIA
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In the General Fund, the County has \$56,630,441 committed for various projects which include \$9,505,000 for public works road extension, road and sidewalk improvements, \$1,650,000 for technology improvements which include a data center upgrade and installment of geographic information system, \$3,650,000 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 \$7,000,000 committed for public safety projects which include a police range classroom addition, construction of an evidence storage facility and the replacement of fire apparatus equipment. The County has \$2,750,000 committed for various parks and recreation projects which include the construction of an aquatics center and facility rehabilitation. The County has \$32,075,441 committed for various high school, middle school and elementary projects which include roof replacements, mechanical improvements and the construction of a new high school.

In the Capital Projects Fund, the County has \$280,750,692 committed for various projects to include \$29,462,220 for public works, \$5,821,725 for computer and technology improvements, \$14,719,396 for rehabilitation and renovations to various buildings and grounds, \$88,986,831 for road maintenance and drainage, \$2,590,385 for landfill expansion and development, \$52,145,154 for public safety, \$37,397,792 for parks and recreation additions and improvements, \$17,623,667 for library renovations and additions and \$32,003,522 for various high school, middle school and elementary projects.

In the General Fund, the County has \$53,905,409 assigned for general government operations which include a \$7,500,000 self-insurance reserve, a \$3,800,000 reserve to state aid for teacher compression, a \$1,461,631 sports tourism reserve, a \$12,243,892 reserve for future operating costs of new facilities and a \$28,899,886 reserve for various operational costs in future years. The County also has \$21,839,708 assigned for capital projects which includes \$7,000,000 for a radio communication system and \$11,606,889 for future capital projects. In the Special Revenue Fund, the County has \$23,907,630 assigned to public works for the County's solid waste operations and \$242,103 for future debt service payments in the Debt Service Fund.

Schools have \$12,078,059 in assigned and \$2,475,752 in unassigned fund balance in the Schools General Fund. Schools also have restricted fund balance for various education program grants of \$12,342,197 in the Schools Special Revenue Fund. Schools also have committed fund balance in the Schools Capital Projects Fund of \$17,337,634 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 prior year.

Single –employer defined benefit OPEB plans:

- Healthcare (see Note 11 to the financial statements)

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- 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 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. This statement did not impact the County's financial statements or note disclosure as of and for the year ended June 30, 2019.

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. This statement did not impact the County's financial statements or note disclosure as of and for the year ended June 30, 2019.

Q. Future Accounting Pronouncements

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

HENRICO COUNTY, VIRGINIA
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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 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.

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In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. 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, 2022.

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, 2019, 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, 2019. The net increase in fair value of investments during the year ended June 30, 2019, was \$967,854. This amount considers all changes in fair value that occurred during the fiscal year.

Deposits - Bank

At June 30, 2019, the carrying value of the County's deposits with banks was \$53,515,478 and the bank balance was \$61,943,528. 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 \$3,756,199 and the bank balance was \$4,347,877. All the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Act. The carrying amount of deposits for the James River Juvenile Detention Commission, a discretely presented component unit, was \$625,902, and the bank balance was \$625,902. All of the bank balance was covered by Federal Depository Insurance or collateralized in accordance with the Act.

HENRICO COUNTY, VIRGINIA
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Deposits – Fiscal Agent

At June 30, 2019, the County had deposits of \$37,285,362 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:

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Primary Government

	<u>Fair Value</u>	<u>Policy</u>	<u>Percent of Portfolio</u>
Municipal Bonds	\$ 50,921,973	70%	6.11%
U.S. Government Agencies	178,410,385	70%	21.41%
Commercial Paper	94,024,243	35%	11.28%
Corporate Notes	32,485,935	20%	3.90%
U.S. Government Money Market Funds	210,085,561	40%	25.21%
Local Government Investment Pool	267,455,932	75%	32.09%
Total Investments	<u>\$ 833,384,029</u>		<u>100.00%</u>

Component Units

	<u>Fair Value</u>	<u>Policy</u>	<u>Percent of Portfolio</u>
Municipal Bonds	\$ 3,574,263	70%	8.12%
U.S. Government Agencies	12,522,800	70%	28.45%
Commercial Paper	6,599,654	35%	14.99%
Corporate Notes	2,280,220	20%	5.18%
U.S. Government Money Market Funds	267,965	40%	0.61%
Local Government Investment Pool	18,772,995	75%	42.65%
Total Investments	<u>\$ 44,017,897</u>		<u>100.00%</u>

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, 2019:

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Primary Government

	Total June 30, 2019	Fair Value Measurement Using		
		Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Municipal Bonds	\$ 50,921,973	\$ -	\$ 50,921,973	\$ -
U.S. Government Agencies	178,410,385	-	178,410,385	-
Commercial Paper	94,024,243	-	94,024,243	-
Corporate Notes	32,485,935	-	32,485,935	-
U.S. Government Money Market Funds	210,085,561	210,085,561	-	-
Local Government Investment Pool	267,455,932	-	267,455,932	-
Total Investments	\$ 833,384,029	\$ 210,085,561	\$ 623,298,468	\$ -

School Board

	Total June 30, 2019	Fair Value Measurement Using		
		Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Municipal Bonds	\$ 3,574,263	\$ -	\$ 3,574,263	\$ -
U.S. Government Agencies	12,522,800	-	12,522,800	-
Commercial Paper	6,599,654	-	6,599,654	-
Corporate Notes	2,280,220	-	2,280,220	-
U.S. Government Money Market Funds	267,965	267,965	-	-
Local Government Investment Pool	18,772,995	-	18,772,995	-
Total Investments	\$ 44,017,897	\$ 267,965	\$ 43,749,932	\$ -

James River Juvenile Detention Center

	Total June 30, 2019	Fair Value Measurement Using		
		Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury Bills	\$ 1,346,235	\$ 1,346,235	\$ -	\$ -
U.S. Government Agencies	699,743	-	699,743	-
Local Government Investment Pool	975,077	-	975,077	-
U.S. Government Money Market Funds	11,279	11,279	-	-
Total Investments	\$ 3,032,334	\$ 1,357,514	\$ 1,674,820	\$ -

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.

HENRICO COUNTY, VIRGINIA
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Investment Risk Disclosures

The County's portfolio manager, Sterling Capital, provided the day-to-day management of investments during fiscal year 2019. 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 Statutes 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 fund 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, thereby minimizing custodial risk.

HENRICO COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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Investment Maturities

As of June 30, 2019, 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	\$ 50,921,973	\$ 15,295,455	\$ 35,626,518
U.S. Government Agencies	178,410,385	93,560,134	84,850,251
Commercial Paper	94,024,243	94,024,243	-
Corporate Notes	32,485,935	15,861,041	16,624,894
U.S. Government Money Market Funds	210,085,561	210,085,561	-
Local Government Investment Pool	267,455,932	267,455,932	-
Total Investments	\$ 833,384,029	\$ 696,282,366	\$ 137,101,663
Total Deposits - Bank	53,515,478		
Total Deposits - Fiscal Agent	37,285,362		
Total Cash on Hand	97,911		
Total Deposits and Investments	\$ 924,282,780		

Component Units:

School Board

	Investment Maturities (in years)		
	Fair Value	Less than 1 year	1-5 years
Municipal Bonds	\$ 3,574,263	\$ 1,073,603	\$ 2,500,660
U.S. Government Agencies	12,522,800	-	12,522,800
Commercial Paper	6,599,654	6,599,654	-
Corporate Notes	2,280,220	1,113,302	1,166,918
U.S. Government Money Market Funds	267,965	267,965	-
Local Government Investment Pool	18,772,995	18,772,995	-
Total Investments	\$ 44,017,897	\$ 27,827,519	\$ 16,190,378
Total Deposits - Bank	3,756,199		
Total Cash on Hand	1,000		
Total Deposits and Investments	\$ 47,775,096		

James River Juvenile Detention Commission

	Investment Maturities (in years)		
	Fair Value	Less than 1 year	1-5 years
U.S. Treasury Bills	\$ 1,346,236	\$ 1,346,236	\$ -
U.S. Government Agencies	699,743	699,743	-
Local Government Investment Pool	975,077	975,077	-
U.S. Government Money Market Funds	11,278	11,278	-
	\$ 3,032,334	\$ 3,032,334	\$ -
Total Deposits	625,902		
Total Cash on Hand	500		
Total Deposits and Investments	\$ 3,658,736		
Total Deposit and Investments-Reporting Entity	\$ 975,716,612		

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The School Activity Funds' cash of \$6,395,844 and Mental Health and Developmental Services Fund cash of \$62,378 are not under the control of the Director of Finance, are not pooled with the Reporting Entity cash and investments, and therefore, are 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 of 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, 2019, the fair value of the Healthcare OPEB Plan's interest in the Trust Fund was \$68,550,770. 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, 2019 consist of the following:

Primary Government

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Funds</u>	<u>Total</u>
Receivables:				
Interest	\$ 4,972,366	\$ -	\$ -	\$ 4,972,366
Taxes	30,931,677	-	-	30,931,677
Accounts	<u>1,116,219</u>	<u>4,109,247</u>	<u>25,590,837</u>	<u>30,816,303</u>
Gross Receivables	37,020,262	4,109,247	25,590,837	66,720,346
Less: Allowances for				
Doubtful Accounts	<u>9,005,521</u>	<u>1,290,610</u>	<u>283,900</u>	<u>10,580,031</u>
Receivables, net	<u>\$ 28,014,741</u>	<u>\$ 2,818,637</u>	<u>\$ 25,306,937</u>	<u>\$ 56,140,315</u>

The County's Capital Project Fund has a receivable of \$900,000 as of June 30, 2019. Central Automotive Maintenance has a receivable of \$11,676 as of June 30, 2019, which is included on a government-wide basis. Long-term assets on a government-wide basis also include taxes receivable of \$4,154,484 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

HENRICO COUNTY, VIRGINIA
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government-wide statements includes \$525,425 of revenue that does not provide current financial resources, and therefore, is not included in the governmental funds.

Component Units

<u>Receivables:</u>	<u>School Board</u>	<u>JRJDC</u>	<u>Total</u>
Intergovernmental	<u>\$ 17,268,135</u>	<u>\$ 71,622</u>	<u>\$ 17,339,757</u>

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, 2018 and the first installment (June 5th) of the levy on assessed value at January 1, 2019. 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 2019, 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.

HENRICO COUNTY, VIRGINIA
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NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units for Governmental Funds at June 30, 2019 include:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Commonwealth of Virginia:			
Non-categorical aid for:			
Local Sales and Use Tax	\$ 5,928,012	\$ -	\$ -
PPTRA	18,460,463	-	-
Rolling Stock Tax	21,251	-	-
State Recordation Fees	378,984	-	-
Richmond Center	3,513,227	-	-
Categorical aid for:			
Public Works	50	-	129,754
Public Safety	1,793,717	4,322	-
Social Services	-	557,933	-
Treasurer	2,145,955	-	-
Correction & Detention	1,684	70,997	-
Finance	67,639	-	-
Mental Health & Development Services	-	1,578	-
Circuit Court	175,108	-	-
Library	2,163	-	-
Commonwealth's Attorney	184,991	11,284	-
Total due from the Commonwealth of Virginia	<u>32,673,244</u>	<u>646,114</u>	<u>129,754</u>
Federal Government Categorical Aid:			
Work Training Grants (CRWP)	-	1,037,315	-
Public Safety	-	251,156	483,534
Correction & Detention	-	3,925	-
Public Works	-	-	-
Social Services	-	977,806	-
Commonwealth Attorney	-	-	-
Community Development Block Grant	-	575,101	-
Total due from the Federal government	<u>-</u>	<u>2,845,303</u>	<u>483,534</u>
Total due from other governmental units	<u>\$ 32,673,244</u>	<u>\$ 3,491,417</u>	<u>\$ 613,288</u>

JRJDC has \$60,096 due from other localities and \$11,526 due from the Federal government for federal grants. Amounts due from other governmental units for the School Board Component Unit at June 30, 2019 include:

	<u>School Board</u>
Commonwealth of Virginia:	
Non-categorical aid for:	
State Sales and Use Tax	\$ 4,742,898
Categorical aid for:	
Education	<u>2,888,391</u>
Total due from the Commonwealth of Virginia	<u>7,631,289</u>
Federal Government Categorical Aid:	
Education	<u>9,636,846</u>
Total due from the Federal government	<u>9,636,846</u>
Total due from other governmental units	<u>\$ 17,268,135</u>

HENRICO COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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NOTE 6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019 follows:

Governmental Activities	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 384,752,905	\$ 5,634,734	\$ -	\$ 390,387,639
Construction in progress	83,596,921	88,895,132	13,185,204	159,306,849
Not Being Depreciated	<u>468,349,826</u>	<u>94,529,866</u>	<u>13,185,204</u>	<u>549,694,488</u>
Other Capital Assets:				
Buildings	884,308,153	11,813,081	152,821	895,968,413
Infrastructure	703,993,650	12,477,054	-	716,470,704
Equipment	260,290,990	15,743,137	9,094,667	266,939,460
Improvements	89,230,447	6,782,251	1,539,548	94,473,150
Total Other Capital Assets	<u>1,937,823,240</u>	<u>46,815,523</u>	<u>10,787,036</u>	<u>1,973,851,727</u>
Less Accumulated Depreciation for:				
A/D - Buildings	(236,564,545)	(17,677,171)	(62,068)	(254,179,648)
A/D - Infrastructure	(496,106,883)	(18,572,384)	-	(514,679,267)
A/D - Equipment	(172,785,861)	(16,794,701)	(8,489,134)	(181,091,428)
A/D - Improvements	(40,964,270)	(3,886,534)	(1,539,548)	(43,311,256)
Total Accumulated Depreciation	<u>(946,421,559)</u>	<u>(56,930,790)</u>	<u>(10,090,750)</u>	<u>(993,261,599)</u>
Total Net of Depreciation	<u>\$ 1,459,751,507</u>	<u>\$ 84,414,599</u>	<u>\$ 13,881,490</u>	<u>\$ 1,530,284,616</u>

The adjustment from modified to full accrual for capital assets net of accumulated depreciation at June 30, 2019 are comprised of the following:

General Capital Assets, Net	\$1,530,284,616
Internal Service Fund Capital Assets, Net	<u>(16,730,507)</u>
Combined Adjustment	<u>\$1,513,554,109</u>

The adjustment from modified to full accrual for depreciation for the fiscal year ended June 30, 2019 is comprised of the following:

General Government Administration	\$ 7,411,703
Judicial Administration	88,662
Public Safety	9,329,781
Public Works	21,752,230
Education	11,309,411
Health and Welfare	275,292
Parks and Recreation	6,540,265
Community Development	223,446
Total Depreciation	<u>\$ 56,930,790</u>
Internal Service Fund Depreciation	<u>(2,399,584)</u>
Combined Adjustment	<u>\$ 54,531,206</u>

HENRICO COUNTY, VIRGINIA
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Business Type Activities	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
<u>Water and Sewer:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 18,838,931	\$ -	\$ -	\$ 18,838,931
Construction in progress	169,411,783	107,772,025	26,534,883	250,648,925
Total Capital Assets Not Being Depreciated	188,250,714	107,772,025	26,534,883	269,487,856
Other Capital Assets:				
Buildings	395,563,768	359,394	1,560,829	394,362,333
Equipment	161,326,786	6,872,411	1,697,028	166,502,169
Improvements	1,410,152	-	-	1,410,152
Infrastructure	1,203,932,014	25,630,229	740,097	1,228,822,146
Total Other Capital Assets	1,762,232,720	32,862,034	3,997,954	1,791,096,800
Less Accumulated Depreciation for:				
Buildings	(131,561,944)	(7,834,476)	(1,170,348)	(138,226,072)
Equipment	(114,467,137)	(10,263,388)	(1,127,721)	(123,602,804)
Improvements	(1,180,023)	(39,671)	-	(1,219,694)
Infrastructure	(363,773,553)	(18,287,481)	(496,844)	(381,564,190)
Total Accumulated Depreciation	(610,982,657)	(36,425,016)	(2,794,913)	(644,612,760)
Total Net of Depreciation	<u>\$ 1,339,500,777</u>	<u>\$ 104,209,043</u>	<u>\$ 27,737,924</u>	<u>\$ 1,415,971,896</u>
<u>Belmont Park Golf Course:</u>				
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	945,022	21,164	14,490	951,696
Improvements	2,341,902	-	-	2,341,902
Total Other Capital Assets	5,227,861	21,164	14,490	5,234,535
Less Accumulated Depreciation for:				
Buildings	(1,079,022)	(31,032)	-	(1,110,054)
Equipment	(668,316)	(40,176)	(14,490)	(694,002)
Improvements	(2,286,957)	(9,583)	-	(2,296,540)
Total Accumulated Depreciation	(4,034,295)	(80,791)	(14,490)	(4,100,596)
Total Net of Depreciation	<u>\$ 1,444,057</u>	<u>\$ (59,627)</u>	<u>\$ -</u>	<u>\$ 1,384,430</u>

HENRICO COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Business Type Activities	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
<u>Combined Business Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 19,089,422	\$ -	\$ -	\$ 19,089,422
Construction in Progress	169,411,783	107,772,025	26,534,883	250,648,925
Total Capital Assets Not Being Depreciated	<u>188,501,205</u>	<u>107,772,025</u>	<u>26,534,883</u>	<u>269,738,347</u>
Other Capital Assets:				
Buildings	397,504,705	359,394	1,560,829	396,303,270
Equipment	162,271,808	6,893,575	1,711,518	167,453,865
Improvements	3,752,054	-	-	3,752,054
Infrastructure	1,203,932,014	25,630,229	740,097	1,228,822,146
Total Other Capital Assets	<u>1,767,460,581</u>	<u>32,883,198</u>	<u>4,012,444</u>	<u>1,796,331,335</u>
Less Accumulated Depreciation for:				
Buildings	(132,640,966)	(7,865,508)	(1,170,348)	(139,336,126)
Equipment	(115,135,453)	(10,303,564)	(1,142,211)	(124,296,806)
Improvements	(3,466,980)	(49,254)	-	(3,516,234)
Infrastructure	(363,773,553)	(18,287,481)	(496,844)	(381,564,190)
Total Accumulated Depreciation	<u>(615,016,952)</u>	<u>(36,505,807)</u>	<u>(2,809,403)</u>	<u>(648,713,356)</u>
Total Net of Depreciation	<u>\$ 1,340,944,834</u>	<u>\$ 104,149,416</u>	<u>\$ 27,737,924</u>	<u>\$ 1,417,356,326</u>

Component Units

School Board:

Capital Assets Not Being Depreciated:

Land	\$ 43,771,025	\$ 1,460,460	\$ -	\$ 45,231,485
Construction in Progress	13,811,553	4,156,212	1,256,115	16,711,650
Total Capital Assets Not Being Depreciated	<u>57,582,578</u>	<u>5,616,672</u>	<u>1,256,115</u>	<u>61,943,135</u>

Other Capital Assets:

Buildings	356,151,381	2,328,603	-	358,479,984
Equipment	218,392,259	29,023,616	3,975,913	243,439,962
Improvements	37,326,956	1,074,971	312,409	38,089,518
Total Other Capital Assets	<u>611,870,596</u>	<u>32,427,190</u>	<u>4,288,322</u>	<u>640,009,464</u>

Less Accumulated Depreciation for:

Buildings	(192,092,103)	(5,955,934)	-	(198,048,037)
Equipment	(168,476,005)	(14,816,111)	(3,952,633)	(179,339,483)
Improvements	(23,141,937)	(1,091,909)	(312,409)	(23,921,437)
Total Accumulated Depreciation	<u>(383,710,045)</u>	<u>(21,863,954)</u>	<u>(4,265,042)</u>	<u>(401,308,957)</u>
Total Net of Depreciation	<u>\$ 285,743,129</u>	<u>\$ 16,179,908</u>	<u>\$ 1,279,395</u>	<u>\$ 300,643,642</u>

HENRICO COUNTY, VIRGINIA
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Component Units	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
James River Juvenile Detention Center:				
Capital Assets Not Being Depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Construction in progress	-	22,500	-	22,500
Total Capital Assets Not Being Depreciated	30,000	22,500	-	52,500
Other Capital Assets:				
Buildings	9,243,433	-	-	9,243,433
Improvements	237,874	49,902	-	287,776
Equipment	762,840	31,673	26,380	768,133
Total Other Capital Assets	10,244,147	81,575	26,380	10,299,342
Less Accumulated Depreciation for:				
Buildings	(3,968,577)	(231,086)	-	(4,199,663)
Improvements	(200,051)	(93,075)	-	(293,126)
Equipment	(478,717)	(11,894)	(26,380)	(464,231)
Total Accumulated Depreciation	(4,647,345)	(336,055)	(26,380)	(4,957,020)
Total Net of Depreciation	\$ 5,626,802	\$ (231,980)	\$ -	\$ 5,394,822
Combined Component Units:				
Capital Assets Not Being Depreciated:				
Land	\$ 43,801,025	\$ 1,460,460	\$ -	\$ 45,261,485
Construction in progress	13,811,553	4,178,712	1,256,115	16,734,150
Total Capital Assets Not Being Depreciated	57,612,578	5,639,172	1,256,115	61,995,635
Other Capital Assets:				
Buildings	365,394,814	2,328,603	-	367,723,417
Equipment	219,155,099	29,055,289	4,002,293	244,208,095
Improvements	37,564,830	1,124,873	312,409	38,377,294
Total Other Capital Assets	622,114,743	32,508,765	4,314,702	650,308,806
Less Accumulated Depreciation for:				
Buildings	(196,060,680)	(6,187,020)	-	(202,247,700)
Equipment	(168,954,722)	(14,828,005)	(3,979,013)	(179,803,714)
Improvements	(23,341,988)	(1,184,984)	(312,409)	(24,214,563)
Accumulated Depreciation	(388,357,390)	(22,200,009)	(4,291,422)	(406,265,977)
Total Net of Depreciation	\$ 291,369,931	\$ 15,947,928	\$ 1,279,395	\$ 306,038,464

HENRICO COUNTY, VIRGINIA
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JUNE 30, 2019

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 and opeb liabilities, for the year ended June 30, 2019:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
General obligation (GO) bonds	\$385,990,000	\$ 99,395,000	\$ 37,710,000	\$ 447,675,000
Capital lease obligations	41,643,906	79,620	6,784,386	34,939,140
Accrued claims payable	22,860,830	17,771,626	14,271,790	26,360,666
Accrued compensated absences	22,142,843	22,465,227	21,669,089	22,938,981
Net pension liability	163,472,868	105,746,710	111,929,262	157,290,316
Line of Duty OPEB liability	26,601,470	2,166,675	799,406	27,968,739
Net Group Life Insurance OPEB liability	16,472,124	4,051,795	4,074,607	16,449,312
Net Healthcare OPEB liability	13,646,757	4,625,629	5,444,043	12,828,343
Landfill post-closure costs	3,334,371	247,439	93,996	3,487,814
Total	<u>\$696,165,169</u>	<u>\$256,549,721</u>	<u>\$202,776,579</u>	<u>\$ 749,938,311</u>
Premium on bonds	<u>35,929,118</u>	<u>9,065,378</u>	<u>7,157,958</u>	<u>37,836,538</u>
Total long-term liabilities	732,094,287			787,774,849
Current Maturities	<u>(81,539,580)</u>			<u>(89,701,829)</u>
Net long-term liabilities	<u>\$650,554,707</u>			<u>\$ 698,073,020</u>

The current maturity of long-term liabilities at June 30, 2019 consists of the following:

General obligation bonds	\$ 42,670,000
Capital lease obligations	6,917,183
Accrued claims payable	17,666,453
Accrued compensated absences	22,448,193
Total current maturities	<u>\$ 89,701,829</u>

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, 2019 is as follows:

Long-term liabilities (detail above)	\$ 787,774,849
Net pension liability (detail above)	(157,290,316)
Net OPEB liabilities (detail above)	(57,246,394)
Internal Service Fund long-term liabilities	(248,703)
Combined adjustment	<u>\$ 572,989,436</u>

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 \$6,105,755 which represents the increase in accrued interest on bonds payable of \$1,052,203 and amortization of bond premium of \$7,157,958 for the year ended June 30, 2019.

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, 2019. In 2005, voters authorized an additional \$349,300,000 in bonds, of which \$339,700,000 has been issued as of June 30, 2019. In 2016, voters authorized \$419,800,000, of which \$201,650,000 has been issued as of June 30, 2019.

HENRICO COUNTY, VIRGINIA
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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 (which is fully defeased) 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)

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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 (which was fully defeased) 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, 2019) nor the assets placed in the trust fund are reflected in the County's financial statements.

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.

HENRICO COUNTY, VIRGINIA
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As of June 30, 2019, 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 \$22,833 at June 30, 2019.

General Obligation Bonds

Details of general obligation bonds for the County at June 30, 2019 are as follows:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance</u>
VPSA 1999A Bonds	4.35-5.23	05/01/99	07/15/19	\$ 35,740,000	\$ 1,785,000
VPSA 2000 Bonds	5.00-6.25	05/01/00	07/15/20	15,215,000	1,520,000
2009 GO. Bonds	2.00-5.00	05/13/09	03/01/22	33,785,000	7,710,000
2010 GO. Bonds	3.00-5.00	05/03/10	07/15/25	119,735,000	77,235,000
2010A GO. Bonds	2.00-5.00	07/20/10	08/01/30	72,205,000	7,220,000
2011 GO. Bonds	2.00-5.00	09/01/11	08/01/31	66,075,000	23,125,000
2012 GO. Bonds	2.00-5.00	10/03/12	08/01/26	37,500,000	37,075,000
2015 GO. Bonds	2.00-5.00	03/31/15	08/01/28	50,485,000	42,195,000
2017A GO. Bonds	3.00-5.00	05/31/17	08/01/37	102,255,000	97,140,000
2017B GO. Bonds	2.00-5.00	05/31/17	08/01/30	53,755,000	53,275,000
2018 GO. Bonds	3.00-5.00	07/31/18	08/01/38	99,395,000	<u>99,395,000</u>
TOTAL					<u>\$ 447,675,000</u>

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2020	42,670,000	18,924,563
2021	40,930,000	16,902,608
2022	38,095,000	14,948,228
2023	36,715,000	13,221,378
2024	34,065,000	11,654,903
2025-2029	142,960,000	35,821,625
2030-2034	66,960,000	12,502,678
2035-2039	<u>45,280,000</u>	<u>3,439,681</u>
TOTAL	<u>\$ 447,675,000</u>	<u>\$ 127,415,662</u>

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 (Virginia Public School Authority) 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.

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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, 2019 are as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Water and Sewer Revenue Bonds:				
2009 Refunding Bonds - \$70,360,000, 2.25% to 5.00%	\$ 3,115,000	\$ -	\$ 3,115,000	\$ -
2009A Refunding Bonds - \$22,915,000, 2.00% to 5.00%	1,370,000	-	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%	63,215,000	-	2,410,000	60,805,000
2014 Revenue Bonds - \$74,165,000, 1.00% to 5.00%	68,255,000	-	1,595,000	66,660,000
2016 Revenue and Refunding Bonds - \$123,625,000, 1.50% to 5.00%	120,540,000	-	1,300,000	119,240,000
2018 Revenue Bonds - \$102,410,000, 3.125% to 5.00%	102,410,000	-	1,840,000	100,570,000
2019 Revenue and Refunding Bonds - \$78,085,000, 3.125% to 5.00%	-	78,085,000	-	78,085,000
Total bonds payable	<u>\$ 368,705,000</u>	<u>\$ 78,085,000</u>	<u>\$ 21,430,000</u>	<u>\$ 425,360,000</u>

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Other Liabilities:				
Capital lease obligations	\$ 13,303	\$ 13,724	\$ 11,742	\$ 15,285
Accrued compensated absences	1,291,127	1,131,285	1,131,836	1,290,576
Net Healthcare OPEB liability	729,926	496,687	487,728	738,885
Net Group Life Insurance OPEB liability	1,128,296	272,814	274,350	1,126,760
Net pension liability	<u>11,661,623</u>	<u>7,118,959</u>	<u>7,535,174</u>	<u>11,245,408</u>
Total	<u>\$ 383,529,275</u>	<u>\$ 87,118,469</u>	<u>\$ 30,870,830</u>	<u>\$ 439,776,914</u>
Premium on bonds payable	<u>35,951,626</u>	<u>4,843,869</u>	<u>2,176,503</u>	<u>38,618,992</u>
Total long-term liabilities	<u>\$ 419,480,901</u>	<u>91,962,338</u>	<u>33,047,333</u>	<u>\$ 478,395,906</u>
Current maturities	<u>(12,777,267)</u>			<u>(14,524,683)</u>
Net long-term liabilities	<u>\$ 406,703,634</u>			<u>\$ 463,871,223</u>

HENRICO COUNTY, VIRGINIA
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Current maturities of long-term liabilities at June 30, 2019 consist of the following:

Revenue bonds	\$ 13,385,000
Capital lease obligations	6,189
Accrued compensated absences	<u>1,133,494</u>
Total current maturities	<u>\$ 14,524,683</u>

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 has 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.

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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.

On June 26, 2019, the County issued \$78,085,000 of Water and Sewer Revenue and Refunding Bonds to refund outstanding principal amount of \$9,800,000 of the 2009B 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 2.75% and 5% and the final maturity will occur on May 1, 2049. The principal payments range from \$1,250,000 to \$3,645,000.

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 are considered fully defeased.

In fiscal year 2019 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, 2019, \$9,800,000 of Water and Sewer System Revenue Bonds, which are considered defeased, remained outstanding.

Principal and interest payment on the Bonds for the five fiscal years subsequent to June 30, 2019, and thereafter follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2020	13,385,000	17,035,992
2021	13,470,000	16,891,312
2022	14,060,000	16,312,638
2023	14,735,000	15,625,138
2024	15,455,000	14,911,088
2025-2029	82,775,000	63,400,213
2030-2034	77,080,000	46,400,863
2035-2039	73,440,000	31,321,131
2040-2044	74,470,000	17,844,713
2045-2049	<u>46,490,000</u>	<u>4,171,525</u>
Total	<u>\$ 425,360,000</u>	<u>\$ 243,914,613</u>

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, 2019.

HENRICO COUNTY, VIRGINIA
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A summary of the changes in the School Board's long-term liabilities, including net pension liability, for the year ended June 30, 2019 is as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital lease obligations	\$ 14,835,498	\$ 21,552,124	\$ 9,410,725	\$ 26,976,897
Accrued claims payable	5,028,617	3,782,057	4,189,991	4,620,683
Net pension liability	428,111,529	143,309,665	160,623,234	410,797,960
Net Healthcare OPEB liability	12,400,407	7,046,177	7,118,411	12,328,173
Net Group Life Insurance OPEB liability	23,519,379	5,812,352	5,696,953	23,634,778
Net Teacher Health Insurance Credit				
OPEB liability	41,657,000	3,751,567	3,583,567	41,825,000
Accrued compensated absences	<u>6,260,890</u>	<u>5,264,608</u>	<u>4,951,648</u>	<u>6,573,850</u>
Total School Board	\$ 531,813,320	\$ 190,518,550	\$ 195,574,529	\$ 526,757,341
Current Maturities	<u>(14,517,679)</u>			<u>(19,394,990)</u>
Net long-term liabilities	<u>\$ 517,295,641</u>			<u>\$ 507,362,351</u>

Current maturities of long-term liabilities at June 30, 2019, consist of the following:

Capital lease obligations	\$ 10,345,738
Accrued claims payable	3,850,088
Accrued compensated absences	<u>5,199,164</u>
Total current maturities	<u>\$ 19,394,990</u>

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, 2019, is as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital lease obligations	\$ 1,610	\$ -	\$ 1,610	\$ -
Net pension liability	2,516,229	1,619,054	1,713,712	2,421,571
Net Healthcare OPEB liability	138,012	100,389	97,650	140,751
Net Group Life Insurance OPEB liability	234,869	62,140	62,490	234,519
Accrued compensated absences	<u>198,594</u>	<u>237,891</u>	<u>225,680</u>	<u>210,805</u>
Total JRJDC	\$ 3,089,314	\$ 2,019,474	\$ 2,101,142	\$ 3,007,646
Current Maturities	<u>(200,204)</u>			<u>(210,805)</u>
Net long-term liabilities	<u>\$ 2,889,110</u>			<u>\$ 2,796,841</u>

Current maturities of long-term liabilities at June 30, 2019, consist of the following:

Accrued compensated absences	\$ <u>210,805</u>
Total current maturities	<u>\$ 210,805</u>

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, \$63,810,028 of equipment and \$32,250,286 of buildings have been capitalized as of June 30, 2019. 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.

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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, \$21,552,124 of equipment has been capitalized as of June 30, 2019.

Future minimum lease payments under these capital leases for fiscal years ending after June 30, 2019, are as follows:

<u>Years</u>	<u>Equipment Lease Obligations</u>	<u>EDA Lease Obligations</u>	<u>Schools</u>	<u>Total Future Minimum Lease Payments</u>
2020	\$ 789,830	\$ 6,945,712	\$ 11,030,588	\$ 18,766,130
2021	499,164	6,886,909	10,151,622	17,537,695
2022	444,435	6,830,255	7,152,431	14,427,121
2023	428,791	3,631,064	1,416	4,061,271
2024	310,532	3,573,298	-	3,883,830
2025-2027	-	6,973,298	-	6,973,298
Total minimum lease payments	<u>\$ 2,472,752</u>	<u>\$ 34,840,536</u>	<u>\$ 28,336,057</u>	<u>\$ 65,649,345</u>
Less amount representing interest	<u>163,612</u>	<u>2,210,536</u>	<u>1,359,160</u>	<u>3,733,308</u>
Present value of future minimum lease payments	<u>\$ 2,309,140</u>	<u>\$ 32,630,000</u>	<u>\$ 26,976,897</u>	<u>\$ 61,916,037</u>

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, 2019, are as follows:

<u>Years</u>	<u>Equipment Lease Obligations</u>
2020	7,811
2021	7,375
2022	1,723
2023	<u>1,081</u>
Total minimum lease payments	17,989
Less amount representing interest	<u>2,704</u>
Present value of future minimum lease payments	<u>\$ 15,285</u>

HENRICO COUNTY, VIRGINIA
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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 \$178,000 for 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, 2019, 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, 2019, 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 \$1,470,291 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, 2019, 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 \$11,825,000 for health care claims incurred but not reported in the Health Care Fund at June 30, 2019.

In addition, the County has recorded \$14,535,666 for the County and \$4,620,683 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, 2019, that are not expected to be liquidated with current resources. Also, the County has assigned \$7,500,000 of the June 30, 2019 General Fund's Fund balance as a self-insurance reserve.

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At June 30, 2019, the County and Schools had accrued claims payable in long-term liabilities as follows:

	<u>FY 2019</u>		<u>FY 2018</u>	
	<u>County</u>	<u>Schools</u>	<u>County</u>	<u>Schools</u>
Balance, July 1	\$ 22,860,830	\$ 5,028,617	\$ 21,684,344	\$ 6,015,493
Current year claims and changes in estimates	17,771,626	3,782,057	15,492,816	3,885,722
Claim payments	<u>(14,271,790)</u>	<u>(4,189,991)</u>	<u>(14,316,330)</u>	<u>(4,872,598)</u>
Balance, June 30	<u>\$ 26,360,666</u>	<u>\$ 4,620,683</u>	<u>\$ 22,860,830</u>	<u>\$ 5,028,617</u>

D. Commitments

At June 30, 2019, the County had contractual commitments for the construction of various projects as follows:

	<u>Primary Government</u>	<u>Component Unit-Schools</u>
Capital Projects Funds:		
Computer and Technology Improvements	\$ 2,453,419	\$ -
Buildings and Grounds	8,907,183	-
Road Maintenance	12,644,084	-
Landfill Expansion and Development	193,220	-
Public Safety Projects	37,504,330	-
Public Works	4,155,664	-
Parks and Recreation	5,244,001	-
Libraries	12,809,778	-
Education Projects	<u>17,441,951</u>	<u>7,860,850</u>
Total	<u>\$ 101,353,630</u>	<u>\$ 7,860,850</u>
Enterprise Funds:		
Wastewater Treatment Projects	\$ 47,131,207	
Water Plant Projects	71,318,598	
Computer and Information Systems	<u>2,002,419</u>	
Total	<u>\$ 120,452,224</u>	

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, 2019, the County had encumbrances expected to be honored upon performance by vendors in the next year as follows:

General Fund	6,154,137
Special Revenue Fund	4,401,950
Capital Projects Fund	<u>99,348,372</u>
Total	<u>\$109,904,459</u>

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 \$2,401,951 and \$589,752, respectively, for the fiscal year 2019.

HENRICO COUNTY, VIRGINIA
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At June 30, 2019, the approximate future annual long-term commitments for these operating leases were as follows:

<u>Years</u>	<u>County Real Property</u>	<u>School Board Real Property</u>	<u>Total</u>
2020	\$ 2,129,286	\$ 593,296	\$ 2,722,582
2021	1,964,524	563,256	2,527,780
2022	1,709,230	574,441	2,283,671
2023	1,335,318	270,650	1,605,968
2024	1,190,105	123,385	1,313,490
2025-2029	4,198,737	630,690	4,829,427
2029 & After	<u>2,480,119</u>	-	<u>2,480,119</u>
Total	<u>\$ 15,007,319</u>	<u>\$ 2,755,718</u>	<u>\$ 17,763,037</u>

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 lease agreements for periods ranging from one to fifty years. The cost and accumulated depreciation on leased property at June 30, 2019, was \$24,811,691 and \$1,784,676, respectively.

At June 30, 2019, the future minimum rentals receivable for these existing leases were as follows:

<u>Years</u>	<u>Total</u>
2020	\$ 716,324
2021	422,109
2022	400,848
2023	212,187
2024	153,164
2025-2029	439,772
2030-2034	210,857
2035-After	<u>574,544</u>
Total	<u>\$ 3,129,805</u>

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 nine years. The cost and accumulated depreciation on leased property at June 30, 2019, was \$4,388,282 and \$1,205,622, respectively.

At June 30, 2019, the future minimum rentals receivable for these existing leases were as follows:

<u>Years</u>	<u>Total</u>
2020	\$ 42,669
2021	21,424
2022	26,629
2023	27,102
2024	27,102
2025-2029	<u>56,463</u>
Total	<u>\$ 201,389</u>

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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, 2019, was \$3,040,177.

At June 30, 2019, the future minimum rentals receivable for these existing leases were as follows:

<u>Years</u>	<u>Total</u>
2020	\$ 60,531
2021	63,964
2022	69,203
2023	71,279
2024	73,418
2025-2029	397,716
2030-2034	461,062
2035-After	<u>489,449</u>
Total	<u>\$ 1,686,622</u>

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

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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, 2018 actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	<u>County*</u>	<u>School Board Non-Professional Group</u>
Inactive members or their beneficiaries currently receiving benefits	3,093	102
Inactive members:		
Vested	711	14
Non-vested	1,328	67
Active elsewhere in VRS	<u>1,126</u>	<u>89</u>
Total inactive members	3,165	170
Active members	<u>5,108</u>	<u>39</u>
Total	<u>11,366</u>	<u>311</u>

*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

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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 2019 were 13.29 percent and 26.89 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, 2019, the County and School Board Non-Professional Group reported a net pension liability of \$192,224,250 and \$2,661,005, 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 \$154,908,588, \$10,968,797, \$276,611, \$2,421,571, \$2,381,728 and \$21,266,955 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, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

HENRICO COUNTY, VIRGINIA
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Change in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Governmental Activities			
Balances at June 30, 2018	\$1,119,905,128	\$956,432,260	\$163,472,868
Changes for the year:			
Service cost	26,412,598	-	26,412,598
Interest	78,641,385	-	78,641,385
Difference between expected and actual experience	(2,495,542)	-	(2,495,542)
Contributions-employer	-	26,807,419	(26,807,419)
Contributions-employee	-	10,318,099	(10,318,099)
Net investment income	-	72,308,202	(72,308,202)
Benefit payments, including refunds of employee contributions	(57,951,397)	(57,951,397)	-
Administrative expense	-	(628,498)	628,498
Other changes	-	(64,229)	64,229
Net changes	44,607,044	50,789,596	(6,182,552)
Balances at June 30, 2019	\$1,164,512,172	\$1,007,221,856	\$157,290,316
 Business-Type Activities			
Balances at June 30, 2018	\$79,697,011	\$68,035,388	\$11,661,623
Changes for the year:			
Service cost	1,778,119	-	1,778,119
Interest	5,294,205	-	5,294,205
Difference between expected and actual experience	(168,002)	-	(168,002)
Contributions-employer	-	1,804,698	(1,804,698)
Contributions-employee	-	694,623	(694,623)
Net investment income	-	4,867,851	(4,867,851)
Benefit payments, including refunds of employee contributions	(3,901,338)	(3,901,338)	-
Administrative expense	-	(42,311)	42,311
Other changes	-	(4,324)	4,324
Net changes	3,002,984	3,419,199	(416,215)
Balances at June 30, 2019	\$82,699,995	\$71,454,587	\$11,245,408

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Change in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
School Board C&M			
Balances at June 30, 2018	\$149,155,810	\$127,254,834	\$21,900,976
Changes for the year:			
Service cost	2,708,614	-	2,708,614
Difference between expected and actual experience	(255,918)	-	(255,918)
Interest	8,064,680	-	8,064,680
Contributions-employer	-	2,749,103	(2,749,103)
Contributions-employee	-	1,058,122	(1,058,122)
Net investment income	-	7,415,212	(7,415,212)
Benefit payments, including refunds of employee contributions	(5,942,920)	(5,942,920)	-
Administrative expense	-	(64,453)	64,453
Other changes	-	(6,587)	6,587
Net changes	<u>4,574,456</u>	<u>5,208,477</u>	<u>(634,021)</u>
Balances at June 30, 2019	<u>\$153,730,266</u>	<u>\$132,463,311</u>	<u>\$21,266,955</u>

Change in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
School Board Non-Professional Group			
Balances at June 30, 2018	\$8,276,698	\$5,468,145	\$2,808,553
Changes for the year:			
Service cost	56,131	-	56,131
Difference between expected and actual experience	(134,067)	-	(134,067)
Interest	554,959	-	554,959
Contributions-employer	-	209,478	(209,478)
Contributions-employee	-	31,431	(31,431)
Net investment income	-	387,642	(387,642)
Benefit payments, including refunds of employee contributions	(697,423)	(697,423)	-
Administrative expense	-	(3,645)	3,645
Other changes	-	(335)	335
Net changes	<u>(220,400)</u>	<u>(72,852)</u>	<u>(147,548)</u>
Balances at June 30, 2019	<u>\$8,056,298</u>	<u>\$5,395,293</u>	<u>2,661,005</u>

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, 2018 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
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

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	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, 2017 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 26,20,19,18 and 17 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 model 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%.

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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.

Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY2012 or 90% of the actuarially determined contribution rate from June 30, 2015, actuarial valuations, whichever was greater.

From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return 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, School Board C&M's proportionate share and the 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	\$309,921,734	\$157,290,317	\$38,549,312
Business-Type Activities proportionate share of the net pension liability	\$20,864,197	\$11,245,408	\$2,595,173
School Board C&M proportionate share of the net pension liability	\$31,782,499	\$21,266,955	\$3,953,235
School Board Non-Professional Group	\$3,454,395	\$2,661,005	\$1,987,942
James River Juvenile Detention Center proportionate share of the net pension liability	\$4,745,111	\$2,421,571	\$590,216

H. Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, the County's Governmental Activities, Business-Type Activities, School Board and JRJDC employee allocation, reported a net pension liability of \$157,290,316, \$11,245,408, \$21,266,955 and \$2,421,571 respectively, for its proportionate share of the net pension liability. The School Board Non-Professional Group reported a net pension liability of \$2,661,005. At June 30, 2019, the Governmental Activities, Business-Type Activities, JRJDC and Schools C&M proportion of the County of Henrico was 84.38 percent, 5.68 percent, 1.29 percent and 8.65 percent, respectively. The County's Governmental Activities, Business-Type Activities, Schools C&M and JRJDC recognized pension expense of \$10,422,318, \$690,124, \$595,259 and \$13,537 respectively. The total pension expense for the County's Primary Government is \$11,112,442. The School Board Non-Professional Group recognized pension expense of \$25,998.

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

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	Deferred Outflow of Resources	Deferred Inflow of Resources
<u>Primary Government</u>		
Governmental Activities		
Change in pension proportionate share allocation	\$ 2,585,225	\$ 41,778
Difference between expected and actual experience	-	10,607,855
Changes of assumptions	1,835,399	-
Difference between projected and actual earnings on pension plan investments	22,309,549	30,802,977
Pension contributions after the measurement date	28,477,541	-
Total	\$ 55,207,714	\$ 41,452,610
Business-Type Activities		
Change in pension proportionate share allocation	\$ 6,616	\$ 130,996
Difference between expected and actual experience	-	729,567
Changes of assumptions	126,365	-
Difference between projected and actual earnings on pension plan investments	1,552,497	2,115,636
Pension contributions after the measurement date	1,894,281	-
Total	\$ 3,579,759	\$ 2,976,199
<u>Total Primary Government</u>		
Change in pension proportionate share allocation	\$ 2,591,841	\$ 172,774
Difference between expected and actual experience	-	11,337,422
Changes of assumptions	1,961,764	-
Difference between projected and actual earnings on pension plan investments	23,862,046	32,918,613
Pension contributions after the measurement date	30,371,822	-
Total	\$ 58,787,473	\$ 44,428,809
<u>Component Unit</u>		
Schools C&M		
Change in pension proportionate share allocation	\$ -	\$ 2,498,843
Difference between expected and actual experience	-	1,209,183
Changes of assumptions	207,868	-
Difference between projected and actual earnings on pension plan investments	2,772,387	3,452,813
Pension contributions after the measurement date	2,957,198	-
Total	\$ 5,937,453	\$ 7,160,839
Schools Non-Professional Group		
Difference between projected and actual earnings on pension plan investments	\$ 145,824	\$ 172,069
Pension contributions after the measurement date	156,828	-
Total	\$ 302,652	\$ 172,069
James River Juvenile Detention Center		
Change in pension proportionate share allocation	\$ 137,730	\$ 57,954
Difference between expected and actual experience	-	155,552
Changes of assumptions	26,348	-
Difference between projected and actual earnings on pension plan investments	334,587	445,379
Pension contributions after the measurement date	415,583	-
Total	\$ 914,248	\$ 658,885

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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	JRJDC
2020	\$ (261,247)	\$ (147,613)	\$ (1,265,219)	\$ 31,015	(3,067)
2021	(3,222,519)	(308,539)	(1,216,494)	2,893	(33,843)
2022	(10,403,125)	(778,319)	(1,613,185)	(55,956)	(110,520)
2023	<u>(835,546)</u>	<u>(56,250)</u>	<u>(85,686)</u>	<u>(4,197)</u>	<u>(12,790)</u>
	<u>\$ (14,722,437)</u>	<u>\$ (1,290,721)</u>	<u>\$ (4,180,584)</u>	<u>\$ (26,245)</u>	<u>(160,220)</u>

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.

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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 51.1-145 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, 2019, was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, 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. The School Board Teacher's contributions to VRS for the years ending 2019, 2018, and 2017 were \$44,057,330, \$44,126,503 and \$38,766,250, 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, 2019, the County's Component Unit, the School Board and JRJDC reported a net pension liability of \$410,797,960 and \$2,421,571, respectively. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018. 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 based 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 \$410,797,960 is made up of three groups of employees. The Teacher's net pension liability of \$386,870,000, the School Board Non-Professional Group net pension liability of \$2,661,005 and the School C&M net pension liability of \$21,266,955. For the year ended June 30, 2019, the Teacher Retirement Plan, School Board Non-Professional Group and Schools C&M Group reported pension expense of \$23,736,295, \$25,998 and \$595,259, respectively. The School Board's participation in the VRS cost-sharing plan was 3.29% as of June 30, 2019.

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As of June 30, 2019, the School Board's net pension liability for the Teacher Retirement Plan is as follows:

<u>Teachers</u>	
Total pension liability	\$1,531,316,408
Fiduciary net position	<u>1,144,446,408</u>
Net pension liability	<u>\$ 386,870,000</u>
<u>Schools Non-Professional Group</u>	
Total pension liability	\$ 8,056,298
Fiduciary net position	<u>5,395,293</u>
Net pension liability	<u>\$ 2,661,005</u>
<u>Schools C&M</u>	
Total pension liability	\$ 153,730,266
Fiduciary net position	<u>132,463,311</u>
Net pension liability	<u>\$ 21,266,955</u>
<u>Total Schools</u>	
Total pension liability	\$1,693,102,972
Fiduciary net position	<u>1,282,305,012</u>
Net pension liability	<u>\$ 410,797,960</u>
Plan fiduciary net position as a percentage of the total pension liability	76%

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, 2017, 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, 2018:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
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 purposes 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.

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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, 2017 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Real Rate of Return</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
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	<u>100.00%</u>		4.80%
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u><u>7.30%</u></u>

* 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%.

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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, 2018, 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, which was 100% of the actuarially determined contribution rate. From July 1, 2018 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 School Board's proportionate share of the net pension liability to changes in the discount rate.

The following presents the School Board'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%)
<u>School Board</u>			
Teacher's proportionate share of the net pension liability	\$ 590,953,000	\$ 386,870,000	\$ 217,945,000
School Board Non-Professional Group net pension liability	3,454,395	2,661,005	1,987,942
School Board C&M's proportionate share of the net pension liability	31,782,499	21,266,955	3,953,235
Total all Schools	\$ 626,189,894	\$ 410,797,960	\$ 223,886,177

H. Deferred Outflows and Inflows of Resources Related to Pensions

The School Board has recognized deferred outflows of resources of \$47,171,356 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, 2020. The School Board has recognized deferred outflows of resources of \$28,549,586 resulting from the difference between projected and actual earnings on pension plan investments. The School Board has recognized deferred outflows of resources of \$1,343,000 resulting from a change in the proportionate share allocation of the beginning net pension liability for the actuarial measurement date June 30, 2018. The School Board has recognized deferred outflows of resources resulting from changes of assumptions.

The School Board has recognized deferred inflows of resources of \$37,468,237 resulting from the difference between projected and actual earnings on pension plan investments. The School Board has recognized deferred inflows of resources of \$5,607,843 resulting from a change in the proportionate share allocation of the beginning net pension liability for the actuarial measurement date June 30, 2018. The School Board has recognized deferred inflows of resources of \$34,183,489 resulting from the difference between expected and actual experience.

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As of June 30, 2019, the School Board's deferred outflows and inflows of resources is as follows:

<u>Deferred Outflows of Resources</u>	
Teachers – employer contributions	\$ 44,057,330
Teachers – difference in earnings	25,631,375
Teachers – proportionate share	2,382,000
Teachers – changes of assumptions	4,604,496
Schools Non-Professional Group – employer contributions	156,828
Schools Non-Professional Group – difference in earnings	145,824
Schools C&M – employer contributions	2,957,198
Schools C&M – changes of assumptions	207,868
Schools C&M – difference in earnings	<u>2,772,387</u>
Total Deferred Outflows of Resources	<u>\$82,915,306</u>
<u>Deferred Inflows of Resources</u>	
Teachers – difference in earnings	\$ 33,843,355
Teachers – proportionate share	3,109,000
Teachers – difference in experience	32,974,306
Schools Non-Professional Group – difference in earnings	172,069
Schools C&M – difference in earnings	3,452,813
Schools C&M – proportionate share	2,498,843
Schools C&M – difference in experience	<u>1,209,183</u>
Total Deferred Inflows of Resources	<u>\$77,259,569</u>

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
2020	\$ (5,621,369)	\$ 31,015	\$ (1,265,219)	\$ (6,855,573)
2021	(8,775,369)	2,893	(1,216,494)	(9,988,970)
2022	(16,597,670)	(55,956)	(1,613,185)	(18,266,811)
2023	(4,902,517)	(4,197)	(85,686)	(4,992,400)
Thereafter	<u>(1,411,865)</u>	<u>-</u>	<u>-</u>	<u>(1,411,865)</u>
	<u>\$ (37,308,790)</u>	<u>\$ (26,245)</u>	<u>\$ (4,180,584)</u>	<u>\$ (41,515,619)</u>

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.

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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 employer's covered payroll for June 30, 2018. The County's Teacher portion was \$42,535,000. The employer contributions of \$42,535,000 are reported in the VRS Teacher Employee's Retirement Plan's Statement of Changes in Net Position per the System's separately issued financial statements.

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's 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.

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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, 2019, membership for the postemployment healthcare benefits consisted of:

Retirees and beneficiaries	1,317
Active employees	<u>10,523</u>
Total participants	<u>11,840</u>

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, 2019, 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, 2019. 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, 2019, the County's Governmental Activities, Business-Type Activities, School Board and JRJDC's employee allocation, reported a net postemployment healthcare OPEB liability of \$12,828,343, \$738,885, \$12,328,175 and \$140,751 respectively, for its proportionate share of the net pension liability. At June 30, 2019, the Governmental Activities, Business-Type Activities, School Board and JRJDC proportion of the County of Henrico was 49.27 percent, 2.84 percent, 47.35 percent and .54 percent, respectively.

For the year ended June 30, 2019, the County's Governmental Activities, Business-Type Activities, School Board and JRJDC recognized healthcare OPEB expense of (\$201,431) \$64,584, \$1,419,133 and \$13,108, respectively. For the year ended June 30, 2019, 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 \$2,029,828.

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As of June 30, 2019, the County's Primary Government net Healthcare OPEB liability is as follows:

<u>Governmental Activities</u>	
Total Healthcare OPEB liability	\$ 46,604,175
Fiduciary net position	<u>33,775,832</u>
Net Healthcare OPEB liability	<u>\$ 12,828,343</u>
<u>Business-Type Activities</u>	
Total Healthcare OPEB liability	\$ 2,684,305
Fiduciary net position	<u>1,945,420</u>
Net Healthcare OPEB liability	<u>\$ 738,885</u>
<u>Total Primary Government</u>	
Total Healthcare OPEB liability	\$ 49,288,480
Fiduciary net position	<u>35,721,252</u>
Net Healthcare OPEB liability	<u>\$ 13,567,228</u>
Plan fiduciary net position as a percentage of the total Healthcare OPEB liability	72%

As of June 30, 2019, the County's Component Unit net Healthcare OPEB liability is as follows:

<u>Schools</u>	
Total Healthcare OPEB liability	\$ 44,787,110
Fiduciary net position	<u>32,458,935</u>
Net Healthcare OPEB liability	<u>\$ 12,328,175</u>
<u>JRJDC</u>	
Total Healthcare OPEB liability	\$ 511,334
Fiduciary net position	<u>370,583</u>
Net Healthcare OPEB liability	<u>\$ 140,751</u>
<u>Total Component Unit</u>	
Total Healthcare OPEB liability	\$ 45,298,444
Fiduciary net position	<u>32,829,518</u>
Net Healthcare OPEB liability	<u>\$ 12,468,926</u>
Plan fiduciary net position as a percentage of the total net Group Life Insurance OPEB liability	72%

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Change in the Net Healthcare OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Governmental Activities			
Balances at June 30, 2018	\$44,745,616	\$31,098,859	\$13,646,757
Changes for the year:			
Service cost	1,487,911	-	1,487,911
Interest	3,137,464	-	3,137,464
Changes of assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions-employer	-	3,217,843	(3,217,843)
Contributions-employee	-	-	-
Net investment income	-	2,226,200	(2,226,200)
Benefit payments, including refunds of employee contributions	(1,313,667)	(1,313,667)	-
Administrative expense	-	(254)	254
Other changes	-	-	-
Net changes	<u>3,311,708</u>	<u>4,130,122</u>	<u>(818,414)</u>
Balances at June 30, 2019	<u>48,057,324</u>	<u>35,228,981</u>	<u>12,828,343</u>
Business-Type Activities			
Balances at June 30, 2018	2,393,315	1,663,389	729,926
Changes for the year:			
Service cost	154,943	-	154,943
Interest	167,814	-	167,814
Changes of assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions-employer	-	194,738	(194,738)
Contributions-employee	-	-	-
Net investment income	-	119,073	(119,073)
Benefit payments, including refunds of employee contributions	(205,678)	(205,678)	-
Administrative expense	-	(13)	13
Other changes	-	-	-
Net changes	<u>117,079</u>	<u>108,120</u>	<u>8,959</u>
Balances at June 30, 2019	<u>2,510,394</u>	<u>1,771,509</u>	<u>738,885</u>
Total Primary Government			
Balances at June 30, 2018	47,138,931	\$32,762,248	14,376,683
Changes for the year:			
Service cost	1,642,854	-	1,642,854
Interest	3,305,278	-	3,305,278
Changes of assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions-employer	-	3,412,581	(3,412,581)
Contributions-employee	-	-	-
Net investment income	-	2,345,273	(2,345,273)
Benefit payments, including refunds of employee contributions	(1,519,345)	(1,519,345)	-
Administrative expense	-	(267)	267
Other changes	-	-	-
Net changes	<u>3,428,787</u>	<u>4,238,242</u>	<u>(809,455)</u>
Balances at June 30, 2019	<u>50,567,718</u>	<u>37,000,490</u>	<u>13,567,228</u>

HENRICO COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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Change in the Net Healthcare OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
School Board			
Balances at June 30, 2018	40,659,031	28,258,624	12,400,407
Changes for the year:			
Service cost	2,954,189	-	2,954,189
Interest	2,850,922	-	2,850,922
Changes of assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions-employer	-	3,854,690	(3,854,690)
Contributions-employee	-	-	-
Net investment income	-	2,022,883	(2,022,883)
Benefit payments, including refunds of employee contributions	(2,917,809)	(2,917,809)	-
Administrative expense	-	(230)	230
Other changes	-	-	-
Net changes	<u>2,887,302</u>	<u>2,959,534</u>	<u>(72,232)</u>
Balances at June 30, 2019	<u>43,546,333</u>	<u>31,218,158</u>	<u>12,328,175</u>
James River Juvenile Detention Center			
Balances at June 30, 2018	452,520	314,508	138,012
Changes for the year:			
Service cost	30,192	-	30,192
Interest	31,730	-	31,730
Changes of assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions-employer	-	36,672	(36,672)
Contributions-employee	-	-	-
Net investment income	-	22,514	(22,514)
Benefit payments, including refunds of employee contributions	(41,571)	(41,571)	-
Administrative expense	-	(3)	3
Other changes	-	-	-
Net changes	<u>20,351</u>	<u>17,612</u>	<u>2,739</u>
Balances at June 30, 2019	<u>472,871</u>	<u>332,120</u>	<u>140,751</u>
Total Component Unit			
Balances at June 30, 2018	41,111,551	28,573,132	12,538,419
Changes for the year:			
Service cost	2,984,381	-	2,984,381
Interest	2,882,652	-	2,882,652
Changes of assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions-employer	-	3,891,362	(3,891,362)
Contributions-employee	-	-	-
Net investment income	-	2,045,397	(2,045,397)
Benefit payments, including refunds of employee contributions	(2,959,380)	(2,959,380)	-
Administrative expense	-	(233)	233
Other changes	-	-	-
Net changes	<u>2,907,653</u>	<u>2,977,146</u>	<u>(69,493)</u>
Balances at June 30, 2019	<u>44,019,204</u>	<u>31,550,278</u>	<u>12,468,926</u>

HENRICO COUNTY, VIRGINIA
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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.

HENRICO COUNTY, VIRGINIA
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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, 2019, 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, 2019, 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%

HENRICO COUNTY, VIRGINIA
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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 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.

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 liability	\$ 17,969,939	\$ 12,828,343	\$ 8,418,213
Business-Type Activities proportionate share of the net OPEB liability	\$ 1,017,164	\$ 738,885	\$ 497,224
School Board proportionate share of the net OPEB liability	\$ 17,231,388	\$ 12,328,175	\$ 8,059,212
James River Juvenile Detention Center proportionate share of the net OPEB liability	\$ 196,603	\$ 140,751	\$ 92,151

HENRICO COUNTY, VIRGINIA
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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% decreasing to 4% over 12 years	Current Rate 8% decreasing to 5% over 12 years	1% Increase 9% decreasing to 6% over 12 years
Healthcare OPEB			
Governmental Activities proportionate share of the net OPEB liability	\$ 9,425,159	\$ 12,828,343	\$ 16,829,037
Business-Type Activities proportionate share of the net OPEB liability	\$ 546,681	\$ 738,885	\$ 961,189
School Board proportionate share of the net OPEB liability	\$ 7,162,171	\$ 12,328,175	\$ 18,484,072
James River Juvenile Detention Center proportionate share of the net OPEB liability	\$ 99,667	\$ 140,751	\$ 187,956

HENRICO COUNTY, VIRGINIA
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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
<u>Primary Government</u>		
Governmental Activities		
Difference between expected and actual experience	\$ -	\$ 10,215,143
Changes of assumptions	-	2,057,085
Difference between projected and actual earnings on opeb plan investments		439,244
Total	\$ -	\$ 12,711,472
Business-Type Activities		
Difference between expected and actual experience	\$ -	\$ 546,379
Changes of assumptions	-	110,027
Difference between projected and actual earnings on opeb plan investments		23,495
Total	\$ -	\$ 679,901
<u>Total Primary Government</u>		
Difference between expected and actual experience	\$ -	\$ 10,761,522
Changes of assumptions	-	2,167,112
Difference between projected and actual earnings on opeb plan investments		462,739
Total	\$ -	\$ 13,391,373
<u>Component Units</u>		
School Board		
Difference between expected and actual experience	\$ -	\$ 9,282,201
Changes of assumptions	-	1,869,213
Difference between projected and actual earnings on opeb plan investments		399,127
Total	\$ -	\$ 11,550,541
JRJDC		
Difference between expected and actual experience	\$ -	\$ 103,307
Changes of assumptions	-	20,803
Difference between projected and actual earnings on opeb plan investments		4,443
Total	\$ -	\$ 128,553
<u>Total Component Unit</u>		
Difference between expected and actual experience	\$ -	\$ 9,385,508
Changes of assumptions	-	1,890,016
Difference between projected and actual earnings on opeb plan investments		403,570
Total	\$ -	\$ 11,679,094

HENRICO COUNTY, VIRGINIA
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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
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)
	\$ (12,711,472)	\$ (679,901)	\$ (11,550,541)	\$ (128,553)

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	<u>51</u>
 Total participants	 <u>1,737</u>

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 total line of duty OPEB liability of \$27,968,739 and OPEB expense of \$2,166,675 at June 30, 2019.

HENRICO COUNTY, VIRGINIA
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Change in the Net Line of Duty OPEB Liability

Governmental Activities	<u>Total OPEB Liability</u>
Balances at June 30, 2018	\$ 26,601,470
Changes for the year:	
Service cost	1,357,325
Interest	809,350
Contributions-employer	(799,406)
Benefit payments, including refunds of employee contributions	-
Net changes	<u>1,367,269</u>
Balances at June 30, 2019	<u>\$ 27,968,739</u>

D. Actuarial Assumptions

In the June 30, 2018 actuarial valuation for postemployment line of duty benefits, which was used for the June 30, 2019 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:

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	1% Decrease (1.98%)	Discount Rate (2.98%)	1% Increase (3.98%)
Line of Duty OPEB			
Governemntal acivities - OPEB liability	\$32,427,691	\$27,968,739	\$24,406,716

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	\$23,647,603	\$27,968,739	\$33,467,447

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.

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- 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, 2019, was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Governmental Activities contributions to the Group Life Insurance Program for the VRS for the years ending June 30, 2019 and 2018 were \$1,504,688 and \$1,454,767, 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, 2019 and 2018 were \$73,840 and \$71,947, 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, 2019 and 2018 were \$1,579,290 and \$1,524,612, 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, 2019 and 2018 were \$16,240 and \$16,388 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, 2019, the County’s Governmental Activities, Business-Type Activities, School Board and JRJDC reported a net Group Life Insurance OPEB liability of \$16,449,312, \$1,126,760, \$23,634,409 and \$234,519

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respectively. The net Group Life Insurance OPEB liability was measured as of June 30, 2018, 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, 2017, and rolled forward to the measurement date of June 30, 2018. 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, 2019, the County's Primary Government net Group Life Insurance OPEB liability is as follows:

<u>Governmental Activities</u>	
Total Group Life Insurance OPEB liability	\$ 34,062,796
Fiduciary net position	<u>17,613,484</u>
Net Group Life Insurance OPEB liability	<u>\$ 16,449,312</u>
<u>Business-Type Activities</u>	
Total Group Life Insurance OPEB liability	\$ 2,331,048
Fiduciary net position	<u>1,204,288</u>
Net Group Life Insurance OPEB liability	<u>\$ 1,126,760</u>
<u>Total Primary Government</u>	
Total Group Life Insurance OPEB liability	\$ 36,393,844
Fiduciary net position	<u>18,817,772</u>
Net Group Life Insurance OPEB liability	<u>\$ 17,576,072</u>
Plan fiduciary net position as a percentage of the total Group Life Insurance OPEB liability	52%

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 \$23,634,409 is made up of three groups of employees. The Teacher's net Group Life Insurance OPEB liability of \$21,416,000, the School Board Non-Professional Group net Group Life Insurance OPEB liability of \$59,000 and the School C&M net Group Life Insurance OPEB liability of \$2,159,409. 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 \$1,296,000 as of the measurement date of June 30, 2018. For the year ended June 30, 2019, the School Board C&M proportion share allocation was 10.73 percent. For the year ended June 30, 2019, the Teacher Plan, School Board Non-Professional Group and Schools C&M Group reported Group Life Insurance OPEB expense of \$140,000, \$4,000 and \$15,457, respectively. The School Board's participation in the VRS cost-sharing plan for the Teacher Plan and School Board Non-Professional Group was 1.41% and .0038%, respectively as of June 30, 2019.

As of June 30, 2019, the School Board's net Group Life Insurance OPEB liability is as follows:

<u>Teachers</u>	
Total Group Life Insurance OPEB liability	\$ 43,905,000
Fiduciary net position	<u>22,489,000</u>
Net Group Life Insurance OPEB liability	<u>\$ 21,416,000</u>

HENRICO COUNTY, VIRGINIA
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<u>Schools Non-Professional Group</u>	
Total Group Life Insurance OPEB liability	\$ 121,000
Fiduciary net position	<u>62,000</u>
Net Group Life Insurance OPEB liability	<u>\$ 59,000</u>
<u>Schools C&M</u>	
Total Group Life Insurance OPEB liability	\$ 4,394,432
Fiduciary net position	<u>2,235,023</u>
Net Group Life Insurance OPEB liability	<u>\$ 2,159,409</u>
<u>Total Schools</u>	
Total Group Life Insurance OPEB liability	\$ 48,420,432
Fiduciary net position	<u>24,786,023</u>
Net Group Life Insurance OPEB liability	<u>\$ 23,634,409</u>
Plan fiduciary net position as a percentage of the total net Group Life Insurance OPEB liability	51%

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 \$1,296,000 as of the measurement date of June 30, 2018. At June 30, 2018, JRJDC's proportion share was 1.26 percent. For the year ended June 30, 2019, JRJDC reported Group Life Insurance OPEB expense of \$1,821.

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, 2017
Measurement Date	June 30, 2018
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

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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, 2017 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 changed the final retirement from 70 to 75, adjusted withdrawal rates to better fit experience at each year of 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Real Rate of Return</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
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	<u>100.00%</u>		4.80%
	Inflation		<u>2.50%</u>

* 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%.

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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, 2018, 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, 2018 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:

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
<u>Primary Government</u>			
Governmental Activities proportionate share of the net group life insurance opeb liability	\$ 21,517,785	\$ 16,449,312	\$ 12,362,545
Business-Type Activities proportionate share of the net group life insurance opeb liability	<u>1,448,820</u>	<u>1,126,760</u>	<u>832,386</u>
Total Primary Government	<u>\$ 22,966,605</u>	<u>\$ 17,576,072</u>	<u>\$ 13,194,931</u>
<u>School Board</u>			
Teacher's proportionate share of the net group life insurance opeb liability	\$ 27,988,000	\$ 21,416,000	\$ 16,080,000
School Board Non-Professional Group net group life insurance opeb liability	77,000	59,000	44,000
School Board C&M's proportionate share of the net group life insurance opeb liability	<u>2,801,385</u>	<u>2,159,409</u>	<u>1,609,470</u>
Total all Schools	<u>\$ 30,866,385</u>	<u>\$ 23,634,409</u>	<u>\$ 17,733,470</u>
<u>James River Juvenile Detention Center</u>			
James River Juvenile Detention Center proportionate share of the net group life insurance opeb liability	\$ 330,010	\$ 234,519	\$ 189,599

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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 \$1,504,688, \$73,840, \$1,579,290 and \$16,240, 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 \$124,106, \$8,500, \$28,959 and \$1,769 respectively, resulting from changes in proportionate share. The County’s Governmental Activities, Business-Type Activities, School Board and JRJDC have recognized deferred outflows of resources of \$804,711, \$54,182, \$1,154,815 and \$12,342 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 \$297,946, \$20,409, \$422,824 and \$4,248 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 \$535,475, \$36,597, \$771,491 and \$7,711 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 \$664,893, \$45,544, \$986,239 and \$9,480 respectively, resulting from changes of assumptions. The County’s Governmental Activities, Business-Type Activities, School Board and JRJDC have recognized deferred inflows of resources of \$162,426, \$10,937, \$96,146 and \$2,491 respectively, resulting from changes in proportionate share.

As of June 30, 2019, the County’s Primary Government deferred outflows and inflows of resources is as follows:

<u>Deferred Outflows of Resources</u>	
Governmental Activities – employer contributions	\$ 1,504,688
Governmental Activities – proportionate share	124,106
Governmental Activities – difference in experience	804,711
Business-Type Activities – employer contributions	73,840
Business-Type Activities – proportionate share	8,500
Business-Type Activities – difference in experience	<u>54,182</u>
Total Deferred Outflows of Resources	<u>\$2,570,027</u>
 <u>Deferred Inflows of Resources</u>	
Governmental Activities – difference in experience	\$ 297,946
Governmental Activities – difference in earnings	535,475
Governmental Activities – change of assumptions	664,893
Governmental Activities – proportionate share	162,426
Business-Type Activities – difference in experience	20,409
Business-Type Activities – difference in earnings	36,597
Business-Type Activities – change of assumptions	45,544
Business-Type Activities – proportionate share	<u>10,937</u>
Total Deferred Inflows of Resources	<u>\$1,774,227</u>

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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
2020	\$ (265,623)	\$ (18,286)	\$ (283,909)
2021	(265,623)	(18,286)	(283,909)
2022	(265,623)	(18,286)	(283,909)
2023	(56,625)	(4,033)	(60,658)
Thereafter	<u>121,571</u>	<u>8,086</u>	<u>129,657</u>
	<u>\$ (731,923)</u>	<u>\$ (50,805)</u>	<u>\$ (782,728)</u>

As of June 30, 2019, the School Board's deferred outflows and inflows of resources are as follows:

Deferred Outflows of Resources

Teachers – employer contributions	\$ 1,432,906
Teachers – difference in experience	1,047,050
Teachers – proportionate share	12,667
Schools Non-Professional Group – employer contributions	3,336
Schools Non-Professional Group – difference in experience	3,000
Schools C&M – employer contributions	143,048
Schools C&M – difference in experience	104,765
Schools C&M – proportionate share	<u>16,292</u>
Total Deferred Outflows of Resources	<u>\$2,763,064</u>

Deferred Inflows of Resources

Teachers – difference in experience	\$ 382,894
Teachers – difference in earnings	699,274
Teachers – change of assumptions	896,273
Teachers – proportionate share	75,000
Schools Non-Professional Group – difference in experience	817
Schools Non-Professional Group – difference in earnings	2,000
Schools Non-Professional Group – change of assumptions	2,683
Schools C&M – difference in experience	39,113
Schools C&M – difference in earnings	70,217
Schools C&M – change of assumptions	87,283
Schools C&M – proportionate share	<u>21,146</u>
Total Deferred Inflows of Resources	<u>\$2,276,700</u>

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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
2020	\$ (338,829)	\$ (567)	\$ (34,954)	(374,350)
2021	(338,829)	(567)	(34,954)	(374,350)
2022	(338,829)	(567)	(34,954)	(374,350)
2023	(114,829)	(567)	(7,577)	(122,973)
2024	63,615	(442)	15,737	78,910
Thereafter	<u>73,977</u>	<u>210</u>	<u>-</u>	<u>74,187</u>
	<u>\$ (993,724)</u>	<u>\$ (2,500)</u>	<u>\$ (96,702)</u>	<u>(1,092,926)</u>

Year Ending June 30:	James River Juvenile Detention Center
2020	\$ (3,704)
2021	(3,704)
2022	(3,704)
2023	(666)
Thereafter	<u>1,959</u>
	<u>\$ (9,819)</u>

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.

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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, 23008-

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

<p>Eligible Employees</p> <p>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.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ \$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.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • 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, 2019 was 1.20% 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, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the

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VRS Teacher Employee Health Insurance Credit Program were \$3,332,252 and \$3,277,406 for the years ended June 30, 2019 and June 30, 2018, 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, 2018. This total was \$3,276,903. The employer contributions of \$3,276,903 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.

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

At June 30, 2019, the school division reported a net health insurance credit OPEB liability of \$41,825,000 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, 2018 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, 2018, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 3.29% as compared to 3.28% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$3,394,000. Since there was a change in proportionate share between June 30, 2017 and June 30, 2018, 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, 2018, net OPEB liability amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows:

	Teacher Employee HIC OPEB <u>Plan</u>
Total Teacher Employee HIC OPEB Liability	\$ 45,503,000
Plan Fiduciary Net Position	<u>3,678,000</u>
Teacher Employee net HIC OPEB Liability	<u>\$ 41,825,000</u>
 Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	 8.08%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of 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, 2017, 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, 2018.

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- 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, 2017 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:

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Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	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, 2018, 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, 2018 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:

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	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Teacher's proportionate share of the net HIC OPEB liability	\$46,715,000	\$41,825,000	\$37,666,000

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

At June 30, 2019, 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 Outflow of Resources	Deferred Inflow of Resources
Difference between projected and actual earnings on opeb plan investments	\$ 25,250	\$ 56,250
Changes of assumptions	-	386,500
Changes in proportionate share	118,000	170,250
Difference between expected and actual experience	-	207,000
Employer contributions subsequent to the measurement date	3,332,252	-
Total	\$ 3,475,502	\$ 820,000

The Henrico Teacher Plan reported \$3,332,252 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:		
2020	\$	(102,910)
2021		(102,910)
2022		(102,910)
2023		(124,243)
2024		(194,555)
Thereafter		(49,222)
	\$	(676,750)

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,

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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, 2019, an expenditure of \$5,485 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, 2019.

Receivables and payables balances at June 30, 2019, were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 1,719,400	\$ 557,534
Special Revenue Fund	-	117,315
Water and Sewer Fund	2,565,064	48,039
Capital Projects Fund	-	2,565,064
Belmont Park Golf Course	-	1,350,292
Central Automotive Maintenance	-	383,009
Health Care Fund	736,789	-
	\$ 5,021,253	\$ 5,021,253

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, 2019, were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund – School Board	\$	\$ 102,335
Special Revenue Fund – School Board	-	3,687
JRJDC	-	10,668
Health Care Fund	116,690	-
	\$ 116,690	\$ 116,690

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, 2019 were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds:		
General Fund	\$ 161,743,816	\$ -
Special Revenue Fund	-	29,039,697
Debt Service Fund	-	63,468,451
Capital Projects Fund	-	69,235,668
	\$ 161,743,816	\$161,743,816

NOTE 18. RELATED-PARTY TRANSACTIONS

During fiscal year 2019, the County contributed \$1,455,054 to the Economic Development Authority of Henrico County, Virginia, to foster economic development within the County, and the County received \$267,605 from the Capital Region Airport Commission for water and sewer services.

HENRICO COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 \$43,284,386 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, 2019 totaled \$2,260,831 and \$17,383,295 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 \$4,154,484 at June 30, 2019.

C. Advance Property Tax Collections

Property taxes due subsequent to June 30, 2019, but paid in advance by the taxpayers, totaled \$18,392,311 at June 30, 2019.

D. Other Unearned Revenue

This represents grant monies that the County is entitled to but is not yet an available resource at June 30, 2019. The County recorded \$193,465 in the General Fund for monies received in advance of expenditures being made as of June 30, 2019. The County recorded \$900,000 in the Capital Projects Fund for unearned project revenues. Unearned grant revenues for the Schools Special Revenue Fund totaled \$139,807 for USDA donated food inventory on hand at June 30, 2019.

Also, the Water and Sewer Revenue Fund recorded unearned revenue in the amount of \$16,202,885, which consists of an advance payment from a customer of \$7,161,398 for water capacity and amounts held for contractors of \$9,041,487.

NOTE 20. SURETY BONDS

Surety bonds covered the following constitutional officers and County employees at June 30, 2019:

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

HENRICO COUNTY, VIRGINIA
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JUNE 30, 2019

Fidelity and Deposit Company of Maryland

John Vithoukas – County Manager	\$ 100,000
John H. Neal – Director of Department of General Services	\$ 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
Anthony E. McDowell – 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
Dr. Amy E. Cashwell – School Superintendent and Deputy Agent	\$ 10,000
Chris Sorenson – School Board Agent	\$ 10,000

HENRICO COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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. There was no deficit at the airport for the County to fund at June 30, 2019.

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	<u>9.12%</u>
	<u>100.00%</u>

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.

HENRICO COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 \$13,959,448 for transient occupancy tax to the Convention Authority during the year ended June 30, 2019.

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 \$3,487,814 has been reported as landfill closure and post-closure care liability in the County's financial statements at June 30, 2019. 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 2019. 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 which was the refund of an initial special assessment payment made by the White Oak Developer to the County.

HENRICO COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019 was \$2,943,115.

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, 2019.

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 \$2,938,514 to RMCVB for the year ended June 30, 2019.

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 \$209,622 for the year ended June 30, 2019.

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

HENRICO COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

determining whether the rehabilitation increases the assessed value of such structure by at least 50 percent. A total of 26 commercial property owners have received \$236,288 in tax credits in 2019.

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 139 properties have been completed with a total tax credit of \$87,068 as of June 30, 2019.

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 invested 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 road project was 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 October 9, 2019, the County issued General Obligation Public Improvement Bonds, Series 2019 in the aggregate principal amount of \$105,115,000. The proceeds of the Bonds will be used to finance capital school improvement projects, library facilities, recreation and parks facilities and roads 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 2021 through 2039. The interest ranges from 3 percent to 5 percent.

REQUIRED SUPPLEMENTARY INFORMATION OTHER
THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

HENRICO COUNTY, VIRGINIA
EXHIBIT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Exhibit 13
Page 1 of 3

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	\$ 332,035,000	\$ 332,035,000	\$ 345,630,668	\$ 13,595,668
Current personal property taxes	87,113,217	87,113,217	82,744,894	(4,368,323)
Delinquent real property taxes	4,000,000	4,000,000	6,739,789	2,739,789
Delinquent personal property taxes	1,200,000	1,200,000	11,687,035	10,487,035
Interest	275,000	275,000	667,009	392,009
Land redemption				-
Total general property taxes	<u>424,623,217</u>	<u>424,623,217</u>	<u>447,469,395</u>	<u>22,846,178</u>
Other local taxes:				
County recordation taxes	3,750,000	3,750,000	4,438,247	688,247
Local sales and use taxes	67,000,000	67,200,000	68,774,566	1,574,566
Consumer utility taxes	2,700,000	2,700,000	2,826,207	126,207
Business and professional license taxes	33,150,000	33,150,000	38,307,817	5,157,817
Motor vehicle license taxes	6,500,000	6,500,000	7,387,991	887,991
Meals Tax	27,000,000	28,000,000	30,243,193	2,243,193
Hotel and motel taxes	12,600,000	15,600,000	14,044,854	(1,555,146)
Bank franchise taxes	5,000,000	5,000,000	18,241,405	13,241,405
Grantor's taxes	1,000,000	1,000,000	1,315,400	315,400
Daily rental tax	60,000	60,000	125,433	65,433
Consumption tax	1,000,000	1,000,000	1,138,705	138,705
Total other local taxes	<u>159,760,000</u>	<u>163,960,000</u>	<u>186,843,818</u>	<u>22,883,818</u>
Permits, privilege fees and regulatory licenses:				
Municipal library court fees	120,000	120,000	152,845	32,845
Transfer fees	7,000	7,000	8,805	1,805
Zoning application fees	150,000	150,000	140,958	(9,042)
Structure and equipment permits	3,600,000	3,600,000	6,370,339	2,770,339
Septic tank permits	3,000	3,000	6,050	3,050
Taxi cab certificates	15,000	15,000	12,095	(2,905)
Permits to purchase precious metal	6,000	6,000	8,200	2,200
Dog licenses	120,000	120,000	70,412	(49,588)
Other	450,300	450,300	598,722	148,422
Total permits, privilege fees and regulatory licenses	<u>4,471,300</u>	<u>4,471,300</u>	<u>7,368,426</u>	<u>2,897,126</u>
Fines and forfeitures:				
False alarm penalties	65,000	65,000	76,914	11,914
Traffic violations	2,000,000	2,000,000	2,044,805	44,805
Parking violations	20,000	20,000	24,903	4,903
Total fines and forfeitures	<u>2,085,000</u>	<u>2,085,000</u>	<u>2,146,622</u>	<u>61,622</u>
Revenue from use of money and property:				
Sale of equipment and publications	96,400	96,400	244,373	147,973
Rented county property	660,000	660,000	853,513	193,513
Use of money	7,154,000	7,154,000	14,956,866	7,802,866
Total revenue from use of money and property	<u>7,910,400</u>	<u>7,910,400</u>	<u>16,054,752</u>	<u>8,144,352</u>
Charges for services:				
Public works	175,000	175,000	197,009	22,009
Library	383,000	383,000	434,483	51,483
Sheriff fees	1,351,000	1,451,000	1,656,552	205,552
Commonwealth's Attorney fees	25,000	25,000	26,478	1,478
Public safety	20,000	20,000	46,445	26,445
Finance charges	245,000	245,000	298,690	53,690
Recreation	633,700	633,700	684,969	51,269
Information technology	1,134,167	1,134,167	806,500	(327,667)
Total charges for services	<u>3,966,867</u>	<u>4,066,867</u>	<u>4,151,126</u>	<u>84,259</u>

HENRICO COUNTY, VIRGINIA
EXHIBIT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Exhibit 13
Page 2 of 3

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund, continued:				
Miscellaneous	\$ 4,452,000	\$ 4,452,000	\$ 10,364,855	\$ 5,912,855
Total miscellaneous	<u>4,452,000</u>	<u>4,452,000</u>	<u>10,364,855</u>	<u>5,912,855</u>
Recovered costs:				
Finance	2,424,238	2,424,238	2,792,234	367,996
General services	955,000	955,000	1,407,278	452,278
Public works	340,000	340,000	202,878	(137,122)
Sheriff	700,000	1,050,000	1,065,227	15,227
Total recovered costs	<u>4,419,238</u>	<u>4,769,238</u>	<u>5,467,617</u>	<u>698,379</u>
Total revenue from local sources	<u>611,688,022</u>	<u>616,338,022</u>	<u>679,866,611</u>	<u>63,528,589</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Rolling stock	138,500	138,500	166,604	28,104
Recovery of central costs	525,000	525,000	757,073	232,073
Mobile home sales and use tax	7,000	7,000	4,355	(2,645)
Motor vehicle rental tax	3,250,000	3,250,000	3,622,894	372,894
PPTRA revenue	37,001,783	37,001,783	37,001,783	-
Communications sales and use tax - HB568	12,250,000	12,250,000	11,153,121	(1,096,879)
Total non-categorical aid	<u>53,172,283</u>	<u>53,172,283</u>	<u>52,705,830</u>	<u>(466,453)</u>
Shared expenses:				
Sheriff	12,150,000	12,150,000	12,352,351	202,351
Commonwealth's Attorney	2,150,000	2,150,000	2,207,444	57,444
Election commission	70,000	70,000	76,836	6,836
Finance	750,000	750,000	805,716	55,716
Circuit court	3,000,000	3,185,847	3,334,389	148,542
Total shared expenses	<u>18,120,000</u>	<u>18,305,847</u>	<u>18,776,736</u>	<u>470,889</u>
Categorical aid:				
Library	190,000	190,000	200,294	10,294
Public safety	12,535,000	13,265,128	13,978,397	713,269
Public works	46,132,000	48,874,991	49,026,337	151,346
Juvenile and domestic relations	554,500	554,500	641,533	87,033
Total categorical aid	<u>59,411,500</u>	<u>62,884,619</u>	<u>63,846,561</u>	<u>961,942</u>
Total revenue from the Commonwealth	<u>130,703,783</u>	<u>134,362,749</u>	<u>135,329,127</u>	<u>966,378</u>
Revenue from the Federal government:				
Public safety	-	-	13,580	13,580
Total revenue from the Federal government	<u>-</u>	<u>-</u>	<u>13,580</u>	<u>13,580</u>
Total intergovernmental	<u>130,703,783</u>	<u>134,362,749</u>	<u>135,342,707</u>	<u>979,958</u>
Total General Fund	<u>\$ 742,391,805</u>	<u>\$ 750,700,771</u>	<u>\$ 815,209,318</u>	<u>\$ 64,508,547</u>

HENRICO COUNTY, VIRGINIA
EXHIBIT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Exhibit 13
Page 3 of 3

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	\$ 176,708	\$ (48,292)
Charges for services:				
Miscellaneous charges for services	11,818,958	12,050,401	12,273,712	223,311
Refuse collection billing	8,648,000	8,648,000	8,939,874	291,874
Recycle fees	198,000	198,000	330,033	132,033
Bulky waste collection fees	1,826,000	1,826,000	1,737,822	(88,178)
Leaf collection	3,018,511	3,018,511	3,018,511	-
Charges for street lights	83,100	83,100	-	(83,100)
Total charges for services	<u>25,592,569</u>	<u>25,824,012</u>	<u>26,299,952</u>	<u>475,940</u>
Miscellaneous revenues	<u>1,418,159</u>	<u>1,557,576</u>	<u>2,828,597</u>	<u>1,271,021</u>
Recovered costs:				
Recovered costs	585,828	613,127	971,788	358,661
Recoveries and rebates	50,564	50,564	230,185	179,621
Total recovered costs	<u>636,392</u>	<u>663,691</u>	<u>1,201,973</u>	<u>538,282</u>
Total revenue from local sources	<u>27,872,120</u>	<u>28,270,279</u>	<u>30,507,230</u>	<u>2,236,951</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Division of litter control	40,000	40,000	45,974	5,974
Social services	12,479,600	15,603,681	14,853,230	(750,451)
Mental health and developmental services	9,940,509	9,821,111	9,711,843	(109,268)
Virginia department of corrections	1,573,023	1,574,428	1,574,430	2
Commonwealth's Attorney	274,170	277,475	304,465	26,990
Miscellaneous state grants	1,379,595	2,084,539	1,911,877	(172,662)
Total revenue from the Commonwealth	<u>25,686,897</u>	<u>29,401,234</u>	<u>28,401,819</u>	<u>(999,415)</u>
Revenue from the Federal government:				
Workforce investment	4,090,719	4,606,449	4,741,059	134,610
Social Services	11,114,002	12,768,088	11,374,128	(1,393,960)
Community development block grants	-	2,590,170	2,358,199	(231,971)
Public safety	-	511,408	526,667	15,259
Mental health and developmental services	1,723,774	3,067,086	2,961,603	(105,483)
Miscellaneous federal grants	622,433	955,806	1,091,046	135,240
Total revenue from the Federal government	<u>17,550,928</u>	<u>24,499,007</u>	<u>23,052,702</u>	<u>(1,446,305)</u>
Total intergovernmental	<u>43,237,825</u>	<u>53,900,241</u>	<u>51,454,521</u>	<u>(2,445,720)</u>
Total Special Revenue Fund	<u>\$ 71,109,945</u>	<u>\$ 82,170,520</u>	<u>\$ 81,961,751</u>	<u>\$ (208,769)</u>
Grand Total Revenues - Primary Government	<u>\$ 813,501,750</u>	<u>\$ 832,871,291</u>	<u>\$ 897,171,069</u>	<u>\$ 64,299,778</u>

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Exhibit 14
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Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund:				
General government:				
Legislative:				
Board of Supervisors	\$ 1,098,434	\$ 1,133,234	\$ 1,121,679	\$ 11,555
Total legislative	<u>1,098,434</u>	<u>1,133,234</u>	<u>1,121,679</u>	<u>11,555</u>
General and financial administration:				
County Manager	3,757,361	3,804,779	3,709,927	94,852
County Attorney	2,506,254	2,641,507	2,631,008	10,499
Human Resources	6,968,921	6,961,495	5,694,573	1,266,922
Finance	14,091,030	14,182,901	13,403,841	779,060
General Services	13,204,509	14,992,966	14,579,207	413,759
Internal Audit	455,337	483,783	460,419	23,364
Real Property Agent	599,906	663,953	656,549	7,404
Information Technology	14,915,523	15,459,692	13,945,364	1,514,328
Risk Management	9,715,327	14,905,827	13,338,952	1,566,875
Total general and financial administration	<u>66,214,169</u>	<u>74,096,903</u>	<u>68,419,840</u>	<u>5,677,063</u>
Board of Elections:				
Election Commission	1,605,426	1,647,065	1,645,458	1,607
Total Board of Elections	<u>1,605,426</u>	<u>1,647,065</u>	<u>1,645,458</u>	<u>1,607</u>
Total general government administration	<u>68,918,029</u>	<u>76,877,202</u>	<u>71,186,977</u>	<u>5,690,225</u>
Judicial administration:				
Courts:				
Circuit Court	3,274,899	3,672,085	3,297,302	374,783
General District Court	308,825	413,969	368,616	45,353
Juvenile and Domestic Relations Court	2,511,136	2,494,908	2,471,478	23,430
Total Courts	<u>6,094,861</u>	<u>6,580,962</u>	<u>6,137,396</u>	<u>443,566</u>
Commonwealth's Attorney:				
Commonwealth's Attorney	5,030,484	5,193,320	5,188,319	5,001
Total Commonwealth's Attorney	<u>5,030,484</u>	<u>5,193,320</u>	<u>5,188,319</u>	<u>5,001</u>
Total judicial administration	<u>11,125,345</u>	<u>11,774,283</u>	<u>11,325,715</u>	<u>448,568</u>
Public safety:				
Law enforcement:				
Police Department	74,511,221	77,288,352	76,738,412	549,940
Total law enforcement	<u>74,511,221</u>	<u>77,288,352</u>	<u>76,738,412</u>	<u>549,940</u>
Fire services:				
Fire Department	60,596,447	62,675,172	61,377,819	1,297,353
Total fire services	<u>60,596,447</u>	<u>62,675,172</u>	<u>61,377,819</u>	<u>1,297,353</u>
Correction and detention:				
Sheriff	40,833,176	47,491,974	46,954,167	537,807
Juvenile and Domestic Relations District Court	3,158,722	3,158,722	3,158,722	-
Total correction and detention	<u>43,991,898</u>	<u>50,650,696</u>	<u>50,112,889</u>	<u>537,807</u>
Inspections:				
Building	4,648,945	4,556,914	4,392,012	164,902
Total inspections	<u>4,648,945</u>	<u>4,556,914</u>	<u>4,392,012</u>	<u>164,902</u>
Other protection:				
Office of Emergency Services	500,576	470,576	402,822	67,754
Animal Protection	1,589,290	1,534,521	1,534,522	(1)
Building Security	1,604,077	1,552,766	1,504,363	48,403
Total other protection	<u>3,693,943</u>	<u>3,557,863</u>	<u>3,441,707</u>	<u>116,156</u>
Total public safety	<u>187,442,454</u>	<u>198,728,996</u>	<u>196,062,839</u>	<u>2,666,157</u>

HENRICO COUNTY, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Exhibit 14
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Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund, continued:				
Public works:				
Maintenance of highways and streets:				
General Administration	\$ 1,336,975	\$ 1,529,628	\$ 1,490,698	\$ 38,930
Mass Transit	9,085,763	9,109,099	10,427,275	(1,318,176)
Design	2,090,514	2,182,224	1,799,083	383,141
Construction and Maintenance	34,102,973	36,925,585	33,851,215	3,074,370
Traffic Engineering	3,977,267	4,277,372	3,247,449	1,029,923
Miscellaneous	2,104,130	2,232,371	2,132,045	100,326
Total maintenance of highways and streets	<u>52,697,622</u>	<u>56,256,279</u>	<u>52,947,765</u>	<u>3,308,514</u>
Sanitation and waste removal:				
Leaf Collection	3,018,511	3,018,511	3,018,511	-
Total sanitation and waste removal	<u>3,018,511</u>	<u>3,018,511</u>	<u>3,018,511</u>	<u>-</u>
Total public works	<u>55,716,133</u>	<u>59,274,790</u>	<u>55,966,276</u>	<u>3,308,514</u>
Health:				
Public Health Department	2,287,051	2,433,102	2,432,912	190
Total health	<u>2,287,051</u>	<u>2,433,102</u>	<u>2,432,912</u>	<u>190</u>
Parks, recreation and cultural:				
Parks and recreation:				
Department of Recreation and Parks	19,552,620	19,874,748	19,336,816	537,932
Sandston Community House	14,000	14,000	13,423	577
Total parks and recreation	<u>19,566,620</u>	<u>19,888,748</u>	<u>19,350,239</u>	<u>538,509</u>
Library:				
Library Public Services	19,552,483	18,775,328	17,679,331	1,095,997
Total library	<u>19,552,483</u>	<u>18,775,328</u>	<u>17,679,331</u>	<u>1,095,997</u>
Total parks, recreation and cultural	<u>39,119,103</u>	<u>38,664,076</u>	<u>37,029,570</u>	<u>1,634,506</u>
Community development:				
Planning and community development:				
Economic Development	20,169,545	21,835,977	21,514,615	321,362
Planning and Rezoning	4,516,969	4,752,988	4,108,398	644,590
Total planning and community development	<u>24,686,514</u>	<u>26,588,965</u>	<u>25,623,013</u>	<u>965,952</u>
Cooperative extension program:				
Agriculture	433,866	433,866	320,554	113,312
Total cooperative extension program	<u>433,866</u>	<u>433,866</u>	<u>320,554</u>	<u>113,312</u>
Total community development	<u>25,120,380</u>	<u>27,022,831</u>	<u>25,943,567</u>	<u>1,079,264</u>
Education:				
School Board	228,647,872	228,647,872	228,647,872	-
Total education	<u>228,647,872</u>	<u>228,647,872</u>	<u>228,647,872</u>	<u>-</u>

HENRICO COUNTY, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Exhibit 14
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Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
General Fund, continued:				
Miscellaneous:				
Cooperative Projects	\$ 21,011,242	\$ 24,015,056	\$ 23,993,211	\$ 21,845
Total miscellaneous	<u>21,011,242</u>	<u>24,015,056</u>	<u>23,993,211</u>	<u>21,845</u>
Debt service:				
Capital lease principal	685,746	685,746	685,746	-
Capital lease interest	88,620	88,620	88,620	-
Total debt service	<u>774,366</u>	<u>774,366</u>	<u>774,366</u>	<u>-</u>
Total General Fund	<u>\$ 640,161,976</u>	<u>\$ 668,212,574</u>	<u>\$ 653,363,305</u>	<u>\$ 14,849,269</u>
Special Revenue Fund:				
General government:				
General and financial administration:				
Workforce Investment	\$ 4,390,918	\$ 7,107,285	\$ 4,846,460	\$ 2,260,825
Total general government administration	<u>4,390,918</u>	<u>7,107,285</u>	<u>4,846,460</u>	<u>2,260,825</u>
Judicial administration:				
Courts:				
Circuit Court	-	11,011	7,323	3,688
Commonwealth's Attorney:				
Commonwealth's Attorney	1,234,990	1,713,017	1,421,668	291,349
Total judicial administration	<u>1,234,990</u>	<u>1,724,028</u>	<u>1,428,991</u>	<u>295,037</u>
Public safety:				
Law enforcement:				
Traffic Accident Investigation	1,591,595	4,759,954	2,549,316	2,210,638
Total law enforcement	<u>1,591,595</u>	<u>4,759,954</u>	<u>2,549,316</u>	<u>2,210,638</u>
Fire	-	588,447	258,603	329,844
Correction and detention:				
Community Diversion Program	2,038,191	2,198,359	2,011,612	186,747
Juvenile and Domestic Relations District Court	967,089	981,855	973,999	7,856
Sheriff	-	144,199	139,637	4,562
Total correction and detention	<u>3,005,280</u>	<u>3,324,413</u>	<u>3,125,248</u>	<u>199,165</u>
Total public safety	<u>4,596,875</u>	<u>8,672,814</u>	<u>5,933,167</u>	<u>2,739,647</u>
Public works:				
General Administration	897,000	1,096,988	276,143	820,845
Maintenance of Highways and Streets	83,100	83,100	64,332	18,768
Solid Waste Collection and Disposal	13,632,122	16,612,525	14,011,080	2,601,445
Total public works	<u>14,612,222</u>	<u>17,792,612</u>	<u>14,351,555</u>	<u>3,441,057</u>
Health and social services:				
Social Services	34,080,203	43,705,066	37,738,576	5,966,490
Mental health and developmental services:				
Related Services	6,144,166	7,737,655	6,328,307	1,409,348
Mental Health	11,858,296	13,367,903	11,643,750	1,724,153
Developmental Services	12,356,997	13,180,373	12,400,480	779,893
Substance Abuse	2,997,673	4,028,172	3,178,882	849,290
MH/DS Administration	5,800,624	6,098,928	5,875,759	223,169
Total mental health and developmental services	<u>39,157,756</u>	<u>44,413,031</u>	<u>39,427,178</u>	<u>4,985,853</u>
Total health and social services	<u>73,237,959</u>	<u>88,118,097</u>	<u>77,165,754</u>	<u>10,952,343</u>

HENRICO COUNTY, VIRGINIA
EXHIBIT OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Exhibit 14
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Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
Special Revenue Fund, continued:				
Parks, recreation and culture:				
Parks and Recreation grants	\$ -	\$ 84,756	\$ 64,306	\$ 20,450
Total parks, recreation and culture	<u>-</u>	<u>84,756</u>	<u>64,306</u>	<u>20,450</u>
Community development:				
Planning and Community Development	-	4,521,723	2,423,223	2,098,500
Economic Development	-	150,000	150,000	-
Total community development	<u>-</u>	<u>4,671,723</u>	<u>2,573,223</u>	<u>2,098,500</u>
Debt service:				
Capital lease principal	32,409	32,409	32,409	-
Capital lease interest	7,416	7,416	7,416	-
Total debt service	<u>39,825</u>	<u>39,825</u>	<u>39,825</u>	<u>-</u>
Total Special Revenue Fund	<u>\$ 98,112,789</u>	<u>\$ 128,211,140</u>	<u>\$ 106,403,281</u>	<u>\$ 21,807,859</u>
Grand Total Expenditures - Government Funds	<u>\$ 738,274,765</u>	<u>\$ 796,423,714</u>	<u>\$ 759,766,586</u>	<u>\$ 36,657,128</u>

See accompanying independent auditor's report.

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

Exhibit 15
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	2015	2016	2017	2018	2019
Governmental Activities:					
Total pension liability					
Service cost	\$ 23,796,971	\$ 23,884,723	\$ 24,801,703	\$ 25,098,225	\$ 26,412,598
Interest on total pension liability	65,367,508	69,217,236	71,893,739	75,416,152	78,641,385
Change of assumptions	-	-	-	3,600,205	-
Difference between expected and actual experience	-	(15,888,024)	(3,762,008)	(13,129,434)	(2,495,542)
Benefit payments, including refunds of employee contributions	(43,077,241)	(47,302,547)	(50,505,930)	(53,593,856)	(57,951,397)
Net change in total pension liability	46,087,238	29,911,388	42,427,504	37,391,292	44,607,044
Total pension liability - beginning	964,087,706	1,010,174,944	1,040,086,332	1,082,513,836	1,119,905,128
Total pension liability - ending (a)	\$ <u>1,010,174,944</u>	\$ <u>1,040,086,332</u>	\$ <u>1,082,513,836</u>	\$ <u>1,119,905,128</u>	\$ <u>1,164,512,172</u>
Total fiduciary net position					
Contributions - employer	\$ 27,496,460	\$ 28,290,290	\$ 29,374,797	\$ 26,184,817	\$ 26,807,419
Contributions - employee	9,281,980	9,452,120	9,798,397	10,254,955	10,318,099
Net investment income	113,606,404	38,115,473	15,148,200	107,128,844	72,308,202
Benefit payments	(43,077,241)	(47,302,547)	(50,505,930)	(53,593,856)	(57,951,397)
Administrative expense	(612,154)	(522,704)	(541,959)	(622,456)	(628,498)
Other	5,986	(8,071)	(6,430)	(95,261)	(64,229)
Net change in plan fiduciary net position	106,701,435	28,024,561	3,267,075	89,257,043	50,789,596
Plan fiduciary net position - beginning	729,182,146	835,883,581	863,908,142	867,175,217	956,432,260
Plan fiduciary net position - ending (b)	\$ <u>835,883,581</u>	\$ <u>863,908,142</u>	\$ <u>867,175,217</u>	\$ <u>956,432,260</u>	\$ <u>1,007,221,856</u>
Net pension liability - ending (a)-(b)	\$ <u>174,291,363</u>	\$ <u>176,178,190</u>	\$ <u>215,338,619</u>	\$ <u>163,472,868</u>	\$ <u>157,290,316</u>
Plan fiduciary net position as a percentage of total pension liability	82.75%	83.06%	80.11%	85.40%	86.49%
Covered payroll	\$ 188,575,531	\$ 191,276,453	\$ 199,857,968	\$ 202,991,663	\$ 209,182,401
Net pension liability as a percentage of covered-employee payroll	92.43%	92.11%	107.75%	80.53%	75.19%
Business-Type Activities:					
Total pension liability					
Service cost	\$ 1,715,200	\$ 1,683,447	\$ 1,721,019	\$ 1,727,978	\$ 1,778,119
Interest on total pension liability	4,711,454	4,878,582	4,988,789	5,192,297	5,294,205
Change of assumptions	-	-	-	247,869	-
Difference between expected and actual experience	-	(1,119,823)	(261,050)	(903,943)	(168,002)
Benefit payments, including refunds of employee contributions	(3,104,852)	(3,333,987)	(3,504,664)	(3,689,862)	(3,901,338)
Net change in total pension liability	3,321,802	2,108,219	2,944,094	2,574,338	3,002,984
Total pension liability - beginning	68,748,558	72,070,360	74,178,579	77,122,673	79,697,011
Total pension liability - ending (a)	\$ <u>72,070,360</u>	\$ <u>74,178,579</u>	\$ <u>77,122,673</u>	\$ <u>79,697,011</u>	\$ <u>82,699,995</u>
Total fiduciary net position					
Contributions - employer	\$ 1,981,845	\$ 1,993,960	\$ 2,038,351	\$ 1,802,788	\$ 1,804,698
Contributions - employee	669,012	666,206	679,922	706,039	694,623
Net investment income	8,188,339	2,686,461	1,051,151	7,375,672	4,867,851
Benefit payments	(3,104,852)	(3,333,987)	(3,504,664)	(3,689,862)	(3,901,338)
Administrative expense	(44,121)	(36,841)	(37,607)	(42,855)	(42,311)
Other	431	(569)	(446)	(6,559)	(4,324)
Net change in plan fiduciary net position	7,690,654	1,975,230	226,707	6,145,223	3,419,199
Plan fiduciary net position - beginning	51,997,574	59,688,228	61,663,458	61,890,165	68,035,388
Plan fiduciary net position - ending (b)	\$ <u>59,688,228</u>	\$ <u>61,663,458</u>	\$ <u>61,890,165</u>	\$ <u>68,035,388</u>	\$ <u>71,454,587</u>
Net pension liability - ending (a)-(b)	\$ <u>12,382,132</u>	\$ <u>12,515,121</u>	\$ <u>15,232,508</u>	\$ <u>11,661,623</u>	\$ <u>11,245,408</u>
Plan fiduciary net position as a percentage of total pension liability	82.82%	83.13%	80.25%	85.37%	86.40%
Covered payroll	\$ 13,395,158	\$ 13,305,310	\$ 13,763,763	\$ 13,845,688	\$ 14,070,332
Net pension liability as a percentage of covered payroll	92.44%	94.06%	110.67%	84.23%	79.92%

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

Exhibit 15
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Total Activities:

Total pension liability

Service cost	\$ 25,512,171	\$ 25,568,170	\$ 26,522,722	\$ 26,826,203	\$ 28,190,717
Interest on total pension liability	70,078,962	74,095,818	76,882,528	80,608,449	83,935,590
Change of assumptions	-	-	-	3,848,074	-
Difference between expected and actual experience	-	(17,007,847)	(4,023,058)	(14,033,377)	(2,663,544)
Benefit payments, including refunds of employee contributions	(46,182,093)	(50,636,534)	(54,010,594)	(57,283,718)	(61,852,735)
Net change in total pension liability	49,409,040	32,019,607	45,371,598	39,965,630	47,610,028
Total pension liability - beginning	1,032,836,264	1,082,245,304	1,114,264,911	1,159,636,509	1,199,602,139
Total pension liability - ending (a)	<u>\$ 1,082,245,304</u>	<u>\$ 1,114,264,911</u>	<u>\$ 1,159,636,509</u>	<u>\$ 1,199,602,139</u>	<u>\$ 1,247,212,167</u>

Total fiduciary net position

Contributions - employer	\$ 29,478,305	\$ 30,284,250	\$ 31,413,148	\$ 27,987,605	\$ 28,612,117
Contributions - employee	9,950,992	10,118,326	10,478,319	10,960,994	11,012,722
Net investment income	121,794,743	40,801,934	16,199,351	114,504,516	77,176,053
Benefit payments	(46,182,093)	(50,636,534)	(54,010,594)	(57,283,718)	(61,852,735)
Administrative expense	(656,275)	(559,545)	(579,566)	(665,311)	(670,809)
Other	6,417	(8,640)	(6,876)	(101,820)	(68,553)
Net change in plan fiduciary net position	114,392,089	29,999,791	3,493,782	95,402,266	54,208,795
Plan fiduciary net position - beginning	781,179,720	895,571,809	925,571,600	929,065,382	1,024,467,648
Plan fiduciary net position - ending (b)	<u>\$ 895,571,809</u>	<u>\$ 925,571,600</u>	<u>\$ 929,065,382</u>	<u>\$ 1,024,467,648</u>	<u>\$ 1,078,676,443</u>

Net pension liability - ending (a)-(b)	<u>\$ 186,673,495</u>	<u>\$ 188,693,311</u>	<u>\$ 230,571,127</u>	<u>\$ 175,134,491</u>	<u>\$ 168,535,724</u>
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Plan fiduciary net position as a percentage of total pension liability

82.75%	83.07%	80.12%	85.40%	86.49%
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Covered payroll	\$ 201,970,689	\$ 204,581,763	\$ 213,621,731	\$ 216,837,351	\$ 223,252,733
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Net pension liability as a percentage of covered payroll	92.43%	92.23%	107.93%	80.77%	75.49%
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See accompanying independent auditor's report.

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

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (VRS PLAN)
SCHOOL BOARD NON-PROFESSIONAL GROUP
LAST FIVE FISCAL YEARS*

Exhibit 16

	2015	2016	2017	2018	2019
School Board Non-Professional Group					
Total pension liability					
Service cost	\$ 72,260	\$ 69,746	\$ 67,970	\$ 58,711	\$ 56,131
Interest on total pension liability	582,852	580,111	567,282	571,638	554,959
Change of assumptions	-	-	-	44,778	-
Difference between expected and actual experience	-	(139,895)	108,818	(226,614)	(134,067)
Benefit payments, including refunds of employee contributions	(689,613)	(698,924)	(687,530)	(676,153)	(697,423)
Net change in total pension liability	(34,501)	(188,962)	56,540	(227,640)	(220,400)
Total pension liability - beginning	8,671,261	8,636,760	8,447,798	8,504,338	8,276,698
Total pension liability - ending (a)	<u>\$ 8,636,760</u>	<u>\$ 8,447,798</u>	<u>\$ 8,504,338</u>	<u>\$ 8,276,698</u>	<u>\$ 8,056,298</u>
Total fiduciary net position					
Contributions - employer	\$ 372,141	\$ 238,475	\$ 237,503	\$ 199,298	\$ 209,478
Contributions - employee	31,303	31,253	30,289	30,785	31,431
Net investment income	804,061	251,841	85,861	614,333	387,642
Benefit payments	(689,613)	(698,924)	(687,530)	(676,153)	(697,423)
Administrative expense	(4,544)	(3,822)	(3,655)	(3,892)	(3,645)
Other	43	(54)	(39)	(534)	(335)
Net change in plan fiduciary net position	513,391	(181,231)	(337,571)	163,837	(72,852)
Plan fiduciary net position - beginning	5,309,719	5,823,110	5,641,879	5,304,308	5,468,145
Plan fiduciary net position - ending (b)	<u>\$ 5,823,110</u>	<u>\$ 5,641,879</u>	<u>\$ 5,304,308</u>	<u>\$ 5,468,145</u>	<u>\$ 5,395,293</u>
Net pension liability - ending (a)-(b)	<u>\$ 2,813,650</u>	<u>\$ 2,805,919</u>	<u>\$ 3,200,030</u>	<u>\$ 2,808,553</u>	<u>\$ 2,661,005</u>
Plan fiduciary net position as a percentage of total pension liability	67.42%	66.79%	62.37%	66.07%	66.97%
Covered payroll	\$ 627,880	\$ 602,637	\$ 632,258	\$ 658,947	\$ 701,134
Net pension liability as a percentage of covered payroll	448.12%	465.61%	506.13%	426.22%	379.53%

See accompanying independent auditor's report.

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

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF CONTRIBUTIONS (VRS PLAN)
PENSION PLAN
LAST FIVE FISCAL YEARS*

Exhibit 17

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental Activities:					
Actuarially determined contribution of employer	\$ 27,496,460	\$ 28,290,290	\$ 29,374,797	\$ 26,184,817	\$ 26,807,419
Contributions in relation to the actuarially determined contributions	<u>27,496,460</u>	<u>28,290,290</u>	<u>29,374,797</u>	<u>26,184,817</u>	<u>26,807,419</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	191,276,453	199,857,968	202,991,663	209,182,401	217,281,758
Contributions as a percentage of covered payroll	14.38%	14.16%	14.47%	12.52%	12.34%
Business-type Activities:					
Actuarially determined contribution of employer	\$ 1,981,845	\$ 1,993,960	\$ 2,038,351	\$ 1,802,788	\$ 1,804,698
Contributions in relation to the actuarially determined contributions	<u>1,981,845</u>	<u>1,993,960</u>	<u>2,038,351</u>	<u>1,802,788</u>	<u>1,804,698</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	13,305,310	13,763,763	13,845,688	14,070,332	14,347,719
Contributions as a percentage of covered payroll	14.90%	14.49%	14.72%	12.81%	12.58%
School Board Non-Professional Group:					
Actuarially determined contribution of employer	\$ 372,141	\$ 238,475	\$ 237,503	\$ 199,298	\$ 209,478
Contributions in relation to the actuarially determined contributions	<u>372,141</u>	<u>238,475</u>	<u>237,503</u>	<u>199,298</u>	<u>209,478</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 602,637	\$ 632,258	\$ 658,947	\$ 701,134	\$ 716,437
Contributions as a percentage of covered payroll	61.75%	37.72%	36.04%	28.43%	29.24%

See accompanying independent auditor's report.

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

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

Exhibit 18

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Schools' proportion of the net pension liability	3.29%	3.28%	3.30%	3.28%	3.29%
Schools' proportionate share of the net pension liability	\$ 398,595,000	\$ 413,109,000	\$ 463,076,000	\$ 403,402,000	\$ 386,870,000
Schools' covered payroll	\$ 268,691,850	\$ 273,853,673	\$ 281,366,433	\$ 288,681,379	\$ 295,352,515
Schools' proportionate share of the net pension liability as a percentage of its covered payroll	148.35%	150.85%	164.58%	139.74%	130.99%
Plan fiduciary net position	\$ 970,083,754	\$ 995,953,131	\$ 996,863,280	\$ 1,086,397,116	\$ 1,144,446,408
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%	72.92%	74.74%

See accompanying independent auditor's report.

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

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

Exhibit 19

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 28,125,017	\$ 35,384,284	\$ 35,423,318	\$ 37,325,862	\$ 42,546,236
Contributions in relation to the contractually required contribution	\$ 28,125,017	\$ 35,384,284	\$ 35,423,318	\$ 37,325,862	\$ 42,546,236
Contribution deficiency (excess)	-	-	-	-	-
Schools' covered payroll	\$ 273,853,673	\$ 281,366,433	\$ 288,681,379	\$ 295,352,515	\$ 306,552,352
Contributions as a percentage of covered payroll	10.27%	12.58%	12.27%	12.64%	13.88%

See accompanying independent auditor's report.

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

COUNTY OF HENRICO, VIRGINIA

Notes to Required Supplementary Pension Information

For the Year Ended June 30, 2019

Defined Benefit Pension Plans

The following assumptions apply to both the VRS Plan and the Teacher Retirement 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 do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2017 and the impact on the liabilities as of the measurement date of June 30, 2018 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 withdrawal
- Decrease in male and female rates of disability

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF CHANGES IN THE NET HEALTHCARE OPEB LIABILITY AND RELATED RATIOS
HEALTHCARE OPEB TRUST FUND
LAST THREE FISCAL YEARS*

Exhibit 20

	2017	2018	2019
Total OPEB liability			
Service cost	\$ 4,146,771	\$ 3,781,739	\$ 4,627,235
Interest on total OPEB liability	7,708,898	7,990,226	6,187,930
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)	(4,478,725)
Net change in total OPEB liability	5,316,874	(26,260,827)	6,336,440
Total OPEB liability - beginning	109,194,437	114,511,311	88,250,484
Total OPEB liability - ending (a)	\$ 114,511,311	\$ 88,250,484	\$ 94,586,924
Total plan fiduciary net position			
Contributions - employer	\$ 7,765,131	\$ 6,846,584	\$ 7,303,945
Contributions - employee	-	-	-
Net investment income	7,296,432	5,272,202	4,390,670
Benefit payments	(6,538,795)	(4,146,968)	(4,478,725)
Administrative expense	-	(500)	(500)
Other	-	-	-
Net change in plan fiduciary net position	8,522,768	7,971,318	7,215,390
Plan fiduciary net position - beginning	44,841,294	53,364,062	61,335,380
Plan fiduciary net position - ending (b)	\$ 53,364,062	\$ 61,335,380	\$ 68,550,770
Net OPEB liability - ending (a)-(b)	\$ 61,147,249	\$ 26,915,104	\$ 26,036,154
Plan fiduciary net position as a percentage of total OPEB liability	46.60%	69.50%	72.47%
Covered-employee payroll	\$ 536,071,713	\$ 526,206,301	\$ 539,361,459
Net OPEB liability as a percentage of covered-employee payroll	11.41%	5.11%	4.83%

See accompanying independent auditor's report.

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

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

Exhibit 21

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 10,161,876	\$ 9,491,736	\$ 7,303,945
Contributions in relation to the actuarially determined contribution	\$ 7,765,131	\$ 6,846,584	\$ 7,303,945
Contribution deficiency (excess)	2,396,745	2,645,152	-
Covered-employee payroll	\$ 536,071,713	\$ 526,206,301	\$ 539,361,459
Contributions as a percentage of covered-employee payroll	1.45%	1.30%	1.35%

*Fiscal year 2017 was the first year of GASB 74 implementation; therefore, only three 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 Annuitant Mortality Table.

See accompanying independent auditor's report.

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

Exhibit 22

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Annual money-weighted rate of return on investments, net of investment expense	12.87%	9.52%	7.00%

See accompanying independent auditor's report.

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

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

Exhibit 23

	<u>2018</u>	<u>2019</u>
Governmental Activities:		
Total OPEB liability		
Service cost	\$ 1,917,454	\$ 1,357,227
Interest on total pension liability	4,051,282	1,814,999
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)	(1,313,667)
Net change in total OPEB liability	(13,315,020)	1,858,559
Total OPEB liability - beginning	58,060,636	44,745,616
Total OPEB liability - ending (a)	<u>\$ 44,745,616</u>	<u>\$ 46,604,175</u>
Total fiduciary net position		
Contributions - employer	\$ 3,471,421	\$ 2,709,828
Contributions - employee	-	-
Net investment income	2,673,163	1,281,066
Benefit payments	(2,102,636)	(1,313,667)
Administrative expense	(254)	(254)
Other	-	-
Net change in plan fiduciary net position	4,041,695	2,676,973
Plan fiduciary net position - beginning	27,057,164	31,098,859
Plan fiduciary net position - ending (b)	<u>\$ 31,098,859</u>	<u>\$ 33,775,832</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 13,646,757</u>	<u>\$ 12,828,343</u>
Plan fiduciary net position as a percentage of total OPEB liability	69.50%	72.47%
Covered-employee payroll	\$ 209,182,401	\$ 217,281,758
Net OPEB liability as a percentage of covered-employee payroll	6.52%	5.90%
Business-Type Activities:		
Total OPEB liability		
Service cost	\$ 102,559	\$ 212,498
Interest on total pension liability	216,691	284,170
Change of assumptions	(154,039)	-
Difference between expected and actual experience	(764,929)	-
Benefit payments, including refunds of employee contributions	(112,464)	(205,678)
Net change in total OPEB liability	(712,182)	290,990
Total OPEB liability - beginning	3,105,497	2,393,315
Total OPEB liability - ending (a)	<u>\$ 2,393,315</u>	<u>\$ 2,684,305</u>
Total fiduciary net position		
Contributions - employer	\$ 185,676	\$ 285,492
Contributions - employee	-	-
Net investment income	142,981	202,230
Benefit payments	(112,464)	(205,678)
Administrative expense	(14)	(13)
Other	-	-
Net change in plan fiduciary net position	216,179	282,031
Plan fiduciary net position - beginning	1,447,210	1,663,389
Plan fiduciary net position - ending (b)	<u>\$ 1,663,389</u>	<u>\$ 1,945,420</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 729,926</u>	<u>\$ 738,885</u>
Plan fiduciary net position as a percentage of total OPEB liability	69.50%	72.47%
Covered-employee payroll	\$ 14,070,332	\$ 14,347,719
Net OPEB liability as a percentage of covered-employee payroll	5.19%	5.15%

See accompanying independent auditor's report.

* Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only two years are shown herein.

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

Exhibit 24

	<u>2018</u>	<u>2019</u>
School Board		
Total OPEB liability		
Service cost	\$ 1,742,334	\$ 2,954,189
Interest on total pension liability	3,681,281	2,850,922
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)	(2,917,809)
Net change in total OPEB liability	(12,098,970)	2,887,302
Total OPEB liability - beginning	52,758,001	40,659,031
Total OPEB liability - ending (a)	<u>\$ 40,659,031</u>	<u>\$ 43,546,333</u>
Total fiduciary net position		
Contributions - employer	\$ 3,154,379	\$ 4,251,862
Contributions - employee	-	-
Net investment income	2,429,025	2,022,883
Benefit payments	(1,910,604)	(2,917,809)
Administrative expense	(230)	(230)
Other	-	-
Net change in plan fiduciary net position	3,672,570	3,356,706
Plan fiduciary net position - beginning	24,586,054	28,258,624
Plan fiduciary net position - ending (b)	<u>\$ 28,258,624</u>	<u>\$ 31,615,330</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 12,400,407</u>	<u>\$ 11,931,003</u>
Plan fiduciary net position as a percentage of total OPEB liability	69.50%	72.60%
Covered-employee payroll	\$ 321,499,476	\$ 342,940,655
Net OPEB liability as a percentage of covered-employee payroll	3.86%	3.48%
JRJDC		
Total OPEB liability		
Service cost	\$ 19,392	\$ 30,192
Interest on total pension liability	40,971	31,730
Change of assumptions	(29,125)	-
Difference between expected and actual experience	(144,631)	-
Benefit payments, including refunds of employee contributions	(21,264)	(41,571)
Net change in total OPEB liability	(134,657)	20,351
Total OPEB liability - beginning	587,177	452,520
Total OPEB liability - ending (a)	<u>\$ 452,520</u>	<u>\$ 472,871</u>
Total fiduciary net position		
Contributions - employer	\$ 35,107	\$ 56,763
Contributions - employee	-	-
Net investment income	27,034	22,514
Benefit payments	(21,264)	(41,571)
Administrative expense	(3)	(3)
Other	-	-
Net change in plan fiduciary net position	40,874	37,703
Plan fiduciary net position - beginning	273,634	314,508
Plan fiduciary net position - ending (b)	<u>\$ 314,508</u>	<u>\$ 352,211</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 138,012</u>	<u>\$ 120,660</u>
Plan fiduciary net position as a percentage of total OPEB liability	69.50%	74.48%
Covered-employee payroll	\$ 3,164,600	\$ 3,115,813
Net OPEB liability as a percentage of covered-employee payroll	4.36%	3.87%

See accompanying independent auditor's report.

* Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only two years are shown herein.

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

Exhibit 25

	<u>2018</u>	<u>2019</u>
Governmental Activities:		
Actuarially determined contribution of employer	\$ 2,639,247	\$ 2,815,552
Contributions in relation to the actuarially determined contributions	<u>2,639,247</u>	<u>2,815,552</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	209,182,401	217,281,758
Contributions as a percentage of covered-employee payroll	1.26%	1.30%
Business-type Activities:		
Actuarially determined contribution of employer	\$ 214,237	\$ 228,548
Contributions in relation to the actuarially determined contributions	<u>214,237</u>	<u>228,548</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	14,070,332	14,347,719
Contributions as a percentage of covered-employee payroll	1.52%	1.59%
School Board:		
Actuarially determined contribution of employer	\$ 3,951,724	\$ 4,215,705
Contributions in relation to the actuarially determined contributions	<u>3,951,724</u>	<u>4,215,705</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 321,499,476	\$ 342,940,655
Contributions as a percentage of covered-employee payroll	1.23%	1.23%
JRJDC:		
Actuarially determined contribution of employer	\$ 41,376	\$ 44,140
Contributions in relation to the actuarially determined contributions	<u>41,376</u>	<u>44,140</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,164,600	\$ 3,115,813
Contributions as a percentage of covered-employee payroll	1.31%	1.42%

See accompanying independent auditor's report.

* Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only two years are shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF CHANGES IN THE TOTAL LINE OF DUTY OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS*

Exhibit 26

	<u>2018</u>	<u>2019</u>
Governmental Activities:		
Total OPEB liability		
Service cost	\$ 1,292,690	\$ 1,357,325
Interest on total pension liability	769,784	809,350
Change of assumptions	-	-
Difference between expected and actual experience	-	-
Benefit payments, including refunds of employee contributions	<u>(740,191)</u>	<u>(799,406)</u>
Net change in total OPEB liability	1,322,283	1,367,269
Total OPEB liability - beginning	<u>25,279,187</u>	<u>26,601,470</u>
Total OPEB liability - ending (a)	<u>\$ 26,601,470</u>	<u>\$ 27,968,739</u>
Covered-employee payroll	\$ 83,876,238	\$ 87,761,787
Total OPEB liability as a percentage of covered-employee payroll	31.72%	31.87%

See accompanying independent auditor's report.

* Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only two years are shown herein.

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

Exhibit 27

	<u>2018</u>	<u>2019</u>
Governmental Activities:		
Actuarially determined contribution of employer	\$ 2,983,108	\$ 3,204,246
Contributions in relation to the actuarially determined contributions	<u>740,191</u>	<u>799,406</u>
Contribution deficiency (excess)	<u>\$ 2,242,917</u>	<u>\$ 2,404,840</u>
Covered-employee payroll	83,876,238	87,761,787
Contributions as a percentage of covered-employee payroll	0.88%	0.91%

See accompanying independent auditor's report.

* Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only two years are shown herein.

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

Exhibit 28

	<u>2018</u>	<u>2019</u>
Schools' proportion of the net OPEB liability	3.28%	3.29%
Schools' proportionate share of the net OPEB liability	\$ 41,657,000	\$ 41,825,000
Schools' covered-employee payroll	\$ 288,681,379	\$ 295,352,515
Schools' proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	14.43%	14.16%
Plan fiduciary net position as a percentage of the total OPEB liability	7.04%	8.08%

See accompanying independent auditor's report.

*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only two years are shown herein.

**COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF SCHOOL CONTRIBUTIONS
TEACHERS HEALTH INSURANCE CREDIT OPEB PLAN
LAST TWO FISCAL YEARS***

Exhibit 29

	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 2,876,495	\$ 3,330,461
Contributions in relation to the contractually required contribution	\$ 2,876,495	\$ 3,330,461
Contribution deficiency (excess)	-	-
Schools' covered-employee payroll	\$ 295,352,515	\$ 306,552,352
Contributions as a percentage of covered-employee payroll	0.97%	1.09%

See accompanying independent auditor's report.

*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only two years are shown herein.

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

Exhibit 30

	<u>2018</u>	<u>2019</u>
Governmental Activities:		
Proportion of the net OPEB liability	82.37%	82.45%
Proportionate share of the net OPEB liability	\$ 16,472,124	\$ 16,449,312
Covered-employee payroll	\$ 202,991,663	\$ 209,182,401
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	8.11%	7.86%
Plan fiduciary net position as a percentage of the total OPEB liability	48.86%	51.71%
Business-Type Activities:		
Proportion of the net OPEB liability	5.64%	5.55%
Proportionate share of the net OPEB liability	\$ 1,128,296	\$ 1,126,760
Covered-employee payroll	\$ 13,845,688	\$ 14,070,332
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	8.15%	8.01%
Plan fiduciary net position as a percentage of the total OPEB liability	48.86%	51.66%
Schools C&M Activities:		
Proportion of the net OPEB liability	10.81%	10.73%
Proportionate share of the net OPEB liability	\$ 2,162,379	\$ 2,159,409
Covered-employee payroll	\$ 25,507,180	\$ 25,445,827
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	8.48%	8.49%
Plan fiduciary net position as a percentage of the total OPEB liability	48.86%	50.86%

See accompanying independent auditor's report.

*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only two years are shown herein.

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

Exhibit 31

	<u>2018</u>	<u>2019</u>
Governmental Activities:		
Actuarially determined contribution of employer	\$ 1,049,923	\$ 1,504,688
Contributions in relation to the actuarially determined contributions	<u>1,049,923</u>	<u>1,504,688</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	209,182,401	217,281,758
Contributions as a percentage of covered-employee payroll	0.50%	0.69%
Business-type Activities:		
Actuarially determined contribution of employer	\$ 71,917	\$ 71,947
Contributions in relation to the actuarially determined contributions	<u>71,917</u>	<u>71,947</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	14,070,332	14,347,719
Contributions as a percentage of covered-employee payroll	0.51%	0.50%
School Board C&M:		
Actuarially determined contribution of employer	\$ 137,829	\$ 139,114
Contributions in relation to the actuarially determined contributions	<u>137,829</u>	<u>139,114</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 25,445,827	\$ 35,671,866
Contributions as a percentage of covered-employee payroll	0.54%	0.39%

See accompanying independent auditor's report.

* Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only two years are shown herein.

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

Exhibit 32

	<u>2018</u>		<u>2019</u>
Schools' proportion of the net OPEB liability	1.42%		1.41%
Schools' proportionate share of the net OPEB liability	\$ 21,300,000	\$	21,416,000
Schools' covered payroll	\$ 288,681,379	\$	295,352,515
Schools' proportionate share of the net OPEB liability as a percentage of its covered payroll	7.38%		7.25%
Plan fiduciary net position as a percentage of the total OPEB liability	48.86%		51.22%

See accompanying independent auditor's report.

*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only two years are shown herein.

**COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF SCHOOL CONTRIBUTIONS
TEACHERS GROUP LIFE INSURANCE OPEB PLAN
LAST TWO FISCAL YEARS***

Exhibit 33

	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 1,357,662	\$ 1,452,146
Contributions in relation to the contractually required contribution	\$ 1,357,662	\$ 1,452,146
Contribution deficiency (excess)	-	
Schools' covered payroll	\$ 295,352,515	\$ 306,552,352
Contributions as a percentage of covered payroll	0.46%	0.47%

See accompanying independent auditor's report.

*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only two years are shown herein.

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

Exhibit 34

	<u>2018</u>		<u>2019</u>
Schools' proportion of the net OPEB liability	.0038%		.0032%
Schools' proportionate share of the net OPEB liability	\$ 57,000	\$	59,000
Schools' covered payroll	\$ 658,947	\$	701,134
Schools' proportionate share of the net OPEB liability as a percentage of its covered payroll	8.65%		8.41%
Plan fiduciary net position as a percentage of the total OPEB liability	49.11%		51.24%

See accompanying independent auditor's report.

*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only two years are shown herein.

COUNTY OF HENRICO, VIRGINIA
SCHEDULE OF SCHOOL CONTRIBUTIONS
NON-PROFESSIONAL GROUP LIFE OPEB PLAN
LAST TWO FISCAL YEARS*

Exhibit 35

	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 3,670	\$ 3,335
Contributions in relation to the contractually required contribution	\$ 3,670	\$ 3,335
Contribution deficiency (excess)	-	-
Schools' covered payroll	\$ 701,134	\$ 716,437
Contributions as a percentage of covered payroll	0.52%	0.47%

See accompanying independent auditor's report.

*Fiscal year 2018 was the first year of GASB 75 implementation; therefore, only two years are shown herein.

COUNTY OF HENRICO, VIRGINIA
Notes to Required Supplementary OPEB Information
For the Year Ended June 30, 2019

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, 2019 plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	1,391
Active plan members	10,449
	11,840
	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, 2019, 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, 2019:

Asset Class	Target Allocation
Domestic equity	36%
Fixed Income	25%
Foreign equity	18%
Long/Short equity	6%
Real assets	10%
Private equity	5%
Total	100%

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 4.67 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, 2019, were as follows:

Total OPEB liability	\$ 94,586,924
Plan fiduciary net position	(68,550,770)
County's net OPEB liability	<u>\$ 26,036,154</u>

Plan fiduciary net position as a percentage of the total OPEB liability	72.47%
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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 percent 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, 2019 (see the discussion of the Board of Trustees investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.80%
Fixed Income	2.95
Foreign equity	8.77
Long/Short equity	5.64
Real assets	4.75
Private equity	10.40

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-percentage-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)	\$ 36,415,094	\$ 26,036,154	\$ 17,066,800

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 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)	\$ 17,233,678	\$ 26,036,154	\$ 36,462,254

OTHER SUPPLEMENTARY 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, 2019

Schedule 1

Function, Activity, Element	Original	Revised	Actual	Variance
Primary Government:				
Debt Service Fund:				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Total Debt Service Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2019

Schedule 2

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Primary Government:				
Debt Service Fund:				
Miscellaneous	\$ 50,000	\$ 350,000	\$ 997,625	\$ (647,625)
Debt Service:				
Principal payments	43,775,000	43,775,000	43,775,000	-
Interest payments	19,643,451	19,643,451	19,632,381	11,070
Total Debt Service	<u>63,418,451</u>	<u>63,418,451</u>	<u>63,407,381</u>	<u>11,070</u>
Total Debt Service Fund	<u>\$ 63,468,451</u>	<u>\$ 63,768,451</u>	<u>\$ 64,405,006</u>	<u>\$ (636,555)</u>

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, 2019

Schedule 3

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
Assets:				
Cash and cash equivalents	\$ -	\$ 2,329,491	\$ 18,662,046	\$ 20,991,537
Receivables, net	11,676	-	2,725,943	2,737,619
Due from other funds	-	-	736,789	736,789
Due from component unit	-	-	116,690	116,690
Inventories	684,003	-	-	684,003
Total current assets	<u>695,679</u>	<u>2,329,491</u>	<u>22,241,468</u>	<u>25,266,638</u>
Capital Assets:				
Other capital assets, net	16,730,507	-	-	16,730,507
Capital assets, net	<u>16,730,507</u>	<u>-</u>	<u>-</u>	<u>16,730,507</u>
Total assets	<u>17,426,186</u>	<u>2,329,491</u>	<u>22,241,468</u>	<u>41,997,145</u>
Deferred Outflows of Resources:				
Change in proportionate share allocation	31,430	-	-	31,430
Difference between projected and actual earnings	317,028	-	-	317,028
Change of assumptions	25,196	-	-	25,196
Difference between actual and expected experience	11,089	-	-	11,089
Contributions after measurement date	409,151	-	-	409,151
Total deferred outflows of resources	<u>793,894</u>	<u>-</u>	<u>-</u>	<u>793,894</u>
Total assets and deferred outflows of resources	<u>18,220,080</u>	<u>2,329,491</u>	<u>22,241,468</u>	<u>42,791,039</u>
Liabilities:				
Accounts payable	441,151	54,989	-	496,140
Accrued liabilities	167,057	-	13,421,322	13,588,379
Due to other funds	383,009	-	-	383,009
Net pension liability	2,381,728	-	-	2,381,728
Net OPEB liability	793,667	-	-	793,667
Long-term liabilities due within one year	229,016	-	-	229,016
Long-term liabilities due in more than one year	19,687	-	-	19,687
Total liabilities	<u>4,415,315</u>	<u>54,989</u>	<u>13,421,322</u>	<u>17,891,626</u>
Deferred Inflows of Resources:				
Change in proportionate share allocation	44,016	-	-	44,016
Difference between actual and expected experience	579,576	-	-	579,576
Difference between projected and actual pension earnings	448,953	-	-	448,953
Change of assumptions	95,369	-	-	95,369
Total deferred inflows of resources	<u>1,167,914</u>	<u>-</u>	<u>-</u>	<u>1,167,914</u>
Total liabilities and deferred inflows of resources	<u>5,583,229</u>	<u>54,989</u>	<u>13,421,322</u>	<u>19,059,540</u>
Net Position:				
Net investment in capital assets	16,730,507	-	-	16,730,507
Unrestricted	(4,093,656)	2,274,502	8,820,146	7,000,992
Total net position	<u>\$ 12,636,851</u>	<u>\$ 2,274,502</u>	<u>\$ 8,820,146</u>	<u>\$ 23,731,499</u>

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, 2019**

Schedule 4

	Governmental Activities - Internal Service Funds			Total
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	
Operating Revenues:				
Charges for services:				
Interdepartmental charges	\$ 20,870,984	\$ -	\$ -	\$ 20,870,984
Contributions:				
Employer	-	-	92,344,441	92,344,441
Employee	-	-	27,247,886	27,247,886
Retiree	-	-	28,540	28,540
Disabled	-	-	-	-
Other	140,111	2,500,000	3,315,625	5,955,736
Total operating revenues	21,011,095	2,500,000	122,936,492	146,447,587
Operating Expenses:				
Utility charges	145,788	-	-	145,788
Personnel services and benefits	4,045,780	-	117,437,713	121,483,493
Professional services	3,306	-	109,421	112,727
Materials and supplies	9,955,838	2,825,153	-	12,780,991
Maintenance and repairs	4,856,719	-	-	4,856,719
Other expenses	308,756	-	1,233,297	1,542,053
Depreciation	2,399,584	-	-	2,399,584
Total operating expenses	21,715,771	2,825,153	118,780,431	143,321,355
Operating (loss) income	(704,676)	(325,153)	4,156,061	3,126,232
Nonoperating Revenues:				
Gain on sale of equipment	240,495	-	-	240,495
Investment income	-	-	302,677	302,677
Total nonoperating revenues, net	240,495	-	302,677	543,172
Income (loss) before capital contributions	(464,181)	(325,153)	4,458,738	3,669,404
Capital contributions - donated assets	164,681	-	-	164,681
Change in net position	(299,500)	(325,153)	4,458,738	3,834,085
Total net position - June 30, 2018	12,936,351	2,599,655	4,361,408	19,897,414
Total net position - June 30, 2019	\$ 12,636,851	\$ 2,274,502	\$ 8,820,146	\$ 23,731,499

See accompanying independent auditor's report.

**HENRICO COUNTY, VIRGINIA
COMBINING STATEMENTS OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Schedule 5

	Governmental Activities - Internal Service Funds			
	Central Automotive Maintenance	Technology Replacement Fund	Healthcare Fund	Total
Cash Flows From Operating Activities:				
Receipts from customers	\$ 21,009,305	\$ 2,500,000	\$ 122,538,626	\$ 146,047,931
Payments to suppliers	(15,421,766)	(2,777,557)	(116,679,283)	(134,878,606)
Payments to employees	(4,037,140)	-	-	(4,037,140)
Net cash provided by (used in) operating activities	<u>1,550,399</u>	<u>(277,557)</u>	<u>5,859,343</u>	<u>7,132,185</u>
Cash Flows From Capital and Related Financing Activities:				
Purchase of capital assets	(2,835,479)	-	-	(2,835,479)
Principle paid on debt	(1,230)	-	-	(1,230)
Proceeds from sale of capital assets	293,229	-	-	293,229
Net cash used in capital and related financing activities	<u>(2,543,480)</u>	<u>-</u>	<u>-</u>	<u>(2,543,480)</u>
Cash Flows From Investing Activities:				
Investment income received	-	-	302,677	302,677
Net (decrease) increase in Cash and cash equivalents	<u>(993,081)</u>	<u>(277,557)</u>	<u>6,162,020</u>	<u>4,891,382</u>
Cash and cash equivalents - June 30, 2018	<u>993,081</u>	<u>2,607,048</u>	<u>12,500,026</u>	<u>16,100,155</u>
Cash and cash equivalents - June 30, 2019	<u><u>-</u></u>	<u><u>\$ 2,329,491</u></u>	<u><u>\$ 18,662,046</u></u>	<u><u>\$ 20,991,537</u></u>
Reconciliation of Operating Loss to Net Cash (Used In) Provided by Operating Activities:				
Operating (loss) income	\$ (704,676)	\$ (325,153)	\$ 4,156,061	\$ 3,126,232
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	2,399,584	-	-	2,399,584
Change in assets and liabilities:				
Receivables	(1,790)	-	(311,938)	(313,728)
Inventories	56,990	-	-	56,990
Due from other funds	-	-	(75,727)	(75,727)
Due from component unit	-	-	(10,201)	(10,201)
Deferred outflows of resources	148,452	-	-	148,452
Accounts payable	(232,910)	47,596	2,089,203	1,903,889
Accrued liabilities	85,211	-	11,945	97,156
Due to other funds	371,608	-	-	371,608
Net pension liability	(85,528)	-	-	(85,528)
Net OPEB liability	(3,662)	-	-	(3,662)
Deferred inflows of resources	(482,880)	-	-	(482,880)
Net cash provided by (used in) operating activities	<u><u>\$ 1,550,399</u></u>	<u><u>\$ (277,557)</u></u>	<u><u>\$ 5,859,343</u></u>	<u><u>\$ 7,132,185</u></u>

Supplemental disclosure of noncash investing and financing activities:

Central Automotive Maintenance received donated equipment assets valued at \$164,681.

See accompanying independent auditor's report.

COUNTY OF HENRICO

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.

Code RVA - To account for receipts and disbursements of monies received from School Boards and State Agencies to operate Code RVA as fiscal agent.

HENRICO COUNTY, VIRGINIA
COMBINING STATEMENTS OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019

Schedule 6

	Long-Term Disability	Special Welfare	Mental Health and Developmental Services	Non-Judicial Tax Sales	Code RVA	Total
Assets:						
Cash and cash equivalents	\$ 782,048	\$ 28,681	\$ 62,378	\$ 21,854	\$ 449,202	\$ 1,344,163
Accounts receivable	-	84	-	-	-	84
Due from other Governments	-	-	-	-	282,960	282,960
Deferred outflows	-	-	-	-	239,705	239,705
Equipment	-	-	-	-	32,248	32,248
Total Assets	<u>\$ 782,048</u>	<u>\$ 28,765</u>	<u>\$ 62,378</u>	<u>\$ 21,854</u>	<u>\$ 1,004,115</u>	<u>\$ 1,899,160</u>
Liabilities:						
Amounts due to others	\$ 735,570	\$ 28,765	\$ 62,378	\$ 21,854	\$ 835,224	\$ 1,683,791
Accounts payable	46,478	-	-	-	168,891	215,369
Total Liabilities	<u>\$ 782,048</u>	<u>\$ 28,765</u>	<u>\$ 62,378</u>	<u>\$ 21,854</u>	<u>\$ 1,004,115</u>	<u>\$ 1,899,160</u>

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, 2019

Schedule 7

	Balance July 1	Additions	Deletions	Balance June 30
Long Term Disability:				
Assets:				
Cash and cash equivalents	\$ 683,304	\$ 663,355	\$ 564,611	\$ 782,048
Total assets	<u>\$ 683,304</u>	<u>\$ 663,355</u>	<u>\$ 564,611</u>	<u>\$ 782,048</u>
Liabilities:				
Amounts due to others	\$ 636,826	134,434	35,690	735,570
Accounts payable	46,478	528,921	528,921	46,478
Total liabilities	<u>\$ 683,304</u>	<u>\$ 663,355</u>	<u>\$ 564,611</u>	<u>\$ 782,048</u>
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 61,742	\$ 130,031	\$ 163,092	\$ 28,681
Accounts receivable	84	-	-	84
Total assets	<u>\$ 61,826</u>	<u>\$ 130,031</u>	<u>\$ 163,092</u>	<u>\$ 28,765</u>
Liabilities:				
Amounts due to others	\$ 61,651	\$ 130,031	\$ 162,917	\$ 28,765
Accounts payable	175	-	175	-
Total liabilities	<u>\$ 61,826</u>	<u>\$ 130,031</u>	<u>\$ 163,092</u>	<u>\$ 28,765</u>
Mental Health and Retardation:				
Assets:				
Cash and cash equivalents	\$ 48,527	\$ 321,881	\$ 308,030	\$ 62,378
Total assets	<u>\$ 48,527</u>	<u>\$ 321,881</u>	<u>\$ 308,030</u>	<u>\$ 62,378</u>
Liabilities:				
Amounts due to others	\$ 48,527	\$ 321,881	\$ 308,030	\$ 62,378
Total liabilities	<u>\$ 48,527</u>	<u>\$ 321,881</u>	<u>\$ 308,030</u>	<u>\$ 62,378</u>
Non-Judicial Tax Sales:				
Assets:				
Cash and cash equivalents	\$ 41	\$ 21,813	\$ -	\$ 21,854
Total assets	<u>\$ 41</u>	<u>\$ 21,813</u>	<u>\$ -</u>	<u>\$ 21,854</u>
Liabilities:				
Amounts due to others	\$ 41	\$ 21,813	\$ -	\$ 21,854
Total liabilities	<u>\$ 41</u>	<u>\$ 21,813</u>	<u>\$ -</u>	<u>\$ 21,854</u>
Code RVA:				
Assets:				
Cash and cash equivalents	\$ -	\$ 3,685,060	\$ 3,235,858	\$ 449,202
Due from other government	403,487	282,960	403,487	282,960
Deferred outflows	-	239,705	-	239,705
Equipment	32,248	-	-	32,248
Total assets	<u>\$ 435,735</u>	<u>\$ 4,207,725</u>	<u>\$ 3,639,345</u>	<u>\$ 1,004,115</u>
Liabilities:				
Accounts Payable	\$ 67,248	\$ 1,423,123	\$ 1,321,480	\$ 168,891
Amount due to others	368,487	2,784,602	2,317,865	835,224
Total liabilities	<u>\$ 435,735</u>	<u>\$ 4,207,725</u>	<u>\$ 3,639,345</u>	<u>\$ 1,004,115</u>
Totals:				
Assets:				
Cash and cash equivalents	\$ 793,614	\$ 4,822,140	\$ 4,271,591	\$ 1,344,163
Accounts receivable	84	-	-	84
Due from other government	403,487	282,960	403,487	282,960
Deferred outflows	-	239,705	-	239,705
Equipment	32,248	-	-	32,248
Total assets	<u>\$ 1,229,433</u>	<u>\$ 5,344,805</u>	<u>\$ 4,675,078</u>	<u>\$ 1,899,160</u>
Liabilities:				
Amounts due to others	\$ 1,115,532	\$ 3,392,761	\$ 2,824,502	\$ 1,683,791
Accounts payable	113,901	1,952,044	1,850,576	215,369
Total liabilities	<u>\$ 1,229,433</u>	<u>\$ 5,344,805</u>	<u>\$ 4,675,078</u>	<u>\$ 1,899,160</u>

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, 2019**

Schedule 8

	Governmental Funds			Totals
	School General Fund	School Special Revenue Fund	School Capital Projects Fund	
Assets:				
Cash and cash equivalents	\$ 12,071,997	\$ 17,823,740	\$ 17,879,359	\$ 47,775,096
Other assets	-	174,887	-	174,887
Due from other governmental units	4,743,169	12,524,966	-	17,268,135
Total Assets	\$ 16,815,166	\$ 30,523,593	\$ 17,879,359	\$ 65,218,118
Liabilities:				
Accounts payable	\$ 261,410	\$ 675,081	\$ 26,795	\$ 963,286
Accrued liabilities	1,813,744	119,333	514,930	2,448,007
Amounts held for others	83,866	-	-	83,866
Due to other funds	102,335	3,687	-	106,022
Total liabilities	2,261,355	798,101	541,725	3,601,181
Deferred Inflow of Resources:				
Unavailable revenues	-	17,383,295	-	17,383,295
Fund balances:				
Restricted	-	12,342,197	-	12,342,197
Committed	-	-	17,337,634	17,337,634
Assigned	12,078,059	-	-	12,078,059
Unassigned	2,475,752	-	-	2,475,752
Total fund balances	14,553,811	12,342,197	17,337,634	44,233,642
Total Liabilities, Deferred Inflows and Fund Balances	\$ 16,815,166	\$ 30,523,593	\$ 17,879,359	\$ 65,218,118

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.	\$ (4,198,739)
Capital assets used in School Board activities are not current financial resources and therefore are not reported as assets in the governmental funds.	300,643,642
Deferred outflows - contributions after measurement date are not current financial resources and therefore are not reported as assets in the governmental funds.	52,082,898
Deferred outflows - differences between projected and actual earnings are not current financial resources and therefore are not reported as assets in the governmental funds.	28,574,836
Deferred outflows - changes of assumptions are not current financial resources and therefore are not reported as assets in the governmental funds.	4,812,364
Deferred outflows - differences between expected and actual experience are not current financial resources and therefore are not reported as assets in the governmental funds.	1,154,815
Pension liability is not due and payable in the current period and therefore is not reported as liabilities in the governmental funds.	(410,797,960)
OPEB liability is not due and payable in the current period and therefore is not reported as liabilities in the governmental funds.	(77,787,584)
Change in proportionate share allocation	(3,345,280)
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.	(44,095,514)
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.	(38,695,105)
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.	(3,241,952)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(38,171,430)
Net Position of Discretely Presented Component Unit - School Board	\$ (188,831,367)

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, 2019**

Schedule 9

	Governmental Funds			Total
	School General Fund	School Special Revenue Fund	School Capital Projects Fund	
Revenues:				
Permits, privilege fees and regulatory licenses	\$ 432,105	\$ -	\$ -	\$ 432,105
Charges for services	178,379	6,428,268	-	6,606,647
Miscellaneous	-	4,332,250	-	4,332,250
Recovered costs	319,772	-	-	319,772
Intergovernmental:				
Federal	-	42,417,511	-	42,417,511
State	270,245,309	12,633,843	-	282,879,152
Total revenues	271,175,565	65,811,872	-	336,987,437
Expenditures:				
Education	498,463,704	64,218,357	-	562,682,061
Capital projects	-	-	14,251,246	14,251,246
Debt service:				
Principal retirement	9,410,725	-	-	9,410,725
Interest	146,111	-	-	146,111
Total expenditures	508,020,540	64,218,357	14,251,246	586,490,143
Deficiency of revenues under expenditures	(236,844,975)	1,593,515	(14,251,246)	(249,502,706)
Other Financing Sources:				
Capital lease obligations incurred	21,552,124	-	-	21,552,124
Transfers in	-	-	9,000,000	9,000,000
Transfers out	(9,000,000)	-	-	(9,000,000)
Payment from Primary Government	226,147,872	-	2,500,000	228,647,872
Total other financing sources	238,699,996	-	11,500,000	250,199,996
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,855,021	1,593,515	(2,751,246)	697,290
Total Fund Balances - June 30, 2018	12,698,790	10,748,682	20,088,880	43,536,352
Total Fund Balances - June 30, 2019	\$ 14,553,811	\$ 12,342,197	\$ 17,337,634	\$ 44,233,642

Adjustments for the Statement of Activities:

Excess of revenues and other sources over expenditures and other uses	\$ 697,290
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.	9,410,725
Depreciation expense is reported in the Statement of Activities but is not reported as an expense in the governmental funds. (Note 6)	(21,863,954)
Governmental funds report capital outlays as expenditures while School Board activities capitalize those outlays to allocate those expenditures over the life of the assets.	36,778,728
Capital lease proceeds are recorded as revenues in governmental funds, but are not reported as revenues in the Statement of Activities. (Note 7)	(21,552,124)
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.	(350,754)
Pension/OPEB expense is recorded as an expenditure in the Statement of Activities, but is not reported as an expense in the governmental funds.	26,620,168
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.	94,974
Change in Net Position of Discretely Presented Component Unit - School Board	\$ 29,835,052

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
AGENCY FUNDS
JUNE 30, 2019

Schedule 10

	Agency Funds
Assets:	
Cash and cash equivalents	\$ 6,395,844
Total Assets	\$ 6,395,844
Liabilities:	
Amounts held for others	\$ 6,395,844
Total Liabilities	\$ 6,395,844

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, 2019

Schedule 11

	Balance July 1	Additions	Deletions	Balance June 30
School Activity Fund:				
Assets:				
Cash and cash equivalents	\$ 6,080,133	\$ 18,780,181	\$ 18,464,470	\$ 6,395,844
Total assets	<u>\$ 6,080,133</u>	<u>\$ 18,780,181</u>	<u>\$ 18,464,470</u>	<u>\$ 6,395,844</u>
Liabilities:				
Amounts due to others	\$ 6,080,133	\$ 18,780,181	\$ 18,464,470	\$ 6,395,844
Total liabilities	<u>\$ 6,080,133</u>	<u>\$ 18,780,181</u>	<u>\$ 18,464,470</u>	<u>\$ 6,395,844</u>

See accompanying independent auditor's report.

HENRICO COUNTY, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
COMPONENT UNIT - SCHOOL BOARD
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Schedule 12
Page 1 of 2

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	\$ 105,766	\$ 5,766
Facilities rental	300,000	300,000	326,339	26,339
Total permits, privilege fees and regulatory licenses	<u>400,000</u>	<u>400,000</u>	<u>432,105</u>	<u>32,105</u>
Charges for services:				
School fees and tuitions	128,000	128,000	178,379	50,379
Total charges for services	<u>128,000</u>	<u>128,000</u>	<u>178,379</u>	<u>50,379</u>
Recovered cost:				
Sale of vehicles, textbooks and equipment	50,000	50,000	116,626	66,626
Recovered cost - student activities	281,500	281,500	203,146	(78,354)
Total recovered cost	<u>331,500</u>	<u>331,500</u>	<u>319,772</u>	<u>(11,728)</u>
Total revenue from local sources	<u>859,500</u>	<u>859,500</u>	<u>930,256</u>	<u>70,756</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Talented and gifted program	1,415,000	1,415,000	1,429,379	14,379
English as a second language	2,100,000	2,100,000	2,202,095	102,095
General appropriation - basic aid	135,000,000	135,000,000	134,673,316	(326,684)
Foster child reimbursement	350,000	350,000	247,843	(102,157)
Textbooks	2,900,000	2,900,000	2,937,228	37,228
Social security reimbursement	8,050,000	8,050,000	8,080,368	30,368
Retirement reimbursement	17,800,000	17,800,000	17,852,655	52,655
Life insurance reimbursement	525,000	525,000	554,249	29,249
Remedial education	4,300,000	4,300,000	4,346,480	46,480
Share of State sales tax - schools	56,500,000	56,500,000	57,453,295	953,295
SOQ - basic special education	16,000,000	16,000,000	16,073,223	73,223
Special education - homebound	210,000	210,000	191,534	(18,466)
Vocational education - local administrative and supervisory	650,000	650,000	47,104	(602,896)
Vocational education - SOQ occupational	2,200,000	2,200,000	2,275,338	75,338
Handicapped - foster home	600,000	600,000	439,020	(160,980)
Salary incentive K-3	5,750,000	5,750,000	5,652,212	(97,788)
R.O.T.C.	360,000	360,000	404,738	44,738
Adult Basic Education	-	-	753,311	753,311
At risk	3,475,000	3,475,000	3,839,919	364,919
Education State Compensation	-	-	-	-
Other categorical aid	110,000	110,000	169,381	59,381
State lottery proceeds	6,000,000	8,000,000	10,622,621	2,622,621
Total categorical aid	<u>264,295,000</u>	<u>266,295,000</u>	<u>270,245,309</u>	<u>3,950,309</u>
Total revenue from the Commonwealth	<u>264,295,000</u>	<u>266,295,000</u>	<u>270,245,309</u>	<u>3,950,309</u>
Total Component Unit - General Fund	<u>\$ 265,154,500</u>	<u>\$ 267,154,500</u>	<u>\$ 271,175,565</u>	<u>\$ 4,021,065</u>

HENRICO COUNTY, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
COMPONENT UNIT - SCHOOL BOARD
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Schedule 12
Page 2 of 2

Fund, Major and Minor Revenue Sources	Original Budget	Revised Budget	Actual	Variance
Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria receipts	\$ 9,562,985	\$ 9,562,985	\$ 6,428,268	\$ (3,134,717)
Total charges for services	<u>9,562,985</u>	<u>9,562,985</u>	<u>6,428,268</u>	<u>(3,134,717)</u>
Miscellaneous:				
Miscellaneous	249,463	249,463	416,661	167,198
Recoveries and rebates	2,936,363	2,936,363	3,915,589	979,226
Total miscellaneous	<u>3,185,826</u>	<u>3,185,826</u>	<u>4,332,250</u>	<u>1,146,424</u>
Total revenue from local sources	<u>12,748,811</u>	<u>12,748,811</u>	<u>10,760,518</u>	<u>(1,988,293)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Juvenile detention center	1,560,289	1,560,289	1,510,528	(49,761)
Technology	2,194,400	2,194,400	1,531,914	(662,486)
Summer school	1,969,963	1,969,963	500,523	(1,469,440)
General adult education	292,023	292,023	(1,107)	(293,130)
Other state educational grants	10,876,017	10,876,017	9,091,985	(1,784,032)
Total revenue from the Commonwealth	<u>16,892,692</u>	<u>16,892,692</u>	<u>12,633,843</u>	<u>(4,258,849)</u>
Revenue from the Federal Government:				
Title I	8,934,667	8,934,667	9,857,108	922,441
Title VI-B	10,346,434	10,346,434	10,286,623	(59,811)
Vocational federal act	-	-	892,542	892,542
Head start	1,452,894	1,452,894	1,376,747	(76,147)
Pre-school	309,998	309,998	196,395	(113,603)
School lunch program	15,385,578	15,385,578	10,675,165	(4,710,413)
School breakfast program	-	-	3,783,440	3,783,440
Other Federal educational grants	7,895,312	7,895,312	5,349,491	(2,545,821)
Total revenue from the Federal government	<u>44,324,883</u>	<u>44,324,883</u>	<u>42,417,511</u>	<u>(1,907,372)</u>
Total intergovernmental	<u>61,217,575</u>	<u>61,217,575</u>	<u>55,051,354</u>	<u>(6,166,221)</u>
Total Component Unit - Special Revenue Fund	<u>\$ 73,966,386</u>	<u>\$ 73,966,386</u>	<u>\$ 65,811,872</u>	<u>\$ (8,154,514)</u>
Grand Total Revenues - Component Unit - School Board	<u>\$ 339,120,886</u>	<u>\$ 341,120,886</u>	<u>\$ 336,987,437</u>	<u>\$ (4,133,449)</u>

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, 2019

Schedule 13

Function, Activity, Element	Original Budget	Revised Budget	Actual	Variance
Component Unit - School Board:				
General Fund:				
Education:				
Administration of schools:				
Administration	\$ 56,864,551	\$ 65,072,878	\$ 54,137,403	\$ 10,935,475
Instructional	366,708,778	368,574,303	368,273,241	301,062
Transportation	27,086,221	28,852,762	28,851,525	1,237
Operation and maintenance	46,477,733	46,915,892	47,201,534	(285,642)
Total administration of schools	<u>497,137,283</u>	<u>509,415,835</u>	<u>498,463,704</u>	<u>10,952,131</u>
Debt Service:				
Principal retirement	9,410,725	9,410,725	9,410,725	-
Interest	146,111	146,111	146,111	-
Total debt service	<u>9,556,836</u>	<u>9,556,836</u>	<u>9,556,836</u>	<u>-</u>
Total education	<u>506,694,119</u>	<u>518,972,671</u>	<u>508,020,540</u>	<u>10,952,131</u>
Total Component Unit - General Fund	<u>\$ 506,694,119</u>	<u>\$ 518,972,671</u>	<u>\$ 508,020,540</u>	<u>\$ 10,952,131</u>
Special Revenue Fund:				
Education:				
Instruction	\$ 43,029,124	\$ 64,828,669	\$ 42,310,777	\$ 22,517,892
Other educational programs	(20,478,696)	(18,484,464)	901,354	(19,385,818)
Transportation	-	218,455	149,612	68,843
Total education	<u>22,550,428</u>	<u>46,562,660</u>	<u>43,361,743</u>	<u>3,200,917</u>
School food service	<u>25,596,753</u>	<u>25,735,941</u>	<u>20,856,614</u>	<u>4,879,327</u>
Total Component Unit - Special Revenue Fund	<u>\$ 48,147,181</u>	<u>\$ 72,298,601</u>	<u>\$ 64,218,357</u>	<u>\$ 8,080,244</u>
Grand Total Expenditures - Component Unit - School Board	<u>\$ 554,841,300</u>	<u>\$ 591,271,272</u>	<u>\$ 572,238,897</u>	<u>\$ 19,032,375</u>

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

Financial Trends

Tables I - IV

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity

Tables V - VIII

These schedules contain information to help the reader assess the County's most significant local revenue sources, the real and personal property tax.

Debt Capacity

Tables IX - X

These schedules present information which help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information

Tables XI - XII

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information

Tables XIII - XV

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

HENRICO COUNTY, VIRGINIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)
(\$ in thousands)

Table I

	2010	2011	2012	2013 (1)	2014	2015 (2)	2016	2017	2018 (3)	2019
Governmental Activities:										
Net Investment in Capital Assets	\$ 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	\$ 1,208,373
Restricted For:										
Highways, Streets and Buildings	86,705	94,717	80,728	93,239	75,283	65,924	74,460	128,255	75,065	120,048
Debt Service	38,006	35,199	37,787	34,667	35,187	35,729	35,283	33,318	38,889	42,912
Grants	29,488	39,207	40,738	43,598	47,264	47,142	51,010	51,309	44,380	49,044
Unrestricted	203,684	182,965	129,229	107,902	125,687	(75,487)	(99,933)	(76,034)	(78,587)	(66,470)
Total Governmental Activities Net Position	\$ 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	\$ 1,353,908
Business-type Activities:										
Net Investment in Capital Assets	\$ 909,604	\$ 923,622	\$ 946,577	\$ 969,304	\$ 1,015,261	\$ 1,006,550	\$ 1,045,556	\$ 1,049,633	\$ 1,040,062	\$ 1,059,884
Debt Service	16,704	16,516	16,516	15,070	17,005	17,002	21,532	21,532	27,247	30,421
Unrestricted	76,418	73,779	64,471	63,384	31,682	47,360	27,843	58,476	89,177	94,644
Total Business-Type Activities Net Position	\$ 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	\$ 1,184,949
Primary Government:										
Net Investment in Capital Assets	\$ 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	\$ 2,268,258
Restricted For:										
Highways, Streets, and Buildings	86,705	94,717	80,728	93,239	75,283	65,924	74,460	128,255	75,065	120,048
Debt Service	54,710	51,715	54,303	49,737	52,192	52,731	56,815	54,850	66,136	73,333
Grants	29,488	39,207	40,738	43,598	47,264	47,142	51,010	51,309	44,380	49,044
Unrestricted	280,102	256,744	193,700	171,286	157,369	(28,127)	(72,091)	(17,558)	10,590	28,174
Total Primary Government Net Position	\$ 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	\$ 2,538,857

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

	2010	2011	2012	2013 (1)	2014	2015 (2)	2016	2017	2018 (3)	2019
Expenses										
Governmental Activities:										
General Government	\$ 102,595	\$ 88,350	\$ 96,745	\$ 96,108	\$ 86,769	\$ 101,642	\$ 129,491	\$ 97,783	\$ 91,002	\$ 94,497
Judicial Administration	10,943	11,101	11,158	10,908	10,916	11,215	11,298	11,889	12,267	12,845
Public Safety	165,026	169,856	172,498	173,219	179,030	181,590	186,839	198,047	198,269	205,319
Public Works	77,785	71,986	75,272	70,303	77,624	82,583	80,918	89,386	87,221	91,603
Health and Welfare	67,543	60,937	60,572	57,700	58,681	61,796	66,956	70,840	74,941	79,862
Education	193,146	209,564	205,558	188,025	200,483	217,148	251,840	249,223	235,170	239,957
Parks, Recreation and Culture	35,204	34,329	34,987	34,781	34,159	35,058	37,434	40,309	42,123	43,429
Community Development	25,428	26,692	27,903	28,869	27,681	31,813	29,868	28,640	30,396	28,681
Interest on Long-term Debt	27,698	18,520	19,177	21,289	15,854	17,195	11,941	12,302	12,069	13,623
Total Government Activities Expenses	705,368	691,335	703,870	681,202	691,197	740,040	806,585	798,419	783,458	809,815
Business-Type Activities:										
Water and Sewer	87,290	92,028	90,830	89,813	96,918	102,977	107,950	105,919	108,696	112,548
Belmont Park Golf Course	1,237	1,227	1,241	1,166	1,150	965	1,082	1,001	926	896
Total Business-Type Activities Expenses	88,527	93,255	92,071	90,979	98,068	103,942	109,032	106,920	109,622	113,444
Total Primary Government Expenses	\$ 793,895	\$ 784,590	\$ 795,941	\$ 772,181	\$ 789,265	\$ 843,982	\$ 915,617	\$ 905,339	\$ 893,080	\$ 923,259
Program Revenues										
Governmental Activities:										
Charges for services:										
General Government	\$ 15,207	\$ 11,461	\$ 12,212	\$ 11,094	\$ 11,118	\$ 13,164	\$ 11,969	\$ 13,659	\$ 16,613	\$ 14,225
Judicial Administration	81	88	90	106	124	185	957	982	972	1,015
Public Safety	2,765	3,153	3,190	3,464	2,951	3,197	2,878	5,029	3,142	3,791
Public Works	13,741	15,760	13,667	15,077	14,851	3,392	3,464	3,085	2,572	2,693
Health and Welfare	9,645	9,507	10,225	10,234	11,255	10,764	11,317	11,096	11,223	12,231
Education	-	-	-	-	-	-	-	-	-	-
Parks, Recreation and Culture	1,444	1,439	1,497	1,494	1,446	1,360	1,250	1,249	1,208	1,237
Community Development	547	4,901	5,749	6,328	6,479	7,561	7,843	8,615	9,853	9,872
Interest and Long-term Debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	111,874	-	-	109,426	117,403	137,434	152,903	155,163	148,000	157,835
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Revenues	155,304	46,309	46,630	157,223	165,627	177,057	192,581	198,878	193,583	202,899
Business-Type Activities:										
Water and Sewer	88,428	91,827	97,318	100,998	101,395	110,953	117,240	118,859	113,054	116,971
Belmont Park Golf Course	868	867	979	844	797	853	823	694	697	782
Total Business-Type Activities Revenues	89,296	92,694	98,297	101,842	102,192	111,806	118,063	119,553	113,751	117,753
Total Primary Government Revenues	\$ 244,600	\$ 139,003	\$ 144,927	\$ 259,065	\$ 267,819	\$ 288,863	\$ 310,644	\$ 318,431	\$ 307,334	\$ 320,652

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)

	2010	2011	2012	2013 (1)	2014	2015 (2)	2016	2017	2018 (3)	2019
Net (Expense) Revenue										
Governmental Activities:										
General Government	\$ (86,579)	\$ (75,510)	\$ (83,065)	\$ (86,689)	\$ (74,645)	\$ (86,565)	\$ (115,290)	\$ (82,401)	\$ (71,887)	\$ (76,100)
Judicial Administration	(5,795)	(5,874)	(5,869)	(5,498)	(5,505)	(5,454)	(4,694)	(4,906)	(5,297)	(5,776)
Public Safety	(135,030)	(137,288)	(139,818)	(142,236)	(146,844)	(150,739)	(155,208)	(163,389)	(166,276)	(172,147)
Public Works	(26,246)	(12,395)	(20,548)	(13,665)	(15,234)	(14,734)	(3,916)	(12,399)	(20,316)	(22,168)
Health and Welfare	(25,890)	(21,057)	(21,047)	(21,664)	(20,749)	(16,612)	(21,119)	(24,174)	(25,558)	(26,640)
Education	(193,146)	(209,564)	(205,558)	(188,025)	(200,483)	(217,148)	(251,840)	(249,223)	(235,170)	(239,957)
Parks, Recreation and Culture	(33,555)	(32,711)	(33,296)	(33,103)	(32,502)	(33,359)	(35,984)	(38,845)	(40,701)	(39,077)
Community Development	(16,125)	(14,153)	(15,847)	(14,613)	(13,754)	(21,178)	(14,010)	(11,901)	(12,600)	(11,427)
Interest on Long-term Debt	(27,698)	(18,520)	(19,177)	(21,289)	(15,854)	(17,195)	(11,941)	(12,302)	(12,069)	(13,623)
Total Governmental Activities Net Expense	(550,064)	(527,072)	(544,225)	(526,782)	(525,570)	(562,984)	(614,002)	(599,540)	(589,874)	(606,916)
Business-Type Activities:										
Water and Sewer	18,929	8,137	13,392	17,885	11,806	18,224	20,270	27,805	25,503	10,509
Belmont Park Golf Course	(369)	(360)	(262)	(323)	(353)	(112)	(259)	(307)	(229)	(114)
Total Business-Type Activities Net Revenue	18,560	7,777	13,130	17,562	11,453	18,112	20,011	27,498	25,274	10,395
Total Primary Government Net Expense	\$ (531,504)	\$ (519,295)	\$ (531,095)	\$ (509,220)	\$ (514,117)	\$ (544,872)	\$ (593,991)	\$ (572,042)	\$ (564,600)	\$ (596,521)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property	\$ 366,203	\$ 356,285	\$ 355,138	\$ 355,171	\$ 367,971	\$ 377,406	\$ 387,744	\$ 403,164	\$ 420,886	\$ 446,944
Local Sales and Use	53,256	55,342	55,913	55,852	55,825	58,095	62,286	64,666	68,256	68,775
Business License	27,313	27,525	28,487	29,641	29,828	32,086	33,521	35,432	35,618	38,308
Hotel and Motel	9,006	9,389	10,627	10,851	11,008	12,193	13,169	13,448	13,898	14,045
Bank Franchise	14,579	18,906	17,440	11,740	9,138	11,482	12,133	17,318	17,775	18,241
Other	17,069	16,931	18,075	20,158	21,250	46,344	48,614	49,828	50,948	52,026
Interest and Investment Earnings	4,656	2,689	2,225	1,519	1,946	2,271	2,945	2,045	5,305	18,052
Grants and Contributions	61,238	57,854	54,053	51,426	51,143	50,727	50,633	55,243	50,576	50,983
Miscellaneous/Donated Assets	3,861	1,505	908	1,592	2,131	2,591	1,121	4,976	1,685	4,840
Total Governmental Activities	557,181	546,426	542,866	537,950	550,240	593,195	612,166	646,120	664,947	712,215
Business-Type Activities:										
Interest and Investment Earnings	646	714	1,051	1,024	2,075	799	1,020	975	1,122	1,037
Grants and Contributions	661	436	492	436	1,611	1,608	1,650	1,608	1,609	15,336
Miscellaneous/Donated Assets	4,262	2,264	(1,026)	1,172	1,051	1,214	1,340	1,923	1,712	1,695
Total Business-Type Activities	5,569	3,414	517	2,632	4,737	3,621	4,010	4,506	4,443	18,069
Total Primary Government	\$ 562,750	\$ 549,840	\$ 543,383	\$ 540,582	\$ 554,977	\$ 596,816	\$ 616,176	\$ 650,626	\$ 669,390	\$ 730,283
Change in Net Position										
Government Activities	\$ 7,117	\$ 19,354	\$ (1,359)	\$ 11,168	\$ 24,670	\$ 30,211	\$ (1,836)	\$ 46,580	\$ 75,073	\$ 105,299
Business Activities	24,129	11,191	13,647	20,194	16,190	21,733	24,021	32,004	29,717	28,464
Total Primary Government Net Position	\$ 31,246	\$ 30,545	\$ 12,288	\$ 31,362	\$ 40,860	\$ 51,944	\$ 22,185	\$ 78,584	\$ 104,790	\$ 133,763

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
Nonspendable	\$ -	\$ 113	\$ 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	1,692
Committed	-	5,000	10,000	2,920	18,842	28,204	33,206	35,454	65,937	56,630
Assigned	-	79,631	89,409	72,184	61,822	61,511	62,420	77,076	69,467	75,745
Unassigned	-	133,005	109,597	114,170	115,034	117,489	119,346	123,934	127,744	133,163
Total General Fund	242,864	222,261	213,651	194,413	202,623	214,638	220,362	243,463	267,227	267,342
All Other Governmental Funds:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	26,738	28,532	28,448	30,253	28,973	29,018	26,844	20,853	25,137
Committed	-	208,320	212,618	191,275	148,380	119,743	140,570	242,931	211,810	280,751
Assigned	-	15,238	14,964	15,907	17,768	19,298	23,139	24,668	24,705	24,150
Unassigned	-	-	-	-	-	-	-	-	-	-
Undesignated	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	214,957	250,296	256,114	235,630	196,401	168,014	192,727	294,443	257,368	330,037
Total Fund Balances	\$ 457,822	\$ 472,557	\$ 469,765	\$ 430,043	\$ 399,024	\$ 382,652	\$ 413,089	\$ 537,906	\$ 524,595	\$ 597,380
General Fund:										
Reserved for:										
Advance to Other Funds	\$ 113									
Encumbrances	4,298									
Unreserved, reported in:										
Designated	101,927									
Undesignated	136,526									
Total General Fund	242,865									
All Other Governmental Funds:										
Reserved for:										
Encumbrances	69,556									
Unreserved, reported in:										
Designated:										
Special Revenue Fund	24,333									
Debt Service Fund	6,496									
Capital Project Fund	114,572									
Undesignated	-									
Total All Other Governmental Funds	214,957									
Total Fund Balances	\$ 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

	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:								
General Property Taxes	\$ 351,142	\$ 352,275	\$ 367,120	\$ 375,685	\$ 387,388	\$ 402,026	\$ 420,786	\$ 447,469
Other Local Taxes	129,354	125,872	125,113	158,824	165,920	176,154	182,032	186,844
Licenses and Permits	3,486	3,177	3,732	6,052	4,744	5,385	9,811	7,368
Fines and Forfeitures	2,958	3,415	2,649	2,523	1,945	2,110	2,161	2,147
Use of Money and Property	3,117	2,746	3,335	3,534	4,194	3,295	6,286	19,023
Charges for Services	26,279	27,446	28,783	28,383	29,317	31,325	29,196	30,451
Miscellaneous	6,861	8,639	8,807	9,360	10,681	12,628	12,306	16,549
Recovered Costs	6,908	6,231	5,635	5,821	5,599	7,617	6,313	6,670
Intergovernmental Revenue	160,862	155,590	167,242	172,485	180,066	188,030	184,786	189,626
Total Government Revenues	690,967	685,391	712,416	762,667	789,854	828,570	853,677	906,146
Expenditures:								
General Government	67,384	70,513	69,093	71,123	71,692	82,816	77,501	76,033
Judicial Administration	11,055	10,811	10,918	11,125	11,212	11,801	12,182	12,755
Public Safety	168,379	170,502	170,382	175,250	178,206	187,857	192,828	201,996
Public Works	54,071	51,344	59,730	63,621	61,463	66,543	69,029	70,318
Health and Welfare	60,342	57,369	58,616	61,614	66,583	70,532	74,643	79,599
Parks, Recreation and Culture	30,826	30,508	30,024	30,520	32,431	35,962	36,546	37,094
Community Development	27,711	28,687	27,548	31,497	29,648	28,412	30,185	28,517
Education	195,626	177,967	188,849	205,157	211,399	223,786	223,845	228,648
Miscellaneous	17,821	14,964	15,494	16,987	18,373	8,146	20,141	24,991
Debt Service - Principal	32,542	38,869	37,999	38,670	38,935	41,963	40,305	44,493
- Interest	22,610	22,162	21,168	19,077	17,488	16,765	17,167	19,728
Capital Outlay	80,574	51,801	53,716	54,864	56,145	45,478	75,029	117,730
Total Government Expenditures	768,941	725,497	743,537	779,505	793,575	820,061	869,401	941,902
Excess (Deficiency) of Revenues Over (Under) Expenditures	(77,974)	(40,106)	(31,121)	(16,838)	(3,721)	8,509	(15,724)	(35,755)
Other Financing Sources (Uses):								
Transfers-in	84,029	109,077	87,589	107,121	123,971	109,542	123,601	161,744
Transfers-out	(84,029)	(109,077)	(87,589)	(107,121)	(123,971)	(109,542)	(123,601)	(161,744)
Issuance of Bonds	66,075	37,500	-	50,485	-	156,010	-	99,395
Issuance of Bond Premium	7,885	7,566	-	9,645	-	20,766	-	9,065
Loan Financing	-	-	-	-	34,000	-	-	-
Capital Lease Obligations Incurred	1,222	126	101	95	158	913	2,415	80
Payment to Escrow Agent	-	(44,809)	-	(59,758)	-	(61,386)	-	-
Total Other Financing Sources, Net	75,182	383	101	467	34,158	116,303	2,415	108,540
Net Change in Fund Balances	\$ (2,792)	\$ (39,723)	\$ (31,020)	\$ (16,371)	\$ 30,437	\$ 124,812	\$ (13,309)	\$ 72,785
Debt service as a percentage of noncapital expenditures	8.17%	9.26%	8.64%	8.07%	7.37%	7.54%	7.36%	7.86%

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

Year	Real Property				Personal Property					Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value of Taxable Property
	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)			
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
2019	27,424,613	12,779,275	1,195,272	41,399,160	0.87	4,610,809	2,225	4,613,034	3.50	46,012,194	5.47 (6)	46,012,194

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
2019	\$ 0.87	\$ 3.50	\$ 0.30	\$ 0.50	\$ 0.30	\$ 5.47
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

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

Taxpayer	Type of Business	Calendar Year 2019				Calendar Year 2018				Calendar Year 2010			
		Real/Personal Property Assessed		Percent of Total	Real/Personal Property Assessed		Percent of Total	Real/Personal Property Assessed		Percent of Total			
		Valuation	Rank	Valuation	Rank	Valuation	Rank	Valuation	Rank	Valuation			
Virginia Power Company	Utility	\$ 765,639,021	1	1.66%	\$ 733,004,791	1	1.69%	\$ 440,809,316	1	1.22%			
Short Pump Town Centers LLC (Queensland) (1)	Retail and Offices	\$ 415,937,900	2	0.90%	-	N/A	-	-	N/A	-			
General Services Corporation	Apartments	401,133,500	3	0.87%	340,371,500	3	0.79%	199,359,400	7	0.55%			
The Wilton Companies	Offices, Retail & Warehouses	253,490,300	4	0.55%	235,137,900	4	0.54%	222,756,700	5	0.62%			
Highwoods Properties	Offices and Warehouses	242,129,000	5	0.53%	232,100,000	5	0.54%	258,164,500	4	0.72%			
Weinstein Family	Apartments	242,113,500	6	0.53%	219,034,900	6	0.51%	151,335,400	10	0.42%			
HCA Health Services of VA	Hospital	207,074,274	7	0.45%	190,630,418	8	0.44%	-	N/A	-			
Verizon	Utility	198,843,391	8	0.43%	200,853,119	7	0.46%	308,808,485	3	0.86%			
Gumenick	Apartments and Retail	197,889,100	9	0.43%	169,699,600	9	0.39%	164,089,300	8	0.45%			
Breeden Companies	Apartments and Retail	175,937,400	10	0.38%	160,360,300	10	0.37%	-	N/A	-			
Forest City (Short Pump TC, White Oak, etc) (1)	Retail and Offices	-	N/A	-	444,656,600	2	1.03%	370,297,200	2	1.03%			
United Dominion Realty Trust	Apartments	-	N/A	-	-	N/A	-	152,852,800	9	0.42%			
Liberty Property, LP	Warehouses and Offices	-	N/A	-	-	N/A	-	210,474,600	6	0.58%			
Totals		<u>\$ 3,100,187,386</u>		<u>6.74%</u>	<u>\$ 2,925,849,128</u>		<u>6.76%</u>	<u>\$ 2,478,947,701</u>		<u>6.87%</u>			
Total Assessed Values		<u>\$ 46,012,195,329</u>			<u>\$ 43,299,118,150</u>			<u>\$ 36,065,011,440</u>					

Source: County of Henrico Director of Finance

(1) Short Pump Town Centers LLC bought Forest City in July 2018

**HENRICO COUNTY, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Table VIII

Year	Original Fiscal Year Levy	Collections within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
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%	12,830,649	348,967,634	99.9%
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%	14,263,496	372,160,632	99.7%
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%	4,288,915	389,104,584	99.9%
2018	409,079,914	404,970,529	99.0%	3,002,249	407,972,778	99.7%
2019	433,549,534	429,914,099	99.2%	N/A (1)	429,914,099	99.2%

Notes:

(1) Fiscal year 2019 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			Percentage of Personal Income (3)	Percentage of Estimated Actual Value of Taxable Property	Per Capita Debt	Capital Leases	Component Units						
	General Obligation Bonds (2)	Less, Amounts						Total Primary Government	Percentage of Personal Income (3)	Percentage of Estimated Actual Value of Taxable Property	Per Capita Debt	School Board		JRJDC
		Designated for Principal Payments	Net Bonded Debt									Capital Leases	Capital Leases	
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	2.2%	1.1%	1,388.56	46,420,396							
2018	421,919,118	1,178,658	420,740,460	1.8%	0.9%	1,240.42	41,643,906							
2019	485,511,538	243,734	485,267,804	2.1%	1.1%	1,430.66	34,939,140							

Fiscal Year	Business-Type Activities			Total Primary Government	Percentage of Personal Income (3)	Percentage of Estimated Actual Value of Taxable Property	Per Capita Debt	Component Units						
	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	School Board		JRJDC
		Capital Leases	Capital Leases									Capital Leases	Facility Bond		Capital Leases
2010	187,913,854	23,332	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	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	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	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	28,148	726,310,074	4.7%	2.0%	2,260.02	42,682,213	1,270,000	-				
2015	231,360,899	35,173	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	20,769	759,239,395	4.3%	1.9%	2,306.13	25,965,793	-	6,508				
2017	310,040,991	25,885	25,885	818,201,526	3.9%	2.0%	2,461.73	26,086,650	-	4,333				
2018	404,656,626	13,303	13,303	868,232,953	3.8%	1.9%	2,559.72	14,835,498	-	1,610				
2019	463,978,992	15,285	15,285	984,444,955	4.3%	2.1%	2,902.33	26,976,897	-	-				

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
PLEGDED 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
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	64,393,573	51,552,475	9,460,000	12,069,272	21,529,272	2.39
2019	119,911,922	65,281,033	54,630,889	11,630,000	15,616,588	27,246,588	2.01

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)
2010	307,832	14,383,264	46,724	48,431	7.2%
2011	311,726	15,539,295	49,849	48,659	7.0%
2012	315,157	16,708,471	53,016	48,981	6.3%
2013	318,158	17,095,572	53,733	49,343	5.9%
2014	321,374	18,387,012	57,214	49,812	5.3%
2015	325,283	19,409,625	59,670	50,370	4.5%
2016	329,227	19,902,117	60,451	50,173	3.7%
2017	332,368	20,865,472	62,778	50,330	3.7%
2018	335,283	21,817,374 (5)	65,072	50,182	3.2%
2019	339,191	22,769,276 (5)	67,128	50,178	2.9%

Sources:

- (1) Henrico County 3-C Reports. Estimates from these reports are as of December 31 of the previous 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 2013 - 2017

**HENRICO COUNTY, VIRGINIA
TOP TWENTY PRINCIPAL EMPLOYERS
LAST FIVE FISCAL YEARS
(Unaudited)**

Table XII

Employer	2019 (1)			2018			2017			2016			2015		
	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	3.7%	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%
County of Henrico	1,000-4,999	2	2.2%	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%
Bon Secours Richmond Health System (2)	1,000-4,999	3	1.6%	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%
Henrico Doctors' Hospital (HCA)	1,000-4,999	4	1.6%	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%
Anthem (Blue Cross & Blue Shield)	1,000-4,999	5	1.6%	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%
Capital One Bank	1,000-4,999	6	1.6%	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%
Walmart	1,000-4,999	7	1.6%	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%
Wells Fargo Bank NA	1,000-4,999	8	1.6%	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%
United States Postal Service	1,000-4,999	9	1.6%	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%
Apex Systems, Inc.	1,000-4,999	10	1.6%	500-999	10	0.4%	500-999	12	0.4%	500-999	13	0.4%	500-999	15	0.5%
Bank of America	1,000-4,999	11	1.6%	500-999	12	0.4%	500-999	11	0.4%	1,000-4,999	10	1.6%	500-999	10	0.5%
Kroger	500-999	12	0.4%	500-999	11	0.4%	1,000-4,999	10	1.5%	500-999	12	0.4%	500-999	12	0.5%
GNA Corporation	500-999	13	0.4%	500-999	13	0.4%	500-999	13	0.4%	500-999	11	0.4%	500-999	11	0.5%
Ppd Development	500-999	14	0.4%	500-999	20	0.4%	500-999	20	0.4%	-	N/A	-	-	N/A	-
Markel Service, Inc	500-999	15	0.4%	500-999	15	0.4%	500-999	14	0.4%	500-999	14	0.4%	500-999	16	0.5%
T Mobile USA, Inc.	500-999	16	0.4%	500-999	16	0.4%	500-999	17	0.4%	500-999	18	0.4%	500-999	18	0.5%
SunTrust Bank	500-999	17	0.4%	-	N/A	-	-	N/A	-	-	N/A	-	500-999	14	0.5%
Virginia Department of Social Services	500-999	18	0.4%	500-999	17	0.4%	500-999	16	0.4%	500-999	17	0.4%	500-999	17	0.5%
Publix Nc Employee Services, LLC	500-999	19	0.4%	500-999	18	0.4%	-	N/A	-	-	N/A	-	-	N/A	-
Access America	500-999	20	0.4%	-	N/A	-	-	N/A	-	-	N/A	-	-	N/A	-
Patient First Corporation	-	N/A	-	500-999	14	0.4%	-	N/A	-	-	N/A	-	-	N/A	-
General Medical Corporation	-	N/A	-	500-999	19	0.4%	500-999	19	0.4%	500-999	20	0.4%	-	N/A	-
Source4Teachers	-	N/A	-	-	N/A	-	500-999	15	0.4%	500-999	16	0.4%	500-999	19	0.5%
Dominion Resources	-	N/A	-	-	N/A	-	500-999	18	0.4%	500-999	19	0.4%	-	N/A	-
Martin's Food Market	-	N/A	-	-	N/A	-	-	N/A	-	500-999	15	0.4%	500-999	13	0.5%
J. Sargeant Reynolds Community College	-	N/A	-	-	N/A	-	-	N/A	-	-	N/A	-	500-999	20	0.5%
Totals			23.5%			21.2%			20.8%			22.6%			21.0%
Total County Employment (3)	190,968			189,571			203,480			186,728			180,876		

Source: Virginia Employment Commission

Employees and percentage of employment based on size code as published by VEC

(1) 2019 Data as of 1st Qtr 2019

(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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Agriculture & Home Extension	3	3	2	2	2	2	2	2	2	2
Belmont Golf Course	9	9	9	9	9	8	8	8	8	8
Board of Supervisors	5	5	5	5	4	4	4	4	4	4
Building Inspections	58	58	56	54	53	52	53	55	55	58
Central Automotive Maintenance	65	65	67	67	67	67	67	67	70	71
Circuit Court Services	8	8	8	8	8	8	8	8	8	10
Commonwealth's Attorney	54	54	56	56	56	56	56	56	57	57
Community Corrections	2	2	2	2	2	2	2	2	2	2
Community Revitalization	18	18	17	17	16	16	17	18	18	19
County Attorney	18	18	18	19	19	19	20	20	20	21
County Manager	13	13	13	13	13	13	14	13	13	12
Electoral Board	9	9	8	8	8	8	8	8	9	9
Finance	159	159	157	153	169	168	168	163	163	163
Fire	539	539	539	539	548	548	548	562	589	596
General Services	156	156	155	147	120	119	119	118	118	118
Human Resources	53	53	52	48	58	56	57	57	58	58
Hold Complement (2)	-	-	19	43	36	22	6	3	7	1
Information Technology	83	83	85	89	88	90	90	97	97	98
Internal Audit	4	4	4	4	4	4	4	4	4	4
Juvenile Detention & VJCCCA	33	33	33	33	33	33	33	33	33	34
Library	173	173	168	164	161	171	197	206	206	210
Mental Health	220	220	220	218	219	219	219	219	219	222
Permit Centers	18	18	17	17	16	16	16	16	16	16
Planning	49	49	46	43	44	44	45	45	45	45
Police	797	799	798	798	807	817	827	842	852	855
Public Relations & Media Services	19	19	19	19	19	19	19	19	19	20
Public Utilities	308	309	307	306	306	306	307	307	309	312
Public Works	258	258	254	254	254	257	259	259	262	263
Real Property	7	7	7	7	7	7	7	7	7	7
Recreation & Parks	168	178	178	177	173	172	170	170	177	177
Sheriff	371	371	371	371	371	373	390	390	394	394
Social Services	168	168	168	168	168	172	177	185	192	201
Solid Waste	70	69	69	69	69	69	69	69	67	66
Sub-total General Government	3,915	3,927	3,927	3,927	3,927	3,937	3,986	4,032	4,100	4,133
Education	6,634	6,567	6,564	6,564	6,643	6,686	6,762	6,832	6,868	6,972
Total Government Employees	10,549	10,494	10,491	10,491	10,570	10,623	10,748	10,864	10,968	11,105

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 (345 as of February 1, 2019) 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (1)
General Government										
Finance:										
Standard & Poor's 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	110,369	112,383	112,490	112,986	113,641	114,370	114,840	115,532	116,482	117,845
Vehicles Assessed	347,913	347,790	354,721	354,419	351,318	363,776	364,000	389,491	383,083	387,484
GFOA Award CAFR - # of Years (4)	28	29	30	31	32	33	34	36	37	38
GFOA Award Budget - # of Years	21	22	23	24	25	26	27	28	29	30
General Services:										
Fleet Annual Miles Driven	25,112,408	24,681,815	24,553,438	24,588,773	23,708,593	25,119,814	24,262,178	25,273,320	17,956,232	27,336,000
Gallons of Fuel Consumed	3,007,474	2,955,906	2,940,537	2,909,914	2,809,075	2,901,549	2,974,784	3,045,532	2,982,165	3,231,000
Total Work Orders Completed	20,361	22,308	24,550	23,000	20,048	21,253	20,676	20,782	21,995	23,250
Information Technology (5)										
Support Desk - Tickets	-	-	-	-	-	4,589	5,035	7,419	8,859	9,744
Support Desk - Call Queue	-	-	-	-	-	-	-	-	6,322	6,954
Systems - Virtual Servers	-	-	-	-	-	273	310	375	354	348
Systems - Physical Servers	-	-	-	-	-	96	99	104	77	78
Systems - Onsite Storage in TB	-	-	-	-	-	224	310	451	318	322
Systems - Cloud Storage in TB	-	-	-	-	-	5	6	6	7	8
Judicial Administration										
Clerk of Circuit Court:										
Deed Book Entries	50,440	37,682	48,972	48,926	51,257	36,443	43,000	42,752	43,000	43,000
Civil Cases	3,104	3,034	3,113	3,135	3,237	3,475	4,000	4,659	4,100	4,100
Criminal Cases	7,133	6,431	5,616	5,833	5,375	5,073	5,650	6,650	5,600	5,300
General District Courts:										
New Criminal Cases Filed	10,620	15,196	13,057	13,267	13,158	14,289	14,574	15,573	15,402	15,992
New Civil Cases Filed	42,329	40,411	40,011	39,300	36,025	34,114	34,411	36,935	36,223	37,616
New Traffic Cases Filed	76,218	80,481	71,329	70,555	64,844	62,844	54,325	53,817	54,784	52,400
Commonwealth Attorney:										
Criminal Cases	25,038	34,061	34,227	35,617	35,687	40,597	41,890	45,037	45,284	43,000
Traffic Cases	107,397	109,152	99,262	97,580	90,598	88,907	79,778	76,134	77,622	80,000
Public Safety										
Police:										
Calls for Service	193,173	192,726	198,373	194,029	197,502	203,330	211,832	212,154	217,971	219,867
Criminal Arrests	20,330	20,716	19,989	20,690	27,671	20,059	20,111	22,689	20,969	21,151
Traffic Arrests	63,009	65,481	59,062	58,269	40,935	49,195	43,149	44,613	40,931	41,287
Fire Protection:										
Calls For Service	37,575	39,120	40,963	43,348	43,143	46,233	47,948	49,235	50,287	52,073
EMS and Rescue Calls	28,028	29,114	30,189	36,176	35,662	38,408	39,660	41,216	41,688	43,040
Fire Incidents	915	1,110	983	817	777	809	764	768	774	780
Sheriff:										
Civil Papers Served	120,746	116,434	115,948	100,626	105,120	112,078	117,462	122,337	123,896	126,000
Annual Commitments to Jail	16,888	17,623	12,157	16,134	14,094	16,143	15,613	15,049	14,516	15,240
Average Daily Inmate Population	1,140	1,167	1,138	1,183	1,175	1,221	1,177	1,350	1,436	1,451
Building Inspections:										
Total Permits Issued	11,975	12,208	13,771	14,274	13,972	13,577	13,700	15,773	16,322	15,998
Total Inspections	51,495	51,351	56,236	67,036	70,990	68,861	69,931	81,983	92,685	101,200
Public Works										
Public Works:										
Lane Miles Maintained	3,385	3,402	3,433	3,452	3,454	3,468	3,498	3,516	3,524	3,526
Traffic Signals Maintained	140	144	144	149	150	150	150	154	155	156
Development Plans Reviewed	776	653	691	880	875	1,568	1,828	1,922	2,315	2,350
Health and Social Services										
Public Health:										
Patient Visits (2)	28,545	27,531	27,153	27,584	28,090	15,258	13,787	15,117	14,259	15,000
Water/Sewer Inspection Applications	179	179	243	243	243	N/A	N/A	N/A	N/A	N/A
Social Services:										
Clients Entering Employment	609	483	632	650	675	694	436	511	527	414
Clients Employed After 90 Days (3)	493	367	512	527	547	486	N/A	N/A	N/A	N/A
Education										
Schools:										
Cost Per Student	\$ 9,485	\$ 9,015	\$ 9,041	\$ 9,110	\$ 8,978	\$ 9,305	\$ 9,644	\$ 9,790	\$ 10,051	\$ 10,440
Teaching Positions	3,815	3,720	3,737	3,719	3,741	3,780	3,833	3,906	3,917	3,993
Student/Teacher Ratio	13.0	13.0	13.0	13.4	13.3	13.3	13.1	12.9	12.8	12.6

**HENRICO COUNTY, VIRGINIA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)**

Table XIV

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (1)
Parks, Recreation and Cultural:										
Recreation:										
Park Visitation	4,001,371	3,951,571	3,829,590	3,787,758	3,333,223	3,295,348	3,334,908	3,570,480	3,492,505	4,000,000
Program Participants	396,900	397,000	397,000	397,000	23,223	30,404	40,350	25,804	97,487	97,726
Recreation Programs	15,848	16,400	16,400	16,400	1,197	2,762	1,199	1,147	1,322	1,311
Library:										
Customer Visits	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	2,195,590
Annual Circulation of Materials	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	4,169,885
Community Development										
Economic Development (5):										
Square Footage of New Businesses	-	-	-	-	-	89,409	208,544	81,897	1,145,045	500,000
Jobs Created - New	-	333	392	1,173	1,212	36	163	173	433	500
Square Footage of Existing Businesses	-	-	-	-	-	398,865	787,968	337,324	180,653	250,000
Jobs Created - Expansions and Retentions	-	1,856	824	559	164	1,416	1,690	438	239	300
Planning:										
Reviews Completed	256	300	260	232	284	322	342	314	360	350
Petitions and Permits Processed	85	87	87	86	126	118	92	123	103	120
Maps Prepared	743	1,036	1,048	1,048	1,191	1,364	1,154	1,296	979	1,100
Community Development (cont)										
Community Revitalization:										
Community Maintenance Cases	11,345	11,004	10,421	10,766	10,609	11,170	12,496	13,040	11,170	11,800
Inspections Completed	29,138	27,499	26,626	27,406	27,273	30,451	32,532	35,600	30,451	32,000
Volunteers Hours Worked	6,242	2,488	4,076	2,708	3,478	2,256	4,638	4,336	2,256	3,900
Permit Center:										
Permit Applications Received	4,225	4,519	4,734	5,123	5,085	4,437	5,519	5,214	4,004	5,160
Permit Applications Reviewed	7,156	7,113	7,191	6,558	10,930	9,136	10,283	9,178	8,724	9,213
Permits Issued	4,035	4,447	4,646	5,076	5,472	5,058	5,375	4,718	5,201	4,264
Inquires	14,072	13,295	12,793	12,581	15,278	17,917	16,345	15,556	17,935	13,268
Public Utilities										
Solid Waste:										
Number of Customers	39,117	39,862	41,121	42,578	43,728	45,167	46,586	47,955	49,088	50,000
Tons of Waste Collected	81,785	83,264	90,495	93,860	95,748	44,624	47,511	52,774	50,340	51,700
Tons Deposited in Public Use Areas	32,212	29,700	29,888	29,091	29,942	23,946	23,903	27,836	25,504	26,000
Water and Sewer:										
Number of Water Customers	91,776	92,243	92,946	94,006	95,097	95,994	96,811	97,546	98,527	99,500
Number of Sewer Customers	88,854	89,355	90,068	91,110	92,125	93,087	93,939	94,538	95,493	96,500
Fire Hydrants in Service	11,799	11,969	12,167	12,321	12,464	12,611	12,880	13,011	13,236	13,400

Source: Approved County Budget

(1) FY2019 column data is revised budget not actual, where actual data is not yet available.

(2) Central Computer Average Uptime is no longer recordable due to infrastructure changes. Multiple servers hosts and storage devices are now being used instead.

(3) Due to a system replacement, the data is no longer trackable.

(4) Prospects Available is no longer recordable due to changes in reporting.

(5) New metrics used beginning in 2018. Data for prior years listed when obtainable.

See accompanying independent auditors' report.

**HENRICO COUNTY, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)**

Table XV

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (1)
General Government										
Vehicles	487	575	559	534	920	567	482	602	598	611
Building Square Footage	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	2,914,383
Food Service Facilities	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police:										
Police Stations	2	2	2	2	3	3	3	3	3	3
Police Field Offices	2	3	3	3	2	2	2	2	2	2
Vehicles	711	740	734	808	1,064	825	778	803	820	830
Sheriff:										
Vehicles	60	59	61	61	61	67	71	75	75	76
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	21	21
Vehicles	175	177	177	175	179	192	226	205	210	209
Public Works:										
Miles of Maintained Roads	1,338	1,339	1,349	1,354	1,357	1,360	1,370	1,376	1,379	1,382
Miles of Storm Drainage	1,116	1,116	1,116	959	1,547	2,096	1,553	1,600	1,636	1,639
Vehicles	323	315	333	333	335	336	357	347	346	349
Education										
Schools:										
School Facilities	71	71	73	73	74	72	72	72	72	72
Vehicles	1,131	1,137	1,173	1,183	1,184	1,186	1,203	1,220	1,184	1,179
Recreation and Cultural										
Recreation:										
Recreation/Community Centers	17	20	20	20	14	21	21	21	21	20
Developed Park Acreage	2,505	2,505	2,505	2,515	2,539	2,584	2,584	2,584	2,792	3,346
Athletic Fields/Courts	423	410	410	187	227	199	200	200	210	225
County Golf Courses	1	1	1	1	1	1	1	1	1	1
Library:										
Number of Libraries (3)	10	11	11	11	11	11	11	10	10	10
Titles in Collection	329,141	324,527	314,907	321,108	338,485	328,918	329,139	328,026	276,482	315,711
Volumes in Collection	924,076	860,640	863,149	899,266	903,125	839,037	833,141	741,877	754,993	809,032
Public Utilities										
Water and Sewer:										
Miles of Water Mains	1,528	1,548	1,558	1,572	1,582	1,595	1,607	1,622	1,634	1,641
Miles of Sewer Mains	1,443	1,450	1,456	1,463	1,470	1,481	1,491	1,504	1,514	1,522
Vehicles	353	358	358	358	380	373	393	370	376	380
Landfills (2)	1	1	1	1	1	-	-	-	-	-

Source: Approved County Budget

(1) FY2019 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.

**EXCERPTS OF CERTAIN PROVISIONS OF THE INDENTURE AND
THE SUPPORT AGREEMENT**

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EXCERPTS OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SUPPORT AGREEMENT

The following are excerpts of certain provisions of the Indenture and the Support Agreement. The following excerpts of the provisions of the Indenture and the Support Agreement do not purport to be complete statements of the Indenture or the Support Agreement, or of the provisions thereof excerpted below. All references herein to the Indenture and the Support Agreement are qualified in their entirety by reference to each such document in its entirety, copies of which are on file with the Trustee.

EXCERPTS OF CERTAIN PROVISIONS OF THE INDENTURE

DEFINITIONS OF CERTAIN TERMS USED IN THE INDENTURE

“Act” means Title 15.2, Chapter 49 of the Code of Virginia, 1950, as amended, the same being the Industrial Development and Revenue Bond Act, or any successor statute.

“Authenticating Agent” means initially the Trustee and thereafter any other or additional entity appointed by the Issuer or the Trustee to act as an authenticating agent or co-authenticating agent for the Bonds.

“Authority’s Payment Obligations” means (i) the obligations of the Issuer with respect to the payment of the principal of the Bonds, together with the interest thereon, and redemption price, if any, as and when due, (ii) the obligations of the Issuer with respect to the commitment and other fees and expenses of the Trustee under this Indenture and under any successor agreement, if any, thereto, and (iii) the costs of issuance of the Bonds.

“Authorized Denomination” means \$5,000 or any integral multiple thereof.

“Board of Directors” means the Board of Directors of the Issuer.

“Bond Counsel” means an attorney, or firm of attorneys, nationally recognized and experienced in legal work relating to the financing of facilities through the issuance of tax-exempt bonds and acceptable to the Issuer.

“Bond Fund” means the Bond Fund established by Section 601.

“Bond Purchase Agreement” means the Bond Purchase Agreement dated the date of sale of the Bonds, among the Underwriters, the Issuer and the County.

“Bondholder” means the person who is the registered owner of any Bond.

“Bonds” means, collectively, the Series 2020A Bonds and the Series 2020B Bonds.

“Business Day” means any day other than (i) a Saturday or a Sunday, (ii) a day on which banking institutions in New York, New York, or the cities in which the Trustee or the Paying Agent have their respective principal offices are authorized to close or (iii) a day on which The New York Stock Exchange, Inc. is closed.

“Code” means the Internal Revenue Code of 1986 and the rulings and applicable regulations (including temporary and proposed regulations) promulgated thereunder or under the Internal Revenue Code of 1954.

“Commonwealth” means the Commonwealth of Virginia.

“Counsel” means an attorney, or firm of attorneys, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia, including any Bond Counsel.

“County” means the County of Henrico, Virginia.

“Fitch” means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Fitch” will refer to any other nationally recognized securities rating agency designated by the Issuer.

“Government Obligations” means (i) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged and (ii) obligations issued by a person controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (i) or (ii) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), which obligations, in either case, are not subject to redemption prior to maturity at less than par at the option of anyone other than the holder thereof.

“Indenture” means this Indenture of Trust, dated as of March 1, 2020, as the same may be amended or supplemented from time to time as permitted hereby.

“Interest Payment Date” means August 1, 2020 and each February 1 and August 1 thereafter.

“Investment Grade” means any rating of a Rating Agency recognized by such Rating Agency as being investment grade.

“Issue Date” means the date of delivery of the Bonds to the initial purchasers thereof.

“Issuer” means the Economic Development Authority of Henrico County, Virginia.

“Mail” means United States mail, by first-class postage prepaid.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Moody’s” will refer to any other nationally recognized securities rating agency designated by the Issuer.

“Non-Appropriation Event” shall mean the failure of the Board of Supervisors of the County to appropriate amounts sufficient to pay, when due, the debt service coming due on the Bonds in any fiscal year, which Non-Appropriation Event shall not be deemed to have occurred unless and until the Board of Supervisors of the County shall have denied any urgent request made to the Board of Supervisors to amend the budget as provided in Section 5(b) of the Support Agreement.

“Outstanding” means, when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, all Bonds that have been authenticated and delivered by the Trustee hereunder, except:

- (i) Bonds cancelled or delivered for cancellation at or prior to such date;
- (ii) Bonds deemed to be paid in accordance with Section 902;
- (iii) Bonds in lieu of which others have been authenticated under Sections 308 and 309;
- (iv) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the Owners of a specified percentage of Outstanding Bonds hereunder, all Bonds held by or for the account of the Issuer; provided, however, that for purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Trustee shall be obligated to consider as not being outstanding only Bonds known by the Trustee by actual notice thereof to be so held.

“Owner” means the person who is the registered owner of any Bond.

“Paying Agent” means the Trustee or any other or additional paying agent designated under this Indenture.

“Permitted Investments” means the investments identified in Section 606(a).

“Prior Bonds” means the outstanding principal amount of the Issuer’s Public Facility Lease Revenue Refunding Bonds, Series 2009B, dated September 17, 2009, which are subject to redemption and are to be redeemed on April 2, 2020.

“Project” means the acquisition, construction and equipping of an indoor sports facility and convocation center for the County.

“Project Fund” means the Project Fund established by Section 501.

“Rating Agency” means Fitch when the Bonds are rated by Fitch, and S&P when the Bonds are rated by S&P.

“Record Date” means July 15, 2020 and each January 15 and July 15 thereafter.

“Register” means the registration books with respect to the Bonds maintained by the Registrar.

“Registrar” means the entity from time to time serving as Paying Agent under this Indenture.

“Representative” means J.P. Morgan Securities LLC, as representative of the Underwriters.

“Resolution” means the bond resolution with respect to the Bonds adopted by the Board of Directors on January 16, 2020.

“S&P” means S&P Global Ratings, its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “S&P” will refer to any other nationally recognized securities rating agency designated by the Issuer.

“Series 2020A Bonds” means any and all of the Issuer’s Revenue Bonds, Series 2020A (Henrico County Indoor Sports Facility Project) (Federally Taxable), issued under this Indenture, the proceeds of sale of which are to be applied to the payment of the costs of financing the Project and payment of the costs of issuance of the Series 2020A Bonds.

“Series 2020B Bonds” means any and all of the Issuer’s Revenue Refunding Bonds, Series 2020B (Henrico County Government Project) (Tax-Exempt), issued under this Indenture, the proceeds of sale of which are to be applied to the current refunding and defeasance of the Prior Bonds and payment of the costs of issuance of the Series 2020B Bonds.

“Support Agreement” means the Support Agreement, dated as of March 1, 2020, by and between the Issuer and the County.

“Trustee” means U.S. Bank National Association, as trustee hereunder, and any successor trustee appointed under this Indenture.

“Underwriters” means J.P. Morgan Securities LLC, and the other underwriters identified in the Bond Purchase Agreement.

TERMS OF BONDS

SECTION 303. Book-Entry System; Recording and Transfer of Ownership of the Bonds. (a) The Trustee or the Paying Agent may make appropriate arrangements for some or all of the Bonds of each series to be issued or held by means of a book-entry system administered by a securities depository with no physical distribution of such

Bonds made to the purchasers thereof. If Bonds are held under the book-entry system, one Bond in the principal amount of the Bonds Outstanding (less the principal amount of any issued Bonds not held by means of a book-entry system), registered in the name of the securities depository (or its nominee), will be issued to the securities depository and immobilized in its custody.

(b) All of the Bonds of each series shall be initially held by means of a book-entry system administered by a securities depository. Upon receipt of the documents referred to in Section 307, the Trustee shall authenticate one Bond for each maturity of each series of the Bonds, registered in the name of the securities depository nominee, and issue such Bond to the securities depository to be immobilized in its custody; provided that if The Depository Trust Company, New York, New York (“DTC”) is acting as securities depository hereunder, such Bond shall be issued to Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC to be immobilized in its custody pursuant to the rules and procedures of DTC. Thereafter, in the event that Bonds are issued to the Owners thereof in bond (physical) form, the Authenticating Agent will authenticate and deliver to the Owners (or the Paying Agent, as applicable) a new Bond or Bonds in the principal amount equal to the aggregate principal amount of Bonds then Outstanding (less the principal amount of the Bonds not held by means of a book-entry system), registered in the name of the Owners, in exchange for the Bond or Bonds then held by the securities depository and the securities depository shall surrender such Bond or Bonds then held by it to the Trustee for cancellation and destruction in accordance with the terms of Section 310.

(c) If any Bonds are held by means of a book-entry system, such book-entry system will evidence beneficial ownership of the Bonds so held (or, as applicable, positions held by a securities depository’s participants, beneficial ownership being evidenced in the records of such participants) in Authorized Denominations. Registration and transfers of ownership shall be effected on the records of the securities depository (and, as applicable, its participants) pursuant to rules and procedures established by the securities depository, and the Registrar will provide the securities depository with all information required for such purposes. The Issuer, the Trustee and the Paying Agent will recognize the securities depository nominee, while the registered owner of the Bonds so held, as the owner of the Bonds for all purposes, including (i) payments of principal of and interest on the Bonds, (ii) notices and (iii) voting. Transfer of principal and interest payments to beneficial owners of the Bonds so held will be the responsibility of the securities depository (or, as applicable, its participants and other nominees of such beneficial owners). The Issuer, the Trustee and the Paying Agent will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the securities depository, the securities depository nominee, the securities depository’s participants (if any) or persons acting through such participants. While a securities depository nominee is the owner of the Bonds so held, notwithstanding the provisions hereinabove contained, payments of principal of and interest on such Bonds shall be made in accordance with the terms of the Blanket Letter of Representations dated September 16, 1996 (the “Letter of Representations”), by and between the Issuer and the securities depository or any letter of representations between the Issuer and a successor securities depository appointed pursuant to this Section 303. If, at any time, DTC shall be appointed and act as securities depository hereunder, the Paying Agent shall act as “Issuing and Paying Agent” in accordance with DTC’s rules and procedures, with respect to the Bonds.

SO LONG AS A BOOK-ENTRY SYSTEM OF EVIDENCE OF OWNERSHIP IS MAINTAINED IN ACCORDANCE HERewith FOR ANY BONDS, (1) THE PROVISIONS OF THIS INDENTURE RELATING TO THE DELIVERY OF PHYSICAL BONDS SHALL BE DEEMED INAPPLICABLE OR BE OTHERWISE SO CONSTRUED WITH REGARD TO SUCH BONDS AS TO GIVE FULL EFFECT TO SUCH BOOK-ENTRY SYSTEM AND (2) THE PROVISIONS OF THIS INDENTURE RELATING TO ISSUANCE AND PAYMENTS OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS SHALL BE APPLICABLE TO BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS IN AUTHORIZED DENOMINATIONS TO THE SAME EXTENT AS SUCH PROVISIONS ARE APPLICABLE TO REGISTERED OWNERSHIP INTERESTS IN THE BONDS.

SECTION 304. Execution; Limited Obligations. The Bonds of each series shall be executed on behalf of the Issuer by the manual or facsimile signature of the Chairman or Vice Chairman of the Issuer and attested by the manual or facsimile signature of the Secretary or the Assistant Secretary of the Issuer and shall have impressed or imprinted thereon the corporate seal (or a facsimile thereof), if any, of the Issuer. If any officer of the Issuer whose manual or facsimile signature appears on the Bonds ceases to be such officer before the delivery of such Bonds, such manual or facsimile signatures is nevertheless valid and sufficient for all purposes.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER. THE BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER AND THE COUNTY. NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER AND THE COUNTY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO, EXCEPT FROM THE REVENUES AND RECEIPTS DERIVED FROM THE COUNTY UNDER THE SUPPORT AGREEMENT (THE PAYMENT OF SUCH REVENUES AND RECEIPTS BEING SUBJECT TO ANNUAL APPROPRIATIONS BY THE BOARD OF SUPERVISORS OF THE COUNTY) AND OTHER MONEYS AND AMOUNTS HELD BY THE TRUSTEE UNDER THIS INDENTURE, ALL SUCH REVENUES, RECEIPTS, MONEYS AND AMOUNTS BEING SPECIFICALLY PLEDGED IN THE MANNER AND TO THE EXTENT PROVIDED HEREIN, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER AND THE COUNTY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO. THE ISSUER HAS NO TAXING POWER.

SECTION 308. Mutilated, Lost, Stolen or Destroyed Bonds. If any Bond of either series is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate and deliver a new Bond of the same series, maturity, interest rate, principal amount and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen or destroyed; provided that there is first furnished to the Trustee evidence satisfactory to it and the Issuer of the ownership of such Bond and of such loss, theft or destruction (or, in the case of a mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee), together with indemnity satisfactory to the Trustee and the Issuer and compliance with such other reasonable regulations as the Issuer and the Trustee may prescribe. If any such Bond has matured or a redemption date pertaining thereto has passed, instead of issuing a new Bond the Issuer may pay the same without surrender thereof. The Issuer and the Trustee may charge the Owner of such Bond with their reasonable fees and expenses in connection with this Section 308.

SECTION 309. Exchangeability and Transfer of Bonds; Persons Treated as Owners. (a) Books for the registration of the Bonds and for the registration of transfer of the Bonds as provided herein shall be kept by the Registrar.

(b) Any Owner of a Bond, in person or by his/her duly authorized attorney, may transfer title to his/her Bond on the Register on surrender thereof at the corporate trust office of the Trustee in the City of Richmond, Virginia, by providing the Registrar with a written instrument of transfer (in substantially the form of assignment attached to the Bond) executed by the Owner or his/her duly authorized attorney, and then, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same aggregate principal amount and tenor as the Bond surrendered (or for which transfer of registration has been effected) and of any Authorized Denomination or Authorized Denominations.

(c) Bonds may be exchanged on surrender thereof at the corporate trust office of the Registrar in the City of Richmond, Virginia, with a written instrument of transfer satisfactory to the Registrar executed by the Owner or such Owner's attorney duly authorized in writing, for an equal aggregate principal amount of Bonds of the same tenor as the Bonds being exchanged and of any Authorized Denomination or Authorized Denominations. The Issuer shall execute and the Trustee shall authenticate and deliver Bonds that the Owner making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding.

(d) Such registrations of transfer or exchanges of Bonds will be without charge to the Owners of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same must be paid by the Owner of the Bond requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege. Any service charge made by the Registrar for any such registration of transfer or exchange and all reasonable expenses of the Trustee must be paid by the Issuer.

(e) The Registrar shall not register any transfer of any Bond after notice calling such Bond (or portion thereof) for redemption has been given and before such redemption, except in the case of any Bond to be redeemed in part, the portion thereof not to be redeemed.

(f) The person in whose name any Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either principal or interest will be made only to or on the order of the registered owner thereof or his/her duly authorized attorney, but such registration may be changed as hereinabove provided. All such payments are valid and effectual to satisfy and discharge the liability on such Bond to the extent of the sum or sums so paid. All Bonds issued on any registration of transfer or exchange of Bonds are legal, valid and binding limited obligations of the Issuer, evidencing the same debt, and entitled to the same security and benefits under this Indenture, as the Bonds surrendered on such registration of transfer or exchange.

(g) Notwithstanding the foregoing, for so long as the Bonds are held under the book-entry system, transfers of beneficial ownership will be effected pursuant to rules and procedures established by the securities depository.

SECTION 311. Ratably Secured. All Bonds issued hereunder are and are to be, to the extent provided in this Indenture equally and ratably secured by this Indenture without preference, priority or distinction on account of the actual time or times of the authentication, delivery or maturity of the Bonds so that subject as aforesaid, all Bonds at any time Outstanding have the same right, lien and preference under and by virtue of this Indenture and are all equally and ratably secured hereby with like effect as if they had all been executed, authenticated and delivered simultaneously on the date hereof, whether the same, or any of them, are actually disposed of at such date, or whether they, or any of them, are disposed of at some future date.

REVENUES AND FUNDS

SECTION 501. Creation of Project Fund. There is hereby established with the County a project account to be designated as the “County of Henrico, Virginia, EDA Series 2020A Project Fund”, to be held by the County.

SECTION 505. Disposition of Balance in Project Fund. When the Project shall have been completed, the balance of any moneys remaining in the Project Fund in excess of the amount to be reserved for payment of the costs of the Project shall be transferred to the Trustee for deposit in the Bond Fund and used in accordance with Section 603(b).

GENERAL COVENANTS

SECTION 601. Creation of Bond Fund. There is hereby established with the Trustee a trust account to be designated as the “County of Henrico, Virginia, Series 2020 Bonds Bond Fund”, consisting of separate accounts or subaccounts for each series of the Bonds.

SECTION 602. Payments into Bond Fund. There shall be paid into the Bond Fund the following:

- (a) Amounts required to be transferred into the Bond Fund by Section 503(b) or Section 505;
- (b) All payments received by the Trustee pursuant to the Support Agreement or this Indenture, which are required to be applied to the payment of debt service on the Bonds; and
- (c) All other amounts received by the Trustee which are accompanied by directions not inconsistent with the provisions of the Support Agreement, to pay such money into the Bond Fund.

SECTION 603. Use of Moneys in Bond Fund. (a) Except as otherwise provided in subsection (b) of this Section 603, the moneys deposited in the Bond Fund shall be applied by the Trustee to pay the principal of and interest on the Bonds.

(b) Any moneys deposited in the Bond Fund from the Project Fund pursuant to Section 503(b) or Section 505, together with any income or earnings thereon, shall be used only to pay principal of or interest on the Bonds or to purchase Bonds in the open market in such manner as may be approved by nationally recognized bond counsel.

SECTION 608. Tax Covenants. The Issuer hereby covenants and agrees to comply with the provisions of Sections 103 and 141-150 of the Code applicable to the Series 2020B Bonds through the term of the Series 2020B Bonds.

DEFAULTS AND REMEDIES

SECTION 701. Events of Default. Each of the following events shall be an Event of Default:

- (a) default in the payment of any interest on any Bond when due and payable;
- (b) default in the payment of the principal of any Bond when due and payable (whether at maturity, call for redemption or otherwise);
- (c) failure of the Issuer to observe any of its other covenants, conditions or agreements under this Indenture for a period of thirty (30) days after receipt of written notice (unless the Trustee shall agree in writing to an extension of such time prior to its expiration), specifying such failure and requesting that it be remedied, given by the Trustee to the Issuer, or in the case of any such default which cannot with due diligence be cured within such thirty (30) day period, failure of the Issuer to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence; or
- (d) an event of default shall occur under the Support Agreement.

SECTION 703. Remedies; Rights of Bondholders. (a) Upon the occurrence of an Event of Default, the Trustee may proceed to protect and enforce its rights as the assignee under the Support Agreement and the rights of the Bondholders by mandamus or other action, suit or proceeding at law or in equity for specific performance of any agreement herein contained.

(b) Upon the occurrence of an Event of Default, if requested to do so by the Owners of a majority in aggregate principal amount of Bonds then Outstanding and if indemnified as provided in Section 1001(g), the Trustee shall exercise such one or more of the rights and remedies conferred by this Article VII as the Trustee, upon being advised by counsel, shall deem most expedient in the interests of the Bondholders.

(c) No remedy conferred by this Indenture upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

(d) No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

(e) No waiver of any default or Event of Default hereunder, whether by the Trustee pursuant to Section 710 or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

(f) Nothing in this Article VII or elsewhere in this Indenture shall obligate the Issuer or the County to make payments with respect to the Bonds except from appropriations made by the County pursuant to the Support Agreement and from monies in the Project Fund transferred to the Trustee pursuant to Section 503(b) or Section 505 or from monies held in the Bond Fund.

SECTION 704. Right of Bondholders to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, but subject to Section 1001(g), the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the

enforcement of the terms and conditions of this Indenture or any other proceedings hereunder; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

SECTION 705. Application of Moneys. (a) All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article VII shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys, the expenses, liabilities and advances incurred or made by the Trustee and the fees of the Trustee in carrying out this Indenture or the Support Agreement, be deposited in the Bond Fund. All moneys in the Bond Fund shall be applied as follows:

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

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

Third: To the payment of the remaining principal due and unpaid on the Bonds, together with interest accrued and unpaid on such Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(b) Whenever moneys are to be applied pursuant to the provisions of this Section 705, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be the date such payment is due or has been declared to be due and payable unless another date is deemed by the Trustee to be more suitable) on which such application is to be made and on such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

(c) Whenever the principal of and interest on all Bonds have been paid under the provisions of this Section 705 and all expenses and charges of the Trustee have been paid, any balance remaining in the Bond Fund shall be paid to the Issuer.

(d) Nothing in this Article VII or elsewhere in this Indenture shall obligate the Issuer or the County to make payments with respect to the Bonds except from appropriations made by the County pursuant to the Support Agreement and from monies in the Project Fund transferred to the Trustee pursuant to Section 503 (b) or Section 505 or from monies held in the Bond Fund.

SECTION 706. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding instituted by the Trustee may be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the Owners of the Outstanding Bonds.

SECTION 707. Limitations on Suits. Except to enforce the rights given under Section 708, no Owner of any Bond shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust thereof; or any other remedy hereunder, unless (a) a default has occurred and is continuing of which the Trustee has been notified as provided in Section 1001(k), or of which by such Section 1001(k) it is deemed to have notice, (b) such default has become an Event of Default and the Owners of a majority in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) they have offered to the Trustee indemnity as provided in Section 1001(g), (d) the Trustee has for thirty (30) days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his or their own name or names, (e) no direction inconsistent with such written request has been given to the Trustee during such thirty (30) day period by the Owners of a majority in aggregate principal amount of Bonds then Outstanding and (f) notice of such action, suit or proceeding is given to the Trustee, it being understood and intended that no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner herein provided and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and offer of indemnity set forth above, at the option of the Trustee, shall be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

SECTION 708. Unconditional Right to Receive Principal and Interest. Nothing in this Indenture shall affect or impair the right of any Bondholder to enforce, subject to Sections 304 and 801 hereof, by action at law, payment of the principal of or interest on any Bond at and after the maturity thereof, or on the date fixed for redemption or (subject to the provisions of Section 702) on the same being declared due prior to maturity as herein provided, or the obligation of the Trustee on behalf of the Issuer to pay the principal of and interest on each of the Bonds issued hereunder to the respective Owners thereof at the time, place, from the source and in the manner herein and in the Bonds expressed.

SECTION 709. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the County, the Issuer and the Trustee shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

SECTION 710. Waivers of Events of Default. (a) The Trustee, in its discretion, may waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds and shall do so at the written request of the Owners of a majority in aggregate principal amount of Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Owners of all Bonds then Outstanding (i) any Event of Default in the payment of the principal of any Outstanding Bonds (whether at maturity or otherwise), or (ii) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission:

(A) there shall have been paid or provided for all arrears of interest in respect of which such default shall have occurred, all arrears of principal and all expenses of the Trustee in connection with such default, and

(B) in case of any such waiver or rescission or in the case of any discontinuance, abandonment or adverse determination of any proceeding taken by the Trustee on account of any such default, the Issuer, the County, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder respectively.

(b) No such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

GENERAL COVENANTS AND PROVISIONS

SECTION 801. Payment of Bonds; Subject to Appropriation. (a) The Trustee shall promptly pay when due the principal of (whether at maturity, call for redemption or otherwise) and interest on the Bonds, from the moneys held by the Trustee in the Bond Fund at the places, on the dates and in the manner provided herein and in the Bonds according to the true intent and meaning thereof. The Bonds are limited obligations of the Issuer. The Bonds and the interest thereon shall not be deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the Issuer and the County, and neither the Issuer nor the County shall be obligated to pay the principal of or interest on the Bonds or other costs incident thereto, except from the revenues and receipts derived from the County under the Support Agreement (the payment of such revenues and receipts being subject to annual appropriations of the Board of Supervisors of the County) and other moneys and amounts held by the Trustee under this Indenture, all such revenues, receipts, moneys and amounts specifically pledged in the manner and to the extent provided herein. Neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof, including the Issuer and the County, is pledged to the payment of the principal of or the interest on the Bonds or other costs incident thereto. The Issuer has no taxing power. Neither the officers nor directors of the Issuer nor any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof.

(b) Any payment obligations of the Issuer with respect to the Bonds, including (unless otherwise stated herein to the contrary) any fees and expenses of the Trustee, the Registrar and the Paying Agent, shall be payable solely to the extent moneys are available for such purposes to or on behalf of the Issuer by the County, such moneys being subject to annual appropriations by the Board of Supervisors of the County.

(c) The Support Agreement provides that the County Manager or other officer charged with the responsibility for preparing the County's Annual Budget shall include in the Annual Budget for each Fiscal Year as a single appropriation, the amount of all of the Authority's Payment Obligations coming due during such Fiscal Year. If such Annual Budget as it is adopted does not include the appropriation described above, the County has agreed in the Support Agreement to promptly (but no later than 3 Business Days after adoption) send written notice to the Issuer and the Trustee of the adoption of such Annual Budget without such appropriation. Throughout the term of the Support Agreement, the County Manager or other officer charged with the responsibility for preparing the County's Annual Budget has agreed to deliver to the Issuer and the Trustee, promptly after the adoption of the Annual Budget for each Fiscal Year, a certificate stating whether an amount equal to the Authority's Payment Obligations that will come due during such Fiscal Year has been appropriated by the Board of Supervisors in such Annual Budget.

If at any time during any Fiscal Year of the County, the amount appropriated in the Annual Budget for such Fiscal Year is insufficient to pay the Authority's Payment Obligations hereunder, the County Manager (or other officer charged with responsibility for preparing the Annual Budget) is directed by the Support Agreement to submit to the Board of Supervisors, at the next scheduled meeting of the Board of Supervisors, or as promptly thereafter as practicable, but in any event within 30 days, a request for a supplemental appropriation sufficient to cover the deficit.

SECTION 802. Non-Presentation of Bonds. (a) If any Bond shall not be presented for payment when the principal thereof becomes due (whether at maturity, by call for redemption or otherwise), all liability of the Issuer to the Owner thereof for the payment of such Bonds, shall forthwith cease, determine and be completely discharged if funds sufficient to pay such Bond and interest due thereon, if any, shall be held by the Trustee for the benefit of the Owner thereof, and thereupon, it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or on, or with respect to, such Bond.

(b) Any such moneys held by the Trustee remaining unclaimed for five (5) years after the principal of the Bonds has become due and payable (whether at maturity by call for redemption or otherwise) shall become the property of the Issuer payable to the County against the Issuer's written receipt therefor, and the Owner of such Bonds shall thereafter be entitled to look only to the County for payment thereof, which shall apply or hold such moneys in accordance with applicable law.

SECTION 803. Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Issuer, the County or the Trustee for the account of any of the Funds created by this Indenture, shall be held by the Trustee, the County or the Issuer, as the case may be, in trust, and except for moneys deposited with or paid to the Trustee for the prepayment of Bonds, notice of the prepayment of which has been duly given, shall, while held by the Trustee, the County or the Issuer, as the case may be, constitute part of the trust estate and be subject to the lien hereof.

SECTION 805. Covenants and Representations of the Issuer. The Issuer represents that it is duly authorized under the law of the Commonwealth to enter into this Indenture to assign certain of its rights under or to the Support Agreement to the Trustee, to issue the Bonds and generally to carry out and consummate the transactions contemplated by this Indenture. The Issuer further represents that all action on its part for the execution and delivery of this Indenture has been duly and effectively taken.

SECTION 808. Rights under Support Agreement. The Trustee in its own name or in the name of the Issuer may, but shall not be obligated to, enforce all rights of the Issuer and all payment obligations (subject to the provisions of Sections 304 and 801) of the Issuer with respect to the Bonds under and pursuant to the Support Agreement for and on behalf of the Bondholders, whether or not the Issuer is in default hereunder; provided, however, that nothing in this Section 808 shall be deemed to preclude the Issuer from enforcing the same.

SATISFACTION AND DISCHARGE

SECTION 901. Discharge. On payment in full of all of the Bonds, these presents shall cease, determine and be discharged, and then the Trustee, on receipt by the Trustee of an opinion of Counsel stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, shall (i) cancel and discharge this Indenture and (ii) assign and deliver to the County any money held by it relating to the Bonds; provided, however, that the cancellation and discharge of this Indenture pursuant to Section 902 does not terminate the powers and rights granted to the Trustee, the Registrar and the Paying Agent with respect to the payment, registration of transfer and exchange of the Bonds. If the Bonds are rated by a Rating Agency, the Trustee shall furnish such Rating Agency notice of payment in full of the Bonds.

SECTION 902. Provision for Payment of Bonds. (a) Bonds are deemed to have been paid within the meaning of Section 901 if:

(i) there has been irrevocably deposited with the Trustee either (A) sufficient money to pay the principal and interest due on all Outstanding Bonds or (B) Government Obligations of such maturities and interest payment dates and bearing such interest as will, in the opinion of a firm of independent certified public accountants or other verification agent acceptable to the Issuer and the County, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon (such earnings also to be held in trust), be sufficient together with any moneys referred to in subsection (a)(i)(A) above, for the payment at their respective maturities or redemption dates before maturity of the principal thereof and the interest to accrue thereon at such maturity or redemption dates, as the case may be;

(ii) there has been paid or provision duly made for the payment of all fees and expenses of the Trustee, the Registrar and the Paying Agent; and

(iii) if any Bonds are to be redeemed on any date before their maturity, the Trustee has received in form satisfactory to it irrevocable instructions from the Issuer at the direction of the County to redeem such Bonds on such date and either evidence satisfactory to the Trustee that all redemption notices required by this Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices has been granted to the Trustee.

(b) Limitations set forth elsewhere herein regarding the investment of moneys held by the Trustee are not to be construed as preventing the deposit and holding of the obligations described in subsection (a)(i)(B) of this Section 902 for the purpose of defeasing this Indenture as to Bonds which have not yet become due and payable. Notwithstanding any other provision of this Indenture to the contrary, all money deposited with the Trustee as provided in this Section 902 may be invested and reinvested, at the written direction of the Issuer, in Government Obligations maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the

hands of the Trustee under this Section 902 which is not required for the payment of the Bonds and interest thereon with respect to which such moneys have been so deposited shall be delivered to the County.

THE BOND TRUSTEE

SECTION 1003. Resignation; Successor Trustees. The Trustee and any successor Trustee may resign only on giving sixty (60) days' prior written notice to the Issuer and each Owner of Bonds then Outstanding as shown on the Register. Such resignation takes effect only on the appointment of a successor Trustee by the Issuer and the acceptance of such appointment by the successor Trustee. If no successor is appointed within sixty (60) days after the notice of resignation, the resigning party may appoint a successor or petition any court of competent jurisdiction to appoint a successor. On appointment of a successor Trustee, the resigning Trustee shall assign all of its right, title and interest in this Indenture and the security for the Bonds to the successor Trustee. The successor Trustee must be a bank or trust company with trust powers organized under the laws of the United States of America or any state of the United States, or the District of Columbia, having a combined capital stock, surplus and undivided profits aggregating at least \$100,000,000. Any successor Trustee shall accept in writing its duties and responsibilities hereunder, and such writing shall be filed with the Issuer.

SECTION 1004. Removal of Trustee. The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and the Issuer and signed by the Owners of a majority in aggregate principal amount of Bonds then Outstanding. During such time that no default has occurred and is continuing under this Indenture and no event has occurred which with the passage of time or giving of notice or both could result in such a default, the Trustee may also be removed by an instrument in writing delivered to the Trustee by the Issuer. Such removal shall take effect only on the appointment of a successor Trustee by the Issuer and the acceptance of such appointment by the successor Trustee. On such removal, the Trustee shall assign to the successor Trustee all of its right, title and interest in this Indenture and the security for the Bonds in the same manner as provided in Section 1003. If the Bonds are rated by a Rating Agency, notice concerning any change in the Trustee shall be furnished to such Rating Agency.

No provision of this Indenture requires the Trustee to expend its own funds or otherwise incur any financial liability in the performance of any of its duties under this Indenture, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Authority or the County shall provide to the Trustee an incumbency certificate listing designated persons with the authority to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Authority or the County elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority and the County agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising or caused, directly or indirectly by circumstances beyond its reasonable control including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions; loss or malfunctions of utilities, communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under any such circumstances.

**SUPPLEMENTAL INDENTURES;
AMENDMENTS TO INDENTURE AND SUPPORT AGREEMENT**

SECTION 1101. Supplemental Indentures. (a) The Issuer and the Trustee, without the consent of or notice to any Owners, may enter into an indenture or indentures supplemental to this Indenture that do not materially adversely affect the interest of the Owners for one or more of the following purposes:

(i) to grant to or confer on the Trustee for the benefit of the Owners, any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee;

(ii) to grant or pledge to the Trustee for the benefit of Owners any additional security other than that granted or pledged under this Indenture;

(iii) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute then in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States;

(iv) to appoint a successor Trustee in the manner provided in Article X;

(v) to modify, amend or supplement this Indenture for the purpose of obtaining or retaining a rating on the Bonds from a Rating Agency;

(vi) to modify, amend or supplement this Indenture to permit a transfer of Bonds from one securities depository to another or the discontinuance of the book-entry system and issuance of replacement Bonds to the beneficial owners;

(vii) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture that may be defective or inconsistent with any provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture which will not materially adversely affect the interest of the Owners;

(viii) to modify, amend or supplement this Indenture to permit the Registrar or the Paying Agent to assume any administrative duties of the Trustee hereunder or for the Trustee to assume any administrative duties of the Registrar and the Paying Agent hereunder; and

(ix) to make any change herein necessary, in the opinion of Bond Counsel, to maintain the exclusion of the interest on any Series 2020B Bonds from gross income of the Owners thereof for federal income tax purposes.

(b) When requested by the Issuer, and if all conditions precedent under this Indenture have been met, the Trustee shall join the Issuer in the execution of any such supplemental indenture unless it imposes additional obligations on the Trustee or adversely affects the Trustee's rights and immunities under this Indenture or otherwise. The Trustee shall promptly furnish a copy of all such supplemental indentures to the Registrar and the Paying Agent, and the Registrar and the Paying Agent shall be promptly advised of any modifications of their rights, duties and obligations hereunder. The Trustee may but shall not be obligated to enter into any such supplemental indenture which adversely affects the Trustee's own rights, duties or immunities.

(c) If the Bonds are rated by a Rating Agency, the Trustee shall forward copies of all supplemental indentures to such Rating Agency.

SECTION 1102. Amendments to Indenture; Consent of Owners.

(a) Exclusive of supplemental indentures covered by Section 1101 and subject to the terms and provisions contained in this Section 1102, and not otherwise, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and affected by such indenture or indentures supplemental hereto have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and direct the execution by

the Trustee of such other indenture or indentures supplemental hereto as the Issuer in its sole discretion shall consent to for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing contained in this Section 1102 permits, or may be construed as permitting, without the consent of the Owners of all Outstanding Bonds, (i) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Bond, or (ii) a reduction in the principal amount of or the rate of interest on any Bond, or (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for any consent to any supplemental indenture, or (v) a modification or change in the duties of the Trustee hereunder without the consent of the Trustee. The giving of notice to and consent of the Owners to any such proposed supplemental indenture must be obtained under Section 1104.

(b) If the Bonds are rated by a Rating Agency, the Trustee shall furnish copies of all supplemental indentures to such Rating Agency.

SECTION 1103. Amendments to Support Agreement Not Requiring Consent of Bondholders. Except as set forth in Section 1104 hereof, the Issuer and the Trustee shall without the consent of or notice to the Owners of the Bonds, consent to any amendment, change or modification of the Support Agreement, as may be required:

- (a) by the provisions of the Support Agreement or this Indenture;
- (b) for the purpose of curing any ambiguity or formal defect or omission therein; or
- (c) in connection with any other amendment, change or modification therein consented to by the County and the Issuer, except as otherwise limited by Section 1104 hereof.

SECTION 1104. Amendments to Support Agreement. (a) No amendment, change or modification may adversely affect the obligations of the County under the Support Agreement to request annual appropriations for the payment of the Authority's Payment Obligations and to pay, solely from amounts appropriated therefor, principal and redemption price of and interest on the Bonds as the same become due.

(b) The Trustee shall not consent to any amendment, change or modification of the Support Agreement, unless there shall have been filed with the Trustee an opinion of Bond Counsel that such amendment, change or modification is authorized or permitted by this Indenture and complies with its terms and that on execution it will be valid and binding on the party or parties executing it in accordance with its terms and will not adversely affect the exclusion of interest on the Series 2020B Bonds from gross income for federal income tax purposes.

MISCELLANEOUS

SECTION 1201. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or may be construed to give to any person other than the parties hereto, the Owners, the Registrar and the Paying Agent any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions herein being intended to be and being for the sole and exclusive benefit of the parties hereto, the Owners, the Registrar and the Paying Agent as herein provided.

SECTION 1204. Payments Due on Non-Business Days. If the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds is not a Business Day, then payment of such interest or principal need not be made on such date but will be made on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, and, in the case of such payment, no interest accrues for the period from and after such date.

SECTION 1210. No Personal Liability of the Issuer. No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of the Issuer or officer, director, employee or agent of the Issuer in its individual capacity, and neither the members of the Issuer nor any officer or director of the Issuer executing the Bonds shall be liable personally on the Bonds or be subject to any personal

liability or accountability by reason of the issuance thereof. No member of the Issuer or officer, director, employee, agent or advisor of the Issuer shall incur any personal liability with respect to any other action taken by him pursuant to this Indenture or the Act, provided such member, officer, employee, agent or advisor acts in good faith. The Issuer shall not be liable under any circumstances for the actions or omissions of the County under the Support Agreement.

EXCERPTS OF CERTAIN PROVISIONS OF THE SUPPORT AGREEMENT

DEFINITIONS OF CERTAIN TERMS USED IN THE SUPPORT AGREEMENT

“Agreement” means this Support Agreement, dated as of March 1, 2020, by and between the County and the Authority, and any amendments or supplements hereto.

“Annual Budget” shall mean the budget of the County for a Fiscal Year.

“Authority’s Payment Obligations” means (i) the obligations of the Authority with respect to the payment of the principal of the Bonds, together with the interest thereon, as and when due, (ii) the obligations of the Authority with respect to the commitment and other fees and expenses of the Trustee under the Indenture of Trust and under any successor agreement, if any, thereto, and (iii) the costs of issuance of the Bonds.

“Bonds” means, collectively, the Series 2020A Bonds and the Series 2020B Bonds.

“Business Day” shall have the meaning given to such term in the Indenture.

“Fiscal Year” shall mean the twelve-month period beginning July 1 of one year and ending June 30 of the following year, or such other fiscal year of twelve months as may be selected by the County.

“Indenture of Trust” means the Indenture of Trust, dated as of March 1, 2020, between the Authority and U.S. Bank National Association, as Trustee, and all amendments or supplements thereto.

“Series 2020A Bonds” means any and all of the Authority’s Revenue Bonds, Series 2020A (Henrico County Indoor Sports Facility Project) (Federally Taxable), issued under the Indenture of Trust.

“Series 2020B Bonds” means any and all of the Authority’s Revenue Refunding Bonds, Series 2020B (Henrico County Government Project) (Tax Exempt), issued under the Indenture of Trust.

“Trustee” means U.S. Bank National Association, or its successor, as trustee under the Indenture of Trust.

SECTION 4. Obligations of the Authority. The Authority shall cause the Trustee to deliver to the Authority and the County, annually on or prior to January 10, commencing January 10, 2021, a statement of the amounts on deposit in the Bond Fund as of that date. The Authority shall also cause the Trustee to deliver to the Authority and the County, annually on or before each January 10, commencing January 10, 2021, a statement of the Authority’s Payment Obligations coming due, or expected to be coming due, during the next succeeding Fiscal Year. The expected schedule of the Authority’s Payment Obligations coming due during each Fiscal Year, exclusive of fees and expenses of the Authority and the Trustee and subject to change upon any optional redemption of the Series 2020A Bonds, are set forth as Exhibit A to the Agreement.

SECTION 5. Obligations of the County. (a) Subject to annual appropriation by the Board of Supervisors, the County hereby covenants and agrees to provide funds sufficient to pay the Authority’s Payment Obligations with respect to the debt service on the Bonds as and when the same become due directly to the Trustee, it being understood that the Authority’s Payment Obligations with respect to regularly scheduled debt service on the Bonds shall be due and payable on August 1, 2020 and semiannually on each February 1 and August 1 thereafter, as set forth on Exhibit A to the Agreement. The County shall provide such funds, subject to annual appropriation, to pay regularly scheduled debt service on the Bonds no later than January 15 and July 15 of each year, commencing July 15, 2020. The County shall pay all fees and expenses of the Trustee, when due, directly to the Trustee, subject to annual appropriation. The County shall pay all fees and expenses of the Authority, when due, directly to the Authority

subject to annual appropriation. The County Manager of the County or other officer charged with the responsibility for preparing the County's budget shall include in the proposed Annual Budget for each Fiscal Year beginning on and after July 1, 2020 the amount of the Authority's Payment Obligations payable during such Fiscal Year, and the County Manager or other officer of the County shall use his or her best efforts to obtain the annual appropriations of the Authority's Payment Obligations throughout the term of this Agreement.

(b) In the event the Board of Supervisors shall fail to include in the adopted Annual Budget of the County for any Fiscal Year beginning on or after July 1, 2020 and appropriate funds sufficient to pay the Authority's Payment Obligations for such Fiscal Year as and when due, the County Manager or other officer charged with the responsibility for preparing the County's budget shall immediately and in no event more than thirty (30) days after such failure is discovered make an urgent request to the Board of Supervisors to amend the Annual Budget of the County for such Fiscal Year and to appropriate funds sufficient to pay the Authority's Payment Obligations for such Fiscal Year as and when due.

(c) The obligations of the County with respect to payment of the Authority's Payment Obligations hereunder are limited to the actions and obligations set forth in paragraphs (a) and (b) above, and the obligation to pay, when due, the Authority's Payment Obligations solely from and to the extent of amounts appropriated for such payment. It is to be understood that, upon there being included in the Annual Budget of the County for any Fiscal Year and the appropriation therefor having been made, effective as of the first day of such Fiscal Year, the County shall be obligated to pay the Authority's Payment Obligations for such Fiscal Year. Nothing herein, in the Bonds, or in the Indenture shall bind, obligate or require the Board of Supervisors to make any appropriation so requested hereunder.

(d) The County Manager agrees to provide written notice to the Authority and the Trustee if the Annual Budget is adopted without the annual appropriation for payment of the Authority's Payment Obligations not later than 3 Business Days after the date of adoption of the Annual Budget. The County Manager further agrees to provide a certificate to the Trustee and the Authority promptly upon adoption of the Annual Budget for each Fiscal Year, commencing with the Fiscal Year ending June 30, 2021, setting forth the amount, if any, appropriated for payment of the Authority's Payment Obligations for such Fiscal Year.

SECTION 7. Assignment to Trustee. Simultaneously with the execution of this Agreement, the Authority has entered into the Indenture of Trust by which the Authority has assigned all of its rights in and to this Agreement (except its rights to receive certain notices and to give consents) to the Trustee for the benefit of the Bondholders. The County hereby (i) consents to such assignment, (ii) agrees to execute and deliver such further acknowledgments, agreements and other instruments as may be reasonably requested by the Authority or the Trustee to effect such assignment, (iii) agrees to make all payments due to the Authority under this Agreement directly to the Trustee, and (iv) agrees to comply fully with the terms of such assignment so long as such assignment is not inconsistent with the provisions hereof. All references in this Agreement to the Authority shall include the Trustee for the benefit of the Bondholders and their successors and assigns, whether or not specific reference is made to the Trustee, unless the context requires otherwise.

SECTION 8. Defaults. (a) If any party to this Agreement fails to comply with any covenant or obligation set forth herein, the other party to this Agreement may proceed to protect and enforce its rights by an action for specific performance.

(b) Notwithstanding anything herein to the contrary, any failure of the County or the Authority to comply with any of its obligations in this Agreement shall not give rise to any right or remedy other than that described in Section 8(a) hereof. In no event shall the failure of the Board of Supervisors to appropriate funds for the payment of the Authority's Payment Obligations constitute an event of default hereunder.

(c) Upon any default or event of default by the County under this Agreement and any related documents, the County agrees promptly to provide notice to the Authority and the Trustee.

SECTION 9. Amendments. This Agreement may be amended by the parties hereto so long as such amendment complies with the requirements set forth in Section 1103 and Section 1104 of the Indenture of Trust.

SECTION 15. Limitation of Liability of Directors, etc. of Authority and County. (a) No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of the Authority or officer, director, employee or agent of the Authority in his individual capacity, and neither the members of the Authority nor any officer or director of the Authority executing any of the Bonds shall be liable personally on such Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No member of the Authority or officer, director, employee, agent or advisor of the Authority shall incur any personal liability with respect to any other action taken by him pursuant to this Agreement or the Act; provided such member, officer, employee, agent or advisor acts in good faith. The Authority shall not be liable under any circumstances for the actions or omissions of the County under this Agreement.

(b) No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future officer, director, employee or agent of the County in his or her individual capacity, and no officer, director, employee, agent or advisor of the Authority shall incur or be subject to any personal liability by reason of the issuance of the Bonds or with respect to any other action taken by him or her pursuant to this Agreement; provided such member, officer, employee, agent or advisor acts in good faith.

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PROPOSED FORM OF OPINION OF BOND COUNSEL

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Hawkins Delafield & Wood LLP

7 WORLD TRADE CENTER
250 GREENWICH STREET
NEW YORK, NY 10007
WWW.HAWKINS.COM

April 2, 2020

Board of Directors of the
Economic Development Authority
of Henrico County, Virginia
4300 East Parham Road
Henrico, Virginia 23228

Board of Supervisors of the
County of Henrico, Virginia
Administration Building
Henrico Government Center
4301 East Parham Road
Henrico, Virginia 23228

Dear Members of the Board of Directors and
Members of the Board of Supervisors:

\$50,000,000
ECONOMIC DEVELOPMENT AUTHORITY OF
HENRICO COUNTY, VIRGINIA
REVENUE BONDS, SERIES 2020A
(HENRICO COUNTY INDOOR SPORTS
FACILITY PROJECT)(FEDERALLY TAXABLE)

\$5,530,000
ECONOMIC DEVELOPMENT AUTHORITY OF
HENRICO COUNTY, VIRGINIA
REVENUE REFUNDING BONDS, SERIES 2020B
(HENRICO COUNTY GOVERNMENT
PROJECT)(TAX-EXEMPT)

At your request we have examined the validity of (i) \$50,000,000 principal amount of Revenue Bonds, Series 2020A (Henrico County Indoor Sports Facility Project) (Federally Taxable) (the "Series 2020A Bonds") and \$5,530,000 principal amount of Revenue Refunding Bonds, Series 2020B (Henrico County Government Project) (Tax-Exempt) (the "Series 2020B Bonds" and, together with the Series 2020A Bonds, the "Bonds") issued by the Economic Development Authority of Henrico County, Virginia (the "Authority"), under an Indenture of Trust, dated as of March 1, 2020 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as Trustee (the "Trustee") and (ii) the Support Agreement dated as of March 1, 2020 (the "Support Agreement"), by and between the County of Henrico, Virginia (the "County") and the Authority.

The Series 2020A Bonds are dated the date of issuance and delivery, are issued in fully registered form and are numbered R-2020A-1 upwards in order of issuance. The Series 2020B Bonds are dated the date of issuance and delivery and are issued in fully registered form and are numbered R-2020B-1 upwards in order of issuance. The Bonds mature on August 1 in each of the years and in the principal amounts set forth below, and bear interest, payable on August 1, 2020 and semiannually on each February 1 and August 1 thereafter, at the interest rates per annum set forth below:

Series 2020A Bonds

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020	\$2,265,000	1.352%	2030	\$2,465,000	2.077%
2021	2,120,000	1.382	2031	2,515,000	2.177
2022	2,150,000	1.402	2032	2,575,000	2.277
2023	2,180,000	1.400	2033	2,635,000	2.327
2024	2,215,000	1.453	2034	2,695,000	2.377
2025	2,245,000	1.553	2035	2,760,000	2.427
2026	2,285,000	1.697	2036	2,830,000	2.599
2027	2,325,000	1.797	2037	2,905,000	2.649
2028	2,365,000	1.927	2038	2,985,000	2.699
2029	2,415,000	2.007	2039	3,070,000	2.749

Series 2020B Bonds

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020	\$2,720,000	5.000%
2021	2,810,000	5.000

The Series 2020A Bonds are subject to redemption prior to the stated maturity dates on the terms and conditions set forth in the Indenture. The Series 2020B Bonds are not subject to redemption prior to maturity.

The Bonds are issued under and pursuant to and in full compliance with the Constitution and statutes of the Commonwealth of Virginia, including Chapter 49 of Title 15.2 of the Code of Virginia of 1950, as amended, a resolution adopted by the Board of Directors of the Authority on January 16, 2020 (the “Resolution”), and the Indenture. We have examined (i) the Constitution and statutes of the Commonwealth of Virginia, (ii) certified copies of proceedings of the Board of Directors of the Authority authorizing the issuance of the Bonds and the execution and delivery of the Indenture, the Support Agreement and the Bonds, (iii) certified copies of the proceedings of the Board of Supervisors of the County authorizing the execution and delivery of the Support Agreement, (iv) executed or certified copies of the Indenture and the Support Agreement, (v) such other papers, instruments, documents and proceedings as we have deemed necessary or advisable in order to render the opinions herein, and (vi) specimens of the Bonds.

The County’s obligation to make payments under the Support Agreement is subject to, and dependent upon, annual appropriations being made in each fiscal year by the Board of Supervisors of the County for such purpose.

All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Indenture.

Based on the foregoing, we are of the opinion that:

- (1) The Bonds have been duly authorized, executed and delivered by the Authority in accordance with the Resolution and the Indenture, and constitute valid and legally binding obligations of the Authority, enforceable in accordance with their terms, payable as to principal and interest solely from the funds provided pursuant to the Indenture derived from payments made by the County under the

Support Agreement, subject to annual appropriation by the Board of Supervisors of the County. The Bonds do not create or constitute a debt or pledge of the faith and credit or taxing power of the County, the Authority, the Commonwealth of Virginia, or any other any political subdivision thereof, and neither the Commonwealth of Virginia nor any political subdivision thereof, including the Authority and the County, is obligated to pay the Bonds or the interest thereon, or other costs incident thereto, except from the funds provided therefor pursuant to the Indenture and the Support Agreement.

(2) The Support Agreement has been duly authorized, executed and delivered by the Authority and the County, and constitutes a valid and legally binding obligation of the Authority and the County, respectively, enforceable in accordance with its terms, subject to judicial discretion, with respect to the enforcement of equitable remedies and to valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting the relief of debtors.

(3) The Indenture has been duly authorized, executed and delivered by the Authority, and assuming the due authorization, execution and delivery by the Trustee, constitutes a valid and legally binding obligation of the Authority enforceable in accordance with its terms, subject to judicial discretion, with respect to the enforcement of equitable remedies and to valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting the relief of debtors.

(4) Interest on the Series 2020A Bonds is not excludable from gross income for federal income tax purposes.

(5) Under existing statutes and court decisions and assuming continuing compliance by the County and the Authority with certain tax covenants as described herein, interest on the Series 2020B Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. In rendering our opinion in this paragraph (5), we have relied on certain representations, certifications of fact and statements of reasonable expectations made by the County and the Authority in connection with the Series 2020B Bonds, and we have assumed compliance by the County and the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2020B Bonds from gross income under Section 103 of the Code.

(6) Under the existing laws of the Commonwealth of Virginia, the interest on the Bonds is not includable in computing the Virginia income tax.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to our attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2020B Bonds.

Very truly yours,

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APPENDIX E

**DESCRIPTION OF THE DEPOSITORY TRUST COMPANY
AND THE BOOK-ENTRY SYSTEM**

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**DESCRIPTION OF THE DEPOSITORY TRUST COMPANY
AND THE BOOK-ENTRY SYSTEM**

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to The Depository Trust Company (“DTC”), New York, New York, its nominee, Participants, defined below, or Beneficial Owners, defined below, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and among DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued in the aggregate principal amount of each maturity of each series of the Bonds and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and the payment of redemption proceeds of, the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Registrar and Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registrar and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or to the Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the County believe to be reliable, but the Authority and the County take no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Certificate”), dated April 2, 2020, is executed and delivered by the County of Henrico, Virginia (the “County”) in connection with the issuance of \$50,000,000 aggregate principal amount of the Economic Development Authority of Henrico County, Virginia Revenue Bonds, Series 2020A (Henrico County Indoor Sport Facility Project) (Federally Taxable) (the “Series 2020A Bonds”), and \$5,530,000 aggregate principal amount of the Economic Development Authority of Henrico County, Virginia Revenue Refunding Bonds, Series 2020B (Henrico County Government Project) (Tax-Exempt) (the “Series 2020B Bonds” and, collectively with the Series 2020A Bonds, the “Bonds”), and pursuant to a resolution duly adopted by the Board of Supervisors of the County on February 11, 2020 (the “Resolution”). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article I hereof. Pursuant to the Resolution, the County agrees as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. Definitions. The following terms used in this Certificate shall have the following respective meanings:

(1) “Annual Financial Information” means, collectively, (i) updated versions of the financial information and operating data with respect to the County for each fiscal year included in the County’s Comprehensive Annual Financial Report and updated versions of the financial information and operating data with respect to the County included in the Official Statement and in Appendix A to the Official Statement, including, without limitation, under the caption “SELECTED FINANCIAL INFORMATION”, including the subcaptions “–Revenues”, “–Disbursements”, “–Summary of General Fund Revenues, Expenditures and Fund Balances”, “–Summary of Annual Fiscal Plan for the Fiscal Year Ending June 30, 2020” and “–Taxable Retail Sales Data”, “TAX BASE DATA”, including the tables “Assessed Value”, “Property Tax Rates”, “Property Tax Levies and Collections for Last Ten Fiscal Years”, “Vehicle and Business License Receipts” and “Principal Taxpayers as of June 30, 2019”, and “DEBT ADMINISTRATION”, including the subcaptions “–Issuance and Authorization of Bonded Indebtedness”, “–General Obligation Bond Amortization Requirements”, including the tables “Total General Obligations Bonds” and “Total Leases with the Economic Development Authority”, “–Debt Ratios”, including the tables, “–Trend of Net Long-Term Indebtedness as a Percentage of Assessed Value of Taxable Property”, “– Trend of Debt Service Requirements as a Percentage of General Disbursements”, “– Lease Commitments and Contractual Obligations and EDA Lease Revenue Bonds”, “– Joint Ventures”, “– Employee Retirement and Pension Plans”, “–Other Post Employment Benefits” and “–Capital Improvement Program”, including the table “Capital Improvement Program Summary”, and (ii) information regarding amendments to this Certificate required pursuant to Sections 4.2(d) and (e) of this Certificate. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 1.1(1)(i) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that is no longer regularly updated, generated or maintained by the County or that can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the County, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; *provided, however*, that,

pursuant to Section 4.2(a) and (e) hereof, the County may from time to time, if required by federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. Notice of any such modification required by Section 4.2(a) hereof shall include a reference to the specific federal or State law or regulation describing such accounting principles or other description thereof.

(3) “Counsel” means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “Financial Obligation” means “financial obligation” as such term is defined in the Rule. The term *financial obligation* as defined in the Rule means (a) a debt obligation, (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or guarantee of the Financial Obligations described in clauses (a) and (b). The term *financial obligation* shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(5) “GAAP” means generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board or any successor to the duties and responsibilities of either of them.

(6) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934 or any successor thereto or to the functions of the MSRB contemplated by this Certificate.

(7) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the County or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the County;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

- (xiii) the consummation of a merger, consolidation or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (xv) incurrence of a Financial Obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect Bondholders, if material; and
 - (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.
- (8) “Official Statement” means the Official Statement, dated February 25, 2020, relating to the Bonds.
- (9) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities and Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Certificate, including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.
- (10) “SEC” means the United States Securities and Exchange Commission.
- (11) “State” means the Commonwealth of Virginia.
- (12) “Unaudited Financial Statements” means the same as Audited Financial Statements, except the same shall not have been audited.
- (13) “Underwriters” means J.P. Morgan Securities LLC, BofA Securities, Inc. and Citigroup Global Markets Inc.

ARTICLE II

THE UNDERTAKING

SECTION 2.1. Purpose. This Certificate is being executed and delivered solely to assist the Underwriters in complying with paragraph (b)(5) of the Rule.

SECTION 2.2. Annual Financial Information. (a) The County shall provide Annual Financial Information for the County with respect to each fiscal year of the County, commencing with fiscal year ending June 30, 2020, by no later than nine (9) months after the end of the respective fiscal year, to the MSRB.

(b) The County shall provide, in a timely manner, notice of any failure of the County to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

SECTION 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 2.2(a) hereof, the County shall provide Audited Financial Statements, when and if available, to the MSRB.

SECTION 2.4. Notice Events. (a) If a Notice Event occurs, the County shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to the MSRB.

(b) Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

SECTION 2.5. Additional Information. Nothing in this Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or notice of a Notice Event hereunder, in addition to that which is required by this Certificate. If the County chooses to do so, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

SECTION 2.6. Additional Disclosure Obligations. The County acknowledges and understands that other federal and State laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the County and that, under some circumstances, compliance with this Certificate without additional disclosures or other action may not fully discharge all duties and obligations of the County under such laws.

SECTION 2.7. Previous Non-Compliance. The County has agreed in certain of its existing continuing disclosure undertakings to provide certain financial and operating data (the "Annual Report"), including certain data relating to taxable retail sales in the County, vehicle and business license receipts of the County, and certain information relating to the County's five-year capital improvement plan (collectively referred to herein as the "Supplemental Information"). For the fiscal years ended June 30, 2012 through June 30, 2016, inclusive, this Supplemental Information was not included in the Annual Reports filed by the County on the MSRB's EMMA website. On April 24, 2017 the County filed a failure to file notice on EMMA relating to the Supplemental Information, together with the Supplemental Information required for the fiscal years ended June 30, 2012 through June 30, 2016.

The County has also agreed in certain disclosure undertakings to provide certain information as to the County's budgeted annual fiscal plan in its Annual Report. Although the Annual Reports filed by the County on the EMMA website for the fiscal years ended June 30, 2015 through June 30, 2018, inclusive, provided the website address of the County where such annual fiscal plan information was posted, the County failed to include such annual fiscal plan information in the Annual Reports filed on EMMA. On February 24, 2020, the County filed a notice on the EMMA website relating to the late filing of such information, together with the required information relating to the County's budgeted annual fiscal plan for the fiscal years ended June 30, 2016 through June 30, 2019, inclusive.

ARTICLE III

OPERATING RULES

SECTION 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the County provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet website (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section 3.1 shall not apply to notices of Notice Events pursuant to Section 2.4 hereof.

SECTION 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents and at one time or in part from time to time.

SECTION 3.3. Dissemination Agents. The County may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the County under this Certificate and revoke or modify any such designation.

SECTION 3.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet website address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 3.5. Fiscal Year. (a) The County's current fiscal year is July 1 to June 30, and the County shall promptly notify the MSRB of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than twelve (12) calendar months.

ARTICLE IV

EFFECTIVE DATE, TERMINATION, AMENDMENT AND ENFORCEMENT

SECTION 4.1. Effective Date; Termination. (a) This Certificate shall be effective upon the issuance of the Bonds.

(b) The County's obligations under this Certificate shall terminate upon legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Certificate, or any provision hereof, shall be null and void in the event that (i) the County shall have received an opinion of Counsel, addressed to the County, to the effect that those portions of the Rule which require this Certificate, or any such provision, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed or otherwise, as shall be specified in such opinion, and (ii) the County shall have delivered copies of such opinion to the MSRB.

SECTION 4.2. Amendment. (a) This Certificate may be amended by written certificate of the Director of Finance of the County, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the County or the type of business conducted thereby, (ii) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any

amendments or interpretations of the Rule, as well as any change in circumstances, (iii) the County shall have received an opinion of Counsel, addressed to the County, to the same effect as set forth in clause (ii) above, (iv) the County shall have received an opinion of Counsel, addressed to the County, or a determination by an entity, in each case unaffiliated with the County (such as Bond Counsel), to the effect that the amendment does not materially impair the interests of the holders of the Bonds and (v) the County shall have delivered copies of such opinions and amendment to the MSRB.

(b) This Certificate may be amended by written certificate of the Director of Finance of the County, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Certificate, (ii) the County shall have received an opinion of Counsel to the effect that performance by the County under this Certificate as so amended will not result in a violation of the Rule and (iii) the County shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Certificate may be amended by written certificate of the Director of Finance of the County, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (i) the County shall have received an opinion of Counsel, addressed to the County, to the effect that the amendment is permitted by rule, order or other official pronouncement or is consistent with any interpretive advice or no-action positions of the Staff of the SEC and (ii) the County shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Certificate results in a change in the types of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 4.2(a) hereof to the accounting principles to be followed by the County in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 4.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Certificate. The provisions of this Certificate shall create no rights in any person or entity except as provided in this subsection (a) and subsection (b) of this Section 4.3.

(b) The obligations of the County to comply with the provisions of this Certificate shall be enforceable by the holders of the Bonds, including beneficial owners thereof. The rights of the Bondholders to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the County's obligations under this Certificate. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section 4.3, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the County to perform in accordance with this Certificate shall not constitute a default under the Resolution, and any rights and remedies provided by the Resolution upon the occurrence of a default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, without regard to its conflict of laws rules, and any suits and actions arising out of this Certificate shall be instituted and tried only in the Circuit Court of the County or the United States District

Court for the Eastern District of Virginia, Richmond Division; *provided, however*, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the date first above written.

COUNTY OF HENRICO, VIRGINIA

By: _____
Director of Finance

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